

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION**

Bb Inc.,)	
)	
Plaintiff,)	
)	
vs.)	Case No. 9:06 CV 155
)	
Desire2Learn Inc.,)	Judge Ron Clark
)	
Defendant.)	JURY TRIAL DEMANDED
)	
)	

**DESIRE2LEARN'S RESPONSE TO
BB'S MOTION FOR PERMANENT INJUNCTION**

After more than nine hours of deliberation, the jury returned with a verdict that rejected over 80% of Plaintiff Blackboard, Inc.'s ("Bb") claims of patent infringement against Defendant Desire2Learn Inc. ("D2L"). Bb, however, simply ignores the jury's verdict ruling against it on most of the case and unabashedly asks the Court to enjoin D2L from selling "all versions and subversions" of D2L's Learning Environment product for both "hosted and self-hosted schools," as well as D2L's "entire services spectrum, including hosting, training, help desk, implementation, customization, and content services." (Bb Mot., at 10-11) Bb also asks the Court to impose a 25 % royalty on products and services provided to existing customers, whether D2L-hosted or not, even though the jury plainly rejected such a royalty rate and the undisputed evidence showed that D2L cannot pay such a royalty rate. (Tr. 1994:4-12)¹ Bb's overreaching underscores the real motive behind this suit: Bb, which claims to have over 90 % of the course management system market today (Tr. 321:14, 23), wants to exclude its most effective competitor from the United States market entirely.

The Court should reject Bb's motion, and instead should follow the jury's verdict and the evidence presented at the jury trial. First, the Court should deny any relief for the 19 current customers of D2L for whom Bb sought future lost profits. At trial, Bb sought lost profits for these clients for a number of years in the future. Until the time period covered by the lost profit damage award expires (the exact date depends on the client, see Ex. A, Declaration of Thomas W. Britven dated March 6, 2008 ("Britven Decl.") at ¶10 & chart on Attachment II), the Court should not award any further relief for these customers. Second, the Federal Circuit has stressed that a district court should "narrowly tailor" any injunction to fit the specific adjudged violations and should not impose "unnecessary restraints on lawful activity." *E.g., Riles v. Shell*

¹ All cited portions of the trial transcript are attached as Ex. B.

Exploration and Production Co., 298 F.3d 1302, 1311 (Fed. Cir. 2002). Because the jury returned a general verdict that rejected over 80 % of Bb’s claims and (because Bb requested a general verdict form) did not specify how D2L infringed, the Court should not issue any injunction because it does not know what specific violations were adjudged by the jury. Third, even if the Court could determine which specific violations were adjudged by the jury, the Court should deny an injunction under the four-factor test established by *eBay, Inc. v. MercExchange, LLC*, 126 S. Ct. 1837, 1839 (2006). Fourth, any injunction should expressly exclude, among other things, course management systems that as a matter of law fall outside of the scope of Claims 36-38 of the ‘138 Patent, including (a) any course management systems that D2L hosts in Canada, and (b) any systems that do not contain “sample” or “default” roles or role categories (the product features that Bb’s expert testified constituted predetermined roles).

If the Court enters an injunction, it also should reject Bb’s request for an unprecedented and legally unsupportable provision prohibiting D2L from selling *any* products or services—*infringing or not*—for at least three months. The Federal Circuit repeatedly has held that any injunction should not apply to future potential design-arounds, unless and until Bb proves that such design-arounds are not “colorably” different from an enjoined device. Bb notably fails to offer any legal support for this extraordinary relief. Bb’s requested provision would prove especially unfair because many educational institutions make their purchasing decisions at this time of the year in order to have a CMS in place when school begins in the Fall.

I. THE COURT SHOULD REJECT BB’S REQUEST FOR A ROYALTY ON EXISTING “LOST PROFIT” CUSTOMERS AS A DOUBLE RECOVERY.

Bb is not entitled to any further relief with respect to the 19 D2L existing customers for whom Bb sought lost profits at trial. Because Bb requested not only past lost profits, but also lost profits for several years into the future, Bb has already been fully compensated by the jury

for these clients. (Ex. A, Britven Decl. at ¶ 10) A plaintiff is not entitled to a double recovery of damages. *See Aero Prod. Intern., Inc. v. Intex Recreation Corp.*, 466 F.3d 1000, 1017-18 (Fed. Cir. 2006) (plaintiff not entitled to a double recovery of a reasonable royalty and lost profits for same underlying act). Bb's damages expert, Dr. Ugone, testified that his analysis for lost profits included lost profits into the future for the 19 clients. (Ex. A, Britven Decl. ¶ 10, Ex. C, Ugone Rep. ¶ 78; Ex. D, Ugone Supplemental Ex. 44 Work Papers) As shown in the chart attached as to the declaration of Thomas Britven (Ex. A, attachment II), depending on the client, Bb has already been compensated for the next one to five years. The Court therefore should reject any request for further relief with respect to these clients as impermissible double recovery.

II. THE COURT SHOULD DENY BB'S REQUEST FOR A PERMANENT INJUNCTION BECAUSE THE GENERAL VERDICT DOES NOT STATE WHICH SPECIFIC VIOLATIONS WERE ADJUDGED BY THE JURY.

Federal Rule of Civil Procedure 65(d) provides that every injunction "shall be specific in terms" and "shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained." FRCP 65(d). "In accord with the policy of Rule 65(d), the Supreme Court has denounced broad injunctions that merely instruct the enjoined party not to violate a statute. Such injunctions increase the likelihood of unwarranted contempt proceedings for acts unlike or unrelated to those originally judged unlawful." *See also Int'l Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312, 1316 (Fed. Cir. 2004) (citations omitted) (The Federal Circuit has "rejected as overly broad a permanent injunction that simply prohibits future infringement of a patent.")

The Federal Circuit accordingly "has stressed that a trial court, upon a finding of infringement, must *narrowly tailor* an injunction to fit the *specific adjudged violations*." *Riles v. Shell Exploration and Production Co.*, 298 F.3d 1302, 1311 (Fed. Cir. 2002) (emphasis added), citing *Gemveto Jewelry Co. v. Jeff Cooper, Inc.*, 800 F.2d 256, 259 (Fed. Cir. 1986) ("injunctive

relief should be narrowly tailored to fit the specific legal violations”). The Court of Appeals has warned that any injunction “cannot impose unnecessary restraints on lawful activity.” *Riles*, 298 F.3d at 1311. Put another way, a court may not enter an injunction so broad that it enjoins non-infringing acts. *Joy Techs. v. Flakt, Inc.*, 6 F.3d 770, 777 (Fed. Cir. 1993). “Therefore, the only acts that the injunction may prohibit are infringement of the patent by the adjudicated devices and infringement by devices not more than colorably different from the adjudicated device.” *Int’l Rectifier Corp.*, 383 F.3d at 1316.

The Court cannot “narrowly tailor” an injunction “to fit the specific adjudged violation” in this case because the jury’s verdict provides no guidance on which product(s) and service(s), or combination(s) of product(s) and service(s), they found infringed the ‘138 Patent. Bb broadly accused D2L’s Learning Environment and Essentials products and all of D2L’s services of infringing the ‘138 Patent. (Final Pretrial Order at 4, Bb Contention #6) Bb sought damages of \$17.1 million. (Tr. 952:13-17) The jury returned a verdict awarding Bb approximately \$3.13 million (Verdict at 6)—less than 20 % of the amount claimed. This included \$2.5 million in lost profits damages (or 16% of the \$15.4 million in lost profits sought by Bb) and \$630,000 in royalties (or 39% of the \$1.6 million in royalties sought by Bb). (Tr. 951:23-952:12; Verdict at 6). The jury’s verdict did not specify which product(s), service(s) or combination(s) they found to infringe the ‘138 Patent. (Verdict at 2-4).

The verdict, for example, does not distinguish between help desk, implementation, content or other services offered by D2L. The verdict does not state whether use of the 8.2.1 version of the Learning Environment product infringes only when used with help desk, content or training services, or under some other circumstances. The jury did find contributory infringement—which means that something that D2L offers for sale has no substantial non-

infringing uses—but the jury’s verdict does not identify what that “something” is. The “something” could be D2L’s training, implementation or content services—either alone or in combination with other products and services offered by D2L—rather than D2L’s Learning Environment or Essentials product. However, the jury’s verdict does confirm that the substantial majority (over 80 %) of D2L’s products and services do not infringe.

Contrary to Bb’s misstatement (Bb Motion at 10), the jury did not find infringement for clients for whom D2L hosts the product in Canada. Rather, as the Court recognized after the award, it appears more likely that the jury properly applied the law and sought to exclude from its verdict those clients that D2L hosts in Canada. (Tr. 2488:10-2489:5) The fact that the jury awarded 16% of the requested lost profits and only 16% of the clients (3 out of the 19) were self-hosted further supports this assumption. If the jury did not exclude the hosted clients from its verdict, the Court should have granted D2L’s JMOL motion with respect to those clients.²

Bb also mischaracterizes the verdict as finding that the redesigned 8.2.2 version of Learning Environment infringes. (Bb Motion at 8) The evidence at trial showed that most of D2L’s customers continued to use the older versions even after the release of 8.2.2. (Tr. 1299:13-23; PX 135 showing most clients had not yet not upgraded to 8.2.2) The jury’s finding that infringement occurred after November 2007 likely merely reflects acknowledgement of this continued use. Finally, the verdict does not mean that jury found a royalty rate of 25% was reasonable or appropriate in this case. Bb sought \$1.6 million in royalties. (Tr. 951:23-952:12).

² The jury appears to have awarded lost profits based on the %age of self-hosted clients to total clients, rather than based on the profits actually attributable to those self-hosted clients. The jury did not have profit breakdown information in the jury room because, although the Court repeatedly suggested to Bb that it provide the jury with a breakdown for self-hosted clients (Tr. 230:5-232:2; 2128:15-2130:14; Ex. K, Tr. of 02/01/08 Pretrial Hearing, at 63:19-65:3), Bb steadfastly refused to do so. Bb calculated the total lost profits for the self-hosted clients (University of Arizona, Rochester Institute of Technology and University of Iowa) as \$990,088. (Ex. I (Supplemental Expert Report of Dr. Ugone Ex. 44)) D2L accordingly intends to file a motion pursuant to Fed. R. Civ. P. 59 to amend the judgment to reduce the lost profit award from \$2.5 million to \$990,088, the lost profits for clients not D2L hosted in Canada.

The jury awarded Bb only 39% of its request, or \$630,000. (Verdict at 6).

The lack of specificity in the jury award directly results from Bb's tactical insistence on a more general verdict form instead of the form proposed by D2L, which would have had the jury identify the infringing clients. (*Compare* Bb's Proposed Verdict Form, Doc #325 *with* D2L's Proposed Verdict Form, Doc #324) *See Heywood v. Samaritan Health Sys.*, 902 F. Supp. 1076, 1082 (D. Ariz. 1995) (vague general verdict that could support two theories of liability does not result in *res judicata* for either theory). The verdict form proposed by D2L would have helped to define exactly what the jury found infringed the '138 Patent. *See Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 39 (1997) (special verdicts preferred in patent cases); *Richardson-Vicks Inc., v. Upjohn Co.*, 122 F.3d 1476, 1485 (Fed. Cir. 1997) (same). Instead of agreeing with D2L's proposed form, Bb insisted on a more general form. This general form was a calculated gamble. If the jury agreed completely with Bb, a general form would have helped Bb defend the verdict on appeal. But, the jury rejected over 80 % of Bb's case and did not specify what product(s), service(s) or combination(s) infringed the '138 Patent. Under these circumstances, the Court should not permit Bb to capitalize on the ambiguity that it created to enjoin all of D2L's activities related to U.S. clients. *See Diomed, Inc. v. Angiodynamics, Inc.*, Nos. 04-10019-NMG, 04-10444-NMG, 2008 WL 318329, *2 (D. Mass. 2008) (refusing to enjoin the sale of laser consoles where the verdict form did not make separate findings about those consoles and the "jury made no specific finding with respect to consoles.").

III. UNDER EBAY NO PERMANENT INJUNCTION SHOULD BE ENTERED.

A. Any harm is Reparable and Legal Remedies Are Adequate.

Bb makes two arguments as to why it will suffer irreparable injury. First, Bb argues that because D2L competes with Bb, Bb will suffer irreparable injury. However, courts have recognized that where "the patented invention is but a small component of the product the

companies produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.” *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring); *z4 Techs, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440-41 (E.D. Tex. 2006) (finding the infringing technology as “a small component of [MicroSoft’s] software” and the infringement did not hinder or exclude z4’s sales or licensing of its product).

The alleged invention is but one small feature of literally hundreds in the CMS products at issue. For example, when Bb documented the “eLearning Competitive Landscape,” it documented 353 “features” in its product, none of which is the allegedly patented feature. (DX 258; *see also* Tr. 1658-60.) D2L likewise does not consider “sample” or “default” roles to represent an important feature of the system. (Tr. 1258:7-25). D2L does not sell its product based on the existence of those “sample” or “default” roles. (Tr. 1256:4-1258:4).

Bb’s own submissions to the Department of Justice and declarations from the education community highlight that customers prefer D2L for reasons other than “sample” or “default” roles. These reasons include D2L’s superior test engine (DX 224 at 6); superior grade book (DX 224 at 6); intuitive user interface and ease of use (DX 224 at 7; DX 224 at 14; Ex. E, Carter Decl. ¶ 9, 11; Ex. F, Utter Decl. ¶ 8; Ex. J, St. Clair Decl. ¶ 9); amazing customer service (DX 224 at 7; Ex. E, Carter Decl. ¶ 11; Ex. F, Utter Decl. ¶ 9); greater preference by students (DX 224 at 7; Ex. F, Utter Decl. 8; Ex. J, St. Clair Decl. ¶ 9); standards compliance (DX 224 at 8); reusable learning object repository (DX 224 at 8; Ex. J, St. Clair Decl. ¶ 9); PeopleSoft interface (DX 224 at 8); totally new architecture (DX 224 at 11); reliability and stability (DX 224 at 14; Ex. F, Utter Decl. 9); scalability (DX 224 at 14; Ex. E, Carter Decl. ¶ 10, Ex. F, Utter Decl. ¶ 8; St. Clair Decl. ¶ 10); integrated content management (DX 224 at 14.); and integrated assessments

(Ex. E, Carter Decl. ¶10; Ex. J, St. Clair Decl. ¶). Simply put, the Court therefore should not enjoin sales of all of D2L's CMS products because of this one small component.

Second, Bb also argues that "market share is a key consideration" in determining irreparable injury. (Bb motion, at 4) However, Bb already dominates the course management system market with over 90 % of the market share. (Tr. 321:14, 23) D2L has only a few %. (Tr. 1596:24-1597:4). Allowing D2L to continue selling therefore will not materially affect Bb's market share. On the other hand, allowing D2L to continue selling will bring much needed market discipline to the course market system market—the need for which the United States Department of Justice recognized when it reviewed the Bb merger with WebCt.

The Court can more than adequately compensate Bb for any ongoing injury as a result of any ongoing use of predetermined roles (D2L is removing all "default" or "sample" roles and all role categories or types from its products and documentation) by an award of damages. The Court can simply and easily calculate a royalty based for sales on a quarterly basis from the revenue received from existing and new clients. Bb's willingness to allow D2L to pay such an ongoing royalty for D2L's existing clients highlights the adequacy of this remedy and undercuts Bb's unsubstantiated claim that D2L may not pay the royalty.

B. The Balance of Hardships Favors Denying An Injunction.

Bb's bases its argument that the balance of hardships favors an injunction on its incredible claim that it is a "relatively new and small company." (Bb Motion, at 6) This argument, however, lacks any factual foundation. Bb boasts sales many times that of D2L. (Bb Motion, Attachment B, Ugone Decl. ¶24, D2L's sales are a small fraction of Bb's sales of \$385 million from 2002-2007). While D2L has around 30 clients self-hosted in the U.S., Bb claims over 3500 clients worldwide. (PX 145; Tr. 821:17-25). Allowing D2L to continue selling self-hosted systems, while perhaps costing Bb a few sales, would not materially affect Bb.

On the other hand, D2L is a small, but growing company. Enjoining D2L would significantly affect D2L. (Ex. G, Baker Decl. ¶¶ 3, 5-7, 9). Additionally, enjoining D2L would deprive the public of a competitive choice for course management systems and leave it primarily to the tender mercies of Bb, a company that many universities are turning away from for problems with customer service, unwarranted price increases, security flaws, and antiquated architecture.³ (See e.g., Ex. K, St. Clair Decl. ¶ 12; DX 224 at 3, 4, 6, 11, 14; DX 524 at 2, 5-6; DX 304 at 5; Ex. F, Utter Decl. 9; see also Ex. E, Carter Decl. ¶11 (scalability and assessments reduce price of use). This case thus differs dramatically from *Tivo Inc. v. Echostar Comm. Corp.*, 446 F. Supp. 2d 664 (E.D. Tex. 2006). In *Tivo*, the plaintiff was a company worth a few million dollars where the defendant was one of the market leaders, a major telecommunications company with assets in the billions. *Id.* at 667. U.S. sales represent 70% of D2L's business. Enjoining that business with the breadth sought by Bb would pose a long term threat to D2L's continuing viability. (Ex. G, Baker Decl. ¶¶ 3-5).

C. The Public Interest Favors Denying An Injunction

In the past three years, Bb has made two requests to the government of the United States for assistance in helping Bb avoid competing in a free and open market. Bb successfully advocated to the United States Department of Justice that Bb's absorption of the second-largest CMS provider in the market would not adversely affect competition, in large part because its competitor, D2L, had "continuing momentum" that would prevent Bb from having undue market

³ Bb may assert that the "patent pledge" insures continued competition by open source providers.. However, it appears that Bb has not truly surrendered its the '138 Patent against those entities. Bb has preserved arguments that so that it could revoke its Pledge and sue. For example, Bb has repeatedly stated that it does not know whether other companies infringe, yet knowledge of the act sanctioned is required for estoppel. See *Young v. Amoco Production Co.*, 610 F. Supp. 1479, 1487 (E.D. Tex. 1985). Also, to prove estoppel any potential defendant must prove that it relied on Bb's Pledge, and not on the advice of counsel as to its rights. See *Hall v. Aqua Queen Manufacturing Inc.*, 93 F.3d 1548, 1558 (Fed. Cir. 1996). It would appear that Bb has carefully protected at least both of these escape routes.

power after the merger. (*E.g.*, DX 224 at 5). However, almost immediately upon completing its merger, Bb turned to this Court and now asks the Court to enter a permanent injunction to eliminate the very competition that Bb told the Department of Justice justified the merger.

Worse yet, from before the time of its first submission to the Department of Justice, Bb knew that the PTO had allowed the patent. (*Compare e.g.*, PX 2 at Bb5023468-72, Sup. Notice of Allowance dated August 18, 2005 and DX 224, McDermott Will & Emory letter to DOJ dated January 19, 2006.) Bb, nevertheless, continued to ask the Department of Justice to approve the merger because competition was “robust and *increasing*” (DX 224 at 1), “vigorous and growing” (DX 224 at 2), and because of the “vigorous competition that Bb faces and *will continue to face*.” (DX 304 at 1). Bb never told the Department of Justice that Bb had been issued a patent that it planned to use to hobble or eliminate competition in the CMS market. Bb went so far as to argue to the Department of Justice that “Bb will not be able to raise prices or otherwise impact competition unilaterally because of the increasingly strong competition from these numerous and diverse sources.” (DX 305 at 1).

IV. THE COURT SHOULD NARROWLY CRAFT ANY INJUNCTION TO PERMIT D2L TO SELL NON-INFRINGEMENT PRODUCTS AND SERVICES.

A. The Court Should Limit Any Injunction To Those Product(s) Or Service(s), Or Combination(s) That The Jury Found To Infringe.

As explained in Section II, a court should only enjoin those product(s), service(s), or combination(s) actually found infringing by the jury, and any other products and services not “colorably different” from those products. *Int’l Rectifier Corp.*, 383 F.3d at 1317. If the Court finds that the jury verdict provides a sufficient basis to determine which product(s), service(s), or combination(s) infringe, which D2L disputes, it should word any injunction to cover only those product(s), service(s), or combination(s) and no others.

B. The Court Should Expressly Exclude Any “Hosted” Products And Services Provided In Canada From Any Injunction.

The Federal Circuit has held that a party legally cannot infringe a method patent issued by the United States government if it performs any step of the method outside of the United States. *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005). Bb’s expert (Dr. Jones) opined that Step (a) of Claim 36, the “establishing step,” occurs when D2L installs or upgrades the product. (Tr. 642:19-643:2) He further testified that D2L performs this step in its facilities in Canada. (Tr. 565:15-566:2; 668:24-669:12; 796:2-17) Steps (c) and (d) of Claim 36, the “providing steps,” require the provision of access and control based on predetermined roles. If these steps occur at all for D2L hosted clients, they also occurred in Canada. The server and databases located in Canada determine whether a user has access to a file and, if so, provide that file to the user. (Tr. 565:15-566:2; 588:11-589:15) Bb has argued that users of the course management system are in the United States, but the system is what is providing access to users. Bb wrote the steps in such a way that the course management system *providing* the access performs the step, not the user in the U.S. who *receives* the access. Bb could have been written the steps as “receiving” access and control based on predetermined roles but did not. Thus, as a matter of law, D2L’s hosted systems do not infringe Claims 36-38.

Nor does it appear that the jury found that hosted systems infringe the ’138 Patent. As the Court noted in denying D2L’s motion for judgment as a matter of law, when the jury awarded Bb significantly less than it sought, the jury must have understood the Court’s instructions and properly excluded from its calculations those clients that are hosted by D2L. (Tr. 2488:10-2489:5) The jury’s verdict on lost profits underscore this point. The jury awarded only awarded 16% of the requested amount, indicating that the majority of the lost profit clients do not infringe the patent. Three out of the 19 clients for which Bb sought lost profits were self

hosted. (See Px 145; Ex. H, Ugone Sup. Ex. 43; Ex. I, Ugone Sup. Ex. 44). The rest are hosted by D2L. (See Px 145; Ugone Sup. Ex. 43; Ugone Sup. Ex. 44). Three out of 19 is 15.79 %, which is strikingly close to the 16% award made by the jury.

C. The Court Should Expressly Exclude Course Management Systems Without (1) “Sample” Or “Default Roles”; (2) Role Categories.

Claims 36 through 38 of the ‘138 Patent all require that the course management system have multiple predetermined user roles, including a student user role. Dr. Jones opined that D2L’s Learning Environment product had predetermined roles because (1) it had “sample” or “default” roles, and (2) it had role types of student, instructor and administrator set in the source code of the system. (Tr. 633:21-634:3) Because the Learning Environment product was designed and intended for the use of these roles, Dr. Jones believed that it met this claim limitation. (Tr. 634:4-8) Dr. Jones testified that he found “sample” or “default” roles in the modified 8.2.2 software as well. (Tr. 701:14-19)

Under settled Federal Circuit law, a court should only enjoin those product(s), service(s) or combination(s) actually found infringing by the jury and not other products and services “colorably different” from the infringing products. *Int’l Rectifier Corp.*, 383 F.3d at 1317. Bb based its entire infringement case on Dr. Jones’ opinion that “sample” or “default” roles and role types or role categories met the “predetermined roles” limitation of the claims. Therefore, a course management system without such “sample” or “default” roles and role types or role categories would be far more than “colorably different” from any products and services covered by the jury’s verdict. The Court therefore should expressly exclude any course management systems without such roles and role categories from the scope of any injunction.

D. The Court Should Not Enjoin D2L From Selling Products That Were Never Accused of Infringement.

Boldly and without any legal support, Bb seeks an injunction that broadly enjoins D2L

from selling any products in the United States—hosted or self-hosted, containing predetermined roles or not, containing a single login or not—for at least the next 90 days.

The Federal Circuit, however, has held that it is legally improper for an injunction preemptively to enjoin potential design arounds. See *KSM Fastening Systems, Inc. v. H.A. Jones Co., Inc.*, 776 F.2d 1522, 1530-31 (Fed. Cir. 1985) (redesigns are properly addressed through either contempt hearings or new litigations of infringement).⁴ If D2L releases a design-around and Bb contends that the new product infringes the patent, Bb should make a motion to find D2L in contempt for violating the injunction. *KSM Fastening Systems, Inc.*, 776 F.2d at 1530-31. At the contempt hearing, the Court should determine whether the new product is “colorably different” from any product(s) covered by the injunction. *Id.* If the product is “colorably different,” then Bb must seek a new trial and prove to a new jury that the new product infringes. *Id.* Either during the contempt hearing or during discovery for the new trial, Bb can seek discovery regarding the new product and what changes have been made to the product. Bb also can seek to have its expert review the new product at that time. Bb provides no reason and legal support for its proposed preemptive injunction.

On the other hand, the proposed moratorium on design-arounds—even if non-infringing design-arounds—will cause tremendous hardship to D2L. (Ex. G, Baker Decl. ¶¶ 6-8). Many educational institutions and state wide consortiums have announced the intention to make purchasing decisions in the next three months. (*Id.*, ¶ 6). D2L anticipates having a non-infringing design-around available to sell to these institutions and consortiums. (*Id.*, ¶ 7). Implementing a 90 day moratorium on design-arounds would effectively preclude D2L from

⁴ This procedure is well-settled. At least 24 decisions from the Federal Circuit have relied on *KSM*, including *Int’l Rectifier Corp.*, 383 F.3d at 1316; *Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1349 (Fed. Cir. 1998); *Bass Pro Trademarks, L.L.C. v. Cabela’s, Inc.*, 485 F.3d 1364, 1364 (Fed. Cir. 2007).

competing for the vast majority of sales opportunities for 2008. (Id., ¶ 6). Because many of these institutions will make decision for years into the future, the moratorium would have a disproportionate affect on D2L over the long-term. (Id.)

There is no need to give Bb a preemptive investigation of new products, especially one that lasts for 90 days, coincidentally during the time when D2L intends to compete. If the new product is found to be infringing, Bb will be appropriately compensated for any sales made of the new product by D2L.

V. ANY ONGOING COMPULSORY LICENSE SHOULD BE AT A RATE OF 10%.

Bb's request that the Court impose a 25 % royalty on products and services is unreasonable. Indeed, Bb's request is based on the declaration of Dr. Ugone, which is based on the same arguments that was presented to the jury in connection with the reasonable royalties. (Ex. A, Britven Decl. ¶¶ 4-8). The jury, however, plainly rejected the 25% royalty rate sought by Bb and advocated by Dr. Ugone. In fact, the royalty rate on the jury's damages award for the reasonable royalty component, assuming that the jury determined that both D2L hosted and Self hosted clients infringed, was approximately 9.6%. Ex. A (Britven Decl. ¶4, 30 & Attachment I). Accordingly, under this scenario, the jury determined that a 10% royalty rate was reasonable to compensate Bb for D2L's infringement. Not satisfied with the jury's damage award and the 9.6% royalty rate, Bb now requests that this Court ignore the jury's findings and increase the royalty rate by nearly 167%. There is no rational bases to ignore the jury's findings and increase the royalty rate by the magnitude that Bb now requests, especially premised on arguments that were already considered and rejected by the jury. (Ex. A, Britven Decl. ¶30).

Moreover, the undisputed evidence showed that D2L could not afford to pay a 25% royalty rate. (Tr. 1993:4-12; ; Ex. A, Britven Decl. ¶¶5, 12). The royalty rate cannot be set so high that it would force D2L out of the market as that would be the same as an injunction.

Taking all of these factors into consideration, a royalty rate of 10% is more than adequate to compensate Bb. (Id., ¶13). This rate is equal to or slightly greater than the rate that the jury determined was adequate to compensate for D2L's infringement. Further, although financially uncomfortable and having an impact on D2L's ability to compete, D2L may remain in the market. (Id., ¶¶5, 12).

VI. JUDGMENT

Bb's proposed permanent injunction order also proposed language regarding judgment in this case. The Court should correct the judgment for several reasons. First, the judgment should state that claims 1-35 of the '138 patent are invalid for indefiniteness for failing to comply with 35 U.S.C. § 112 ¶ 6. Second, the Court should reject the suggestion that it may award attorneys fees to Bb as the Court already decided this issue from the bench. (Tr. 2492:21-2493:10). The judgment should reflect the Court's denial of any award of attorneys fees to Bb. Third, the judgment should deny all relief not specifically granted. Fourth, D2L disputes the amount of prejudgment interest calculated by Bb, as more fully explained in its response brief to Bb's motion for prejudgment interest.

VII. CONCLUSION

For the foregoing reasons, the Court should deny Bb's motion for a permanent injunction or in the alternative issue an injunction limited to barring D2L from offering only those product(s), service(s) or combination(s) the jury specifically adjudged to infringe. If the Court determines a compulsory royalty rate is appropriate, it should apply a rate of 10% to D2L's current U.S. customers and any new U.S. customers of self-hosted systems that use Learning Environment 8.2.1 and earlier versions. No compulsory royalty rate should begin for the clients Bb was awarded future lost profits for until the time period of the future lost profits expires.

Dated: March 6, 2008

Respectfully submitted,

/s/ Jonathan R. Spivey
Jonathan R. Spivey

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CERTIFICATE OF SERVICE

I hereby certify that on March 6, 2008, that a true and correct copy of **Desire2Learn's Response to Bb's Motion for Permanent Injunction** was filed electronically in compliance with Local Rule CV-5(a). As such, this document was served on all counsel who have consented to electronic service.

/s/ Jonathan R. Spivey
Jonathan R. Spivey

EXHIBIT A

(FILED SEPARATELY UNDER SEAL)

EXHIBIT B

1 systems.

2 And the court finds that it would be helpful
3 for the jury to see just a sample example of this system
4 running; and, so, I'm going to overrule that objection.

5 Okay. Then, the next question comes up on
6 the expert, raised by Desire2Learn, on the damages
7 report by Keith Ugone. There is no objection to
8 updating of the sales data. The other part dealt with
9 the way he has updated to break it down so that the jury
10 would have a basis for deciding if certain of the
11 accused systems or embodiments used by certain customers
12 were, in fact, not infringing because part of them
13 were -- was done in Canada, for example. The jury would
14 have a basis for saying, okay, the ones, for example, at
15 Tennessee and Ohio partly are done in Canada; therefore,
16 they don't infringe -- or I might actually decide that
17 as a matter of law, either way. But maybe the ones at
18 Duke and Cornell, there's no evidence that anything has
19 been done in Canada; and it's proven to be done entirely
20 in this country. From what I can tell, this supplement
21 is basically just breaking the damages down that way. I
22 do not see any new methodology, any new way of
23 calculation. I don't think that is an unfair surprise,
24 especially in light of my comments to the parties at the
25 final pretrial, pointing out that particular problem.

1 And, so, I'm going to overrule that objection.

2 MR. NORROD: Your Honor, if I could very
3 briefly. Could we bring up Exhibit 42?

4 Your Honor, the one thing that Mr. Ugone did
5 not do was break it down between the United States and
6 Canada. There are many breakdowns, various dates,
7 various permutations. But the one thing that he did not
8 do was the thing that you asked him to do, which was to
9 break down between the U.S. and Canada. We were well
10 aware you had mentioned that the U.S. and Canada might
11 be a problem. Here's this Exhibit 42 where he does the
12 breakdown, and then the next page. You see various
13 dates and various permutations of installations and
14 upgrades because there is no reference to Canada. There
15 is no reference to the United States. And, so, of all
16 these various permutations he created the four different
17 sets with the multiple subsets, Canada is the one thing
18 that's not there.

19 THE COURT: Well, I don't think he would have
20 to say Canada. He would be talking about different
21 groupings because I'm sure their position is none of
22 them are in Canada; your position is all of them are in
23 Canada. That's going to have to be decided. But I
24 still think they get to say, okay, if I decide that
25 Group 1 is, in fact, noninfringing because it's not all

1 in the United States, then they may still be able to
2 prevail on the other groups. So, that's overruled.

3 I also got, this morning -- okay. There is
4 this issue about claims 1 through 35 as far as the
5 determination. We got into that because the -- if we
6 recall, the plaintiffs wanted to get in the comments --
7 in fact, brought up in opening the comments made by one
8 of the executives of Desire2Learn about if this is held
9 valid or if this is enforced, it will cover everything.
10 And my understanding also is is that there is a -- still
11 a push on the part of plaintiffs to go for willfulness
12 and they have to show objective -- it's now objective
13 criteria under the latest case. So, I think it is --
14 defendant is allowed to point out that at least some of
15 the claims have, in fact, been determined to be invalid.
16 I mean, I don't think you can have your cake and eat it,
17 too.

18 And I brought this up to you before and I
19 recall I believe Mr. Morisseau said, well, they
20 understood but they were going to keep with those
21 theories and keep with that exhibit. So, I am going to
22 allow the defendant to put it in terms of the, you know,
23 claims 1 through 35 are invalid and are not at issue;
24 but we're not going to be talking about who did it or
25 when or wherever.

1 MR. DASSO: Your Honor, same objection.

2 THE COURT: Overruled.

3 A. For schools that are using a course management
4 system or using that type of technology, we probably
5 have just over 80 percent of all of the schools that are
6 using the system, are using Blackboard.

7 Now, if you were to limit that, though, to
8 schools that actually have purchased a commercial course
9 management system -- and what I mean by that is a course
10 management system that they paid for provided by a
11 vendor as opposed to maybe some free software or
12 something they've built themselves -- if you look at
13 schools that have purchased a commercial course
14 management system, I'd say we have over 90 percent of
15 the market today.

16 BY MR. MORISSEAU:

17 Q. Okay. I want to make sure the record is clear on
18 this. With respect to the folks out there selling
19 commercial course management systems like you and
20 Desire2Learn and the other competitors, you have what
21 percentage?

22 A. Of schools that are using a course management
23 system, I'd say that over 90 percent of those schools
24 are using a Blackboard course management system.

25 Q. Then you've responded that some people use free

1 software?

2 A. Yes.

3 Q. Can you explain what you mean by that, sir?

4 A. When a school is looking to start using course
5 management system technology, the majority of them are
6 interested in using what we call a commercial provider,
7 a professional vendor that is focused on building and
8 improving a software that offers services, that offers a
9 phone support, can help them install the product. There
10 is a section of the market that likes to build their own
11 product. So, they may either develop internally their
12 own system; they may start using what's called open
13 source or free software that they can take some of the
14 components and customize into making a course management
15 system on their own. So, there is some subset of the
16 market that just likes to build their own.

17 Q. And your percentage of the market share when you
18 include the "build their own" types is what, sir?

19 A. So, again, of schools that have a course management
20 system, whether or not they're using one from a vendor
21 like Blackboard and Desire2Learn or have built their own
22 or are using an open source version of the software,
23 would probably be just over 80 percent.

24 Q. Now, I want to just talk about the commercial ones;
25 and then we'll talk about building their own in a

1 Desire2Learn is actually using its own course management
2 system?

3 A. Yes, it is.

4 Q. Now, are there Desire2Learn customers who do not
5 use Desire2Learn's hosting services?

6 A. Yes. There are several customers in -- or many
7 customers in the United States who run the Desire2Learn
8 Learning Environment software on their own computers.

9 Q. Okay. Have you prepared a slide that would
10 illustrate these different types of Desire2Learn
11 customers, whether they are hosted or self-hosted?

12 A. Yes, I have.

13 MR. BRIGHT: Let's go to Slide 18.

14 BY MR. BRIGHT:

15 Q. So, we have two types of Desire2Learn customers
16 here. One is hosted on the left, and the other is
17 self-hosted on the right. Doctor, why don't you just
18 describe this for us.

19 A. Okay. On the left we have the hosted system.
20 Here, as we said, Desire2Learn is running the
21 Desire2Learn system; and they are doing this on their
22 computer system in Canada for clients in the United
23 States. So, the servers are running up here in Canada
24 in this case; and say, for example, as you'll see later,
25 for example, the University of Tennessee system asks

1 Desire2Learn to do that. So, the customers -- the users
2 are in the United States, and the servers are in Canada.

3 In the self-hosted case, this is where
4 everything happens typically at the university. So, for
5 example, at Marquette University, Marquette runs the
6 Desire2Learn software themselves; and its students and
7 faculty are also at Marquette.

8 Q. Now, where are the users in these two situations?

9 A. The users are in the United States.

10 Q. So, both in the hosted situation and in the
11 self-hosted situation, the users are in the United
12 States?

13 A. Yes, the users are in the United States.

14 Q. Now, do you see the server there? It's a little
15 hard to see, but it says "course management system
16 server" --

17 A. Yeah.

18 Q. -- there in the hosted situation as well as in the
19 self-hosted situation. Can you just tell us what the
20 server is?

21 A. The server is the computer on which the
22 Desire2Learn software and databases are running.

23 Q. Now, let me ask you: Do we have a definition from
24 Judge Clark about what a user is in the Blackboard
25 patent?

1 in my class. They'll have access to grades and other
2 materials so that they can enter grades for the
3 students. But they will be taking their own classes as
4 well, and they will be a student in those classes, so
5 that they would not be able, of course, to enter grades
6 for other students where they are a student or enter
7 their own grades, for that matter.

8 Q. And is that a typical situation, doctor?

9 A. Yes. That's a situation at virtually every
10 university.

11 Q. Does the Blackboard patent illustrate how a single
12 user is both an instructor and student?

13 A. Yes, it does.

14 MR. BRIGHT: Let's go to Slide 27.

15 BY MR. BRIGHT:

16 Q. And here we're seeing figure 39 from the Blackboard
17 patent. Go on, doctor.

18 A. Okay. So, this is a high-level view of how the
19 system is organized; and what we're seeing in this
20 picture is that we have multiple users -- here is a
21 (indicating) group of student users sitting at their
22 computers. Here are instructor users (indicating) and
23 administrator users at their computers. They're all
24 operating over the Internet. This user (indicating),
25 however, plays the role of both instructor and student.

1 So, this user in some courses will be an instructor and
2 in others will be in the student role.

3 And, of course, down here (indicating) --
4 actually if we can go to the next slide.

5 Down here (indicating) we see highlighted --
6 we see highlighted down here the system server. This is
7 where the course files are stored, and it's also where
8 the levels of access and control. This is -- we have
9 the course files as well as a determination of who gets
10 to see those course files, and this is all going on on
11 the server computer.

12 So, the users have their own computers; and
13 the Desire2Learn software and database is running down
14 here (indicating) on the system server. All of these
15 users are interacting with that over the Internet.

16 Q. Okay. And, so, these other user computers that
17 just say "student user" or "instructor user" or
18 "administrator user," those are users that just have one
19 role?

20 A. That's correct.

21 Q. Okay. And what is an administrator?

22 A. An administrator in this system would be the person
23 who runs the system. So, we're not talking about the
24 president of the university or something like that.
25 We're talking about a computer administrator, someone

1 providing levels of access and control to course files,
2 I found that in the Desire2Learn manuals and contracts,
3 in the Desire2Learn source code, in the Desire2Learn
4 database, in the deposition testimony -- for example, we
5 just saw the testimony of Brian Cepuran. And previously
6 we had looked at database information from the
7 customers, and in that same database information is
8 information -- is the permission information associated
9 with those roles.

10 Q. So, now we've talked about the multiple roles in
11 the Desire2Learn system, the roles providing levels of
12 access and control over course files. Let's go on to
13 the next subject of your investigation.

14 What is the next topic we're going to talk
15 about, doctor?

16 A. We're going to focus on roles being set in advance
17 within the system. Recall that was part of the judge's
18 construction which we'll see in more detail later. But
19 here we're going to be looking at whether roles are set
20 in advance within the system.

21 And I found this in four ways in the system.
22 First, Desire2Learn provides default roles, that we saw
23 earlier, to its customers and these are set in advance
24 within the system.

25 They have role types which we'll be seeing in

1 a little bit, second point, role types of student,
2 instructor, and administrator; and these are in the
3 database in the Desire2Learn source code.

4 We'll see that the Desire2Learn products are
5 specifically designed for these roles and that the
6 intended use of the Desire2Learn products as described
7 in the manuals is specifically for those -- for just the
8 roles of student, instructor, and administrator.

9 Q. So, let's start with your first reason. What do
10 you mean there are default roles in the Desire2Learn
11 database?

12 A. Well, these are the roles that are provided on a
13 standard installation of Desire2Learn's clients, the
14 roles of student, instructor, and administrator.

15 Q. And who uses the word "default" to describe those
16 roles?

17 A. That's from Desire2Learn's manuals that we saw
18 earlier.

19 MR. BRIGHT: Let's go to Slide 82.

20 BY MR. BRIGHT:

21 Q. What are we seeing here?

22 A. Here again we're seeing Plaintiff's Exhibit 85,
23 pages 1 and 76. This is that "Managing Roles and
24 Security Settings" document and this is an excerpt from
25 it where talking to their customers, your initial

1 A. Yes.

2 Q. Have you seen evidence of the use of role types in
3 the Desire2Learn source code?

4 A. Yes, I have.

5 Q. Would you like to show us that evidence?

6 A. Yes. This is Plaintiff's Exhibit 22, page 4; and
7 this is a file called "processEditRole.asp." This piece
8 of the source code is associated with creating the new
9 role. We saw that screenshot earlier. Well, this is
10 the source code that is associated with that screenshot.

11 And what we see here is setting a roleId.
12 So, if they have selected isStudent, set it to 1;
13 isTeacher, 2; isAdmin, 3, this ties into that database
14 data we just looked at in the previous slide where we
15 had 1, 2, and 3 being teacher, student, administrator.

16 And following that, Desire2Learn source code
17 calls a database function that will set the default
18 security based on that role type.

19 Q. Okay. And here we're looking at Plaintiff's
20 Exhibit 22, page 4. Can you tell us what conclusion
21 you've drawn from this evidence?

22 A. Yes, that the roles and associated permissions are
23 set in advance within the system, just like the
24 Blackboard patent.

25 Q. So, we've been talking about the roles being set in

1 advance within the Desire2Learn system. When are they
2 set in advance within the system, doctor?

3 A. They are set in advance when Desire2Learn, for
4 example, installs the system.

5 Q. Is there any deposition testimony you'd like to
6 show us?

7 A. Yes.

8 So, again, this is deposition testimony from
9 Kenneth Chapman, the product manager, speaking on behalf
10 of Desire2Learn. Asked how those roles are configured
11 as part of a standard installation for clients, and his
12 answer is that "In the standard installation we've got
13 our three role templates." And what those role
14 templates are, what we've been referring to as the
15 "permissions" associated with these three role types.

16 Q. Anything else you'd like to show us?

17 A. Yes.

18 Q. What is this?

19 A. This is another Desire2Learn document. This is
20 Plaintiff's Exhibit 329, pages 1 and 5. This talks
21 about what Desire2Learn does when they install and
22 configure their Learning Environment.

23 Down here (indicating) we see one of the
24 things they do as a deliverable associate with these
25 services is that they create the initial users and the

1 Q. Okay. Can you tell us what Plaintiff's Exhibit 135
2 tells you?

3 A. Yes. This is a list of Desire2Learn's clients or
4 customers; and it gives upgrades of one -- tells the
5 dates for when certain -- well, the dates when products
6 were updated for those customers. One example would be
7 updating from 7.4 to 8.1. They tell if that's happened
8 for each client and the date on which it happened.

9 MR. DASSO: One second, your Honor.

10 BY MR. BRIGHT:

11 Q. And while we're waiting, doctor, can you look at
12 Plaintiff's Exhibit 598 and 599?

13 Doctor, do you have those in front of you?

14 A. Yes.

15 Q. Can you tell us what Plaintiff's Exhibit 598 and
16 599 tell you?

17 A. Yes. Those are updated versions of the same
18 exhibit, showing when -- on what dates, how software was
19 updated at each of the customers.

20 Q. And what conclusion do you draw from that evidence?

21 A. That Desire2Learn has updated the software at its
22 customers; and when it updates it, it is performing
23 Step A of 136 claim 36.

24 Q. You mentioned installations by Desire2Learn as an
25 instance when Desire2Learn has done Step A of claim 36.

1 When do installations occur? Through what services?

2 A. Through Desire2Learn's implementation services.

3 Q. Did we talk about those implementation services
4 earlier?

5 A. Yes. I showed you the Web site where Desire2Learn
6 describes what its implementation services do.

7 Q. Now, other than installations and upgrades, how
8 often does Desire2Learn do Step A?

9 A. When Desire2Learn is operating the system in a
10 hosted mode -- so, this is where Desire2Learn is running
11 the software for their customers, on a daily basis they
12 are establishing this for the users in everyday usage.

13 Q. Can you explain that?

14 A. Yes. Desire2Learn is -- if you look at the claim,
15 they are establishing this capability for the users; and
16 they are doing that establishment when they are running
17 the software. Every day they are doing that. They
18 are -- like we talked about before, this is happening
19 where the users are. This is -- in this case we're
20 talking about the United States. So, if they are
21 hosting this software for the University of Tennessee
22 system but the users are in the University of Tennessee,
23 then they are establishing that where those users are.

24 MR. BRIGHT: And, your Honor, I'd like to
25 offer at this time Plaintiff's Exhibit 598 and 599

1 A. Yes.

2 Q. Anything else you'd like to show us?

3 A. Yes. Also, for version -- actually, that should
4 just be 8.2.2. This is from the database associated
5 with Version 8.2.2. These are, again, the three roles
6 of student, teacher or instructor, and administrator,
7 the same roles that we saw in the Blackboard patent, the
8 same roles that we saw in the manuals, the same roles
9 that we saw in the 8.1 database. We see them here as
10 well.

11 Q. And here we're looking at Plaintiff's Exhibit 29,
12 page 62?

13 A. Yes.

14 Q. Do you understand that Desire2Learn has said that
15 it has removed the default roles from these new software
16 versions?

17 A. Yes, I do.

18 Q. Do you agree?

19 A. No. I found them still to be in there.

20 Q. And what do the default roles do in these new
21 software versions?

22 A. They perform exactly the same function as they do
23 in the other versions. They provide a level of access
24 and control to course files.

25 Q. Anything else you'd like to show us?

1 A. Yes, I do.

2 Q. And we talked about hosted and self-hosted sites.

3 Do you remember that generally?

4 A. Yes, I do.

5 Q. And hosted -- in hosted sites D2L offers the
6 customers the option to host the system up in Canada;
7 isn't that right?

8 A. That is correct.

9 Q. And under a hosting situation, when D2L
10 purchases -- D2L supplies all of the hardware and
11 software required to run the system; isn't that right?

12 A. Yes, they do.

13 Q. And once the system is used by the customer, it's
14 your opinion that all of the conditions giving rise to
15 infringement are met within D2L's facilities; isn't that
16 right?

17 A. Essentially.

18 Q. And you understand, sir, that D2L's facility is
19 located in Canada; isn't that right?

20 A. I do understand that, yes.

21 Q. Now, sir, during the course of your direct
22 examination you talked about the doctrine of
23 equivalents. Do you remember that?

24 A. Yes, I do.

25 Q. And you indicated that even if some elements of the

1 vice-president of sales at Blackboard?

2 A. Well, running the global sales organization has a
3 lot of things that I do. Most important is assigning
4 out our territories, making sure that the people are
5 fairly paid, properly trained so they can service our
6 clients.

7 Q. Do you manage the sales force?

8 A. Yes, I do.

9 Q. Do you also analyze and study, you know, kind of
10 the market, the competition?

11 A. Well, in order to have our sales professionals
12 properly trained, I do spend a lot of time looking into
13 the competition and the general nature of what's going
14 on in the field so we can set aside the proper amount of
15 time to educate them and enable them to deal in the
16 competitive market that we deal in.

17 Q. How do you study the market for Blackboard?

18 A. Well, there's a number of different ways.
19 Obviously I do a lot of work on the Internet, looking up
20 different companies that we compete with. I also talk
21 to our customers. Because the interesting part about
22 our business is although we have 3500 customers
23 worldwide, many of them use more than one product. So,
24 we hear about the other competitors simply from talking
25 to many of our customers.

1 A. At the end of 2006, we were a little bit shy of
2 2500 clients.

3 Q. So, between 2006, at the end of that year and the
4 end of 2007, Blackboard had a net increase of about 100
5 customers; is that right?

6 A. That is correct.

7 Q. In your five-plus years at Blackboard, could you
8 describe for us generally how many customers Blackboard
9 has had during that time?

10 A. Yes. So, we've -- you know, we've been fortunate.
11 We've seen a steady increase in our customers each year
12 successively.

13 Q. Has Blackboard always been able to handle the
14 demand for those additional customers?

15 A. We have been able to handle that demand. We have a
16 large infrastructure, you know, for a company our size.
17 We're able to add additional clients without any impact.

18 Q. Thank you.

19 MR. FOSTER: Pass the witness.

20 CROSS-EXAMINATION OF BRIAN ALEXANDER

21 CALLED ON BEHALF OF THE PLAINTIFF

22 BY MR. NORROD:

23 Q. Mr. Alexander, it is Blackboard's strategy to have
24 annual price increases?

25 A. That is correct, unless someone signed a multiyear

1 contract.

2 Q. And, also, sir, the figures that have been given to
3 the jury in those spreadsheets, are those U.S. sales
4 only or does that also include Blackboard's sales into
5 other countries?

6 A. The information we talked about is total company.
7 That's how we look at the information.

8 Q. Okay. So, that's also sales into other countries,
9 right?

10 A. That is correct. It is other countries as well,
11 total company.

12 MR. NORROD: Thank you, your Honor.

13 Desire2Learn has no further questions for Mr. Alexander
14 at this time.

15 MR. FOSTER: Your Honor, if I might just
16 add...

17 REDIRECT EXAMINATION OF BRIAN ALEXANDER

18 CALLED ON BEHALF OF THE PLAINTIFF

19 BY MR. FOSTER:

20 Q. Just one follow-up question, Mr. Alexander. The
21 documents we've been looking at, you just testified that
22 they are global figures; is that right?

23 A. That is correct.

24 Q. Would you expect there to be significant
25 differences between the global figures you've talked

1 and it's hardly a surprise in that case that they are
2 going to express opinions about each other's opinions.

3 Now, obviously, some complete new form of
4 calculation or some attempt to come up with something
5 outside of the lost profits or Georgia-Pacific mode,
6 some new thing like that that's never been mentioned,
7 certainly that would be the basis for an objection. But
8 within reasonable bounds -- there's been a lot of
9 information produced to each side. I just want counsel
10 for both sides to understand this. There's some leeway
11 here. I mean, these rules are not a set of "gotcha"
12 traps given the nature of this kind of testimony.

13 I'm not saying I'll never sustain one of
14 those objections; but, you know, I do want to give
15 counsel, especially those who have not been in my court
16 before and have read all of these opinions, some
17 guidance in that regard, because I expect the same thing
18 will be coming up with the other experts and counsel on
19 this side will be concerned about the same thing.

20 Go ahead.

21 MR. FOSTER: Thank you, your Honor.

22 BY MR. FOSTER:

23 Q. Dr. Ugone, once you came up with this total of
24 1,635,232 for the royalty for the 56 contracts, what did
25 you then do in your calculations?

1 A. I think I've got one slide that will bring it all
2 together.

3 So, we've seen this slide before; and all
4 we've done is kind of put in the numbers. So, to remind
5 everybody, we've got the 75 contracts. 19 are lost
6 profit contracts. That damage figure on those 19 lost
7 profit contracts was 15.4 million.

8 The right-hand side is the damages, the
9 royalty payments associated with the other 56. That's
10 1.6 million.

11 Total damages is a summation of the two,
12 which is \$17,090,607.

13 Q. Is it your opinion that, as a result of
14 Desire2Learn's infringement of the Blackboard patent,
15 that Blackboard has been harmed in the amount of
16 \$17,090,607?

17 A. Yes.

18 MR. FOSTER: If we could just go back to
19 Slide 17.

20 BY MR. FOSTER:

21 Q. Dr. Ugone, you walked us through this particular
22 chart a little while ago. Do you remember that?

23 A. Yes, I do.

24 Q. And the Tennessee Board of Regents amount of
25 7,339,120, do you see that?

1 that you were involved in sales presentations and the
2 sales process; is that correct?

3 A. That's correct, yes.

4 Q. And can you tell the jury what D2L or Desire2Learn
5 typically focuses -- the features and aspects that the
6 company typically focuses on in its sales presentations?

7 A. Sure. We don't usually put an enormous amount of
8 our focus on any one specific feature. We kind of focus
9 on three themes. So, one of those is the sheer number
10 of users that we can support in one installation of our
11 product.

12 So, you know, a lot of our competitors, you
13 know, they may be able to support 50,000 users, maybe
14 75,000 users in one version of the product; and we
15 regularly support 200,000, 300,000 or more. So, this
16 let's us work with an entire state and have all of the
17 colleges and universities in an entire state use our
18 product; and they don't have to spend money at each
19 individual campus for support staff or to buy all the
20 computers that are needed to support the product.

21 Q. And you described that first item as "enterprise
22 scalability"? Is that what you --

23 A. "Enterprise scalability" is how we characterize
24 that, yeah.

25 Q. And the second major area to focus on?

1 A. The second major area we've sort of seen in the
2 demo is flexibility. So, the fact that we don't try to
3 dictate an approach to teaching online to schools but we
4 create a really flexible product that they can tailor to
5 meet their needs -- and I guess that ties into the last
6 theme, which really isn't about the product at all but
7 more our philosophy that we want to work closely with
8 schools and understand what their needs are and we
9 typically try to work with schools that are really
10 pioneering, that are really trying to do a lot of new
11 things with this sort of technology. And we want to be
12 there to help them solve that using our products.

13 Q. In your experience, sir, is this culture and this
14 idea of partnering with a client important in the sales
15 process?

16 A. It's probably one of the most important aspects of
17 it.

18 Q. Why is that?

19 A. I think it really differentiates us as a company.
20 We -- I think that's -- you know, when we come in and
21 work with clients, they can see that we really are
22 passionate about improving teaching and learning. You
23 know, we love our products and we really like to learn
24 more about how we can improve them. And it's -- I think
25 it's refreshing for a lot of clients.

1 Q. And, sir, do the sample roles and role category
2 features constitute a significant part of the sales
3 presentation process?

4 A. It's never come up in my experience.

5 Q. And why is that?

6 A. It's not a significant feature of the system.

7 Q. And do you consider sample roles and role
8 categories to be a -- constitute core features of the
9 product?

10 A. No.

11 Q. Can you tell the jury why not?

12 A. It's using the -- setting up roles, you know, if
13 there were no sample roles and to create them all from
14 scratch, it's -- creating and setting up roles isn't
15 something that's done very often. Usually when an
16 institution purchases our product, they'll spend the
17 first few weeks getting comfortable with what roles they
18 want to have, what permissions or what functions can
19 each role use; and then after that, they typically don't
20 touch it or don't change it that often.

21 You know, they may look at it at the end of
22 each semester to make sure everything is still working
23 properly. They may add a role here or there if they
24 have a brand-new program or a brand-new type of idea.
25 But it's not a tool that they use on a day-to-day basis.

1 Can you explain to the jury why you believe using this
2 300-dollar-an-hour number was conservative?

3 A. Because the \$300 an hour we were saying it cost us
4 to build this -- when we charge \$300 per hour, we
5 actually make some money on that.

6 Q. So, the cost to you was actually less than that.

7 A. That's right, yeah.

8 Q. And, sir, what was the cost of making this
9 modification in November of 2007?

10 A. I believe the cost was \$26,000.

11 Q. Is the modification complete, sir?

12 A. Yes. We're finished with that modification now.

13 Q. And that modification has been released to the
14 consumers?

15 A. Yeah. It was released on November 21st of 2007.

16 Q. Is there -- the old software, is that still
17 available?

18 A. It's still available; but whenever clients take
19 upgrades now, they will move to the version of the
20 software that has these modifications. And we encourage
21 our clients to always take our latest upgrades, and we
22 provide those upgrades for free. So, there is no cost
23 to the client to upgrade.

24 Q. How about for new customers? Can they still go
25 back and buy the old software?

1 as to the relative pricing of Blackboard's products and
2 Desire2Learn's products?

3 What was your response at that deposition,
4 sir?

5 A. Generally we would be higher.

6 Q. And by "we," you meant Desire2Learn?

7 A. Yes.

8 Q. And just to be clear, I asked you a follow-up
9 question at that deposition. I asked you (reading)
10 Desire2Learn's prices are higher than Blackboard's?

11 What was your response?

12 A. "Yes."

13 Q. Now, in your direct examination with Mr. Norrod,
14 you talked about competition in the marketplace. Do you
15 remember that?

16 A. Yes.

17 Q. You talked about a number of features that you
18 believe make folks want to buy Desire2Learn's products;
19 is that right?

20 A. That's right.

21 Q. Even so, Blackboard has a significantly higher
22 share of the market than Desire2Learn does, doesn't it?

23 A. Yes.

24 Q. In fact, Desire2Learn's market share is only about
25 10 percent of the CMS market; isn't that right?

1 A. Yes.

2 Q. Blackboard's market share, on the other hand, is
3 about 75 percent of the market, isn't it?

4 A. Yes.

5 Q. There are a number of other competitors in the
6 marketplace that are even smaller than Desire2Learn,
7 aren't there?

8 A. Yes.

9 Q. Such as ANGEL. ANGEL's a smaller competitor than
10 Desire2Learn; isn't that right?

11 A. Yes.

12 Q. And eCollege, eCollege is a smaller competitor in
13 the market than Desire2Learn; is that right, as well?

14 A. Yes.

15 Q. Open source companies like Moodle and Sakai, they
16 are -- also had smaller competitors in the market than
17 Desire2Learn?

18 A. Yes.

19 Q. In fact, open source companies like Moodle and
20 Sakai, they appeal to a different kind of customer than
21 Blackboard or Desire2Learn; isn't that right?

22 A. In some ways.

23 Q. And one of those ways is that Moodle and Sakai
24 appeal to customers who are looking for software for
25 free; isn't that right?

1 A. No. No, that one doesn't mention the patent,
2 either. It talks about the competition, doesn't mention
3 the patent.

4 Q. Are there other reasons that you disagree with
5 Dr. Ugone's Assumption Number 2, that D2L cannot compete
6 without using the patented invention?

7 A. Yes. I went to the Blackboard Web site. And I
8 believe part of that's been produced in the form of a
9 document.

10 Q. I point you to Defendant's Exhibit 258. And can
11 you tell us what Defendant's Exhibit 258 is?

12 A. 258 is a document that also appears on the
13 Web site, from what I can determine; and it compares the
14 competition between Blackboard and some of its
15 competitors. And that's what this is discussing.

16 Q. Okay. And does the document also have a checklist,
17 if you will, of features of various products in the CMS
18 market?

19 A. Yes, it does. It actually has quite a few pages of
20 features, and then there is a side-by-side comparison
21 between Blackboard, WebCT, Desire2Learn, and ANGEL
22 relative to all these various features.

23 Q. Is there a place in the document where Blackboard
24 touts up, if you will, the number of features in the
25 various products?

1 A. Yes. If we could go to the very end --

2 Q. Okay. And what does Blackboard find in terms of
3 the number of features of the product?

4 A. So, this document shows that Blackboard has a total
5 of 353 features; and those features have been compared
6 to the feature sets of WebCT in the next two columns and
7 then Desire2Learn in the column second to the right.
8 And it shows here that Desire2Learn has 133 features.
9 The WebCT programs have about 150 or so, a little bit
10 less. And then ANGEL is right in there at 145.

11 Q. Mr. Britven, why does the number of features tend
12 to indicate that Dr. Ugone was wrong in his assumption?

13 A. Well, what this document tells me is that you don't
14 need 353 features to compete with Blackboard; and
15 clearly that's what this document is saying.
16 Desire2Learn only has 133 features based on this
17 document alone.

18 Q. And does this document include the patented feature
19 as one of the features that's discussed?

20 A. Well, I tried to find a patented feature in here --
21 let's just go to that section. I think it's on page 12.
22 Yes. So, they have these various categories of feature
23 groups. If you could open that up just a little bit for
24 me. This is grouping Number 19, I believe.

25 So, there is the 19; and that's the whole

1 group. And I thought I had something here. This is
2 called the "role-based information directory." So, I'm
3 looking for something in here that tells me that there
4 is multiple roles, multiple predetermined roles,
5 something like that. And I thought I was getting close.
6 I looked at this particular cluster, this 19. And at
7 the very bottom it says "multiple roles can be assigned
8 to a user." I thought I had something. I thought I had
9 found the patented feature in here. And it shows that
10 Blackboard has that feature.

11 But then we go over to the Desire2Learn
12 column, there is no check mark. So, this document says
13 Desire2Learn doesn't have that feature; so, I'm assuming
14 that's not the patented feature. And if that's the
15 case, I can't find it in here. I'm not a technical
16 person, but I can't find this patented feature in this
17 list of 353.

18 Q. Mr. Britven, are there other reasons that you think
19 that Dr. Ugone was wrong in his Assumption Number 2
20 about competing in the market without a patent?

21 A. Well, Dr. Ugone was talking about features but
22 features aren't the only thing that influence the sale;
23 and I think we just heard from Mr. McLeod on this very
24 issue.

25 Q. Okay. And is it your understanding that customers

1 infringed?

2 A. No, they did not.

3 Q. Did they give you any warning whatsoever before
4 they sued you --

5 A. No.

6 Q. -- that they thought you were infringing?

7 A. No, they did not.

8 Q. Now, sir, you understand that today Desire2Learn
9 [sic] has made a claim for in excess of \$17 million?

10 A. I think Blackboard has made that claim against us.

11 Q. I'm sorry. I wish Desire2Learn --

12 A. Yes.

13 Q. You understand, sir, that Blackboard has made that
14 claim against Desire2Learn.

15 A. Yes.

16 Q. And, sir, can you compare that to the revenues of
17 your company from the time period of January 17th, 2006,
18 which is the date that the patent issued, up through
19 December 31st, 2007?

20 A. It was more than the entire revenue for that
21 period.

22 Q. Now, sir, you've also heard Blackboard has asked
23 for a royalty of 25 percent.

24 A. Yes, I have.

25 Q. And you've also heard about this hypothetical

1 negotiation and how both players would want a Win-Win
2 result as a result of that hypothetical negotiation.

3 A. I have heard that.

4 Q. Sir, could you pay a royalty of 25 percent?

5 A. No.

6 Q. Why not?

7 A. Because it would give Blackboard about a 50 percent
8 advantage on us in the marketplace, and I don't think
9 our customers could afford the increase.

10 Q. Could you compete effectively in the marketplace
11 with that?

12 A. No.

13 Q. Now, sir, I want to go to just a couple more
14 topics; and that is, the jury's heard a lot about why
15 Desire2Learn doesn't believe it infringed the product --

16 A. Yes.

17 Q. -- or infringed the patent. I want the jury to
18 hear from you, sir. Do you believe Desire2Learn
19 infringes the '138 patent?

20 A. I don't believe we've ever infringed the patent
21 because we don't have the concept of free-determined
22 roles within our system.

23 MR. MORISSEAU: Objection, your Honor. It
24 goes into an expert opinion. He can state his belief;
25 but if he goes into a reason, he's stating an expert

1 what I think the case says because they are the higher
2 court that gets to make that decision, and I think this
3 is their -- you know, this is the law they've set. If
4 you can change their minds with legal argument, I'll
5 state right now I don't think you've waived that by not
6 explaining that to me.

7 MR. NADEL: Understood, your Honor.

8 THE COURT: Okay. I had a copy of your
9 motion, your other ones --

10 MR. DASSO: Your Honor, the other issues we
11 raised were respect to infringement; and there were
12 several --

13 THE COURT: Okay. I will continue to take
14 that one -- reserve my ruling on that one.

15 MR. DASSO: And, in particular, the issue of
16 infringement with respect to the hosted facilities, we
17 pointed out that Dr. Jones indicated -- provided the
18 opinion that all the elements -- and he quoted it to the
19 court -- all of the elements with respect to hosted
20 facilities take place within D2L's facilities. And then
21 he said right after that that D2L's facility is in
22 Canada.

23 THE COURT: Yeah. Let me -- this one, I
24 think, bears some looking into in terms of -- I have
25 here -- I guess it was Plaintiff's Exhibit 145 -- lists

1 under Tab A all of the various clients and then it says
2 which ones were hosted by D2L and it has yes, no, yes,
3 no. And, so, we've got a long list of the ones that
4 weren't hosted and the ones that were hosted.

5 Is there any kind of logical way -- and I
6 raised this at the pretrial because I anticipated this
7 might come up -- of asking the jury to consider those
8 separately? You gave a damages slide. I would like to
9 see a copy of that. I was going to compare it with this
10 list. But is there a way of asking the jury to look at
11 hosted, look at unhosted, and come up with damages for
12 one and damages for the other in some logical way based
13 on the evidence?

14 I mean, there's been -- there was a lot of --
15 and this goes to some of their other motions, too. I
16 mean, there was a fair amount of testimony about
17 Marquette, I recall. That's a nonhosted one. I'm not
18 sure there is a way based on the evidence as I have it
19 now, though, for the jury to say, yes, it was infringed
20 as to Marquette under one of the various theories of
21 infringement and here is the damages, for example.

22 MR. BRIGHT: Well, your Honor, first of all,
23 I do have at least a list of the 19 lost profits clients
24 and we've checked off which ones are our self-hosted
25 versus hosted and I can hand that up.

1 THE COURT: Could you hand that up, please?

2 MR. DASSO: Your Honor, could we get a copy
3 of that, as well?

4 THE COURT: Sure.

5 Let me just look at it real quick.

6 Okay. So, there are -- looks like there's
7 four of them that -- the ones with the dash are
8 self-hosted?

9 MR. BRIGHT: Yes, your Honor. I believe
10 there are three that we've identified there.

11 THE COURT: Or three, I'm sorry.

12 Okay. Well, as to the motion, I'm going to
13 reserve my ruling on it at this time. But just so the
14 record's clear, is there any other motion?

15 MR. DASSO: Well, your Honor, on the
16 infringement issue, we think not only is it the Canada
17 versus U.S. --

18 THE COURT: Right.

19 MR. DASSO: -- but, as we indicated before,
20 it's whether the steps are after the issuance of the
21 patent.

22 THE COURT: Right. I've reserved my ruling
23 on those -- infringement on those and whether all the
24 steps were performed by -- yeah.

25 MR. DASSO: Okay.

1 point to evidence brought out by various witnesses of
2 steps being performed in Canada or not being performed
3 in Canada; and it comes down to basically which were
4 convincing and which convinced the jury. You simply
5 can't just take the statements of the president or CEO
6 of Desire2Learn and say, well, that's the only evidence
7 we had. We also had evidence going the other way.

8 Now, it was quite clear, however -- or could
9 have been quite clear -- let me back that up.

10 There was a strong debate, however, of the
11 difference between hosted systems and nonhosted systems.
12 There wasn't a good effort to explain which were which
13 other than in Plaintiff's Exhibit 145, the answers to
14 interrogatories, which had that chart attached to it.
15 But that does show that there were, in fact, a number of
16 clients of Desire2Learn which were not hosted in Canada.

17 And the presumption is that the jury read and
18 followed the instructions. And they were instructed
19 very carefully that all the steps had to be performed
20 and all the steps had to be performed in this country,
21 and the result of their verdict -- especially on
22 damages -- was much lower than what the plaintiffs had
23 presented in total numbers. And I think the presumption
24 has to be they read those instructions -- which had, I
25 believe, the law correctly stated in that regard -- and

1 then went through the effort -- although, neither side
2 made a really good effort to distinguish that for the
3 jury -- and came up with what this court presumes was a
4 ruling based on the evidence and based upon the
5 credibility of those witnesses.

6 I guess another way of putting it, I can go
7 through their -- I mean, my listening to the witnesses
8 and the record, I think that there was evidence on both
9 sides; but there was evidence of specific acts of
10 infringement being committed in this country. There was
11 evidence that, at least in some occasions, all steps
12 were performed in the United States. There was evidence
13 of the inducement, and the instruction I gave was fairly
14 strong on that -- plaintiffs objected to it --
15 instructions that were expected to be followed or power
16 to control, which actually may be a little stronger than
17 the cases require; but the jurors had that instruction.
18 And on that basis the manuals and instructions that were
19 given -- hard to say that those weren't expected to be
20 followed.

21 And here's where we get, I think, a little
22 bit into part of the credibility problem that D2L had --
23 is they start off trying to say that, well, the default
24 roles weren't really the same as -- maybe they weren't
25 default roles, they were sample roles. But in the end

1 convincing standard. If you took it on the cold written
2 record, one might say by a preponderance of the evidence
3 he said the right things. But if you look at the way it
4 was said and the way -- his response to the questions on
5 cross-examination and the fact that there was some lack
6 of familiarity with the standards he was supposed to
7 deal with, the issues he was supposed to deal with and
8 his preparation of the case, I don't think it would be
9 surprising that a jury would fail to find by clear and
10 convincing evidence that there was anticipation or
11 obviousness. And I would have to say that if I was
12 trying this to the bench, based on my view of the
13 witness, I would have to come to the same conclusion. A
14 lot of that has to do with the much higher burden of
15 proof on those issues.

16 So, I am going to deny the defendant's motion
17 for JMOL based on all of those issues and based on the
18 evidence. I wanted to take the time to state for the
19 record so there would be an understanding of some of the
20 reasoning behind that.

21 The next question that comes up is there
22 would normally be -- there is a motion for attorney's
23 fees that would require a finding of this being an
24 extraordinary case. I can say that in terms of the
25 pretrial bickering and squabbling and constant motions

1 and counter motions, some 20 to 40,000 pages -- I can't
2 remember how many it is -- that's about the only thing
3 that was really exceptional.

4 In terms of the case itself, it was closely
5 fought. It probably could have gone either way. There
6 was evidence on both sides. It's difficult for me to
7 say that, from that point of view, it was somehow an
8 exceptional case or a case that would warrant the
9 granting of attorney's fees. So, I'm going to deny that
10 at this time.

11 Any other issues left from plaintiff's point
12 of view?

13 MR. NADEL: Yes, your Honor. First of all,
14 in the interest of a clear record, your Honor just ruled
15 that you would not grant judgment as a matter of law on
16 invalidity, which, obviously, plaintiffs appreciate.
17 But to clarify, we don't believe that defendant did file
18 a Rule 50(a) or make a Rule 50(a) motion on invalidity;
19 and it's important in terms of what could be reviewed by
20 the Federal Circuit on appeal. I don't think that there
21 was a motion pending to deny.

22 MR. DASSO: Your Honor, that's certainly not
23 our recollection. I specifically remember making that
24 motion.

25 THE COURT: I thought you made it, and that's

EXHIBIT C

(FILED SEPARATELY UNDER SEAL)

EXHIBIT D

(FILED SEPARATELY UNDER SEAL)

EXHIBIT E

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION**

Blackboard Inc.,

Plaintiff,

vs.

Desire2Learn Inc.,

Defendant.

Case No. 9:06 CV 155

**DECLARATION OF CINDY L. CARTER IN SUPPORT OF DESIRE2LEARN'S
OPPOSITION TO BLACKBOARD'S MOTION FOR PERMANENT INJUNCTION**

[Cindy L. Carter], being duly sworn on oath, deposes and states as follows:

1. I, Cindy L. Carter, am employed by Pacifica Graduate Institute as its Chief Academic Officer. As Pacifica Graduate Institute's Chief Academic Officer, my responsibilities are to insure academic excellence in all six of our graduate degree programs. In addition, I serve as the Acting Chair of our Humanities program, which relies on D2L services.

2. I have been employed by Pacifica Graduate Institute for 10 years total; 3 years in job responsibilities dealing with online education and/or distance learning.

3. This Declaration is submitted in support of Desire2Learn's opposition to entry of a permanent injunction barring the sale of Desire2Learn's Learning Environment and related products and services in the United States.

4. I am authorized to speak on behalf of Pacifica Graduate Institute with respect to this topic.

5. I have personal knowledge of the facts set forth herein and, if called to testify in this matter, could and would testify to the following.

6. It would not be in the public interest for the Court to enjoin Desire2Learn from selling its Learning Environment and related products in the in the United States.

7. The products sold by Desire2Learn and Blackboard are largely targeted at government-funded educational organizations such as Pacifica Graduate Institute. Restricting competition in this area would likely reduce innovation in a quickly changing field, placing U.S. students at a competitive disadvantage. Restricting competition in this area would likely also make online learning products more expensive to the students and taxpayers who fund them and could cause some institutions to forego these valuable tools altogether.

8. Online educational tools, such as Desire2Learn's Learning Environment, are valuable resources for Pacifica Graduate Institute and its students because they make the educational process more intuitive, accessible, and easily understood. It reduces frustration and increases the likelihood that they will succeed with educational goals which then translate into improved job functions, personal satisfaction, and community relations. There is also evidence that increased graduation rates improves students' engagement with civic responsibilities. When students become frustrated with their learning environment, such as was the case with Blackboard, they are more inclined to give up their personal and professional aspirations. This is an enormous cost to our institution and to society in general.

9. In choosing between D2L and Blackboard, Pacifica Graduate Institute reviewed many criteria. D2L provided a stronger learning platform in that its products are much less cumbersome than others, includes much better support, is less costly, allows greater creativity from both our institution and for the students. Students who were previously unable to be successful with Blackboard have easily and fully embraced D2L's services. Likewise, our faculty members have brought additional creativity to course development because of their comfort with D2L's services. Many of them were frustrated with Blackboard's complex and unreliable systems. Therefore, their creativity was minimized.

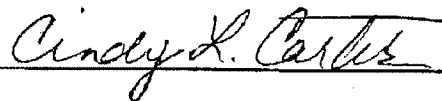
10. The D2L product was also superior in that it provided superior scalability. This scalability permits Pacifica Graduate Institute to save funds by decreasing our overall expenses. We are able to use D2L's functions to provide services, such as assessments, which would otherwise have to be out-sourced.

11. In addition, Pacifica Graduate Institute decided that D2L offered superior price, service, clarity, and ease of navigation. In addition, it is much more friendly for Mac users, who experienced serious repeated problems with Blackboard's inhospitable services.

12. In the experience of Pacifica Graduate Institute, switching from Blackboard to Desire2Learn led to improved student performance and faculty performance in the ease of navigation and ability to communicate with faculty members and students. Lower drop rates for courses is also helpful to the institution because student tuition is the basis of our enrollment generated tuition.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 3, 2008



Cindy L. Carter, Ph.D.

EXHIBIT F

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION**

Blackboard Inc.,)
)
Plaintiff,)
)
vs.) Case No. 9:06 CV 155
)
Desire2Learn Inc.,)
)
Defendant.)
)

**DECLARATION OF TERRY UTTER IN SUPPORT OF DESIRE2LEARN'S
OPPOSITION TO BLACKBOARD'S MOTION FOR PERMANENT INJUNCTION**

Terry Utter, being duly sworn on oath, deposes and states as follows:

1. I, Terry Utter, am employed by Pacifica Graduate Institute as its Manager, Distance Learning and Support Services. As Pacifica Graduate Institute's Distance Learning Manager, my responsibilities are in part, to provide all technical support for our learning management system, D2L. I provide training and support for all students, faculty and staff who are currently using D2L.

2. I have been employed by Pacifica Graduate Institute for 2 years in job responsibilities dealing with online education and/or distance learning. Additionally, I have a total of 5 years employment dealing with issues surrounding online education. I received a Master's Degree in 2000 from Pepperdine University in Educational Technology which was 80% online.

3. This Declaration is submitted in support of Desire2Learn's opposition to entry of a permanent injunction barring the sale of Desire2Learn's Learning Environment and related products and services in the United States.

4. The statements herein reflect my personal views and I have not been authorized to speak on behalf of Pacifica Graduate Institute.

5. I have personal knowledge of the facts set forth herein and, if called to testify in this matter, could and would testify to the following.

6. It would not be in the public interest for the Court to enjoin Desire2Learn from selling its Learning Environment and related products in the in the United States.

7. The products sold by Desire2Learn and Blackboard are largely targeted at government-funded educational organizations such as Pacifica Graduate Institute. Restricting competition in this area would likely reduce innovation in a quickly changing field, placing U.S. students at a competitive disadvantage. Restricting competition in this area would likely also make online learning products more expensive to the students and taxpayers who fund them and could cause some institutions to forego these valuable tools altogether.

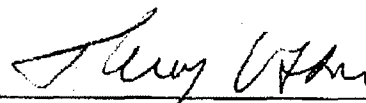
8. Online educational tools, such as Desire2Learn's Learning Environment, are valuable resources for Pacifica Graduate Institute and its students because developing a strong bond in the cohort is essential to the educational experience. In choosing between D2L and Blackboard, Pacifica Graduate Institute reviewed many criteria. D2L provided a stronger learning platform in that its products were much easier to use. Students were able to login with very minimal introduction, and seamlessly navigate the very intuitive interface. The D2L product was also superior in that it provided superior scalability. This scalability permits Pacifica Graduate Institute to save funds by providing a very easy way to provide statistics for course evaluation and feedback. It takes very little time to create the surveys, and even less to print out the statistics, saving staff an inordinate amount of time. Not only are students much happier to fill out course evaluations online, it saves them a great deal of time, and we can track who has not filled them out.

9. In addition, Pacifica Graduate Institute decided that D2L offered superior support,

service, and online tools. The support has been amazing, whenever I call there is someone to answer immediately, they can usually tell me what to do right away, or get back to me very quickly via email. The staff is extremely knowledgeable and courteous. With Blackboard/WebCT I could never speak to anyone on the phone. With D2L there is virtually no downtime. With Blackboard/WebCT, there was scheduled downtime every week, and tons of unscheduled downtime, usually with an email saying they had no idea how long they would be down. D2L is scheduled only once a month and I have not run into any unscheduled downtime. The online tools are vastly more superior and easier to use. It is so easy to reorder items; it was a nightmare with WebCT/Blackboard. The students really enjoy keeping touch with each other with the paging tool when they are working online at the same time. The online content, in an outline form, provides one-stop shopping for the students. I can create a link to any part of the course they need.

10. In the experience of Pacifica Graduate Institute, switching from Blackboard to Desire2Learn led to improved student performance in the ability to navigate and learn from their online courses. We switched in November, the last quarter for one cohort. They were extremely unhappy at the prospect of learning a new software program, but they transitioned beautifully. They constantly tell me how much easier, faster and better it is. I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 4, 2008



Terry Utter, M.A.

EXHIBIT G

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

Blackboard Inc.,)	
)	
<i>Plaintiff,</i>)	
)	
vs.)	Case No. 9:06 CV 155
)	
Desire2Learn Inc.,)	Judge Ron Clark
)	
<i>Defendant.</i>)	
)	
)	

DECLARATION OF JOHN BAKER

I, John Baker, provide the following declaration:

1. I am currently a resident of Canada and am over the age of twenty-one. I make this declaration based upon my own personal knowledge. If called upon to testify to the matters stated herein, I would and could competently testify thereto.

2. I am the Chief Executive Officer (“CEO”) of Desire2Learn Inc. (“D2L”). D2L’s offices are located at 305 King Street West, Kitchener, Ontario, Canada.

3. Entry of a permanent injunction that forecloses D2L from selling any product or offering any service in the United States would place a significant immediate and long-term financial burden on D2L that would threaten the continuing viability of D2L.

4. A broad injunction that forecloses all United States sales on all products and services is particularly burdensome, particularly when D2L does not know which products and services are actually infringing and which noninfringing alternatives are immediately available to it, e.g., elimination of sample roles and role templates or D2L hosting.

5. Approximately 70 percent of D2L's revenue is derived from agreements with United States clients and related services for those clients. If foreclosed from the United States market, D2L could not rely on markets outside of the United States to sufficiently replace this lost revenue.

6. Many educational institutions and state wide consortiums will be making purchasing decisions for a course management system over the next three months. There are at least 20 institutions and consortiums that will be selecting a course management system in the next three months where D2L is, or likely will be, under consideration. A 90 day moratorium effectively precludes D2L from competing for the vast majority of sales opportunities for 2008.

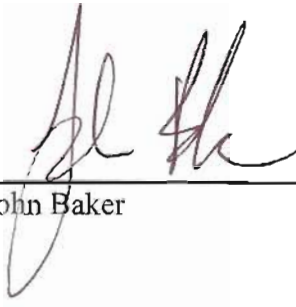
7. Prohibiting D2L from making any sales over the next 90 days will have an immediate effect on D2L's business. D2L anticipates having a noninfringing alternative available in less than 90 days. Because many of these contracts are for multiple years, ordering a 90 day moratorium on all selling activity will have a disproportionate effect on D2L over the long-term.

8. Entry of a 90 day moratorium for any United States sales would also present a significant hindrance to D2L while D2L does not know which products and services are infringing and what noninfringing alternatives are immediately available to it, e.g., elimination of sample roles and role templates and/or D2L hosting.

9. Entry of an order requiring D2L to pay Blackboard Inc. an ongoing royalty of 25 percent for the life of the patent on all revenue derived from sales to the United States would place a significant immediate and long-term financial burden on D2L. It is unlikely that D2L could survive as a business if it were required to pay a 25 percent royalty on all revenue derived from the United States. (*Trial Tr.* 1994:4-12.)

I declare under penalty of perjury, subject to the laws of the United States, that the foregoing is true and correct.

Dated: March 6, 2008



John Baker

EXHIBIT H
(FILED SEPARATELY UNDER SEAL)

EXHIBIT I
(FILED SEPARATELY UNDER SEAL)

EXHIBIT J

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
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Blackboard Inc.,)	
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Plaintiff,)	
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vs.)	Case No. 9:06 CV 155
)	
Desire2Learn Inc.,)	
)	
Defendant.)	
)	

**DECLARATION OF JOHN R. ST. CLAIR, III IN SUPPORT OF DESIRE2LEARN’S
OPPOSITION TO BLACKBOARD’S MOTION FOR PERMANENT INJUNCTION**

John R. St. Clair, III, being duly sworn on oath, deposes and states as follows:

1. I, John R. St. Clair, III, am employed by the Tennessee Board of Regents as its Executive Director of Training and Technical Services. As the Tennessee Board of Regents’ Executive Director of Training and Technical Services, my responsibilities involve the direction of the day to day operations of the Regents Online Degree Program. My duties are specifically related to faculty support, support for Desire2Learn system administrators, and project management for the system wide transition to Desire2Learn, including integration with SunGard Higher-Education Banner Student Information System.

2. I have been employed by the Tennessee Board of Regents for six (6) years in job responsibilities dealing with online education and/or distance learning. Additionally, I have a total of twenty eight (28) years employment dealing with issues surrounding computer based education.

3. This Declaration is submitted in support of Desire2Learn’s opposition to entry of a permanent injunction barring the sale of Desire2Learn’s Learning Environment and related products and services in the United States.

4. I am authorized to speak on behalf of the Tennessee Board of Regents with

respect to the this topic.

5. I have personal knowledge of the facts set forth herein and, if called to testify in this matter, could and would testify to the following.

6. It would not be in the public interest for the Court to enjoin Desire2Learn from selling its Learning Environment and related products in the in the United States.

7. The products sold by Desire2Learn and Blackboard are largely targeted at government-funded educational organizations such as the Tennessee Board of Regents. Restricting competition in this area would likely reduce innovation in a quickly changing field, placing U.S. students at a competitive disadvantage. Restricting competition in this area would likely also make online learning products more expensive to the students and taxpayers who fund them and could cause some institutions to forego these valuable tools altogether.

8. Online educational tools, such as Desire2Learn's Learning Environment, are valuable resources for the Tennessee Board of Regents and its students because they provide a well-defined organizational framework in which to manage the delivery of content and related resources, student-teacher and student-student communication, submission and evaluation of quizzes and other assessments in a user-friendly, secure environment.

9. In choosing between D2L and Blackboard, the Tennessee Board of Regents reviewed many criteria. D2L provided a stronger learning platform both student and faculty users of Desire2Learn require less extensive training and ensuing technical support than our previous learning management systems, WebCT or Blackboard. Our subsequent experience supports this fact. Following demonstrations during the RFP process, faculty, students, and administrators present indicated that Desire2Learn incorporated a toolset which promotes effective teaching and learning such as the competencies and rubrics, student tracking, extensive

feedback to the student, a searchable learning object repository, journals, integrated web page editor. Demo attendees also noticed Desire2Learn's emphasis on conforming to accessibility standards and incorporation of modern Internet applications such as the blog tool, chat, and widgets features.

10. The D2L product was also superior in that it provided superior scalability. This scalability permits the Tennessee Board of Regents to save funds by accommodating an entire system in one installation in one database. This will allow us to deploy the Learning Object Repository on a system wide basis thus facilitating sharing of learning objects among institutions. By adopting common toolsets and interface standards our students will be able to transfer between colleges and universities without needing to adjust to different implementations of the learning management system. This will increase learning opportunities by reducing any initial learning curve required by such an adjustment.


11. The Tennessee Board of Regents also has found that a strong D2L user community has been formed by various universities and state education systems, such as the Tennessee Board of Regents who have come together to provide each other peer to peer user support through a monthly telephone conference and other communications. This user community has proved to be valuable to the Tennessee Board of Regents. The more members, with their varied experiences, who can become involved, the greater the learning for all participants. The Tennessee Board of Regents is concerned that an injunction could limit new members from joining the group and hence diminish the value to the participating members.

12. In addition, the Tennessee Board of Regents concluded, based on its experiences with both D2L and Blackboard during the purchasing (RFP) process that D2L offered superior responsiveness and flexibility to customer requirements. Blackboard, through its WebCT unit,

refused to submit a bid which conformed to the laws and purchasing policies of the State of Tennessee even after being offered a second chance to submit a conforming bid. It was Blackboard's articulated position that the Tennessee Board of Regents would have to agree to Blackboard's positions despite being told of the legal limitation faced by the Tennessee Board of Regents. In contrast, D2L submitted a conforming bid and was willing to accept the laws and policies which constrain the Tennessee Board of Regents even where those laws and policies conflicted with D2L's customary business practices.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 5, 2008



JOHN R. ST. CLAIR, III

EXHIBIT K

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1 things, we're okay with that.

2 THE COURT: All right, fine. I guess that
3 one's moot, then.

4 I mean, you both understand you have a
5 protective order. And both sides have indicated they've
6 got things they want to protect and be careful on; so,
7 let's watch that.

8 MR. DASSO: Your Honor, I understand that we
9 had an agreement with respect to financial documents --

10 THE COURT: Right.

11 MR. DASSO: Okay.

12 THE COURT: That's why I brought that up. I
13 thought you had that agreement.

14 Okay. 18, overruled.

15 19, overruled.

16 20, overruled.

17 21, overruled.

18 22, sustained.

19 23 I'm going to overrule, but keep in mind
20 that at this point I haven't made -- and there hasn't
21 been a final decision made because I haven't heard all
22 the evidence on whether steps -- I mean, that seems to
23 be the argument, some of the steps being performed in
24 Canada.

25 So, if you put in a damages model that just

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1 says a total of X dollars of profit and at the end I go
2 with them and say, well, seven of the nine or six of the
3 eight or whatever it was really are -- part of it's
4 being performed overseas and, therefore, they're
5 right -- I mean, I don't know that I am, but that's
6 their argument. If I was to do that, then I would have
7 no way of saying, yeah, but you win on these two; so,
8 you get that amount of profit.

9 So, you may want to give some consideration
10 on this presentation because there's no way -- and both
11 sides may want to think about this a little bit. You
12 know, how does the baby get cut up in that case? On
13 some you clearly win, but you presented your damages in
14 a bulk amount so -- maybe then you clearly lose on
15 everything. If it can be pieced out, that might make a
16 difference.

17 I mean, if you're absolutely dead-certain
18 confident that you're going to win on the other, then
19 this means nothing to you; but I just don't -- I don't
20 want you to feel sandbagged later on because I don't
21 know the answer on their argument yet, partly because I
22 haven't heard, you know, all of the evidence. But it is
23 a concern.

24 So, I'm going to overrule Number 23; but I
25 don't want you to -- like I say, I don't want you to

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1 feel sandbagged later on when you -- at the end I grant
2 their motion as to products -- or Customers 5, 6, and 7
3 because many things are being done over in Canada.

4 All right. That takes care of the motions in
5 limine, other than Number 16.

6 MR. NADEL: Your Honor, before we began
7 talking about the motions in limine, we were talking
8 about the Griffin issue; and you had asked us to put up
9 on the screen the disclosure. We now have that ready if
10 you want to entertain talk of that now.

11 THE COURT: All right.

12 MR. NADEL: We would need to be switched from
13 that to this.

14 THE COURT: And I'll also go ahead and grant
15 the joint unopposed motion in limine.

16 MR. DASSO: Your Honor, on the Griffin issue,
17 you know, to show our good faith, we will not oppose
18 that deposition.

19 MR. NADEL: Your Honor, I want to remind the
20 court of the way that Mr. Morrisseau introduced his
21 request to you. And what we said was we believe that
22 Mr. Griffin should be limited to what has been disclosed
23 by Desire2Learn and only if he's not do we need the
24 deposition. Your Honor was confronted with a motion
25 from --