IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PERSONALIZED USER MODEL, L.L.P., Plaintiff, v. GOOGLE INC., Defendant.	)	C.A. No. 09-525-LPS **JURY TRIAL DEMANDED**
GOOGLE, INC. Counterclaimant, v. PERSONALIZED USER MODEL, LLP and YOCHAI KONIG Counterdefendants.	)	**PUBLIC VERSION**

GOOGLE'S REPLY IN SUPPORT OF ITS MOTION TO DISMISS FOR LACK OF SUBJECT MATTER JURISDICTION AND OPPOSITION TO PUM'S CROSS-MOTION FOR LEAVE TO SUBSTITUTE LEVINO AS PLAINTIFF

OF COUNSEL:

Charles K. Verhoeven
David A. Perlson
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
50 California St.
San Francisco, CA 94111
Tel.: (415) 875-6600

Andrea Pallios Roberts
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
555 Twin Dolphin Drive, Suite 560
Redwood Shores, CA 94065
Tel.: (650) 801-5000

Richard L. Horwitz (#2246)
David E. Moore (#3983)
POTTER ANDERSON & CORROON LLP
Hercules Plaza, 6th Floor
1313 N. Market Street
Wilmington, DE 19801
Tel: (302) 984-6000
rhorwitz@potteranderson.com
dmoore@potteranderson.com

Attorneys for Defendant Google Inc.

Dated: August 29, 2011
PUBLIC VERSION Dated: September 6, 2011
1026262 / 34638

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page

Cases

Rules

Other Authorities

Introduction

PUM does not dispute that only the legal owner of a patent may seek legal relief for patent infringement, or that equitable title to a patent is insufficient to confer standing to sue for legal relief from infringement. *See, e.g., Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991) ("The general rule is that one seeking to recover money damages for infringement of a United States patent (an action 'at law') must have held the legal title to the patent . . . ."). While Google pointed out this distinction between legal and equitable title in its Opening Brief, PUM studiously avoids it in its Opposition. This distinction is black letter Federal Circuit law, not a "hypertechnical argument" as PUM suggests. Yet, none of PUM's arguments shows it has the legal title required to establish standing to sue for infringement of the patents-in-suit.

PUM cites several cases that stand for the unremarkable proposition that an entity may enforce equitable title to a conveyance dated before the entity existed against a party to that transaction. However, as the very cases cited by PUM make clear, such notions of equity do not extend to third parties not involved in the governing transaction. In short, the cases do nothing to show that PUM has legal title effective against Google. Rather, PUM's cases acknowledge that an entity may not enforce a conveyance dated before the entity existed against a third party like Google.

PUM's argument that it "ratified" the assignment from Levino also does not demonstrate legal title. While PUM's conduct may ratify the invalid patent assignment such that it would be enforceable against Levino, PUM provides no authority that such a ratification is effective against third parties like Google. Rather, PUM's cited authority makes clear that a ratified contract binds "contracting parties," not third parties.

PUM makes an "alternative argument" that, should the Court find that PUM does not have standing, Levino should be substituted as plaintiff under Rule 17(a). Initially, PUM does not have the standing needed to move for such a substitution. Further, Levino, [redacted], has not joined in PUM's request for substitution. And it is unclear whether [redacted], thus leaving uncertainty as to its intention to pursue this case and participate fully in discovery. Moreover, Rule 17(a) applies only where an understandable mistake was made in selecting the party in whose name the action should be brought. Here, PUM actually denies that any mistake as to the proper plaintiff was made. Nor is a claim by Levino the same as a claim by PUM. Although Google has received almost no discovery as to Levino, what Google has been able to discover shows Levino, [redacted], does not [redacted], as PUM suggests. PUM cannot simply swap plaintiffs without undue prejudice to Google, providing further reason to deny PUM's request.

Accordingly, Google requests that the Court dismiss PUM's patent infringement claims against Google for lack of standing and deny PUM's request to substitute Levino under Rule 17(a).

Argument

I. PUM FAILS TO SHOW IT HAS STANDING TO SUE GOOGLE.

A. PUM's Case Law Regarding Non-existent Entities Fails to Show It has Legal Title Against Google.

PUM does not argue the Assignment Agreement was valid when executed on May 23, 2007. PUM also does not argue it had legal title to the patent-in-suit at that time. Nor does PUM point to any actions taken to facilitate the legal creation of PUM until well after the execution of the Assignment Agreement.

Instead, PUM – incorrectly – asserts that it acquired legal title to the patents by August 14, 2007, the date the Texas Secretary of State issued the Certificate of Filing for PUM. According to PUM, "[l]egions of courts throughout the country hold that a conveyance made to an entity before its legal formation effectively passes title upon that entity's formation." (D.I. 310 ("Opp.") at 6.) But PUM's cited cases are inapposite and do not support PUM's claim to legal title. In fact, no case PUM cites holds that that a conveyance made to an entity before its formation passes legal title upon that entity's formation effective as against a third party, such as Google in this case. Rather, PUM's cases hold only that an entity may enforce equitable title to a conveyance dated before the entity existed against a party to the conveyance, not a third party.

For example, in *Luna v. Brownell*, 110 Cal. Rptr. 3d 573, 577 (Cal. Ct. App. 2010), a quitclaim deed transferring property to a trust was executed before the trust was created. The court held that a quitclaim deed transferring property to the trustee of a trust "is not void as between the grantor and grantee merely because the trust had not been created at the time the deed was executed." *Id.* at 578 (emphasis added). In the preceding paragraph, however, the court explicitly noted, that such deeds are "void when asserted against third parties." *Id.* (citation omitted and emphasis added). The lower court also had made clear that the title being enforced was equitable, not legal title: "[I]n a situation where a property transfer has been made to one who has no legal existence, there is authority in some jurisdictions that provides as a matter of equity, such a deed is valid between the grantor and the grantee only but not as to third parties." *Id.* at 576 (emphasis added). Thus, even if this case was somehow applicable here, it would at most bestow equitable title against Levino, which would be insufficient to bring a claim for legal relief for patent infringement against Google.

PUM also argues that Texas follows the rule expressed in *Luna*, citing *Lighthouse Church of Cloverleaf v. Texas Bank*, 899 S.W.2d 595, 601 (Tex. App. 1994). But Texas law similarly does not bestow legal title effective against a third party if a conveyance occurs before an entity exists. Rather, *Lighthouse* notes that "a deed to a corporation prior to its organization was valid between the parties, and title passed when the corporation was legally incorporated." *Id.* at 602 (citing *John Davis & Co. v. Cedar Glen No. Four, Inc.*, 450 P.2d 166, 170 (Wash. 1969)) (emphasis added). *Lighthouse* also finds "under principles of equity, . . . a void deed is valid between the grantor and grantee, but void when asserted against third parties." *Id.* (emphasis added). Thus, *Lighthouse* only further confirms that while PUM may have equitable title to assert against Levino, it does not have legal title effective against Google.[1]

PUM also cites *John Davis & Co. v. Cedar Glen No. Four, Inc.*, 450 P.2d 166 (Wash. 1969). Yet, *John Davis* acknowledges "it is true as a general rule that a deed is void if the named grantee is not a legal entity." *Id.* at 170. It notes the same exception to that rule exists in that a "deed to a corporation, made prior to its organization, is valid between the parties." *Id.* (emphasis added). And, as with *Luna,* the parties to the *John Davis* case were parties to the agreements at issue, not third parties. Thus, while *John Davis* may have been "cited favorably by numerous courts" (Opp. at 8), that is of no help to PUM either.[2]

---

[1] The other cases on which PUM relies are also cases in which equitable title is enforced between the parties to the underlying agreements, not third parties. *See, e.g., Heartland, L.L.C. v. McIntosh Racing Stable, L.L.C.*, 632 S.E.2d 296, 303 (W. Va. 2006) (finding a pre-incorporation deed valid as to the parties to the deed); *Framingham Sav. Bank v. Szabo*, 617 F.2d 897, 899 (1st Cir. 1980) (agreement enforced between the parties to the agreement).

[2] Further distinguishing *John Davis* is that the mortgages at issue were filed 3 days after the corporation became a legal entity, *id.* at 170, and that the articles of incorporation for Cedar Glen were executed before the property at issue was deeded to the corporation. *Id.* at 168-69. Here, PUM provides no evidence of any work done to facilitate the legal creation of PUM before the Assignment Agreement was executed.

PUM further argues that *Wilson v. Dearing, Inc.*, 415 S.W.2d 475 (Tex. Civ. App. 1967), cited by Google, somehow "supports PUM's position." (Opp. at 8.) But *Wilson* affirms that "a deed can be made only to grantees in existence at the time of the execution of the deed." *Wilson*, 415 S.W.2d at 477. PUM latches on to language in this case that the law will not "deprive the grantee of his rights where it was the grantor's intention to invest him with title." (Opp. at 8 (quoting *Wilson*, 415 S.W.2d at 479).) Yet again, the parties in *Wilson* were the parties to the underlying conveyance, not third parties like Google. *Wilson*, 415 S.W.2d at 476.

PUM also argues that Google's cases do not apply here because "PUM was duly formed and exists as a limited partnership, an entity capable of receiving legal title." (Opp. at 8-9.) This is a non-sequitur. Whether PUM could have accepted legal title after it was properly formed is irrelevant because the Assignment Agreement predated PUM's formation.

B. Any Alleged "Ratification" Does Not Cure PUM's Lack of Standing.

PUM argues that its purported "ratification" of the Assignment shows it has legal title effective against Google. Once again, even the case law PUM cites shows otherwise.

Ratification occurs where a party acknowledges a contract that may otherwise have been considered invalid by "acting under it, performing under it, or affirmatively acknowledging it." *Wetzel v. Sullivan, King & Sabom, P.C.*, 745 S.W.2d 78, 81 (Tex. App. 1988). But, as PUM states, a ratified contract "binds the contracting parties." (Opp. at 9 (emphasis added).) Indeed, each of the cases cited in PUM's opposition brief addresses ratification in the context of the parties to an agreement, not an unrelated third party like Google. *See, e.g., Wetzel*, 745 S.W.2d 78 (ratification of contract between plaintiff and defendant); *Coastal Shutters and Insulation, Inc. v. Derr*, 809 S.W.2d 916 (Tex. App. 1991) (ratification of preincorporation contract between plaintiff and defendant); *Moore v. Dallas Post Card Co.*, 215 S.W.2d 398 (Tex. App. 1948) (same); *Lancaster Gin and Compress Co. v. Murray Ginning Syst. Co.*, 47 S.W. 387 (Tex. App.

1898) (ratification of preincorporation contract between promoter of defendant corporation before incorporation and plaintiff).

PUM's attempt to link Google to any alleged "ratification" of the faulty patent assignment is also without merit. (Opp. at 10.) As a basis for this supposed ratification by Google, PUM points to the fact that PUM sent pre-suit letters to Google regarding the patents-in-suit. (*Id.*) But as a matter of common sense, receiving demand letters or being sued hardly constitutes accepting a "benefit" under a contract by Google. Not surprisingly, PUM cites no authority supporting its position.

II. PUM FAILS TO SHOW IT IS ENTITLED TO ITS ALTERNATIVE REQUESTED RELIEF OF SUBSTITUTING LEVINO AS PLAINTIFF.

A. The Court Is Without Jurisdiction to Substitute Levino as Plaintiff Upon PUM's Request.

Initially, PUM does not have standing to seek leave to substitute Levino under Rule 17. The Sixth Circuit Court of Appeals has held that where a plaintiff lacks Article III standing, the district court is without jurisdiction to consider a Rule 17(a) motion to substitute. *Zurich Ins. Co. v. Logitrans, Inc.*, 297 F.3d 528, 531-32 (6th Cir. 2002) (Rule 17(a) "must be read with the limitation that a federal district court must, at a minimum arguably have subject matter jurisdiction over the original claims" to allow the joinder or substitution of the real party in interest). Although the Third Circuit Court of Appeals has not ruled on the issue of standing in regards to Rule 17, at least two U.S. Bankruptcy Courts in the circuit followed the holding in *Zurich. See Krasny v. Bagga (In re Jamuna Real Estate, LLC),* 392 B.R. 149, (Bankr. E.D. Pa. 2008) (A plaintiff "cannot overcome its lack of standing by invoking a rule of procedure"); *Tesler v. Certain Underwriters at Lloyd's London (In re Spree.com Corp.)*, 295 B.R. 762, 775 (Bankr. E.D. Pa. 2003) (same). Because PUM does not have standing in this action, it does not have standing to move this Court to substitute a proper plaintiff.

B. Levino Has Not Joined in PUM's Request to Add Levino as Plaintiff.

Levino, [redacted], has also not actually joined in PUM's request for substitution. Specifics about Levino remain elusive even after years of discovery. But Jack Banks, [redacted] And Roy Twersky, PUM's 30(b)(6) designee on several topics related to Levino, [redacted] As it is unclear whether Levino can, or even agrees, to be added to this case, PUM's request should be denied. Indeed, PUM cites no authority that an entity can be added as a plaintiff in such circumstances.

C. PUM Fails to Justify Substituting Levino as Plaintiff under Rule 17(a).

1. PUM fails to demonstrate any mistake to warrant substitution under Rule 17(a).

The protection against dismissal provided by Rule 17(a) "is designed to avoid forfeiture and injustice when an understandable mistake has been made in selecting the party in whose name the action should be brought. Thus, it should be applied only to cases in which substitution of the real party in interest is necessary to avoid injustice." *Gardner v. State Farm Fire & Cas. Co.*, 544 F.3d 553, 562 (3d Cir. 2008) (citing 6A Charles Alan Wright, Arthur R. Miller, & Mary Kay Kane, Federal Practice & Procedure, § 1555 (2d ed. 2008)) (quotation marks omitted).

Here, PUM does not contend any "mistake" led to PUM being listed as the plaintiff in this action. Rather, PUM denies that any mistake has been made: "To be clear, PUM's position is that it has standing to maintain this action by virtue of the Assignment." (Opp. at 13.) Accordingly, by PUM's own argument, Rule 17(a) is inapplicable.

PUM's cited case, *Park B. Smith, Inc. v. CHF Ind. Inc.*, No. 06-civ-869, 2011 WL 2714205 (S.D. N.Y. July 12, 2011), allowing a substitution of plaintiff due to an acknowledged

"clerical mistake," is clearly distinguishable. Unlike the plaintiff in *Park*, PUM continues to assert it is the correct plaintiff and that no mistake has been made.

2. PUM Misstates the Similarities Between PUM and Levino.

In seeking to substitute Levino, a PUM asserts that [redacted]

3. Substitution of Levino Should Be Denied as Prejudicial.

Despite PUM's suggestion to the contrary, Google would suffer great prejudice were Levino substituted for PUM this late in the litigation. Such undue prejudice to Google is further justification for denying PUM's motion to substitute. *Jordan v. Fox, Rothschild, O'Brien & Frankel*, 20 F.3d 1250, 1278 (3d Cir. 1994) ("The factors that a court may appropriately consider in denying a motion to amend include delay, undue prejudice to the opposing party and futility of amendment."); *Park B. Smith, Inc. v. CHF Industries Inc.*, No. 06 Civ. 869, 2011 WL 2714205 (S.D.N.Y. July 12, 2011) ("courts in the Second Circuit have generally allowed for substitution

when a mistake has been made as to the person entitled to bring suit and such substitution will not alter the substance of the action").

Google has been repeatedly thwarted from obtaining discovery about Levino. [redacted]

Google also deposed [redacted]

To allow a foreign shell corporation about which no one has been able to answer the most basic of questions with certainty to enter this case at such a late stage in the proceedings would be unfair and highly prejudicial.[3] PUM's suggestion that Google somehow delayed in filing its motion to dismiss in the face of its difficulty in obtaining accurate information regarding PUM and Levino is similarly without merit. If Levino wishes to pursue claims against Google in its own right, it should step forward of its own accord. But allowing it to substitute in at this stage in this stage is unfair and unwarranted.

Conclusion

For the foregoing reasons, Google respectfully requests that this Court dismiss PUM's patent infringement claims against Google for lack of standing and deny PUM's request to substitute Levino under Rule 17(a).

---

[3] At this late date, it may be impossible for Google to take complete discovery about Levino. Google did not depose Shimon Twersky (inventor Roy Twersky's father), Levy Benaim, and Ruben Ben Quessus (Jack Banks' son) because PUM's counsel represented that each has "very limited information relevant to the lawsuit", (Ex. 10), and PUM did not intend to call them as witnesses at trial. [redacted] PUM recently advised Google that Shimon Twersky passed away.

OF COUNSEL:

Charles K. Verhoeven
David A. Perlson
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
50 California St.
San Francisco, CA 94111
Tel.: (415) 875-6600

Andrea Pallios Roberts
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
555 Twin Dolphin Drive, Suite 560
Redwood Shores, CA 94065
Tel.: (650) 801-5000

Dated: August 29, 2011
PUBLIC VERSION Dated:
September 6, 2011
1026262 / 34638

POTTER ANDERSON & CORROON LLP

By: */s/ David E. Moore*
Richard L. Horwitz (#2246)
David E. Moore (#3983)
Hercules Plaza, 6th Floor
1313 N. Market Street
Wilmington, DE 19801
Tel: (302) 984-6000
rhorwitz@potteranderson.com
dmoore@potteranderson.com

Attorneys for Defendant Google Inc.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

CERTIFICATE OF SERVICE

I, David E. Moore, hereby certify that on September 6, 2011, the attached document was electronically filed with the Clerk of the Court using CM/ECF which will send notification to the registered attorney(s) of record that the document has been filed and is available for viewing and downloading.

I further certify that on September 6, 2011, the attached document was Electronically Mailed to the following person(s):

Karen Jacobs Louden
Jeremy A. Tigan
Morris, Nichols, Arsht & Tunnell LLP
1201 North Market Street, 18th Fl.
Wilmington, DE 19899-1347
klouden@mnat.com
jtigan@mnat.com

Marc S. Friedman
SNR Denton US LLP
1221 Avenue of the Americas
New York, NY 10020-1089
marc.friedman@snrdenton.com

Jimmy M. Shin
Jennifer D. Bennett
Matthew P. Larson
SNR Denton US LLP
1530 Page Mill Road, Ste. 200
Palo Alto, CA 94304-1125
james.shin@snrdenton.com
jennifer.bennett@snrdenton.com
matthew.larson@snrdenton.com

Mark C. Nelson
Robert Needham
SNR Denton US LLP
2000 McKinney, Suite 1900
Dallas, TX 75201
mark.nelson@snrdenton.com
robert.needham@snrdenton.com

Christian E. Samay
SNR Denton US LLP
101 JFK Parkway
Short Hills, NJ 07078
christian.samay@snrdenton.com

/s/ David E. Moore
Richard L. Horwitz
David E. Moore
POTTER ANDERSON & CORROON LLP
(302) 984-6000
rhorwitz@potteranderson.com
dmoore@potteranderson.com

932168 / 34638