2009-____

NON-CONFIDENTIAL

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MICROSOFT CORPORATION,

Defendant-Appellant,

v.

i4i LIMITED PARTNERSHIP et al.,

Plaintiffs-Appellees.

Appeal from the Eastern District of Texas
No. 6:07-CV-00113

EMERGENCY MOTION
TO STAY PERMANENT INJUNCTION PENDING APPEAL

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CERTIFICATE OF INTEREST

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MICROSOFT CORPORATION V. I4I LP
2009-____

Counsel for the Defendant-Appellant certifies the following:

1. The full name of every party or amicus represented by me is:

   Microsoft Corporation.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: N/A.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: N/A.

4. ☒ There is no such corporation as listed in paragraph 3.

5. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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TABLE OF CONTENTS

CONFIDENTIALITY STATEMENT

Confidential research and development, commercial process, and business information of Appellants and Appellees that is the subject of the district court's protective order or has been filed under seal has been ommitted in this motion.

TABLE OF AUTHORITIES

Cases

Rules

INDEX OF ABBREVIATIONS

ABBREVIATION	REFERENCE
'449 patent	U.S. Patent No. 5,787,449
D.E.	Docket Entry from district court docket
DTX	Defendant's Trial Exhibit
FH	File History
PTO	U.S. Patent and Trademark Office

All emphasis has been added unless otherwise indicated.

INDEX OF EXHIBITS

EXHIBIT	DESCRIPTION
A	Permanent Injunction (D.E. 413)
B	Memorandum Opinion and Order (D.E. 412)
C	Notice of Appeal
D	Tostevin Declaration (*confidential*)
E	U.S. Patent No. 5,787,449
F	Excerpts from File History for '449 patent
G	DTX-2384 (Excerpts from Plaintiffs' Responses to Microsoft's Fifth Set of Interrogatories (Nos. 26–27))
H	Excerpts from transcript of *Markman* Hearing (Feb. 28, 2008)
I	June 15, 2009 Office Action in Reexamination of '449 Patent
J	Plaintiffs' Motion for Permanent Injunction or in the Alternative a Post-Judgment Royalty (D.E. 349) (*confidential*)
K	Excerpts from Trial Transcript (May 13, 2009 Afternoon)
L	Excerpts from Trial Transcript (May 12, 2009 Morning)
M	Excerpts from Trial Transcript (May 15, 2009 Afternoon)
N	Excerpts from Trial Transcript (May 12, 2009 Afternoon)

CONFIDENTIALITY STATEMENT

Confidential research and development, commercial process, and business information of Appellants and Appellees that is the subject of the district court's protective order or has been filed under seal has been omitted in the non-confidential version of the exhibits designated as confidential above.

Pursuant to FED. R. APP. P. 8 and FED. CIR. R. 8, Appellant Microsoft Corporation ("Microsoft") hereby moves for an order staying the permanent injunction issued by the U.S. District Court for the Eastern District of Texas (Davis, J.) pending Microsoft's appeal to this Court. The permanent injunction is attached as Exhibit A. The district court's memorandum opinion and order denying Microsoft's motion to stay the injunction (and other post-verdict relief) is attached as Exhibit B. Microsoft's notice of appeal is attached as Exhibit C.

Microsoft also requests an immediate administrative stay to maintain the status quo while the Court considers the merits of Microsoft's motion for stay. *See, e.g., Vizio v. ITC*, No. 2009-1386 (June 10, 2009) (granting temporary administrative stay). As described below, the district court's injunction, which is predicated on several fundamental legal errors, compels Microsoft to act immediately and already is imposing costs on Microsoft that it will never recover if this injunction is overturned on appeal. To facilitate the resolution of this motion, Microsoft requests that the Court immediately enter a briefing schedule requiring Appellees i4i Limited Partnership and Infrastructures for Information, Inc. (collectively, "i4i") to file their response by August 24, 2009, and allowing Microsoft to file a reply by August 28, 2009. To mitigate any harm imposed on the parties by the enforcement or stay of the permanent injunction, Microsoft also requests that the Court establish an expedited briefing schedule for the merits of this appeal. Microsoft informed i4i of the filing of this motion (which is being served by electronic mail and overnight mail); i4i opposes the requested relief.

1

INTRODUCTION

Based on its finding that Microsoft infringed a patent that the PTO already had provisionally rejected upon reexamination as anticipated and obvious, and its further conclusion that "Microsoft's infringement causes i4i to suffer irreparable harm for every new XML customer that purchases an infringing Microsoft product" (Ex. B at 55), the district court issued the permanent injunction from which Microsoft now appeals.

That injunction gives Microsoft 60 days from August 11, 2009, to redesign its flagship *Word* software to remove an obscure functionality relating to custom XML—a functionality that indisputably has several noninfringing uses—and to push the redesigned versions of *Word* through all of its distribution channels. [

] Unless Microsoft can find a way to accomplish these tasks in 60 days, absent a stay from this Court, on October 10, 2009, Microsoft will be compelled to stop distributing *Word* and the popular *Office* software suite (which includes *Word* and programs not implicated in this litigation, such as *Excel* and *Power Point*) in the U.S. market until it is able to distribute the redesigned versions of *Word* and *Office*.

Already, Microsoft is expending enormous human and financial capital to make its best effort to comply with the district court's 60-day deadline. The same "traditional principles of equity" (*eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006)) that district courts must apply in deciding whether to grant an

injunction here dictate that Microsoft be provided an opportunity to appeal before it is compelled to redesign or withdraw from the market a product that indisputably has thousands of noninfringing uses, that even on i4i's telling has been used in an infringing manner by only two percent of U.S. users since 2003, and that may, after an appeal, be found not to infringe at all.

BACKGROUND

1. This case concerns a type of computer technology called Markup Language. At its most basic, a Markup Language is a way of indicating how bare written content should be displayed—what should be in boldface, for example, or what should be centered, or where line breaks should appear. In a Markup Language, the textual content—say, a judicial opinion—is nested between "tags" that indicate how it should look on a computer screen.

The type of Markup Language that is perhaps most common in everyday experience is Hyper Text Markup Language, or HTML, which is used to present text on web pages. Every Internet browser, such as Internet Explorer, can read HTML, which is why web pages appear the same on every computer screen—the same words are centered, the same text is hyperlinked, the same background appears. To see an example of how Markup Language works, a user may type the Federal Circuit's web address (www.cafc.uscourts.gov) into Internet Explorer, and select "View" on the toolbar, and then "Source." A plain-text window pops up on the screen with the HTML code. One segment of HTML that is shown reads:

<title>United States Court of Appeals for the Federal Circuit</title>

This is Markup Language. The content—"United States Court of Appeals

3

for the Federal Circuit"—is nested between a pair of nearly identical tags for "title" that comprise an opening tag and a closing tag (the addition of "/" makes a tag a closing tag). Those tags tell the web browser that the text should be displayed as a title for the web page.

Although HTML proved useful for web-page design because it is relatively easy to work with and effective at displaying text, many businesses and other users were unsatisfied with it as a Markup Language. They wanted a Markup Language that could not only display text in appealing ways to human eyes, but could also indicate other properties about the textual content. For example, a business might want a set of tags that indicates that the tagged content is a customer's telephone number. That way, if the business decides to transfer millions of telephone numbers between different computers, each computer can immediately recognize the stream of numbers as telephone numbers—instead of, say, prices. To accomplish this, one needs tags that, rather than indicating how the text should appear on a computer screen, tell other computers what the text means.

To address this need, computer scientists in the 1990s created Extensible Markup Language, or XML (whose precursor was Standard Generalized Markup Language, or SGML). Unlike HTML, XML is not a language per se, but rather a general-purpose set of rules for encoding documents electronically that allows users to create their own custom document-encoding schemes that are specific to the users' particular needs. That is to say, whereas HTML has a set of a defined tags that always mean the same thing, XML lets users create their own tags that are useful to their businesses—"customer's telephone number," "boldface," or

whatever. Users then employ their unique tags to write an application-specific scheme that looks roughly like HTML.

In 2003, Microsoft included in *Word 2003* an XML development platform that enables users to work on their custom XML projects in a variety of file formats within *Word*'s window and menu-based word-processing program. Microsoft included an improved version of the platform in *Word 2007*, [

] In practice, *Word*'s custom XML functionality is used by a small niche of customers. According to i4i's own survey taken to substantiate its $200,000,000 claim for damages, only 2% of *Word* users in the U.S. have ever opened a document containing custom XML. And Microsoft's data indicates that the platform is used by 0.2%–0.5% of U.S. *Word* users. (Ex. K at 106–07) Many other software companies, including i4i, market software products that incorporate XML schemes as add-ons to *Word*. i4i's add-on products in particular are customized to the pharmaceutical industry. (*See* Ex. J at 2 & n.2; Ex. L at 24)

2. In 2007, four years after i4i's founder and Chief Technology Officer congratulated Microsoft on the useful XML development platform in *Word 2003* (Ex. M at 44–45), the '449 patent's new owner, i4i L.P.—an entity whose only asset is the patent-in-suit and whose financing is provided by litigation investor Northwater Patent Fund (*id.* at 81–82)—filed this lawsuit alleging that certain uses

of *Word*'s custom XML functionality infringe certain claims of its patent.[1]

The '449 patent does not claim invention of any Markup Languages (HTML, SGML or especially XML, which is never mentioned in the '449 patent). Rather, the purported innovation of the '449 patent is to improve the editing of documents employing a Markup Language[2] by separating the tags—the patent calls them "metacodes"—from the content and storing them separately. The '449 patent teaches that this separation of tags from content can be accomplished by recording the location in the input content stream where each metacode goes (called an "address of use" in the patent), extracting the metacode, and then placing the metacode in a "metacode map"—a separate file that matches each metacode to its location. A user can then look at the metacode map to determine where each metacode belongs in the stream of content, even though the metacodes have been removed from the content stream. This, in turn, allows the '449 invention to achieve its fundamental goal of independent manipulation, in which the user may edit the structure of the document (*i.e.*, the metacodes) by accessing only a map of metacodes, without ever needing to access (or have access to) the content. (Exh. E at 7:6-10)

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[1] Mid-way through this case, i4i L.P. added as a co-plaintiff Infrastructures for Information, Inc., ("i4i Inc."), the original owner of the patent and now its "exclusive licensee." As the plaintiffs explained, i4i Inc. [
                                                 ] that "has always struggled financially." (Ex. L at 28) Currently 80% of i4i Inc.'s customers are pharmaceutical companies who require specialized XML software to submit data to the FDA. (Ex. L at 24)

[2] The preferred embodiment in the '449 patent uses the SGML markup language, a precursor to XML. (*See* Ex. E at 4:63-64)

i4i has not alleged that use of *Word* necessarily infringes the '449 patent. Rather, i4i has alleged that *Word* users infringe the '449 patent only when they use Microsoft's software to *open* files of *certain formats* (.xml, .docx, or .docm) that contain *custom XML instructions*, asserting that when used in this manner, *Word* separates tags from content and stores them in the manner claimed by the '449 patent. It is undisputed that opening files in the familiar and most-common ".doc" and ".dot" formats—even if such files contain custom XML—is *not* an infringing act. (Ex. G at 6–8)

3. After the *Markman* hearing, the district court invalidated the first thirteen claims in the patent for indefiniteness. (*See* D.E. 111 at 17–22) With respect to the remaining claims, however, the court interpreted several key limitations in a manner that stripped Microsoft of arguments that it could have made to show noninfringement and invalidity. In particular, the court construed several terms (such as "distinct map storage means" and "mapped content storage means") as not requiring the ability to independently manipulate the metacode map and mapped content (D.E. 304), even though the patent, the prosecution history, and i4i consistently touted independent manipulation as the key characteristic of the invention. (*See* D.E. 297)

The case proceeded to trial on three patent claims. Microsoft argued to the jury that the patent was invalid based on prior art and that in any event *Word* did not infringe the patent. The jury disagreed and rendered a verdict for i4i. (D.E. 326) The jury also found that Microsoft's conduct was willful. It awarded $200,000,000 in compensatory damages, which is what the plaintiffs had asked for.

7

That number was based on a "reasonable royalty" of $98—more than the retail price of some editions of *Word*—and a survey that, after asking 46 respondents to estimate how many of their co-workers "open" undefined "XML document[s] containing custom XML" (despite the undisputed fact that merely opening most documents containing custom XML does not infringe the patent), concluded that 1.8 million people have used *Word* in the allegedly infringing way since 2003. (i4i's expert then "extrapolated" that number to 2.1 million through trial.) The district court imposed enhanced damages of $40 million. (Ex. B at 43–44)

The errors in the proceedings below will be exposed in the course of this appeal, and are addressed only briefly herein. The focus of the present motion is the district court's issuance of, and refusal to stay, a permanent injunction that prohibits Microsoft from selling any *Word* product that can *open* three types of files containing custom XML instructions. (Ex. A) Although the court recognized that "redesigning current and upcoming WORD products is an enormous task" that "poses a not insubstantial burden on Microsoft," it ruled that the sales of *Word* capable of performing the accused method would be prohibited almost immediately, after 60 days. (Ex. B at 52, 56)

In denying Microsoft's motion to stay the injunction pending appeal, the court recognized that, in the period since the jury's verdict, "the claims of the '449 patent have been provisionally rejected by the PTO" on reexamination, but nonetheless held that the reexamination came too late for a stay of the injunction while this Court considered Microsoft's arguments. (*Id.* at 55)

ARGUMENT

Microsoft meets the four factors that this Court considers in determining whether to grant a stay of an injunction: (1) Microsoft is likely to succeed on the merits because the district court committed numerous legal errors; (2) Microsoft will be irreparably injured by an injunction that has the potential to remove its flagship product from the market for months; (3) i4i, whose main product is an add-on to *Word*, will not be injured by a stay pending appeal; and (4) the public will face hardship if the ubiquitous *Word* and *Office* software is absent from the market for any period. *See Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 897 F.2d 511, 512–13 (Fed. Cir. 1990). Although each factor weighs in favor of a stay here, Microsoft need not make an exceedingly high showing on every factor; strength on one factor can overcome a modest showing on others. *See id.* at 513.

I. Microsoft Is Likely To Succeed On The Merits Of Its Appeal Because The Judgment Is Predicated On Several Legal Errors.

Several legal errors led to the district court's issuance of a permanent injunction, the most egregious of which are highlighted below.

Permanent Injunction. As an initial matter, a stay is warranted because i4i is not entitled to an injunction. i4i's injury is a classic example of economic harm that is not irreparable because it could be compensated with money damages. This Court is authorized to award an ongoing royalty in lieu of an injunction (*Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293 (Fed. Cir. 2007)), which, as the jury verdict demonstrates, is calculable. As the movant, i4i had the burden to show why any damages it would suffer are not calculable. But instead of requiring i4i to

make that showing, the district court inexplicably faulted *Microsoft* for not presenting evidence on "alternative methods" for compensating i4i for "loss of customers, market share, and brand recognition." (Ex. B at 52) That was plain legal error. *See, e.g., Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 444 (D. Del. 2007) (denying permanent injunction where plaintiff "has not explained why it may have 'difficulties calculating damages going forward,' nor how money damages could not adequately compensate for 'lost market share' or any 'lost research opportunities'").

Moreover, it is well-established that the three types of "losses" the court attributed to i4i—loss of customers, market share, and brand recognition—are not necessarily irreparable. *See, e.g., Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1334, 1348 (Fed. Cir. 2006) (rejecting argument that Abbot would be irreparably harmed due to "'irreversible market share losses'" because although direct competition from the accused product would "impact Abbott's sales . . . that alone does not establish that Abbott's harm will be irreparable"); *Eli Lilly & Co. v. Am. Cyanamid Co.*, 82 F.3d 1568, 1578 (Fed. Cir. 1996) (loss of market share does not result in irreparable injury); *Altana Pharma AG v. Teva Pharms. USA, Inc.*, 566 F.3d 999, 1010 (Fed. Cir. 2009) (price erosion, loss of market share, loss of profits, loss of research opportunities, and possible layoffs were not irreparable). Indeed, holding otherwise would violate *eBay*. As the district court recognized on remand in that case, "decisions subsequent to the Supreme Court's opinion [in *eBay*] have rejected the broad classification that direct competitors always suffer

irreparable harm from infringement."[3] *MercExchange L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 577 (E.D. Va. 2007); *Cordis Corp. v. ACS, Inc.*, No. 97-550, 1998 U.S. Dist. LEXIS 11342, at *30 (D. Del. July 17, 1998) (recognizing that the "harms" caused by an alleged infringer's competing product "can be addressed by money damages").

The district court's third legal error was relying on *past* harm alone to justify relief. It is undisputed that i4i does not have a product that could fill the gap left in the market by the injunction; rather, i4i's products run as add-ons to *Word*. The district court acknowledged the absence of future harm, but deemed it irrelevant, focusing instead on harm that i4i allegedly suffered several years ago. (Ex. B at 49–50 (holding that the fact that i4i's product does not currently compete with *Word* because it is merely an add-on to *Word* "does not negate the injury *incurred*" previously or show that i4i "has not *suffered* an irreparable injury")) But evidence of past harm, no matter how great, is not legally sufficient to show the type of future injury that is necessary to obtain prospective relief. *See Dombrowski v. Pfister*, 380 U.S. 479, 485 (1965) ("[I]njunctive relief looks to the future."); *United States v. Oregon State Med. Soc.*, 343 U.S. 326, 333 (1952) ("The sole function of an action for injunction is to forestall future violations. It is [] unrelated to punishment or reparations for those past.").

Moreover, i4i has been unable to show even past harm. Although it claimed

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3 Microsoft disputes that either i4i entity is a "direct competitor" of Microsoft. (*See* Ex. N at 19–20 (K. Thomas, i4i's "Product Strategist," admitting no competition); *see also* Ex. K at 146–47)

that it will lose (or has lost) market share as a result of Microsoft's infringement, the undisputed record shows otherwise: While i4i consistently lost millions of dollars before Microsoft introduced *Word* 2003, i4i's revenues actually *improved* after *Word* 2003 was released. (Ex. L at 41–45) Unable to point to any drop in revenue, i4i alleges loss of specific customers. But its arguments on this point again show only why a stay is unwarranted. For example, i4i relies on evidence that shows that i4i lost sales (in 2003) to *other* market participants (*e.g.*, Invision), not to Microsoft. (Ex. M at 14–15) And i4i has not even attempted to prove that customers prefer *Word* because of its ability to perform the accused method, as opposed to its myriad noninfringing functionalities. Each of these failures to connect i4i's purported harm to Microsoft's infringing conduct is fatal. *See, e.g., Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 WL 37742, at *2 (E.D. Mich. Jan. 4, 2007) (no irreparable harm where relevant market contained many other competitors, and plaintiff also failed to show that lost sales were caused by the infringement, not by "a desire for other [noninfringing] features of the [accused] system").

Finally, where, as here, a patent allegedly covers only one of a multitude of functionalities of an accused product, legal damages may be sufficient to compensate for infringement, rendering an injunction inappropriate. *See eBay*, 547 U.S. at 396–97 (Kennedy, J., concurring). Indeed, it is inexplicable—and an abuse of discretion—for the district court to reach inconsistent decisions on this exact same issue. *Compare z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 441 (E.D. Tex. 2006) (relying on Justice Kennedy's comments for conclusion that

monetary damages would be sufficient where the accused functionality was a small part of the Microsoft software) *with* Ex. B at 50–51.

Claim Construction. One fundamental error in the district court's claim construction was reading the '449 patent as not requiring that the claimed invention provide the ability to manipulate a metacode map independently from the mapped content. Rather, the court held that independent manipulation is merely "one benefit of the invention," but is not a requirement of the claims. (D.E. 304 at 3) That reading is inconsistent with the plain meaning of the specification, the prosecution history, and the patent's purpose, as well as numerous admissions by i4i, all which identify the ability to manipulate a metacode map independently from mapped content as an essential characteristic of the invention.

The '449 patent purports to solve problems in the prior art by using a metacode map, which permits a user to edit the structure of the document (*i.e.*, the metacodes) by accessing this one data structure alone, without ever needing to access the content:

> The present invention provides the ability to work solely on metacodes. The process allows changes to be made to the structure of a document without requiring the content [sic]. *A metacode map could be edited directly without the mapped content.*

(Ex. E at 7:6–10) This concept—being able to edit the metacode map directly without also changing (or having access to) the mapped content—is what the parties have referred to as "independent manipulation."

The notion of independent manipulation is fundamental to the '449 patent, and is embedded throughout the patent, beginning with the title of the patent:

13

"Method and System for *Manipulating* the Architecture and the Content of a Document *Separately* from Each Other." (Ex. E) The Abstract likewise states that the patent is for a "system and method for the *separate manipulation* of the architecture and content of a document." (*Id.*) This concept is further emphasized in the Summary of the Invention. (*Id.* at 7:6–25)

The file history of the '449 patent similarly emphasizes the importance of storing the metacodes of the document in a separate, distinct structure (the metacode map) that can be manipulated *independently* from the content. In particular, to overcome rejections of its claims as invalid in light of the prior art, the applicants repeatedly stressed these concepts:

- "In the presently claimed invention, *the architecture of a document can be treated as a separate entity from the content of the document...* This is achieved by extracting metacodes from an existing document and creating a map of the location of the metacodes in the document and then storing the map and the content of the document separately." (Ex. F at 76)

- "The *content/architecture separation of this invention allows distinct processes to operate on each of the content and architecture, with or without knowledge of the other...* This separation is achieved by extracting metacodes from an existing document (or from a document being created) and creating a <u>persistent</u> (*i.e.*, non-temporary) map of the location of the metacodes in the document and then storing the map and the content of the document separately." (*Id.* at 119)

i4i's claim construction briefing also *conceded* that the ability to separately manipulate architecture (metacode map) and content of a document is *required* by the invention:

Applicants' arguments in the prosecution history are consistent with the claims recitation of the invention. For example, claim 1 requires "[a] computer system <u>for the manipulation of the architecture and content of a</u>

14

document having a plurality of metacodes and content by producing a first map of metacodes and their addresses of use in association with mapped content[.]" ['449 patent at 15:35–39 (emphasis added)] *In other words, the claim is directed to an invention that provides the opportunity to separately manipulate the architecture and content of a document.* This manipulation opportunity requires storing the map and mapped content for more than a transitory period of time.

(D.E. 91 at 4 n.3 (ital. emph. added))[4] This point was also emphasized by both parties at the Markman hearing. Early in the hearing, i4i conceded the importance of independent manipulation in response to the district court's question regarding whether the "metacode [is] removed from the content map":

> One of the benefits of the invention is that once you have created the map, it is possible now for someone to go into the map and to amend it. And the specification defines what "amending" means. You could delete tag – you could delete metacodes from the map. You could add metacodes to the map. You are doing it in a fashion where you are not really worried about the content because you are only focused on the metacodes. *By doing this amending and changing, you can change the architecture of the final document without ever having to go into the content and deal with it as a part of the document.*

(Ex. H at 11) Microsoft similarly noted that independent manipulation was an important aspect of the claimed invention:

> So there is no question that this claim requires distinct and separate storage. That is what they [i4i] said the invention was about. And what they mean by that is that you can access one without the other. In fact, in the very opening comments by Mr. White [counsel for i4i,] he said *one of the powerful benefits of the invention is [being] able to edit one without the other. And we agree. That is exactly why we put it in our claim construction.*

(*Id.* at 89)

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4 i4i's remarks were made generally with reference to the '449 invention and apply to all of the claims, including the three asserted claims at trial (14, 18 and 20).

Consistent with the parties' representations regarding the importance of the ability to separately manipulate the metacode map from mapped content, the Court acknowledged this basic premise in its original Order on claim construction:

> In total, the statements [in the file history], in light of the specification, *require* the claimed computer system or method to differentiate between the stored metacode map and mapped content. In such a situation, *different processes and users could edit the metacode map and mapped content independently and without access to both the metacode map and the mapped content.*

(D.E. 111 at 16) Indeed, where as here, a particular characteristic is described throughout the patent and prosecution history as essential to the invention, it limits every claim and is not a mere benefit of the invention. *Cordis Corp. v. Medtronic Ave, Inc.*, 511 F.3d 1157, 1180 (Fed. Cir. 2008) (where prosecution history indicated that the claimed "stent would be considered 'smooth' if it was smooth enough to be capable of intraluminal delivery," such capability of intraluminal delivery was a requirement of all claims, not a mere benefit); *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1352 (Fed. Cir. 2001) (holding that where the specification and prosecution history described the "local server" as having certain characteristics, those characteristics limited all claims).

A few months before trial, however, i4i submitted a technical expert report in which the expert took the surprising position that independent manipulation was merely a "benefit" of the invention but not a "requirement" of the claims. Microsoft raised this inconsistency at the pretrial conference, and the court allowed supplemental briefing, in which Microsoft sought to put a stop to what it viewed as i4i's attempt to make an end-run around the court's claim construction Order.

In a supplemental opinion issued only days before trial, the district court abandoned its earlier construction and adopted i4i's arguments that independent manipulation is merely "one benefit" of the invention, not a limitation on the claims. (D.E. 304 at 3) This last-minute change stripped Microsoft of key noninfringement and invalidity arguments, as is evident from the admission from one of i4i's technical experts at trial that *Word 2003* and *Word 2007* do not allow independent manipulation; rather, a custom XML tag cannot be added or deleted without also having access to the mapped content because anchor characters must be added into or deleted from the mapped content. (Ex. K at 41–42)

Invalidity. In the late 1980s and early 1990s, two SGML editors, Rita and DeRose, were disclosed (either in scholarly articles or through a patent). Those prior technologies did precisely what i4i contends the '449 patent did: separated metacodes from mapped content and created a metacode map. These facts are undisputed; i4i's only argument to the jury that the technologies were different was that the prior art's metacode maps used a "tree" structure. But the '449 patent is not limited to inventions that do not include tree-structure maps. That is why the Patent Office, which was previously unaware of these prior art references, has now provisionally concluded that the '449 patent is invalid. (Ex. I) Such action by the PTO ordering reexamination of a patent suffices to "raise[] a substantial question" of invalidity warranting a stay. *Standard Havens*, 897 F.2d at 514.

II. Microsoft And Its Distributors Will Suffer Irreparable Harm Absent A Stay.

If left undisturbed, the district court's injunction will inflict irreparable harm

on Microsoft by potentially keeping the centerpiece of its product line out of the market for months. The injunction would block the distribution not only of *Word* but also of the entire *Office* suite, which contains *Word* and other popular programs. Unless Microsoft is able to redesign *Word* and push that redesigned version through its entire distribution network by October 10th—[

]—Microsoft and its distributors (which include retailers such as Best Buy and OEMs such as HP and Dell) face the imminent possibility of a massive disruption in their sales. *See z4*, 434 F. Supp. 2d at 442 ("Redesigning Microsoft Windows and Office software products, even to remove a small component [is] an enormous task.").

Even if Microsoft ultimately succeeds on appeal, it will never be able to recoup the funds expended in redesigning and redistributing *Word*, the sales lost during the period when *Word* and *Office* are barred from the market, and the diminished goodwill from Microsoft's many retail and industrial customers. Those significant unrecoverable costs make this a classic case for a stay pending appeal. *See, e.g., Ry. Labor Executives Ass'n v. Gibbons*, 448 U.S. 1301, 1305 (Stevens, Circuit Justice 1980) (finding "a sufficient showing of irreparable damage ha[d] been made" where there was a risk that the absence of such relief would force one party to make "substantial payments that would be . . . unrecoverable"); *Edelman v. Jordan*, 414 U.S. 1301, 1302–03 (Rehnquist, Circuit Justice 1973) (granting stay where it was unlikely that the petitioner would have been able to recover his funds if he prevailed before the Supreme Court).

III. i4i Will Not Suffer Irreparable Harm.

In contrast to the substantial, irreparable harm Microsoft and its distributors would suffer if *Word* is pulled from the market, a stay will not cause i4i *any* harm, much less irreparable harm that could not be remedied with damages.

To begin with, i4i's two-year delay in seeking an injunction after filing this case—and its four-year delay in bringing suit—"strongly" suggest that a stay pending appeal will not cause it irreparable harm. *See Simon Prop. Group, L.P. v. mySimon, Inc.*, 282 F.3d 986, 990 (7th Cir. 2002) (abandonment of "quest for a preliminary injunction . . . . strongly undermines [plaintiff's] argument today that a delay in issuing a permanent injunction will cause it to suffer irreparable harm").

Further, pulling *Word* from the market would actually hurt i4i. i4i's products are merely add-ons to *Word*, copies of which will be publicly unavailable for new users until Microsoft's redesign and redistribution efforts are complete. Even if i4i intends to develop a new product that is not dependent on *Word*, it is implausible that such a product would be produced before the appeal is decided. i4i therefore has no legitimate interest in enforcing the injunction in the short term.
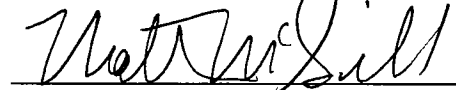
IV. The Public Interest Favors A Stay.

Absent a stay, the entire Microsoft *Office* suite—not just *Word*—could be scarce [   ]. (Ex. D) i4i does not have a competing *Office* or *Word* product that can supply the market with the myriad *Office* or *Word* functionalities for the interested consumers during this absence. Therefore, even if the injunction will not affect Microsoft's existing *Office* customers, consumers and businesses who require new copies of *Office* and *Word* would be stranded without

an alternative set of software. That major public disruption—which may be a complete waste if Microsoft ultimately prevails on appeal—strongly counsels in favor of a stay of the injunction. *z4*, 434 F. Supp. 2d at 443–44 ("[A]ny minor disruption *to the distribution* of [Microsoft's Windows and Office] products . . . would have an effect on the public due to the public's undisputed and enormous reliance on those products."); *see also Reiffin v. Microsoft Corp.*, 158 F. Supp. 2d 1016, 1029 (N.D. Cal. 2001).

The grant of reexamination underscores a substantial question as to the validity of the patent, especially given that the prior art now before the PTO (and involved in Microsoft's invalidity defenses) was not considered by the PTO previously. *Cf. KSR Int'l v. Teleflex, Inc.*, 550 U.S. 398, 426 (2007); *eBay*, 547 U.S. at 397 (Kennedy, J., concurring). The public interest favors a final—and better-tested—determination of validity before Microsoft and its distributors are forced to incur additional costs in redesigning *Word* (and removing the current copies of *Word* from the market) that will be passed on to consumers. Indeed, while the public interest favors enforcement of valid patents, the public is just as harmed by the enforcement of invalid patents: "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly." *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892); *see also Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) ("[T]he equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.").

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CERTIFICATE OF SERVICE

I hereby certify that on August 18, 2009, as indicated below, one copy of the foregoing non-confidential **EMERGENCY MOTION TO STAY PERMANENT INJUNCTION PENDING APPEAL**, together with its exhibits and Proposed Order, was served via overnight mail and/or electronic mail on the following counsel for Plaintiffs-Appellees:

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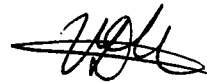Telecopier: (214) 978-4044

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