

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION**

I/P ENGINE, INC.

Plaintiff,

v.

Civil Action No. 2:11-cv-512

AOL, INC., *et al.*,

Defendants.

**BRIEF IN SUPPORT OF DEFENDANTS' MOTION FOR STAY OF REQUIREMENT
THAT DEFENDANTS PROVIDE REVENUE INFORMATION AND CALCULATIONS
OF ONGOING ROYALTY PAYMENTS**

On August 14, 2013, the Court ordered Defendants to make quarterly payments of ongoing royalties and, at that time, "to certify by penalty of perjury the U.S. revenue attributable to Defendant's use of AdWords in U.S. Dollars and the calculation of the royalty payment." (D.N. 963, 6.) On January 28, 2014, the Court then set the royalty rate for post-judgment royalties. (D.N. 1088.)

The parties have agreed to stay any proceeding to execute or enforce all money judgments against Defendants, including damages awarded at trial, supplemental damages, interest, and post-judgment royalties pending resolution of the related pending appeals, and for thirty days thereafter. The parties have further agreed that a supersedeas bond is not necessary to protect Plaintiff's interests pending the appeals of those judgments. (D.N. 932, 1085.) Plaintiff, however, will not agree to forego the quarterly statement detailing the U.S. revenue attributable to Defendants' use of AdWords in U.S. Dollars and the calculation of the owed royalties (all subject to the same appeal) for that quarter.

Defendants, therefore, respectfully request that the Court stay its Order requiring the certification of the revenue information and calculation of ongoing royalty payments. These requirements place a heavy burden on Defendants to collect and produce highly confidential and commercially sensitive information, where the certifications may become moot after the pending appeals in this case. In contrast, the stay would cause no perceivable harm to Plaintiff.

Thus, the prudent course is to stay the requirement for Defendants to provide revenue information and the calculations of ongoing royalties until those appeals are decided, consistent with the parties' agreement to stay enforcement of judgments at issue in these appeals.

Argument

I. GRANTING A STAY IS PRUDENT GIVEN THE PENDING APPEALS, WOULD ELIMINATE AN UNNECESSARY BURDEN ON DEFENDANTS, AND WOULD CAUSE NO HARM TO PLAINTIFF.

Plaintiff and Defendants have each challenged the jury's verdict regarding damages, and Defendants have further appealed the Court's order regarding ongoing royalties.¹ (*See* Appeal Nos. 2013-1307, 2013-1313, 2014-1289 (Fed. Cir.).) Thus, both parties agree that the jury's damages calculations should be amended. (*See also* D.I. 1088 at 3-4 (recognizing that the jury verdict is the starting point for an ongoing royalty analysis).) In addition, Defendants have challenged the jury's findings as to infringement and validity. (*See* Appeal Nos. 2013-1307, 2013-1313 (Fed. Cir.).) A holding for Defendants on either issue would necessarily nullify any

¹ Defendants appealed the jury's findings on infringement, validity, and damages (D.N. 914), and Plaintiff cross-appealed challenging the jury's damages awards. (D.N. 912.) That appeal is fully briefed and scheduled for oral argument on May 6, 2014. On February 5, 2014, Defendants filed a notice of appeal challenging the Court's award of post-judgment royalties. (D.N. 1089.) The Federal Circuit consolidated this appeal with Defendants' appeal of this Court's order granting Plaintiff supplemental damages and interest. (*See* D.N. 1082; Appeal Nos. 2014-1233, 2014-1289 (Fed. Cir.).) If Defendants prevail on any aspect of the initial appeal, or on their appeal regarding the award of ongoing royalties, the award of ongoing royalties would necessarily be nullified or changed.

and all damage awards, including the award of ongoing royalties. The Federal Circuit has already scheduled oral argument in the first appeal for May 6, 2014. Thus, Defendants respectfully ask the Court to eliminate the burden and risk of requiring Defendants to provide highly confidential revenue information and calculations until at least the initial appeal is decided.

Indeed, it is only logical that the revenue information to be provided should go hand-in-hand with the actual royalty payment. The accounting information assures the payments are correct. But if no payments are required yet, there is no need for the accounting. This is especially true given that the certification of revenue requirement places a heavy burden on Defendants, as it is an expensive and time-consuming process, as detailed previously to the Court. (Kuethe Dec., D.N. 939.)

In contrast to the heavy burden for Defendants from the certification requirements, Plaintiff would not be deprived of anything if the Court grants the requested stay. That Plaintiff would even demand this information when the parties have agreed to stay any execution of the judgment smacks of harassment. Plaintiff's suggestion during the parties' meet and confer process that Defendants' revenue information would help Plaintiff to formulate settlement strategies rings hollow. Were there a genuine interest in pursuing settlement strategies for which Plaintiff legitimately needed updated financial information beyond the voluminous information it already has, there is no need for it to be done through the Court ordered certification, which was ordered for an entirely different purpose.

Given such practical considerations, Defendants request that the Court exercise its discretion in granting the stay requested. Fed. R. Civ. P. 62(a)(2); *Beaver Cloth Cutting Machines, Inc. v. H. Maimin Co.*, 37 F.R.D. 47, 50-51 (S.D.N.Y. 1964) (granting stay of accounting proceedings upon posting of \$5000 bond by the defendant); *Schlegel Mfg. Co. v. King Aluminum*

Corp., 381 F. Supp. 649, 656 (S.D. Ohio 1974) *aff'd and remanded sub nom. Schlegel Mfg. Co. v. U.S.M. Corp.*, 525 F.2d 775 (6th Cir. 1975) (granting stay of accounting pending appeal); Wright & Miller, Fed. Prac. & Proc. Civ. § 2902 (3d ed.) (“Stay of an accounting in a patent-infringement case, upon an appropriate bond, would be consistent with the statutory scheme to avoid a useless waste of time and money.”).

Conclusion

For the foregoing reasons, Defendants respectfully request that this Court grant their Motion to Stay and stay any and all requirements that Defendants provide revenue information or other financial reports concerning post-judgment royalties to Plaintiff or to participate in any related audits until the Federal Circuit has ruled on all pending appeals. (See Appeal Nos. 2013-1307, 2013-1313 (Fed. Cir.); Appeal Nos. 2014-1233, 2014-1289 (Fed. Cir.).)

DATED: March 27, 2014

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CERTIFICATE OF SERVICE

I hereby certify that on March 27, 2014, I will electronically file the foregoing with the Clerk of Court using the CM/ECF system, which will send a notification of such filing (NEF) to the following:

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