UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION

I/P ENGINE, INC. Plaintiff, v. AOL, INC., *et al.*, Defendants.	Civil Action No. 2:11-cv-512

DEFENDANTS' OPPOSITION TO PLAINTIFF I/P ENGINE'S SECOND MOTION IN LIMINE TO PRECLUDE LICENSE AGREEMENTS

I. INTRODUCTION

Plaintiff's Second Motion in Limine ("Motion") seeks to preclude four categories of patent purchase or license agreements that Defendants' damages expert, Dr. Keith Ugone, relied upon to determine a reasonable royalty in this case. These categories are: (1) Google's patent purchase agreement with [redacted]; (2) Google's patent purchase and license agreement with [redacted]; (3) seven other patent purchase or license agreements between Google and various third-parties, and (4) Lycos' [redacted].

Contrary to Plaintiff's arguments, all four categories of agreements are highly probative as to the amount and/or the form of a reasonable royalty in this case. Any challenge to these agreements should come in the form of vigorous cross-examination, not preclusion of testimony. Accordingly, Plaintiff's motion to preclude these agreements should be denied.

II. LEGAL STANDARD

The second *Georgia-Pacific* factor, which both parties' damages experts acknowledge as a relevant factor in setting a reasonable royalty, looks to "[t]he rates paid by the licensee for the use of other patents comparable to the patent in suit." *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970). This factor has also been re-stated as "royalty rates for comparable technology." *Brunswick Corp. v. United States*, 36 Fed. Cl. 204, 211 (Fed. Cl. 1996) (emphasis added). Plaintiff fails to show the licenses at issue in its motion are not comparable.

III. ARGUMENT

A. The Google-[redacted] Agreement Is Probative as to the Amount and Form of a Reasonable Royalty

Plaintiff argues that the Google-[redacted] agreement should be excluded because it is not comparable to a hypothetical negotiation over the Asserted Patents. (D.N. 333, 8.) In this agreement, Google purchased [redacted]. Defendants' technical expert, Dr. Lyle Ungar, explained at length in his expert report how the [redacted] disclose comparable technology to the Asserted Patents. (Declaration of Margaret P. Kammerud in Support of Defendants' Opposition to Plaintiff's Motions in Limine ("Kammerud Dec."), Ex. K, ¶¶ 324-327). Plaintiff provides no evidence rebutting Dr. Ungar's analysis or Defendants' claim that the [redacted] are technologically comparable to the Asserted Patents. Instead, Plaintiff appears to "accept[] Defendants' claim as true" for purposes of its motion. (D.N. 333, 8.) Thus, the unrebutted evidence shows that the [redacted] are technologically comparable to the Asserted Patents, and the Google-[redacted] agreement is probative as to the amount Google would have paid in a hypothetical negotiation over the Asserted Patents.

Because the Google-[redacted] Agreement covers comparable technology to the Asserted Patents, it is admissible evidence under *Georgia-Pacific* Factor #2. *Cf. Lucent Tech., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1329 (Fed. Cir. 2009) (rejecting expert's reliance on other license agreements given that "it is doubtful that the technology of those license agreements is in any way similar to the technology being litigated here.")

Plaintiff's primary argument for exclusion of the Google-[redacted] Agreement is that there is supposedly insufficient evidence about the extent to which Google used the [redacted]. (D.N. 333, 8-9.) Yet the law does not bar a comparison of one lump-sum agreement to another simply because of a lack of information regarding "extent of use." In fact, the *Lucent* court recognized that companies "in the high-tech computer industry" often have "strong reasons not to tie the royalty amount strictly to usage." *Lucent*, 580 F.3d at 1334. *Lucent* went on to state that in the real world "potential licensors and licensees routinely agree to royalty payments regardless of whether the invention is used frequently or infrequently." *Id.* Imposing a requirement in *Georgia-Pacific* Factor #2 that a lump-sum agreement may only be compared to another lump-sum agreement when there is sufficient information regarding extent of use would be contrary to the real world practices of licensees and licensors, and is not required by the law. Accordingly, Plaintiff's attempt to exclude the Google-[redacted] Agreement should be rejected.

Plaintiff's "extent of use" argument is also inconsistent with its own reasonable royalty analysis in this case. Specifically, Plaintiff's reasonable royalty analysis relies very heavily on [redacted] third-party licenses to U.S. Patent No. 6,269,361 ("the '361 Patent"). (*See* D.N. 323-1, ¶¶ 143-154, 166-170.) Yet Plaintiff does not analyze how often these third-party licensees used the

'361 Patent, or compare their use to Google's alleged use of the Asserted Patents. (*See id.*) Thus, under Plaintiff's own theory, comparing license agreements for purposes of determining a reasonable royalty does not require any "extent of use" analysis.[1]

B. The Google-[redacted] Agreement Is Probative as to the Amount and Form of a Reasonable Royalty

Plaintiff also argues the Google-[redacted] Agreement, in which Google [redacted], should be excluded. (D.N. 333, 5-7.) Yet, the technology covered by the [redacted] relates to the technology claimed by the Asserted Patents in this case. [redacted]" while the Asserted Patents claim "searching for information relevant to a query." (*Compare* Declaration of Emily C. O'Brien in Support of Defendants' Memorandum in Support of Their Opposition to I/P Engine, Inc.'s Motion to Exclude Opinions and Testimony of Keith R. Ugone ("O'Brien Dec."), Ex. D, ¶ 124(a) *with* '664 claim 26(a)). [redacted] while the Asserted Patents cover methods of presenting content-filtered information to a user. (*Compare* O'Brien Dec., Ex. D, ¶ 124(a) *with* '664 claims 26, 28.) Because the Google-[redacted] Agreement covers patents that are technologically comparable to the Asserted Patents, this Agreement is admissible under *Georgia-Pacific* Factor #2 as discussed above.

The Google-[redacted] Agreement is also admissible because it is roughly contemporaneous with the hypothetical negotiation and represents the high-water mark of what Google had paid

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[1] As explained in Defendants' *Daubert* Motion against Plaintiff's damages expert (D.N. 320), Plaintiff's reliance on these third-party licenses to the '361 Patent is improper – but not because of any "extent of use" comparison or lack thereof. Rather, reliance on these '361 licenses is improper because the '361 technology is not comparable to the technology of the Asserted Patents, the '361 agreements had a much broader scope than a hypothetical agreement over the Asserted Patents, and the '361 licensees were not similarly situated to Google. (*See id.* at 17-21.)

for patent rights up to that time. (*See* O'Brien Dec., Ex. D, ¶ 11). To determine what Google would have agreed to pay to license the Asserted Patents in the hypothetical negotiation, it is highly relevant to consider the ceiling amount that Google had previously paid for patent rights. This is because such a ceiling would be very much in Google's mind during the "supposed meeting" on which the hypothetical negotiation is based. *See Minks v. Polaris Indus., Inc.*, 546 F.3d 1364, 1372 (Fed. Cir. 2008) ("The hypothetical negotiation requires the court to envision the terms of a licensing agreement reached as the result of a supposed meeting between the patentee and the infringer at the time infringement began.") To put it another way, Google would be less likely to agree to pay [redacted] for a patent license if this amount is orders of magnitude more than Google had ever paid for patent rights in the past. Conversely, Google would be more likely to pay such an amount if it routinely purchased patent rights for this amount. Thus, the Google-[redacted] Agreement is relevant to set the historical ceiling of what Google has paid for patent rights in the past.

In an effort to exclude the Google-[redacted] Agreement, Plaintiff argues that "the *only* similarity or comparable term that Dr. Ugone identifies about the [redacted] Agreement is that it occurred in 2004." (D.N. 333, 7 (emphasis in original).) But this is simply not true. As discussed above, Dr. Ugone described the technology covered by the Google-[redacted] Agreement, and this technology maps closely onto the technology claimed by the Asserted Patents. Moreover, Plaintiff does not even address the salient point about how the Google-[redacted] Agreement represents the ceiling or high-water mark of what Google has historically paid for patent rights.

C. The Other Seven Patent Agreements Between Google and Third-Parties are Probative as to the Form of a Reasonable Royalty

Plaintiff also seeks to exclude seven other patent license or purchase agreements between Google and various third-parties. These seven agreements are all for lump-sum royalties, not running royalties, and as Defendants' damages expert has opined, they evince Google's strong preference to enter into patent agreements on lump-sum as opposed to running-royalty terms.

Plaintiff does not dispute that the damages analysis in this case should consider the parties' general preferences for lump-sum versus running royalty agreements. For example, Plaintiff questioned Google's 30(b)(6) designee at his deposition about which form of license Google prefers to enter into, and Plaintiff has also designated the deposition testimony of Lycos's 30(b)(6) representative stating Lycos's preferences in this regard. (*See* Kammerud Dec., Ex. E, 119:22-120:11; Kammerud Dec., Ex. M, 57:2-16 (designated by Plaintiff).)[2] Plaintiff's own damages expert cited testimony from Google's 30(b)(6) representative on this subject. (*See* D.N. 323-1 ¶¶ 185 fn. 244.)

If such testimonial evidence is admissible to show the parties' preferences as to lump-sum or running royalties, then documentary evidence (in the form of Google's licensing agreements) is also admissible to show these preferences. Indeed, documentary evidence is arguably more probative than testimonial evidence: while testimony on this subject could be self-serving or unreliable, Google's actual licensing agreements provide objective and pre-litigation evidence about Google's preference for lump-sum agreements. Given Plaintiff's agreement that Google's

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[2] [redacted] (Kammerud Dec., Ex. E, 119:22-120:11.)

preferences on this issue are relevant, Google's lump-sum agreements are undoubtedly admissible to show Google's preference.

Plaintiff nonetheless argues that these seven agreements should be excluded under Rule 403 because of a supposed risk that the jury would improperly rely on them to determine the particular amount rather than the form of a reasonable royalty. (D.N. 333, 5.) Plaintiff cites no case that supports tossing out agreements that are indisputably relevant to show the form of the reasonable royalty under Rule 403. Nor would that make any sense. Rule 403 allows exclusion of evidence only if the evidence's probative value is substantially outweighed by the risk of prejudice, jury confusion, or delay. *See* Fed. R. Evid. 403. As discussed above, the probative value of these seven agreements is extremely high – they comprise some of the best evidence to show Google's preference for lump-sum patent agreements. The slight chance that the jury might use these agreements for an improper purpose does not "substantially outweigh" the agreements' probative value. And Plaintiff is free to cross-examine Dr. Ugone at trial to regarding how he is actually using these agreements. Indeed, any challenge to Dr. Ugone's reliance on these agreements should take the form of cross-examination, not preclusion. Accordingly, Plaintiff's Rule 403 challenge should be rejected.

D. The [redacted] Agreements Are Probative as to the Form of a Reasonable Royalty

For precisely the same reason, the lump-sum licensing agreements between Lycos and [redacted]") are relevant and admissible to show Lycos's willingness to accept agreements in lump-sum form. Nonetheless, Plaintiff objects to the [redacted] agreements on the grounds that they: (1) were entered in settlement of litigation; and (2) were entered into several years after the hypothetical negotiation. (D.N. 333, 10-11.)

Neither ground supports the exclusion of these agreements. First, the Federal Circuit has held that settlement licenses are admissible to help show a reasonable royalty – indeed, they can sometimes be the best evidence of a reasonable royalty. *See ResQNet.com, Inc. v. Lansa, Inc.* 594 F.3d 860, 872 (Fed. Cir. 2010) ("This court observes as well that the most reliable license in this record arose out of litigation.") The Federal Circuit has also held that events occurring after the hypothetical negotiation can inform the reasonable royalty calculus, even though they obviously could not have been known to the hypothetical negotiators. *See id.* at 873 ("the district court may also consider the panoply of 'events and facts that occurred thereafter and that could not have been known to or predicted by the hypothesized negotiators'") (quoting *Fromson v. W. Litho Plate and Supply Co.*, 853 F.2d 1568, 1575 (Fed. Cir. 1988)). Thus, the [redacted] are admissible to help show Lycos's willingness to accept lump-sum agreements, notwithstanding the fact that these agreements occurred some years after the hypothetical negotiation and were entered into to settle litigation.

IV. CONCLUSION

For the foregoing reasons, Defendants respectfully request that the Court deny Plaintiff's Second Motion in Limine to exclude the aforementioned patent license and/or purchase agreements.

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CERTIFICATE OF SERVICE

I hereby certify that on September 27, 2012, 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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