

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

Eolas Technologies Incorporated,

Plaintiff,

vs.

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

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

JURY TRIAL

**EOLAS' MOTION TO COMPEL DISCOVERY FROM
ADOBE SYSTEMS INC. REGARDING INVESTMENT/LICENSING
AGREEMENTS WITH INTELLECTUAL VENTURES' ENTITIES**

Pursuant to Federal Rule of Civil Procedure 37 and Local Rule CV-7, Plaintiff Eolas Technologies Incorporated ("Eolas") files this Motion to Compel Discovery from Defendant Adobe Systems Inc. ("Adobe"). Specifically, Eolas seeks to compel discovery related to Adobe's investment interest in and licensing relationship with Intellectual Ventures LLC and related entities, including Invention Investment Fund II, LLC.

I. INTRODUCTION AND FACTUAL BACKGROUND

Intellectual Ventures ("IV") is a company that calls itself "the global leader in the business of invention." Ex. A. IV touts a portfolio consisting of more than 30,000 U.S. and international patents and applications. *Id.* IV "creates sustainable value" for its customers by

licensing its patent portfolio. Ex. B. IV offers patent licenses to a broad range of technologies. Ex. C. IV further advertises itself as significantly reducing its customers' risk of liability for infringement by providing access to valuable invention rights through licensing. Ex. D.

In 2008, Invention Investment Fund II, LLC, an entity related to IV, indicated in a filing with the Commissioner of Corporations in California that it intended to raise \$2.5 billion by privately selling security interests in the limited liability company. Ex. E. On May 16, 2011, in a document filed in *Xilinx, Inc. v. Invention Investment Fund I LP et al.*, Case No. 11-CV-0671 in the United States District Court for the Northern District of California, IV revealed publicly for the first time that Adobe is an investor in IV's Invention Investment Fund II, LLC. Ex. F. This same filing indicated that other defendants in this case—including Google, Apple, Amazon, eBay and Yahoo—are also investors in IV's Invention Investment Funds. *Id.*

On May 20, 2011, Eolas wrote to Adobe and the other Defendants who are investors in IV seeking the production of documents related to their relationships with IV and Inventions Investment Fund II, LLC. Ex. G. In a series of emails between Eolas' counsel and Adobe's counsel, Adobe asserted that the requested documents were not relevant, and Eolas in turn explained that the documents were highly relevant because they appear to pertain to comparable licenses or covenants not to sue between IV and Adobe. Ex. H. An informal meet and confer among Defendants and Eolas took place on June 10, 2011. *Id.* Adobe refused to produce the requested documents. Ex. I. The formal meet and confer with lead and local counsel took place on June 16, 2011, at which time Adobe confirmed its refusal to produce the documents. Ex. J.

At the formal meet and confer Eolas offered to narrow its request to the IV investment documents and the list of licensed patents relevant to Adobe, but Adobe rejected this proposed solution. The narrow scope of requested documents that Eolas seeks would include the

Subscription Agreement and all amendments, the Limited Partnership Agreement and all amendments, the Patent License Agreement, the Acquisition Notices (which would describe the patents acquired and provide information concerning the cost of the acquired patents), the Group Acquisitions in which Adobe elected to participate, showing to which patents Adobe became a licensee, and documents which would indicate that Adobe has participated in distributions as a partner in a fund of IV.

II. ARGUMENT

Federal Rule of Civil Procedure 26(b)(1) allows Eolas to obtain “discovery regarding any nonprivileged matter that is relevant to any party's claim or defense” and provides that “[f]or good cause, the court may order discovery of any matter relevant to the subject matter involved in the action.” The Local Rules state that “relevant to the claim or defense” includes information “that would not support the disclosing parties’ contentions[.]” “information that deserves to be considered in the preparation, evaluation or trial of a claim or defense[.]” and “information that reasonable and competent counsel would consider reasonably necessary to prepare, evaluate or try a claim or defense.” L.R. CV-26(d). Relevant information need not be admissible at trial if the discovery appears to be reasonably calculated to lead to the discovery of admissible evidence. FED. R. CIV. P. 26(b).

Eolas has the burden of proof regarding both infringement and damages. This Court has stated unequivocally that “non-litigation license agreements relating to arms-length commercial transactions are admissible in patent cases as they are probative on the issue of damages.” *Commonwealth Sci. & Indus. Research Organization v. Toshiba Am. Information Systems, Inc.*, 2008 U.S. Dist. 109254, *10 (E.D. Tex. Oct. 24, 2008). The rates paid by a defendant for the use of other patents comparable to a patent in suit is a well-established factor in determining a reasonable royalty as damages for infringement. *Georgia Pacific Corp. v. U.S. Plywood Corp.*,

318 F. Supp. 1116, 1120 (S.D.N.Y. 1970). Licensing agreements also show customary rates in the industry for the use of analogous inventions and rates upon which a licensor and licensee would have reasonably and voluntarily agreed. *Id.*

The requested IV documentation is relevant to several of the *Georgia-Pacific* factors. *Id.* For example, under *Georgia-Pacific* No. 2, the nature of the patents acquired by IV and licensed to Adobe may provide evidence of rates paid by Adobe for the use of other patents comparable to Eolas' patents-in-suit. *Id.* Similarly, the requested IV documentation is also relevant under *Georgia-Pacific* No. 12, "[t]he portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions." *Id.* In particular, the documents requested may be used to demonstrate that such a customary rate does or does not exist. Finally, the IV documentation is relevant under *Georgia-Pacific* No. 15—the hypothetical negotiation is premised on the assumption that the parties have access to all relevant information. *Id.* Adobe's partnership with IV, including the nature of the patents acquired and the terms under which Adobe has been granted licenses is relevant information; a hypothetical licensor such as Eolas might find this information pertinent because it would reflect the royalty structure of other agreements Adobe has entered as well as the amount that Adobe has agreed to pay for patent licenses.

In addition to being relevant to the calculation of a proper reasonable royalty, the IV materials sought by Eolas will demonstrate that Adobe is a partner in an entity that acquires patents for the purpose of licensing and that Adobe finds value in patents owned and asserted by a non-practicing entity. Eolas expects Adobe and the other Defendants to (inaccurately) criticize Eolas as a non-practicing entity at trial. In addition to being relevant to the proper calculation of a reasonable royalty, the IV discovery will also help forestall such an attack.

This Court has frequently noted that it adheres to a policy of liberal, open and forthright discovery and will not tolerate gamesmanship. *See Commonwealth Sci.*, 2008 U.S. Dist. 109254 at *8. Documents disclosing the terms of Adobe's relationship with Intellectual Ventures, the self-declared "global leader" in the "business of invention," who is actually in the business of licensing thousands of patents, are highly relevant and should be produced. Other defendants who invest in IV, including at least Google and Apple have indicated that they will provide at least some of the IV discovery that Eolas requested. Exs. K and L. This is testament to its relevance. Eolas requests that the Court order Adobe to produce the documents and other discovery relating to IV and Invention Investment Fund II, LLC, as requested above, so that Eolas may determine the nature of Adobe's interest in IV, the extent of Adobe's interest and the value placed on comparable patents through Adobe's interest in IV.

DATED: June 20, 2011

Respectfully submitted,

McKOOL SMITH P.C.

By: /s/ Mike McKool

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CERTIFICATE OF CONFERENCE

The undersigned certifies that the parties have complied with Local Rule CV-7(h)'s meet-and-confer requirement. On June 16, 2011, lead counsel for Eolas, Mike McKool, along with Josh Budwin, John Campbell and Rosemary Snider, conducted a personal conference by telephone with David Healey, counsel for Adobe. The discussions ended conclusively in an impasse, leaving an open issue for the Court to resolve.

/s/ Rosemary Snider
Rosemary Snider

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a). As such, this document was served on all counsel who have consented to electronic services on June 20, 2011. Local Rule CV-5(a)(3)(A).

/s/ Rosemary Snider
Rosemary Snider