IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

Case No. 11-CV-00520-PAB-BNB

HEALTH GRADES, INC.,

Plaintiff,

vs.

MDX MEDICAL, INC.,
doing business as Vitals.com,

Defendant.

Proceedings before BOYD N. BOLAND, United States Magistrate Judge, United States District Court for the District of Colorado, commencing at 10:37 a.m., December 21, 2011, in the United States Courthouse, Denver, Colorado.

WHEREUPON, THE ELECTRONICALLY RECORDED PROCEEDINGS ARE HEREIN TYPOGRAPHICALLY TRANSCRIBED...

APPEARANCES

MR. JESUS M. VAZQUEZ, JR., ESQ.,
MR. KRIS KOSTOLANSKY, ESQ.
Appearing on behalf of the Plaintiff.

MR. SCOTT D. STIMPSON, ESQ., MR. DAVID LEE, ESQ.
Appearing on behalf of the Defendant.

MOTION HEARING

P R O C E E D I N G S

(Whereupon, within the electronically recorded proceedings are herein transcribed, pursuant to order of counsel.)

THE COURTROOM DEPUTY: All rise. Court is in session.

THE COURT: Thank you. Please be seated. We're here this morning in case 11-CV-520, Health Grades against MDX Medical on the defendant's motion to compel. May I have appearances, please.

MR. STIMPSON: For MDX, Your Honor, Scott Stimpson of Sills, Cummis & Gross. With me, who will be doing the argument, David Lee, also from Sills, Cummis & Gross.

THE COURT: Thank you.

MR. VAZQUEZ: For Rothgerber -- for Health Grades, from Rothgerber, Your Honor, Jesus Vazquez and my partner Kris Kostolansky.

THE COURT: Thank you. I've read the motion and response, reviewed the attached materials. I'll hear anything more you have to say in support of your motion.

So, as you do this, Mr. Lee, I think it would be most helpful if you go through either discovery request by discovery request, or if they can be easily

grouped by category, and the admission request can probably all be taken up at once if they're still in dispute. And then I'll ask Mr. Vazquez to respond to those -- that one or that connected group, and then I'll rule, and then we'll move on to the next group.

MR. LEE: Yes. Yes, Your Honor.

THE COURT: Okay.

MR. LEE: May it please the court, Your Honor, my name is David Lee. Mr. Stimpson and I are with Stills, Cummis & Gross, which represents defendant MDX Medical, Inc. in this case. At the outset the parties would like to note that as of this morning we have reached an agreement that resolves many of the issues in this case. We have an e-mail memorializing this agreement, and with your permission, Your Honor, we'd like to make it of record in this case.

THE COURT: All right.

MR. LEE: May I approach?

THE COURT: You may. Thank you.

MR. LEE: Your Honor, I've been closely -- been closely involved with discovery in this case and with this motion. MDX filed this motion after four and a half months of trying to work out discovery delays with Health Grades, but ultimately saw no option but to file this motion.

The motion organizes the issues into six sections, and unless Your Honor prefers otherwise I can go through the issues in the order they appear in the motion.

THE COURT: That would be fine.

MR. LEE: Your Honor, turning to the first section, this relates to MDX's first set of interrogatories and specifically addresses Interrogatory Nos. 1 through 4. The agreement, Your Honor, resolves Nos. 1 and 3 leaving 2 and 4 for today.

Interrogatory No. 2 asks Health Grades to identify all prior art to its patent. Your Honor, MDX's own products from 2003 and 2004 are prior art, and must be included in this response. Health Grades has refused to do so for the reason that they think it's not prior art. Well, Your Honor, that's simply incorrect. Therefore, MDX requests that Health Grades' own products from 2003 and 2004 be included in this response.

THE COURT: Well, why is it prior art? I mean, it's possible I suppose that you would say that the -- it's possible that they will say it's a different device. So, aren't they -- they've said it's not prior art. They're stuck with that answer. You may not like it and you may attempt to disprove it, but you're stuck with that answer. And so I'm not sure I understand why

they have to say that it is prior art.

MR. LEE: Well, Your Honor, it's -- from our position it's because it's based on an incorrect determination of what prior art includes, including -- there are two aspects. One is the date of the prior art and the second is what it contains. And based on our review of the documents provided by Health Grades regarding what their prior products contain, we believe that it meets both of those requirements.

Therefore, to the extent there are any misunderstandings about the law and what constitutes prior art, we believe that a proper correction should be made, Your Honor.

THE COURT: So, why does it matter? Can you -- do you need this -- you know -- I guess you know what their prior products were or you could take discovery about those. Why are we here fighting about whether it is or isn't prior art? Why didn't you just send another interrogatory saying describe for me this information about your prior products?

MR. LEE: Your Honor, the reason that we're requesting supplementation to include some of this information for this interrogatory as well as others is to provide a full and accurate record of the discovery in this case, so that later on for depositions or other

motions, for example, if we need to refer to the discovery record it will be complete and accurate.

I suppose, Your Honor, we could have filed another -- served another interrogatory asking for that information, but to some extent I believe we have already done so through other discovery in this case. Not necessarily through interrogatories.

For example -- the invalidity contentions, for example, require Health Grades to provide any documents that they contend show that -- how their current website operates. And to the extent that, you know, there's any relationship between that in prior documents we believe that should have captured it. So, we believe this specific interrogatory is directed to prior art and not simply just a description of how the website -- Health Grades website or prior versions of it operate.

THE COURT: Okay. Mr. Vazquez.

MR. VAZQUEZ: Good morning, Your Honor. May it please the court. I think the -- you hit the issue -- you hit the nail on the head, Your Honor with your questions. We do not believe it is prior art. We think that this dispute is about a disagreement or -- or they just don't like what we have said in response to this Interrogatory No. 2. So, we think it should not be in the motion.

We do not have to say it's prior art. We disagree that it is. We have provided documents -- in fact, they based their motion to add the defense of inequitable conduct on documents that we provided that they then say is prior art. We disagree.

Also, Your Honor, we have not taken a single deposition in the case other than the one we took of Jeff La Pointe. They have not. The inventor depositions are coming up in January in which they can pursue the timeframes where they think this will become prior art and ask questions about that.

Additionally, Your Honor, as you may see from the e-mail that Mr. Lee provided, we have resolved the ESI discovery issues. And MDX's requests that we search for certain terms were specifically targeted to these prior art issues. We have -- those searches were in the works way before they filed this motion. On November 17th we advised MDX that our client had advised us that they had obtained search results to these requests. On November 22nd, again, before we filed the motion, we advised them that we had the search results and were willing to discuss it with them.

So they now have those search results. They were voluminous. We believe that to the extent any of this alleged prior art exists it is contained within the

134,000 pages of results from the search results -- or the search term requests that they made.

THE COURT: I take it that it's your position that defining what is and is not prior art is an art in and of itself, and that's why sometimes you get into squabbles over whether there was inequitable conduct as a result of whether certain art -- prior art was or wasn't disclosed; is that right?

MR. VAZQUEZ: Yes. That is correct, Your Honor.

THE COURT: And -- but -- but does your current -- does the patented device, patented -- would you call this a device? What would you call this?

MR. VAZQUEZ: It's actually a method and a system.

THE COURT: All right. Does the patented method and system build on -- did it build on the -- your own prior products?

MR. VAZQUEZ: Well, it was -- there were a series of products that Health Grades developed and we've told them when that happened and when they were -- the products were developed in response to their discovery requests. But we very, very firmly contend, Your Honor, that the combination of all these things did not occur until well -- until past the statutory bar

dates that would -- you know, that would support their argument that this is prior art.

THE COURT: So you've, know doubt, seen teacups with two handles on opposing sides of the cup. I don't know why they do that.

MR. VAZQUEZ: Or a sugar cup like that, sure.

THE COURT: All right. I thought they were teacups. I actually think I've seen people drinking out of them. But let's just suppose that. Now, suppose your prior product was a teacup with one handle and now you've simply added the second handle. It would seem to me that the one-handled teacup would necessarily be prior art because there's an addition, but -- but it's building upon that -- that prior cup. Is your patented method analogous to my two-handled teacup?

MR. VAZQUEZ: Not exactly, Your Honor, because what's missing in that analogy is the timeframe when the first handle was put on versus when the second one was put on. It's also missing whether putting a second handle on would be obvious or anticipated by the fact that there's one handle on the cup to begin with. I mean, I would say that it would not be.

THE COURT: So to be prior art it -- well, define for me prior art --

MR. VAZQUEZ: Well, prior art --

THE COURT: -- that must be disclosed.

MR. VAZQUEZ: Well, prior art, to the extent it exists, it would include materials that were out in the public more than one year from the time the patent application was filed. Now, in all patent cases there are squabbles as to what is -- you know, something is found which is outside that one-year timeframe, that doesn't, you know, just complete the analysis. You know, and then you have to look at what is it that was out there. Does it in and of itself meet all the elements of the claims, or did it have to be combined with other issues or other material that also fell outside of that one-year period.

Now, I assume we're going to get to it a little later, but it relates to this question, Your Honor. We have filed a supplemented response to their Interrogatory No. 8, which asked us to set forth why we disagree with all of their invalidity contentions. And one of the issues we had with not making that response back on July 20, when we made our response at their first set of interrogatories, is that they had not specified the combinations that their invalidity contentions list invalidate the patent based on prior art.

And as the court will see -- actually, we

attached it to our response, that supplemental response, there are 75 possible combinations, none of which have been specified or, you know, identified or articulated as to how this one works and what prior art it is linked to. So, you know, and that remains an issue here. Eventually, in an effort to resolve, you know, the issues that we'd be here talking about today, we made that supplementation but, you know, we still had to do it as best we could based on the insufficient information that is contained in their invalidity contentions.

THE COURT: Why -- I think I may have asked this already, but if I did I didn't grasp your answer. Why aren't your prior products prior art?

MR. VAZQUEZ: Well, they may be, Your Honor. And we're -- we haven't said that they are not right off the -- you know, just off the bat. We had a production of documents in which our client went through their files and hand select the documents which we produced. Within that production are some references to products, one of them is the physician report that they contend that -- you know, that's referenced in the press release in their motion to add an inequitable conduct defense.

Now, that in and of itself does not meet all of the elements of the claims in the patent. It needs

to be combined with other things. And the reasons why we -- you know, the reasons why that does not meet all the elements and needs to be combined are set forth in the response to that motion that we filed some time ago with the court.

So, that's why that product cannot just say is prior art. We need to -- just because it was issued, you know, at a certain time doesn't close the question. And if I'm -- I may be incorrect but I believe that that press release is dated December 22nd, 2005. Well, we filed a provisional application on February 8th, 2006, so the prior art for our date would be February 8, 2005, and then the subsequent full application was filed August 29th, 2006, and so at a one-year bar period would be August 29, 2005.

So under either of those that particular reference is in December of 2005, so that falls within the one-year period that flows from the full application as well as from the provisional application.

THE COURT: So, you're saying it's not prior -- are you saying that the -- your prior products are not prior art based exclusively on the time issue, or something other than that?

MR. VAZQUEZ: I'm saying that they may not be prior art. And one of the reasons that we would argue

about this issue of law and, you know, argue to the jury would be the timing issue.

Now, we don't have -- you know, we just received just recently the results of all these products. We've undertaken in good faith, you know, the documents that would relate to the products they contend are prior art. We did a good faith effort to find what we could, hand selected from our clients, we provided that. But we anticipate that any and all products are going to be contained within these productions that were based on their requests.

Similarly, we have asked for documents from them in which the search requests that we submitted are narrowly targeted to find issues related to their contentions as to what's prior art or what infringes and so forth. So, you know, this goes book to your question, why are we here fighting; why not take further discovery; why not take some depositions. As you know we've now agreed to extend fact discovery to February 16th.

In their motion to compel at footnote 10, MDX very strenuously said -- you know, put forth a statement that they very strenuously or vigorously would oppose any fact discovery extensions. Well, a few weeks later we, in fact, agreed to a month. Part of the reason was

to allow for this discovery.

THE COURT: Okay. Thank you.

MR. VAZQUEZ: You're welcome.

THE COURT: Mr. Lee, anything more on No. 2?

MR. LEE: Yes, Your Honor. I'd just like to briefly respond. The prior art does have a date aspect, and those date aspects are described in Section 102 of the patent laws. And they relate -- they're essentially, in this case, based on the filing date of the earliest patent application, in this case, which I believe is February 2006.

Now, there are different versions -- there are different ways something can be prior art. One is if it's before the date of invention, essentially in this case before February 2006, then it can be prior art. Another aspect is if the prior art was dated more than one year before February 2006 then that can also be prior art.

To the extent Health Grades argues that there are certain date issues, there are certain date ranges that are just not in dispute at all here. Any Health Grades prior product from 2004 certainly meets the date requirements of prior art, and discovery has shown that there are Health Grades products from that date range, Your Honor.

Secondly, Mr. Vazquez referred to the possibility of prior art showing either all of the elements in a claim, meaning by itself anticipates a claim, or needing to be combined with other references, in which case the prior art shows less than all of the elements in a claim.

As long as the date requirement is met, and in this case there are certainly 2004 products that meet the date requirement, and as long as the products show certain parts of the patented claim, then it can be used in combination with others to invalidate the claim and, therefore, would qualify as prior art in that respect, Your Honor.

THE COURT: Well, I should have been a better patent lawyer, I guess, because I'm just not sure I'm exactly following the argument. But, in my view, use of the term "prior art" in Interrogatory 2 leaves it open to the possibility that parties will disagree about whether something is or isn't prior art. And that's what's happened here. I'm going to deny the motion to compel with respect to Interrogatory 2 because the interrogatory is answered. The defendant may disagree with that answer, and does disagree with the answer, but there is an answer here. The parties are stuck with it for now. It may be right, it may be wrong, it can be

subject to proof one way or the other, but I find that the interrogatory has been sufficiently answered. The dispute over whether something is or isn't prior art is a matter of interpretation or opinion, and the plaintiff is entitled to assert it view in that regard. No. 4.

MR. LEE: Your Honor, Interrogatory No. 4 asks Health Grades to set forth all facts showing that its patent is not obvious. There are two issues that MDX would like to raise for this interrogatory.

First, Health Grades alleges in its response that MDX copied the patented claims and shows that as evidence of nonobviousness. However, this statement is conclusory, Your Honor, and fails to provide any facts as to the copying or provide any showing of the required nexus between the alleged copying and the patented claims.

The second issue, Your Honor, is that Health Grades points to facts regarding commercial success as evidence of nonobviousness as well, but there, also, Health Grades failed to show the required nexus between the commercial success and the patent claims as well.

Your Honor, indeed, Health Grades indicated that it would supplement these two points in two e-mails; one dated August 3rd, which is Exhibit D, and another dated October 3rd, which is Exhibit E. And,

therefore, MDX simply asks that Health Grades do what it promised to do.

THE COURT: Thank you. Mr. Vazquez.

MR. VAZQUEZ: Your Honor, this issue is the same exact issue that the court faces with the previous Interrogatory No. 2. Nexus is open to interpretation. The parties will argue to the jury whether there is a nexus or there isn't a nexus.

Now, as the court is aware, like Interrogatory No. 2, we provided a response here, and it was lengthy. All of our secondary considerations listed in our interrogatory response relate to either Health Grades' website or MDX's website. Additionally, we've provided claim charts showing how each of these websites are covered by the claims.

For Health Grades we provided a claim chart with our first supplemental contentions, these are the ones that are still in, and related to a recent court order. It's 37 pages long, Your Honor, and it maps Health Grades' website element by element to the asserted claims.

For MDX we gave them claim charts showing why we think their website meets the required elements -- the patent claim elements.

Now, they seem to be saying no jury would

believe that there was a nexus based on that or those productions. We simply disagree. We think -- they have all the documents now. Again, their requests were broad. We have provided them. They're open to characterize them however they like. And I'm sure they will make arguments as to nexus, as we will. But just like Interrogatory No. 2, this is really about they don't like what we've said. It's not that we didn't provide it.

Now, with respect to this copying issue, Your Honor, it's true that in our initial response we asserted it. We are, after all, in a patent infringement case where we're alleging that their website copies ours. That's another way of saying infringement in layman's terms.

Since then we received documents from MDX. These are the ones that were served with no notice on the eve of the depositions in New York. 6,000 pages of documents. Within those documents we have found documents that specifically say, copy Health Grades. And in our response at page 4 I identified the bates numbers of those documents. So, as to that issue I think that that is well supported. And I would submit that the fact that the defendant literally set out to copy what Health Grades is doing is a nexus in and of

itself.

In our response to Interrogatory No. 4 we also identified and discuss 14 separate articles that are responsive to the request. We directed a client to -- or MDX to client testimonials, and all of these things are responsive to this interrogatory, they just don't like it. They just wish that we had said more or just simply disagree.

In good faith I've agreed to pull those 14 articles, all of which are publicly available, and we made that objection in our response. To the extent they're asking for publicly available documents, we object. Nonetheless, we're going to pull them and supply them. So, I think the court should deny the motion as to Interrogatory No. 4.

THE COURT: Thank you.

MR. VAZQUEZ: You're welcome.

THE COURT: Mr. Lee, anything more?

MR. LEE: Yes, Your Honor. Your Honor, Mr. Vazquez refers to Health Grades' showing of how its website relates to the claims, but what's at issue here is really Health Grades' response to Interrogatory No. 4, which is provided as Exhibit B. There, Health Grades refers to many national authorities and quotes portions from those national authorities giving a list

in Section 2. And the question is whether any of those authorities there, and any of those portions relate at all to the claims.

As shown in MDX's brief, nexus is a requirement to show that whatever evidence there is of nonobviousness it has to be related to the claims itself not just some general overview of some general commercial success. And that nexus showing is missing from their Interrogatory No. 4 response with respect to these national authorities listed in the current interrogatory response now.

Similarly, with respect to evidence of copying, Mr. Vazquez mentioned that there was a document mentioning copy Health Grades. There, the same question is whether any copying related to any of the patented claims or any of the patented features. For example, if the copying related to simply a color, or something like that, that's nothing related to the claims at all and not meet the nexus requirement shown by the cases in MDX's brief, Your Honor.

THE COURT: So, it seems to me, Mr. Lee, that your complaint here is that the evidence of nonobviousness, this isn't good enough.

MR. LEE: That's partly it, Your Honor. But to the extent we might not have understood the nexus or

the connection put forth by these, then having that interrogatory response will help us understand.

THE COURT: What would you -- how would -- if you were in Mr. Vazquez' chair and you wanted to say that the CNN Health article was responsive and there was a nexus, how would -- how would one demonstrate that?

MR. LEE: Your Honor, I'm not sure that this specific portion would be enough to show nexus. But, for example, if there were some other portion of this reference that relates to some specific claim element, for example, as in any of the claim elements specifically written in the claim itself, and the article touches upon something describing that element, then that would be, I think, Your Honor --

THE COURT: The link to the doctors, especially great. Is that --

MR. LEE: Something like that, Your Honor, yes.

THE COURT: Because that's one of the parts of the claim, right, is that there's a link -- an ability to link to a doctor?

MR. LEE: Right. And there are other many portions of the claim, there are patient reviews, there are information about doctors such as medical score information. There's information about specialities and

honors and awards. You know, if the article mentions those types of things, some part of the claim, and that would be a tie, for example, to the claim language. But if there's something like that currently within these excerpts we just ask that Health Grades bring that out. But if none of these excerpts here -- some of these excerpts here do not include that nexus, then possibly Health Grades may choose to not include some of these references.

THE COURT: I'm going to deny the motion to compel with respect to Interrogatory 4 for the same reason I did Interrogatory 2. There is an answer here. Maybe it's adequate. Maybe it's not. It's clear that the defendant doesn't like it. But that doesn't mean it's not an answer that all parties are stuck with. And so I think the interrogatory has been answered, for better or for worse, and there's nothing for me to compel.

Next group, Mr. Lee.

MR. LEE: Okay. Your Honor, in Section 2 of MDX's brief this relates to MDX's second set of interrogatories and specifically addresses Interrogatory No. 8.

This interrogatory asks Health Grades to explain any agreement with MDX's invalidity contentions

which appear in Exhibit G to the motion, including any full and complete details of why MDX's contention -- invalidity contentions are incorrect. Your Honor, MDX's invalidity contentions contain 38 pages of charts which quote portions of the prior art and explain how those portions relate to each of the claim elements.

Health Grades' response, which is provided in Exhibit B to the Health Grades' opposition, simply concludes as certain elements are missing from the prior art without addressing any of the reasoning leading to the conclusions.

Your Honor, without this reasoning, Health -- Health Grades is asking MDX to guess at the reasoning leading to the conclusions, and there are certain conclusions that just don't seem sensical. For example, Your Honor, on page 6 -- I'm sorry, Your Honor, on page 9 of the interrogatory response Health Grades refers to a prior art labeled as physician quality report. In fact, this is Health Grades own prior product. And Health Grades contends that the physician quality report lacks the report claim element.

Your Honor, this seems nonsensical. How could a report prior art lack a report element? Similarly, for other claim elements the conclusions that certain elements aren't shown by the bar, simply don't refer to

any of the quoted portions that MDX provided in its claim construction chart. MDX simply needs to know the reasons why Health Grades arrived at these conclusions, and presumably that would include their having evaluated the quoted portions of the prior art, Your Honor.

Therefore, MDX requests that this interrogatory be supplemented to provide more details about the quoted portions and how Health Grades arrived at its conclusions.

THE COURT: I think that there's a disconnect on my part here. You indicated -- the response to Interrogatory 8 that I have reviewed is -- is purely composed of objections. Was there some further supplement --

MR. LEE: Yes, Your Honor, there was --

THE COURT: -- that I should be looking at?

MR. LEE: -- a supplement after the date of this motion. It's Exhibit B to Health Grades' opposition.

THE COURT: Oh, to Health Grades. All right. Thank you.

MR. LEE: Thank you.

THE COURT: Mr. Vazquez.

MR. VAZQUEZ: Your Honor, our response and the dispute about our response to this interrogatory begins

with the insufficient invalidity contentions which were submitted by MDX. Exhibit A to our response to the motion to compel that we're discussing here today, Your Honor, is a copy of a letter that we sent to MDX on September 2nd specifically listing the deficiencies particularly relevant to -- to your resolving this portion of their motion to compel here today.

At the bottom of our letter of Exhibit A, September 2nd, 2011, Exhibit A to our response to the motion to compel, we note that the MDX invalidity disclosures do not meet Rule 3-3(c). What Rule 3-3(c) is -- and I'm sure you'll recall, the parties have agreed to incorporate the Northern District of California rules, and this is Docket No. 34 is the scheduling order, Your Honor. And attached to the back of that at a page that says PAT-7 you'll see Rule 3-3(c). So, the fact of the matter is that MDX has failed to comply with the court's order with respect to these disclosures.

On September 2nd, way before this motion was filed, we pointed that out. That is why our initial response to this interrogatory consisted of objections. Valid objections. Substantially justified objections based on these disclosures. Eventually, MDX took the position that they would not supplement their invalidity

contentions to address this issue or any others. Based on that and, again, in an effort to resolve this motion at Exhibit B (unintelligible) in the motion -- Exhibit B to our response, Your Honor will see that we have undertook to respond as best we could despite these deficiencies. And there is a 25-page detailed response, supplemental response to this interrogatory.

Now, Mr. Lee paraphrased -- what I heard him say is, you know, we just need a little more information how to interpret, you know, what you're saying here and you're not doing it element by element. Well, we should not be forced or compelled to provide anything further, much less pay fees for this, based on the fact that they have violated a court's order on 3-3 little (c). That's the best I can tell.

THE COURT: Okay.

MR. VAZQUEZ: Thank you.

THE COURT: Mr. Lee.

MR. LEE: Your Honor, MDX's invalidity contentions are not insufficient and they do not violate the patent rules. Mr. Vazquez refers to a violation, but does not explain any reason why they violate. In fact, they don't. As part of MDX's brief, we address certain issues that Health Grades has brought up in the past. For example, they addressed a number of possible

combinations, but the Northern District of California has said that even combinations numbering the billions could be sufficient to satisfy the patent rules.

Health Grades has brought up the issue of using the and/or in MDX's invalidity contentions to show that it's vague, but the Northern District of California has also said that's sufficient to satisfy the rules.

In short, Your Honor, MDX believes that the contentions are -- satisfy the rules and do not violate any of the rules.

Secondly, Your Honor, unless Mr. Vazquez is saying that the contentions were so vague that they could not review the quoted portions of the prior art listed beside each of the claim elements then they had to have gone through some thought process in reaching their conclusions of why those portions did not meet the claim language.

And, Your Honor, as shown by the example of the nonsensical result of how a physician quality report could lack a report, those are the types of explanations the reasoning why the portions of the prior art don't meet the claims. Those are the explanations that Health Grades eventually would provide to a jury to explain the invalidity -- why invalidity is not the case in this -- for their patent. And we can't wait until that late

phase of this case to find out those arguments because by then, if we are really incorrect about some of these prior art, we'd have no opportunity at that point to find other prior art to replace these.

Therefore, Your Honor, before fact discovery closes, Health Grades needs to explain these reasonings, so that if, indeed, MDX is correct, it has an opportunity to find more prior art.

THE COURT: Well, so, Mr. Vazquez says there are 20-some pages here. Tell me again why they aren't adequate.

MR. LEE: I'm sorry, Your Honor?

THE COURT: So, you know, the answer -- the supplemental answer to No. 8 goes on for a number of pages. Why isn't -- now you may disagree with it, but why isn't it adequate?

MR. LEE: Your Honor, it's inadequate simply for the reason that they are conclusory statements that don't show any of the reasons why the invalidity contentions are wrong. It simply shows their position of whether certain elements are met or not, and it doesn't reveal any of the thinking behind it. For MDX to go by that alone, surely MDX would be ambushed by trial by whatever reasoning they're thinking of now that they would provide at trial to explain the invalidity.

THE COURT: Give me -- show me an example. I think you did before. Give me another -- show me an example of what you're talking about.

(Whereupon, there was a pause in the proceedings.)

MR. LEE: I'm sorry. I found a document, Your Honor. Sorry for the delay. For example -- Your Honor, another example is on page 10, for example, of the supplemental interrogatory response where in Item 3 listing a prior art as comparison report Health Grades also says that what's missing from the comparison report prior art is report and also comparison ratings. These conclusions simply on its face defy just the labeling of the prior art itself and does not even address any of the quoted portions from the prior art about why those portions -- MDX thinks those portions show these elements.

Your Honor, those are the clearest examples. Other references refer to patent numbers and patent publication numbers, and on the face of this it's hard to tell what those references included. We'd have to refer to MDX's invalidity contentions.

THE COURT: Okay. I'm going to grant the motion to compel with respect to Interrogatory No. 8. I am persuaded that -- by Mr. Lee, that although a lot of

words are provided in the supplemental response, it really doesn't explain -- the supplement really doesn't explain the reasoning which Health Grades has gone through. It's written in kind of a cryptic way that, at least my attempts to read it, make it very difficult, if impossible -- if not impossible to understand.

So maybe the information is all there, Mr. Vazquez. I don't know. It doesn't appear to me that it is, but it's not presented in a way that can be reasonably understood or readily understood, so I'm --

MR. VAZQUEZ: Your Honor.

THE COURT: Yes, sir.

MR. VAZQUEZ: I'm sorry to interrupt. I was hoping to ask you before you ruled if I could briefly respond to some of the points Mr. Lee made.

THE COURT: All right.

MR. VAZQUEZ: May I?

THE COURT: Maybe you'll persuade me. All right.

MR. VAZQUEZ: All right. Your Honor, Mr. Lee said that we haven't properly explained to him what is wrong with his invalidity contentions. And it's very clear from Exhibit A to our response to the motion to compel, Your Honor, where we state, MDX's disclosures regarding motivation and reasons for combining and/or

modifying the prior art in its contentions, and in its Rule 3-3(c) chart are incomplete and deficient and must be supplemented, and here's why, Your Honor.

MDX (unintelligible) supplement its contentions to describe with specificity what the motivations and reasons for combining are for each specific combination of prior art for each claim. And it must identify each and every specific combination it contends renders which specific claim of the patent obvious. Okay. So that's very specific what is wrong with -- with these charts that the court is looking at.

Secondly, Mr. Lee said that there's case law out there that states that the number of combinations is not an issue. But that's not the issue here. The issue is that they did not identify a single -- what is the combination. In our response we undertook to at least set forth the 75 possible ones that we see. But it's not -- so to say, hey, it's just issue of number of combinations misstates the issue here. The issue is that although we asked in this letter on September 2nd they refused to identify the combinations. That very much impacts our ability to respond to Interrogatory No. 8.

Interrogatory No. 8 addresses what elements are missing from each of the 12 references; why each

does not qualify as prior art; why it is not obvious to combine them. It may be written cryptically, but that's what patent lawyers do.

THE COURT: Well, and I guess that's -- I did a little bit of patent law. So, I mean, I'm not entirely a novice. But maybe I should be. I probably shouldn't confess to that.

MR. VAZQUEZ: Uh-huh.

THE COURT: But anyway, you're going to have to stand in front of a factfinder who's not a patent lawyer -- maybe it's a judge, maybe it's a jury -- and you're going to have to say, hey, this is not invalid. This comparison report is not invalid, and here's why. And you're going to have to do it in plain English.

MR. VAZQUEZ: Uh-huh.

THE COURT: Now, if you look at page 10, Romanette (iii), you haven't done that. Isn't that something that can be done?

MR. VAZQUEZ: Your Honor, I guess respectfully, Roman (iii) on page 10 refers to a document they produced, one of their references. And we say that they cannot prove that that reference has elements of the asserted claims, and then we list the specific elements that are required of healthcare provided verified information, patient provided

information, third-party verified information.

THE COURT: But --

MR. VAZQUEZ: The --

THE COURT: So you're saying the comparison report doesn't include a -- what Mr. Lee liked to point to was that he's got a document called the comparison report, and you're saying it doesn't include a report.

MR. VAZQUEZ: Well, I'm not saying -- I can see how at first glance that seems sort of conclusory, but, Your Honor, we've got a claim construction hearing coming up here in January with some of these terms including a healthcare party verified report is at issue. So this doesn't, you know, talk about, you know, a report in a, you know, layman's language. This is a term of art in the patent. Okay?

So, you know, another issue, Your Honor, is that there's never been this level of conferral, you know, that -- between us on this level of specificity. Okay. We asked very clearly in our letter of 9/2nd -- of September 2nd, you know, that they supplement their invalidity contentions. They have refused. There was not a conferral about, well, okay, now that you've given us this, we need more.

Further, Your Honor, I think it's important to the court's decision on this particular issue, it's now

my understanding that now they're going to supplement their invalidity contentions. I'm not sure what that's going to include, but to the extent it's going to finally give us the number of combinations and address the other deficiencies, which we very promptly identified back in September, I think that should be considered.

I respectfully say that this motion should be denied as to this particular Interrogatory No. 8 for all of those issues, for all of those foregoing reasons.

THE COURT: Okay. It's your motion, Mr. Lee. You get the last word.

MR. LEE: Your Honor, I'd just like to address two points. The first is Mr. Vazquez brings up the claim construction about some of these terms that's upcoming, but these terms, Your Honor, have support in evidence. And part of the evidence that's provided by MDX is -- relates to where some of these things are found in the prior art.

It's not to say that MDX relied on that as part of the claim construction evidence, but it's not entirely an issue of law. There are factual issues as well. And this, Your Honor, simply asks for an explanation of why the factual issues identified by MDX in their validity contentions don't match up with some

of the claim elements. That can be explained, Your Honor, outside of claim construction and before claim construction.

Secondly, Your Honor, Mr. Vazquez brings up the issue, again, with the number of combinations how the -- starting out with his argument saying that it's not an issue. Your Honor, if you look at the organization of the supplemental interrogatory response, it's organized reference by reference. Regardless of how many combinations there are, each reference stands on its own with respect to what it shows and how that matches up with the claim elements. Therefore, each one can be addressed individually as has been done currently in interrogatory response. All we're looking for is, in the same format how did Health Grades reach its conclusions.

THE COURT: I'm still with you, Mr. Lee. I am going to grant the motion with respect to Interrogatory No. 8, require that there be a supplemental answer which explains in a more comprehensible way the position of Health Grades and why it disagrees with the invalidity contentions. Next.

MR. VAZQUEZ: Your Honor, would you like to address the fees issue on this particular --

THE COURT: I'm going to deny a request for

fees. I've granted in part and denied in part, and I think that it would be -- given the nature of my ruling and that in some areas I think the responses were adequate and in other areas I'm compelling, it would be improper for me to award fees.

MR. VAZQUEZ: Thank you.

THE COURT: Mr. Lee.

MR. LEE: Your Honor, the next section is Section 3 of the motion which relates to MDX's first set of document requests. In pages 7 to 8 of the motion there's a list of issues, and, Your Honor, the agreement that we have provided to you at the beginning of this hearing resolves most of them. There are just two issues that I would like to address from that list. Actually, one issue from that list and a second general issue relating to document requests.

The one issue from that list is the request regarding documents showing prior art Health Grades websites. And this may relate to Interrogatory No. 2, Your Honor. But, frankly, it is unclear to us whether Health Grades has provided those documents given its position in Interrogatory No. 2.

And secondly, in page 6 of Health Grades's opposition they state that Health Grades will produce -- to the extent they exist, Health Grades will produce any

non-privileged documents.

Your Honor, it is currently five and a half months into discovery and Health Grades is still saying to the extent any documents exist they're still looking for them. MDX just needs some confirmation that they have already looked for and produced those documents or be ordered to do so.

THE COURT: Now, going back to your first point. It was that you don't think you've gotten the prosecution histories for Health Grades patent applications? Is that the one that you're --

MR. LEE: No, Your Honor, that one's been resolved.

THE COURT: Okay. Which is the one that --

MR. LEE: It's the one that says -- that requests all documents showing prior art Health Grades websites.

THE COURT: I've got you. Okay.

MR. LEE: Your Honor, with respect to that one, regardless of whether Health Grades agrees or disagrees that those prior art -- prior websites are prior art or not, there's a genuine issue there, and they need to provide them if they know of them. And we just don't have any certainty at this point whether they have done so or not.

Health Grades produced about 130,000 pages in the last two weeks after the filing of this motion, where in contrast before they only produced 2700 pages. We haven't had an opportunity to review the more than 130,000 pages in the last two weeks, we just need some confirmation or an order saying -- asking Health Grades to produce them.

There's a second point, Your Honor, which just generally addresses document production. It relates to Health Grades' statement in page 6 that to the extent documents exist --

THE COURT: Yeah, I've got that one.

MR. LEE: Okay. Health Grades has been making that statement over and over. Not just for this issue, but for almost all issues brought up regarding document production. At this point also, we just need some confirmation that documents have been searched and produced, or an order requiring them to do so.

THE COURT: And you're not guilty of that same sin?

MR. LEE: Your Honor, four of the documents that MDX found after a reasonable search, they have been produced. The other documents relating to search terms, Health Grades provided those search terms on October 9th -- I'm sorry November 9th, and within four weeks on

December 7th, MDX provided search term hits for some of those, and then in just the last week provided more search term hits. For all of those results MDX is currently reviewing them for production. And so after this, Your Honor, we can say that after a reasonable search all have been produced.

THE COURT: Okay. So in your -- you practice mostly in a different jurisdiction. Lawyers here like to throw in that, sort of, we'll continue to look and if we find anything more we'll produce it when we find it. I agree with you that the Rules of Civil Procedure require that the documents be produced. In my view, they require that the documents be produced on the 33rd day or a motion for continuance be -- or for extension be filed and granted. That almost never comes to me. Nobody ever produces on the 33rd day. I disapprove, but nobody seems to care.

But because of the requirement to supplement lawyers throw this in, we'll continue to look and if we find anything we'll turn that over. But you want a definitive -- what I understand you to say is you want a definitive statement that we have conducted our good faith inquiry as required under the Federal Rules of Civil Procedure and all known documents as a result of that inquiry have been produced.

MR. LEE: Yes, Your Honor. And, Your Honor, if that's the case then we can withdraw this issue. It's just -- we just need some type of confirmation that that has been done rather than continuing a search taking more than five months to discovery.

THE COURT: Okay. Thank you. Mr. Vazquez.

MR. VAZQUEZ: Your Honor, whether MDX is guilty of that same sin, in fact, they are. There hasn't been a single, whether it be their invalidity contentions or supplemental invalidity contentions or any response to any discovery request at every juncture of that nature. They reserve the right to supplement, to change their position and so forth. So, I -- I chafe a little bit at that last argument.

Now, on the substantive issue that you're looking at here to resolve this portion of the motion, Your Honor, goes back to the use of prior art term in the request. They want the prior art website. Portions of what they argue is prior art was hand selected and produced.

Now, Mr. Lee, I'm sure it was unintentional, but misstated a number of documents that have been produced before these last production of 130,000 pages. In fact, Health Grades had produced a little over 3,000 or on the order of 3,000 pages of documents, not 700 as

I think he said.

I think that this issue, Your Honor, should be denied for the same reasons that it was denied with respect to Interrogatory No. 2. Furthermore --

THE COURT: Well, you produced a huge number of documents, and I think you said when we were talking with respect to Interrogatory No. 2 that you thought you had produced --

MR. VAZQUEZ: Yes.

THE COURT: -- the specifications or whatever the right word is for your prior method.

MR. VAZQUEZ: Yes.

THE COURT: Have you or haven't you?

MR. VAZQUEZ: Yes. Yes.

THE COURT: So even if I were to grant this, and say I view your prior products as prior art and you have to produce the documents responsive to this, you would say I've done it. Am I right?

MR. VAZQUEZ: Yes, sir. Yes, sir. And I would note that I think the court said when you were discussing your view on producing by the 33rd day, and that lawyers around here like to put in these kind of statements, there are still always the possibility, you know, even when -- what you said would be an appropriate response by counsel to say we've produced everything

that we know about it. Well, that inherently includes the possibility that something else exists out there, that we don't know about currently. You know, these documents go back to 2004.

THE COURT: I don't disagree with what you've said, Mr. Vazquez. But what startles me and what led to my little rant is that frequently the initial response is a few hundred documents, and then there's a supplement pretty close to the close of discovery of a few thousand documents. And it always makes me wonder whether there really was that good faith search that was required --

MR. VAZQUEZ: Uh-huh.

THE COURT: -- at or about the 33rd day. So that's why I ranted about that. And I -- I'll just say that I don't disagree that you have a -- an obligation to -- to supplement in the event something more turns up, but when that supplementation is voluminous, it makes me wonder if the first production was made in good faith.

MR. VAZQUEZ: Well, Your Honor, may I respond? It was most definitely made in good faith. It was made -- we had meetings with the client, and efforts to just go through files by hand and locate documents that were responsive. And while MDX continues to make these

references, well, but it was just 3,000 pages. Well, you know, it is about quality, not quantity. Those first 3,000 pages were really the most relevant ones we can find.

Secondly, Your Honor, to the extent the volume of these recent productions makes the court question the good faith efforts, the volume of those productions are directly as a consequence of the broad searches they requested, which they acknowledge in their motion, we objected to. Eventually, I mean, they had us search the servers of Health Grades, a major company, for the term "profits" and insisted on that.

So the court should not interpret the volume of -- under these circumstances, the volume of that production to mean that the initial production was not made in good faith. Thank you.

THE COURT: Mr. Lee.

MR. LEE: Your Honor, I would just like to address the context of how these 130,000 documents came about within the last two weeks. Section 6(g) of the scheduling order contemplates -- in fact, the parties stated in there that they predict that this case would involve significant amounts of electronically stored information. And, therefore, to help the parties find relevant information among those documents, that they

would exchange search terms. And then to the extent any party thinks the result from the search terms would be too voluminous, to then confer in good faith to narrow them.

The reason that the 130,000 pages were produced just in the last two weeks rather than possibly a fewer number is Health Grades initially refused to even run the search terms. And after agreeing to run them took months -- took actually just over a month to actually even give us the results of those search terms. They gave them on a day before MDX filed this motion. Then, subsequently, without addressing whether the results of the search terms were, in fact, too voluminous, Health Grades voluntarily produced all of those documents that resulted from their search.

Your Honor, I can say that if Health Grades actually conferred about the number of hits, those documents -- the number of pages would have been less. So, it's a result of Health Grades own time pressures resulting from producing those after this motion was filed rather than any -- rather than any ill-intent or anything like that attributed to the initial terms that Health -- that MDX proposed.

MR. VAZQUEZ: Your Honor, if I can just quickly add a comment to some of these.

THE COURT: Well, it won't effect my ruling, so I'd stay where I am if I were you.

I'm going to deny the motion to compel with respect to production of all documents showing the prior art Health Grades website as moot because I have it on Mr. Vazquez' representation that those documents have been produced. I would have denied it on the merits even in the absence of Mr. Vazquez' representation because I do think that the -- the production request, it does request prior art. I've already ruled that that is a term which can -- about which parties can disagree. Health Grades has staked out its position about what is and isn't prior art, and it will live with that position.

I'm going to grant the motion to compel to require -- and both sides should do this. I know the issue isn't before me for MDX, but both sides should do this -- to require the statement that after a good faith search as required by the Federal Rules of Civil Procedure all responsive documents, except those that are privileged or otherwise identified as not being produced on some claim of privilege or immunity, have been produced, so that each side knows that the other has conducted -- has conducted and completed the required search and that all responsive documents,

except those which don't have to be produced because of a privilege or the like, have been produced.

MR. VAZQUEZ: Your Honor, a quick question on that --

THE COURT: Yes.

MR. VAZQUEZ: -- last part of your ruling.

THE COURT: Yes.

MR. VAZQUEZ: You require that statement from both parties made when? Or with our next production? I'm unclear.

THE COURT: Well, I am going to require that you make a supplemental response, obviously because I've compelled discovery in some ways, and you should make it with your supplemental response. And I'll talk to Mr. Lee about it, but I have in mind that they'll make it at about the same time as the supplemental response.

MR. VAZQUEZ: In our supplemental response on the portion that you granted earlier?

THE COURT: Right.

MR. VAZQUEZ: Okay. Thank you.

THE COURT: Mr. Lee.

MR. LEE: Your Honor, the next section, Section 4, relates to electronically stored information. And this has been resolved by production made after the filing of this motion and as well as the agreement that

we provided to Your Honor at the beginning of this hearing and, therefore, Section 4 can be removed from this motion.

THE COURT: All right. So I didn't mark it, has Interrogatory 6 concerning damages, has that all been resolved?

MR. LEE: Your Honor, it's in the next section.

THE COURT: Okay.

MR. LEE: It has not been resolved yet.

THE COURT: All right.

MR. LEE: Your Honor, the next section, Section 5, relates to MDX's claim -- MDX's damages discovery requests, and these encompass a number of different requests. Interrogatory 6, 7, and 9, as well as Document Requests 15 and 19 to 23 -- I'm sorry, 19 to 25, and indirectly by way of the interrogatories, Request for Admission Nos. 1 through 3. These also have -- a large portion of these have also been resolved through the production after filing this motion as well as the agreement this morning.

The only remaining issue is Interrogatory No. 6, Your Honor. This interrogatory asks Health Grades to describe all damages that it believes it's entitled to, including explanation of the factual and

legal basis -- bases for lost profits as well as reasonable royalties.

Health Grades' discovery response simply stated that it is entitled to lost profits and reasonable royalties but provided no explanation of legal and factual bases behind that conclusion.

THE COURT: So you would want to see, we think we're entitled to a 3 percent royalty based upon something. Is that the sort of information you're looking for?

MR. LEE: That's the type of information, Your Honor. Specifically, we're looking for the factual bases behind their contention that they're entitled to lost profits and reasonable royalties. There are leading cases in the field that explain some of the factual bases that go into proving those types of damages.

For example, with respect to lost profits, the case of *Panduit versus Stahlin Brothers*, which we have cited in our brief, states that in order to show lost profits the patent owner must show, demand for the patented product, absence of non-infringing products, manufacturing and marketing capability to meet the demand, as well as profits that it would have been made.

Now, each of these involves factual issues.

For example, with regard to demand for the patented product, Health Grades says that they have produced documents related to competitors and to market share. Well, in showing demand for the patented product they need to refer to the market shares as facts supporting that element of lost profits.

The second element, absence of acceptable non-infringing substitutes, Health Grades says they had produced documents showing competitors. For this element they will need to show why those competitors' products are actually acceptable -- are not acceptable non-infringing substitutes.

Similar for the other two elements, Health Grades needs to point to its capacity, its personnel, its discruciant mechanism for meeting the demand, as well as which of its profits are actually -- they contend they would have lost.

So, it is the factual bases brought up in these -- in this *Panduit* case, Your Honor, that we seek with this interrogatory.

Now, with respect to lost reasonable royalties, Your Honor, the leading case there is *Georgia Pacific*. And in that case, which we have also cited in our brief, lists 15 relevant facts that go to -- that go to proving reasonable royalties. And I'll just name a

few, Your Honor, that I think are the most relevant factual factors -- aspects of these 15 factors.

Patentees established policy and marketing program to maintain its patent monopoly; the effect of selling the patent to specialty and promoting sales of other products; the established profitability of the product made under the patent; portion of the profit or of the selling price that may be customary; and the portion of the realizable profit that should be credited to the invention.

Your Honor, these are factual bases that eventually Health Grades would need to show from its document production. And at this point, nine and a half months after the filing of this case, MDX is no closer to understanding its bases for this lost profit and reasonable royalty claim than it was back then.

Your Honor, nine and a half months into the case, now it's about time that MDX is provided this information.

THE COURT: Mr. Vazquez.

MR. VAZQUEZ: Your Honor, the first point I feel compelled to make is that I'm a little surprised because the document we tendered to you this morning with respect to our agreement has a heading at the bottom that says MDX's Damages Discovery Requests. It

says we agreed to remove this issue.

Notwithstanding, I will just point out to the court what I'm sure you are already aware of, and that is that expert reports -- this is going to be a subject of expert testimony. It is complex. Expert reports are due on February 16th now. Um, Your Honor --

THE COURT: And when is the expert cutoff? Expert discovery cutoff? It's after that?

MR. VAZQUEZ: April 30th, I believe. And there's -- you know, that's -- so the nine and a half months that have elapsed is not really the accurate time frame to be focusing on.

But, Your Honor, as detailed in Exhibit E to our response to their motion to compel, back in October, way before this motion was filed, we provided documents related to revenues, to pricing, to advertising, to marketing, to distribution, to market demand, future sales, costs, profits, expenses. I think that is why this last paragraph of the agreement that we tendered to the court this morning says what it says.

So, more documents, I'm sure, that show -- I mean, this is sophisticated patent counsel we have here. They know how to look at 10-Ks in an accounting document and to see what profits we have made, and put those into context as respect to damages and expenses and so forth.

And we each are going to have damages experts to address that.

So, for those reasons I just think that the court should deny this particular aspect of the motion to compel.

THE COURT: Well, one of the things that Mr. Lee said, and I don't think you've addressed yet, is that, for example, in order to get lost profits you have to show certain factors including, for example, the absence of non-infringing substitute products.

MR. VAZQUEZ: Uh-huh.

THE COURT: I think I heard him say that. I think I said it right.

MR. VAZQUEZ: Yes, you have.

THE COURT: So are you going to -- is that something you're going to use an expert for or isn't that something that your clients will know about -- your client will know about?

MR. VAZQUEZ: No. No, that is something that we are going to rely on our experts' evaluation of the same documents we've produced to them, and in consultation with us and in meetings with the client. We're just not there yet.

THE COURT: Well, okay. You get to try your case, but I'll bet you you are going to put on either

the inventors or corporate executives or somebody who say because of my experience in this market I know what's out there and there's nothing that competes with us that doesn't infringe our patent. And you're not going to rely on an expert for that because the expert is probably going to be an economist kind of person and not somebody in the art at issue here.

MR. VAZQUEZ: Your Honor, I guess that's possible, but as we stand here today I'm not sure that we will do that.

(Whereupon, there was a pause in the proceedings.)

MR. VAZQUEZ: Your Honor, as my partner points out, they didn't ask for that level of detail. We may get to that as we proceed. There's still time to make additional requests, but that level of detail was not requested and it surely wasn't conferred about. So -- I mean, in light of this -- I don't know how much clearer it could be, to have met and conferred and then submit to the court, as they did this morning, something that says MDX's Damages Discovery Requests, we agree to remove this issue from the motion.

THE COURT: Okay. Thank you. Mr. Lee.

MR. LEE: Your Honor, the parties actually have conferred about Interrogatory No. 6, and there is

plaintiff correspondence showing that. Furthermore, the agreement provided this morning, Your Honor, relates to documents noting that based on Mr. Vazquez' representation as 6,000 -- 6,000-plus, it's actually pages, of financial documents have been provided, the documents issues are removed from this motion but not the interrogatory, Your Honor.

Your Honor, if you like I can take a moment to try to search for correspondence in showing the conferrals about this interrogatory.

THE COURT: So you have -- you have -- when I read your Interrogatory 6, probably because I'm not a very good lawyer, it didn't jump out at me that you were looking for evidence like absence of a non-infringing substitute. What I thought you were looking for was more along the lines of we think we're entitled to 6 percent royalty because our survey of the market shows that that's the kind of royalty that's awarded in this kind of case. So you're saying to me that in your 7.1(a) conferences you've said, we're looking for an element-by-element analysis like you set out a minute ago.

MR. LEE: Well, Your Honor, Interrogatory 6 actually asks for an explanation, the factual and legal bases.

THE COURT: Right. I see that.

MR. LEE: Something like, you know, the plaintiff -- patentee here is entitled to a 3 percent. That may very well be a conclusion for an expert, but they're also factual bases that lead to that legal -- that lead to that expert conclusion. Some of those factors are listed in the *Georgia Pacific* case including, for example, what types of royalty amounts a patentee has given to other competitors.

There simply must be facts that establish an expert's conclusion about these factors establishing lost profits, reasonable royalties, and by the words factual and legal bases. And, specifically, the word "factual." Those are the type of things that we're looking for, Your Honor. Just the facts that would be provided for an expert to consider whether these elements establishing these damages claims are met.

THE COURT: Um, so Mr. Vazquez says this is all going to be left to experts. Um, shouldn't you wait for the report -- and, therefore, you should wait for the reports.

MR. LEE: Your Honor, by that point, by the time expert reports come out fact discovery would have ended. These are the factors that play into MDX's defense that the plaintiff here is not entitled to these

damages. Some of these -- much of these -- many of these explanations and documents are going to be in Health Grades' possession. And Health Grades mentioned they provided documents, but they haven't provided the explanation about the fact -- the factual factors tying all of them together. If somehow, without understanding these factual underpinnings, MDX did not get the documents it needed and fact discovery had ended they would have no opportunity to get them at that point. And it -- and that's exactly why, you know, these -- Your Honor, these determinations have both factual and expert aspects to them.

THE COURT: Thank you.

MR. VAZQUEZ: Your Honor.

THE COURT: Yes.

MR. VAZQUEZ: If I may just respond from my --

THE COURT: Yes.

MR. VAZQUEZ: -- from the table here. If they just propound an additional interrogatory asking for the specific detail, we will respond. Thank you.

THE COURT: Do they have interrogatories left? Do you have interrogatories left or is this -- or is it a --

MR. VAZQUEZ: I think they do, and we would agree to allow them an extra one.

THE COURT: All right. Well, I'm going to grant the motion to compel with respect to Interrogatory No. 6. Perhaps the disagreement could have been resolved by further 7.1(a) conference, perhaps not. I do agree with Mr. Lee that the discussion in the e-mail setting out the parties' resolution deals with documents and not with the interrogatory answer. So I'm not going to say that the argument was barred by the agreement which was handed to me earlier today. And the words about seeking a factual and legal bases for the types of damages sought are in the interrogatory. It didn't leap out at me, but I think the interrogatory fairly asks for the information which Mr. Lee has specified.

The plaintiff has said that it's willing to provide that information, even have an additional interrogatory if it's required, so -- I won't require that, I'll simply require that you answer the interrogatory as it's been described here today. Mr. Lee.

MR. LEE: Thank you, Your Honor. If we may just have one more minute of your time. We understand that you have ruled on the fees aspect, but the interrogatories that we addressed today were just a small portion of discovery delays that occurred, and we have documents actually showing the extent of all the

delays that have occurred before the filing of this motion, as well as all the supplementations that occurred after. If I may have just a minute, Your Honor.

THE COURT: You may.

MR. LEE: Thank you. Your Honor, Rule 37(a)(5) says that if a motion to compel prompts -- is granted or prompts discovery that occurs afterwards then the court must grant reasonable fees including reasonable expenses and attorney fees.

Now, Your Honor, before MDX filed this motion they had received only 2700 pages of document production, and many of the document -- interrogatory responses had the deficiencies noted today, as well as those to be cured by the agreement from this morning.

For example, Health Grades in their correspondences promised supplements to interrogatory responses several times; first, by October 7th, and then by October 10th, and then October 20th. Well, ultimately, none of those came.

In fact, today, because of that agreement a lot of those are to be supplemented, they haven't been done so yet, or document production -- as we had mentioned only 2700 pages were provided before the filing of this motion, but after the filing of this

motion more than 130,000 pages were filed -- were produced.

And, similarly, with respect to the electronic -- electronically stored information, Your Honor, Health Grades at first refused to even search them for a month and a half after MDX sent the requests. And then after it agreed, it predicted results by October 20th, and then October 28th, but those dates passed without anything coming. And, finally, on November 22nd, almost a month after that and one day before this motion, those were provided. Just the search hits, Your Honor, not the -- not any actual documents.

Therefore, what we have, Your Honor, is the majority of supplementation and the majority of document production having occurred after this motion to compel, and the fact that many of these removed issues from the motion to compel, does not remove the fact that they were prompted by, we believe, the motion to compel, Your Honor.

And we have over 15 correspondences between the parties between, I believe, August and the filing of this motion, showing that MDX tried to obtain all of this discovery before filing this motion, and the many, many promises that Health Grades had made but -- but broke it. And, therefore, we believe -- Your Honor,

this is a very exemplar case of applying Rule37(a)(5), and we can provide the more than 15 correspondences to Your Honor if you would like.

THE COURT: Mr. Vazquez.

MR. VAZQUEZ: Just one minute, Your Honor. Thank you.

Your Honor, as I'm sure the court is aware, Rule 37 goes beyond the provisions that Mr. Lee paraphrased. Rule 37 states that the court must not order fees if the motion was filed before attempting to good faith to obtain discovery, or if Health Grades' responses, objections and disclosures or non-disclosures were substantially justified, or if other circumstances make fees -- a fees award unjust. I think given the discussion that's occurred this morning here, the court would be very -- it would be very unjust to have a fees award.

To add some context to that, Your Honor, we are -- we are waiting -- it's now been six weeks since we made our request for documents, and they were promised to us by the end of this week. I'm not sure if they are coming. You know, this is a two-way street here, Your Honor, and we have been working in good faith with them to provide discovery and to obtain discovery.

As they noted in the motion to compel, they

noted that I said -- I didn't believe it had been enough conferral. I have -- they're within the correspondence that they attach, but I've pulled it. I just need a second to identify it. At least two instances where before the motion was filed I said I would really appreciate you listing for me specifically what you anticipate asking the court to compel so that we can resolve this. They didn't choose to do that. And I got one response that said you are well aware of the issues we're not going to waste our time anymore.

So I would ask to the court, to the extent the court is willing to indulge this request, even though I believe you said earlier you were not going to grant fees, that we'd be allowed to just put together those documents, those e-mails, showing that I requested that they at least give me the specific items.

There was good reason for that, Your Honor. This is very complex. There are thousands of documents at issue. And there's a lot of back and forth as you can tell, tons of e-mail communications. And so I just wanted to make sure -- make an attempt at, hey, you may not need to go to the court. And I think that the agreement this morning shows that that's right. A lot of this could have been resolved.

Your Honor, you will see a correspondence

there where I would say we'll provide that, but what they omit is if it exists, or if we can. There's not been any obfuscation. I have been very -- you know, I feel unfairly personally attacked somewhat in this argument based off of these e-mails. There's been no -- no intentional delay. To the contrary, I've worked very hard to try and accommodate their requests, all within the rules.

You know, the ESI which is a major portion of -- of this dispute about the discovery, which the parties have agreed it's, you know, was withdrawn, there's no doubt that that was all handled before they filed the motion. On November 17th I told them I've got the results and we'll be willing to discuss them with you. And on November 22nd I reasserted that. Despite that, they filed the motion.

You may note that it included in their first footnote an explanation about, oh, we're so sorry to file this right before the holiday but we want to try and get -- we're doing so to try and -- so that we might have the hearing on December 2nd, when we had the hearing on the motion to strike. Well, that's not proper basis to rush a motion to -- you know. If they had waited, these -- a lot of these issues would not have been in that motion.

If they had simply accommodated the reasonable request to send me a copy of the draft of this motion so that we may make one last attempt to get you what you need or explain why I can't give it to you or when we can, we wouldn't be here as long as we've been here today, and that motion would have been maybe a two or three-page motion.

In each one of these discovery requests that are at issue here we made proper, substantially justified objections, Your Honor. There's been no -- no argument to the contrary here today about our objections. A lot of this stuff, including the 3,000 pages of documents related to our expenses, revenues and costs, those were supplied before the motion was filed. Some of the other issues with respect to the documents relating to the response related to prior art have been denied. So, respectfully, I would ask that the court deny this request for fees.

THE COURT: Thank you. Mr. Lee.

MR. LEE: Your Honor, I believe many of these issues can actually be clarified by actual summation of the correspondences themselves.

Mr. Vazquez points to a few different things to try to justify why documents and responses weren't supplemented or provided until after the motion, but the

fact is that there's a long list of 15 correspondences or more where the parties discussed in detail about these types of objections that Mr. Vazquez raised about their objections to our -- our requests. And, in fact, many of those e-mails show that Mr. Vazquez indicated that they would provide supplementation and additional documents. It wasn't a case that there was no dispute. There were several disputes. And it seemed a resolution was that we would just wait, and Health Grades would just provide those based on the correspondences, but that never occurred, Your Honor.

It's really the repeated nature of the promises that were made and broken, Your Honor, throughout a period of about four months. If Health Grades had made a first promise and broke it, and then made a second promise and then provided it we wouldn't be here today. Because, in fact, the number of promises and broken promises went beyond the first or the second, and in some cases even the third.

And, Your Honor, by referencing -- by saying that we had not conferred prior to filing this motion is just completely mismatching with the record, Your Honor. The record shows from all these correspondences that there were, in fact, conferrals on all of these issues. And every one of the issues raised in this motion, Your

Honor, will appear in one of the correspondences as having sufficient conferral.

Secondly, Mr. Vazquez points to the first 3,000 pages -- actually, I believe it was 2700 pages that were produced before the filing of this motion as containing a lot of the information such as revenues, expenses and costs. Presumably, Mr. Vazquez is referring to lost profits, discovery and things like that. But those numbers, Your Honor, were from, I believe, 2005 through 2008. None of those related at all to lost profits as of the date the patent was granted. None of those would be able to show the lost profits that Health Grades is claiming now as a result of having gotten its patent.

So, Your Honor, it simply is the case that there was insufficient production and discovery prior to the filing of the motion, and the several correspondences that we had, more than 15, Your Honor, will show that sufficient conferral.

And additionally, Your Honor, the -- referencing the agreement today is slightly different than the promises that were made earlier. Those promises were made, Your Honor, without court -- without approaching Your Honor here in the court. That is specifically the reason why we asked for this agreement

to be entered into the record so that there is something before the court. Thank you, Your Honor.

THE COURT: Thank you. I am going to deny the request for sanctions by way of fees. That part of the motion which I had to rule on involved disputes that were made in good faith and resulted in a mixed ruling. Sometimes I granted the motion to compel, sometimes I denied it. But, in any event, these were legitimate disputes that from time to time have to be brought to the court.

The harder part of the equation is whether to award fees because a substantial amount of the dispute was resolved after the motion was filed. I'm not persuaded that an award of fees is appropriate here. And to the contrary, I think it would be unjust given the substantially justified positions which I've seen taken with respect to many of the discovery requests.

It is possible -- I don't know, I didn't have to rule -- that I would have given less in an order compelling than Health Grades gave by way of compromise, so that I just can't say that an award of fees here is appropriate. So I'm going to deny it.

I have in mind that you'll make a supplemental response consistent with my order today on or before January 23rd. Is that sufficient time?

MR. VAZQUEZ: Yes, Your Honor.

THE COURT: What do you think about that, Mr. Lee? Is that okay or is that too long?

MR. LEE: Yes, Your Honor. That's fine.

THE COURT: All right. The supplemental response must be in full compliance with the formalities of the Federal Rules of Civil Procedure, and any documents which are to be produced must be produced at that time.

In addition, Mr. Lee, I will require that, if you haven't already done so, you make the same sort of representation as I'm requiring from the plaintiff, that after a good faith search all responsive documents have been produced.

MR. LEE: Yes, Your Honor.

THE COURT: Anything more, Mr. Vazquez?

MR. VAZQUEZ: No. Thank you, Your Honor.

THE COURT: Mr. Lee.

MR. LEE: Thank you, Your Honor.

THE COURT: Thank you very much.

THE COURTROOM DEPUTY: All rise. Court is in recess.

(Whereupon, the within hearing was then in conclusion at 12:21 p.m. on this date.)

I certify that the foregoing is a correct transcript, to the best of my knowledge and belief (pursuant to the quality of the recording) from the record of proceedings in the above-entitled matter.

/s/ Kelly Mair January 24, 2012

Signature of Transcriber Date