

I/P ENGINE, INC.,)	
)	
Plaintiff,)	
v.)	Civ. Action No. 2:11-cv-512
)	
AOL, INC. et al.,)	REDACTED VERSION
)	
Defendants.)	
)	

Dockets.Justia.com

Indeed, in his expert report, Dr. Ugone relies on Google's size and commercial success in his analysis of *Georgia-Pacific* factors 5, 8, 9, 10, 11, 13 and 15.

Notwithstanding this obvious contradiction, Defendants do not identify any specific evidence or testimony discussing Google's size, wealth, commercial success or revenue that they are seeking to exclude. As is clear from the above, Defendants apparently do not seek a blanket exclusion of any reference to Google's size, wealth and success. Rather, Defendants appear to be asking the Court to preclude I/P Engine from referencing the fact that Google has received more than [REDACTED] of revenue from the Accused Products during the time period of infringement. As shown below, evidence of Google's size, wealth and the commercial success, including the total amount of revenue of the accused products is relevant to an appropriate damages analysis, including the commercial relationship between Google and the patentee (*Georgia-Pacific* factor 5); the established profitability of the patented product and its commercial success (*Georgia-Pacific* factor 8); Google's negotiating position with the licensors of comparable licenses asserted by the parties' damages experts (*Georgia-Pacific* factor 12); as well as the revenue base apportionment analysis by I/P Engine's damages expert (*Georgia-Pacific* factor 13).

II. DISCUSSION

A. Google's Size, Wealth and Commercial Success Are Relevant To The Hypothetical Negotiation

Evidence of Google's size, wealth and commercial success are relevant to the damages analysis. For example, Google's size, wealth and commercial success are relevant (as acknowledged by Google's damages expert) to the commercial relationship between it and Lycos, the patentee at the time. The commercial relationship between the licensor and licensee is the fifth *Georgia-Pacific* factor. See *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F.

Supp. 1116, 1120 (S.D.N.Y. 1970). Toward that end, in discussing Google’s and Lycos’ negotiation position, Google’s damages expert testified that Lycos would have “acknowledged . . . that Google had [REDACTED] and that Google’s [REDACTED] [REDACTED] Exh. 1 (Rebuttal Expert Report Of Keith R. Ugone, Ph.D (“Ugone Rpt.”). at ¶¶ 67, 75).] I/P Engine’s damages expert, Dr. Becker, likewise considers the relative size of the parties in weighing the fifth *Georgia-Pacific* factor. [Exh. 2 (Expert Report Of Stephen L. Becker, Ph.D. (“Becker Rpt.”) at ¶¶ 92-96).]

Google’s size and wealth is also relevant for establishing its negotiating position with respect to the licensors of “comparable licenses” advanced in this case. For example, Defendants argue in their Motion To Exclude The Testimony Of Stephen L. Becker that:

Dr. Becker has conceded that . . . Marchex, Inc., eXact Advertising LLC, and Interchange Corp. – were all in radically different negotiating positions against Overture than Google would have been in a hypothetical negotiation with Lycos. Yet, Dr. Becker did not account for these differences when he relied on the Overture agreements. For example, Dr. Becker concedes that eXact, Interchange, and Marchex were “**much smaller companies**” than Google. Dr. Becker testified that **Google’s size would have made it “a more attractive licensee** to Lycos than Marchex represented to Overture” and that this “would have given it an edge in the negotiation.”

[Dkt. No. 320 at 21 (Defendants’ Memorandum In Support Of Their Motion To Exclude The Testimony Of Stephen L. Becker) (internal citations omitted; emphasis added), Exh. 3.]¹ In fact, Dr. Ugone relied upon Google’s size and commercial success in his analysis of seven of the fifteen *Georgia-Pacific* factors. [Exh. 1 (Ugone Rpt. Appx. A).] For example, when discussing *Georgia-Pacific* factor 8 (the established profitability of the patented products and its commercial success), he opines:

¹ I/P Engine’s response to that motion (filed simultaneously with this response) explains why this argument is not a proper *Daubert* motion, but rather should be a cross-examination issue.

[REDACTED]

[*Id.* Appx. A, at 7.] He further stated that “[a]t the hypothetical negotiation, [REDACTED]

[REDACTED]

[REDACTED] *Id.*] [REDACTED] on Google’s [REDACTED]

[REDACTED] analysis of *Georgia-Pacific* factors 9 and 10 [REDACTED]

[REDACTED]

[REDACTED]; factor 11 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] factor 13 [REDACTED]

[REDACTED]

[REDACTED] and factor 15 [REDACTED]

[REDACTED]

[REDACTED] *Id.* Appx. A, at 8, 9, 11, 15.]

Defendants’ claim that Google’s size and success are “totally irrelevant” to the issues in this case is belied by their own repeated reliance on Google’s size and commercial success to support their damages positions. Defendants cannot properly seek to use Google’s size and success as a sword, and at the same time seek to shield itself from having I/P Engine use that same information to support its own damages analysis, or to rebut Defendants’ damages theory.

B. Evidence of Google's Earnings From Its Use of the Accused System is Relevant

Defendants ask (at 2) that I/P Engine be precluded from referring to Defendants' "**overall (including daily, quarterly, or yearly) revenues**" of the accused products, Google AdWords, AdSense for Search (including AOL's Search Marketplace and all Defendants' use of AdSense for Search), and AdSense for Mobile Search. In other words, Defendants do not want the jury to hear evidence that the measure of damages should be no less than a reasonable royalty of earnings attributable to Defendants' infringement. Defendants' motion disregards 35 U.S.C. § 284:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer

This motion, if granted, would violate *Georgia Pacific* and black-letter law on how patent damages are calculated, and would improperly limit Dr. Becker's damages opinion and I/P Engine's damages claim.

Contrary to Defendants' assertion, I/P Engine has plenty of admissible evidence that the patented technology forms a substantial basis of the consumer demand of the accused products. Dr. Becker has analyzed a wide range of Defendants' documents, and concluded that Google's own documents reflect that the infringing system [REDACTED] [REDACTED] Exh. 2 (Becker Rpt. at ¶¶ 174-176, n. 235-239).] Relying upon Google's own documents showing this incremental increase, as well as Google's total revenues for the accused system, Dr. Becker apportions the royalty base on a quarterly basis to determine the incremental revenue achieved by Google from using the infringing systems. [Exh. 2 (Becker Rpt. at Exh. SLB-18).] This analysis is entirely consistent with Federal Circuit case

law regarding the computation of a reasonable royalty. *See, e.g., Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318-1321 (Fed. Cir. 2011); *Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1336-39 (Fed. Cir. 2009); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010).

Defendants' request to preclude I/P Engine from making *any* reference to Google's size, commercial success and the revenues of the accused products would severely restrict I/P Engine from supporting its damages case. Dr. Becker should be able to opine on his apportionment of the royalty base. The motion, if granted, would be tantamount to a summary judgment ruling on damages, because Dr. Becker would be precluded from explaining how he determined the incremental revenue base, how the infringing functionalities have contributed to Google's overall revenue, and the commercial success of the accused products. These are fundamental tenets of his opinion, and are required under *Georgia Pacific*.

Defendants dispute Dr. Becker's apportionment opinion, asserting that Google's success is attributable to factors other than the accused products. For example, Dr. Ugone opines:

[REDACTED]

[Exh. 1 (Ugone Rpt. Appx. A, at 7).] Dr. Ugone also stated:

[REDACTED]

[*Id.*] Defendants thus have conceded that evidence of Google's total revenues are relevant. The appropriate way for Defendants to address Dr. Becker's opinions is through vigorous cross-

examination, not to claim that the relevance of the evidence is outweighed by some unexplained prejudicial effect. But arguing that Defendants made too much money from their infringement, so that evidence should be excluded, is not credible.

This is not the same situation that the Federal Circuit was concerned about in either the *Uniloc* or *Lucent* cases relied upon by Defendants. The Court found that the damages experts in those cases had asserted no basis between the infringing component and the demand for the accused product. Unlike *Uniloc*, Dr. Becker is not seeking to use the revenue of the accused products as a reasonableness check without any claim that those revenues are connected to the demand for the infringing product. Neither is he applying a lower royalty rate to the overall revenue of the accused products in a speculative attempt to determine an incremental value of the infringing systems, as the damages expert attempted in *Lucent*. Dr. Becker is carefully tying the proof of the damages to the claimed invention. See *ResQNet.com*, 594 F.3d at 869.

The Federal Circuit has made clear that consideration of the overall revenue of an accused product may play an important role in calculating a reasonable royalty as long as the calculation fairly accounts for the proportion of the base represented by the infringing component:

Simply put, the base used in a running royalty calculation can always be the value of the entire commercial embodiment, as long as the magnitude of the rate is within an acceptable range (as determined by the evidence). Indeed, all running royalties have at least two variables: the royalty base and the royalty rate. Microsoft surely would have little reason to complain about the supposed application of the entire market value rule had the jury applied a royalty rate of 0.1% (instead of 8%) to the market price of the infringing programs. Such a rate would have likely yielded a damages award of less than Microsoft's proposed \$6.5 million. Thus, even when the patented invention is a small component of a much larger commercial product, awarding a reasonable royalty based on either sale price or number of units sold can be economically justified.

Lucent, 580 F.3d at 1338-39. Likewise, in *Rembrandt Data Techs., LP, v. AOL, LLC.*, No. 1:08-cv-1009, 2009 WL 2242624 (E.D. Va. June 17, 2009), the court denied defendant's motion to exclude the testimony of the plaintiff's damage expert. Defendant argued that the expert relied on flawed methodology when calculating the reasonable royalty of the alleged patents because he considered the "end-user H-P products that contain the accused device without satisfying the entire market value rule." *Id.* at *1. The court denied the motion, finding that the methodology was not flawed, and did not implicate the entire market value rule. *Id.* Instead, the court found that "[the expert's] report discloses that he has employed recognized methods of loss calculation." *Id.* Similarly, Dr. Becker has employed recognized methods to apportion the incremental revenue attributable to the infringing system.

B. Defendants' Motion Is Both Vague And Overbroad In That It Fails To Identify The Discrete Evidence It Seeks To Preclude

Motions *in limine* are intended to enable the court to preclude specific items of evidence. They are not intended to permit entire topics or unspecific items, which may, or may not, be offered during trial. *TVT Records v. Island Def Jam Music Group*, 250 F. Supp. 2d 341, 344-45 (S.D.N.Y. 2003) ("the parties seek to employ their in limine motions as preemptive weapons with which they endeavor to strike in shotgun fashion whole topics and sources of prospective evidence, out of context and before any specific objection against its proper backdrop is raised ... the Court deems them impermissible."). Yet, that is exactly what Defendants attempt to do here, by failing to identify any specific documents or lines of testimony that they seek to exclude. Instead, Defendants seek to restrict reference to such broad and nebulous concepts as "size," "wealth," and "overall revenue." There is no notice of what evidence Defendants intend to sweep into this category. The fact that Defendants repeatedly rely on evidence of Google's size,

wealth, commercial success, and revenues illustrate that Defendants are trying to have it both ways.

III. CONCLUSION

For the reasons discussed above, Defendants' Motion *in Limine* #2 should be DENIED.

Dated: September 27, 2012

By: /s/ Jeffrey K. Sherwood

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CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of September, 2012, the foregoing **OPPOSITION TO DEFENDANTS' MOTION IN LIMINE #2**, was served via the Court's CM/ECF system on the following:

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