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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

DIGITAL ENVOY, INC., Plaintiff/Counterdefendant, v. GOOGLE INC., Defendant/Counterclaimant.	CASE NO.: C 04 01497 RS **GOOGLE INC.'S OPPOSITION TO DIGITAL ENVOY, INC.'S MOTION FOR PARTIAL SUMMARY JUDGMENT ON CONTRACT ISSUES** **(PUBLIC VERSION)** Date: August 31, 2005 Time: 9:30 a.m. Courtroom: 4, 5th Floor Judge: Hon. Richard Seeborg

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INTRODUCTION

It is rare for a party to bring a summary judgment motion that rests entirely upon an erroneous view of the law. It is rarer still for a party to bring such a motion *after* being told by the Court that its theory is meritless. Those, however, are the circumstances that Digital Envoy, Inc.'s ("Digital Envoy") motion for partial summary judgment presents.

Digital Envoy notes that third parties receive Google Inc.'s ("Google") advertising services under contracts and thereby benefit from Google's internal systems and processes. From this mundane proposition, Digital Envoy argues that, as a matter of law, Google granted these third parties licenses to Digital Envoy's data which Google once used internally as a component of one small process in its advertising services.

Digital Envoy's argument fails for a host of reasons:

- First, the argument fails because a party contracting to provide a service to third parties does not thereby grant those third parties a sub-license to the components used in providing the service. Indeed, that is what the Court told Digital Envoy when it advanced precisely the same argument in opposition to Google's prior motions. Digital Envoy simply reiterates that argument, offering no support whatsoever for its absurd view of licensing law.

- Second, the argument twists the parties' contract beyond recognition. In that contract, Digital Envoy expressly authorized Google to use its data in services and applications that Google provided to third parties. That is precisely how Google used the data in its AdWords program, a use that Digital Envoy concedes was authorized. It makes no sense whatsoever to suggest that under the contract such expressly authorized internal uses of the data constitute impermissible "licenses" of the data to third parties.

- Third, Digital Envoy has not carried its evidentiary burden. It has offered only argument, not evidence, that Google gave third parties a "right to use" Digital Envoy's data. In fact, all of the evidence is to the contrary. Google never gave Digital Envoy's data to any third parties or allowed them to access it, much less authorized third parties to use it.

- Finally, Digital Envoy's motion simply ignores all of Google's affirmative defenses including waiver, estoppel and laches, all of which foreclose a partial summary judgment in Digital Envoy's favor.

For all of these reasons, the Court must deny Digital Envoy's motion for partial summary judgment. Indeed, Google is entitled to partial summary judgment that it did improperly license Digital Envoy's data to third parties.

BACKGROUND

The Court is likely familiar with the facts underlying this dispute by virtue of Google's prior motion for summary judgment based on the parties' November 2000 License Agreement (the "Agreement"). Nevertheless, Google again sets forth the relevant background, virtually all of which was and remains undisputed.

The License Agreement

Digital Envoy's CEO, Rob Friedman, introduced his company to Google in an email dated October 24, 2000, stating: "I believe that our geo-targeting product could help you target search results and advertising on a geographic basis." Declaration of David H. Kramer ("Kramer Decl."), Ex. A. Thus, from its very first communication to Google, Digital Envoy encouraged Google to use Digital Envoy's data and technology – specifically its IP Address/location database – to support Google's advertising programs. Use of the data in Google's advertising programs remained a central focus in the parties' ensuing contract negotiations, during which Digital Envoy repeatedly promised Google that its license rights were "unlimited" and that Google could "use [the data] for everything." Kramer Decl., Ex. B ("The fee that I quoted earlier would be for 'all you can eat' metro-targeting – you can use it for everything and there is no volume cap."). *See also* Kramer Decl., Ex. B (email thread with Google's offer to license Digital Envoy's technology with: "*Unlimited volume and use* for country targeting.... for ~$3000/mth total"; Digital Envoy's acceptance conditioned on finalizing agreement quickly; and Google's request that Digital Envoy draft contract reflecting the $3000/month price and "*unlimited servers, usage and volume.*") (emphasis added); Kramer Decl., Ex. C (Digital Envoy's response with "a draft of an agreement incorporating the terms" discussed).

The Agreement, which expired in January 2005, authorized Google to use Digital Envoy's data in Google's "Business" – broadly defined as "the business of producing and maintaining information search technology." Kramer Decl., Ex. D (whereas clause defining "Business"). Of particular note here, ***Google was expressly authorized to use the data to "develop indices, services, or applications that are provided to third parties."*** *Id.* at § 3.

(emphasis supplied).[1] Thus, from the start, Digital Envoy understood and expressly granted Google the right to use Digital Envoy's data as a component in new Google services or applications that would be provided to third parties.

Google's Advertising Programs

As the parties had discussed, after the Agreement was signed, Google began using Digital Envoy's data in its advertising programs – first in AdWords, and later in AdSense.

AdWords

The advertising program that Google offers to advertisers is known as AdWords. AdWords permits hundreds of thousands of advertisers to display their messages to Internet users all over the world. If a user "clicks" on a given advertising message, the sponsoring advertiser pays Google for that click. Declaration of Susan Wojcicki, filed February 23, 2005 ("Wojcicki Decl.") at ¶ 3. To implement the AdWords program, Google analyzes the content of advertisers' messages and stores them in an indexed database. When called upon to display a message to an end-user, Google searches this database to find what it believes is the most relevant commercial information using a highly complex, weighted algorithm that takes dozens of factors into consideration. Declaration of Mark Rose, filed February 23, 2005 ("Rose Decl.") at ¶ 3; Wojcicki Decl. at ¶ 4.

In some cases, one of the factors used in Google's search for a relevant advertisement is the perceived geographic location of the Internet user. Google uses this factor in those instances

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[1] The full text of the license grant provision states:

Licensor hereby grants Licensee the limited, worldwide right to use in its Business (and not distribute to any third-party in whole or in part) the Product and the Database Libraries. Such right shall be nonexclusive. Such rights shall be strictly limited to the right to:

1. Input, download, and store some or all of the Database Libraries in files and memory; and compile some or all of the Database Libraries at the Site. Licensee may also use the Database Libraries to develop indices, services, or applications that are provided to third parties (*e.g.*, developing a country-specific index of web pages). In no event, however, are the Database Libraries to be sold, licensed, distributed, shared or otherwise given (in any form) to any other party or used outside of the site set forth herein.

2. Access and use the Database Libraries in the Business only at the Site. The "Site" shall be defined as Google's offices and data centers.

Kramer Decl., Ex. D at § 3.

in which an advertiser has asked that Google display its messages only to users in particular regions (*e.g.*, where the advertiser chooses to target its messages only to users in Europe). As one step in determining a user's geographic location, Google would typically look up the user's IP address in the Digital Envoy IP Address/Location Database stored at Google.[2] If advertisers had excluded the user's perceived geographic location from their target audience, their messages would be dropped from the selection process. Rose Decl. at ¶ 4.[3]

The advertisers that Google contractually authorizes to participate in Google's AdWords program plainly obtain the benefit of Google's proprietary internal processes. It is those internal processes that determine which advertisements to show to whom, so as to increase the chance that a message will be seen by potentially interested users. Wojcicki Decl. at ¶ 4; Rose Decl. at ¶¶ 3, 8. Advertisers may similarly have obtained the benefit of Google's internal use of Digital Envoy's data which helped limit display of their messages to a targeted audience.

Digital Envoy has repeatedly conceded that Google was expressly authorized to use Digital Envoy's data in providing its AdWords service to third party advertisers. *See, e.g.*, May 20, 2005 Order at 3:5-7 ("Digital concedes that Google's use of its technology in the AdWords program was both contemplated by the parties when they executed the License and covered by its express terms."); *see also* Digital Envoy's Opp'n to Google's Mot. for Summary Judgment at 6 n.3 (AdWords "is not a violation" of the License Agreement). Digital Envoy made this concession knowing full well that advertisers obtained the benefit of Google's internal use of Digital Envoy's data under contracts with Google allowing them to participate in the AdWords program. Digital Envoy has thus already recognized what the Agreement makes plain – that

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[2] There were a variety of circumstances in which Google could not or would not use Digital Envoy's data in an effort to determine an end-user's geographic location. For example, in many instances, Google would not receive or could not determine an end-user's IP address. In such cases, Digital Envoy's IP Address/Location database was of no use. In other instances, Google would receive a user's IP Address, but that address could not be located within Digital Envoy's database. Rose Decl. at ¶ 4 n.1.

[3] It is undisputed that the Digital Envoy data remained at all times on Google's computers only and that Google at no time permitted a third-party to access Digital Envoy's data. Rose Decl. at ¶ 9.

Google was entitled to use the data to "develop indices, services, or applications that are provided to third parties" under contract, and that such use was not an improper sharing or disclosure of Digital Envoy's data, much less a *licensing* of Digital Envoy's data to anyone.

AdSense

When Google launched its AdSense program in early 2002, it continued to use Digital Envoy's data in precisely the same way – as part of its proprietary internal processes to select relevant advertisements to display to users. The only difference in AdSense is that instead of displaying the selected advertisements to users on its own sites, Google displayed the selected advertisements to users on the sites of third-party publishers participating in the service. Rose Decl. at ¶ 8.

Like Google's advertisers, the publishers contractually authorized to participate in Google's AdSense program obtain the benefit of the internal processes Google uses to select the advertisements to display. *Id.* To the extent Google used Digital Envoy's data in that selection process, the publishers obtained the benefit of that internal use just as the advertisers did (although the benefits, if any, to the publishers were considerably more attenuated).

It is undisputed that at no time in operating the AdSense program did Google permit the third-party publishers to access Digital Envoy's data or transmit the information in Digital Envoy's database to them. Rose Decl. at ¶ 9. Google alone accessed the data which remained at all times exclusively on Google's own computers. *Id.*; May 20, 2005 Order at 10:6-7. ("uncontroverted evidence establishes that Google maintained Digital's database libraries at its site and did not permit the parties to access directly such data[.]").

Digital Envoy's Knowledge & Use of Google's Advertising Programs

Google openly used Digital Envoy's data to support its advertising programs for years without any objection whatsoever from Digital Envoy. Kramer Decl., Ex. E (Friedman Dep.) at 213:2-6. Digital Envoy itself actively participated in those programs as an advertiser, and thus knew how they operated. Not only did Digital Envoy fail to object Google's use of the data in its advertising programs, it also bragged in its marketing materials about Google's use of the data in Google's "advertising network" in an effort to obtain other customers. Kramer Decl., Ex. F at

DE 004454 (standard Digital Envoy marketing presentation claiming that [redacted]).

Prior Proceedings

In its complaint in this action, Digital Envoy charged that Google's use of Digital Envoy's data in connection with its AdSense program was outside the scope of the license granted to Google to use the data in Google's "business." Amended Complaint at ¶¶ 3, 39. The Court has rejected that original theory. May 20, 2005 Order at 9:2-3 (finding AdSense "qualifies as a search technology and, therefore, falls within the definition of 'Business' as defined in the License"). As a made-in-the-midst-of-litigation alternative, Digital Envoy has claimed that Google's use violated a prohibition in the Agreement on sharing the data with others. When Google requested that the Court summarily reject this argument, Digital Envoy claimed that through Google's own internal use of the data, it had somehow granted other publishers a license to that data. The Court viewed that claim as dubious to say the least:

> How can that be? I mean, how can you say that a third party, that effectively what Google has done in the AdSense program is to license any aspect of its intellectual property to the extent it includes yours or otherwise to a third party?
>
> They are not licensing anything. They are providing a service for which they are getting some monetary benefit, but they are not turning anything over to a third party.

Transcript at 43:11-20 (attached as Kramer Decl., Ex. G). The Court went on to say that if Digital Envoy was right,

> there's a whole lot of licensing going on that I don't think has ever been characterized as licensing. I mean, that is broadening out the concept of licensing to the point that I've got to tell you I just don't see it.

Id. at 46:2-7.[4] Without so much as lip-service to these prior statements, Digital Envoy remarkably asks the same Court to find that the same conduct actually constituted the grant of third party licenses as a matter of law.

[4] Digital Envoy trumpets the fact that Google did not consider or address the Agreement's prohibition on licensing in its own motion for summary judgment. That was hardly an admission of weakness as Digital Envoy seems to believe. Rather, Google could not see how anyone could (continued...)

ARGUMENT

Summary judgment is only proper "if the pleadings ... and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). In ruling on a motion for summary judgment, the court must draw all reasonable inferences in favor of the non-moving party, including questions of credibility and of the weight to be accorded particular evidence. *Masson v. New Yorker Magazine, Inc.*, 501 U.S. 496, 520 (1991) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986)); *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 588 (1986); *T.W. Elec. Service, Inc. v. Pacific Elec. Contractors Ass'n*, 809 F.2d 626, 630 (9th Cir. 1987). It is the Court's responsibility "to determine whether the 'specific facts' set forth by the nonmoving party, coupled with the undisputed background or contextual facts, are such that a rational or reasonable jury might return a verdict in its favor based on that evidence." *Id.* at 631. Indeed, "summary judgment will not lie if the dispute about a material fact is 'genuine,' that is, if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson*, 477 U.S. at 248.

I. DIGITAL ENVOY'S MOTION BADLY MISAPPREHENDS LICENSING LAW

A. Google's Provision of Its Advertising Services to Third Parties Under Contract Did Not Constitute a Grant of License to the Component Technologies Used in Google's Internal Processes.

The Court can and should deny Digital Envoy's motion without even considering the Agreement, the lack of supporting evidence or Google's affirmative defenses. That is because Digital Envoy's motion rests entirely upon an incorrect legal premise.

At least half a dozen times in its papers, Digital Envoy claims that "[i]t is axiomatic that a license to the whole necessarily encompasses a license to its component parts" (Motion, *passim*). That audacious legal assertion is the sole foundation for its motion. But not once does Digital Envoy cite any authority for it. The lack of authority is no accident. Digital Envoy's position is

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plausibly claim that Google's own internal use of the data violated the Agreement's prohibition on licensing.

not the law. Indeed, according to the Federal Circuit, the argument is "without merit and specious." *See, e.g., Intel Corp. v. ULSI Sys. Tech., Inc.*, 995 F.2d 1566, 1569 (Fed. Cir. 1993) (under license agreement prohibiting sublicensing, licensee's sale of semiconductors containing patented components did not constitute improper sublicensing of intellectual property rights to third party); *Lisle Corp. v. Edwards*, 777 F.2d 693, 694 (Fed. Cir. 1985) (under license agreement prohibiting sublicensing, licensee's sale of tools containing patented components did not constitute improper sublicensing of patent rights).

In the *Intel* case, Intel granted Hewlett Packard ("HP") a patent license to manufacture semiconductor devices. The license prohibited HP from sublicensing those rights. When HP then offered to manufacture semiconductors for ULSI using ULSI's designs, Intel objected. It claimed that under the contract between HP and ULSI, HP was effectively sublicensing Intel's rights to ULSI. The Federal Circuit flatly rejected the argument explaining that "HP did not empower ULSI to make Intel-patented chips or to use or sell any such chips except those lawfully sold to it by HP; these would have been the incidents of a sublicense." *Intel Corp.*, 995 F.2d at 1569 ("HP did not grant a sublicense; it sold a product, albeit one designed by its purchaser.").[5] As the Federal Circuit made clear, while ULSI plainly obtained some benefit from HP's license to Intel's patent rights, HP did not in any way grant a license of those rights to ULSI. *Id.*

The same is true here. Google did not grant publishers participating in its AdSense program the right to use Digital Envoy's data. It simply authorized them to access a Google service in which Google itself used the data. As the Court has already recognized, Google was "not licensing anything. [It was] providing a service for which [it was] getting some monetary benefit, but [it was] not turning anything over to a third party." Kramer Decl. Ex. G at 43:17-20.

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[5] In *Lisle*, a licensed manufacturer sold products covered by the licensor's patent to a third party which resold them under its trademark. The licensor brought an infringement action against both the licensee and the third party on the basis that the manufacture of the patented product for the third party constituted a sublicense. Because such sublicensing was prohibited under the licensing agreement, the patent owner claimed that the products were infringing. The court in *Lisle*, however, concluded that the licensee's sales were authorized and that the resale by the third party did not create a sublicense. *Lisle Corp.*, 777 F.2d at 695.

Under Digital Envoy's theory, an attorney that uses a licensed copy of Microsoft Word in the process of providing legal services to a client under a contract is unwittingly granting that client a sublicense to the program (even though the client never sees or uses the program).[6] This example and countless others reveal the absurdity of Digital Envoy's position. It is of no consequence that publishers may have indirectly obtained some benefit from Digital Envoy's data through Google's provision of its AdSense service. As a matter of law, Google's arrangement with the publishers did not constitute a sublicense of Digital Envoy's rights. Digital Envoy's motion fails on this basis alone. Indeed, Google is entitled to partial summary judgment on the issue.

II. DIGITAL ENVOY'S MOTION FAILS IN LIGHT OF THE PLAIN LANGUAGE OF THE AGREEMENT AND DIGITAL ENVOY'S ADMISSIONS REGARDING ADWORDS.

In addition to lacking any basis in law or common sense, Digital Envoy's claim that Google breached the Agreement by licensing the data to AdSense publishers violates fundamental rules of contract interpretation and cannot be squared with Digital Envoy's prior concessions in the case. The provision of the Agreement on which Digital Envoy rests its motion states: "In no event, however, are the Database Libraries to be sold, licensed, distributed, shared or otherwise given (in any form) to any other party...." Kramer Decl., Ex. D § 3. This is an unremarkable non-disclosure provision, containing an unremarkable prohibition on sublicensing. According to Digital Envoy, however, the provision should be read to bar Google from making purely internal use of Digital Envoy's data in a service that Google then offers to third parties under a contract. But the Agreement squarely refutes the interpretation Digital Envoy has concocted. It expressly authorizes Google to use Digital Envoy's data "*to develop indices, services, or applications that are provided to third parties*." Kramer Decl., Ex. D at §§ 3, 7.1a (emphasis added). The Agreement thus explicitly contemplates and approves of the very situation at issue. Google used the Digital Envoy data itself in the process of providing its

[6] Digital Envoy would also have the Court find that the attorney is "sharing" the program with the client or giving the client access to it.

AdSense services and applications to the publishers that it contractually authorized to participate in the AdSense program.[7]

Under Digital Envoy's skewed view, by using the data itself, in a service it provided to third parties, Google somehow granted those third parties a license to use the data (even though Google never gave them the data or allowed them access it). As noted, that view is badly misguided. But it is especially improper to read the language of this particular Agreement to prohibit Google's use. Such a reading of the Agreement completely nullifies Google's express right to use the data in services and applications provided to third parties, thereby violating fundamental tenets of contract interpretation. *See* Cal. Civ. Code §1641; *Brinderson-Newberg Joint Venture v. Pacific Erectors, Inc.*, 971 F.2d 272, 278 (9th Cir. 1992) (rejecting contract interpretation that would violate fundamental rule of interpretation by rendering language meaningless; parol evidence offered to support interpretation inadmissible); *Aozora Bank, Ltd. v. 1333 North Cal. Blvd.*, 119 Cal. App. 4th 1291, 1296 (2004) (rejecting contract interpretation that would render words in contract "mere surplusage."); *Hard v. California State Employees Ass'n*, 112 Cal. App. 4th 1343, 1348 (2003) (rejecting contract interpretation that would render language meaningless an "irrational construction").

Digital Envoy itself drives home the point with its concession that Google was expressly authorized to use the data in providing its AdWords service to third-party advertisers. There, as here, Google contractually authorized third-parties to participate in Google's program and take advantage of Google's internal processes which often used Digital Envoy's data. These third-party advertisers obtained the "benefit" of Digital Envoy's data through their authorized

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[7] Digital Envoy has licensed a host of other online advertising networks to utilize its data in operating their networks. *See* Kramer Decl., Ex. F at DE 004454. Not surprisingly, each of its contracts with these advertising networks contains Digital Envoy's standard non-disclosure language barring the advertising network from sublicensing Digital Envoy's data to third parties. *See, e.g.*, Kramer Decl., Exs. H, I (Digital Envoy license agreements with 24/7 Media, and Advertising.com) at §§ 3. But, as Digital Envoy has proudly proclaimed, these other advertising networks were using its data to serve geo-targeted advertisements across a network of third-party publishers' web sites. Kramer Decl., Ex. J (December 11, 2000 press release announcing 24/7 Media contract); Ex. K (Digital Envoy marketing materials praising Advertising.com's use of data in online advertising network). That Digital Envoy publicly boasted of use it now claims violates its standard agreement speaks volumes about the legitimacy of its position.

participation in AdWords. Yet Digital Envoy concedes that Google was perfectly entitled to confer that benefit upon third party advertisers. *See* Digital Envoy's Opp'n to Google's Mot. for Summary Judgment at 6 n.3 (AdWords "is not a violation" of the License Agreement.). Google was not, by Digital Envoy's own admission, licensing Digital Envoy's data to those advertisers.

There is no distinction between Google's use of Digital Envoy's data in the AdWords and AdSense programs. In both, Google used the data itself as part of a service it developed that it then provided to third parties under contract. Digital Envoy expressly authorized Google to use the data in this fashion under the Agreement, and admits (as it must) that Google's use in AdWords did not violate of the sublicensing provision of the Agreement. That concession and the plain language of the Agreement mandate the same conclusion with respect to Google's use of the data in AdSense, mandate denial of Digital Envoy's motion, and mandate entry of partial summary judgment in Google's favor on the question.

III. DIGITAL ENVOY HAS NOT CARRIED ITS EVIDENTIARY BURDEN

Digital Envoy provides the Court with no discussion of the evidentiary standard it must satisfy in seeking a partial summary judgment on any part of its case-in-chief. That is undoubtedly because the burden is so high. On the issue of whether Google violated the Agreement, because Digital Envoy "has the burden of proof at trial, [it] must carry its initial burden at summary judgment by presenting evidence affirmatively showing, for all essential elements of its case, that no reasonable jury could find for [Google]." *E. & J. Gallo Winery v. Encana Energy Servs., Inc.*, No. CVF03-5412 AWILJO, 2005 WL 1657063, at *6 (E.D. Cal. July 6, 2005) (citing *United States v. Four Parcels of Real Property*, 941 F.2d 1428, 1438 (11th Cir. 1991) (en banc); *Calderone v. United States*, 799 F.2d 254, 259 (6th Cir. 1986)); *BP West Coast Products LLC v. Greene*, 318 F. Supp. 2d 987, 991 (E.D. Cal. 2004) (same).[8]

[8] *See also E.E.O.C. v. Union Independiente de la Autoridad de Acueductos y Alcantarillados de Puerto Rico*, 279 F.3d 49, 55 (1st Cir. 2002) (stating that if "party moving for summary judgment bears the burden of proof on an issue, he cannot prevail unless the evidence that he provides on that issue is conclusive."); *Schar v. Hartford Life Ins. Co*., 242 F. Supp. 2d 708, 714 (N.D. Cal. 2003) ("In the present case, to survive summary judgment, and as the party having the burden of proof at trial, Plaintiff must present sufficient evidence to convince a reasonable jury that" the elements of plaintiff's case were established).

Accordingly, Digital Envoy was required to offer evidence establishing that *every* reasonable juror would conclude that Google granted AdSense publishers a license to use Digital Envoy's data. It has not come close.

While Digital Envoy incessantly argues that Google granted AdSense publishers a right to use Digital Envoy's data, it points to no document in which Google actually makes such a grant. The sample AdSense contract proffered by Digital Envoy, for example, is devoid of *any* language regarding geotargeting, let alone language authorizing third party publishers to access and use Digital Envoy's data. *See* Han Decl., Ex. G. Just as the agreements at issue in *Intel* lacked "the incidents of a sublicense," Google's contracts simply do not empower third parties to use Digital Envoy's data. *See Intel Corp.*, 995 F.2d at 1569.

More fundamentally, Digital Envoy has offered no evidence from which any reasonable juror – much less every reasonable juror – could conclude that Google enabled any publisher to use Digital Envoy's data. It is undisputed that Google did not give Digital Envoy's data to anyone in operating its AdSense program. Rose Decl. at ¶9; May 20, 2005 Order at 10:6-7. No third party had access to it. No third party used it. At all times, the data remained on Google's computers, where it was accessed and used only by Google itself. *Id.* The notion that Google somehow licensed AdSense publishers to use data that they never received or accessed and never used is nonsensical.[9]

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[9] In its moving papers, Digital Envoy lists several instances in which Google allegedly "admitted" that it authorized third parties to participate in its AdSense program and obtain the benefit of Google's internal processes. *See* Motion at 13. But such contractual arrangements are both perfectly permissible and completely beside the point. Of course Google had contracts with the web site publishers who participated in its AdSense program (just as it had contracts with advertisers who participated in AdWords). But as noted, Google never transmitted Digital Envoy's data to these third parties, never allowed them to access Digital Envoy's data, and most importantly, never authorized them to use Digital Envoy's data. Nevertheless, according to Digital Envoy, Google's contractual arrangements regarding AdSense are "necessarily" sublicenses of Digital Envoy's data. That is simply wrong as a matter of law, contract interpretation and fact.

IV. DIGITAL ENVOY HAS FAILED TO NEGATE GOOGLE'S AFFIRMATIVE DEFENSES

There is still another reason why Digital Envoy's motion must be denied, legal and evidentiary flaws aside. Digital Envoy has asked the Court to find that Google has violated the parties' contract without conclusively refuting Google's affirmative defenses, particularly the doctrines of waiver, estoppel and laches. *See Healthpoint, Ltd. v. Stratus Pharmaceuticals, Inc.*, 273 F. Supp. 2d 871, 890 (W.D. Tx. 2001) (plaintiff moving for summary judgment must "disprove an essential element of any affirmative defense raised by" defendant); *Fontenot v. Upjohn Co.*, 780 F.2d 1190, 1195 (5th Cir. 1986) (same).

As noted, during the parties' negotiations, Digital Envoy repeatedly promised Google that it could use Digital Envoy's data "for everything" and that the Agreement would provide Google with "unlimited" rights to use Digital Envoy's data in Google's advertising programs. Kramer Decl., Exhs. A-C. Fully believing that it had obtained the rights it had been promised, Google relied on Digital Envoy's representations in electing to use Digital Envoy's data in its AdSense program. Since early-2002, Google openly used Digital Envoy's data in that program with Digital Envoy's full knowledge *and without objection.* Kramer Decl., Ex. E (Friedman Dep.) at 213:2-6; Kramer Decl., Ex. L (July 26, 2002 email forwarding article regarding Google signing deals to provide paid listings to AskJeeves and AOL); Kramer Decl., Ex. M (May 1, 2003 email forwarding Google newsletter announcing that "Amazon[.com] plans to implement Google's search and sponsored listings throughout its site."). Moreover, Digital Envoy participated in and praised Google's advertising programs (*see, e.g.*, Kramer Decl., Ex. N (email regarding Digital Envoy advertisements syndicated by Google to a third-party website, noting "Lots of value, I gotta say, in those Google ads")); Kramer Decl., Ex. O (showing Digital Envoy's Google advertising account set up on June 26, 2002). Indeed, Digital Envoy went so far as to brag about Google's use of Digital Envoy's data in AdSense in the stock materials it provided to its own prospective customers. *See, e.g.*, Kramer Decl., Ex. F at DE 004454 (July 2003 presentation to DoubleClick promoting that [redacted]). It was not

until February 2004 – roughly two years after Google began using the data in connection with its AdSense program – that Digital Envoy first claimed that such use violated the Agreement. Amended Complaint, ¶ 43.

Had Digital Envoy objected to Google's use of Digital Envoy data sooner, it cannot reasonably be disputed that Google would have simply replaced Digital Envoy's data with data from another vendor. Indeed, that is exactly what happened shortly after Digital Envoy brought this litigation. Rose Decl. at ¶ 4. Instead, however, Google relied on Digital Envoy's representations and actions in continuing to use Digital Envoy's data in connection with the AdSense program. Digital Envoy is in no position to complain about what it had known and bragged about for years. Under the circumstances, Digital Envoy's claims should be barred by, *inter alia*, the doctrines of waiver,[10] estoppel,[11] and laches.[12] At a minimum, there are triable issues of fact as to those affirmative defenses. Accordingly, a partial summary judgment against Google is improper.

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[10] "Under California law, waiver is a question of fact. . . . California courts will find waiver when a party intentionally relinquishes a right, or when that party's acts are so inconsistent with an intent to enforce the right as to induce a reasonable belief that such right has been relinquished." *Intel Corp. v. Hartford Acc. & Indem. Co.*, 952 F.2d 1551, 1559 (9th Cir. 1991).

[11] "The doctrine of equitable estoppel precludes a party at law and in equity from denying or asserting the contrary of any material fact which he has induced another to believe and to act on in a particular manner. . . . It rests upon the word or deed of one party upon which another rightfully relies and so relying changes his position to his injury. . . . Parties are estopped to deny the reality of the state of things which they have made to appear to exist and upon which others have been made to rely." *Monster Content, LLC v. Homes.com, Inc.*, No. C 04-0570 FMS, 2005 WL 1522159, at *10 (N.D. Cal. June 28, 2005) (internal citations and quotations omitted).

[12] The Supreme "Court has long recognized that the passage of time can preclude relief. For example, the doctrine of laches focuses on one side's inaction and the other's legitimate reliance to bar long-dormant claims for equitable relief." *City of Sherrill, N.Y. v. Oneida Indian Nation of New York*, 125 S.Ct. 1478, 1485 (2005). "[L]aches is not ... a mere matter of time; but principally a question of the inequity of permitting the claim to be enforced—an inequity founded upon some change in the condition or relations of the property or the parties." *Galliher v. Cadwell*, 145 U.S. 368, 373 (1892).

CONCLUSION

For the foregoing reasons, Digital Envoy's motion for partial summary judgment should be denied and partial summary judgment should be entered in Google's favor on the issue.

Respectfully Submitted,

Dated: August 10, 2005

WILSON SONSINI GOODRICH & ROSATI

By: /s/ David L. Lansky
David L. Lansky

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GOOGLE INC.