

Controlling Damages

Genuine Enabling Tech. LLC v. Sony Corp., et al., 1-17-CV-00135-203 (D. Del. Apr. 12, 2021)

By: Reid Huefner & Daniel Sokoloff | April 16, 2021

Before the court in this case was a motion to compel the production of documents related to conveyed (or derivative) sales in a patent infringement action. In its decision, the court determined that Plaintiff's requests regarding third-party conveyed sales were relevant and the information was discoverable.

Plaintiff Genuine Enabling Technology LLC ("GET") accused Defendants Sony Corporation and Sony Interactive Entertainment LLC ("Sony")'s PlayStation 4 ("PS4") controller of patent infringement because the controller allows a user to plug in a headset and transmit audio signal to communicate with others. GET argued that the ability to plug in a headset into PS4's controller to communicate with others leads to sales of third-party games and that revenue data from those sales was discoverable. Sony objected, asserting that there is no link between the information and GET's damages claim.

The court noted that Federal Rule of Civil Procedure 26 permits parties to obtain discovery "regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case." Fed. R. Civ. P. 26(b)(1). "Information within this scope of discovery need not be admissible in evidence to be discoverable." *Id.* The district court also considered *Georgia-Pacific*.¹ Of the fifteen *Georgia Pacific* factors, the sixth factor was deemed most relevant: "[t]he effect of selling the patented specialty in promoting sales of other products of the licensee; the existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or conveyed sales." *Georgia-Pacific* at 1120.²

The district court found that GET sufficiently established the requisite relevance of the revenue relating to third-party games sales because GET articulated a conveyed sales theory and presented documents as well as deposition testimony to demonstrate the connection between the sales of PS4 controllers and games playable on PS4. For example, GET presented: (1) deposition testimony of Sony's witness outlining that, "[i]f a console does well, then sales of accessories and software, games also do well[;]" (2) Sony's advertising of PS4's party to voice chat function; and (3) Sony's marketing presentation noting that "Online/Social Gaming" is a "Current PS4 Pillar."

The district court found Sony's promotion of players' ability to communicate with each other and Sony's belief that this type of social gaming experience is a driver of PS4 controller sales to be persuasive. As such, the court rejected Sony's contention that there was no link between the third-party game sales and the accused infringing feature and held that the requisite "baseline showing of relevance" had been met.

¹ *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970).

² See also *Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, 778 F.3d 1365, 1375 (Fed. Cir. 2015) ("A conveyed sale is a sale of a product that is not patented, but is sufficiently related ... that the patentee may recover lost profits for lost sales.").