UNITED STATES DISTRICT COURT
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**

REPLY BRIEF IN SUPPORT OF GOOGLE INC.'S MOTION FOR A STAY OF THE PROCEEDINGS

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I. INTRODUCTION

As Google explained in its Opening Brief in Support of Its Motion for a Stay of the Proceedings ("Motion"), each factor here favors a stay: a stay will simplify the issues in the case, conserve significant resources, and not prejudice PUM or tactically benefit Google.

The reexamination proceedings have now reached such an advanced stage that it is clear there is a very high likelihood that every asserted claim of the Patents-in-Suit will be invalidated by the USPTO. PUM's rebuttal cases all concern facts on which there was a significantly higher degree of uncertainty of the outcome of the reexamination process, and do not apply here.

In the likely event that each claim is ultimately canceled, the Court will conserve significant resources it will otherwise expend administering this case. PUM claims a stay would somehow complicate proceedings because discovery would have to be "started anew." This is simply incorrect. New discovery cannot possibly result from the stay and PUM now states it has all the discovery it needs.

Lastly, a stay would not harm PUM because it is a non-competing, non-practicing entity. PUM claims a stay would create expense and spoil evidence, but cannot say how. Meanwhile, Google would gain no tactical advantage because it does not compete with PUM. Google would be harmed in the absence of a stay because it would expend resources litigating issues that will be ultimately mooted. The circumstances here favor a stay.

II. THE REEXAMINATION IS AT AN ADVANCED STAGE AND WILL SIMPLIFY THE PROCEEDINGS.

A. The Reexamination Is at an Advanced Stage.

Google requested *inter partes* reexamination of the Patents-in-Suit more than one year ago. On August 17, 2012, the USPTO issued a Final Office Action and Right of Appeal Notice for the '276 Patent, finding each asserted '276 claim invalid on seven separate grounds. The

USPTO has issued an ACP finding each asserted '040 claim invalid on five grounds, and the USPTO website has listed the status of the reexamination as "Ready for Examiner Action Following ACP" since June 22, 2012. A Final Office Action is expected to issue any time. As Google explained, statistics show that given this procedural stance, the Patents-in-Suit now stand a very high likelihood of ultimate cancellation. (Mot. at 12-13.) Rather than address these statistics head on, PUM claims "the outcome of the reexaminations is far from certain" and "'[n]o one can predict the outcome or the timing of [reexamination] proceedings' or the appeals therefrom."[1] (Opp. at 15.) Under this logic a stay would never be appropriate, which is obviously not the law.

Power Integrations, Inc. v. Fairchild Semiconductor Int'l Inc., C.A. No. 08-309-JJF-LPS, 2008 WL 5335400, at *2 (D. Del. Dec. 19, 2008), is of no help to PUM. Power Integrations involved complex and very different procedural circumstances: a jury had already found two of three parents valid, not every claims at issue was subject to reexamination, not all the reexamined claims had been rejected, and further reexaminations were planned. Id. By contrast, the instant facts present a simple rejection of every asserted claim on multiple grounds. (See also Opp. at 17 (arguing that "this action is not 'quite complex' from a prosecution sense").)[2]

B. The Reexaminations Will Simplify the Proceedings.

A stay is especially appropriate where, as here, every asserted claim has already been rejected on multiple grounds. Canady v. Erbe Elektromedizin GmbH, 271 F. Supp. 2d 64, 68 (D.

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[1] PUM itself relies on historical statistics (albeit stale from 2007) to justify its hypothetical timeline for the appeal process. (Opp. at 7.) Even PUM's stale statistics show that that the BPAI could issue its final decision in as little as 9.5 months. (Opp. at 7.)

[2] PUM argues that the Final Office Action and Right of Appeal Notice in the '276 re-examination is not truly final because PUM has filed a Petition to re-open re-examination based on additional evidence that it wishes to submit. (Opp. at 3, 6.) But the PTO has not *granted* PUM's Petition. And it almost certainly will not be granted given that PTO regulations *forbid* entry of new evidence after an Rright of Appeal Notice. See 37 C.F.R. § 1.116.

D.C. 2002) ("wait[ing] for reexamination results . . . will simplify litigation by eliminating, clarifying, or limiting the claims.") (citing Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1428) (Fed. Cir. 1988). It is highly likely that this suit will be dismissed in its entirety upon the close of reexamination. Mission Abstract Data L.L.C. v. Beasley Broadcast Group Inc., C.A. No. 11-176-LPS 2011 LEXIS 130934, at *7-8 (D. Del. Nov. 14, 2011).

Even if PUM successfully appeals a few rejections, it is still highly unlikely it could succeed on all of them. Thus, to the extent that any claim survives, the BPAI proceedings would still work to simplify and clarify issues for summary judgment and trial (id.) and avoid the risk of "inconsistent adjudications or issuance of advisory opinions." Gioello Enters. Ltd. v. Mattel, Inc., C.A. No. 99-375-GMS, 2001 U.S. Dist. LEXIS 26158, at *3-4 (D. Del. Jan. 29, 2001); see also, Translogic Tech., Inc. v. Hitachi, Ltd., 250 Fed. App'x 988, 988 (Fed. Cir. 2007).

PUM further claims that the reexamination will somehow complicate any trial because issues considered on reexamination do not "completely overlap" with the issues considered at trial. (Opp. at 15-16.) This argument is meritless because every issue at trial grows out of the asserted claims. Indeed, every claim submitted for reexamination is at issue in this case, and every claim at issue in this case was submitted for reexamination. Thus, the reexamination can only fail to simplify the issues if each and every claim survives reexamination.

PUM's cases are not to the contrary. In Belden, defendant moved for a stay of litigation only 11 days before trial, and only with regard to some of the patents and some of the issues to be tried. Belden Tech., Inc. v. Superior Essex Comm'ns LP, C.A. No. 08-63-SLR, 2010 WL 3522327, at *1 (D. Del. Sept. 2, 2010) ("[Defendant] moved that this court stay litigation with respect to the patents at issue and proceed to trial only with respect to the validity of the '503

patent.").[3] Likewise, in St. Clair v. Fuji Film (which does not consider a stay pending reexamination), the defendant was already an adjudicated infringer, and issues already set for trial included damages arising from that infringement. C.A. No. 08-373-JJF-LPS 2009 WL 192457, at *2 (D. Del. Jan. 27, 2009).

III. THERE REMAIN SIGNIFICANT RESOURCES TO CONSERVE.

On a motion for stay, this Court considers "whether discovery is complete and a trial date has been set." Enhanced Sec. Research v. Juniper Networks, C.A. No. 10-605-LPS, 2010 WL 5420147, at *1 (D. Del Dec. 27, 2010). A stay can be appropriate where, as here, significant court resources can still be conserved despite the existence of a trial date. See, e.g., Pegasus Dev. Corp. v. Directv, Inc., CA No. 00-1020-GMS 2003 U.S. Dist. LEXIS 8052, at *2, 7 (D. Del May 14, 2003) (staying more than two-year-old case with scheduled trial date); Abbott Diabetes Care, Inc. v. DexCom, Inc., C.A. No. 05-590-GMS, 2006 U.S. Dist. LEXIS 57469, at *20 (D. Del. Aug. 16, 2006) (staying case with scheduled trial date).

But a stay is especially appropriate where a court has not yet expended resources setting a trial date. Enhanced Sec., 2010 WL 5420147 at *2; see also Enhanced Sec. Research v. Cisco, C.A. No. 09-571-JJF, 2010 U.S. Dist. LEXIS 63789 at *10-11 (D. Del. June 25, 2010). As PUM notes, no date trial date is set. And while the Court indicated it would set a trial date should Google's summary judgment motions be denied, trial is hardly right around the corner as PUM suggests. (See 8/31/12 Tr. at 24, Opp. at 5.)

PUM points to past activity in this case to argue that "resources already invested by the Court warrant denial of the stay." (Opp. at 3-5, 14.) But the appropriate inquiry is whether the Court stands to conserve resources *that have yet to be expended.* (Mot. at 10-11.) Over the coming several months, this Court would be asked to decide several motions (including motions

[3] Even so, the "simplification" factor weighed in favor of a stay in Belden. See id. at *2.

for summary judgment, Daubert motions, motions in limine, and any other pre-trial motions) and set a trial date; not to mention the significant post-trial briefing that will follow. Given the advanced stage of the reexamination and the many different bases upon which the patents have already been rejected several times, a stay would in all likelihood conserve these resources.

IV. A STAY WOULD NOT PREJUDICE PUM.

On motion to stay, this Court considers "whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party." Enhanced Security, 2010 WL 5420147 at *1. PUM "is a non-practicing entity, which does not manufacture or sell the products covered by the patents in suit and seeks to collect licensing fees," and does not compete with Google. Mission Abstract, 2011 U.S. Dist. LEXIS 130934 at * 11-12. It is "of particular importance" that PUM "does not develop or sell any products of its own and is not a competitor of defendant's" because a stay will only increase its recovery of damages - PUM cannot qualify for injunctive relief.[4] Vehicle IP, LLC v. Wal-Mart Stores, Inc., C.A. No. 10-503-SLR, 2010 U.S. Dist. LEXIS 123493 at *4 (D. Del. Nov. 22, 2010). PUM will not be prejudiced by a stay.

A. PUM Points to Illusory Financial Prejudice.

Despite attacking Google for pointing to a financial burden, PUM itself points (albeit unavailingly) to its own alleged financial burden. (Opp. at 9-13, 19.) PUM points backwards to money already spent on the case. (Id. at 9-10.) While Google agrees that conduct of litigation necessarily entails cost, PUM fails to explain how a stay in which litigation is not conducted might similarly entail cost.[5]

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[4] PUM's speculation that Google drove PUM out of business (Opp. at 17) is without merit. [redacted]. (Roberts Dec. Ex. 2 at 44:10-46:18; Ex. 3 at 50:14-20; 53:24-54:14.)

[5] As supposed support for its claim of prejudice, PUM states that [redacted]. (Opp. at 2, 17.) [redacted]

B. PUM Points to No Other Prejudice.

PUM argues that a stay will necessitate more discovery because of the "fast moving pace of the technology at issue." (Opp. at 10.) At the same time, however, PUM claims that "This Case . . Will Be Trial-Ready in a Few Months" and "Litigation Is in Its Late Stage." (Opp. at 4-5, 13-14.) If the litigation is in a late stage and almost trial-ready, and if PUM has all the discovery it needs, then there can be no concern that the accused technology presents a moving target. By the same token, if the claims at issue will be trial-ready in a few months with no additional discovery, then they would be trial-ready at the expiration of the stay as well.

Indeed, PUM does not claim that the relevance of current discovery will somehow fade, but rather asserts that new Google products will require new discovery. (Opp. at 10, 15.) What PUM describes here is a wholly new lawsuit and has nothing to do with the current Motion. PUM is free to bring additional lawsuits on additional products in the future if it so chooses, and if this lawsuit is still pending at that time, PUM is free to argue that its new suit should be joined with this one. But whether or not unreleased Google products might infringe the Patents-in-Suit is a matter of pure speculation and cannot defeat Google's Motion for Stay.

PUM next argues that "evidence already collected will be lost or forgotten." (Opp. at 10-11.) It is not at all clear how the record evidence that PUM and Google have already developed could be "lost and forgotten," and PUM offers no further explanation. PUM's cited cases address situations in which fact discovery was not yet complete so that *undiscovered* evidence might be lost. Intellectual Ventures I LLC, v. Altera Corp., C.A. No. 10-1065-LPS (D. Del. Feb. 15, 2012) (2/15/12 Tr. at 52)(Opp. at Ex. 11); Xerox Corp. v. Google, Inc., C.A. No. 10-136-LPS

[redacted]. (Roberts Dec. Ex. 5 at 228:8-229:5.)

(D. Del. Feb 28, 2011) (3/7/11 Tr. at 4) (Opp. at Ex. 12); Cooper Notification, Inc. v. Twitter, C.A. No. 09-865-LPS, 2010 WL 5149351, at * 3 (D. Del. Dec. 13, 2010); SoftView LLC v. Apple Inc., C.A. No. 10-389-LPS, 2012 U.S. Dist. 104677, at *11 (D. Del. July 26, 2012) (all four describing the stage of litigation as "early"). Here, PUM claims it needs no more discovery. (Opp. at 4.)

PUM also argues that it will "rely heavily on evidence that will likely be presented through Google's witnesses, who may no longer be employed by Google or whose memories may fade with time." (Opp. at 11.) But this claim rings particularly hollow given that Plaintiff has already taken 16 of depositions of Google witnesses. And PUM points to no specific evidence, or a single Google witness, who might be essential to its case, that it fears will be lost. PUM also likely understands that it is the opinion of its own expert, memorialized in its expert reports, which will play the essential role in PUM's patent infringement case. (D.I. 365, 373.) This evidence will not change. Further, PUM is itself responsible for faded memories, having delayed in bringing suit. Indeed, [redacted]. (See e.g., Roberts Dec. Ex. 4 at 20:7-16; 22:23-23:2; 29:1-11; 32:3-5; 32:11-14; 35:2-5; 36:4-10; Ex. 5 at 12:21-22; 12:34-13:2; 16:10-16; 16:22-17:5; 17:6-12; 17:19-22; 18:4-17; 21:9-13; 22:6-10; 27:22-28:2; 35:16-17.)

C. PUM Will Not Be Denied Its Chosen Forum.

Next, PUM claims that a stay would "deny[] it its chosen forum." (Opp. at 11.) Here too, if this were enough to defeat a stay, a stay would never issue. But this is not the law. Further, in each of PUM's cases on this point, the reexaminations were in their initial stages. Cooper, 2010 WL 5149351 at *3; Softview, 2012 U.S. Dist. LEXIS at *12; see also Intellectual Ventures, (2/15/12 Tr. at 52) ("additional simplification" still expected from the PTO). Here, the

USPTO has already taken a close look at all of the asserted claims, concluded that each can be rejected on at least 4 separate grounds, issued an ACP for one patent, and issued a RAN for the other. See Enhanced Sec., 2010 WL 5420147 at *1 (granting stay where all asserted claims of two patents were rejected, and PTO had issued an ACP on one patent, a RAN on the other). Unlike the defendants in PUM's cited cases, Google does not ask that reexamination be used as a substitute forum for litigation, but submits that the results of the reexaminations strongly counsel against wasting additional resources on litigation at this time. Enhanced Sec. Research , 2010 U.S. Dist. LEXIS 63789 at *12.

V. GOOGLE WOULD NOT GAIN A TACTICAL ADVANTAGE.

PUM points to several supposed tactical advantages that might result from a stay, but does not explain why these speculative results would work to Google's benefit. First, PUM points to the December 1999 priority date of the patents to establish that they expire in seven years: December of 2019 (absent an extension). (Opp. at 13.) PUM then hypothesizes that "it may be 2017 or later before all of the appeals on the reexamination are exhausted." (Opp. at 13.) As an initial matter, the re-examination statistics cited in the parties' briefs do not indicate any reasonable likelihood that the re-examinations will last until 2017 before finality.

But even in PUM's unlikely hypothetical, there remains a two-year period between reexamination finality in 2017 and patent expiration in 2019 – more than enough time to "counterbalance[]" PUM's concerns. Enhanced Sec. Research, 2010 U.S. Dist. LEXIS 63789 at *12 (granting stay on June 25, 2010, considering two patents expiring in 2016). But even if that two-year margin is somehow consumed, and if no patent term extension is granted, PUM never explains *how* expiration dates could be used against it at trial. (Opp. at 13.) Rather, PUM's hypothetical scenario would present a tactical success for PUM: it survives reexamination and

then seeks a recovery based on a longer period of infringement, with pre-judgment interest. It is Google who bears the risk of continued alleged infringement during the stay period.

VI. A STAY WOULD HARM GOOGLE.

A. Hardship to Google Is One Relevant Consideration in the Court's Analysis.

Google will endure harm if the case is not stayed. (Mot. at 14-15.) As Google explained, if the asserted claims are either cancelled or amended in reexamination (which, given the late stage of the reexamination proceedings and various grounds for rejection of every asserted claim, is very likely) Google will be burdened not simply by the expense of expert discovery, motion practice, trial and post-trial proceedings, but by the *needless* expenses of each, when the proceedings are ultimately mooted by the reexamination. (Opp. at 14-15.)

PUM argues that "courts deciding whether to grant a stay consider the harm to the *non-moving* party, not the movant." (Opp. at 19, emphasis in original.) This misstates the law. PUM's cited cases all pertain to competitors. Cooper Notification, 2010 U.S. Dist. LEXIS 131385, at *15-16. The relationship between the parties should be "[o]f particular importance" when considering the relative hardship or inequity resulting from a stay. Mission Abstract, 2011 U.S. Dist. LEXIS 130934, at *12. PUM cites no cases in which the harm to the non-movant should not be considered when, as here, the parties are not competitors. This is logical because it would be unfair to wholly discount the financial hardship facing companies from lawsuits brought by non-practicing, non-competing entities.

B. Google Need Not Show a "Pressing" Need for a Stay.

PUM's raises its own "threshold" for Google, claiming that it must show "a pressing need for a stay." (Opp. at 9.) Leaving aside that PUM adopts contradictory positions (both that a showing of hardship is essential, and that any hardship is irrelevant.), this argument fails in light of the modern 3-factor test applied by this Court on nearly identical facts. Enhanced Sec.,

2010 WL 5420147 at *1. This is the proper inquiry here, where defendant seeks a stay pending patent reexamination, not an indefinite stay on the basis of other, entirely distinct lawsuits, as in PUM's inapposite cases.

For example, Cherokee Nation has nothing to do with the instant dispute: it was a case arising under the Federal Circuit's jurisdiction over appeals from the Federal Claims Court brought by Indian tribes alleging government mismanagement of tribal lands. Cherokee Nation of Oklahoma v. U.S., 124 F.3d 1413, 1414, 1416 (Fed. Cir. 1997). More importantly, defendants there sought an indefinite stay pending resolution of *other lawsuits* that could last *decades* brought by *defendants themselves* that had *yet to be filed*, despite the passage of more than three years since defendants indicated they were preparing to file them. Id. at 1415-16. St. Clair, too, considered a motion to stay pending resolution of a lawsuit. St. Clair, 2009 WL 192457 at *1.

Similarly, Landis v. North America (76 years old) is a constitutional law case considering an indefinite stay in light of a separate lawsuit to which plaintiff was a stranger, and whose resolution may have had no bearing on the case at issue. 299 U.S. 248, 250, 255, 257-8 (1936). At any rate, Landis, as applied in this context, stands for nothing more than the uncontroversial proposition that "hardship or inequity" to both parties is a relevant consideration. Id. at 256; see Enhanced Sec., 2010 WL 5420147 at *1 (relying on Landis for the proposition that "the Court must weigh the competing interests of the parties and attempt to maintain an even balance."). Google thus appropriately set out the harm it will suffer without a stay.

VII. CONCLUSION

For the foregoing reasons, Defendant Google respectfully request that the Court grant its motion to stay this litigation in its entirety pending completion of the reexaminations of the Patents-in-Suit and any appeals therefrom.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, David E. Moore, hereby certify that on October 15, 2012, 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.

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