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Google™

Google Annual Report 2004

**EXHIBIT 2055**  
*Facebook, Inc. et al.*

v.

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GOOGLE WAS BORN IN 1998. If it were a person, it would have started elementary school late last summer (around August 19), and today it would have just about finished the first grade.

Of course companies are not people. Among other obvious differences, they must be responsible and self-sufficient at a very early age. But a long perspective, like that of a human lifespan, is useful in assessing year-by-year developments. While it may seem that we have come far already, this is just the beginning of a lifetime.

And while Google is not a single person, it does embody the effort, ability, and commitment of thousands of individuals. Together we strive toward a common mission: to organize the world's information and make it universally accessible and useful. This is an infinitely large task for a long-term company.

Last year, Larry discussed the principles of our work toward this goal in his letter that we included in the prospectus for our initial public offering. In this letter, I will update you on our progress over the past year, our team, and where we are headed in the future.

### 345 DAYS

It is hard to believe less than a year has passed since our last letter, given how much has happened. We made some big strides toward making more web information nearly instantly available. But just as important, we branched out to make a growing array of media forms and information types more accessible and, hopefully, more useful to people all around the world.

Here are some of the highlights:

**8 billion pages.** In web search alone, we doubled the size of our index over the past year. Now, users can search more than 8 billion web pages and experience greater relevance. We have simultaneously worked to ensure that users encounter less spam or other interference.

More local information:

**Google Maps.** Released early this year, Google Maps is an original interface to maps on the web, letting people plot routes, get directions, and find businesses on a map intuitively and in a flash.

**Keyhole.** Our acquisition of this geographic information search pioneer brings to Google users a stunning digital mapping tool. Keyhole lets people view 3D images of any place on Earth, including a rich database of roads, businesses and many other points of interest.

**Google SMS.** Often when people need information they're not at a desktop computer. But they can use their mobile phone to send a text message query to GOOGL (46645) to get local, weather, and other results.

But not all information that matters to people is on the web. Much of it resides in different media – in books, on television, or on their hard drives. So we launched projects addressing each:

**Google Print.** Announced late last year, Google Print seeks to digitize and make searchable the wealth of the world's knowledge that is in the form of books. We have programs to work with both publishers and libraries

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Alexandria library automation

software used by 1000s of libraries

to digitize their collections, including those at Stanford, Harvard, Oxford, the University of Michigan, and the New York Public Library.

**Google Scholar.** This service applies the power of link and citation analysis to scholarly research. With Google Scholar, researchers, students, professors, and others can find relevant information drawn from literature such as peer-reviewed papers, theses, books, preprints, abstracts, and technical reports.

**Google Video.** The preview release of Google Video demonstrated how searching television can work: People can search the content of TV programs, find programs containing the content they're looking for, and discover where and when the program next airs.

**Google Desktop Search.** Why should it be easier to search the web than it is to search for the information on your own hard drive? Google Desktop Search lets people search their own computer for files, MP3s, web history, and more, just as easily as they can search on Google.

Online communications have become pervasive in people's lives – so pervasive, in fact, that people often don't even think of it as information. As a result, we've begun developing products that improve the ways people can talk to each other – and share ideas and experiences – online.

**Gmail.** I am writing this document using Gmail, our innovative web mail service. It provides people with a huge amount of storage (1 gigabyte per account, free) and fast, Google-style search through their mail.

**Picasa.** With the acquisition of Picasa, we can help people manage their visual information in digital photographs. We released a much improved version of Picasa, and with Gmail integration, have started the work of making it easy for people to share photographs with family and friends.

**Blogger.** Blogging is about personal expression and the freedom to share ideas. This year we completely redesigned Blogger and introduced powerful features like comments and rich-text editing. In doing so, we've made it quicker and easier than ever for people to share their thoughts online.

We also launched a number of improvements to our AdWords and AdSense programs to make it easier and more rewarding for both advertisers and publishers to participate in the increasing use of commercial information online. Notably, we have focused on improving our ads quality, which increases ads relevance for users, and clickthrough rates for our advertisers and publishers.

Highlights for advertisers included:

- Smart pricing, which automatically adjusts the price paid for clicks from the Google content network based on our estimates of the value of the clicks.



*People can now use Google SMS to get local information on their mobile phones.*

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[Precis Abstract Mgmt](#)

Online Abstract Management for collecting abstracts and papers

[Stanford Univ. Photos](#)

Postcards, Note cards, Posters, and Prints of Stanford University

[PPC Management Firms](#)

Powerful & convenient comparison site to select the best PPC Firms.

- Image ads, which enable advertisers to use graphical ad formats, instead of simply plain text, on Google's content network.
- AdWords API and a collection of campaign management tools, which make it simpler and more efficient for advertisers and third parties to track and modify their ad campaigns.

Highlights for publishers include:

- The expansion of AdSense for content (in which we serve AdWords ads targeted to content on a publisher's site) to 10 new languages.
- The launch of AdSense for search (in which publishers can sign up online and offer Google search and related advertising on their site) in 21 new languages.
- New ad formats and improved reporting tools which give publishers greater monetization opportunities and more precise tracking.

We also made it affordable for organizations of any size to provide search as good as Google across their public websites and intranets. In 2005, we launched the Google Mini search appliance, which embeds Google search technology on a hardware platform.

## 70-20-10

Noting the number and range of these new offerings, some observers have wondered whether Google should focus more on its core – web search – because distractions from non-core services have previously led search engine companies astray. Others have asserted that we are a “one-trick pony,” too reliant on web search, and that we need to diversify.

Let me clarify our strategy in this regard: We have decided that we need balance among core and expanded services. Larry and I use a rule called 70-20-10. Seventy percent of our effort goes to our core: our web search engine and our advertising network. These products still are the largest contributors to the financial health of the company. {Comscore Media Metrix (October 2004) reports that our advertising network, which includes thousands of content sites, sites that use Google search, and Google properties, reaches 80% of Internet users.} But incremental resources have diminishing returns in almost any undertaking, so it is not desirable to put all your resources on the core product. That's why we allocate 20 percent for adjacent areas such as Gmail and Google Desktop Search. The remaining 10 percent is saved for anything else, giving us the freedom to innovate. This is the logic behind our weighted balance.

Larry, Eric, and I are proud to be at a company which delivers new products so quickly – and at such a high quality. But we're even more proud that so many people tell us that these products improve their lives.

*Note: The ads at the bottom of these pages demonstrate examples of how Google can extend the notion of serving relevant ads based on the context of what people are reading. Woven into numerous Google offerings, these ads support innovation and content creation within Google and across the web.*

Ads by Google

### Product Planning Database

Strategic Roadmapping software for improved product planning

### Strategy and Operations

We develop customer-driven strategies for large tech companies

### Resource Allocation

Coordinate Goals, Projects & Tasks  
Goal-based Mgmt Software – \$450

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## THE TEAM THAT BUILT IT

Since we started Google, Larry and I have cared deeply about the people we hire and how we can find and attract the most qualified applicants. We then strive to empower and reward our employees from their first day at Google.

And those first days can be in many places. We have offices in 12 countries, and we've also begun building out research and development centers in Zurich, Bangalore, and Tokyo. To date, we have built a great team, growing from 2,000 to more than 3,000 in the past year alone.

In this process, we have been careful to avoid hiring people who would not be good contributors at Google – the 'false positives.' But we have paid less attention to avoiding 'false negatives.' Perhaps we have focused too sharply on certain technical skills. I am sure there have been many people who would have excelled at Google, but whom we failed to hire.

As we continue to grow and start to saturate certain specialties within geographic areas where we are based, we will redouble our efforts to identify and hire the most qualified candidates. Choosing the best people is a fundamental challenge for every company, but it is not a proven science. Nonetheless, we are committed to making Google a natural home for a diverse group of the most talented people in our industry, and we'll continue to work toward that goal.

We believe we have created a work environment that attracts exceptional people. We know that people value meaning in their work; they want to be involved with things that are important and that are going to make a difference. That is what we let them do at Google. We give them autonomy by structuring projects around small teams. Our huge computational resources and business resources allow those teams to build great products and also empower individuals to create and test their own ideas.

Google employees have "20 percent time" – effectively one day per week – in which they are free to pursue projects they are passionate about and think will benefit Google. The results of this creative effort already include products such as Google News, Google Suggest, and Orkut – products which might otherwise have taken an entire start-up company to create and launch.

We have never forgotten since our start-up days that great things happen more frequently within the right culture and environment. So we offer Googlers a generous host of benefits – such as an on-site doctor and two fresh meals a day – as part of our efforts to keep Google a motivating, healthy, and productive place.



*Our recruitment campaign asked candidates to solve tough mathematical problems.*

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