

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

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I/P ENGINE, INC.,

Plaintiff,

v.

AOL, INC. et al.,

Defendants.

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Civ. Action No. 2:11-cv-512

**REDACTED VERSION**

**MEMORANDUM IN SUPPORT OF PLAINTIFF I/P ENGINE, INC.'S  
SECOND MOTION *IN LIMINE* TO PRECLUDE  
NON-COMPARABLE LICENSE AGREEMENTS**

**I. INTRODUCTION**

Pursuant to the Federal Rules of Evidence 401, 402, and 403, Plaintiff I/P Engine, Inc. (“I/P Engine”) requests that this Court exclude any testimony or other evidence of agreements that arose under dissimilar and widely divergent circumstances, and cover technologies that are not in the same field of use. Specifically, I/P Engine requests that this Court exclude:

1. The licenses between [REDACTED] which are inadmissible under Fed. R. Evid. 401, 402, and 403, because they are not comparable licenses, are of no or limited probative value, and will mislead and confuse the jury, and;
2. The licenses between Google and other third parties that Google’s expert has included in his expert report solely to support his speculation that Google only enters into lump sum agreements, despite the fact that Google has no such policy. These licenses include:
  - 1) [REDACTED] (DEX # 112);
  - 2) [REDACTED] (DEX # 113);

- 3) [REDACTED] (DEX # 114);
- 4) [REDACTED]  
(DEX # 116);
- 5) [REDACTED] (DEX # 117);
- 6) [REDACTED]  
(DEX # 118); and
- 7) [REDACTED]  
(DEX # 119).

## II. DISCUSSION

### A. Legal Standard

In determining a reasonable royalty, the parties' experts both considered the 15-*Georgia Pacific* factors. Factor 2 permits consideration of the royalty rates paid by the licensee for the use of other patents *comparable to the patents-in-suit*. Factor 12 permits consideration of the portion of the profit or selling price of the invention that may be customary to allow for the use of the invention *or analogous inventions*. *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970).

To constitute a comparable license under these factors, a license must:

1. Relate to similar technology. *Lucent*, 580 F.3d at 1329. If there is no association to the technology at issue (here, internet search advertising), then the licenses are irrelevant and must be excluded. *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 870 (Fed. Cir. 2010) ("Notably, none of these licenses even mentioned the patents in suit or showed any other discernible link to the claimed technology").
2. Be of similar relative value as the patented technology. *Lucent*, 580 F.3d at 1330. "[T]he trial court must carefully tie proof of damages to the claimed invention's footprint in the market place." ; *ResQNet*, 594 F.3d at 869.
3. Have been negotiated under comparable circumstances to the license being negotiated in the hypothetical negotiation. *ResQNet*, 594 F.3d at 870.

In relying on licenses in support of a damages position, the expert is not required to convey all of his knowledge to the jury about each license, but the evidence provided regarding

the comparable licenses must be more “than a recitation or royalty numbers, one of which is arguably in the ball park of the jury’s award.” *Lucent*, 580 F.3d at 1329. The Federal Circuit repeatedly has rejected licenses as noncomparable when they are “directed to a vastly different situation than the hypothetical licensing scenario of the present case.” *Lucent*, 580 F.3d at 1328. Licenses may not be comparable for purposes of the hypothetical negotiation if they are based on different technology. *See ResQNet.*, 594 F.3d at 868-73.

The parties generally agree that the hypothetical negotiation to license the patents-in-suit requires the following:

1. the hypothetical negotiation date is early 2004;
2. the negotiating parties are Google and Lycos (the owner of the patents-in-suit in during the hypothetical negotiation date;
3. the negotiations would be arms length; not the result of settlement or litigation;
4. the license would be for a non-exclusive, U.S. license, extending through the life of the patent(s) being licensed; and
5. the subject matter of patents-in-suit is internet search advertising; specifically, the use of data to return internet advertisements in response to search queries.

**B. Defendants Should Be Precluded From Presenting Any Testimony or Other Evidence From or Related to Noncomparable Licenses**

1. Evidence Relating to Google’s Lump Sum Licenses and Acquisitions that Google Itself Admits are Not Comparable Should be Excluded

Defendants’ damages expert, Dr. Ugone, cites nine Google agreements, 5 inbound licenses and 4 patent purchase agreements. These agreements are DEX # 111-119. Dr. Ugone conceded at deposition that he is not relying on seven of those agreements as comparable licenses. Ex. 1 at 46-47. Defendants, however, apparently intend to elicit testimony from Dr. Ugone regarding those agreements, and to introduce them into evidence, for the sole purpose of suggesting that Google prefers lump sum payment structures over running royalty payment

structures. *Id.* This is despite the testimony of Google’s Rule 30(b)(6) designee that Google has no such policy regarding license agreements.<sup>1</sup>

In his report Dr. Ugone offers no opinion as to how these agreements, each having taken place years after the hypothetical negotiation date, are relevant to or otherwise support his speculation that, at the hypothetical negotiation date of June 2004, Google had a policy (and allegedly a “strong preference”) of preferring a lump-sum payment structure. This is remarkable since there is no evidence in the record that Google has ever had any policy on lump sum licenses. Neither does he attempt to explain how these lump sum licenses provide any basis for comparison with Defendants’ infringing sales. None of the licenses describe how the parties calculated the lump sum, Google’s intended products, or how many products in which Google expected to use the licensed technology. *See Wordtech Sys. v. Integrated Networks Solutions, Inc.*, 609 F.3d 1308 (Fed. Cir. 2010).

“Damages experts cannot use noncomparable licenses, with little relationship to the claimed invention or parties-in-suit, as a basis for calculating reasonable royalties.” *Oracle Am., Inc. v. Google Inc.*, 2011 U.S. Dist. LEXIS 141399 (N.D. Cal. Dec. 6, 2011) (excluding Google’s attempt to use dissimilar lump sum agreements to limit damages).

Assuming *arguendo* that there is marginal relevance to this evidence, it is far outweighed by the prejudice and juror confusion that would result by putting on evidence regarding admittedly non-comparable licenses as proof of Google’s alleged license-structure preferences, *particularly any reference to the monetary amounts of these licenses*. Section 284 mandates that the adequate compensation for infringement be no less than a reasonable royalty based on *the use*

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<sup>1</sup> Defendants’ damages expert, Dr. Ugone, also referenced other terms of those agreements in his report, including the amount of the lump sum agreements. This evidence is utterly irrelevant, because none of these licenses are “comparable” for the purposes of determining a reasonable royalty in this case.

*made of the invention by the infringer. Transclean Corp. v. Bridgewood Services, Inc.*, 290 F.3d 1364, 1375-76 (Fed. Cir. 2002). Damages are to be considered at the time of the hypothetical negotiation between the parties relating to that use. To allow evidence of these admittedly non-comparable licenses to go before the jury would be highly prejudicial. There would be a strong likelihood that the jury would be confused as to the relevance of these agreements and thereby give the evidence of the monetary amounts or payment structures undue weight. This is particularly true as Dr. Ugone is only using them to support Defendants' position that Google has a preference for lump-sum agreements and not as a basis for his damages calculation, which further reduces any putative probative value while increasing the prejudice to I/P Engine. Excluding this information will not prevent Dr. Ugone from expressing his opinions or otherwise conducting his *Georgia Pacific* analysis.

2. Evidence Relating to the Google–Disney License Should be Precluded as It Has Little, If Any, Probative Value and is Unduly Prejudicial

Dr. Ugone relies on a patent purchase agreement between [REDACTED]

[REDACTED]

[REDACTED] See

Ex. 2 at ¶ 124(a). Dr. Ugone admitted that he has no basis to testify that the technology licensed in [REDACTED] is comparable to the technology of the patents-in-suit and that the Defendants' technical expert, Dr. Ungar, has not offered any such opinion. Ex. 1 at 178 and 181. Nevertheless, in his expert report, Dr. Ugone described [REDACTED] as a "contemporaneous value indicator," because it was around the time of the 2004 hypothetical negotiation. Contrary to the Federal Circuit requirement that the licensed technology must be comparable, Dr. Ugone relies on [REDACTED] as being "probative as to the value of the patents." Ex. 2 at ¶ 11. Dr. Ugone contends that [REDACTED] is somehow evidence

that the patents-in-suit are less [REDACTED] because it was an acquisition and involved “a large number of patents” (seventeen). *Id.*

This logic is simply wrong. The fact that Google acquired other patents in an unrelated technology in no way informs the fact-finder of the value of the patents-in-suit. Dr. Ugone failed to explain (either in his report or at his deposition) how [REDACTED] is a proper “comparable” license for purposes of determining damages in this case. Indeed, during his deposition, Dr. Ugone could not explain how [REDACTED] was sufficiently comparable other than to testify that he [REDACTED]

[REDACTED] Ex. 1 at 178.<sup>2</sup> When asked to identify [REDACTED] alleged relevance to the hypothetical negotiation, Dr. Ugone identified three factors: (1) the purchase amount was similar to other post-indicators of price, (2) it involved a lump sum (again showing Google’s preference) and, (3) it involved more patents. Ex. 2 at ¶ 125(a).

With respect to this first factor, evidence regarding other licenses must be more “than a recitation or royalty numbers, one of which is arguably in the ball park of the jury’s award.”

*Lucent*, 580 F.3d at 1329. This, however, is exactly what Dr. Ugone has done with [REDACTED]

[REDACTED] Because [REDACTED] is related to an unrelated technology, both the agreement itself, and Dr. Ugone’s testimony, are irrelevant and must be excluded.

Even if [REDACTED] amount had some probative value, however, Dr. Ugone does not explain how the purchase amount provides any basis for a comparison with Defendants’ infringing sales; how the parties calculated that amount; Google’s intended products; or how many products in which Google expected to use the licensed technology. “Damages experts

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<sup>2</sup> Those other “indicators of value” being the other amounts of the other agreements that Dr. Ugone relies upon, including the Lycos purchase and bids at issue in a concurrent motion *in limine*, and the lump sum agreements discussed *supra* in Section II, B, 1. *Id.*

cannot use non-comparable licenses, with little relationship to the claimed invention or parties-in-suit, as a basis for calculating reasonable royalties.” *Oracle Am., Inc. v. Google Inc.*, 2011 U.S. Dist. LEXIS 141399 (N.D. Cal. Dec. 6, 2011) (citing *ResQNet*, 594 F.3d at 870).

The lack of probative value of the second factor has already been explained and, with respect to the third factor, a larger number of patents, it is meaningless without an understanding that more patents in fact added value. Dr. Ugone offers no information or opinions on that point. There is simply no connection or similarity between [REDACTED] (not in circumstances, terms, or technology) and this case or the patents in suit that could justify the use of this agreement as a comparable license in this case. Indeed, the *only* similarity or comparable term that Dr. Ugone identifies about [REDACTED] is that it occurred in 2004. This is not enough to make [REDACTED] “comparable” for the purposes of determining a reasonable royalty in this case.<sup>3</sup>

The agreement’s marginal relevance, if any, to this case, is far outweighed by the prejudice and juror confusion that would result by putting on evidence regarding this non-comparable [REDACTED], particularly any reference to the purchase amount. There would be a strong likelihood that the jury would be confused as to the relevance of this agreement and thereby give the evidence of the purchase price undue weight. Accordingly, [REDACTED] [REDACTED] should be excluded from evidence. Fed. R. Evid. 403 (“[E]vidence may be excluded

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<sup>3</sup> Licenses are not “comparable” for purposes of determining damages if they are based on situations, events or economic circumstances significantly different from those of the proposed hypothetical negotiation. *See Lucent*, 580 F.3d at 1328 (criticizing non-comparable licenses submitted by a damages expert because “a reasonable juror could only conclude that the [license] . . . is directed to a vastly different situation than the hypothetical licensing scenario of the present case . . .”); *Wordtech Sys.*, 609 F.3d at 1319 (holding that certain licenses submitted for a hypothetical negotiation were “not ‘sufficiently comparable’ because they arose from divergent circumstances and covered different material”).

if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury”).

3. Evidence Relating to the Google–Meyer License Should be Precluded as it Has Little, If Any, Probative Value and is Highly Prejudicial to Plaintiff

Dr. Ugone also relies on [REDACTED]

[REDACTED] This agreement post-dates the hypothetical negotiation by four and a half years. [REDACTED] In his report, Dr. Ugone describes [REDACTED] as an “Ex Post Indicator of Value.” Ex. 2 at ¶ 12. According to Dr.

Ugone [REDACTED]

[REDACTED] *Id.* at ¶ 125. As shown below, there is no similarity between the circumstances.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Ex. 2 at ¶ 124(e). Dr. Ugone considers [REDACTED] as the most technologically comparable to the patents-in-suit, because it supposedly relates to internet advertising. *Id.* at ¶ 125. I/P Engine strongly disagrees that the technology licensed in [REDACTED] is comparable or similar to the technology of the patents-in-suit. Nevertheless, even accepting Defendants’ claim as true, this would be the *only* similarity or comparable term that Defendants are able to identify about [REDACTED].

Most importantly, the Defendants and Dr. Ugone never explain why Google entered into this transaction. Dr. Ugone has no information as to whether Google ever used the invention(s),



there was no allegation of infringement, and there is no evidence that after acquiring the technology Google ever used it. A license agreement that does not reflect any value to the licensee can hardly be comparable within the meaning of 35 U.S.C. §284 because in the hypothetical negotiation it must be assumed that the licensed technology does have value because the licensee is using the technology by infringing. This evidentiary deficit, by itself, justifies exclusion, but there are additional deficits: Dr. Ugone does not explain how the purchase amount correlates to Defendants' infringing sales; how the parties calculated the license agreement amount (especially in the absence of any evidence that Google actually valued the licensed technology); or any further evidence or circumstances as to how it expected to use the licensed technology.<sup>4</sup> "Damages experts cannot use non-comparable licenses, with little relationship to the claimed invention or parties-in-suit, as a basis for calculating reasonable royalties." *Oracle Am., Inc. v. Google Inc.*, 2011 U.S. Dist. LEXIS 141399 (N.D. Cal. Dec. 6, 2011) (citing *ResQNet*, 594 F.3d at 870).

The *only* similarity that Dr. Ugone identifies about [REDACTED] is that the technology is allegedly similar. This is not enough to make [REDACTED] "comparable" for the purposes of determining a reasonable royalty in this case. Again, licenses are not "comparable" for purposes of determining damages if they are based on situations, events or economic circumstances significantly different from those of the proposed hypothetical negotiation. *See Lucent.*, 580 F.3d at 1328; *Wordtech.*, 609 F.3d at 1319.

The marginal relevance of [REDACTED] is far outweighed by the prejudice and juror confusion that would result by allowing any testimony or evidence regarding it, particularly

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<sup>4</sup> Any argument that Google must have valued the technology because it paid for it is far too superficial to have any meaning here. That would mean that Google could buy patents in which it had no interest for extremely modest amounts and argue that such transactions are comparable.

any reference to the purchase amount. Damages are to be considered at the time of the hypothetical negotiation between the parties relating to that use. To allow evidence of [REDACTED] to go before the jury would be highly prejudicial. There would be a strong likelihood that the jury would be confused as to the relevance of this agreement and thereby give the evidence of the purchase price undue weight. Accordingly, [REDACTED] should be excluded from evidence pursuant to Fed. R. Evid. 403.

4. Evidence Relating to the [REDACTED] Should be Precluded as They Have Little, If Any, Probative Value and Are Unduly Prejudicial

Defendants also rely on three settlement agreements between [REDACTED]  
[REDACTED] These agreements arose out of settlement of patent litigation between Lycos and these other named companies. DEX # 14, 15 and 26 are these agreements.

Dr. Ugone admits that none of those licenses are comparable licenses. Ex. 2 at ¶¶ 82-83, n.200 and n.208; Ex. 1 at 52 (agreeing that no weight was placed on the settlement amounts in damages analysis). Dr. Ugone acknowledged that the agreements were entered as a result of adverse litigation events and a desire by Lycos to terminate the litigation. Ex. 2 at ¶¶ 82-83, n.200. In his report, however, Dr. Ugone describes [REDACTED] as evidence of “Lycos’ willingness to accept a lump-sum royalty payment structure” (Ex. 2 at ¶¶ 82-83), and that Lycos “attributed value to other patents in this patent family besides the ‘420 and ‘664 Patents.”<sup>5</sup>

Dr. Ugone does not explain how these agreements, each having taken place seven years after the hypothetical negotiation date, are evidence showing that Lycos would have been willing to accept a lump sum payment structure in 2004 (the hypothetical negotiation year), especially in

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<sup>5</sup> As with the other irrelevant lump-sum agreements, Dr. Ugone includes other terms of these agreements in his report, including the lump sum amounts.

light of all the changes that occurred at Lycos during the intervening time. As admitted by Dr. Ugone, these agreements were a result of complicated and adverse litigation events (*Id.*); Lycos had been sold twice between 2004 and 2011; none of the litigations involved the patents in suit; and Lycos' General Counsel, Mark Blais, testified that he had no idea how Lycos would have approached such a negotiation in 2004, except to say that the circumstances would have been entirely different. Ex. 3 at 147. There is absolutely no reasonable connection to be drawn from these settlements, the circumstances surrounding these settlements in 2011 and the mindset of Lycos in a hypothetical negotiation in 2004.

Assuming *arguendo* that there is any marginal relevance to this evidence, it is far outweighed by the prejudice and juror confusion that would result by putting on evidence regarding admittedly non-comparable licenses as proof of Lycos's mindset in 2004 or as indicators of value to the patents in suit, particularly any reference to the monetary amounts of these licenses. There would be a strong likelihood that the jury would be confused as to the relevance of these agreements and thereby give the evidence of the monetary amounts or payment structures undue weight. This is particularly true as Dr. Ugone is only using them to speculate that, seven years earlier, Lycos would have been willing to accept a lump sum payment. Excluding this information will not prevent Dr. Ugone from expressing his opinions or otherwise conducting his *Georgia Pacific* analysis.

### III. CONCLUSION

For the reasons discussed above, under Federal Rules of Evidence 401-403, this Court should preclude [REDACTED]

[REDACTED] as inadmissible.

Dated: September 21, 2012

By: /s/ Jeffrey K. Sherwood  
Donald C. Schultz (Virginia Bar No. 30531)  
W. Ryan Snow (Virginia Bar No. 47423)  
CRENSHAW, WARE & MARTIN PLC  
150 West Main Street  
Norfolk, VA 23510  
Telephone: (757) 623-3000  
Facsimile: (757) 623-5735

Jeffrey K. Sherwood (Virginia Bar No. 19222)  
Frank C. Cimino, Jr.  
Kenneth W. Brothers  
Dawn Rudenko Albert  
Charles J. Monterio, Jr.  
DICKSTEIN SHAPIRO LLP  
1825 Eye Street, NW  
Washington, DC 20006  
Telephone: (202) 420-2200  
Facsimile: (202) 420-2201

Counsel for Plaintiff I/P Engine, Inc.

**CERTIFICATE OF SERVICE**

I hereby certify that on this 21st day of September, 2012, the foregoing

**MEMORANDUM IN SUPPORT OF PLAINTIFF I/P ENGINE, INC.'S SECOND  
MOTION *IN LIMINE* TO PRECLUDE NON-COMPARABLE LICENSE**

**AGREEMENTS**, was served via the Court's CM/ECF system, on the following:

Stephen Edward Noona  
Kaufman & Canoles, P.C.  
150 W Main St  
Suite 2100  
Norfolk, VA 23510  
[senoona@kaufcan.com](mailto:senoona@kaufcan.com)

David Bilsker  
David Perlson  
Quinn Emanuel Urquhart & Sullivan LLP  
50 California Street, 22nd Floor  
San Francisco, CA 94111  
[davidbilsker@quinnemanuel.com](mailto:davidbilsker@quinnemanuel.com)  
[davidperlson@quinnemanuel.com](mailto:davidperlson@quinnemanuel.com)

Robert L. Burns  
Finnegan, Henderson, Farabow, Garrett & Dunner, LLP  
Two Freedom Square  
11955 Freedom Drive  
Reston, VA 20190  
[robert.burns@finnegan.com](mailto:robert.burns@finnegan.com)

Cortney S. Alexander  
Finnegan, Henderson, Farabow, Garrett & Dunner, LLP  
3500 SunTrust Plaza  
303 Peachtree Street, NE  
Atlanta, GA 94111  
[cortney.alexander@finnegan.com](mailto:cortney.alexander@finnegan.com)

/s/ Jeffrey K. Sherwood