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Federal Circuit Finds Settlement Negotiations Discoverable**Intellectual Property Client Alert**

This Alert provides only general information and should not be relied upon as legal advice. This Alert may be considered attorney advertising under court and bar rules in certain jurisdictions.

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In a ruling of first impression, the Federal Circuit confirmed that settlement negotiations related to reasonable royalties and damage calculations are discoverable. The Court rejected plaintiff MSTG, Inc.'s argument that such negotiations are protected by a settlement negotiation privilege. *In re MSTG, Inc.*, Misc. Docket No. 996 (Fed. Cir. April 9, 2012).

MSTG sued multiple defendants for infringing patents covering 3G mobile technology, settling with all defendants except for AT&T. One of the remaining issues in the litigation was the amount of a reasonable royalty should AT&T be found to infringe the patents-in-suit. MSTG produced the license and settlement agreements it reached with the other defendants but refused to produce discovery related to the negotiations of the settlement agreements. The magistrate judge ordered production of the documents, and the District Court agreed with the finding that the negotiation documents could disclose reasons why the parties reached the royalty agreements, providing guidance on whether the licenses could be considered a basis for calculating reasonable royalty.

On a petition for writ of mandamus, MSTG asked the Federal Circuit to recognize a new privilege in patent cases under Rule 501 of the Federal Rules of Evidence that would prevent discovery of litigation settlement negotiations related to reasonable royalties and damages. The Federal Circuit denied the petition, holding that such settlement negotiations are not privileged.

The Court indicated that such negotiations may be protected when made in the context of mediation in those states that have enacted a statutory mediation privilege. Further, while the Court found settlement negotiations discoverable, it did not decide the extent to which such evidence would be admissible under Federal Rule of Evidence 408.

Parties must take care when negotiating license and settlement agreements under the Court's ruling. Patton Boggs provides strategic counseling in negotiating patent licenses and settlements during litigation, ensuring that our clients are protected in achieving favorable resolutions to their disputes.

The *MSTG* opinion may be found [here](#).

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