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DIAGNOSTIC SYSTEMS CORPORATION

14 UNITED STATES DISTRICT COURT

15 CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

16 DIAGNOSTIC SYSTEMS CORP.,
17 *Plaintiff,*
18 vs.
19 SYMANTEC CORPORATION; *et al.*
20 *Defendants.*

CASE NO. SA CV 06-1211 DOC (ANx)
(**CONSOLIDATED** with Case No.
SACVO7-960 AG (MLGx))

**PLAINTIFF'S EX PARTE MOTION
TO STAY COURT ORDER
PENDING WRIT OF MANDAMUS**

21 DIAGNOSTIC SYSTEMS CORP.,
22 *Plaintiff,*
23 vs.
24 ORACLE CORPORATION, *et al.*

CASE NO. SA CV 06-1211 DOC (ANx)
(**CONSOLIDATED** with Case No.
SACVO7-960 AG (MLGx))

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PLAINTIFF'S EX PARTE MOTION TO STAY
COURT ORDER PENDING WRIT OF MANDAMUS

1 Pursuant to FED. R. APP. P. 8(a)(1)(A) and L.R. 7-19 Plaintiff, Diagnostic
2 Systems Corporation (“DSC”), moves this Court for an order staying its August 14,
3 2008, Order Adopting Report of Special Master/Discovery Referee with Some
4 Modifications (Dkt. No. 558).

5 **I. INTRODUCTION**

6 This Motion to Stay is brought on the grounds that DSC is in the process of
7 preparing to file a petition for writ of mandamus with United States Court of
8 Appeals seeking review of the Court’s Order that numerous documents are not
9 protected under the attorney-client privilege and the work product doctrine. DSC
10 believes the Court committed a clear abuse of discretion by basing its decisions on
11 the erroneous notion that patent licensing companies such as DSC are entitled to less
12 protection for their attorney-client communications than a company engaged in any
13 other type of business.

14 A Motion to Stay is necessary to preserve DSC’s privileges until the Court of
15 Appeals has an opportunity to evaluate DSC’s writ of mandamus. Failure to grant
16 this Motion will cause irreparable harm by either forcing DSC to disclose its
17 privileged communications or by forcing DSC into civil contempt. Respectfully,
18 DSC asks this Court to allow DSC to avail itself of its right to appellate review of
19 the Court’s order via writ of mandamus, and to stay its Discovery Order No. 558
20 until the Court of Appeals has had an opportunity to rule on DSC’s mandamus
21 request.

22 **II. FACTUAL BACKGROUND**

23 On September 11, 2007, NetScout Systems, Inc. filed its Motion to Compel
24 the production of DSC’s privileged documents.¹ On April 4, 2008, this Court
25 referred the Motion to Discovery Referee, the Hon. James L. Smith.² On August 12,
26 2008, this Court adopted the vast majority of Judge Smith’s recommendations, and
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28 ¹ See Dkt. No. 121.

² See Dkt. No. 456.

1 ordered approximately 550 of DSC's 1302 privileged documents to be produced by
 2 August 27, 2008.³ According to the Court, DSC mislabeled over 550 of these
 3 communications because they related to non-privileged business goals of DSC and
 4 its parent corporations, rather than privileged attorney-client communications or
 5 communications made in anticipation of litigation.⁴ According to the Court's Order,
 6 the business goals of DSC and its parents, as reflected in the 550-plus documents,
 7 are the licensing of the technology that is the subject of this lawsuit.⁵

8 In its writ of mandamus, DSC will allege that the District Court committed a
 9 clear abuse of discretion when evaluating DSC's privileged documents.⁶ DSC
 10 believes that rather than evaluating the content and purpose of the communication,
 11 the Discovery Referee and District Court based their decisions on the nature of the
 12 business model of DSC and its parent corporations.⁷ DSC will allege that because
 13 part of its business is to license intellectual property, its attorney-client
 14 communications were afforded less protection than that of any other business
 15 engaged in additional endeavors.⁸ DSC believes this is an important question of
 16 first impression for the Court of Appeals to resolve.⁹

17 **III. ARGUMENT**

18 **A. A Stay is Necessary to Prevent Irreparable Harm to DSC.**

19 Under Federal Appellate Rule 8(a)(1)(A), a petitioner seeking stay of a
 20 court's order pending a writ of mandamus must first move the District Court for a
 21 stay.¹⁰ Accordingly, DSC seeks a stay with this Court. The standard for granting a
 22 stay is governed by a four-part test: (1) whether the applicant has made a strong
 23 showing that he is likely to succeed on the merits; (2) whether the applicant will be

24 ³ See Dkt. No. 558.

25 ⁴ *Id.* at 4.

26 ⁵ *Id.*

26 ⁶ See Decl. of Jeffrey R. Bragalone at ¶ 2.

27 ⁷ *Id.* at ¶ 3.

27 ⁸ *Id.* at ¶ 4.

28 ⁹ *Id.* at ¶ 5.

¹⁰ See FED. R. APP. P. 8(a)(1).

1 irreparably injured absent a stay; (3) whether the issuance of a stay will substantially
2 injure the other parties interested in the proceeding; and (4) where the public interest
3 lies.¹¹ Each factor need not be given equal weight,¹² nor do the factors represent
4 “rigid rules.”¹³ Rather, the four factors contemplate individualized judgments based
5 on the facts and circumstances of each case.¹⁴

6 Here, a stay is necessary to prevent irreparable harm to DSC. The Court has
7 ordered production of DSC’s privileged documents on or before August 27, 2008.
8 DSC will file its writ of mandamus with the appellate court on or before August 25,
9 2008, but it is extremely unlikely that the Court of Appeals will accept or reject the
10 writ prior to this Court’s August 27, 2008, production deadline.

11 Without this Court granting a Motion to Stay and without a ruling on the writ
12 prior August 27th, DSC faces a Hobson’s choice. Either DSC discloses the
13 privileged documents and renders its writ of mandamus moot, or it fails to disclose
14 the documents and risks being in violation of the Court’s August 14, 2008, Order.
15 Given DSC’s good-faith belief that its claims of privilege have substantial merit,
16 DSC should not be subject to the irreparable harm of disclosing the privileged
17 information it seeks to protect.

18 The other three factors, while less important in the case of an appeal from a
19 ruling on privileged documents, also favor granting a stay.¹⁵ Given the mistake by
20 the District Court—focusing on the nature of DSC’s business rather than the content
21

22 ¹¹ *Standard Haven Prods., Inc. v. Gencor Indus., Inc.*, 897 F.2d 511, 512 (Fed. Cir.
23 1990) (internal citations omitted); *Golden Gate Restaurant Ass’n v. City & County*
24 *of San Francisco*, 512 F.3d 1112, 1115 (9th Cir. 2008).

24 ¹² *Standard Haven*, 897 F.2d at 512 (citing *Providence Journal Co. v. Fed. Bureau*
25 *of Investigation*, 595 F.2d 889, 890 (1st Cir. 1979))

25 ¹³ *See Hilton v. Braunskill*, 481 U.S. 770, 776 (1987); *see also Golden Gate*, 512
26 F.3d at 1115-1116 (describing the 9th Circuit’s approach synthesizing the four-
27 factor test on a case-by-case, sliding scale basis) (internal citations omitted).

27 ¹⁴ *See Hilton*, 481 U.S. at 476.

28 ¹⁵ *See Standard Haven*, 897 F.2d at 513 (“When harm to applicant is great enough, a
court will not require ‘a strong showing’ that applicant is ‘likely to succeed on the
merits.’”) (internal citations omitted).

1 of its communications—DSC is likely to succeed on the merits at the Court of
 2 Appeals.¹⁶ Further, the nine defendants will suffer little to no harm if the District
 3 Court enters a stay, as not a single defendant has itself produced a complete
 4 privilege log (indeed, several have not yet produced *any* privilege log); although
 5 DSC has completed its production, the parties are currently awaiting the completion
 6 of document production by numerous defendants. Thus, the overall progress of the
 7 case should not be delayed by the mandamus action. Moreover, none of the
 8 defendants have served any pending deposition or any other outstanding discovery
 9 request that is contingent upon the production of DSC’s disputed documents.

10 **B. A Writ of Mandamus is the Proper Vehicle to Challenge the**
 11 **Court’s Discovery Order.**

12 DSC is within its right to seek a writ of mandamus to prevent disclosure of its
 13 privileged communications.¹⁷ As a matter of law, appeal after disclosure of the
 14 privileged communication is an inadequate remedy.¹⁸ Mandamus review of a
 15 discovery order on claims of privilege is appropriate if: (1) the petitioner has no
 16 other means, such as appeal, to obtain the desired relief; (2) the petitioner will be
 17 damaged or prejudiced in a way not correctable on appeal; (3) the district court
 18 order is clearly erroneous as a matter of law; (4) the district court’s order manifests a
 19 persistent disregard for the federal rules; or (5) the district court order raises an issue
 20 of first impression.¹⁹ Mandamus review is also available if immediate resolution
 21 would avoid the development of doctrine that would undermine privilege.²⁰

22 _____
 23 ¹⁶ See Decl. of Jeffrey R. Bragalone at ¶¶ 6-8.

24 ¹⁷ *In re the Regents of the Univ. of Cal.*, 101 F.3d 1386, 1387 (Fed. Cir. 1996)
 25 (holding a writ of mandamus “may be sought to prevent the wrongful exposure of
 26 privileged communications.”); *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800,
 804 (Fed. Cir. 2000) (same); *Admiral Ins. Co. v. U.S. Dist. Ct. for the Dist. of Ariz.*,
 881 F.2d 1486, 1490 (9th Cir. 1988) (stating review of discovery order through
 mandamus appropriate under proper circumstances).

27 ¹⁸ *Id.*

28 ¹⁹ *Admiral Ins. Co.*, 881 F.2d at 1490-91 (citing *Baumann v. U.S. Dist. Ct.*, 557 F.2d
 650, 654-55 (9th Cir. 1977)).

²⁰ See *In re the Regents of the Univ. of Cal.*, 101 F.3d at 1387 (citing *Schlagenhauf*

1 DSC meets several of these elements. As set forth in the Declaration of
 2 Jeffrey R. Bragalone, DSC's writ of mandamus will raise an important question of
 3 first impression with the Court of Appeals: Whether a company that licenses
 4 intellectual property as part of its business should be afforded less protection over its
 5 privileged communications than that of any other business engaged in additional
 6 business endeavors.²¹ In addition, this Court improperly sustained the Discovery
 7 Referee's finding that certain communications clearly protected as attorney-client
 8 communications (including some between in-house counsel and outside litigation
 9 counsel) should be produced.²² It is axiomatic that DSC will lose its privilege over
 10 the disputed documents if it must comply with the District Court's Order prior to the
 11 Circuit Court of Appeal's decision on its writ of mandamus.

12 **IV. *EX PARTE* APPLICATION IS NECESSARY**

13 DSC's filing of the Motion to Stay *ex parte* in compliance with L.R. 7-19 is
 14 necessary given the expedited nature of the request it is seeking. DSC has conferred
 15 with the original movant, NetScout Systems, Inc., and NetScout's counsel has stated
 16 that it opposes the Motion to Stay. Moreover, each and every defendant was alerted
 17 to this Motion to Stay, contemporaneous with its filing, by electronic mail, on
 18 August 19, 2008. Further, all counsel of record also received a copy of this Motion
 19 to Stay pursuant to the recitals in the Certificate of Service.

20 **V. CONCLUSION**

21 For the reasons stated above, DSC respectfully requests the Court enter an
 22 order staying its Order No. 558 until the Court of Appeals determines whether to
 23 accept DSC's writ of mandamus, and if the appellate court accepts the mandamus,
 24 maintain the stay until the appellate court issues a ruling on the mandamus.

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28 ²¹ *Holder*, 379 U.S. 104 (1964)).

²² Decl. of Jeffrey R. Bragalone at ¶ 4.

²² *Id.* at ¶¶ 6-8.

1 Dated: August 19, 2008

Respectfully submitted,

2
3 By: /s/ Jeffrey R. Bragalone

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PROOF OF SERVICE

I, Rachel Myrick declare:

I am over the age of 18 years, am not a party to this Action, and am employed in the County of Dallas, Texas. My business address is SHORE CHAN BRAGALONE LLP, 325 N. St. Paul, Suite 4450, Dallas, Texas 75201.

On August __, 2008, I caused to be served the following attached documents on the following individuals and entities, as addressed below in the Service List, by the means indicated below:

PLAINTIFF’S EX PARTE MOTION TO STAY COURT ORDER PENDING WRIT OF MANDAMUS

___ **BY FEDERAL EXPRESS.** I caused above-identified document(s) to be placed in a sealed Federal Express envelope(s) with delivery fees fully prepaid, for delivery to addressee(s) on the next business day.

___ **BY FACSIMILE.** I caused the above-identified document(s) to be sent by facsimile transmission to the party(ies) listed below at the facsimile number(s) shown.

___ **BY HAND DELIVERY.** I directed a messenger/courier to personally deliver said document(s) to the addressees identified below on the same business day.

___ **BY U.S. MAIL.** I caused the above-identified document(s) to be deposited for collection at Shore Chan Bragalone following the regular practice for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service on this day.

X **ELECTRONIC MAIL.** I caused the above-identified document(s) to be sent by electronic mail via the Court’s ECF filing system to all counsel of record for Defendants and electronic mail to all parties who have not registered for ECF filing.

I declare under penalty of perjury that the following is true and correct.

Executed at Dallas, Texas on August 19, 2008

/s/ Rachel Myrick

SERVICE LIST

CASE NO. SA CV 06-1211 DOC (ANx)[**LEAD CASE**]

DIAGNOSTIC SYSTEMS CORPORATION vs. SYMANTEC, et. al.

(**CONSOLIDATED** with Case No. SACVO7-960 AG (MLGx))

DIAGNOSTIC SYSTEMS CORPORATION vs. COGNOS CORPORATION, et. al.

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