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## Google To Pay At Least \$300M In Stock To Settle Yahoo! Patent Suit

By **Marius Meland**

Law360, New York (August 10, 2004, 12:00 AM ET) -- In a move that removes a legal threat looming over Google's initial public offering, the search engine has agreed to pay at least \$300 million in stock to settle a patent infringement lawsuit brought by rival Yahoo!

The agreement gives Yahoo! an additional 2.7 million shares of Google stock in exchange for dropping a patent lawsuit involving a crucial piece of online advertising technology held by Yahoo!'s wholly-owned subsidiary, Overture.

The settlement is worth about \$328 million, based on the midpoint in the \$108- to \$135-per-share range that Google has established for its initial public offering.

Overture's patent covers a version of how companies bid against each other for top listing among search engine advertising. Those companies can also gear their ads to specific queries and pay only when users click on them.

Google's technology, released after Overture's, is similar. However, the placement of advertising in Google's system is partially determined by the popularity of those ads among users, judged by click-through rates, not just by how much advertisers are willing to pay.

Before its takeover by Yahoo, Overture bought AltaVista and acquired some of the oldest patents on Web search. When AltaVista was part of Digital Equipment, it secured seven patents on Web crawling technologies, seven on indexing and two on query processing. It has 16 patents pending related to forward-looking search technologies.

In a move to protect its technology, Overture hired a staff of IP experts and aggressively sought licensing deals for pay-for-performance search against rivals. The company sued FindWhat.com in February 2002, after FindWhat filed a summary judgment request in a New York federal court in an attempt to fend off any potential infringement charge from Overture.

Overture filed its patent infringement suit in federal court later that same year. The company was then acquired by Yahoo! in 2003.

According to Overture's lawsuit against Google, the disputed patent covers 67 separate claims, including exclusive rights to a "system for enabling an advertising Web site promoter using a computer network to update information relating to a search listing within a search-result list generated by an Internet search engine."

Included in the overall settlement was the resolution of Yahoo's claims against Google related to a search partnership the two companies signed in 2000. Yahoo was awarded 1.23 million Google shares in 2003 as part of the deal, but contended in a recent regulatory filing that it was owed more. Google had previously maintained that it had fully complied with the

terms of the deal.

Yahoo is a major Google shareholder, with 8.2 million shares, including the latest award, or about 3.25 percent of the company. Yahoo intends to sell 1.6 million of those shares in Google's initial public offering.

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