IN THE UNITED STATES DISTRICT COURT

IN AND FOR THE DISTRICT OF DELAWARE

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PERSONALIZED USER MODEL, L.L.P.,

Plaintiff,

v.

GOOGLE, INC.,

Defendant.

: CIVIL ACTION

: NO. 09-525-LPS

- - -

Wilmington, Delaware
Wednesday, April 6, 2011
Telephone Conference

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BEFORE: HONORABLE **LEONARD P. STARK**, U.S.D.C.J.

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APPEARANCES:

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and

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P R O C E E D I N G S

(REPORTER'S NOTE: The following telephone conference was held in chambers, beginning at 2:48 p.m.)

02:48:05 THE COURT: Good afternoon, everybody. This is Judge Stark. Who is there, please?

02:48:24 Counsel, can you hear me?

02:48:30 (The attorneys respond, "yes.")

02:48:34 THE COURT: Okay. Who is there for the plaintiff, please?

02:48:36 MS. LOUDEN: Good afternoon, your Honor. This is Karen Jacobs Louden from Morris Nichols; and on the line with me is Mark Nelson, Marc Friedman, Jennifer Bennett and Christian Samay from SNR Denton.

02:48:49 THE COURT: Okay. Thank you. Who else is there, please?

02:48:52 MR. MOORE: On behalf of Google, your Honor, David Moore at Potter Anderson; and with me on the line is David Perlson from Quinn Emanuel.

02:49:00 THE COURT: Okay. Is that everybody?

02:49:05 Okay. I assume that is.

02:49:08 I do have a court reporter with me. And for the record, it's Personalized User Model LLC versus Google Inc., our Civil Action No. 09-525-LPS, and today's call is to discuss the discovery disputes that are brought by both sides.

02:49:26 I have a bit of a time constraint today so I've got about 10 minutes I can give you for the plaintiff's concerns and then 10 minutes for the defendant.

02:49:40 MR. NELSON: Thank you, your Honor. May I proceed?

02:49:42 THE COURT: I wasn't quite finished yet, but I'm going to give 10 minutes on the plaintiff's concerns. We'll

02:49:49 split that evenly between the plaintiff and the defendants.

02:49:52 And then after that, we'll move on to the defendant's

02:49:56 concerns and again separate that five minutes and five

02:49:59 minutes.

02:49:59 So let me hear first from the plaintiff just on

02:50:02 the issues raised in the plaintiff's first letter. And you

02:50:05 may proceed.

02:50:06 MR. NELSON: Thank you, your Honor. This is

02:50:07 Mark Nelson.

02:50:08 So plaintiff raised three issues. The first one

02:50:11 is the continued availability of the source code that has

02:50:14 been electronically produced after the fact discovery cutoff.

02:50:19 Our position is that the code, the continued

02:50:23 availability of it electronically is even more relevant in

02:50:26 the expert discovery stage than it is in the fact discovery

02:50:28 stage. Our expert Mr. Pazzani is going to want continued

02:50:33 access to the code electronically to help prepare his

02:50:37 positions -- to help him prepare both his positions for the

02:50:40 expert report and prepare defenses to his positions that

02:50:44 Google's expert may raise citing different portions of the

02:50:47 code.

02:50:50 We will be seriously prejudiced. The code, as

02:50:55 your Honor is aware, is a lot of files that then link to

02:50:58 other files. So having it available electronically is very,

02:51:03 very important to our continued preparation of our case

02:51:06 during the expert phase of this matter.

02:51:09 Google says it's not contemplated by the

02:51:12 protective order. As our brief cited, I think it's just the

02:51:16 opposite. The protective order specifically contemplates

02:51:20 that the production is both the paper code and the

02:51:27 electronically available code; and we cited portions in the

02:51:25 brief indicating that.

02:51:28 Likewise, all of the restrictions that were

02:51:32 negotiated into the protective order on the number of pages

02:51:39 to be printed and consecutive pages to be printed, all of

02:51:43 that was done, at least certainly from PUM's understanding,

02:51:47 with the idea that our experts would continue to have access

02:51:51 to the code after discovery closes.

02:51:53 Google's other arguments are, well, that it's

02:51:56 overly burdensome to continue to make the code available.

02:52:00 This is the procedure they chose to implement, having it

02:52:03 available at their offices. To the extent that they feel

02:52:06 that burden is too great, myself and the lawyers representing

02:52:10 PUM are also officers of the court and would certainly

02:52:15 make -- you know, the burden could be alleviated by having

02:52:17 the code available at PUM's counsel's office under the exact

02:52:21 same restrictions that Google now proposes.

02:52:26 In sum, our position is that this code has been

02:52:30 produced, the electronic code and the printed code, and that

02:52:35 Google is basically trying to take it back.

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They cite this Papyrus case, but that case is not applicable because it dealt with the production of new source code well after expert discovery and so it's not an issue that concerns us here.

Turning to the second point, which is the 30(b)(6) deposition witness testimony. Google raises several points. The first is that this is the first time this was raised. That isn't the case. Both the Ponnekanti and Gopalratnam depositions were held open, and the Horling deposition was held open specifically because he was unprepared, and all three were held open as well because Google produced -- that it was anticipated Google would produce, and this has in fact happened, numerous source code files and documents that should have been produced in advance of those depositions.

Moreover, PUM has continued to depose Google witnesses on these exact issues that these other witnesses were not able to answer, so there should be no surprise that these issues are being raised, I guess.

I want to give the Court one quick example with respect to search. [redacted]

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[redacted]

That's the type of detailed information we're seeking with respect to search. There's similar missing pieces with respect to both AdWords and AdSense.

Lastly, just quickly turning to the Weinberg deposition. Yes, I think it's telling from Google's response that it's almost totally focusing on sort of this is harassing and not warranted because of burden, and there is almost no discussion about these what certainly appear on their face to be clearly business meetings where a lawyer just was there sort of in a just-in-case role.

You know, why these meetings should be privileged,

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we asked that during the deposition. We were shut down.

Additionally, all of the lead-in to this was about a vision statement that Mr. Weinberg wrote that discussed interest-based advertising, [redacted]

That vision statement at the time of this deposition, Google had called it privileged. They have since switched that position and have now produced that statement. And so that is an additional reason to make Mr. Weinberg again available in a very limited role.

And I should stress both with respect to Mr. Weinberg and these other 30(b)(6) witnesses, what we want are just a couple hours with each witnesses, maybe a little bit more with respect to search, either with these folks or other witnesses who could testify about these discrete topics that we would be happy to tell Google in advance to make sure the folks were properly prepared.

And so I guess with that, I'm not sure if my 10 minutes are up, but the last thing with respect to Weinberg is to the extent we can try to alleviate the need for everybody to travel again, we would certainly be amenable to doing it by video conference or telecom as well.

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THE COURT: Okay. Thank you.

Let me hear from Google just on the issues raised by plaintiff, please.

MR. PERLSON: Thank you, your Honor. This is David Perlson from Quinn Emanuel. I guess I will sort of raise them in the opposite order since Weinberg is fresh on my mind.

This is not an instance where the witness was instructed not to answer questions about general business meetings. They seem to suggest there is like some series of meetings that Mr. Weinberg was involved in that he was not allowed to testify about, and that is just false.

There were a couple of meetings that were dealt with specifically related to privacy issues which very much tread with legal issues. You know, Google faces lawsuits regarding privacy lawsuits, as do many Internet companies. To say this wouldn't involve or need legal advice is just false.

We face harassment because they're looking to see what this article talks about as some purported tensions between the founders of Google. That may sound interesting to them but it has no relevance to the case, and they haven't shown that it's relevant.

Also, he mentioned the vision statement. I didn't find that to be part of the motion, that that is why

they needed this additional testimony. We've produced that. Apparently, they're aware of it because of this article, but yet they didn't bother to ask us for it or raise any questions about it before the deposition. It's another instance of them not being respectful of the time that the parties spend preparing witnesses. And it doesn't matter whether or not we have to fly across the country or do it by video conference. There is a cost and an expense and time dealing with preparing any witness for a case such as this.

And then as to the 30(b)(6), one thing that I think that PUM really ignores is the lack of a meet and confer here. We got a letter last week relating to depositions taken last fall purporting to raise all sorts of issues. We engaged them, said we would meet and confer. They couldn't wait. I was traveling. I couldn't -- they cited many things. There was no way we could meaningfully meet and confer, and they chose to raise it with the Court anyways.

We submit this is a waste the Court's time and that at a minimum, if not outright denied, the parties should be allowed to meet and confer as would normally be the case. If there are very specific things that they need, that they legitimately did not get in these other depositions, we will work with them. Had they allowed us to do that, I don't think we would have been talking to you about this, your

Honor.

Also, one thing I would note is they said there shouldn't be any surprise they are interested in this topics because they asked other witnesses about them. Well, that merely shows they should have raised them before these other depositions. Maybe we could have designated those people as 30(b)(6) on these issues.

Then, finally, on the issue of the source code, this is sort of a here we go again thing. Once again, PUM is looking for a pressure point. Here, it's source code because they know that it's very sensitive to Google.

The suggestion that there is no burden for Google to put a source code -- a computer with source code at PUM's office in a law firm that does not represent Google and is adverse to Google is absurd and, frankly, shows the sort of lack of respect of Google's source code that PUM has given in this prior request and now this one.

If they say, they suggested this was contemplated all along that they would be able to have continued access to the source code, then why is it that just last -- it wasn't until after this prior letter, we had this prior hearing, that they raise the issue? I think that is telling, your Honor.

And there is a burden here, and we shouldn't have to be getting, being peppered with these requests after, during expert discovery and potentially during trial.

When we had a meet and confer on this, your Honor, I explained did they expect that if they have their experts reviewing source code during our opening statement, that they will be able to ask us to print stuff out during trial? And they said yes.

There is nothing like that contemplated in the protective order, which in fact notes that, unless the parties are able to agree on a third party, that the inspection is to be done at non-local counsel's office, which would suggest that not at trial.

THE COURT: Okay.

MR. PERLSON: I think my five minutes are up.

THE COURT: Yes. Thank you very much.

MR. NELSON: May I respond briefly, your Honor?

THE COURT: I don't have time to allow you to do that, but thank you. I'm prepared to give you my rulings on the issues that have been raised by the plaintiff, and I will go in the order that the plaintiff addressed them.

First is the request for continued access to the source code. Here, I agree with the plaintiff. I think that that continued access remains important, certainly, at least through expert discovery, and that it is important that the plaintiff have access to the source code electronically.

I don't believe that that is precluded by the

protective order. It may be that now that you have this ruling, perhaps you all have to work, again, and see if you can come up with some cutoff date for the plaintiff's access. I'm not, today, ruling that the plaintiff will have access through trial, but I am ruling that the plaintiff will have access through the expert discovery period.

I don't mean to invite the plaintiff to abuse their access by trying to spend unnecessary time reviewing the source code. So if I need to revisit this issue and impose some further constraints, I will. But on the issues squarely before me today, I'm ruling with the plaintiff.

On the other two issues, I am ruling for the defendant. We have looked at the excerpts that were provided on the 30(b)(6) depositions. We're not persuaded that the witnesses were inadequately prepared. It's also not clear that there was an adequate meet and confer on this issue.

It further appears that there are witnesses who have testified subsequent to the ones in dispute. Plus, there are other witnesses scheduled to be deposed in the future, all of whom have or may be able to provide potentially 30(b)(6) testimony on the issues that the plaintiff says it needs more testimony from.

I do note the representation from defense counsel today that they are willing to work with the plaintiff on

some of these specifics, and notwithstanding my ruling for the defendant here, I certainly expect and hope that defendant will engage further, if plaintiff wishes, to see if some of the areas plaintiff has identified can be addressed further by other witnesses who are already scheduled.

With respect to Mr. Weinberg, I'm not persuaded that the areas the plaintiff now seeks to go into are relevant. It also appears that there may well be privilege that protects these communications, but given that the issue was not raised earlier when everyone was together at the deposition and given the at least lack of obvious relevance of the areas the plaintiff wishes to go into, I'm denying the plaintiff's request.

Let's move quickly on to the issues that Google has raised. I had hoped to reserve you each five minutes. I'm now down to, I'll give you each to about four minutes, and I'll cut you off if I have to.

But let me first hear from Google on the issues it has raised.

MR. PERLSON: Okay. Thank you, your Honor. I shouldn't need more, but cut me off if I run over.

The issue on the privileged documents regarding between Phil Black, Blacksmith Ventures, and his lawyer, Clulow, and Utopy is relatively -- although the transactions underlying it may be complicated, the issue is a relatively

straightforward one.

Blacksmith and Phil Black were invested in Utopy, and the documentation shows that there was a dispute between them regarding a notice of default on a loan. And there was numerous communications, including Mr. Clulow, who is Black's lawyer, and Blacksmith's lawyer, as PUM's 30(b)(6) own witness testified, did not represent Utopy.

So the only argument that they seem to be making now is that, somehow, in certain communications at or around the same time as others, that these folks were wearing a different hat and that they were somehow acting as a director.

Well, it's unclear why Mr. Clu -- Mr. Black would need Mr. Clulow to represent him in connection with Utopy. Certainly, there is no dispute that Mr. Black wasn't representing Utopy. So it's not clear what interests here exist.

They're claiming a common interest among directors, but that doesn't really make sense either. If there was an interest among directors, it would be them acting for Utopy, but that is not what is going on here because Mr. Clulow, who was Black's lawyer, was on it. It wasn't a case of Mr. Black conferring with Utopy's lawyers.

Going on to the issues of the tax returns and consideration documents. We've been trying to figure out what has been going on here. It seems to us that the prior

owner of the patent gave PUM the patent for free. No monetary consideration was provided. That is admitted. But we don't know if there is some other consideration provided.

We've been trying to get this information for awhile. We haven't seen any documents regarding it. We've asked for them, and PUM hasn't responded. We've taken two depositions asking questions about this issue. No one has been able to tell us anything.

They claim that one of these witnesses will be prepared on this subject later, but he is one of the same witnesses that told us before he didn't know anything on this subject. We're asking for the tax returns because we don't know where else to get this information. We've explained how they're relevant in our brief and how we think it will get it, and I don't think I need to go into that further here.

Then, finally, on Interrogatory Nos. 30 and 31, here, this seems to be a relatively simple issue, too.

Interrogatory No. 30 seeks PUM to identify the mathematical formulas needed to practice the asserted claims that PUM contends did not exist in the prior art. And,

Interrogatory No. 31 asks PUM to state whether it contends that the patents could not be practiced with the learning machines that existed in the prior art.

Basically, this is relevant to what PUM added

through its patents to the art. It is certainly relevant to obviousness, and they should certainly know how to answer that question given that they claim that Mr. Konig, in their opposition to our motion for summary judgment, or for our early summary judgment, was a machine learning expert.

One thing I forgot to mention was the fact that in relation to the compensation for the patents at issue, PUM itself, in its interrogatory responses that were received shortly after they filed their response brief, explicitly said that they intend to rely on the investor interest in the patents. The fact that one of the entities that own the patent gave it away for free is a very relevant way to rebut that; and we should certainly be entitled to discovery into that.

THE COURT: Okay. Thank you.

Let me hear from plaintiff, please.

MS. BENNETT: Good afternoon, your Honor. Jennifer Bennett for the plaintiff. It might help the Court if I first go through the relevant facts here.

Utopy is the original assignee of the patents in suit. And in late 2004, in order to secure a loan from Phil Black through his investment company, Blacksmith Ventures, Utopy conveyed to Blacksmith Ventures a security interest in Utopy's pending patent application, and documents relating

to that transaction have been produced, including documents relating to the alleged notice of default.

In 2005, the patent application issued and, shortly after, in early 2006, Utopy sold its rights in the patent to Levino. It was during this time frame that Phil Black was also a board member of Utopy. So the communications at issue, they're a discrete set of issues between Utopy and board members and counsel regarding its duties and the proper legal transfer of the patents in suit to Levino.

In these specific set of communications, Mr. Black is not on the opposite side of any transaction with Utopy, and they are definitely not related to the loan or any default of such loan. These communications relate, as PUM has said, to Mr. Black acting solely as a member of the board of Utopy where his interests are aligned with Utopy. Some of these documents even relate to the board seeking legal advice from a law firm in anticipation of patent litigation.

It appears from their opening letter that Google's entire argument for the production of these documents is based on their misunderstanding that Mr. Black was an investor in Levino, but Mr. Black is not currently an investor in Levino, and he never was an investor in Levino.

In fact, the testimony of Ari Gal, which Google

cites in its letter and also referenced just a few minutes ago also support PUM's position. Whenever Mr. Gal was asked about whether specific entries were specifically privileged, he qualified his response they could be in the context that we described here where Mr. Black is acting on behalf of the board.

Therefore, these communications are protected by the attorney-client privilege; and even if Mr. Black and Mr. Clulow's commercial interests were adverse to Utopy, as Google might allege, these were protected in that situation by the common interest doctrine.

With respect to the tax returns, your Honor, Google argues consideration documents including the tax returns of its partners are relevant to whether there is an assignment from Levino, to whether the assignment from Levino to PUM is a valid contract and they're relevant to commercial success, but it's important to point out that with exception of the PUM tax returns, we've already told Google it has produced any documents to the extent they exist, and we've also provided a response to Google's request for admission 33 regarding money paid by PUM to Levino and explained that because the owners of Levino and PUM are the same, no money was paid. So other than with respect to tax returns, there is no dispute here.

That aside, Google is wrong on the relevancy of

these documents. Damages have been bifurcated. PUM has already produced its patent assignment with the PTO, demonstrating that it's a valid transfer. Consideration is immaterial to the transfer of the patent between common owners. These documents are not relevant to the secondary considerations of nonobviousness.

In its letter from yesterday, and also again mentioned today a few minutes ago, Google referenced our recent interrogatory response regarding evidence of nonobviousness and cites that we stated the interest of others in purchasing the patented technology from Utopy as success of Utopy in attracting investment and developing its product. But as the response states, the cited responses related to Utopy's development of products and purchasing the technology and is not merely referencing consideration paid for patents, as Google implies.

THE COURT: All right.

MS. BENNETT: Finally --

THE COURT: Ms. Bennett, yes, your time is up, but let me ask you a few quick questions.

MS. BENNETT: Sure.

THE COURT: Have you answered whether there was non-financial consideration for the transaction between Levino and PUM for the patent here?

MS. BENNETT: We have not yet answered that.

In the requests for admission, it sought information specifically related to compensation, but we are prepared to educate and reproduce Mr. Twersky concerning that specific topic.

THE COURT: And then on the final issue, the Interrogatories 30 and 31, I understand your argument about the burden is equal to both sides, but it also seems that the interrogatories are trying to nail down what the plaintiff's positions are on those issues there on those two interrogatories. Respond to that part of it as well.

MS. BENNETT: Our position is that the patents are presumed valid and Google is improperly trying to shift the burden to force PUM to prove their validity.

The burden, for example, with Interrogatory 31, we've been trying to get from Google what do they mean by "machine learning techniques." That is a very broad phrase, and that could cover a lot of different things. As well as their definition of prior art, with respect to Interrog 31, they're not willing to limit it to the 15 cited references they chart. So they're trying to put the burden on PUM to try to go through the entire prior art with a vague understanding of what they mean for "machine learning techniques" and to provide a response to this interrogatory, which PUM does not think is appropriate.

THE COURT: Okay. Finally, Ms. Bennett, going

back to the first issue, are you representing that the only documents that PUM is withholding that would otherwise be responsive here to these requests that we're talking about are those in which Mr. Black was acting solely as a director in relation to the transfer of the patent to Levino?

MS. BENNETT: That is correct, as well as in one other situation where the board again was seeking legal advice in anticipation of patent litigation. So there are a few communications as well where the board is reaching out to patent litigation counsel, and so those documents as well.

THE COURT: All right. Mr. Perlson, I'm already running late, but I will give you one minute, if you want to respond.

MR. PERLSON: Your Honor, I'm not sure that I agree with the representation. I'd have to look through the response. I mean there is e-mails regarding release agreements and purchase agreements that are being withheld. There is e-mails regarding a for-conversion agreement, asset purchase agreement that are being withheld.

The one thing that Ms. Bennett does not address is why was Mr. Clulow on these e-mails? What interest is he representing that is needed there?

The reason why, and it's very clear in the communications that we've put there, is that Black was

trying to get his money from Utopy. He was involved and Clulow was involved in these to protect Black's interest in doing that. There is no other reason he would have been on these e-mails and correspondence, and plaintiff has provided nothing to suggest otherwise.

THE COURT: Okay. Thank you. Let me give you my rulings.

On the first issue where Google is seeking production of documents that plaintiff has withheld as privileged, I'm not going to give you a final ruling on this. What I'm doing is I'm granting leave to the defendant here if it wishes to file a motion to compel. I try my best to resolve these issues based on your letters. On this one, there are some facts that are seemingly in dispute.

My hope is that through further meeting and conferring, you may be able to resolve this. Let me further add in that regard, if it is correct, as I understand Ms. Bennett's representation to be, that the only materials withheld are those that were shared with Mr. Black solely in his position as director and solely relating to the transfer of the patent to Levino and legal advice relating to that transaction, then if those are the facts, it would seem that there is common interest there and that privilege would be properly asserted.

However, I don't know why Mr. Clulow, the

personal attorney, was copied on those, and it's unclear whether these facts can actually be resolved based on the limited record I have here.

So the bottom line is my ruling on the first issue is the defense has leave to file a motion to compel on this issue, but you are to meet and confer further before you file that. You should only go ahead and file it if you continue to believe that you really need more judicial attention on that issue.

On the other two issues, I am going with the plaintiff on both of them. So I'm denying Google's request for production of documents showing the value that PUM gave to its patents in suit. I think that such documents have, at best, marginal relevance here. Commercial success depends much more in my view on the value of practicing the patent and so therefore what are the sales or the results of the products or services that practice the patent rather than any consideration given for the patent itself.

So there is marginal relevance, and plaintiff has represented that they will make a witness available to provide further information as to any non-financial consideration that was given when the patent was transferred to the plaintiff.

Then finally, on the interrogatories, it does seem equally burdensome for both sides to identify, for instance, the mathematical formulas, and the burden of

invalidating the patent is on the defendant. At this time, I just don't see a basis to put a further burden on the plaintiff in responding to those interrogatories any further.

That's my rulings, and I'm sorry that I need to rush off, but I do need to be elsewhere at this point. So thank you all very much for your time. Good-bye.

(The attorneys respond, "Thank you, your Honor.")

(Telephone conference ends at 3:32 p.m.)