

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

|                             |   |                                  |
|-----------------------------|---|----------------------------------|
| EOLAS TECHNOLOGIES, INC.    | § | Civil Action No. 6:09-CV-446-LED |
|                             | § |                                  |
| PLAINTIFF,                  | § |                                  |
|                             | § |                                  |
|                             | § |                                  |
| v.                          | § |                                  |
|                             | § |                                  |
| ADOBE SYSTEMS INC., et al., | § |                                  |
|                             | § |                                  |
| DEFENDANTS.                 | § |                                  |
|                             | § |                                  |

**DEFENDANTS GOOGLE AND YOUTUBE’S PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW REGARDING NO WILLFUL INFRINGEMENT AND LACHES**

## **I. NO WILLFUL INFRINGEMENT**

### **A. Findings of Fact**

1. The '985 patent issued on October 6, 2009, the day Eolas filed this lawsuit against Google.

2. Prior to filing this case on October 6, 2009, Eolas did not communicate to Google Eolas' belief that Google infringes or infringed the patents-in-suit. (7/26/2011 Stetson 30(b)(6) Tr. 267:19-23.)

3. Eolas chose not to provide Google with pre-suit notice of Eolas' belief that Google infringes or infringed the patents-in-suit because Eolas was "concerned about a declaratory judgment action." (7/26/2011 Stetson 30(b)(6) Tr. 267:24-268:7.)

4. Prior to filing this case on October 6, 2009, Eolas did not communicate to YouTube Eolas' belief that YouTube infringes or infringed the patents-in-suit. (7/26/2011 Stetson 30(b)(6) Tr. 268:15-19.)

5. Eolas chose not to provide YouTube with pre-suit notice of Eolas' belief that YouTube infringes or infringed the patents-in-suit because Eolas was "concerned about a declaratory judgment action." (7/26/2011 Stetson 30(b)(6) Tr. 268:20-23.)

6. On August 17, 2011, Eolas withdrew with prejudice its claim of pre-suit damages in this action as to every defendant, including Google. 8/17/2011 Joint Stipulation of No Pre-Suit Damages (D.N. 867). Eolas thus does not claim any compensatory damages from conduct occurring before this suit was filed on October 6, 2009.

7. In June 2008, the Regents of the University of California ("the UC Regents") and Google entered into a Google Apps Education Edition Agreement ("UC-Google Agreement") with the UC Regents licensing Google applications, including Gmail, for the use of its students, faculty, staff, and alumni. (See GOOGLE\_04853364-75.)

8. Following the inception of this litigation on October 6, 2009, Google has relied on defenses of non-infringement, divided infringement, and licensing/exhaustion based on the Eolas-Microsoft and Eolas-Apple license agreements. *See, e.g.*, 8/17/2011 Defendants' Motion for Summary Judgment of Noninfringement Based On Microsoft/Apple License Defense (D.N. 876); 8/17/2011 Defendants' Motion for Partial Summary Judgment of Non-Infringement Based On Divided Infringement (D.N. 874).

9. Following the inception of this litigation on October 6, 2009, Google has also relied on invalidity defenses as to the patents-in-suit, including that the patents-in-suit are anticipated and/or obvious in light of prior art references. Google, along with other Defendants in this case, brought a motion for summary judgment as to one of those references, and will present evidence as to additional prior art references at trial in this matter. *See* 8/17/2011 Defendants' Motion for Summary Judgment of Invalidity Under Section 102(b) (D.N. 869). Google has also relied on a defense that the patents-in-suit are invalid for lack of written description, and has also brought a motion for summary judgment as to that defense. *See* 8/17/2011 Defendants' Motion for Summary Judgment of Invalidity for Lack of Written Description (D.N. 877).

10. Following the inception of this litigation on October 6, 2009, Google has relied on unenforceability defenses as to the patents-in-suit, including that the patents in suit are unenforceable due to inequitable conduct.

11. Claim construction was strongly contested in this case. The court initially adopted Defendants' proposed construction of the term "executable application" but then adopted the construction from *Eolas v. Microsoft* on a theory of stare decisis. *See* August 22, 2011 Memorandum Opinion and Order (D.I. 914); September 23, 2011 Order (D.I. 989).

## **B. Conclusions of Law**

1. “To establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.” *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*) (citation omitted).

2. “This ‘objective’ prong of Seagate tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement.” *Spine Solns., Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010).

3. Here, there is no clear and convincing evidence that Google “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent” as required by *Seagate*. Prior to the filing of this suit, Google could not have acted despite an objectively high likelihood that its actions constituted infringement of the ‘985 patent, since that patent issued on the same day Eolas filed suit. Confirming the lack of any genuine evidence on this point, Eolas has proffered no expert testimony explaining who such an objective person would be, what background and experience that person would have, what information that person would have considered, what conclusions that person would have reached, and on what basis he or she would have reached them.

4. First, as to the pre-suit period, the ‘985 patent had not yet issued. Thus, there can be no objectively high likelihood of Google infringing the ‘985 patent prior to this suit.

5. Second, Eolas admitted that it chose not to provide any notice to Google or YouTube of Eolas' belief that Google or YouTube infringes or infringed the patents-in-suit. (7/26/2011 Stetson 30(b)(6) Tr. 267:19-23, 268:15-19.)

6. Third, the UC Regents licensed Google applications in June 2008, with no indication that they believed Google infringes or infringed the patents-in-suit. (*See* GOOGLE\_04853364-75.)

7. Fourth, Google has relied on several reasonable defenses to Eolas' charge of infringement. Google has maintained credible, reasonable non-infringement positions as to both the patents-in-suit. Likewise, Google has maintained credible, reasonable invalidity and unenforceability positions as to both the patents-in-suit. This reliance is dispositive here, especially considering that there is no compelling contrary evidence to overcome it. *See, e.g., Spine Solns., Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010) ("This 'objective' prong of Seagate tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement.") (reversing district court's denial of JMOL of no willfulness).

8. Fifth, the closeness of the claim construction issues decided by this Court further supports the conclusion that there was not an objectively high likelihood that Google's actions constituted infringement of a valid patent. *See Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008) ("[W]e conclude that the proper claim construction was a sufficiently close question to foreclose a finding of willfulness."); *Saffran v. Johnson & Johnson*, 2011 U.S. Dist. LEXIS 34858, at \*30-31 (E.D. Tex. 2011) (crediting proposed constructions of accused infringer in finding no objective recklessness); *OPTi, Inc. v. Apple, Inc.*, 2009 U.S. Dist. LEXIS 112537, at \*8 (E.D. Tex. 2009) (same).

9. Given that Google did not act “despite an objectively high likelihood that its actions constituted infringement of a valid patent,” Eolas has failed to satisfy the first prong of *Seagate*. See, e.g., *Spine Solns., Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010).

10. Even if Eolas had passed the threshold requirement of establishing that Google “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent,” Eolas has no clear and convincing evidence that “this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer,” as required by *Seagate*. There is no direct evidence of such subjective intent by Google, and there is no basis in the record for inferring one, either. Instead, any evidence in the record strongly cuts against any subjective intent by Google.

11. Google does not infringe Eolas’s patents and those patents are invalid and unenforceable. At a minimum, Google has maintained credible, reasonable positions regarding the invalidity, non-infringement, and unenforceability of the patents-in-suit, as evidenced in Google’s pleadings, Expert Reports, and Motions for Summary Judgment, filed with other Defendants. See, e.g., D.I. 876, D.I. 877, the Expert Reports of Peter Alexander, Ph.D., and the Expert Report of Invalidity by Richard L. Phillips.

12. When the UC Regents licensed Google applications in 2008, products accused on infringement in this case, there was no indication the UC Regents, the patent owner, believed that those products infringed. This provides near-conclusive evidence that infringement could not have been so obvious that Google should have known.

13. Moreover, Eolas admitted that it chose not to provide any notice to Google or YouTube of Eolas' belief that Google or YouTube infringes or infringed the patents-in-suit because Eolas was "concerned about a declaratory judgment action." (7/26/2011 Stetson 30(b)(6) Tr. 267:19-23, 267:24-268:7, 268:15-23.) Absent any notice of alleged infringement from Eolas, Google had no reason to know that it was infringing any Eolas patent, nor any reason it should have known that.

14. Because Eolas chose not to provide pre-suit notice of the asserted patents to Google, and because Google therefore could not have infringed willfully prior to inception of this litigation for the reasons discussed above, Plaintiffs' ultimate contention can only be that Google's post-suit conduct was reckless. But Plaintiffs neither sought nor obtained a preliminary injunction against Google's alleged infringement, which further establishes that Google's conduct does not amount to willful infringement justifying enhanced damages. *See, e.g., Seagate*, 497 F.3d at 1374 ("By contrast, when an accused infringer's post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. A patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct.").

15. In sum, Eolas has no clear and convincing evidence that Google "acted despite an objectively high likelihood that its actions constituted infringement of a valid patent" as required by *Seagate*. Further, even if Eolas could satisfy this "objective" prong of *Seagate*, Eolas has no convincing evidence that "this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer," as required by *Seagate*.

16. Therefore, Eolas has not established by clear and convincing evidence that any infringement by Google was willful.

## **II. LACHES**

### **A. Findings of Fact**

1. The '906 patent-in-suit issued on November 17, 1998. (PX 2.)
2. Eolas filed suit against Microsoft for alleged infringement of the '906 patent on February 2, 1999.
3. Eolas and Microsoft settled that case on August 17, 2007, when the parties entered into a Confidential Settlement Agreement (DX-G 179) and License Agreement (DX-G 178).
4. Eolas did not file a suit for patent infringement against Google, YouTube, and the other Defendants in this case until October 6, 2009, almost eleven years after the '906 patent issued.
5. Prior to filing suit against Google and YouTube, Plaintiffs never contacted Google or YouTube to either offer a license to the '906 patent or to notify either that Eolas thought they were infringing the '906 patent. (Swords Tr. 113:22-114:5.)
6. Plaintiffs made extensive use of Google and YouTube's websites and products prior to filing this suit for patent infringement against Google and YouTube.
7. Dr. Doyle, a named inventor of the patents-in-suit and Eolas's founder and chairman, first became aware of Google in the late Nineties. (6/30/11 Doyle Tr. 457:4-7.) Dr. Doyle first visited YouTube and viewed videos on the website prior to 2009. (6/30/11 Doyle Tr.



502:2-7.) Dr. Doyle testified that at that time, prior to 2009, he believed there was a possibility that YouTube infringed the '906 patent. (6/30/11 Doyle Tr. 505:16-506:21.)

8. Mr. Swords, Eolas's CEO, began using Google's search website in the early 2000s. (Swords Tr. 191:21-192:1.) Since that time, and starting about two years prior to his deposition in this case, Mr. Swords has used Gmail, Google Docs, and Google Maps, all of which are accused products in this case. (Swords Tr. 203:22-204:13.)

9. Mr. Stetson, Eolas's Chief Legal Officer, testified that he first realized that Google might be practicing the invention of the patents-in-suit in 2005 or 2006. (7/26/11 Stetson Tr. 282:23-283:7.) Google has been Mr. Stetson's primary search engine since 2004, and Mr. Stetson started using Google Maps in 2005 or 2006. (7/26/11 Stetson Tr. 280:3-19; 282:21-22).

10. Mr. Stetson estimates he began using YouTube as early as its founding in early 2005. (7/26/2011 Stetson Tr. 285:19-286:12.) While having no specific recollection, Mr. Stetson's best estimate of when it first occurred to him that YouTube might practice the invention of the patents-in-suit was in 2006. (7/26/11 Stetson Tr. 286:17-287:3.)

11. Mr. Stetson joined Eolas during the first two weeks of January in 2006. (7/26/11 Stetson Tr. 283:8-11.) Despite Mr. Stetson's awareness that Google and YouTube might be practicing the invention of the patents-in-suit when he joined Eolas, Eolas declined to contact Google or YouTube or to even direct that an infringement analysis be done. Instead Mr. Stetson chose to do nothing with his knowledge that Google and YouTube were potential infringers. (7/26/11 Stetson Tr. 284:12-285:14.) Mr. Stetson testified that his inaction was due, in part, to his belief that "hundred of potential products that have interactivity on the web." (*Id.*)

12. The University of California makes extensive use of Google’s websites and products. The University of California has entered into arrangements with Google for various universities in the University of California system to use Google products including Gmail and productivity applications. (*See, e.g.*, DX-G 24 (dated in 2008)).

13. Content which Plaintiffs have accused of infringement was first added to Google and YouTube websites in early 2005. Since that time, Google and YouTube continued to add content to their websites which Plaintiffs subsequently accused of infringement in this case.

## **B. Legal Standard**

Laches arises when the patent owner unreasonably and inexcusably delays filing suit for infringement to the material prejudice of the infringer. *A. C. Aukerman Co. v. R. L. Chaides Construction Co.*, 960 F.2d 1020, 1032 (Fed. Cir. 1992) (“To invoke the laches defense, a defendant has the burden to prove two factors: 1. the plaintiff delayed filing suit for an unreasonable and inexcusable length of time from the time the plaintiff knew or reasonably should have known of its claim against the defendant, and 2. the delay operated to the prejudice or injury of the defendant.”); *Gasser Chair Co., Inc. v. Infanti Chair Manufacturing Corp.*, 60 F.3d 770, 773 (Fed. Cir. 1995); *Advanced Cardiovascular Systems, Inc. v. SciMed Life Systems, Inc.*, 988 F.2d 1157, 1161 (Fed. Cir. 1993).

Delay is measured from the time when the patent owner knew or, in the exercise of due diligence, should have known of the defendant's allegedly infringing activity. *A. C. Aukerman Co.*, 960 F.2d at 1033. Some courts have held that knowledge of the infringing act—absent knowledge that the act actually infringes—starts the laches clock. *Thomas v. Echostar Satellite L.L.C.*, Nos. 3:05CV494, 3:05CV496, 2006 WL 3751319, at \*5 (W.D.N.C. Dec. 19, 2006) (“[T]he knowledge relevant to the laches inquiry is the plaintiff’s knowledge of the facts

and features of the accused product that form his infringement allegation. Knowledge as to whether the device itself actually infringe[s] one's patent is not required to establish laches.”).

Delays of less than six years can be sufficient for a defense of laches. *Cyrex Corp. v. Intel Corp.*, 803 F. Supp. 1200, 1213 (E.D. Texas 1992) (holding the patentee was barred from challenging the validity and effectiveness of an assignment of a license agreement due to delay in bringing suit and its representations that the assignment was valid). The burden then shifts to the patent owner to provide either an adequate excuse for the delay, lack of prejudice to the other party or egregious conduct by the alleged infringer. *Aukerman Co.*, 960 F.2d at 1032. Prejudice to the alleged infringer can be either evidentiary or economic. *Id.* at 1032. The patent owner's unreasonable delay can prejudice the defendant where the delay caused the defendant not to switch to or develop a non-infringing product. *A. C. Aukerman Co.*, 960 F.2d at 1033.

A successful laches defense bars recovery of infringement damages that occurred prior to the filing of the suit. *A. C. Aukerman Co.*, 960 F.2d at 1040-41. A successful laches defense can also bars injunctive relief. *See, e.g., Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1273 (Fed. Cir. 1999) (“We conclude, then, that laches will result in the patentee abrogating his right to exclude any infringing products sold prior to the filing of the complaint.”).

### **C. Conclusions of Law**

1. Eolas was aware of, and in fact used extensively, Google and YouTube's websites and products years before bringing this suit for patent infringement. That knowledge alone would be sufficient to start the clock on laches. *See Thomas*, 2006 WL 3751319, at \*5.

2. Further, Eolas has testified that as early as January of 2006, it believed that Google and YouTube websites and products might be practicing the claimed inventions of the

patents-in-suit. This actual notice, and any reasonable exercise of due diligence on Eolas's part, were sufficient to trigger laches based on its undue delay in bringing suit. *See A. C. Aukerman Co.*, 960 F.2d at 1032.

3. Plaintiffs' delay, for a minimum of approximately three years and eight months, in bringing suit against Google and YouTube was unreasonable and inexcusable. *See id.* at 1032. Eolas had admitted that its then-pending case against Microsoft was not its only reason for delay. (7/26/11 Stetson Tr. 284:12-285:14.) Eolas instead chose to do nothing with its belief that Google and YouTube websites and products might be practicing the invention of the patents-in-suit. (*Id.*) This is exactly the kind of behavior the doctrine of laches seeks to avoid—where a “patentee [] lie[s] silently in wait watching damages escalate.” *A.C. Aukerman Co.*, 960 F.2d at 1033.

4. Had Google had notice of Eolas's allegations of infringement, Google could have designed around the Eolas patents.

5. All of the accused Google products were on sale during the laches period. Therefore, Plaintiffs are not entitled to injunctive relief. *See Odetics, Inc.*, 185 F.3d at 1273.

Dated: January 23, 2012

Respectfully submitted,

By: /s/ Douglas E. Lumish, with permission by Michael E. Jones

Douglas E. Lumish, CA State Bar No. 183863

Jeffrey G. Homrig, CA State Bar No. 215890

Joseph H. Lee, CA State Bar No. 248046

Parker C. Ankrum, CA State Bar No. 261608

**KASOWITZ, BENSON, TORRES & FRIEDMAN, LLP**

333 Twin Dolphin Drive, Suite 200

Redwood Shores, CA 94065

Tel: (650) 453-5170; Fax: (650) 453-5171

Email: dlumish@kasowitz.com

Email: jhomrig@kasowitz.com

Email: jlee@kasowitz.com

Email: pankrum@kasowitz.com

Jonathan K. Waldrop, GA State Bar No. 731103

**KASOWITZ, BENSON, TORRES & FRIEDMAN, LLP**

1360 Peachtree St., N.E., Suite 1150

Atlanta, GA 30309

Tel: (404) 260-6080; Fax: (404) 260-6081

Email: jwaldrop@kasowitz.com

James R. Batchelder (*pro hac vice*)

Sasha G. Rao (*pro hac vice*)

Brandon H. Stroy (*pro hac vice*)

Rebecca R. Hermes (*pro hac vice*)

Lauren N. Robinson (*pro hac vice*)

**ROPES & GRAY LLP**

1900 University Avenue, 6th Floor

East Palo Alto, CA 94303-2284

Tel: (650) 617-4000; Fax: (650) 617-4090

Email: james.batchelder@ropesgray.com

Email: sasha.rao@ropesgray.com

Email: brandon.stroy@ropesgray.com

Email: lauren.robinson@ropesgray.com

Email: rebecca.hermes@ropesgray.com

Han Xu (*pro hac vice*)  
**ROPES & GRAY LLP**  
Prudential Tower, 800 Boylston St.  
Boston, MA 02199-3600  
Tel: (617) 951-7000; Fax: (617) 951-7050  
Email: han.xu@ropesgray.com

Daryl Joseffer (*pro hac vice*)  
Adam Conrad (*pro hac vice*)  
**KING & SPALDING**  
1700 Pennsylvania Avenue, NW, Suite 200  
Washington, DC 2006-4707  
Tel: (202) 737-0500; Fax: (202) 626-3737  
djoseffer@kslaw.com  
[aconrad@kslaw.com](mailto:aconrad@kslaw.com)

Michael E. Jones, TX State Bar No. 10929400  
Allen F. Gardner, TX State Bar No. 24043679  
**POTTER MINTON**  
A Professional Corporation  
110 N. College, Suite 500  
Tyler, TX 75702  
Tel: (903) 597-8311; Fax: (903) 593-0846  
Email: mikejones@potterminton.com  
Email: allengardner@potterminton.com

**ATTORNEYS FOR GOOGLE  
GOOGLE, INC. AND YOUTUBE, LLC**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on January 23, 2012.

/s/ Michael E. Jones