UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON AT SEATTLE

TELEBUYER, LLC, **Plaintiff,** **v.** **AMAZON.COM, INC., AMAZON WEB SERVICES LLC, and VADATA, INC.,** **Defendants.**	**Civil Action No. 2:13-cv-1677-BJR**

ORDER DENYING PLAINTIFF'S MOTION TO COMPEL

Plaintiff Telebuyer, LLC (hereinafter, "Telebuyer") moves to compel Defendants Amazon.com, Inc., Amazon Web Services LLC, and VADATA, Inc. (collectively, "Amazon") to produce information concerning certain patent licenses, namely licenses between Amazon and its subsidiaries. Having reviewed the parties' arguments together with all relevant materials, the Court will deny Telebuyer's Motion to Compel for the reasons given below.

I. Background

Telebuyer seeks damages against Amazon for patent infringement. In the course of discovery, Telebuyer made the following discovery requests to which Amazon has objected:

> **Interrogatory No. 2**: Identify all patent licenses to which You are a party (including without limitation any patent licenses between You and Your direct and indirect subsidiaries, and among Your direct and indirect subsidiaries) pertaining to the functionality of the Accused Technology.
>
> **Request for Production No. 35**: All in-bound or out-bound patent licenses relating to the Accused Technology.

(Doc. No. 126 at 3-4).

This discovery dispute focuses on the production of "over 2,800" agreements in which Amazon transferred or licensed patents to its subsidiaries. (Doc. No. 126 at 7). These intra-corporate licenses involved "wholesale permission for Amazon's affiliates to use all of Amazon's intellectual property – including all of Amazon's good will, know-how, domain names, trade secrets, trade dress, moral rights, common law rights, registered and unregistered copyrights and trademarks, worldwide patent rights (including patents that have yet to issue as patents), and any other intellectual property of every kind and nature." (*Id.* at 19). According to Telebuyer, these intra-corporate licenses were negotiated at "arm's length and reflect the market value of Amazon's patents and other intellectual property rights." (*Id.* at 1).

II. Legal Standard

Under Federal Rule of Civil Procedure 26(b)(1), parties may obtain discovery of "any nonprivileged matter that is relevant to any party's claim or defense" or "reasonably calculated to lead to the discovery of admissible evidence." However, the court must limit discovery otherwise allowed by the rules if it determines that "the burden or expense of the proposed discovery outweighs its likely benefit [. . .]." Fed.R.Civ. P. 26(b)(1)(iii).[1]

III. Analysis

Telebuyer claims these intra-corporate licenses should be produced for two reasons: (1) they are relevant to the damages determination; and (2) they are reasonably calculated to lead to the discovery of admissible evidence. The Court finds neither argument persuasive.

a. The Licenses Are Not Relevant to the Damages Determination

Patent damages are determined, in part, based on the outcome of a hypothetical negotiation between the patent holder and the accused infringer. *Whitserve, LLC v. Computer*

[1] Rule 26(b)(1) was amended in 2000 to require that discovery "relate more directly to a 'claim or defense' than it did previously." *Elvig v. Calvin Presb. Church*, 375 F.3d 951, 968 (9th Cir. 2004)(citations omitted).

Packages, Inc., 694 F.3d 10, 27 (Fed. Cir. 2012). The amount paid by a licensee for the use of a patent other than the patent in suit is relevant in analyzing this hypothetical negotiation only if the license is "sufficiently comparable to the hypothetical license at issue in suit." *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325 (Fed. Cir. 2009).

According to Telebuyer, the intra-corporate licenses are comparable to the hypothetical license in this case because the negations for these licenses were done at "arms' length" and represent the true value of the intellectual property conveyed in those licenses. The Court disagrees. The intra-corporate licenses transferred considerably more intellectual property rights than those involved in the hypothetical license in this case, causing a fundamental disparity in both the value and nature of each license. *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1327 (Fed. Cir. 2009) ("broad" portfolio-based licenses are "radically different" from the hypothetical licenses that involve one patent). Specifically, Amazon's intra-corporate licenses involved the "rights to all or substantially all of [Amazon's] intellectual property throughout the world," whereas Telebuyer's claims only concern the patent rights related to "a single business aspiration to use . . . video telephones . . . for telemarketing." (Doc. No. 126 at 13, 19). Moreover, the intra-corporate license negotiations, which took place between a parent company and a subsidiary, involved markedly different considerations and bargaining positions than the hypothetical negotiation between Amazon and Telebuyer, two competitors. *See, e.g. Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1373 (Fed. Cir. 2008) (terms in an intra-corporate license agreement "are likely to be very different from those resulting from a hypothetical negotiation between competitors"). For the reasons set forth above, the intra-corporate licenses are not comparable or relevant.

b. Discovery Is Not Reasonably Calculated to Lead to Admissible Material

According to Telebuyer, Amazon should produce the intra-corporate licenses because they could also lead to "information concerning Amazon's intellectual property valuations, profitability analysis, licensing policies and practices, and the identity of witnesses knowledgeable about Amazon's intellectual property licensing." (Doc. No. 126 at 9). The Court disagrees and finds that discovery based on these grounds would be unduly burdensome. *See* Fed. R. Civ. P. 26 (b)(1). Telebuyer's request involves over 2,800 licenses, which conveyed a very broad array of intellectual property rights to subsidiaries and involved considerably different licensing considerations and analysis. Therefore, production of these intra-corporate licenses would impose additional burdens on Amazon and provide little benefit in determining the relevant issues in this case.

CONCLUSION

For the reasons stated above, it is, on this 2nd day of October, 2014, hereby ORDERED that Plaintiff Telebuyer's Motion to Compel, Doc. No. 126, is DENIED.

IT IS SO ORDERED.

BARBARA J. ROTHSTEIN
UNITED STATES DISTRICT JUDGE