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April 22, 2010

BY E-FILING

The Honorable Joseph J. Farnan, Jr.
United States District Court
for the District of Delaware
844 North King Street
Wilmington, DE 19801

Re: *Personalized User Model, L.L.P. v. Google, Inc.*
C.A. No. 09-525 (JJF)

Dear Judge Farnan:

This letter concerns the Court's Rule 16 Scheduling Order (D.I. 32). In that Order, the Court (i) bifurcated infringement and invalidity from the issues of inequitable conduct, willfulness, and damages and (ii) stayed discovery on inequitable conduct, willfulness and damages pending resolution of infringement and invalidity. (*Id.* at ¶ 9). P.U.M. submits that Google has not carried its burden of demonstrating that bifurcation is appropriate. P.U.M., therefore, respectfully requests that the Court rescind paragraph 9 of the Court's Order to permit discovery to move forward on all issues so that the case will be trial-ready for Your Honor's successor, who in turn can determine how the case will be tried.

Evidently the Court decided the bifurcation issue solely on the basis of the parties' competing proposals, neither of which contained any substantive discussion regarding the practical effect of bifurcation in this case. Were P.U.M. permitted briefing on this issue, P.U.M. would have demonstrated that bifurcating willfulness and damages discovery (a) would cause P.U.M. significant prejudice and (b) would not conserve either the parties' or the Court's resources.

P.U.M.'s Prejudice: P.U.M. is the spin-off of a small company (Utopy) that made and marketed personalized search and news products. Bifurcated discovery and trial would seriously prejudice P.U.M. monetarily by effectively turning one expensive litigation into two. If the bifurcation provision remains, the parties will engage in discovery on infringement and validity leading to a trial in later 2011 or early 2012. If, as we expect, P.U.M. prevails at the first trial, then it would have to start all over again to take fact and expert discovery on the damages and willfulness issues, and then have a second trial, a year or more later (particularly if

Google attempts to take an appeal after a finding of liability). Such a process would be far more expensive than a single trial, and would potentially expand this matter several additional years. Unlike Google, P.U.M. has limited resources and thus extending the time to ultimate recovery prejudices P.U.M. significantly more than Google. P.U.M. approached Google twice prior to this lawsuit to discuss business opportunities with respect to P.U.M.'s patents. Google did not reply. Given Google's market dominance, and Google's presence in the personalized search space, P.U.M. is effectively foreclosed from the marketplace until such time as P.U.M.'s rights, including its right to past damages and to an injunction against Google, are adjudicated. To add years onto this litigation by bifurcating and delaying discovery on damages and willfulness severely prejudices P.U.M.

There is an additional reason why the bifurcation should be rescinded. Bifurcating discovery on the damages issue will inevitably hinder settlement efforts. To meaningfully participate in mediation proceedings (*see* Order Scheduling ADR Teleconference, D.I. 34), P.U.M. will need information concerning Google's revenues and profits from personalized searches and personalized advertising, and its acquisitions of personalized search providers Kaltix Corp. and Outride, Inc.. P.U.M. also will need information relating to Google's plans for the future deployment of personalized user search technology. Without this discovery, P.U.M. has no basis upon which to determine the bounds of a reasonable settlement, and Google will be unfairly advantaged as the sole holder of this information.

Bifurcation will not likely conserve resources in this instance. The issues of willfulness and damages are often interconnected with issues of infringement. For example, a defendant often cites to the infringement record as a defense to a willfulness claim. *See, e.g., DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1336 (Fed. Cir. 2009) (examining the record of the infringement proceeding as part of willfulness inquiry); *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008) (examining claim construction issues as part of willfulness inquiry). The issue of willfulness and infringement/validity are intertwined post-*Seagate* and, thus, should be tried together.

Numerous damages issues are also intertwined with infringement/invalidity issues. For example, Google's commercial success and, more particularly, Google's success in the personalized search market, is relevant to the so-called secondary considerations of non-obviousness. This same evidence will be part of damages calculations. Google's personalized search customers and Google's knowledge of the patent is relevant to P.U.M.'s inducement arguments as well as to willfulness. In sum, the presentation of these issues at trial will require many of the same witnesses and much of the same evidence. Bifurcation, therefore, is not more efficient in this instance.

Lastly, as stated above, the Scheduling Order as currently written would require two separate discovery periods and two separate trials, perhaps separated by a year or more. Deciding litigation piecemeal is rarely, if ever, more efficient than concluding it in one proceeding.

"Bifurcation of trials, even in patent cases, should be the exception, not the rule." *Matsushita Elec. Indus. Co. v. Cinaram Int'l, Inc.*, 2003 U.S. Dist. LEXIS 27868, *1 (D. Del.

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2003). “The burden is on the moving party [Google] to demonstrate that bifurcation is justified.” *Id.* Here, no such showing was ever made. Indeed, neither Google nor P.U.M. had an opportunity to present their substantive positions on bifurcation. P.U.M., therefore, respectfully requests that the Court rescind paragraph 9 of the Scheduling Order to permit discovery on all issues to proceed so that the case may be trial-ready for Your Honor’s successor, who in turn can determine how the case will be tried.

P.U.M. is available for oral argument or a teleconference at the Court’s convenience. At a minimum, P.U.M. requests an opportunity to brief the bifurcation issue.

Respectfully,

A handwritten signature in cursive script that reads "Karen Jacobs Loudon".

Karen Jacobs Louden (#2881)

KJL/cht

cc: Clerk of the Court (by e-filing and hand delivery)
Richard L. Horwitz, Esq. (by e-mail)
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