

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Cangrade, Inc. v. Synopsys, Inc.

Cangrade · No. 25-cv-01381-NW (SVK) · Decided January 20, 2026

SUMMARY

The United States District Court for the Northern District of California addresses discovery disputes concerning requests for admission and production in Cangrade, Inc. v. Synopsys, Inc. The Court issues tentative rulings regarding settlement materials involving third-party Paylocity, investor communications, and requests concerning the existence of documents, and orders the parties to meet and confer or submit further joint statements.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Susan van Keulen
JURISDICTION	United States District Court for the Northern District of California
DECIDED	January 20, 2026
DOCKET	25-cv-01381-NW (SVK)
DISPOSITION	other
PROCEDURAL POSTURE	The magistrate judge issued tentative and final rulings on the parties' joint submission concerning Plaintiff's responses to requests for admission and requests for production.
PRECEDENTIAL VALUE	unknown

TOPICS

- discovery dispute
- relevance
- commercial litigation
- evidence
- mediation

PRACTICE AREAS

- civil procedure
- commercial litigation
- evidence

QUESTIONS PRESENTED

1. Whether the fact of any payment received by Cangrade under its settlement with Paylocity and the settlement agreement were relevant and proportional to the needs of the case.

2. Whether settlement-related negotiation documents were protected by confidentiality, privilege, the mediation privilege, or Federal Rule of Evidence 408, or were otherwise disproportionate to the needs of the case.
3. Whether Cangrade was required to conduct a more thorough search for investor communications under Federal Rule of Civil Procedure 26(g).
4. Whether requests for admission concerning the existence or nonexistence of documents were proper under Federal Rule of Civil Procedure 36.
5. Whether evidence must be admissible to be discoverable under Federal Rule of Civil Procedure 26(b)(1).

HOLDINGS

1. The fact of whether Cangrade received payment from Paylocity in settling the Massachusetts Action was relevant and proportional to the needs of the case. The court tentatively granted Synopsys's request for an admission or denial and alternatively tentatively ordered production of the final settlement agreement.
2. Settlement-related negotiation documents were at most tangentially relevant and, once the settlement agreement was produced, were not proportional to the needs of the case. The court tentatively denied the request for those documents.
3. The mediation privilege did not protect settlement-related documents created in the months after mediation or the settlement agreement itself.
4. Information need not be admissible in evidence to be discoverable.
5. Counsel must conduct a reasonable, diligent search under Rule 26(g), and the production of only one document across the subjects in RFP 4 raised a legitimate question about search sufficiency. Cangrade's counsel was ordered to search the two identified employees' emails and texts using terms sufficient to capture relevant communications after the scope of the request was resolved.
6. The RFAs seeking the existence or nonexistence of documents in reaction to the limited production under RFP 4 were improper because they were not directed to facts to be determined at trial and fell outside the parameters of Rule 36.

KEY QUOTATIONS

“information that is relevant and proportional to the needs of the case “need not be admissible in evidence to be discoverable.”” (§ I)

“Rule 36 serves two vital purposes, both of which are designed to reduce trial time. ... [First to facilitate proof with respect to issues that cannot be eliminated from the case, and secondly, to narrow the issues by eliminating those that can be.” (§ II.D)

FACTUAL BACKGROUND

The discovery dispute concerned Cangrade's settlement of a Massachusetts action with third-party Paylocity, including whether Cangrade received payment and the production of the settlement agreement and negotiation materials. Other requests sought communications between Cangrade and its investors concerning the alleged

software breach, merger-related matters, litigation, trade secrets, and related topics. Cangrade reported that only two employees communicated with a small group of investors and that those communications were sporadic and largely by telephone, while Synopsys challenged the sufficiency of the resulting production.

PROCEDURAL HISTORY

Cangrade and Synopsys submitted a discovery dispute concerning requests addressing a settlement with third-party Paylocity, investor communications, and the existence of documents. The court resolved portions of the dispute, ordered meet-and-confer efforts and a further search concerning investor communications, and denied other requests.

DISPOSITION

other

CASES CITED

- Wilcox v. Arpaio, 753 F.3d 872, 876 (9th Cir. 2014)
- The Facebook, Inc. v. Pacific Northwest Software, Inc., 640 F.3d 1034, 1040-41 (9th Cir. 2011)
- Folb v. Motion Picture Industry Pension & Health Plans, 16 F. Supp. 2d 1164, 1180 (C.D. Cal. 1998), aff'd, 216 F.3d 1082 (9th Cir. 2000)

OPINION

1 2 3 4 UNITED STATES DISTRICT COURT 5 NORTHERN DISTRICT OF CALIFORNIA 6 7
CANGRADE, INC., Case No. 25-cv-01381-NW (SVK) 8 Plaintiff, ORDER SETTING FORTH 9
v. TENTATIVE AND FINAL RULINGS IN RE DKT. 80 10 SYNOPSYS, INC., Re: Dkt. No. 80
11 Defendant. 12 I. INTRODUCTION 13 Before the Court is the Parties’ Joint Submission
regarding Plaintiff Cangrade’s responses 14 to certain Requests for Admissions (“RFAs”) and
Requests for Production (“RFPs”).

Dkt. 80. 15 The Court has reviewed the case file, the arguments of counsel and the relevant law
and 16 determines that this matter can be resolved without oral argument. Civ. L.R. 7-1(b).
However, as 17 some of the disputed requests involves third-party Paylocity, the Court issues
certain tentative 18 rulings to give Paylocity an opportunity to be heard as directed below.

19 In sum, there are four (4) disputes addressed in the dispute summary chart (Dkt. 80-1): 20 1. A
specific term of settlement of a lawsuit in Massachusetts between Cangrade and 21 third-party
Paylocity (“the Massachusetts Action”). Dkt. 80-1 at 2 (RFA 54). 22 2. Documents reflecting
settlement negotiations between Cangrade and third-party 23 Paylocity. Id. at 5 (RFP 11).

24 3. Documents reflecting communications between Cangrade and its investors relating to 25 ten
different topics. Id. at 8-9 (RFP 4). 26 4. A series of RFAs directed to the existence or non-
existence of communications 27 between Cangrade and its investors and between Cangrade and

unidentified third- 1 In addressing the disputed requests, the Court is guided by the parameters of relevance and 2 proportionality based upon the allegations in the current operative complaint.

Dkt. 601; Fed. R. 3 Civ. P. 26(b)(1). Particularly helpful at the stage of this case, Rule 26 also provides that 4 information that is relevant and proportional to the needs of the case “need not be admissible in 5 evidence to be discoverable.” Id. With these precepts in mind, the Court addresses the disputed 6 categories summarized above. 7 II. DISCUSSION 8 A. RFA 54: A fact relating to the settlement between Cangrade and third-party Paylocity.

9 10 RFA 54 seeks an admission that Cangrade received payment from Paylocity in settling the 11 Massachusetts Action. Dkt. 80-1. The fact of whether or not Cangrade received payment in 12 settling that action is not privileged and, in light of the claims and defenses asserted in this action, 13 whether any such payment was received is relevant and proportional to the needs of this case.

14 Fed. R. Civ. P. 26. The Court acknowledges that the Parties hotly dispute whether the remedies 15 Cangrade seeks this lawsuit overlap with whatever it may have recovered in the Massachusetts 16 Action and, similarly, whether an offset to recovery in this action would be appropriate. That 17 dispute may properly be the subject of motion practice before the presiding judge; it will not be 18 resolved in the context of a discovery dispute.

Accordingly, the Court tentatively GRANTS 19 Synopsis’ request for a response to RFA 54 in the form of either an admission or a denial or, in 20 the alternative, tentatively ORDERS Cangrade to produce the final settlement agreement 21 between it and third-party Paylocity as reasoned below. 22 B. RFP 11: Documents relating to settlement negotiations. 23 RFP 11 seeks “[d]ocuments relating to the negotiation and execution of the settlement between 24 You and Paylocity in connection with the Massachusetts Lawsuit.” Dkt.

80-1 at 5. Although this 25 request is not entirely clear, based upon the Joint Submission, it appears that the Parties dispute 26 1 The presiding judge recently granted in part and denied in part with leave to amend Synopsis’ 27 Motion to Dismiss the Second Amended Complaint. Dkt. 81. That order does not impact the 1 the production of documents reflecting settlement negotiations as well as production of the 2 settlement agreement.

See Dkt. 80. 3 Against this backdrop, Cangrade argues against production of any settlement-related 4 documents on various basis of confidentiality, privilege and relevance. Dkt. 80 at 5-7. Not to 5 bury the lede, the Court is not persuaded that any documents related to the settlement between 6 Cangrade and Paylocity are protected as confidential or privileged.

The Court further concludes 7 on the record before it that the settlement agreement between the two is relevant, and its 8 production is proportional to the needs of this case. Documents related to settlement negotiations 9 leading up to the agreement, however, are at best only tangentially

relevant, and with the 10 production of the settlement agreement, documents reflecting settlement negotiations are not 11 proportional to the needs of this case.

Fed. R. Civ. P. 26(b)(1). 12 To briefly return to Cangrade's arguments, it first suggests that the confidentiality 13 provisions in the settlement agreement prohibit its disclosure in this action, even in face of a court 14 order. Dkt. 80 at 6. Cangrade cites no authority for what would be an enormous work-around to 15 Rule 26, and this Court dismisses the argument accordingly.

Cangrade also urges inadmissibility 16 of settlement-related documents under Federal Rule of Evidence ("FRE") 408. Id. First, as noted 17 above, evidence need not be admissible to be discoverable. Fed. R. Civ. P. 26(b)(1).

Second, 18 FRE 408 limits the use of evidence exchanged in confidential proceedings to settle a claim to 19 demonstrate liability as to that claim. Fed. R. Evid. 408, Advisory Committee's Note on Proposed 20 Rules ("As a matter of general agreement, evidence of an offer-to compromise a claim is not 21 receivable in evidence as an admission of, as the case may be, the validity or invalidity of the 22 claim." (Emphasis added)).

Again, Cangrade cites no authority, and the Court is not aware of 23 any, that transfers FRE 408 protections as to a claim in one action to a different claim in another 24 action. Cangrade's third attack on production of settlement-related documents is based on the 25 mediation privilege. Dkt. 80 at 6.

However, all of the authorities cited by Cangrade limit the 26 privilege to materials related to the arranging and carrying out the mediation, using phrases such 27 as "made during the course of the mediation" and "setting up or conducting the proceedings." Id. 1 The privilege is similarly limited by Ninth Circuit authorities.² Dkt. 80 at 3 (citing *Wilcox v. 2 Arpaio*, 753 F.3d 872, 876 (9th Cir.

2014) and *The Facebook, Inc. v. Pacific Northwest Software, 3 Inc.*, 640 F.3d 1034, 1040-41 (9th Cir. 2011)). Thus, the mediation privilege protects neither the 4 settlement-related documents created in the several months following mediation nor the settlement 5 agreement itself. E.g., *Folb v. Motion Picture Indus. Pension & Health Plans*, 16 F. Supp. 2d 6 1164, 1180 (C.D.

Cal. 1998), *aff'd*, 216 F. 3d 1082 (9th Cir. 2000). Finally, Cangrade makes a 7 general relevance argument by attempting to distinguish the claims and damages sought in the 8 Massachusetts Action from this suit. Dkt. 80 at 6-7.

As discussed above, the legal impact of the 9 Massachusetts Action on this case is an issue for the presiding judge. Moreover, as also noted 10 above, admissibility in this action is a prerequisite to discoverability. 11 Accordingly, in response to RFP 11, the Court tentatively GRANTS Synopsis' request as 12 to the settlement agreement between Cangrade and Paylocity and tentatively DENIES the request 13 as to other settlement-related documents.

The Court ORDERS the Parties, including third-party 14 Paylocity, to meet and confer with the Court's tentative rulings as guidance, no later than 15 January 27, 2026. If the Parties are unable to agree on production of the settlement agreement in 16 lieu of a supplemental responses to RFA 54 and RFP 11, or if Paylocity would like to be heard on 17 either of these issues, Synopsis, Cangrade and Paylocity may submit a single joint statement not to 18 exceed 2 pages each, for a total of 6 pages, no later than February 3, 2026.³ The Court will set a 19 hearing if necessary.

20 C. RFP 4: Investor Communications 21 RFP 4 seeks: 22 Documents and Communications exchanged with Investors relating to the GitHub Post, the LOI, the potential merger between You and 23 Paylocity, this Litigation, the Massachusetts Lawsuit, the settlement of the Massachusetts Lawsuit, Your Trade Secrets, the audit of 24 25 2 The Parties debate whether federal or state law governs privilege in this context, and if state law, 26 whether it is the law of Massachusetts or California.

As all authorities cited by both sides limit the mediation privilege to preparation for and conduct of the mediation itself, the Court need not 27 resolve this question. Cangrade source code performed by Synopsys, Joseph Paulose, or the 1 CONDA. 2 Dkt. 80-1 at 8-9. Synopsis complains of the production of only a single document in response to 3 this RFP seeking communications with investors about any one of ten topics.

Cangrade proffers 4 that there are only two persons at Cangrade who communicate with its "handful" of investors and 5 that those communications are sporadic and almost entirely by phone. Dkt. 80 at 7. Cangrade 6 also divides the topics between those that address the "software breach and resulting termination 7 of the merger" and those directed to the "origin and proceedings of the merger." Id. Cangrade 8 objects to the latter category as irrelevant.

Id. Cangrade does not identify which topics in RFP 4 9 fall into which category, although some are obvious. Synopsis does not specifically address 10 Cangrade's relevance objection. See id. at 1-5. 11 The question of relevance must be addressed in the first instance, but, as noted, the record 12 before the Court is incomplete.

Accordingly, the Court ORDERS that no later than January 27, 13 2026 Synopsis and Cangrade meet and confer, in light of the directives below, to further address 14 the relevancy of the topics in RFP 4. This meet and confer effort must be robust, either in 15 person or by video, conducted by counsel with full authority to negotiate and compromise to 16 resolve this issue.

If the Parties are unable to resolve this dispute, they submit a further joint 17 statement to the Court, not to exceed 4 pages, no later than February 3, 2026. 18 As to the sufficiency of any search, Rule 26(g) requires the reasonable, diligent effort by 19 counsel in responding to discovery requests.

Although searches by clients are not per se against 20 the Rules, searches without input or guidance by counsel may be inadequate. Notwithstanding the 21 context provided by Cangrade, the production of only a single document across a range of 22 subjects, even as those subjects are limited by Cangrade, raises a legitimate question as to the 23 sufficiency of the search.

Further, as there are only two Cangrade employees who communicate 24 with investors, a more thorough search by counsel is not unduly burdensome. Accordingly, the 25 Court ORDERS as follows: Within 14 days of resolution of the scope of RFP 4, either by 26 agreement or court order, counsel for Cangrade is to search the two individuals' emails and texts, 27 using search terms sufficient to capture relevant communications on the relevant topics.

At this 1 and is therefore DENIED without prejudice. 2 D. RFAs 72-111: Existence of Documents 3 In addressing this voluminous portion of the dispute, the Court is guided by the express 4 || objective of Requests for Admission. See Fed. R. Civ. P. 36(a)(1)(A).

In relevant part, Rule 36 5 || provides: A party may serve on any other party a written request to admit, for 6 the purposes of the pending action only, the truth of any matters 4 within the scope of Rule 26(b)(1) relating to: (A) facts, the application of law to fact, or opinions about either.... 9 || Id. The Advisory Committee Notes more precisely state the Rule's objective as follows: 10 Rule 36 serves two vital purposes, both of which are designed to reduce trial time....

[First to facilitate proof with respect to issues 11 that cannot be eliminated from the case, and secondly, to narrow the D issues by eliminating those that can be. 13 Id., Advisory Committee's Notes to 1970 Amendment. Y 14 Synopsis readily admits that these RFAs are in reaction to RFP 4 and the production of 15 only one document. Dkt. 80 at 5.

As such, these RFAs are not directed to facts to be determined GQ 16 || at trial are therefore improper. Synopsis' request is DENIED as outside the parameters of Rule 17 || 36. Notably, Synopsis' concern regarding the existence of documents is addressed by the Court's Z 18 ruling in re RFP 4, above. See, supra, § II.C. 19 || II, CONCLUSION 20 In light of the early stage of this litigation, the Parties may stipulate to modest extensions 21 of the deadlines set forth herein to facilitate the resolution of any dispute without further Court 22 || intervention.

23 24 SO ORDERED. 25 || Dated: January 20, 2026 26 27 Sess err SUSAN VAN KEULEN 28 United States Magistrate Judge