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 GOOGLE INC.

8 UNITED STATES DISTRICT COURT
 9 NORTHERN DISTRICT OF CALIFORNIA
 10 SAN JOSE DIVISION

12	DIGITAL ENVOY, INC.,)	CASE NO.: C 04 01497 RS
)	
13	Plaintiff/Counterdefendant,)	GOOGLE INC.'S OPPOSITION TO
)	DIGITAL ENVOY'S MOTION TO
14	v.)	DISMISS GOOGLE'S
)	DECLARATORY JUDGMENT
15	GOOGLE INC.,)	COUNTERCLAIM AND MOTION
)	FOR ENTRY OF JUDGMENT
16	Defendant/Counterclaimant.)	
)	
17)	Date: March 22, 2006
)	Time: 9:30 a.m.
18)	Courtroom: 4, 5th Floor
)	
19)	The Honorable Richard Seeborg
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20)	

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INTRODUCTION

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2 In another misguided procedural gambit, Digital Envoy asks the Court to ignore the final
3 judgment rule and authorize an immediate appeal on its claims while Google's counterclaims
4 remain pending in the case. To have any hope of justifying this extraordinary relief under
5 Federal Rule of Civil Procedure 54(b), Digital Envoy must show compelling circumstances
6 justifying expedited review, and show that the claims for which it seeks an immediate appeal are
7 unrelated to those Google is still pursuing. Digital Envoy cannot possibly carry this burden.

8 As Digital Envoy itself recognizes, Google still maintains a counterclaim seeking a
9 declaratory judgment that Google has not breached the parties' contract and that its use of Digital
10 Envoy's data was licensed. Given the near identity of the facts underlying this declaratory relief
11 claim and the facts regarding the claims Digital Envoy wishes to appeal, the persistence of
12 Google's request for declaratory relief alone dooms any possibility of a Rule 54(b) judgment.

13 Aware of this obstacle to an immediate appeal, Digital Envoy asks the Court to throw out
14 Google's declaratory relief request. It contends that the request was mooted by the Court's
15 decision barring Digital Envoy from obtaining monetary relief on its trade secret claim. But the
16 Court's Order did not put an end to the parties' dispute, as Digital Envoy suggests. Digital
17 Envoy still contends that Google breached the parties' contract, still demands untold millions of
18 dollars for that alleged breach and is still pursuing those claims through the judicial process. It
19 thus makes no sense to argue, as Digital Envoy does, that there is no longer a case or controversy
20 between the parties. As the U.S. Supreme Court and several Courts of Appeal have made clear,
21 until Digital Envoy's claims are finally and conclusively resolved, Google's declaratory relief
22 claim remains ripe and the Court retains subject matter jurisdiction to resolve it.

23 The Court need go no further to reject Digital Envoy's request for piecemeal appellate
24 review. But with or without Google's declaratory relief claim, there is no basis for a partial
25 judgment under Rule 54(b). As an initial matter, the Ninth Circuit has made clear that a party
26 seeking a 54(b) certification must demonstrate exceptional circumstances justifying a departure
27 from the final judgment rule. Digital Envoy has offered nothing. Moreover, Google's
28 counterclaims for breach of contract and trade secret misappropriation undeniably arise from the

1 same factual context as Digital Envoy's claims. All of the parties' claims are based upon the
2 same contract, involve the same negotiations and interactions, and will require testimony from
3 the same witnesses. Moreover, in attempting to defend against Google's claims, Digital Envoy
4 will almost certainly invoke the same limitation of liability clause that barred its own monetary
5 recovery. Given the factual and legal overlap between the parties' claims, a 54(b) certification
6 would dissuade the interests of judicial economy and lead to multiple appeals.

7 Under the circumstances, as the Ninth Circuit has recently held, a 54(b) certification is
8 improper as a matter of law. Digital Envoy's motion should be denied in its entirety.

9 **FACTUAL STATEMENT**

10 As the Court's prior Orders recognize, this action arises from a contractual relationship
11 between Google and Digital Envoy that began in November 2000. Under the contract, Digital
12 Envoy licensed Google the right to use Digital Envoy's geolocation data in Google's business for
13 a few thousand dollars a month. Declaration of David Kramer filed August 17, 2005 ("Aug. 17
14 Decl."), Ex. A (the "Agreement"). The Court has already seen the series of email messages
15 through which Google's Steve Schimmel and Matt Cutts, and Digital Envoy's Rob Friedman
16 negotiated the parties' contract. *See* Declaration of David Kramer filed February 23, 2005 ("Feb.
17 23 Decl."), Exs. A-C (negotiation emails), Ex. I (email thread attaching several negotiation
18 emails). It has also already seen the communications that were exchanged by those same
19 individuals in the course of performing the Agreement. *See, e.g.,* Feb. 23 Decl., Ex. I (February
20 3-6, 2004 parties' email exchange regarding scope of the Agreement).

21 For years, Digital Envoy knowingly permitted Google to use Digital Envoy's data to
22 support its advertising programs known as AdWords (for ads displayed on Google's own site)
23 and AdSense (for advertisements placed on third party sites). *See* Declaration of David Kramer
24 filed August 10, 2005 ("Aug. 10 Decl."), Ex. E (Friedman Dep.) at 213:2-6. Indeed, Digital
25 Envoy itself participated in both programs starting in 2002. Aug. 10 Decl., Exs. N, O. But in
26 February 2004, amidst the hype surrounding Google's initial public offering, Digital Envoy
27 demanded a massive increase in license fees from Google, claiming for the first time that
28 Google's use of the data in its AdSense program was a breach of the License Agreement.

1 Feb. 23 Decl., Ex. I (February 3-6, 2004 email exchange between Friedman and Schimmel
2 alleging breach of the Agreement).

3 When Google refused what it perceived as contrived demands, Digital Envoy filed suit
4 against Google in Georgia, in violation of a forum selection clause in the Agreement requiring all
5 claims regarding the Agreement to be brought in California. Aug. 17 Decl., Ex. A § 12. In
6 response, Google initiated this action, charging Digital Envoy with breach for filing suit in an
7 improper forum. Google also requested that the Court declare that Google had not breached the
8 Agreement through its use of Digital Envoy's data, and that such use was licensed under the
9 Agreement.¹

10 In discovery, Google learned that Digital Envoy had breached the Agreement by using
11 Google's well-known brand name and the specifics of Google's use of Digital Envoy's data as a
12 central part of its marketing presentations to Google's direct competitors. *See, e.g.*, Aug. 10
13 Decl., Ex. F (Digital Envoy powerpoint presentation describing Google's various uses of Digital
14 Envoy's data including use in Google's advertising network). Digital Envoy made these
15 disclosures despite explicit instructions from Mr. Schimmel to Mr. Friedman during the
16 negotiation of the Agreement. *See, e.g.*, Feb. 23 Decl., Ex. B at 5 (email from Schimmel to
17 Friedman noting Google's "hard stance on PR" and classifying Google's use of Digital Envoy's
18 expertise as "confidential" and that such secrecy was "one of [Google's] competitive
19 advantages"). Those instructions, in fact, came in the very same email exchange that Digital
20 Envoy has proffered to support its claims against Google. *See* Declaration of Timothy Kratz
21 filed March 9, 2005, Ex. E at 4 (including November 2000 email exchange between Friedman
22 and Schimmel negotiating Agreement, including Friedman's acknowledgement: "I appreciate
23 Google's reasoning regarding PR – it makes a lot of sense."). Based on Digital Envoy's
24 misconduct, Google sought, and on January, 21 2005 was granted, leave to amend its
25

26 ¹ Recognizing the impropriety of Digital Envoy's choice of forum, the Northern District of
27 Georgia transferred Digital Envoy's case here. *Digital Envoy, Inc. v. Google, Inc.*, 319 F. Supp.
28 2d 1377 (N.D. Ga. 2004). The parties subsequently stipulated to dismiss the transferred action
and proceed with the action initiated by Google with the parties realigned. *See* Stipulation and
Order Realigning Parties and Withdrawing Motion to Transfer and/or Stay, filed June 28, 2004.

1 counterclaims to add claims against Digital Envoy for breach of contract and trade secret
2 misappropriation.

3 In March 2005, Google moved for summary judgment on Digital Envoy's claims based
4 upon its belief that its conduct was licensed. By Order dated May 20, 2005, the Court denied
5 Google's motion, finding that there was a triable issue of fact regarding the interpretation of the
6 license provisions in the parties' Agreement. To date, the proper interpretation of the provisions
7 remains unresolved, as does the question of whether Google ever breached the Agreement.

8 Based upon a limitation of liability clause in the Agreement, however, the Court
9 subsequently concluded that Digital Envoy cannot obtain monetary relief from Google because it
10 cannot show that Google engaged in willful misconduct. *See* Orders entered November 8, 2005
11 and January 24, 2006. Undaunted, Digital Envoy still contends Google violated the parties'
12 Agreement, still seeks exorbitant damages for that breach, and has made clear through this
13 motion that it intends to continue pursuing its claims on appeal. Digital Envoy certainly has not
14 agreed to drop its claims with prejudice.² For its part, Google maintains its counterclaim for
15 declaratory relief regarding the Agreement, as well as its counterclaims for breach of the
16 Agreement and trade secret misappropriation. Discovery in the matter closed nearly a year ago
17 and the deadline for discovery-related motions passed in May 2005. Stipulation and Order to
18 Extend Time to File Motions to Compel Discovery, entered May 13, 2005. Very little remains
19 for the parties to do before proceeding to trial on Google's counterclaims.

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24 ² While the Court's recent Orders bar Digital Envoy from obtaining a monetary recovery
25 from Google, they do not address Digital Envoy's additional request for injunctive relief. *See*
26 Amended Complaint of Digital Envoy (filed 8/27/04) at 14 (praying for an injunction prohibiting
27 Google, Inc. from *inter alia* using Digital Envoy's proprietary technology and information "to
28 supply geographically targeted advertisements on third party websites."). In its haste to appeal,
Digital Envoy appears to have overlooked or abandoned this request. *See* Mot. at 2:4-7 and
5:28-6:2 (stating that the Court's Orders entirely disposed of its claims). But the request for
injunctive relief did not simply disappear. In fact, the request remains viable and by itself
demonstrates the ongoing controversy between the parties.

ARGUMENT

I. GOOGLE’S COUNTERCLAIM FOR DECLARATORY RELIEF IS NOT MOOT

According to Digital Envoy, the Court no longer has subject matter jurisdiction over Google’s declaratory relief counterclaim. It bases that view on the premise that the Court’s summary judgment rulings extinguished all controversy between the parties concerning Google’s liability for alleged trade secret misappropriation. According to Digital Envoy, because the Court ruled that it “cannot recover money from Google,” there is no longer a case or controversy between the parties over Google’s use of Digital Envoy’s data, and Google’s declaratory relief counterclaim must be dismissed as moot. Mot. at 3.³ That argument is badly misguided.

While the Court’s Orders may have disposed of Digital Envoy’s affirmative claims (except for its request for injunctive relief, see *supra* n.2), they did not resolve the question of whether Google engaged in any misconduct in its use of Digital Envoy’s data. That unresolved issue remains the subject of Google’s counterclaim for declaratory relief. It is well established under Supreme Court precedent and numerous decisions of the Federal Courts of Appeals that unless and until Digital Envoy agrees to drop its claims against Google *with prejudice* or the court of last resort affirms the dismissal of those claims, there remains a viable, Article III controversy between the parties as to whether Google acted within the scope of its license. Accordingly, the counterclaim is not moot and is not properly dismissed.

A. An Ongoing Controversy Exists As Long As Digital Envoy Claims A Right To Damages And The Court Of Last Resort Has Not Ruled On The Issue

As Digital Envoy itself acknowledges, the circumstances presented in this case are akin to those that regularly arise in patent cases. See Mot. at 3 (*citing Cover v. Schwartz*, 133 F.2d 541 (2d Cir. 1942) (pre-Federal Circuit patent dispute)). To establish a claim of patent infringement, a plaintiff must demonstrate that a defendant infringes upon a patent that is presumptively valid. Patent suits are often met with declaratory relief counterclaims seeking a

³ Digital Envoy erred in numbering the pages in its Notice of Motion and Motion to Dismiss Google’s Declaratory Judgment Counterclaim and Motion for Entry of Judgment (“Mot.”). All cites herein to pages of Digital Envoy’s Motion are to the pages of Digital Envoy’s Memorandum of Points and Authorities, exclusive of its Notice of Motion.

1 determination that the patent-in-suit is invalid. By establishing its non-infringement of the
 2 patent, a defendant prevails on the plaintiff's affirmative claims. But as court after court has
 3 held, even where the plaintiff's affirmative claims have been dismissed, the defendant's
 4 declaratory relief counterclaim regarding patent invalidity remains ripe.

5 In *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993), the United States
 6 Supreme Court considered whether a determination of non-infringement in a patent case
 7 terminated the controversy between the parties so as to moot a defendant's counterclaim for a
 8 declaration of invalidity. The Court held that a finding of noninfringement does not strip a court
 9 of jurisdiction to consider an invalidity counterclaim; rather, a controversy concerning the
 10 validity of the patent at issue persists until the parties' dispute has been finally and conclusively
 11 resolved by the highest court:

12 Because [the Federal Circuit] is not a court of last resort, a holding of either
 13 invalidity or noninfringement by [the Federal Circuit] does not render the case
 moot because it is not over.

14 508 U.S. at 97, n.19 (citing *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 959 F.2d 948, 953 (Fed.
 15 Cir. 1992) (Lourie, C.J.) (concurring opinion)); *see also id.* ("The Federal Circuit's
 16 determination that the patents were not infringed is subject to review in this Court, and if we
 17 reverse that determination, we are not prevented from considering the question of validity merely
 18 because a lower court thought it superfluous.").⁴

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 21 ⁴ The Federal Circuit's Chief Judge anticipated the Supreme Court's view in dissenting
 from the Federal Circuit's decision not to rehear *en banc* its dismissal of the invalidity
 counterclaim:

22 Once the patentee creates a legitimate fear in an adversary that the patent will be
 23 asserted against it, nothing short of the patentee's unconditional guarantee not to do
 24 so under any circumstances ordinarily will remove that apprehension and thereby
 25 jurisdictionally moot the claim for declaratory relief. In *Bard*, even the affidavit of
 26 the patentee that it had no intention of suing the declaratory claimant fell short of
 27 mooting the asserted declaratory claim. [Citation omitted]. Here, Morton has made
 28 no similar representation to Cardinal. Indeed, its suit against Cardinal confirmed
 the presence of the necessary controversy on Cardinal's counterclaim respecting at
 least the asserted claims. Morton's appeal of the invalidity judgment confirms
 again the threat of the patent. And Cardinal has not *waived* its declaratory claim
 against the asserted claims, as some vindicated defendants have on appeal. I can
 see no possible basis for holding Cardinal's declaratory claim *jurisdictionally* moot.

(continued...)

1 In decisions following *Cardinal Chemical*, the Federal Circuit has made clear that despite
2 a finding of non-infringement in a patent case, a district court retains jurisdiction to hear
3 declaratory judgment counterclaims of invalidity or unenforceability, and that such unresolved
4 counterclaims must be adjudicated before an appeal is ripe. *Fort James Corp. v. Solo Cup Co.*,
5 412 F.3d 1340, 1348-49 (Fed. Cir. 2005), *petition for cert. filed*, 74 U.S.L.W. 3352 (U.S. Nov.
6 28, 2005) (No. 05-712) (“[A] counterclaim questioning the validity or enforceability of a patent
7 raised issues beyond the initial claim for infringement that are not disposed of by a decision of
8 noninfringement”; ruling that district court erred as a matter of law in holding that it did not
9 retain jurisdiction to consider unenforceability counterclaim); *Fin Control Sys. Pty, Ltd. v. OAM,*
10 *Inc.*, 265 F.3d 1311, 1321 (Fed. Cir. 2001) (“Indeed, because OAM had raised the alleged
11 invalidity and unenforceability of the ‘359 patent in its counterclaim, the court was obligated to
12 rule on these matters as a prerequisite to entering judgment in the case”; vacating district court’s
13 entry of judgment and remanding for further proceedings); *see also General Elec. Co. v.*
14 *Nintendo Co.*, 179 F.3d 1350, 1356 (Fed. Cir. 1999) (“Even though we conclude that the ‘899
15 patent is not infringed, however, we nevertheless must still review the holding of invalidity for
16 anticipation of the ‘899 patent.”).

17 This tenet of subject matter jurisdiction is not limited to the patent context. In *ITOFCA,*
18 *Inc. v. MegaTrans Logistics, Inc.*, 235 F.3d 360, 362 (7th Cir. 2000), the plaintiff sued for
19 copyright infringement, and the defendant counterclaimed seeking, among other things, a
20 declaration that the plaintiff had no copyright in the software at issue. After granting the
21 defendant’s motion for summary judgment of noninfringement, the district court then dismissed
22 the defendant’s counterclaims without prejudice believing they were moot. *Id.* The Seventh
23 Circuit refused to entertain an appeal, reasoning that there had been no final judgment because
24 the defendant’s declaratory relief claims had not been resolved, were still ripe and should not
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27 (...continued from previous page)
28 *Morton Int’l, Inc. v. Cardinal Chem. Co.*, 967 F.2d 1571, 1576 (Fed. Cir. 1992) (Nies, C.J.)
(*dissenting from denial of en banc review*).

1 have been dismissed. *Id.* at 363-64.⁵ As the Court of Appeal explained, only if the defendant's
 2 counterclaims had been dismissed with prejudice would the controversy between the parties be
 3 resolved. *Id.* at 363.

4 The circumstances presented here are no different. The Court's resolution of the issue of
 5 monetary relief does not moot Google's request for declaratory judgment on the question of
 6 whether Google breached the parties' Agreement in the first place. Just as a patent defendant is
 7 entitled to continue seeking a declaration of invalidity after successfully defeating a plaintiff's
 8 infringement claim, so too is Google entitled to continue seeking to vindicate its rights under the
 9 Agreement. Digital Envoy has not released Google from any supposed liability, and instead has
 10 made clear it intends to continue pursuing its claims. As long as Digital Envoy continues to
 11 challenge Google's conduct and seek a remedy for it, the controversy between the parties
 12 remains, and the Court retains subject matter jurisdiction over it.

13 **B. The Cases Cited by Digital Envoy Do Not Support Dismissal of Google's**
 14 **Declaratory Relief Counterclaim**

15 Digital Envoy completely ignores the authorities establishing the continued viability of
 16 Google's declaratory relief counterclaim. Moreover, nearly every case cited by Digital Envoy
 17 either fails to stand for the cited proposition or involves a wholly inapposite fact pattern.

18 As noted, Digital Envoy cites a Second Circuit patent case from 1942 for the proposition
 19 that "when court finds against plaintiff on the issue of infringement, counterclaim on issue of
 20 patent validity becomes moot." Mot. at 3 (*citing Cover v. Schwartz*, 133 F.2d 541 (2d Cir.
 21 1942)). But that is the very proposition rejected by the Supreme Court in *Cardinal Chemical*,

22
 23 ⁵ According to the *ITOFCA* panel, a continuing case or controversy existed between the
 24 parties because the defendant *might* refile its counterclaims, thereby leaving the district court to
 consider issues not addressed by the summary judgment rulings:

25 In order to create a final judgment under § 1291 and make the order granting
 26 summary judgment appealable, the district court had to dispose of all the issues it
 27 did not decide in its order. Yet, it would be disingenuous to suggest that by
 dismissing the claims without prejudice, the district court did dispose of all those
 issues. Given the district court's order, [defendant] was free to refile its
 counterclaims at any point from the moment they were dismissed.

28 *Id.* at 363-64.

1 and in three recent decisions from the Federal Circuit, *Fin Control*, *General Electric* and *Solo*
2 *Cup*. To make matters worse, the *Cover* case does not even stand for the now discredited
3 proposition for which Digital Envoy cites it. Mot. at 3. Remarkably, *there was no invalidity*
4 *counterclaim at issue* in the case. *Cover*, 133 F.2d at 544 (only counterclaim was for
5 infringement of defendant's patents, which was not at issue on appeal). Digital Envoy appears to
6 have simply misunderstood the fact pattern.

7 Likewise misplaced is Digital Envoy's reliance on *Ashcroft v. Mathis*, 431 U.S. 171
8 (1977) and *Aldens, Inc. v. Packel*, 524 F.2d 38 (3d Cir. 1975). Mot. at 3. In *Ashcroft*, there was
9 no continuing controversy between the parties because the plaintiff had failed to appeal an
10 adverse ruling on its claim for damages. *Ashcroft*, 431 U.S. at 172. The case was thus
11 procedurally situated *as if* the court of last resort had ruled on the plaintiff's damages claim.
12 Here, by contrast, Digital Envoy persists in its claim against Google and has not waived its
13 ability to appeal. In *Aldens*, the affirmative claim and the declaratory relief counterclaim were
14 mirror images (seeking opposite declarations concerning the constitutionality of a statute). After
15 granting summary judgment on the complaint in favor of defendant that the act was
16 constitutional, the district court had nothing left to decide and no further relief to grant with
17 respect to defendant's counterclaim seeking a declaration of constitutionality. *Aldens*, 524 F.2d
18 at 51. Unlike the current case, where the Court has only resolved a portion of the question before
19 it (Digital Envoy's inability to obtain monetary relief), in *Aldens* there were no issues left
20 unresolved. Accordingly, the defendant's counterclaim in *Aldens* was properly dismissed.⁶

21 Relying on *Texas v. United States*, 523 U.S. 296 (1998), Digital Envoy argues that the
22 existence of a continuing dispute at the appellate level is irrelevant because the possibility of
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24 ⁶ Two other inapposite cases cited by Digital Envoy discuss the circumstances in which a
25 federal court has continuing jurisdiction to adjudicate declaratory relief claims where disputed
26 conduct at issue has ceased. *Super Tire Eng'g Co. v. McCorkle*, 416 U.S. 115 (1974) (claim
27 seeking declaration regarding validity of state regulations that provide benefits to striking
28 workers was not moot even after employee strike was over); *Skysign Int'l, Inc. v. City & County*
of Honolulu, 276 F.3d 1109, 1115 (9th Cir. 2002) (claim seeking declaration that federal law
preempted city from regulating disputed conduct was not moot even after plaintiff ceased
conduct in question). To the extent they are relevant at all, these cases reflect a liberal view of
declaratory relief jurisdiction and thus support Google's position.

1 reversal is not “of sufficient immediacy and reality” to maintain a viable controversy between the
2 parties. Mot. at 4. That argument fails for at least two reasons. First, it is directly contrary to
3 the Supreme Court’s ruling in *Cardinal* that a controversy is not over until all appeals have been
4 exhausted. Second, the case says no such thing. In *Texas*, the Supreme Court held that a claim
5 brought by the state of Texas seeking a declaration that a federal statute did not prohibit
6 sanctions permitted under state law was not ripe where imposition of such sanctions would only
7 occur if many other events took place first. 523 U.S. at 298-300 (“[W]here ‘we have no idea
8 whether or when such [a sanction] will be ordered,’ the issue is not fit for adjudication.”). The
9 Court does not in any way discuss whether a controversy is mooted by a trial court decision on
10 one aspect of a claim when the trial court decision remains subject to appeal.⁷

11 In truth, Digital Envoy cites only one case that actually supports the notion that Google’s
12 counterclaim may be moot – a slip opinion from Judge Armstrong in *Gladwell Governmental*
13 *Servs., Inc. v. County of Marin*, No. C-04-3332 SBA, 2005 WL 2656964 (N.D. Cal. Oct. 17,
14 2005). But the unpublished decision contains only a single conclusory sentence to the effect that
15 an unresolved controversy between litigants disappears upon a trial court’s dismissal of the
16 plaintiff’s claims, notwithstanding the possibility of appeal. The opinion offers no analysis and
17 cites no authority for that proposition which is at odds with *Cardinal Chemical* and at least four
18 decisions from the Courts of Appeal. The Court should align itself with the great weight of
19 authority and deny Digital Envoy’s motion to dismiss.

20 **II. RULE 54(B) CERTIFICATION IS NOT WARRANTED**

21 With its claims now dismissed, Digital Envoy asks the Court to enter a partial judgment
22 under Federal Rule of Civil Procedure 54(b), allowing it an immediate appeal while Google’s
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25 ⁷ Digital Envoy also relies on *City of Rome, New York v. Verizon Commc’ns, Inc.*, 362 F.3d
26 168, 182 (2d Cir. 2004). There, the Second Circuit rejected the argument that subject matter
27 jurisdiction could be based on a declaratory relief claim that plaintiff did not raise, but might
28 have raised. But again, the court does not come close to considering whether the possibility of
appeal and reversal of a trial court’s decision has any effect on the existence of a continuing case
or controversy. As before, the decision simply has nothing to do with the proposition for which
Digital Envoy cites it.

1 counterclaims move forward in this Court. But Digital Envoy cannot justify this extraordinary
2 relief. Indeed, controlling authority compels denial of Digital Envoy’s request.

3 **A. There are No Compelling Circumstances to Justify an Immediate Appeal**

4 Given the inefficiency of duplicative piecemeal appeals and the sheer number of appeals
5 that would result from early appeal of routine cases, the Ninth Circuit has a strong preference
6 that all claims in a case be appealed together. Certification of partial judgments is reserved
7 solely for compelling cases where the urgent need for immediate appeal outweighs the
8 administrative burdens:

9 Judgments under Rule 54(b) must be reserved for the unusual case in which the
10 costs and risks of multiplying the number of proceedings and of overcrowding the
11 appellate docket are outbalanced by pressing needs of the litigants for an early and
separate judgment as to some claims or parties.

12 *Morrison-Knudsen Co. v. Archer*, 655 F.2d 962, 965 (9th Cir. 1981) (vacating judgment and
13 remanding); *accord Curtiss-Wright Corp. v. General Elec. Co.*, 446 U.S. 1, 10 (1980) (“Plainly,
14 sound judicial administration does not require that Rule 54(b) requests be granted routinely.”).

15 The extraordinary nature of Rule 54(b) certification was recently emphasized by the
16 Ninth Circuit in *Wood v. GCC Bend, LLC*, 422 F.3d 873 (9th Cir. 2005). *Wood* involved review
17 of a trial court’s certification of a partial judgment in an employment discrimination case.
18 Although there was no question that the certified claim was final (*id.* at 879), there was some
19 overlap in the facts between the certified claim and those that remained, the case was relatively
20 simple, and the plaintiff provided no “seriously important reason” compelling immediate review.
21 *Id.* at 882. Under these circumstances, the Ninth Circuit found the trial court’s 54(b) certification
22 to be an abuse of discretion, and dismissed the appeal:

23 The caseload of this court is already huge. More than fifteen thousand appeals
24 were filed in the last year. We cannot afford the luxury of reviewing the same set
of facts in a routine case more than once without a seriously important reason.

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1 *Id.* at 882; *see also id.* at 879 (“At least in our experience, requesting or granting a request for--
2 certification in ordinary situations such as this is not routine. We believe it should not become
3 so.”).⁸

4 Notably, the *Wood* panel explicitly cited *Curtiss-Wright*, 446 U.S. 1 – a case relied upon
5 by Digital Envoy – as exemplifying the special circumstances necessary to justify Rule 54(b)
6 certification. *Wood*, 422 F.3d at 882. In *Curtiss-Wright*, the defendant owed the plaintiff \$19
7 million, and the only dispute between the parties concerned the timing of payment. 446 U.S. at
8 12. Because the plaintiff would suffer “severe daily financial loss” from nonpayment of the
9 money, since the prevailing interest rates were higher than the prejudgment interest rate and
10 litigation of the remaining claims was likely to take months or years given their complexity (*id.*
11 at 5), a 54(b) partial judgment was proper. *Id.* at 13. There is nothing remotely similar at issue
12 here.

13 Digital Envoy never even acknowledges the requirement that it show special or
14 compelling circumstances to justify an immediate appeal, much less attempts to satisfy that
15 requirement. In truth, there are no compelling circumstances warranting immediate appellate
16 review. The best that Digital Envoy can muster is its claim that “[i]f Digital Envoy is compelled
17 to wait until the final disposition of Google’s counterclaims before it can commence its appeal,
18 the result will be to delay for months the final determination of this action.” Mot. at 6-7. The
19 same argument could be made in any case where certain claims are resolved and others remain to
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21 ⁸ Remarkably, Digital Envoy ignores the Ninth Circuit’s controlling decision in *Wood*.
22 Instead, Digital Envoy relies upon two *unpublished* and *uncitable* decisions, as well as a third
23 decision from an *unopposed* motion for Rule 54(b) certification. In direct violation of Ninth
24 Circuit rules, Digital Envoy cites *Adidas Am., Inc. v. Payless Shoesource, Inc.*, No. 04-35553,
25 D.C. No. CV-01-01655-RE, 2006 WL 26210 (9th Cir. Jan. 5, 2006). Mot. at 6. The opinion
26 itself says: “This disposition is not appropriate for publication and may not be cited to or by the
27 courts of this circuit except as provided by Ninth Circuit Rule 36-3.” *Id.* at n.*. Digital Envoy
28 also cites *Khan v. Park Capital Sec., LLC*, No. C 03 00574 RS, 2004 WL 1753385 (N.D. Cal.
Aug. 5, 2004) (Seeborg, J.), which this Court expressly labeled “Not for Citation.” *See* U.S.D.C.
Northern District Case No. C 03 00574 RS [*Khan v. Park Capital Sec., LLC*], Document 169.
See Civ. L.R. 3.4(e) (“Any order or opinion that is designated: “NOT FOR CITATION,”
pursuant to Civil L.R. 7-14 or pursuant to a similar rule of any other issuing court, may not be
cited to this Court, either in written submissions or oral argument, except when relevant under
the doctrines of law of the case, res judicata or collateral estoppel.”). Finally, Digital Envoy cites
In re Solutia, Inc., Sec. Litig., No. C 03-03554 SBA, 2005 WL 701435 (N.D. Cal. Mar. 24,
2005), which states at n.1 “Plaintiff did not file an Opposition to the instant motion.”

1 be tried. It is hardly a justification for Digital Envoy's claims to be pushed through an early
2 appeal while Google's related claims remain before this Court.

3 This is a routine contract dispute; it involves a single plaintiff and a single defendant
4 having a discrete relationship. The issues remaining for trial will not be complex or lengthy, and
5 should proceed without delay. That is particularly true since the claims were all scheduled to be
6 tried (and are technically still scheduled to be tried) in April 2006 and most pre-trial activity has
7 been completed. *See* Stipulated Amended Scheduling Order entered July 28, 2005. Requiring
8 Digital Envoy to comply with the final judgment rule in this case will cause no harsh result or
9 undue prejudice. As in *Wood* and *Morrison-Knudsen*, there is no justification for burdening the
10 Ninth Circuit through certification of a partial judgment under Rule 54(b) in this case.

11 **B. Judicial Economy Weighs Heavily Against Rule 54(b) Certification**

12 Even if Digital Envoy could articulate a reason to depart from the normal practice of
13 allowing for an appeal only after entry of final judgment, there are abundant reasons here why
14 Rule 54(b) certification would be contrary to the interests of judicial economy.

15 A critical factor in considering the judicial burden of a Rule 54(b) certification is the
16 extent of legal and factual overlap between the claims for which separate judgment is sought and
17 the remaining claims. *Wood*, 422 F.3d at 882. For this analysis, counterclaims are not treated
18 differently than any other claims. *Curtiss-Wright*, 446 U.S. at 9 ("Like other claims, their
19 significance for Rule 54(b) purposes turns on their interrelationship with the claims on which
20 certification is sought."). Given the duplication of effort and obvious inefficiency of multiple
21 appeals concerning overlapping issues, the existence of such issues weighs heavily against entry
22 of judgment:

23 The trial court should not direct entry of judgment under Rule 54(b) unless it has
24 made specific findings setting forth the reasons for its order. Those findings should
25 include a determination whether, upon any review of the judgment entered under
26 the rule, the appellate court will be required to address legal or factual issues that
27 are similar to those contained in the claims still pending before the trial court. A
28 similarity of legal or factual issues will weight heavily . . . under the rule, and in
such cases a Rule 54(b) order will be proper only where necessary to avoid a harsh
and unjust result, documented by further and specific findings.

1 *Morrison-Knudsen*, 655 F.2d at 965. *Accord ITOFCA*, 235 F.3d at 364 (“It is implicit in Rule
2 54(b) that the retained and appealed claims be factually distinct, for otherwise the court of
3 appeals may be forced to analyze the same facts in successive appeals, a form of piecemeal
4 appealing not authorized by the rule.”).⁹

5 Acknowledging the importance of overlapping issues to the current motion, Digital
6 Envoy blithely contends that none of Google’s unadjudicated counterclaims “relate in any way to
7 the subject matter of Digital Envoy’s adjudicated claims.” Mot. at 7. The argument is untenable.
8 There can be no serious dispute that Google’s declaratory judgment counterclaim (seeking a
9 declaration that Google has not breached the parties’ Agreement and that its use was licensed
10 under the Agreement) completely overlaps with Digital Envoy’s breach of contract and trade
11 secret claims. Digital Envoy itself characterizes Google’s counterclaim as “a ‘mirror-image’
12 counterclaim.” Mot. at 2. Resolution of Digital Envoy’s appeal would therefore inevitably
13 require the appellate court to consider the same issues more than once.

14 Even if Google’s declaratory relief counterclaim were moot (which it is not), Google’s
15 other counterclaims for breach of contract and trade secret misappropriation also overlap
16 substantially with Digital Envoy’s claims. Digital Envoy nowhere identifies the issues it actually
17 intends to take up on an appeal if one were certified, and the Court has to date made numerous
18 rulings that bear on Digital Envoy’s claims.¹⁰ Presumably, if granted partial judgment, Digital
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20 ⁹ The cases cited by Digital Envoy to support its contention that certification is appropriate
21 even where there is overlap between the claims sought be appealed and the remaining claims are
22 easily distinguished from the current case. *See* Mot. at 6. In *Angoss II P’ship v. Trifox, Inc.*, No.
23 C 98-1459 SI, 2000 WL 288435 (N.D. Cal. Mar. 13, 2000), the plaintiffs’ claim arose out of the
24 breach of a Canadian contract entered in 1993. The facts giving rise to the defendant’s
25 counterclaim for trademark and copyright infringement did not occur until 1997. Accordingly,
26 the court determined that “because defendant’s counterclaim for trademark and copyright
infringement arose out of completely separate facts, an appellate court would not have to review
defendant’s breach of contract more than once.” *Id.* at *3. In *Core-Vent Corp. v. Nobel Indus.*
AB, 11 F.3d 1482, 1484 (9th Cir. 1993), the court certified for immediate appeal the question
whether there was subject matter over Swedish defendants; the court explicitly found that “[t]he
jurisdictional question at issue here is unrelated to the other issues in the case; thus, entry of final
judgment will not lead to undesirable ‘piecemeal appeals.’”

27 ¹⁰ These include: (1) that many of Digital Envoy’s claims were preempted by the Uniform
28 Trade Secret Act; (2) that Digital Envoy’s Lanham Act claim failed as a matter of law; (3) that
Google’s AdSense for Content program was part of Google’s “Business” within the meaning of
the Agreement (4) that Digital Envoy had no evidence of any actual damages; (5) that Digital
(continued...)

1 Envoy would seek review of all or many of these rulings. That will require interpretation of the
2 Agreement, and in many cases, an examination of the evidence submitted by the parties. Yet the
3 same Agreement and the same evidence are implicated by Google's counterclaims.¹¹ Under
4 Digital Envoy's suggested approach, the Ninth Circuit would have to examine the historical
5 context, negotiations and performance of the Agreement to resolve the issues for the first appeal.
6 Then, at the conclusion of trial of Google's counterclaims, the appeals court would have to
7 revisit the same Agreement and evidence to resolve a potential second appeal. That approach
8 makes no sense.¹²

9 Further, as Google's counterclaims progress, Digital Envoy will invariably contend that
10 they are subject to the same limitation of liability provision that barred it from obtaining
11 monetary relief from Google. If Digital Envoy were granted an immediate appeal, it would
12 presumably seek to reverse the Court's interpretation and validation of that provision.
13 Accordingly, Digital Envoy would be appealing the application of a provision that remains the
14 subject of active litigation in this Court. Again, the approach is neither efficient nor sensible.

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16 _____
17 (...continued from previous page)

18 Envoy had no evidence of any "willful misconduct" by Google; and (6) that a limitation of
19 liability clause in the Agreement barred Digital Envoy from seeking monetary relief from
20 Google. *See* Orders entered May 20, 2005, November 8, 2005, and January 24, 2006.

21 ¹¹ By way of example only, to prove its counterclaims, Google will introduce various
22 Digital Envoy marketing presentations that improperly featured Google and described its use of
23 Digital Envoy's data in the Google advertising network. Those same presentations are highly
24 relevant to the question of whether Google engaged in "willful misconduct" by using the data in
25 its advertising network, as they show that Digital Envoy itself believed such use was permissible
26 and boasted about it.

27 ¹² An immediate appeal by Digital Envoy of the Court's rulings against it would put before
28 the Ninth Circuit the question of whether this Court properly denied Google's motion for a
summary judgment that it was licensed to use Digital Envoy's data. *See* Order, May 20, 2005.
Google can and would make the claim that it was licensed as a matter of law as an alternative
ground for affirming the dismissal of Digital Envoy's claims. *See Lee v. Burlington N. Santa Fe*
Ry. Co., 245 F.3d 1102, 1107 (9th Cir. 2001) ("A prevailing party need not cross-petition to
defend a judgment on any ground properly raised below, so long as that party seeks to preserve,
and not to change, the judgment" defendant may challenge denial of its summary judgment
motion on different ground as basis for affirming appeal). Accordingly, Digital Envoy would
have the proper interpretation of the license provisions in the Agreement considered by the
appeals court twice: first, on Digital Envoy's appeal of the 54(b) judgment against it, and, in the
event of a reversal, a second time after the parties tried the issue.

1 Digital Envoy argues that allowing immediate appeal could conserve judicial resources,
2 reasoning that if Digital Envoy were to lose on appeal, this Court would never need to adjudicate
3 whether Google is or is not licensed under the Agreement. Mot. at 4. Digital Envoy's efficiency
4 argument is illusory. If Digital Envoy believes it is likely to lose on appeal, then it should not
5 bring the appeal. More to the point, if Digital Envoy were to win an appeal, that would
6 effectively guarantee *at least* a second appeal on issues of contract interpretation at the
7 conclusion of all district court proceedings.

8 Given the absence of any urgency for an immediate appeal as well as the factual and legal
9 overlap in claims, the Court should allow Google's counterclaims to proceed, and enter a final
10 judgment once they are adjudicated. Barring a settlement, the parties can then appeal all
11 contested issues.¹³ This approach will guarantee that there is *at most* one appeal concerning the
12 negotiations and meaning of the Agreement, and some chance that there will no appeal at all.
13 *See Wood*, 422 F.3d at 873 (observing that in the absence of Rule 54(b) certification, issues
14 sought to be immediately appealed may never reach the appeals court).

15 **CONCLUSION**

16 For the foregoing reasons, Google Inc. respectfully requests that the Court deny Digital
17 Envoy's motion in its entirety.

18
19 Dated: March 1, 2006

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

20
21 By: /s/ Colleen Bal
22 Colleen Bal

23 Attorneys for Defendant/Counterclaimant
24 GOOGLE INC.

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26
27 ¹³ Digital Envoy seems determined to drag the case out for as long as possible without a
28 resolution on the central question of Google's license to use Digital Envoy's data, and leverage
the resultant litigation costs into an unjustified settlement.