

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

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

PLAINTIFF I/P ENGINE, INC.'S PROFFER OF EVIDENCE RELATED TO LACHES

Plaintiff I/P Engine, Inc. ("I/P Engine) respectfully submits this proffer of evidence in rebuttal to Defendants' affirmative defense of laches.

Prior to the October 9, 2012 pretrial conference the parties were not in agreement with regard to the presentation of laches evidence. As reflected by the parties' proposed pretrial order that was submitted to the Court on October 5, I/P Engine understood that laches evidence should be received outside of the presence of the jury. (Proposed Pretrial Order, at V.A.7). Defendants argued that the jury should render an advisory verdict on laches. *Id.* at V.B.5.; *see* D.I. 693 at 58-60 (Defendant's Proposed Laches Jury Instructions); D.I. 694 at 11 (Defendants Proposed Verdict Form with Laches Question). At the October 9 pretrial conference, the Court indicated that it would not submit the issue of laches to the jury, but that the Court would instead decide the issue after all evidence had been received. The Court noted that it might be possible to elicit laches-related evidence from some witnesses in front of the jury, but that other laches-related evidence would be received outside of the presence of the jury. At no point did the Court indicate that it would rule on laches before all evidence had been submitted. As a result of the

Court's instructions, in the final Pretrial Order, Defendants withdrew their request that the jury provide an advisory verdict on laches. (D.I. 719 at V.B.5).

On October 30, 2012, Defendants rested their case. Plaintiff moved for judgment as a matter of law on Defendants' affirmative defenses, including laches. (Trial Tr. at 1771-78). Defendants opposed the laches motion. (Trial Tr. at 1778-92). In their response, Defendants referred the Court to a proffer that they had just provided. (Trial Tr. at 1789, 1770). Defendants also renewed their Rule 50(a) motion which the Court had already denied, and the Court stated that no further briefing was required. (Trial Tr. at 1792). That Rule 50(a) motion did not include a laches motion. (Trial Tr. at 985-1029). Thus, when I/P Engine made its JMOL motion on laches, and Defendants submitted their response and proffer, there was no pending JMOL motion by Defendants with regard to laches.¹

On the morning of October 31, 2012, the Court purported to grant Defendants' renewed laches motion, even though no such motion ever had been made. In its October 31, 2012 laches ruling, the Court stated that the presumption of laches applied, thus shifting the burden to Plaintiff. Under Federal Circuit law, “[o]nce the presumption is established, the patentee may introduce evidence sufficient to support a finding of nonexistence of the presumed facts.”

Wanlass v. Fedders Corp., 145 F.3d 1462, 1464 (Fed. Cir. 1998) (en banc) (citing A.C. *Aukerman Co. v. R.L. Chaises Constr. Co.*, 960 F.2d 1020, 1037 (Fed. Cir. 1992)).

The Court stated that it would not consider any of I/P Engine's proffered rebuttal evidence, but that it would permit I/P Engine to submit a proffer. This proffer is intended to

¹ Defendants filed their first and only Motion for Judgment as a Matter of Law Regarding Laches the morning of October 31, 2012. Counsel for I/P Engine did not see that motion until after their return from Court that day. In its ruling on the morning of October 31, the Court could not have been granting that motion, because it had been filed only hours before the Court made its ruling; I/P Engine had no opportunity to respond or be heard, and the Court stated that its laches ruling was based upon Defendants' proffer of October 30 in opposition of I/P Engine's JMOL.

show the “evidence sufficient to support a finding of nonexistence of the presumed facts” that I/P Engine would submit, if permitted to do so by the Court.

Google first introduced the accused AdWords system in 2004. (Trial Tr. at 593). Since then, Google has protected the inner workings of its AdWords system as a trade secret. Mr. Alferness has testified that AdWords is “important technology, our trade secrets” and thus Google does not tell its customers about the way AdSense for Search works. (Trial Tr. at 1047).

Lycos did not know how Google AdSense for Search (or AdWords) worked in 2005. (Blais Decl. ¶¶ 3-5 (Ex. A); Blais Dep. at 49:12-50:12 (Ex. B)). Prior to 2006, Lycos was only an AdSense for Content customer of Google’s – which is not an accused product or system in the present litigation. (Blais Decl. ¶ 6; DX 21; DX 28, DX 255). During that same period, Lycos had its own search advertising product called AdBuyer that it was using. (Blais Dep. at 40:4-14). It was not until 2006 that Lycos became an AdSense for Search customer. (Blais Decl. ¶ 6; Blais Dep. at 33:6-34:16). Lycos had no reason to know about, including how it works, AdSense for Search. (Blais Decl. ¶¶ 3-5).

Mr. Blais, Lycos’ current General Counsel, confirmed these facts during his deposition in this case. Mr. Blais testified that Lycos had used its own AdBuyer Internet advertising system since at least as early as 2004 and stopped using the AdBuyer product sometime in 2006. (Blais Dep. at 40:4-14). He further testified that Lycos used Google AdSense for Search in 2006 before eventually switching to other providers. (Blais Dep. at 8:10-20). A true and correct copy of Mr. Blais’ deposition transcript is attached hereto as Exhibit.

Mr. Kosak, Lycos’ Chief Technology Officer at the time, testified in his deposition that neither he – nor anyone else at Lycos to his knowledge – was not aware of how the AdWords system works. (Kosak Dep. 16-17:14 (Ex. C)).

At trial, Mr. Kosak testified that, on two different occasions, he reached out to Google to ask them specifically how AdSense or AdWords was operating:

- Q. And throughout the time that you were at Lycos, did you ever point out to anybody any thought that Google was infringing your patents?
- A. I didn't understand how AdSense or AdWords functioned at the time, so it didn't occur to me they were infringing. I had, at least two different occasions, poked at Google asking them specifically how AdSense or AdWords was operating when we had some problems with the systems.

(Trial Tr. at 352).

PX176, the sole document on which Defendants rely, is not a technically accurate description of the AdWords system. Mr. Alferness testified that this document was not a true statement, and that it was a document aimed at external customers or advertisers that was “prescribing in technical detail how the system works.” (Trial Tr. at 1081-1082). In fact, he testified that – even though the document says that it is Google’s official blog with respect to how AdWords works – this document was not an official “prescription for how the product works.” *Id.* Mr. Alferness testified:

- Q. How much do you tell your customers about the way AdSense for Search works?
- A. We don’t go into much detail at all. We talk about it generally at a fairly high level.
- Q. And why is that?
- A. The details really aren’t that important to our customers. Additionally, they are -- you know, it’s our important technology, our trade secrets, I’d say.
- Q. How much are the AdSense customers involved in creating the product, the AdSense for Search customers?
- A. Oh, they really aren’t involved at all in the actual creation of the products.

- Q. Can we put up on the screen PX-176?
Do you know what this document is?
- A. Give me a second while they increase the size.
Yes. This is our Google Inside AdWords blog.
This is one of the mechanisms that we use to communicate
to external folks, customers and the like, about changes
that we are making to AdWords.

(Trial Tr. at 1047).

- Q. Okay. So during your direct testimony, you talked about
PX-176. That's in your binder. Can you pull that up?
- A. I have that here.
- Q. Great. In the -- let me direct your attention about a
third of the way down the page, you'll see that there is a
heading that says, "Question number 2."
- A. I see that, yes.
- Q. And the question is, "What is the quality score?"
- A. I see that, as well.
- Q. Right. And the answer is, "Quality score is simply a new
name for the predicted CTR, which is determined based on
the CTR of your keyword, the relevance of your ad text, the
historical keyword performance and other relevancy
factors." Do you see that?
- A. I see that.
- Q. And to the best of your understanding, that is a true
statement, isn't it?
- A. No.
- Q. It is not a true statement?
- A. No.
- Q. Let me direct your attention to the date that appears up
towards the top of the page, Monday, July 18, 2005. Do you
see that?

A. I do.

Q. And your testimony is that this statement that I just read to you, as of July 18, 2005, was an incorrect statement?

A. This is a document, a blog aimed at our external customers or advertisers. We are trying to explain things to our advertisers in a way such that they understand how to operate within the system. We are talking about tens if not hundreds of thousands of advertisers, lay people here. We are not prescribing in technical detail how the system works.

Q. Mr. Cole, could you highlight the heading up at the very top there where it says, "Official blog." Is this document PX-176 a document created at Google?

A. I would assume so, yes.

Q. Is it, in fact, Google's official blog with respect to how AdWords works?

A. No. This is our blog that talks to our advertisers, our customers, so that they can understand at a high level in some abstraction how the system works so that they can perform well within that system.

Q. Mr. Alferness, please look at the top of the document PX-176. Does it say Google's official blog or not?

A. The document says Google's official blog. It is not, however, a technical prescription for how the product works.

(Trial Tr. at 1080-82).

Mr. Blais testified that he was not aware of whether Google's blog posts about AdWords were ever seen by Lycos in 2005. (Blais Dep. at 46:14 – 50:12).

Mr. Fox, of Google, admitted that like statements as the single blog sentence are technically inaccurate and that fact is confidential. (Fox. Dep. at 161:10-15 (Ex. D)).

Mr. Blais declared that in 2005, no one in the Lycos legal department had any knowledge of PX 176. (Blais Dec. at ¶ 3). In 2005, Lycos was focused on disputes between Daum Communications and Telefonica related to the purchase of the company, or portion thereof. Lycos was also focused on trying to avert bankruptcy, settling a large litigation involving Yahoo!, Inc., and resolving a trademark dispute with Carnegie Mellon University. *Id.* At no point in 2005, did Lycos discuss, analyze or otherwise review PX 176. *Id.*

According to Mr. Blais, PX 176 would not have caused Lycos to commence an investigation into whether the AdWords system infringed the ‘420 or ‘664 patents. *Id.* The relevant portion of PX 176 is a single sentence that does not reveal any technical details of the operation of the AdWords system. *Id.* PX 176 does not describe any details as to whether the AdWords system combines, filters, or otherwise performs any of the limitations recited in either the ‘420 or ‘664 patents. *Id.*

I/P Engine’s predecessor in interest – Lycos – to the patents-in-suit was enforcing patents that are related to the patents-in-suit through litigation against others from at least January 2007 to January 2011. Lycos enforced patents in the same family as the ‘420 and ‘664 patents against other defendants from at least January 2007 to January 2011. (See Complaint, *Lycos, Inc. v. Tivo, Inc. et al.*, No. 2:07-cv-3 (E. D. Va. Jan. 10, 2007), D.I. 1). Exhibit E is a copy of an Order Granting a Motion to Transfer Venue in the *Lycos v. Tivo* litigation. (ORDER Granting MOTION to Transfer Venue, *Lycos, Inc. v. Tivo, Inc. et al.*, No. 2:07-cv-3 (E. D. Va. Aug. 8, 2007), D.I. 37). Attached hereto Exhibit F is a copy of a Case Transferred In-District Transfer in the *Lycos v. Tivo* litigation. (Case Transferred In-District Transfer, *Lycos, Inc. v. Tivo, Inc. et al.*, No. 1:07-cv-11469(MLW) (D. Mass. Aug. 9, 2007), D.I. 38). Exhibit G is a copy of an Order Dismissing Case in the *Lycos v. Tivo* litigation. (Order Dismissing Case, *Lycos, Inc. v. Tivo, Inc.*

et al No. 1:07-cv-11469(MLW) (D. Mass. Jan. 10, 2011), D.I. 224). I/P Engine filed the present suit less than three months after it acquired the patents-in-suit from Lycos. Further, I/P Engine filed its present suit against Defendants within ten months of the conclusion of Lycos's litigation involving the related patents. *See* (D.I. 1, Complaint).

In the present suit, Defendants deposed all of the relevant witnesses to the laches issue including the inventors Ken Lang and Don Kosak, the prior owner of the patents-in-suit – Lycos, by way of a 30(b)(6) deposition of Mr. Blais, and the current owners, or related parties, of the patents-in-suit, I/P Engine, Inc., Innovate/Protect, Inc., and Vringo, Inc., by way of 30(b)(6) depositions of Alex Berger. Mr. Lang and Mr. Kosak provided more than 550 pages of deposition testimony in answer to Google's specific questions, demonstrating their knowledge of the topics related to the present case.

The patents-in-suit in this case relate to technology developed in the late 1990's. For example, the '420 patent was filed on December 3, 1998. (PX 1). The '664 patent was filed on October 22, 2001. (PX 2). The '664 patent is a continuation of the '420 patent and claims priority to the '420 patent. *Id.* The events with respect to the patents-in-suit occurred at least 7 years prior to 2005 and almost 15 years prior to present day – all events which have occurred outside of the period of delay. There is no evidence that Mr. Lang and Mr. Kosak would have been able to answer certain questions as Defendants may have desired even if they were deposed in 2005.

Google was aware of the patents-in-suit prior to September 15, 2012. Google owns U.S. Patent No. 7,647,242, and the '242 patent lists the '420 patent on its face. (PX 0416). In particular, in an Office Action dated September 30, 2003, the '420 patent was cited as a reference made of record in the prosecution history of the '242 patent. (PX 0417).

In a 2008 Google email, Google's employees discuss Don Kosak, one of the inventors of the patents-in-suit. (PX 0408, 0409). Google also produced articles from 1996, 1997 and 1998 that were obtained from its corporate archives describing Ken Lang and WiseWire, which was a precursor to the technology described in the patents-in-suit. (PX 0410, 0411, 0412, 0413). Google produced a patent used as a deposition exhibit in a prior Google litigation, as well as another patent presumably produced as alleged prior art in this litigation. (PX 0414, 0415). The '799 patent is listed as a cited reference on the face of these patents.

Further, AOL was aware of the patents-in-suit. AOL owns the '119 patent, to which the '420 patent appears on its face as a cited reference. During prosecution, on March 19, 2004, the '420 patent was cited as a prior art reference. (PX 0421).

Additionally, the patents-in-suit were cited multiple times as prior art in the prosecution of a patent related to the patent asserted against Google in a prior litigation. (PX 0418, 0419). During the due diligence, a prospective licensee – especially one seeking to resolve a litigation – would analyze the information that could affect their prospective rights under a proposed license agreement including a review of any known prior art.

Co-Defendants AOL, IAC, Target, and Gannett cannot avail themselves of the laches defense asserted by Google, because the doctrine of laches is a defense that is personal to each party. *See, e.g., Israel Bio-Engineering Project v. Amgen*, 401 F.3d 1299, 1306 (Fed. Cir. 2005) (“Because a laches defense is personal to the defendant raising it, Yeda cannot adequately represent the Serono parties’ interest on this score.”); *Sweetheart Plastics Inc. v. Detroit Forming, Inc.*, 743 F.2d 1039, 1046 (4th Cir. 1984) (“laches or acquiescence is a personal defense which merely results in the loss of rights against one defendant”), citing 2 J.T.McCarthy, *Trademarks and Unfair Competition* § 31:14 at 587 (2d ed. 1984). The four non-Google

defendants cannot use the doctrine to limit I/P Engine's damage claims against them, because there has been no evidence in the record to show that Lycos knew or should have known prior to September 15, 2005, of the infringement of AOL, IAC, Target, or Gannett. Indeed, three of the defendants – IAC, Target, and Gannett – did not begin using the accused AdSense for Search until after September 15, 2005. (Kurtz Dep. at 28:20 (Ex. H); PX 242; PX 261). As for AOL, it has submitted no evidence that I/P Engine knew or should have known that it was infringing prior to September 15, 2005.

Dated: November 1, 2012

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CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of November, 2012, the foregoing, , was served via the Court's CM/ECF system on the following:

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