**UNITED STATES DISTRICT COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| RUSSELL SLIFER,<br><br>Plaintiff,<br><br>v.<br><br>CANTOR TECHNOLOGY, L.P.,<br><br>Defendant. | Civil Action No. 14-CV-9661 (ALC)(SN) |

# MEMORANDUM OF LAW IN SUPPORT OF CANTOR TECHNOLOGY, L.P.'S RULE 72(a) OBJECTION TO THE OCTOBER 13, 2016 DISCOVERY RULING OF MAGISTRATE SARAH NETBURN

Michael S. Popok, Deputy General Counsel
David A. Paul, Assistant General Counsel
110 East 59th Street, 7th Floor
New York, New York 10022
(212) 610-3578 (MSP)
(212) 610-2298 (DAP)
*Attorneys for Defendant Cantor Technology, L.P.*

DOCKET ALARM
Find authenticated court documents without watermarks at docketalarm.com.

**PRELIMINARY STATEMENT**

The parties participated in a discovery hearing on October 13, 2016. While no written order issued, the Magistrate Judge issued a verbal order requiring Cantor to produce certain documents and to make Cantor's Chief Technology Officer available for a Rule 30(b)(6) deposition by October 31, 2016. The ordered discovery, however, essentially endorses an impermissibly speculative and improper damages theory, which Cantor has already sought permission to preclude through a motion for summary judgment. As part of that discovery, for example, Judge Netburn ordered Cantor's Chief Technology Officer to testify not only about Cantor's products and technology, but also to compare Cantor's products to the patents-at-issue and to provide opinions as to whether Cantor's technology falls within the scope of the patent claims. Such discovery has no bearing on the breach of contract at-issue in the Complaint, but seeks improper expert opinions regarding patent infringement and damages from patent infringement. The October 13, 2016 verbal order should be reversed, or at a minimum, reversed-in-part.

Specifically, on October 4, 2016, Cantor sought the Court's leave to file a motion for summary judgment precluding Slifer from pursuing a speculative damages theory divorced from the language of the Agreement and premised on unsupported patent infringement theories. Cantor's motion will demonstrate that Slifer should be limited to the recovery spelled out in the Agreement, and is thus precluded from recovering under other speculative, non-contract-based theories. The discovery ordered by Judge Netburn is only relevant to damages theories premised on underlying patent ownership and infringement. Should summary judgment be granted, the ordered discovery will not be relevant to any issue remaining in this case. Cantor objects to the October 13 discovery order in light of its pending request to file a summary judgment motion. Accordingly, Cantor requests that the discovery ordered be stayed pending resolution of Cantor's

DOCKET ALARM Find authenticated court documents without watermarks at docketalarm.com.

summary judgment motion, and, should that motion be granted, requests that the order be reversed in its entirety.

In addition, to the extent the October 13 order requires Cantor's Chief Technology Officer to opine on the meaning, scope, and application of the patents-in-issue, it should further be reversed. Such testimony is not appropriate in the instant case and should not be provided by a Cantor fact witnesses.

Defendant Cantor Technology, L.P. ("Cantor" or "Defendant"), pursuant to 28 U.S.C. § 636(b)(1)(A) and Rule 72(a) of the Federal Rules of Civil Procedure, hereby objects to Magistrate Judge Netburn's October 13, 2016 Discovery Order (the "Order").[1] Accordingly, and for the reasons set forth below, Cantor's objection to the Order should be sustained.

## BACKGROUND

As previously briefed, Cantor and Slifer executed a Patent Assignment Agreement (the "Agreement") on August 29, 2008. (Ex. 1) The Parties have previously addressed the formation of the Agreement in question and the terms of that Agreement. (Dkt. No. 22.) In relevant part, the Agreement expressly limited the ***maximum amount*** of Royalties that could ever possibly be paid to Slifer under the Agreement to $250,000. (Ex. 1 at ¶ 3(b), (d).) Paragraph 3(b) defines the Maximum Amount payable under the Agreement, stating that "Cantor shall pay Slifer royalties ("Royalties"), ***not to exceed two hundred fifty thousand dollars ($250,000) (the "Maximum Amount") in the aggregate***, in the amount of 10% of any Net Income." (Ex. 1 at ¶ 3(b) (emphasis added).) Paragraph 3(d) refers to this Maximum Amount again

> If Seller has been paid less than one hundred thousand dollars ($100,000.00) during the time period from the Effective Date to sixty months after the Effective Date, Cantor shall, in Cantor's sole and exclusive discretion,

[1] The transcript from the hearing held before the Magistrate Judge on October 13, 2016 is not yet available. Cantor makes this application before the transcript is available in light of the tight timeframe set by the Magistrate Judge.

DOCKET ALARM Find authenticated court documents without watermarks at docketalarm.com.

> either (i) assign back to Slifer all of Cantor's right, title and interest in the Patent Rights; or (ii) pay Minimum Royalty Payments each year beginning at the end of sixty months from the Effective Date of this Agreement (***but for the avoidance of doubt in no event will more than the Maximum Amount in the aggregate ever be paid to Seller***). Minimum Royalty Payments means $50,000.00 per year provided the Patent Rights have not been invalidated, rendered unenforceable, or rendered incapable of generating Net Income, and Minimum Royalty Payments means $0 otherwise.

(Ex. 1 at ¶ 3(b) (emphasis added).)

Slifer acknowledged that $250,000 was the Maximum Amount due under the Agreement, stating in the Complaint that "[f]ailure to generate at least $50,000 in Royalties would require Cantor to make a choice: either make $250,000 in additional payments—the Maximum Amount, as defined by paragraph 3(b) —or simply 'assign back' the Patents to Slifer." (Complaint at ¶ 18.) In its Request for Relief, Slifer demanded "[c]ompensatory damages in the amount of $250,000.00, representing the Minimum Royalty Payments due on August 29 of 2013, 2014, 2015, 2016, and 2017 under Paragraph 3(d) of the Agreement."

The Agreement further granted Cantor the option of assigning back the patents to Slifer. (Ex. 1 at ¶ 3(d).) But the language of the Agreement made clear that the choice regarding assignment was "at Cantor's sole and exclusive discretion." (*Id.* ("Cantor shall, in ***Cantor's sole and exclusive discretion***, either (i) assign back to Slifer all of Cantor's right, title and interest in the Patent Rights") (emphasis added).) Slifer repeatedly confirmed that the choice to assign back the patent rights remained solely with Cantor (Complaint at ¶¶ 16, 18-19.)

Despite the clear language of the Agreement, Slifer maintains that he is entitled to millions of dollars in damages under speculative and unsubstantiated patent damages theories. Under those theories, Slifer has sought discovery related to Cantor's revenues, costs, and the like, as well as information pertaining to whether Cantor's technology and products practice the patent claims. This discovery is the subject of the October 13, 2016 discovery order. This

DOCKET ALARM Find authenticated court documents without watermarks at docketalarm.com.

discovery is only relevant to Slifer's non-contract-based theories. If Slifer is precluded from pursuing these impermissibly speculative theories, the ordered discovery will be moot.

## LEGAL STANDARDS

Rule 72(a) of the Federal Rules of Civil Procedure permits parties to "serve and file objections" to a nondispositive order of a Magistrate Judge. The District Judge, to whom such objections are made, "must consider timely objections and modify or set aside any part of the order that is clearly erroneous or is contrary to law." Fed. R. Civ. P. 72(a); *JSC Foreign Econ. Ass'n Technostroyexport* v. *Int'l Dev. & Trade Servs., Inc.*, 220 F.R.D. 235, 237 (S.D.N.Y. 2004) ("The issue raised by the defendants Objections is whether the Magistrate Judge's orders . . . were clearly erroneous or contrary to law."). An order is clearly erroneous "when the reviewing court is firmly convinced the lower court decided an issue in error." *Catskill Dev., L.L.C. v. Park Place Entm't Corp.*, 206 F.R.D. 78, 86 (S.D.N.Y. 2002); *see also In re Comverse Tech., Inc. Sec. Litig.*, 06 Civ. 1875, 2007 WL 680779, at *2 (E.D.N.Y. Mar. 2, 2007) ("A magistrate judge's findings may be considered clearly erroneous where on the entire evidence, the [district court] is left with the definite and firm conviction that a mistake has been committed") (internal quotation marks omitted). "An order may be deemed contrary to law when it fails to apply or misapplies relevant statutes, case law or rules of procedure." *Catskill Dev.*, 206 F.R.D. at 86 (internal quotation marks omitted). The District Judge conducts a de novo review of the order. Fed. R. Civ. P. 72(c).

## ARGUMENT

The discovery ordered by Judge Netburn is related solely to Slifer's claims for damages based on speculative, non-contract-based theories. But, as Cantor will demonstrate on summary judgment, Slifer is not entitled to any such recovery. Cantor respectfully requests it be permitted to pursue summary judgment on the grounds that the maximum recoverable amount in this

DOCKET ALARM Find authenticated court documents without watermarks at docketalarm.com.

DOCKET ALARM

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

**LAW FIRMS**
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

**FINANCIAL INSTITUTIONS**
Litigation and bankruptcy checks for companies and debtors.

**E-DISCOVERY AND LEGAL VENDORS**
Sync your system to PACER to automate legal marketing.