

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

Blackboard Inc.,)	
)	
Plaintiff,)	Case No. 9:06-CV-155
)	
v.)	Judge Ron Clark
)	
Desire2Learn Inc.,)	
)	
Defendant.)	

**BLACKBOARD'S MOTION FOR AN ORDER HOLDING DESIRE2LEARN
IN CONTEMPT OF THE PERMANENT INJUNCTION**

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Plaintiff Blackboard Inc. (Blackboard) respectfully moves for an order holding Defendant Desire2Learn Inc. (Desire2Learn) in contempt of the Court's Permanent Injunction. Desire2Learn's purported design-around product, Learning Environment version 8.3, falls within the Permanent Injunction's scope. Version 8.3 is not more than colorably different from Learning Environment version 8.2.2, which has been adjudicated to infringe claims 36, 37, and 38 of U.S. Patent No. 6,988,138 (the '38 patent).

In crafting version 8.3, Desire2Learn made only transparently cosmetic changes to the previous version of its software. For example, it renamed the "student" role as "user," without any change in functionality. Likewise, it deleted the "default roles" (or "sample roles") from the database associated with the product, while leaving the product's source code essentially the same and keeping the product's infringing functionality intact. The roles assigned to users are still set in advance within the system. Indeed, when a customer migrates to version 8.3, roles from the previous version are retained in the new version. Those superficial modifications do not design around the claims of the '38 patent.

Claim 36 discloses a method "giving a single user access to multiple roles and multiple courses with a single login." (Doc. # 399 at 10). The Court suggested to Desire2Learn that it design around the '38 patent by removing the capability for one user to have multiple roles with a single login — a feature Desire2Learn repeatedly told the Court was tiny and insignificant. Desire2Learn said that it could make that change easily and inexpensively. Blackboard's expert testified that such a design-around would be non-infringing. But Desire2Learn chose not to remove the infringing capability. In version 8.3, Desire2Learn has left the single login, multiple roles functionality intact. Within the context of claims 36, 37, and 38 of the '38 patent, version 8.3 of Desire2Learn's software is fundamentally the same as earlier versions, and it infringes for the same reasons. Desire2Learn's contempt for this Court must not stand.

STATEMENT OF UNDISPUTED FACTS

1. On July 26, 2006, Blackboard brought an action against Desire2Learn for direct and indirect infringement of the ø138 patent. (Doc. # 1).

2. The case was vigorously litigated. Blackboard contended that Desire2Learn directly and indirectly infringed claims 36, 37, and 38 of the ø138 patent by using, selling, and offering for sale its Learning Environment product, versions 7.3, 7.4, 8.1, and 8.2, and associated services. Desire2Learn denied infringement. Desire2Learn also contended that even if it infringed with respect to those versions of Learning Environment, it did not infringe with respect to a purported design-around, version 8.2.2, which it introduced in November 2007.

3. In February 2008, the case was tried to a jury in Lufkin. The jury found for Blackboard on all counts. The jury found that Desire2Learn literally infringed, induced infringement, and contributed to infringement of claims 36, 37, and 38, both before and after the release of version 8.2.2. (Doc. # 339). The Court denied Desire2Learn's JMOL motions and entered judgment for Blackboard. (Doc. # 363).

4. The Court also awarded Blackboard a Permanent Injunction, which provides, in pertinent part:

Defendant Desire2Learn Inc., its officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice (collectively hereafter, "Desire2Learn"), are hereby restrained and enjoined . . . from using in the United States, offering to sell for use in the United States, or selling for use in the United States, either alone or in combination with any products, services or systems: 1. the method of providing online education implemented in accordance with the Desire2Learn Learning Environment (version 8.2.2 and earlier versions) heretofore marketed by Defendant; and 2. all other methods for providing online education that are not more than colorably different therefrom.

Id. at 2. Employing similar language, the Court also enjoined Desire2Learn from inducing infringement by "encouraging, supporting, aiding, or abetting the use in the United States" of the infringing method implemented by Learning Environment versions 8.2.2 and earlier, and from

contributing to infringement by "selling or offering for sale" versions 8.2.2 and "all other software that is not more than colorably different" from version 8.2.2. *Id.* at 2-3. The injunction became effective on June 11, 2008. (Doc. # 400).

5. Desire2Learn has announced on its website that it has now upgraded all of its existing customers to a new version of its product, version 8.3, which it calls its "official design-around product." *Attachment A*. Thus, version 8.3 is being used, sold, and offered for sale in the United States.

6. Throughout the jury trial, Desire2Learn minimized the importance of the patented method. It argued that the "patent in this case concerns, at most, a very tiny feature of course management systems." *Tr.* 146:10-11.¹ It argued that Desire2Learn "does not use [Blackboard's] technology, this tiny little piece of technology that they talk about." *Tr.* 152:15-16. After Desire2Learn was found to infringe by the jury, Desire2Learn told the Court that it could eliminate single-login, multiple roles functionality in a time period of 30 days at an expense of less than \$100,000. *Post-Trial Hearing Tr.* 93:12-95:5.² At the injunction hearing, Blackboard's expert Dr. Jones acknowledged that if Desire2Learn did so, the resulting system would be infringing. He testified: "Let me restate it again. If the user has only one role is only allowed to have one role for one user account, then it's my opinion that whatever system that is would not infringe." *Post-Trial Hearing Tr.* 39:9-12. Accordingly, the Court stated:

And on one hand I've had a trial and endless representations of how unimportant and easy this one thing is; and on the other hand, I have them basically admitting that would eliminate the infringement problem. So, it seems to me that an injunction becomes a pretty easy way to solve this. You've got an easy solution, other than you just don't want to do it or pride or whatever. And we solve the case." *Id.* 54:12-20.

Id. 54:12-20. Desire2Learn did not even attempt to implement the easy solution. Version 8.3 allows a user to access multiple roles across multiple courses with a single login, just like previous versions.

¹ Cited excerpts of the trial transcript are reprinted in *Addendum 1*.

² Cited excerpts of the March 10, 2008 post-trial hearing transcript are reprinted in *Addendum 2*.

DESIRE2LEARN IS IN CONTEMPT OF THE PERMANENT INJUNCTION.**Legal Standard**

A party may be held in contempt if it violates a definite and specific court order requiring it to refrain from performing a particular act or acts with knowledge of that order. *SEC v. First Fin. Group of Tex., Inc.*, 659 F.2d 660, 669 (5th Cir. Oct. 1981). The civil contempt sanction is coercive rather than punitive and is intended to force a recalcitrant party to comply with a command of the Court. *Am. Trucking Ass'n, Inc. v. ICC*, 728 F.2d 254, 255 (5th Cir. 1984). Intent is not an issue in civil contempt proceedings; rather, the question is whether the alleged contemnors have complied with the Court's order. *Jim Walter Res. Inc. v. Int'l Union, United Mine Workers of Am.*, 609 F.2d 165, 168 (5th Cir. 1980). In *Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.*, 154 F.3d 1345 (Fed. Cir. 1998), the Federal Circuit set forth the standard for evaluating a motion for a contempt order in a patent case:

Before entering a finding of contempt of an injunction in a patent infringement case, a district court must address two separate questions. The first is whether a contempt hearing is an appropriate forum in which to determine whether a redesigned device infringes, or whether the issue of infringement should be resolved in a separate infringement action. That decision turns on a comparison between the original infringing product and the redesigned device. If the differences are such that substantial open issues of infringement are raised by the new device, then contempt proceedings are inappropriate. If contempt proceedings are appropriate, the second question the district court must resolve is whether the new accused device infringes the claims of the patent. Within those general constraints, the district court has broad discretion to determine how best to enforce its injunctive decrees.

Id. at 1349 (citing *KSM Fastening Sys. v. H.A. Jones Co.*, 776 F.2d 1522, 1528-32 (Fed. Cir. 1985)).

If a district court determines that contempt proceedings are inappropriate, the patent-holder may bring a new lawsuit with respect to the modified device. However, federal district courts should promote "the just, speedy, and inexpensive determination of every action and proceeding." FED. R. CIV. P. 1.

I. Contempt proceedings are appropriate, because a comparison of Versions 8.2.2 and 8.3 leaves no “substantial open issues” to be litigated.

The Court has held that claim 36 of the 38 patent discloses a method “giving a single user access to multiple roles and multiple courses with a single login.” (Doc. # 399 at 10). Use of the enjoined versions of Desire2Learn’s software performs this method. Version 8.3 contains no changes in this regard. Desire2Learn will not argue to the contrary. There is no dispute that a single user of version 8.3 can access multiple roles across multiple courses with a single login. Desire2Learn could easily have eliminated this functionality but did not. For purposes of claim 36, Version 8.3 is “not more than colorably different” from version 8.2.2. *KSM*, 776 F.2d at 1526. Indeed, the old version and the new version are exactly the same with respect to the infringed patent claims. Version 8.3 does contain new features that were not present in earlier versions, but those new features do not affect the claims of the patent and are irrelevant to the Court’s analysis. As the Federal Circuit explained in *KSM*, the Court need only determine that “the modified device has not been changed from the adjudged device in a way which affects an element of a claim. In such case the new device, though modified, may be treated the same as the device which was admitted or adjudged to infringe.” *Id.* at 1528-29.

Desire2Learn’s website describes version 8.3 as “our official design-around product that was modified in response to patent litigation.” *Attachment A*. This indicates that a contempt proceeding is appropriate. As the Federal Circuit stated, “Where the alteration in the device is “merely colorable” and obviously was made for the purpose of evading the decree without essential change in the nature of the device, the courts will try the question of infringement by the new device in proceedings for contempt for violation of the injunction.” *KSM*, 776 F.2d at 1531 (quoting *Am. Foundry & Mfg. Co. v. Josam*, 79 F.2d 116, 118 (8th Cir. 1935)).

Version 8.3 is calculated to design around Desire2Learn’s own erroneous reading of claim 36, not the Court’s construction of the claim. At the injunction hearing, after conferring with Desire2Learn’s CEO and technical team, Desire2Learn’s counsel stated:

We think we can remove any reference to sample and default roles. We can remove those from the source code, from the system relative[ly] inexpensively and relatively efficiently and cheaply. And it's our view that that is sufficient under the court's construction to remove those from the scope of infringement.

Post-Trial Hearing Tr. 39:22-40:2. That is precisely what Desire2Learn has done with version 8.3.

At trial, Desire2Learn told the jury that "this patent does not involve a single login feature. It involves predetermined roles." *Tr.* 2253:21-22. Likewise at the injunction hearing, Desire2Learn argued that "to the extent that the court is suggesting to me that this patent is really about single login, we disagree with that. We don't think that the patent is about that. We don't think the claims are about that. We don't think the court's construction is about that." *Post-Trial Hearing Tr.* 58:7-12. Consistent with that argument, in its motion for a new trial, Desire2Learn placed the issue squarely before the Court: "Although nothing in claim 36 requires or even suggests a 'single login' limitation, Bb's trial tactic of having its witnesses repeatedly testify that claim 36 requires a 'single login' confused the jury." (Doc. # 369 at 15). Desire2Learn's motion for a new trial risked the viability of version 8.3 as a design-around. The Court denied the motion for a new trial and repudiated Desire2Learn's argument regarding the scope of claim 36. The Court held:

For the reasons stated in the second claim construction order [Doc. #300], "user" was construed as a "person who logs in with a user name and password." The claim term in question refers to "each user." '38 patent, col. 31, l. 23. There was no hint that in the claim or specification that "each" in this phrase implies that "user" is plural, and neither party made such an argument. The remainder of step (a) of Claim 36 describes allowing that "person with that user name and password" to have "multiple roles" with access to "a plurality of course files." This is what Blackboard described as giving a single user access to multiple roles and multiple courses with a single login. This does not misinterpret the claim or the court's construction.

(Doc. # 399 at 10). Thus, the Court has expressly rejected Desire2Learn's position. Claim 36 means what Dr. Jones testified at trial that it means: "As we've talked about, this is for a course management system, and the key aspect of this patent is a system that allows a user on a single login to have multiple roles across multiple courses." *Tr.* 583:9-12. Versions 7.3, 7.4, 8.1, 8.2, and 8.2.2 of Desire2Learn's product all permit a single user to access multiple roles and multiple courses with a single login.

Version 8.3 is the same. It raises no "substantial open issues of infringement." *Additive Controls*, 154 F.3d at 1349. Consequently, a contempt proceeding is appropriate.

II. Version 8.3 infringes claims 36, 37, and 38 in the same way as previous versions.

Desire2Learn told the Court that "[w]e think we can remove any reference to sample and default roles. We can remove those from the source code, from the system relative inexpensively and relatively efficiently and cheaply." *Post-Trial Hearing Tr.* 39:22-25. That is what Desire2Learn did and that is all it did. The differences between version 8.2.2 and version 8.3 are cosmetic. Desire2Learn has removed explicit references to the words "student" and "teacher" in the version 8.3 source code, while leaving the same functionality in place. Desire2Learn has also removed from its database the "sample roles" that it claimed to have removed from version 8.2.2 but which were still present. As explained below, notwithstanding Desire2Learn's superficial alterations, version 8.3 has the same infringing capability as previous versions, for the same reasons.

Claim 36, step (a). Step (a) of claim 36 is "establishing that each user is capable of having [p]redefined characteristics indicative of multiple predetermined roles in the system and each role providing a level of access to and control of a plurality of course files." The Court construed this step to mean "establishing that discrete roles and their associated characteristics to which a user can be multiply assigned are set in advance within the system." (Doc. # 338 at 29). The Court also construed "user" as "a person who interacts with the system, and who accesses the system by logging on with a user name and password, and then keys in information." *Id.* As noted above, the Court ruled: "This is what Blackboard described as giving a single user access to multiple roles and multiple courses with a single login. This does not misinterpret the claim or the court's construction." (Doc. # 399 at 10). This capability was present in previous versions of the Learning Environment product,³ and it is undisputedly still present in version 8.3.

³ See *Tr.* 609:18-617:12 (Jones).

At trial, Desire2Learn contended that version 8.2.2 avoided step (a) by removing the "default roles" that were present in earlier versions.⁴ Blackboard's expert Dr. Jones, however, testified that the default roles were still present in the database associated with version 8.2.2.⁵ In version 8.3, the default roles actually have been eliminated from the database. This is an alteration without significance, however. All of the infringing functionality is still present in the source code. The capability of each user having multiple roles set in advance within the system across multiple courses upon a single login is still present in the source code. This capability is still used to establish roles set in advance within the version 8.3 system. Like earlier versions, version 8.3 still relies on these roles to function, notwithstanding Desire2Learn's renaming of them. Version 8.3 is not merely a system where anything goes in terms of roles and their characteristics. As further discussed below, version 8.3 is specifically designed to make use of student and non-student roles, and these roles are still migrated into the version 8.3 system from previous versions for existing customers, or the roles are imported into the version 8.3 system for new customers.⁶ The Federal Circuit holds that "[i]f an accused infringer merely makes colorable changes to the accused product that infringed, a court may properly extend the injunction to the new device and find the party in contempt." *See Conoco, Inc. v. Energy & Envtl. Int'l*, 460 F.3d 1349, 1365 (Fed. Cir. 2006).

The removal of the sample roles from the database does not place version 8.3 beyond the scope of the injunction.⁷ Removal of the sample roles did not change the source code of the Learning

⁴ *See Tr.* 1295:14-18 (Chapman).

⁵ *Tr.* 700:1-701:10; 2060:21-2061:21 (Jones).

⁶ Blackboard's position that version 8.3 still infringes claims 36, 37 and 38 of the '38 patent even without the presence of "default" or "sample" roles in the Desire2Learn database does not apply the claims so broadly as to run afoul of the prior art. The prior art systems functioned in what was referred to at trial as "the old way." They did not have the capability for a user to access multiple roles across multiple courses with a single login.

⁷ This is consistent with Dr. Jones's opinion throughout the litigation. *See Post-Trial Tr.* 31:15-19 ("So, given the design of the system and the intended use of the system, it was my contention in my opening report that simply removing the default roles, for example, would still result in a system that is performing the steps of the method claim 36.0").

Environment product, because the sample roles were *never* part of the product's source code. Desire2Learn itself made this point at trial during the direct examination of its product manager Mr. Chapman:

Q. And is the sample roles or role categories hardcoded within Desire2Learn's products?

A. The sample roles are not, no. . . .

Q. Now, with that, sir, is it possible to load this pre ó this 8.2.1 software ó was it possible to load that onto the client without loading sample roles?

A. Yes.

Tr. 1263:15-17, 1265:21-24. Rather, the roles existed in an associated database. Rather than changing the product, Desire2Learn simply deleted three records from the database associated with version 8.3. The source code was not modified. And, as Mr. Chapman testified, the sample roles are not important to the operation of the product:

Q. Now, sir, would it be possible to use the Desire2Learn product by deleting all of the roles?

A. Yes.

Q. You could delete all the three sample roles and still use the product?

A. Yes.

Tr. 1274:8-13.

Desire2Learn will point out that sample roles are not used to establish the permissions of new roles in version 8.3. That is correct, but it is not a change, according to Desire2Learn's own representations. Desire2Learn argued at trial that sample roles were not used to establish the permissions of new roles *in version 8.2.2*; new roles were to be created using the import/export function, for example.⁸ Indeed, at trial, Mr. Chapman testified that the import/export function would work without the sample roles or the role categories. He stated that the import tool would automatically "check off those boxes [permissions] for somebody without them having to click through all the screens themselves." *Id.* Version 8.3 works precisely the same way. It was designed so that

⁸ *Tr.* 1295:19-1296:18 (Chapman).

customers migrating from an earlier version could simply export their roles out of the old version, upgrade to version 8.3, and then import the old roles, with all the predefined characteristics intact. Desire2Learn's "Roles and Permissions" guide for version 8.3 explains how to do this. *Jones Dec. Exhibit 4*. The import and export instructions for version 8.2.2, of course, are identical. *See Attachment B*.

The fundamental sameness between version 8.3 and earlier versions of Desire2Learn's product in the context of the '138 patent is clear without the need for expert testimony. However, provided that the Court has "satisfied the procedural requirements of *KSM* by separately analyzing the questions whether contempt proceedings were appropriate and whether the redesigned device infringed the patent," consideration of expert testimony is within the Court's discretion. *Additive Controls*, 154 F.3d at 1349. Therefore, Dr. Jones has submitted a declaration regarding his examination of version 8.3. Dr. Jones has operated version 8.3 and inspected its source code. He has compared version 8.3 to the previous versions and to the patent claims.⁹ Dr. Jones produced automated comparisons of the source code of versions 8.2.2 and 8.3, which demonstrate the trivial nature of the changes that Desire2Learn has made. For example, Desire2Learn has altered comments in a source code file to change the word "student" to the word "user," without actually altering the source code itself. Similarly, some file names have been changed to delete the word "student" whenever it appears in the code, but the way the code functions remains unchanged.¹⁰ Dr. Jones concluded that Step (a) of claim 36 is performed the same way using version 8.3 as it is using version 8.2.2.¹¹

Claim 36, step (b). Step (b) of claim 36 is "establishing a course to be offered online, comprising i. generating a set of course files for use with teaching a course; ii. transferring the course

⁹ *See Jones Dec.* ¶¶ 10-26.

¹⁰ *See id.* ¶ 15.

¹¹ *See id.* ¶ 10; *see also Tr.* 664:17-678:8 (Dr. Jones's testimony regarding literal infringement of claim 36, step (a)). Dr. Jones declaration also discusses the lack of significance of the removal of the sample roles from the database. *See Jones Dec.* ¶¶ 27-31.

files to a server computer for storage; and iii. allowing access to and control of the course files according to the established roles for the users according to step (a).ö There is no substantive difference between previous versions and version 8.3 in the way they are used to practice this step.¹² Dr. Jonesöcomparison of the source code of versions 8.2.2 and 8.3 validates this conclusion.¹³

Claim 36, steps (c) and (d). Step (c) of claim 36 is öproviding a predetermined level of access and control over the network to the course files to users with an established role as a student user enrolled in the course.ö The Court construed the first part of the step as öthe level of access and control is set in advance within the system.ö (Doc. # 338 at 29). Version 8.3 facilitates the performance of this step in the same way as version 8.2.2 does. Claim 36 does not require that there be a role with the name östudent.ö Desire2Learnö clients still have students, those students still use the system to access their courses with an assigned role, and that role will still have the properties that would be assigned to a student in a course, regardless of whether the role is given the name östudentö or some other name.

Desire2Learnö own documentation demonstrates that roles are set in advance within the system in version 8.3, just as they were in previous versions. Desire2Learnö öEnrollment Migration Processö manual describes how to retain the enrollment of users in courses and roles when migrating to version 8.3. *See Jones Dec. Exhibit 3.* This document shows that roles from previous versions are in fact retained during the migration. For example, the ID of each role is retained in the system where it is stored as part of a userö enrollment in a course, indicating the role of the user in the course. *Id.* at 2-6. This information could have been deleted, but Desire2Learn did not design version 8.3 that way, because it intended for its clients to restore the roles they had prior to the upgrade.

Prior to starting the upgrade process, the client is instructed to record, for every role in the clientö current system, the name of the role, the ID of the role, the properties of the role, and the permissions associated with the role. *Id.* at 2-3. Clients are then instructed to create the new roles

¹² *See Tr.* 679:15-683:7 (Dr. Jonesö testimony regarding literal infringement of claim 36, step (b)).

¹³ *See Jones Dec.* ¶ 17.

“from scratch” and then map the new roles in version 8.3 to the IDs of the old roles in the previous version to, in Desire2Learn’s words, “re-establish all the enrollments in the system.” *Id.* at 4-5. The end result of this process is that the same roles that were in the system prior to the upgrade are present in the system again even before the upgrade is complete. The reestablished roles are still “set in advance within the system,” because all of the roles and enrollments are finalized, and the system is tested, before the migration of the system to version 8.3 is complete. *Id.* at 7. Also, as discussed above, roles can be imported into new installations of version 8.3, and those roles will be set in advance within the system.

Step (d) of claim 36 is: “providing a predetermined level of access and control over the network to the course files to users with an established role other than a student user enrolled in the course.” This is the same as step (c), except it relates to non-student users rather than student users. Nothing has changed in this regard either. Just as Desire2Learn’s university customers continue to have students, they also continue to have instructors (or teachers, or professors, or teaching assistants – the name is not important). Desire2Learn cannot seriously contend that the removal of the word “teacher” or “instructor” changes anything. Thus, use of version 8.3 practices steps (c) and (d) of claim 36 in the same manner as earlier versions of Desire2Learn’s Learning Environment software product.¹⁴

Claims 37 and 38. These claims are practiced when students and instructors use the dropbox functionality of Learning Environment, in all its versions. The dropbox performs the same way in version 8.3 as it does in version 8.2.2. Dr. Jones’s examination of the source code confirmed this. The evidence establishing the infringing use of Desire2Learn’s earlier products is equally applicable to version 8.3.¹⁵

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¹⁴ See *Tr.* 685:16-690:1 (Dr. Jones’s testimony regarding infringement of claim 36, steps (c) and (d)).

¹⁵ See *Tr.* 690:17-695:8 (Dr. Jones’s testimony regarding infringement of claims 37 and 38).

Ultimately, Desire2Learn has done just what it said it would do, ignoring the Court's advice. It removed the default roles from its database (they were not in the code to begin with, as Desire2Learn emphasized) and it excised references to the words "student" and "teacher" from its literature and code. It did not meaningfully change the product itself to any degree, and it did not even purport to alter the infringing functionality: a single user can still access multiple roles in multiple courses using one user name and password. Consequently, Desire2Learn's use, sale, and offer for sale of version 8.3 is infringing, for the same reason that the use, sale, and offer for sale of version 8.2.2 was adjudicated to be infringing. Version 8.3 falls within the scope of the injunction, and Desire2Learn is in contempt.

III. The Court should impose sanctions to remedy Desire2Learn's contempt.

Desire2Learn has knowingly and willfully violated this Court's permanent injunction. Even if Desire2Learn genuinely believed at the time of the post-hearing injunction that the "design-around" it described was non-infringing, based on its erroneous interpretation of claim 36 and the Court's constructions, any possibility that it was correct evaporated on May 6, 2008, with the denial of Desire2Learn's motion for a new trial. The Court's Order made plain that claim 36 describes a system that allows a single user to access multiple courses and multiple roles with a user name and password "that it would *not* be "sufficient under the Court's construction," as Desire2Learn had argued, to merely "remove any reference to sample and default roles." *Post-Trial Hearing Tr.* 39:21-40:2. Yet Desire2Learn persisted with its plan anyway, despite having repeatedly argued during the trial that the single-login, multiple roles feature was insignificant.

Desire2Learn is flouting the permanent injunction. The Court should use its inherent and statutory powers to sanction this contempt. Blackboard respectfully suggests that the Court's order include several components, as set forth in the Proposed Order:

First, the Court should declare that the use, sale, and offer for sale of version 8.3 violates the Permanent Injunction.

Second, the Court's order should include notice provisions similar to the ones that it included in the Permanent Injunction – namely, that for each of its U.S. customers, Desire2Learn must provide actual notice of the order to the legal counsel and all individuals authorized by contractual notice provisions, and it must provide notice to the legal counsel of all prospective clients to whom it submits bids or with whom it is negotiating, either now or in the future.

Third, the Court should sanction Desire2Learn for its contempt from the June 11, 2008 effective date of the injunction through the date of this order. The purpose of this remedy should not be to punish Desire2Learn but rather to make Blackboard whole. Desire2Learn's revenue during this time period constitutes ill-gotten gains – the fruits of violating this Court's order. Based on the calculations set forth in the attached *Declaration of Daniel R. Foster*, the Court should order Desire2Learn to pay Blackboard \$23,000.00 for each day it violated the injunction, starting with June 11, 2008, and concluding with the date of the Court's order.

Fourth, the Court should order Desire2Learn to pay Blackboard's reasonable attorney's fees, both for the contempt proceeding and for the entire litigation. The Fifth Circuit recently held that "court's discretion [in sanctioning for contempt] . . . permits the court to impose as part of the fine attorney's fees representing the entire cost of the litigation." *FDIC v. MAXXAM, Inc.*, 523 F.3d 566, 596 (5th Cir. 2008) (emphasis added). The Fifth Circuit relied on *Chambers v. NASCO*, 501 U.S. 32 (1991), which the Supreme Court held that "a court may assess attorney's fees as a sanction for the willful disobedience of a court order. Thus, a court's discretion to determine the degree of punishment for contempt permits the court to impose as part of the fine attorney's fees representing the entire cost of the litigation." *Id.* at 45 (emphasis added, internal quotations marks and citations omitted). The Court has previously declined to award Blackboard its attorney's fees in this case. However, that was prior to Desire2Learn's willful disobedience of this Court's injunction. Awarding attorney's fees is an

appropriate use of the Court's inherent power to remedy the contempt of a recalcitrant litigant, particularly given Desire2Learn's track record before this Court.

Fifth, because the civil contempt power is ultimately coercive in nature, the Court should ensure that Desire2Learn immediately cease its violation of the injunction. Blackboard suggests that for each day following this Court's order that Desire2Learn uses, sells or offers for sale version 8.3 or associated services, Desire2Learn should be ordered to pay Blackboard \$23,000.00. No litigant can be permitted to simply choose to pay a sanction and continue to violate a federal district court's injunction, however. If, after five days, Desire2Learn continues to defy the order, the daily sanction should double to \$46,000.00. And if, after five more days, that sanction is insufficiently strong to coerce Desire2Learn into compliance, it should double again. The sanction should continue to increase until Desire2Learn complies. The Fifth Circuit has expressly approved the imposition of such prospective per diem sanctions for contempt, analogizing this remedy to "the paradigmatic coercive, civil contempt sanction of confinement contingent upon compliance of a court order." *Alberti v. Klevenhagen*, 46 F.3d 1347, 1360 n.10 (5th Cir. 1995) (citing *Int'l Union v. Bagwell*, 512 U.S. 821, 828 (1994)). The integrity of the Court's injunction must be protected, and per diem penalties are likely to achieve that end.

CONCLUSION

Desire2Learn has violated the injunction by using, selling, and offering for sale a product, Learning Environment 8.3, which is not more than colorably different from version 8.2.2. Version 8.2.2 was adjudicated to infringe the '138 patent, and version 8.3 infringes in the same way. Accordingly, contempt proceedings are appropriate. Desire2Learn is in contempt and must be sanctioned appropriately. Desire2Learn's violation of the injunction must cease immediately.

Respectfully submitted,

/s/ J. Thad Heartfield

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CERTIFICATE OF SERVICE

I hereby certify that on June 17, 2008, that a true and correct copy of the foregoing 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/ J. Thad Heartfield

J. Thad Heartfield

CERTIFICATE OF CONFERENCE

Pursuant to Local Rule CV-7(h), counsel for Blackboard conferred with opposing counsel James D. Dasso regarding this matter in an attempt to resolve it without court intervention. Desire2Learn opposes the relief sought in this motion.

/s/ Michael S. Nadel

Michael S. Nadel