

Microsoft Co-Founder Allen Seeks Patent Payday From Apple, Google, Netflix

By Susan Decker and Douglas MacMillan - Aug 28, 2010

Billionaire [Paul G. Allen](#)'s research business awoke from a decade-long slumber to seek compensation from 11 companies including [Google Inc.](#) and [Apple Inc.](#) for its "groundbreaking" contributions to the Internet economy.

Interval Licensing, which owns the patents of a computer- science and communications researcher Allen shut in 2000, filed a lawsuit in Seattle yesterday claiming companies have infringed its patents for online-shopping technology. [EBay Inc.](#), [AOL Inc.](#), Facebook Inc., [Netflix Inc.](#), [Office Depot Inc.](#), [OfficeMax Inc.](#), [Staples Inc.](#), [Yahoo! Inc.](#) and Google's YouTube were also named.

Facebook, the world's biggest social-networking website, said the lawsuit is without merit, and EBay said it would "vigorously" defend itself. Google, owner of the most popular search engine, said innovation is better than litigation.

"This lawsuit against some of America's most innovative companies reflects an unfortunate trend of people trying to compete in the courtroom instead of the marketplace," a Google spokesman, Aaron Zamost, said in an e-mail.

Allen, who co-founded software maker Microsoft Corp. with Bill Gates in 1975, created Interval Research with [David Liddle](#) in 1992. The purpose was to develop technology with the aim of building companies, said H. Harlyn Baker, a former employee. The business had more than 110 workers and helped fund outside projects, including work by Google founders [Sergey Brin](#) and [Lawrence Page](#), according to a statement announcing the suit.

"Allen sort of let it go when the dot-com bubble started to burst," Baker, who now works at Hewlett-Packard Laboratories, said in an interview. "A lot of brilliant technology was developed there, so I'm not surprised Paul is trying to do something with it."

Patent Ownership

Allen, 57, has maintained ownership of the inventions through companies he controls, said David Postman, a spokesman for the billionaire. Interval Licensing is seeking a court order to block further use, as well as unspecified cash compensation.

"We will fight it vigorously," [Andrew Noyes](#), a spokesman for Palo Alto, California-based Facebook said in an e-mail.

The four patents cited in the lawsuit are primarily common electronic-commerce applications for displaying and categorizing product information.

"All of these patents appear to be lightweight inventions that are intended to improve a computer user's online experience," said [Dennis D. Crouch](#), an associate professor at the University of Missouri School of Law in Columbia. "That said, the improvements disclosed in these patents represent important core features that Internet users rely upon."

'Groundbreaking' Work

The lawsuit was necessary to protect the "groundbreaking" work Interval Research contributed to the Internet economy, Postman said in the statement.

"Legal risk and patent risk in this day and age is part of the process of doing business," said [Colin Gillis](#), an analyst at BGC Partners LP in New York. "The most interesting part is it doesn't include Microsoft or" Amazon.com Inc., he said.

Postman declined to say why Microsoft or Amazon weren't named.

EBay, the owner of e-commerce sites and the PayPal payment service, said it's reviewing the complaint.

"We intend to defend ourselves vigorously," said Johnna Hoff, a spokeswoman for the San Jose, California-based company.

[Dana Lengkeek](#), a spokeswoman for Yahoo, owner of the second-most popular U.S. Internet search engine behind Google, declined to comment.

Interval's Contributions

Allen now runs Vulcan Inc., a firm he uses to invest in more than 50 companies in the cable, television, telecommunications, sports and biotech industries. Listed by Forbes as the 37th richest man with an estimated fortune of \$13.5 billion, Allen has pledged to give a majority of his wealth to charity after his death. He was diagnosed with non-Hodgkin's lymphoma in November and began chemotherapy. Among his other holdings are the Seattle Seahawks professional football team and the Portland Trail Blazers basketball team.

Liddle, the co-founder of Interval Research, is now a partner at U.S. Venture Partners, a Menlo Park, California-based venture capital firm. An associate in his office directed questions to Vulcan.

Interval Research spun off companies including Audience, a Mountain View, California-based company that develops voice processing technology; and Tyzx Inc., a Menlo Park, California, provider of products and services for three-dimensional vision.

There has been licensing activity for the patents developed at Interval Research since the firm's closing, according to Debby Hindus, a business consultant to technology startups who did research on new forms of communication at Allen's company.

Catching Up

"We did lots of interesting, original work, and an awful lot of it is only now starting to see the light of day," Hindus said in an interview. "The rest of the world has caught up to what we were doing 15 years ago."

Amy Bessette, a spokeswoman for computer and software maker Apple, said the Cupertino, California-based company doesn't discuss lawsuits. [Steve Swasey](#), a spokesman for Los Gatos, California-based Netflix, the online movie-rental service, also declined to comment.

Jason Shockley, a spokesman for [Office Depot](#), said in an e-mail that the Boca Raton, Florida-based company won't comment on pending litigation. Office Depot is the second-largest U.S. office-supply chain, ranking behind [Staples](#) and ahead of [OfficeMax](#). Representatives from those two companies weren't available to comment on the lawsuit.

[Tricia Primrose](#), a spokeswoman for AOL, declined to comment.

The case is Interval Licensing LLC v. AOL Inc., 10cv1385, U.S. District Court for the Western District of Washington (Seattle).

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