

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

Eolas Technologies Incorporated,

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Plaintiff,

§

Civil Action No. 6:09-CV-00446-LED

§

vs.

§

§

Adobe Systems Inc., Amazon.com, Inc.,

§

JURY TRIAL

Apple Inc., Argosy Publishing, Inc.,

§

Blockbuster Inc., CDW Corp.,

§

Citigroup Inc., eBay Inc., Frito-Lay, Inc.,

§

The Go Daddy Group, Inc., Google Inc.,

§

J.C. Penney Company, Inc., JPMorgan

§

Chase & Co., New Frontier Media, Inc.,

§

Office Depot, Inc., Perot Systems Corp.,

§

Playboy Enterprises International, Inc.,

§

Rent-A-Center, Inc., Staples, Inc., Sun

§

Microsystems Inc., Texas Instruments Inc.,

§

Yahoo! Inc., and YouTube, LLC

§

§

Defendants.

§

**PLAINTIFFS' PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF
LAW REGARDING DEFENDANTS' LICENSE AND EQUITABLE ESTOPPEL
AFFIRMATIVE DEFENSES AND STATEMENT ON OTHER ISSUES IDENTIFIED BY
DEFENDANTS IN THEIR IDENTIFICATION OF ISSUES TO BE TRIED TO THE
BENCH**

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Pursuant to Federal Rule of Civil Procedure 52, Plaintiffs Eolas Technologies Inc. and the Regents of the University of California (collectively “Plaintiffs” or “Eolas”) provide the following response to Defendants’ proposed Findings Of Fact And Conclusions Of Law Regarding Defendants’ license and equitable estoppel defenses and statement in response to the other issues identified by Defendants in their Identification of Issues to Be Tried to the Bench (Dkt. 1172). Contemporaneously herewith, Plaintiffs file Proposed Findings of Fact and Conclusions of Law on Inequitable Conduct and Proposed Findings of Fact and Conclusions of Law on Laches.

I. Plaintiffs’ Proposed Findings Of Fact And Conclusions Of Law Regarding Defendants’ License Defense.

On August 17, 2011 Defendants’ filed a Motion styled as “Defendant Adobe Systems Inc., Amazon.Com, Inc., CDW LLC, Citigroup Inc., Google Inc., J.C. Penney Corporation, Inc., Staples, Inc., Yahoo! Inc. and YouTube, LLC, Motion For Summary Judgment of Noninfringement Based on Microsoft/Apple License Defense.” Dkt. 876. Plaintiffs filed their opposition on September 28, 2011. Dkt. 992. Defendants and Plaintiffs subsequently filed a Reply and a Sur Reply. Dkts. 1023 and 1048. This briefing is collectively referred to as “Defendants’ License Summary Judgment.”

On August 17, 2011 Defendant Adobe filed a Motion styled as “Defendant Adobe’s Motion For Partial Summary Judgment Of Noninfringement Based On Its License Defense.” Dkt. 870. Plaintiffs filed their opposition on September 28, 2011. Dkt. 993. Adobe and Plaintiffs subsequently filed a Reply and a Sur Reply. Dkts. 1015 and 1045. This briefing is collectively referred to as “Adobe’s License Summary Judgment.”

On July 25, 2011, Defendant Go Daddy filed a Motion styled as “Defendant Go Daddy’s Motion For Summary Judgment Of Noninfringement Based On Its License Defense.” Dkt. 790.

Plaintiffs filed their opposition on August 16, 2011. Dkt. 859. Go Daddy and Plaintiffs subsequently filed a Reply and a Sur Reply. Dkts. 963 and 980. This briefing is collectively referred to as “Go Daddy’s License Summary Judgment.”

The briefing on Defendants’ License Summary Judgment, Adobe’s License Summary Judgment and Go Daddy’s License Summary Judgment sets forth the parties contentions (including the facts and the law) related to the Microsoft, Apple and Oracle licenses. Accordingly, Plaintiffs incorporate their prior briefing on these issues herein. If, however, the Court would like additional or supplemental briefing on these license issues—beyond that contained in the briefing on Defendants’ License Summary Judgment, Adobe’s License Summary Judgment and Go Daddy’s License Summary Judgment—Plaintiffs remain ready and willing to provide such supplemental or additional briefing on these issues.

II. Plaintiffs’ Proposed Findings Of Fact And Conclusions Of Law Regarding Defendants’ Equitable Estoppel Defense.

On January 5, 2012, Defendants identified “equitable estoppel” as an issue they intended to try to the bench. Dkt. 1172. Likewise, in Defendants’ Proposed Pretrial Order, provided to Plaintiffs on Saturday January 14, 2012, most of the Defendants included boilerplate statements regarding their allegation that due to the “proceedings in the USPTO . . . Plaintiffs are precluded and estopped from asserting that [Defendant] ha[s] infringed any of the claims of the patents-in-suit.” These boilerplate statements did not set forth any facts or evidence related to Defendants’ alleged estoppel defenses.

Because Defendants have not set forth in any pleading or during discovery in this matter the factual or legal basis for their alleged estoppel defenses, Plaintiffs did not understand the legal or factual basis for any such alleged defense. In light of this, Plaintiffs sent several emails to the Defendants between January 9, 2012, and January 17, 2012, in an attempt to obtain the

factual and legal basis for Defendants alleged estoppel defenses. In response to Plaintiffs' request, only Defendants Adobe, Amazon and Yahoo responded and provided a high-level overview of their allegations.¹ However, these allegations were vague and cited no specific evidence or law.

Given Defendants' failure to set forth the specifics of their factual and legal basis for their alleged estoppel defenses, Plaintiffs are unable to understand precisely what Defendants allege with respect to how and when events allegedly occurred to give rise to estoppel defenses and how the factual allegations may differ from their other defenses (*e.g.* laches and/or inequitable conduct). Plaintiffs thus can provide only a general response to Defendants' vague and non-specific allegations. If, however, the Court would like additional or supplemental briefing on Defendants' estoppel defenses—particularly after Defendants set forth the factual and legal basis for such defenses—Plaintiffs remain ready and willing to provide such supplemental or additional briefing on this issue.

“In order for an equitable estoppel defense to bar a patent infringement claim, the alleged infringer must show that: (1) the patentee led the alleged infringer to reasonably infer that the patentee would not enforce its patent; (2) the alleged infringer relied on that conduct; and (3) the [alleged infringer] suffered material injury as a consequence of that reliance.” *Sunbeam Products v. Wing Shing Products*, 153 Fed. Appx. 703; 2005 U.S. App. LEXIS 18241 (Fed. Cir. 2005) (*quoting A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992)). Like laches, “[e]quitable estoppel to assert a claim is another defense addressed to the sound discretion of the trial court.” *Aukerman*, 960 F.2d at 1041 (citations omitted). And,

¹ Defendant CDW also responded and indicated that it would “not be pursuing an equitable estoppel defense.” Likewise, Defendants Google and YouTube responded and indicated that “Google and YouTube are not pursuing equitable estoppel as a defense.”

“[L]ike laches, equitable estoppel is not limited to a particular factual situation nor subject to resolution by simple or hard and fast rules.” *Id.*

As to the first factor, the patentee must have led the infringer to believe that that patentee would not assert its patent against the infringer. *Aukerman*, 960 F.2d at 1042. This most typically arises where the patentee makes affirmative statements to the infringer suggesting that the patentee has no intention to assert its patent against the infringer. *Id.* (Finding that “[i]n the most common situation, the patentee specifically objects to the activities currently asserted as infringement in the suit and then does not follow up for years.”). Here, there is no evidence suggesting that Plaintiffs made any affirmative statements to any of the Defendants that suggested that Plaintiffs did not intend to assert their patents against any Defendant. And, while the first factor can be satisfied by “misleading inaction,” that “inaction must be combined with other facts respecting the relationship or contacts between the parties to give rise to the necessary inference that the claim against the defendant is abandoned.” *Id.* Plaintiffs never suggested to any Defendant through any “misleading inaction” that they intended to abandon their infringement claims. Rather, and as explained in Plaintiffs’ Proposed Findings of Fact and Conclusions of Law on Laches (filed contemporaneously herewith), Plaintiffs had their hands full with seven years of litigation with Microsoft (from February 1999 to August 2007), followed by two subsequent years of patent reexaminations (concluding in February 2009). Plaintiffs promptly filed this suit on the same day the ’985 Patent issued. These facts show that Plaintiffs were aggressively and consistently pursuing their patent rights against infringers from the time those patents issued up through the present day.

As to the second element, reliance is “essential to equitable estoppel.” *Id.* at 1042-43. “The accused infringer must show that, in fact, it substantially relied on the misleading conduct

of the patentee in connection with taking some action. Reliance is not the same as prejudice or harm, although frequently confused.” *Id.* And “[t]o show reliance, the infringer must have had a relationship or communication with the plaintiff which lulls the infringer into a sense of security.” *Id.* Plaintiffs never had any relationship or communication with any Defendant sufficient to lull any such Defendant into a sense of security. First and foremost, there is no evidence that any Defendant relied upon any statement or silence of the Plaintiffs in developing any accused product or undertaking any other action. Second, Defendants’ own actions show that they were acutely aware of their infringement. In the years before Plaintiffs’ filed this lawsuit, Defendants worked to request reexaminations of the Plaintiffs’ patents, Defendants worked with industry groups including the W3C in unsuccessful attempts to find acceptable non-infringing alternatives to Plaintiffs’ patents, and at least one Defendant (Adobe) obtained opinions of counsel related to some of its (non-accused products) regarding the alleged non-infringement of those non-accused products. Defendants’ actions do not show that any Defendant was “lulled into a sense of security”—these actions show Defendants who were cognizably aware of their infringement of Plaintiffs patents and were concerned about their infringement.

As to the third element, “the accused infringer must establish that it would be materially prejudiced if the patentee is now permitted to proceed. As with laches, the prejudice may be a change of economic position or loss of evidence.” *Aukerman*, 960 F.2d at 1043. As explained in Plaintiffs’ Proposed Findings of Fact and Conclusions of Law on Laches (filed contemporaneously herewith), Defendants are unable to establish any material prejudice that accrued within the period of any alleged reliance.

Finally, and as with laches, “even where the three elements of equitable estoppel are established, [the Court must] take into consideration any other evidence and facts respecting the equities of the parties in exercising its discretion and deciding whether to allow the defense of equitable estoppel to bar the suit.” As explained in Plaintiffs’ Proposed Findings of Fact and Conclusions of Law on Laches (filed contemporaneously herewith), the overall equities of the situation show that Defendants’ equitable estoppel defense lacks merit. This is shown by Defendants’ long knowledge of Plaintiffs’ patents, Defendants’ recognition of their infringement of Plaintiffs’ patents, Defendants’ request that the Patent Office reexamine Plaintiffs’ patents, Defendants’ failure to avoid infringing Plaintiffs’ patents and the Plaintiffs’ long and continuous history of litigating its patent rights against infringers.

III. Other Issues Raised By Defendants In Their Identification Of Issues To Be Tried To The Bench (Dkt. 1172).

On January 5, 2012, Defendants additionally identified “Injunctive Or Other Equitable Relief, If Appropriate, Enhanced Damages, If Appropriate, Attorneys’ Fees And Costs, If Appropriate and Prejudgment Interest, If Appropriate” as issues to be tried to the bench. Dkt. 1172. All of these issues are more properly addressed through the parties’ post-trial filings—provided that Plaintiffs prevail on their assertions at trial in this matter.

Accordingly, Plaintiffs do not propose findings of fact and conclusions of law regarding “Injunctive Or Other Equitable Relief, If Appropriate, Enhanced Damages, If Appropriate, Attorneys’ Fees And Costs, If Appropriate and Prejudgment Interest, If Appropriate.” If however, the Court would like additional or supplemental briefing on these issues—in addition to the usual post-trial briefing on these issues—Plaintiffs remain ready and willing to provide such supplemental or additional briefing.

Dated: January 23, 2012.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document has been served on all counsel of record via the Court's ECF system on January 23, 2012.

/s/ Josh Budwin
Josh Budwin