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VIA ELECTRONIC FILING

The Honorable Joseph J. Farnan, Jr.
United States District Court
844 King Street
Wilmington, Delaware 19801

Re: *Personalized User Model LLP v. Google Inc.*, C.A. No. 09-00525-JJF

Dear Judge Farnan:

Defendant Google provides the following response to the letter to the Court filed by Ms. Karen Jacobs Louden on behalf of Plaintiff Personalized User Model LLP ("PUM") on April 22, 2010 (Dkt. No. 37), concerning the Court's Rule 16 Scheduling Order (Dkt. No. 32).

Ms. Louden's letter is an improper attempt to move for reargument, which, if appropriate at all, should have been done through formal motion.[1] To the extent the Court is inclined to consider the informal request for reconsideration in Plaintiff's letter, PUM provides no reason to reverse this Court's prior discretionary ruling ordering bifurcation of the issues of infringement and invalidity from the issues of damages and willfulness in this patent case. As Plaintiff's counsel is well aware, Your Honor's decision to bifurcate in this case is not unusual at all.

Instead, as this Court has previously held, bifurcating the issues of damages, willfulness, and inequitable conduct in this case will beneficially "reduce[] the number of legal principles the jury must consider and apply." *Ciena Corp. v. Corvis Corp.*, 210 F.R.D. 519, 521 (D.Del. 2002). Judge Robinson regularly bifurcates these issues – going so far as to include language in her standard scheduling order to that effect. Bifurcation is particularly important here since Plaintiff has asserted three separate patents (and likely multiple claims from each patent) against a wide variety of Google search and advertising services. The technical issues with which the jury will need to grapple will be complex, and bifurcation will ease the burden on the jury by permitting it to focus on those issues.

A simultaneous trial on damages would also present various problems of jury confusion. For example, the three asserted patents have different issue dates. If Google is found to infringe

[1] Under Local Rule 7.1.5, a motion for re-argument is to be filed within 10 days of the Court's decision, with a responsive brief due within 10 days of the motion. As Local Rule 7.1.5 provides that motions for reargument are to be decided only on the motion and response, any reply letter from PUM would be improper.

more than one patent, this could result in several separate "hypothetical negotiations" for the jury to consider in determining a reasonable royalty. Depending on which accused products are found to infringe which patents, the different hypothetical negotiations could each involve a different set of products. Different product launch dates could further complicate matters. Trying infringement and invalidity first would clarify what products infringe what patents, thus crystallizing the damages issues for the jury.

A simultaneous trial on willfulness would likewise clutter the record and confuse the issues before the jury. It would also prejudice Google by permitting PUM to present inflammatory accusations of wrongdoing that are irrelevant to the central issues of infringement and invalidity.

Furthermore, bifurcation promotes efficiency by streamlining discovery, and relieving the Court of the burden of adjudicating damages-related discovery disputes during the first stage of the case. *Dutch Branch of Streamserve Development AB v. Exstream Software LLC*, 2009 WL 2705932, at *1 (D. Del. Aug. 26, 2009). Should Google prevail on infringement or invalidity, bifurcation would also potentially eliminate the need for damages- and willfulness-related discovery altogether, as well as for a trial on those issues. "[An] important consideration in granting bifurcation is the extent to which determination of the issues in one case may eliminate the need for a trial on some or all of the issues in the second case." *Akzona Inc. v. E.I. Du Pont De Nemours & Co.*, 607 F.Supp. 227, 232 (D. Del. 1984).

PUM's two arguments for reversal – that bifurcation will not conserve resources in this case, and that bifurcation will cause PUM undue prejudice – are both flawed.

Bifurcation will conserve resources in this case. PUM's first point regarding the interconnectedness of willfulness and damages with infringement actually militates in favor of bifurcation, as does the fact that a defendant often cites to the infringement record as part of its willfulness defense. In a bifurcated proceeding, the parties and the trier of fact will have the benefit of a fully-developed record on infringement during the second trial, making the willfulness trial more accurate and efficient. And contrary to PUM's suggestion, nothing in the Federal Circuit's *In re Seagate Technology* decision suggests that the issue of willfulness should not be bifurcated from issues of infringement and invalidity.

PUM also argues that "[n]umerous damages issues are . . . intertwined with infringement/invalidity issues," citing the commercial success of Google's products as relevant to secondary considerations of non-obviousness (and thus invalidity). However, "Google's success in the personalized search market" in the abstract is not relevant to any secondary considerations. The relevant question is what portion of the commercial success of Google's products is due to the merits of the claimed invention. *J.T. Eaton & Co., Inc. v. Atlantic Paste & Glue Co.*, 106 F.3d 1563, 1571 (Fed. Cir. 1997). This is a fundamentally different question from that of damages.

PUM then complains generally about what it perceives as the inefficiency of two separate discovery periods and two separate trials, asserting that "[d]eciding litigation piecemeal is rarely, if ever, more efficient than concluding it in one proceeding." This ignores the purposes of

bifurcation in patent cases, which are: a) to reduce the drain on judicial resources caused by damages discovery and accompanying motion practice; b) to relieve the jury of the burden of understanding complex economic as well as technical issues; c) to promote the just and efficient resolution of damages issues by giving the parties the opportunity to resolve the matter after a finding of infringement; and d) to reduce the burden of the Court's sizable caseload. *Dutch Branch of Streamserve Development AB v. Exstream Software LLC*, 2009 WL 2705932, at *1 (D. Del. Aug. 26, 2009). As discussed above, bifurcation in this case would promote those purposes – and PUM does not even attempt to argue otherwise.

In complaining about the inefficiency of separate trials, PUM also ignores the possibility that Google will prevail at the first trial. That outcome would, of course, eliminate the need for costly and time-consuming damages and willfulness discovery altogether, thus improving efficiency.

In addition, PUM has not made a showing of undue prejudice. PUM claims that it is unduly prejudiced by bifurcation because "turning one expensive litigation into two" would present a hardship for it as "the spin-off of a small company (Utopy)." Initially, PUM chose to sue Google in this District, where bifurcation is frequent. Indeed, as stated above, before Judge Robinson it is done as a matter of course. *Dutch Branch of Streamserve Development AB v. Exstream Software LLC*, 2009 WL 2705932, at *1 (D. Del. Aug. 26, 2009). Plaintiff was almost certainly aware of this when it chose this venue.

PUM's claims of financial hardship ring particularly hollow given the fact that it successfully opposed Google's motion to transfer this case to the Northern District of California – where Google, PUM's counsel, PUM's two principals (who are also inventors of the patents-in-suit), and PUM's predecessor company, Utopy, are all located. (Dkt. No. 13.) If PUM were genuinely concerned about cost and efficiency to the parties, it would have consented to Google's request to transfer the case rather than oppose it.[2]

PUM likewise claims that it is "prejudiced" by bifurcation because the lack of early damages discovery will "hinder settlement efforts" and prevent PUM from participating in mediation proceedings. Whatever information is necessary to conduct settlement negotiations or mediation, including financial and revenue information, however, can be confidentially exchanged under Federal Rule of Evidence 408. Further, PUM's settlement argument does nothing to distinguish this case from the other patent cases that are routinely bifurcated in this District.

For all the reasons discussed, the Court should deny PUM's informal request for reconsideration of the Scheduling Order.

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[2] PUM also claims prejudice as a result of bifurcation "extending the time to ultimate recovery," and appears to blame Google for the delay by referring to its prior communications to Google. Plaintiff's claim of prejudice rings hollow here as well given that the first of the patents-in-suit issued in 2005, but Plaintiff did not file its lawsuit until July 2009.

Respectfully,

/s/ Richard L. Horwitz

Richard L. Horwitz

RLH/msb/963979/34638

cc: Clerk of the Court (By Hand Delivery)
Counsel of Record (By Electronic Filing)