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RE: *CallWave Communications LLC v. AT&T Inc., AT&T Mobility, LLC, and Google, Inc.*: Case No. 1:12-cv-1701

Dear Ms. McCoy:

This letter responds to yours of April 1, 2014 and to your requests for legal authority supporting Wavemarket, Inc., d/b/a Location Labs' ("Location Labs") position regarding its written objections and responses to CallWave Communications LLC ("CallWave") Subpoena to Testify at a Deposition and Production of Documents, Electronically Stored Information, or Tangible Things in a Civil Action ("Subpoena"), which was issued in the above-referenced matter.

As a preliminary matter, in response to the assertion in your letter that [Location Labs] "did not move to quash the subpoena," as a non-party, Location Labs was not and is not required to file a motion to quash the subpoena and thus, may rightfully stand on its timely-served objections. Federal Rule of Civil Procedure ("FRCP") 45(d)(2)(B); *Visto Corp. v. Smartner Information Systems, LTD.*, 2007 WL 218771 (N.D. Cal. 2007) at *1 fn. 1. ("it is only a party that must file a motion to quash").

Importantly, FRCP 45(d)(1) requires that a party or attorney causing a subpoena to issue and be served must take reasonable steps to ensure that compliance with the subpoena will not impose undue burden or expense on the responding person and courts are particularly concerned anytime enforcement of a subpoena imposes an economic burden on a non-party. FRCP 45(d)(1); *Gonzales (Attorney General of the U.S.) v. Google, Inc.*, 234 F.R.D. 674, 683 (N.D. Cal. 2006). In fact, FRCP 45(d)(1) specifically calls for sanctions (including lost earnings and reasonable attorney's fees) on a party or attorney who fails to comply with the rule.

Although you state in your letter that you are attempting to "reduce the burden on Location Labs," CallWave has done nothing to actually do so. Indeed, you have neither narrowed the scope of any of your requests, nor provided any assurances that you will pay Location Labs for the substantial expenses that it will incur by its compliance with the subpoena, or otherwise reduce the burden on Location Labs. Conversely, your letter proceeds to demand the full scope of your forty-five (45) lengthy original requests, which are unduly burdensome, overbroad, improper, and not reasonably calculated to lead to the discovery of admissible evidence. As I have stated before, Location Labs will incur substantial expense if

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requests, (requiring a fifty-eight page Objection and Response) and beginning to identify and collect documents for potential production are already well in excess of \$10,000 and will require substantially more than the \$20,000 that the Ninth Circuit has found to trigger the obligation of the serving party to pay. Location Labs is not asking for a 'blank check,' from CallWave in order to comply with CallWave's subpoena, rather, we are asking to not be unduly burdened with significant expenses by our compliance with the subpoena. CallWave must, at a minimum, provide Location Labs with payment for the reasonable costs incurred as a result of compliance with the subpoena.

FRCP 45(d) provides that a non-party subject to a subpoena may be protected from the costs of compliance via cost-shifting under FRCP 45(d)(2)(B)(ii). Specifically, FRCP 45(d)(2)(B)(ii) states that, when a court orders compliance with a subpoena over an objection, "the order must protect a person who is neither a party nor a party's officer from significant expense resulting from compliance." The rule was amended in 1991. The leading Court of Appeals decision to have analyzed the rule since the 1991 amendment is *Linder v. Calero-Portocarrero*, 251 F.3d 178 (D.C.Cir.2001), which held that the amendment made cost shifting mandatory in all instances in which a non-party incurs significant expense from compliance with a subpoena. *Id.* at 182. It further noted that "the 1991 changes were intended 'to enlarge the protections afforded persons who are required to assist the court.' " *Id.* (quoting FRCP 45 advisory committee's note to the 1991 amendment). Based on this analysis, the Linder court held that only two considerations are relevant under the rule: "[1] whether the subpoena imposes expenses on the non-party, and [2] whether those expenses are 'significant.' " *Id.* If these two requirements are satisfied, "the court must protect the non-party by requiring the party seeking discovery to bear at least enough of the expense to render the remainder 'non-significant.' " *Id.*

More recently, in the case *Legal Voice v. Stormans, Inc.*, 738 F.3d 1178 (9th Cir. Dec. 31, 2013), the 9th Circuit Court of Appeals addressed cost-shifting under FRCP 45(d) and directly followed the D.C. Circuit's *Linder* decision. Specifically, in *Stormans*, the 9th Circuit Court of Appeals held that where a non-party incurs substantial costs complying with a subpoena, the court has to award the costs to the non-party. *Id.* Applying the correct standard from the *Linder* case, the 9th Circuit had "no trouble concluding" that a non-party incurring a cost of "\$20,000 is significant." *Id.* See also *Linder*, 251 F.3d at 182 (noting that a cost of \$9,000 to a non-party may be sufficiently significant to justify cost-shifting).

Furthermore, the district court in *Pacific Gas and Electric Co. ("PG&E") v. Lynch*, 2002 WL 32812098 (N.D. Cal. 2002) reasoned that the cost of compliance with PG&E's subpoena by a non-party extended well beyond the costs of photocopying and shipping associated with production of documents. *Id.* at *3. Importantly, in awarding reimbursement to the non-party, the district court decided that "labor costs involved in production must also be borne, to some extent, by PG&E." The district court reasoned that "legal work done to facilitate compliance may also be considered a cost of compliance reimbursable under FRCP 45(d)(2)(B)." *PG&E*, 2002 WL 32812098 at *3, citing to *First Am. Corp. v. Price Waterhouse LLP*, 184 F.R.D. 234, 241 (S.D.N.Y.1998). Thus, for purposes of cost-shifting pursuant to FRCP 45(d), all of the legal work done by our firm to respond to CallWave's subpoena in order to facilitate compliance will be considered a reimbursable 'labor cost' associated with such compliance. It is critical to this process

Responses), Location Labs is willing to provide CallWave documents in response to a narrowed subpoena at an appropriate time on the condition, as provided in FRCP 45(d), that CallWave will agree to compensate Location Labs for the expenses it will incur as a result of complying with the Subpoena. Pursuant to FRCP 45, CallWave will be subject to cost-shifting if the Subpoena will subject Location Labs to significant expense. Accordingly, Location Labs stands by its Objections and Responses. In an attempt to meet and confer in good faith, we address each of your Requests below.

Request No. 1 asks for prior art in Location Labs' possession, custody, or control related to patents in suit. Request Nos. 2-5 are also directed towards validity issues related to the United States Patent No. 6,77,970 ("the '970 patent"). Location Labs reasserts its Objections and Responses to these requests. Specifically, these requests are improper as they seek to elicit invalidity and/or non-infringement contentions, as well as positions on the construction of any claim term or phrase from a third party. Location Labs, a non-party, has no obligation to conduct analyses of the merits of the above-referenced action nor to make judgments regarding prior art in this action. Furthermore, these requests are an improper attempt to circumvent the discovery rules governing Inter Partes Review in the United States Patent and Trademark Office ("USPTO"), which is applicable to the '970 patent. See Department of Commerce Patent and Trademark Office Patent Trial Practice Guide, 77 Fed. Reg. 157,48761 (August 14, 2012) (to be codified at 37 C.F.R. pt. 42). On November 27, 2013, Location Labs submitted a petition to the USPTO for Inter Partes Review (the "'970 Patent IPR") of the '970 patent. The parties involved in an Inter Partes Review are entitled, as a matter of right, to very limited discovery. Any discovery in the IPR proceeding, beyond the very limited categories set forth at 37 C.F.R. 42.51(b), must be approved by a panel of the Patent Trademark and Appeal Board ("PTAB"). Therefore, CallWave is not permitted to circumvent the IPR rules by seeking discovery through a subpoena issued in connection with a pending United States District Court proceeding to which the Petitioner, such as Location Labs, is not a party. Additionally, any creation of a privilege log is completely unnecessary since the underlying request is improper and, in any event, would require Location Labs to incur significant expenses, which is inconsistent with FRCP 45 as outlined above.

Request Nos. 6-7 ask for Location Labs' attempts (if any) to design around the patent in suit or make other comparisons to the patents-in-suit. Location Labs reasserts its Objections and Responses to these requests. Specifically, Location Labs, a *non-party*, has no obligation to conduct analyses of the merits of the above-referenced action, nor to make judgments regarding prior art in this action. Additionally, any creation of a privilege log is completely unnecessary since the underlying request is improper and, in any event, would require Location Labs to incur significant expenses, which is inconsistent with FRCP 45 as outlined above. Subject to its Objections and Responses and the further qualifications set forth in this letter, Location Labs is not aware of any documents responsive to these requests.

Request Nos. 8-12 are overly broad and wholly irrelevant to the merits of the above-referenced action. Location Labs stands by its Objections and Responses. You fail to explain how these requests are relevant. The only communications Location Labs has had regarding the above-referenced action are

payment for costs. However, communications with any party in this case, if any exist, are more appropriately obtained from the parties, not Location Labs, who is a non-party. A district court may in its discretion limit discovery on a finding that "the discovery sought is unreasonably cumulative or duplicative, or is obtainable from some other source that is more convenient, less burdensome, or less expensive. FRCP 26(b)(2)(i); *Gonzales*, 234 F.R.D. at 686. As part of its obligation to avoid imposing significant expense on non-parties, CallWave should first seek to obtain discovery from the parties to the litigation and public sources before burdening non-parties with discovery requests. *Soto v. Castlerock Farming and Transport*, 282 F.R.D. 492, 505 (E.D. Cal 2012); See also: *Moon v. SCP Pool Corp.*, 232 F.R.D. 633, 637-638 (C.D. Cal 2005) (quashing plaintiff's subpoena on a non-party where the request covered a period of more than ten years and extended far beyond the pertinent geographic region because "plaintiffs have not shown they have attempted to obtain these documents from defendant, the Court finds that , at this time, requiring [the] non-party ... to produce these documents is an undue burden."). See also *Dibel v. Jenny Craig, Inc.* 2007 WL 2220987, at * 1 fn. 2, (S.D. Cal. 2007) (plaintiff served nonparties with a discovery request for a well-defined set of discovery documents and exchanges from a previous lawsuit involving defendant, but plaintiff did not explore less burdensome options before requesting production from nonparties); *Visto Corp. v. Smartner*, WL 218771 at *4 (the district court denied defendants' subpoena issued to a non-party in a patent infringement case as "there was nothing in the record to suggest that the non-party had data or documents not available from Plaintiff or from public sources.")

Consequently, where plaintiffs have not shown they attempted to obtain documents from the defendant in an action prior to seeking the documents from a non-party, a subpoena duces tecum places an undue burden on a non-party. *Soto*, 282 F.R.D. at 505. Moreover, where an opposing party and a non-party both possess documents, the documents should be sought from the party to the case. *Id.*, citing *Nidec Coop. v. Victor Co. of Japan*, 249 F.R.D. 575, 577 (N.D. Cal 2007); See also: *Davis v. Ramen*, 2010 WL 1948560, at *1, (E.D. Cal 2010) (denying a request for a subpoena duces tecum because the plaintiff had not demonstrated that the records were only obtainable through the non-party.); *Heilman v. Lyons*, 2010 WL 5168871, at *1 (E.D. Cal. 2010) ("A motion for issuance of a subpoena duces tecum should be supported by clear identification of the documents sought and a showing that the records are obtainable only through the identified third party."); see also *Mattel Inc. v. Walking Mountain Productions* (9th Cir. 2003) 353 F.3d 792, 813 (subpoena "way too broad"; drafted without any attempt made "to try to tailor the information request to the immediate needs of the case").

Similarly, CallWave's discovery requests to Location Labs are overbroad and duplicative as they appear to seek the exact same documents that were sought, or could have been sought, from the defendants in the above-referenced action. In fact, the requests are improper in that they seek documents and information that is more properly the subject of discovery sought from defendants involved in a patent infringement action. The vast majority of the discovery sought from Location Labs is more readily obtainable from a source more direct, convenient, and less burdensome—namely, from the *Defendants*. Notably, CallWave requests documents related to assessments about the patents at issue and the merits of the instant litigation. There is simply no reason to burden Location Labs, a *nonparty*, when such

of Location Labs. FRCP 45(d)(3)(B) was intended to provide protection for the intellectual property of non-parties as it provides additional protections where a subpoena seeks trade secret or confidential information from a non-party. *Gonzales*, 234 F.R.D. at 684-685. Once the non-party meets the minimal threshold of showing that the requested information is a trade secret or confidential information, the burden shifts to the requesting party to show a "substantial need" for the testimony or material that cannot be otherwise met without undue hardship and assures that the person to whom the subpoena is addressed will be reasonably compensated. FRCP 45(d)(3)(B); *Gonzales* at 684. In the *Gonzales* case, the court shifted the burden to the Plaintiff (the government) to demonstrate that the requested discovery is relevant and essential to a judicial determination of its case. *Id.* at 685. Upon such a showing, the court may order appearance or production only upon specified conditions if a party has demonstrated substantial need for testimony or production and has assured that the person to whom the subpoena is addressed will be reasonably compensated. *Id.*

Here, CallWave's subpoena seeks confidential and proprietary information and documents, including documents containing Location Labs' confidential proprietary information and source code. Pursuant to FRCP 45(d)(3)(B) and the relevant case law, the burden shifts to CallWave (the requesting party) to show a "substantial need" for the testimony or material that cannot be otherwise met without undue hardship. CallWave must demonstrate that the requested discovery is relevant and *essential* to a judicial determination of its case. Upon such a showing, then the information and documents will only be produced upon specified conditions, including that Location Labs will be reasonably compensated for compliance with the subpoena.

Request Nos. 13-16, 19-24, 28-36 and 38-45 ask for documents related to the structure, function and operation or value of Location Labs' Product or the Accused Products in which Location Labs' Product is incorporated. Location Labs stands by its Objections and Responses. Specifically, these requests are improper as they seek to elicit invalidity and/or non-infringement contentions, as well as positions on the construction of any claim term or phrase from a third party. Location Labs, a non-party, has no obligation to conduct analyses of the merits of the above-referenced action, nor to make judgments regarding prior art in this action. Furthermore, these requests are an improper attempt to circumvent the discovery rules governing Inter Partes Review in the United States Patent and Trademark Office ("USPTO"), which is applicable to the '970 patent. These requests seek documents and information that is more readily available from the parties in the above-referenced action. As such, CallWave should first seek such discovery from other sources before burdening Location Labs with these improper requests. Subject to its Objections and Responses and the further qualifications set forth in this letter, Location Labs is willing produce documents showing the background and functionality of the products Location Labs supplies to certain of the defendants in the CallWave litigation once we have agreement on reducing the overall burden and cost of compliance with the subpoena and payment of Location Labs' costs.

Request Nos. 17-18 ask for documents directed to intellectual property rights and licenses related to Location Labs' Products. Location Labs stands by its Objections and Responses. You fail to show a

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