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11 UNITED STATES DISTRICT COURT  
 12 NORTHERN DISTRICT OF CALIFORNIA  
 13 SAN JOSE DIVISION

14 DIGITAL ENVOY, INC.,  
 15 Plaintiff/Counterdefendant,  
 16 v.  
 17 GOOGLE, INC.,  
 18 Defendant/Counterclaimant.

Case No. C 04 01497 RS

**DIGITAL ENVOY, INC.'S  
 PRELIMINARY OPPOSITION TO  
 GOOGLE'S MOTION TO STAGE  
 DISCOVERY**

**I. Introduction**

22 Google's motion to stage discovery is simply a bad idea and is completely unfair to Digital  
 23 Envoy. If granted, discovery cost and use of judicial resource will increase and completion of the  
 24 matter whether by settlement or resolution on the merits will be delayed. Google suggests Digital  
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1 Envoy's "hyperbole" should be set aside<sup>1</sup>, but stripped of its own rhetoric, there is no substance to  
2 Google's motion at all.

3 **A. Google's Complaint About Discovery Burden Is Not Compelling**

4 Ironically, much of what Google claims to be burdensome discovery requests by Digital  
5 Envoy are mirrors of Google's earlier requests of Digital Envoy. And the timing of Google's  
6 discovery requests and the present motion is also ironic and demonstrates the unfairness of  
7 Google's motion. Google has already requested Digital Envoy to produce voluminous records  
8 well beyond what is contemplated in this staging motion, including the following:

- 9 • All DOCUMENTS RELATING TO COMMUNICATIONS RELATING TO GOOGLE'S  
10 and DIGITAL ENVOY'S performance under the AGREEMENT.<sup>2</sup>
- 11 • All DOCUMENTS RELATING TO COMMUNICATIONS RELATING TO any alleged  
12 breach of the AGREEMENT by GOOGLE.
- 13 • All DOCUMENTS RELATING TO COMMUNICATIONS RELATING TO any alleged  
14 breach of the AGREEMENT by DIGITAL ENVOY.
- 15 • All DOCUMENTS RELATING TO the negotiation or interpretation of any agreement  
16 between DIGITAL ENVOY and any third party under which DIGITAL ENVOY has in  
17 any way authorized the third party to use any DIGITAL ENVOY technology.
- 18 • All DOCUMENTS RELATING TO GOOGLE.
- 19 • All DOCUMENTS RELATING TO any COMMUNICATION with GOOGLE.
- 20 • All DOCUMENTS RELATING TO and COMMUNICATION between YOU and any  
21 PERSON regarding GOOGLE.
- 22 • All DOCUMENTS RELATING TO DIGITAL ENVOY'S enrollment in GOOGLE's  
23 AdWords program.

24 As a result of Google serving these broad requests on the earliest possible day, Digital  
25 Envoy timely responded to these requests on August 16, 2004. In its response committed to  
26 producing nearly everything Google has asked for, and Digital Envoy has thereby already gathered  
27 the documents requested and is in process of labeling and copying those voluminous records. On

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25 <sup>1</sup> Google offensively refers to Digital Envoy's "hyperbole" when it has not done anything in the case other than  
26 to assert its claims and disclose discoverable information. Yet, in Google's present motion, it outrageously  
27 accuses without support Digital Envoy and its counsel of "perhaps intentionally abusive" conduct. In this  
28 Google, not Digital Envoy, sets the tone for the remainder of the litigation.

<sup>2</sup> Each of the words or phrases in all caps represents a defined term which broadens the scope of the request.

1 the same day it received Digital Envoy's response to its discovery and after Digital Envoy  
2 incurred most of the document production expense and more than three months after first  
3 suggesting the concept of staging discovery to Digital Envoy, Google files this motion just two  
4 days before the Initial Case Management Conference.

5 Ignoring its own conduct and Digital Envoy's expenses already incurred as a result,  
6 Google swears that the cost of searching its own records for information could "easily run into the  
7 hundreds of thousands of dollars" an eye-popping number from a company who measures its  
8 ability to search much greater material in milliseconds. Yet this is the only real burden to anyone  
9 Google misguidedly seeks to avoid. Given the substantial disparity of available resources to the  
10 parties in this litigation, Digital Envoy has far more reason to be concerned about the costs of this  
11 litigation. If anything, deference should be given to Digital Envoy's position regarding ways to  
12 control litigation costs and it is telling that it opposes Google's proposed staging of discovery  
13 because the burden on its limited resources will be substantially greater.

14 Google turns toward anticipated discovery disputes pertaining to the witnesses who Digital  
15 Envoy may at some time during discovery seek to depose. Although not before the Court because  
16 Digital Envoy has not so sought, the witnesses disclosed by Digital Envoy in compliance with  
17 federal rule are all persons with potentially discoverable information. Regarding Google's  
18 "founders" and other high level persons within the Google organization, Digital Envoy is aware of  
19 various admissions by those persons and has reason to believe they have knowledge pertaining to  
20 a variety of issues, including the issues to which Google seeks to initially limit discovery. In any  
21 event, there are practical and procedural safeguards against frivolous depositions and the Court  
22 can certainly consider Google's objection to any particular deposition at an appropriate time.

23 Google also contends that some portion of the information sought by Digital Envoy is both  
24 "extremely and highly" sensitive. Google does not contend that Digital Envoy does not have a  
25 legitimate need for this information. As with depositions, there are practical and procedural  
26 safeguards against abuse in handling this information by Digital Envoy and in fact, the parties  
27 have successfully negotiated a protective order which provides those safeguards.

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1 **B. Google's Proposed Discovery Limitation Is Flawed**

2 The claimed benefit in staging discovery in the manner proposed by Google is non-existent  
3 because Google's proposal is flawed.

4 First, Google overreaches by seeking to restrict discovery regarding the details of its use of  
5 Digital Envoy's technology. Google's use is moot only if the Agreement is interpreted to grant  
6 Google unlimited rights. Yet the Agreement plainly is a restricted use, limited license and says so  
7 on its face. Accordingly, the contemplated motion at the end of the staged discovery will at best  
8 be half a motion requesting interpretation of a contract in a vacuum and not dispositive at all. At a  
9 minimum, broader discovery will be required to accomplish Google's stated objective – early  
10 resolution of its license defense.

11 Second, Google improperly seeks to restrict discovery of certain parole evidence while  
12 relying on certain other select parole evidence in describing its un-filed but anticipated interim  
13 dispositive motion. Even though it claims its contract interpretation is found in the plain language  
14 of the contract, it principally relies on out-of-context e-mail threads regarding Google's plans for  
15 the technology and incorrect claims regarding Digital Envoy's awareness of Google's uses  
16 (ironically, uses of which Google now seeks to delay Digital Envoy's discovery). Although the  
17 motion is un-filed and presumably un-drafted, Google is reasonably expected to rely on parole  
18 evidence in making its argument. Once it does so, the entire range of parole evidence<sup>3</sup> may be  
19 considered and is certainly discoverable by Digital Envoy before response.

20 Accordingly, if the staging motion is granted, there is little chance that the contemplated  
21 motion can be properly considered. As a result, Google's proposed staging of discovery will  
22 accomplish nothing other than to increase costs and delay. Moreover, modifying the staging order  
23 to include discovery regarding Google's use of Digital Envoy's technology and the full scope of  
24 parole evidence will defeat any legitimate purpose for staging discovery at all.

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26 <sup>3</sup> Without limitation, contemplated discovery of parole evidence would include: all communication between  
27 the parties during the negotiation *and* performance of the contract, internal communication during the same  
28 period regarding any aspect of the contract, communication with third parties on the use of Digital Envoy's  
technology, the course of conduct by the parties including the evolution of Google's business, industry  
practices and standards, and Google's business planning.

1 Third, there is no clear delineation in Google's proposed staging order between what  
2 would be discoverable in the first stage and what would not. The problem is the parties may have  
3 differing views on what questions would be "directed to the . . . interpretation" of the Agreement.  
4 Moreover, Digital Envoy would be placed in the prejudicial position of having to disclose its  
5 strategic purpose for asking any question before receiving an answer.

6 **C. Google's Un-filed But Anticipated Interim Dispositive Motion Has No Merit**

7 Digital Envoy's claims are straightforward, based on the plain contractual language and  
8 will not be defeated by Google's present explanation of its defenses. In short, Digital Envoy sold  
9 to Google the nonexclusive "*limited*, worldwide right to use *in its Business (and not distribute to*  
10 *any third party in whole or in part)*" Digital Envoy's technology. Google's "Business" is defined  
11 and restricted to "the business of producing and maintaining information search technology".  
12 Google's rights were also "*strictly limited*" by prohibiting Google from selling, licensing,  
13 distributing, sharing or otherwise given (in any form) to any other party. This is the language  
14 agreed upon by the parties arising from negotiations, a portion of which are recited by Google out  
15 of context.

16 Digital Envoy will first rely on the four corners of the document in establishing the  
17 parameters of the restricted license. If called upon, Digital Envoy will discover and present  
18 compelling parole evidence in support of its interpretation.

19 Digital Envoy's claims that Google has exceeded the scope of its limited license are  
20 equally straight-forward. Digital Envoy will discover and present compelling evidence that  
21 Google's business evolved from information search, to include a number of distinct businesses,  
22 including contextual advertising. Google's contextual advertising is distinct from the "Business"  
23 set forth in the contract – its technology is different, the parties who benefit are different, it is  
24 commonly accepted in the industry to be distinct and Google has repeatedly acknowledged this.  
25 Thus, when Google used Digital Envoy's technology in its contextual advertising, which it did  
26 extensively, its use was beyond the scope of its permitted license. Digital Envoy will discover  
27 complete information regarding all aspects of Google's use of Digital Envoy's technology and  
28 prove that Google is liable to Digital Envoy for its conduct.

1           Meanwhile, Google jumps from the statement that its un-filed but anticipated interim  
2 motion on contract interpretation would be dispositive of the case<sup>4</sup> to repeated statements that its  
3 motion is likely to end the case. Naturally, Digital Envoy disputes this and will set forth its full  
4 response in detail once the motion is made. However, a “peak”<sup>5</sup> at the motion to come exposes the  
5 flaw in the staging motion.

6           Google claims, principally relying on parole evidence, that its use of Digital Envoy’s  
7 technology is unrestricted. In essence, Google supports an interpretation whereby Digital Envoy  
8 effectively sold the entire commercial use of its technology to a company better equipped to  
9 compete for customers for \$3,000 per month. It takes little leap in logic to foresee that Digital  
10 Envoy can prove that it did not intend to do that.

11           The evidence relied upon in describing its un-filed but contemplated interim dispositive  
12 motion is that Digital Envoy offered its technology on an “all you can eat” basis, and words to the  
13 like to indicate, Google claims, that there was no intended restriction on Google’s use of Digital  
14 Envoy’s technology. This interpretation defies logic.

15           First, Digital Envoy will prove (with properly permitted discovery) that Google did not  
16 contemplate its current use of Digital Envoy’s technology and in fact that it had no business plans  
17 to even be in the business of placing ads on third party web sites – the basic act complained of by  
18 Digital Envoy. Digital Envoy will further prove that there is a substantial difference –  
19 technologically, in industry understanding and Google’s own business practices and  
20 communication – between the “business” it was in when the contract was negotiated and the new  
21 business it evolved into. And this difference is at the heart of this controversy.

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24 <sup>4</sup> Digital Envoy disputes Google’s claim that a favorable ruling on the interpretation of the contract would  
25 defeat all of Digital Envoy’s causes of action, but defers discussion of the interplay of Google’s request for  
an interpretation with Digital Envoy’s claims until the motion is actually filed.

26 <sup>5</sup> “Peak” comes from the case cited by Google – *GTE Wireless, Inc. v. Qualcomm, Inc.*, 192 F.R.D. 284 (S.D.  
27 Cal. 2000) – in the context of requiring movant to make a showing that it has some degree of certainty that its  
28 motion would be granted. Google does not engage in this exercise other than to suggest its potential basis for  
the motion.

1 Among other things, the evidence Digital Envoy seeks to discovery will expose the  
2 absurdity of Google's present interpretation of the agreement and the "all you can eat" language in  
3 particular. Google's interpretation is akin to buying a single plate at an all you can eat salad bar,  
4 and then invite thousands of your friends to eat off your plate. And then charge those friends for  
5 their meal, pocketing a huge profit.

6 **D. The Negative Consequences of the Proposed Staging of Discovery Are Substantial**

7 Google's proposal necessarily lengthens the time to trial and the length of the time for  
8 discovery, which substantially adds to litigation expense. Google's proposal also contemplates a  
9 substantial number of re-depositions of witnesses, and thus a substantial increase of legal fees and  
10 expense to Digital Envoy. Digital Envoy is thus faced with the double burden of added litigation  
11 cost and delay in recovery of its damages, factors which are considered as prejudice in  
12 determining motions to bifurcate discovery. *Spectra-Physics Lasers, Inc. v. Uniphase Corp.*,  
13 144 F.R.D. 99, 101 (N.D. Cal. 1992) (Whyte, J.).

14 Google's proposal also necessarily increases the potential use of judicial resources on this  
15 litigation in two ways. First, the staging order will add a layer of discovery disputes, potentially  
16 question by question, over whether the otherwise discoverable information is within the scope of  
17 information that may have a bearing on contract interpretation. Second, the staging order will add  
18 a layer of dispute over the interim dispositive motion as to whether Digital Envoy was prevented  
19 by the staging order from obtaining discovery that should be considered. If discovery progresses  
20 as it normally does, neither of these potential disputes can arise.

21 Google's proposal also necessarily delays meaningful settlement discussion. Digital  
22 Envoy will be unable to evaluate its claims and thereby unwilling to negotiate settlement without  
23 discovery of certain information sought to be delayed. Such a consideration is viewed in favor of  
24 not bifurcating discovery as "complete discovery will educate the parties regarding the strengths  
25 and weaknesses of their positions and will facilitate settlement." *eBay, Inc. v. Bidder's Edge, Inc.*,  
26 2000 WL 1863564, 56 U.S.P.Q.2d 1856 (N.D. Cal. 2000) (Whyte, J.). Restricting discovery in  
27 this case enhances this phenomenon since Digital Envoy could make no evaluation of the value of  
28 the case without sufficient discovery since Google controls the most pertinent information.

1 **E. Google Fails To Meet Its Burden Of Proof On The Motion**

2 Although certainly within the discretion of this Court to stage discovery in the manner  
3 proposed by Google, it is equally certain that Google bears the “burden of proving that the  
4 bifurcation will promote judicial economy and avoid inconvenience or prejudice to the parties.”  
5 *Spectra-Physics Lasers, Inc. v. Uniphase Corp.*, 144 F.R.D. 99, 101 (N.D. Cal. 1992) (Whyte, J.).  
6 Simply, Google does not meet this burden. First, Google does not make any argument that  
7 judicial economy is promoted. In fact, Google’s proposal provides no conceivable potential to  
8 reduce the use of this Court’s time and effort. Instead, the Court will have the case brought to it  
9 in pieces and on an incomplete record. As set forth above, there will be a significant potential for  
10 additional discovery disputes and an additional procedural layer for the court to consider when  
11 addressing the interim dispositive motion. Further, the potential for early negotiated resolution of  
12 the matter is destroyed by Google’s proposed staging of discovery.

13 Second, Google’s proposal certainly does not avoid inconvenience or prejudice to Digital  
14 Envoy. By force occasioned through Google’s litigation activities, Digital Envoy has already  
15 expended the majority of effort in producing documents in response to comprehensive requests.  
16 So the proposal saves Digital Envoy practically nothing. By contrast, the prejudice to Digital  
17 Envoy in increased costs, delay in resolving the dispute, and placing it at a strategic disadvantage  
18 in questioning witnesses is substantial.

19 And even Google only possibly avoids incremental discovery costs if it can win its early,  
20 ill-conceived dispositive motion while keeping the scope of discovery restricted so that only the  
21 parole evidence of its choosing gets discovered and considered. Digital Envoy suggests that even  
22 that improbable result will cost Google more than it saves since the prospect of having a motion  
23 granted on parole evidence where the full scope of discovery on other parole evidence was  
24 prohibited is of ephemeral benefit when reversed and remanded. Otherwise, Google’s motion  
25 imposes additional expense, time and trouble on itself, along with Digital Envoy and the Court.

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**II. Conclusion**

For the foregoing reasons, Digital Envoy respectfully requests that Google's motion to stage discovery be DENIED.

DATED: August 18, 2004

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By

/s/

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