

EXHIBIT 2

Myhrvold-Connected Firm Sues YouTube, Facebook And LinkedIn Over Patents

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An obscure Virginia company, Pragmatius AV, has sued YouTube, Facebook, LinkedIn and Photobucket.com, claiming the companies infringe three of its patents related to playing digital video. Who is Pragmatius? It's a company that was formed only five months ago after acquiring a batch of patents from Intellectual Ventures, the giant patent-holding

company run by ex-Microsoft ([NSDQ: MSFT](#)) CTO Nathan Myhrvold.

It isn't clear whether the terms of the deal with Pragmatius give Intellectual Ventures a cut of any settlement money or litigation win. About a year ago, Intellectual Ventures started selling off some of its 30,000 patents to small, startup outfits much like Pragmatius—companies often derided in tech circles as “patent trolls.” Some of those firms, in turn, have filed [lawsuits](#) against companies like Kodak, CDW, AT&T ([NYSE: T](#)), GoDaddy.com, and Iron Mountain.

One odd twist to the latest group of companies being sued: YouTube's parent company, Google ([NSDQ: GOOG](#)), was an early investor in Intellectual Ventures, back when Myhrvold was pitching the organization as a sort of patent defense fund.

The patents appear to make wide-ranging claims to online video. The lawsuit [[PDF](#)] says the companies infringe the patents simply because they “allow users to upload, link to, and comment on videos.”

Nearly all patent-troll suits end in confidential settlements, especially since the cost of litigating a high-stakes patent case through trial now averages more than \$4 million. However, this batch of suits will be interesting to watch, as Pragmatius has chosen to sue the two toughest targets in the patent-trolling world. Facebook has been sued for patent infringement 15 times since 2007—and [hasn't settled a single suit](#). Google has been sued over patents close to 50 times in the same time frame, and [has settled only a few](#) cases.

The patents in this lawsuit [[PDF](#)] were originally held by Avistar Communications, which [sold](#) most of its patent portfolio to Intellectual Ventures in January for \$11 million. In June, IV [sold](#) them to Pragmatius AV. It isn't clear who owns Pragmatius.

An Intellectual Ventures spokeswoman confirmed that the patents that Pragmatius is suing over were held by IV and sold to Pragmatius, but declined to elaborate on the deal. In some cases, IV is entitled to a share of the proceeds from those lawsuits—in others, it sells the patents outright.

The patent “trolling” business has grown enormously in the past decade, and hundreds of companies are sued by trolls, which some lawyers call “non-practicing entities,” each year. Big tech companies like Apple ([NSDQ: AAPL](#)) and Microsoft are typically sued dozens of times in a single year. A study by PatentFreedom, a patent consultancy, estimates that in 2009, patent troll lawsuits [cost defendant companies \\$5 billion](#) in litigation expenses alone.

Separately, Intellectual Ventures [announced a deal with Samsung](#) today, under which the Korean company paid an unspecified sum for a license to IV's entire patent portfolio.

» Read Pragmatius AV v. Facebook et al. Complaint [[PDF](#)]

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