

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

INTERNET MACHINES LLC

v.

ALIENWARE CORP., ET AL.

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Case No. 6:10-cv-23

ORDER ON MOTION TO COMPEL

Before the Court is Plaintiff Internet Machines LLC’s Motion to Compel Defendant PLX Technology, Inc. to Produce Sales Information and Documents (Doc. No. 316). Plaintiff Internet Machines LLC (iMac) filed this suit against Defendant PLX Technology, Inc. (PLX) and several other defendants alleging infringement of United States Patents Nos. 7,421,532 and 7,454,552. In particular, iMac accuses certain PCI Express switches (PCIe switches) of infringing the asserted patents. iMac now seeks production of sales documentation (i.e. quotes, purchase orders, acknowledgements, and invoices) for all sales of the accused products, whether or not the products shipped to the United States. Although PLX produced a sales summary and underlying documents for all PCIe switches shipped to the United States, PLX refuses to produce any additional documentation relating to those switches shipped to international markets. Having carefully considered the parties argument, the record, and the applicable law, the Court hereby **DENIES** iMac’s motion to compel (Doc. No. 316).

I. Disclosure of All Sales Information

The parties’ primary disagreement focuses on whether PLX’s sales of PCIe switches which were not shipped to the United States qualify as a “sale” under 35 U.S.C. § 271 for purposes of infringement. iMac contends that all sales, whether shipped domestically or

internationally, are accepted by PLX at its Sunnyvale, California office. iMac concludes that all sales of the allegedly infringing products count as infringing sales under U.S. patent law because the sales are all accepted domestically. Therefore, according to iMac, all sales are discoverable for calculating damages.

PLX acknowledges that all sales pass through its California office. But PLX contends that sales of products not shipping to the United States are accepted prior to reaching its California office. Rather, PLX suggests that its employees in California merely play an administrative role in sales not destined for the United States.

According to the deposition testimony of Mr. Michael Grubisich, PLX's vice president of operations, and Mr. Art Whipple, PLX's chief financial officer, when a non-U.S. customer initiates the ordering process, the customer first contacts a sales representative in the customer's region of the world. For example, purchase orders from Asian customers are taken in Taiwan. Those orders are then forwarded to PLX's California office. Purchase orders need to have the part number, the quantity, the price, the distributor receiving the shipment, and the customer's requested shipping date. PLX review the orders for accuracy once they are received in California. This includes checking for supply and confirming shipping dates. PLX then responds to the customer via email or fax with an "acknowledgement." An acknowledgment notifies the customer that the order has been accepted and includes the quantity, price, and ship date. Regardless of the customer's location, all acknowledgements are sent via email or fax from PLX's California office. Thereafter, the majority of orders are then shipped from PLX's warehouse facility in Hong Kong.

It is uncontested that PLX sold and shipped allegedly infringing products directly to customers in the United States. iMac contends that all sales, including those for international

customers, are consummated only when PLX confirms them in California. According to iMac, sending acknowledgements is the equivalent to accepting their offer for sale.

Section 271 of the U.S. patent law provides that “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent.” 35 U.S.C. § 271(a). “It is well established that the reach of section 271(a) is limited to infringing activities that occur within the United States.” *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1375 (Fed. Cir. 2005). iMac’s position that PLX’s receipt of its purchase orders in California should control contradicts Federal Circuit precedent. *See Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1320 (Fed. Cir. 2010). A sale does not necessarily occur at a “single place where some legally operative act took place.” *Litecubes, LLC v. N. Lights Prods., Inc.*, 523 F.3d 1353, 1369–70 (Fed. Cir. 2008) (quoting *N. Am. Philips Corp. v. Am. Vending Sales, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994)). Rather, other factors, such as the place of performance may be controlling. *See Transocean Offshore Deepwater Drilling, Inc.*, 617 F.3d at 1320; *Litecubes, LLC*, 523 F.3d at 1369–70; *MEMC Elec. Materials, Inc.*, 420 F.3d at 1376–77. Here, the allegedly infringing products that are ordered by foreign customers were manufactured outside the United States, and distributed to customers outside of the United States. Both performance and the passing of legal title occurred internationally. Accordingly, the sales of the allegedly infringing products to foreign customers fall outside the scope of U.S. patent laws. *See ION, Inc. v. Sercel, Inc.*, Civ. No. 5:06-CV-236-DF, 2010 WL 3768110, at *3–4 (E.D. Tex. Sept. 16, 2010) (finding offers for sale outside the scope of section 271 under factually similar circumstances).

Therefore, PLX is not required to disclose sales information or documentation related to the sale of any product manufactured and shipped outside the United States.

II. Disclosure of Underlying Documents

iMac also seeks disclosure of documentation supporting PLX's existing sales disclosure. As part of the damages discovery, PLX produced a spreadsheet summary of the sales information for all domestic sales. The spreadsheet includes details such as: the accounts receivable date, the invoice number, the shipper identification corresponding to the commercial carrier responsible for delivering the product, the order date, the sales order number, the purchase order number, the name of the sales representative, the name of the manufacturers' representative or distributor involved in the sale, the booking customer, the customer to whom the product shipped, the state to which the product shipped, the part number, the quantity ordered, the unit price, the total price, the end customer if known, the year of the sale, and any corresponding PLX internal identifier number.

iMac now requests production of the product quotes, purchase orders, acknowledgements, and invoices underlying the summary. iMac contends the production is necessary to determine the full extent of the allegedly infringing sales and also to verify the accuracy and completeness of the sales summary. PLX responds that the underlying documents have already been produced, thus, any subsequent production would be unreasonably cumulative and duplicative.

Rule 26 governs the scope of discovery, providing that “[p]arties may obtain discovery regarding any nonprivileged matter that is relevant to any party’s claim or defense” or “appears reasonably calculated to lead to the discovery of admissible evidence.” Fed. R. Civ. P. 26(b)(1).

The discovery rules are accorded a broad and liberal treatment to effect their purpose of adequately informing litigants in civil trials. *Herbert v. Lando*, 441 U.S. 153, 176, 99 S.Ct. 1635, 60 L.Ed.2d 115 (1979). Nevertheless, discovery does have “ultimate and necessary boundaries.” *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 351 (1978) (quoting *Hickman v. Taylor*, 329 U.S. 495, 507 (1947)). Accordingly, “the court must limit the frequency or extent of discovery” when it is “unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive.” Fed. R. Civ. P. 26(b)(2)(C)(i). This includes limiting discovery when it is more burdensome than beneficial. Fed. R. Civ. P. 26(b)(2)(C)(iii).

In combination with PLX’s existing disclosures, the deposition testimony of Mr. Whipple, Mr. John Chasko, a PLX regional sales manager, and Mr. Eugene Schaeffer, PLX’s vice president of sales, indicate that PLX has already produced the information underlying its sales summary. Any further production would be entirely cumulative and duplicative of PLX’s previously produced material. Therefore, PLX is under no further obligation to reproduce the requested documentation.

For the foregoing reasons, the Court hereby **DENIES** iMac’s motion to compel (Doc. No. 316).

It is SO ORDERED.

SIGNED this 29th day of November, 2011.



MICHAEL H. SCHNEIDER
UNITED STATES DISTRICT JUDGE