MORRIS, NICHOLS, ARSHT & TUNNELL LLP

1201 NORTH MARKET STREET
P.O. Box 1347
WILMINGTON, DELAWARE 19899-1347

302 658 9200
302 658 3989 FAX

KAREN JACOBS LOUDEN
302 351 9227
302 425 4681 FAX
klouden@mnat.com

May 5, 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:

Plaintiff Personalized User Model, L.L.P. ("P.U.M.") files this letter in response to Defendant Google, Inc.'s ("Google") letter of April 28, 2010, concerning P.U.M.'s request to rescind paragraph 9 of the Court's Rule 16 Scheduling Order bifurcating infringement and invalidity from the issues of inequitable conduct, willfulness, and damages in this case (D.I. 32).

Bifurcation Unduly Prejudices P.U.M.: Notably absent from Google's letter is any rebuttal to P.U.M.'s showing of the prejudice to P.U.M. if it is required to endure two trials and two discovery periods rather than one. Indeed, all that Google can muster is an argument that P.U.M. increased its own burden by opposing a proposed transfer to California where two of the inventors reside. The minimal "burden" of having two inventors travel to Delaware, however, plainly does not compare to the burden imposed by having two separate trials and two separate periods for fact discovery, expert discovery, and motion practice.

As explained in our April 22, 2010 letter, P.U.M. has already suffered great financial hardship as a result of Google's infringement that has, among other things, prevented it from competing in the marketplace with its own personalized search products. Google does not contest P.U.M.'s hardship. Google, moreover, does not and cannot contest that bifurcation magnifies P.U.M.'s financial hardship by forcing P.U.M. to participate in multiple and duplicative proceedings, and suffer the inevitable delay in the vindication of its rights associated with having the remedies portion of this case decided in a later action.

Instead, Google responds by arguing that bifurcation is commonplace in this District. Bifurcation, however, "'remains the exception rather than the rule.'" *See, e.g., Dow*

Chem. Can. Inc. v. HRD Corp., No. 05-023-JJF, 2010 WL 27541 (D. Del. Jan. 5, 2010) (denying bifurcation of Dow's damages and HRD's counterclaims from infringement); *WebXchange Inc. v. Dell Inc.*, No. 08-132-JJF, 2009 WL 5173485, at *2 (D. Del. Dec. 30, 2009) (denying motion for bifurcation of early trial on inequitable conduct); *Arendi Holding Ltd. v. Microsoft Corp.*, No. 09-119-JJF, 2009 WL 3535460 (D. Del. Oct. 27, 2009) (denying bifurcation and stay of discovery relating to damages); *Spinturf, Inc. v. Sw. Rec. Indus.*, No. 01-7158, 2004 U.S. Dist. LEXIS 785 (E.D. Pa. Jan. 15, 2004) (bifurcation denied where defendants failed to proffer evidence to show the complexity of damages computation, technology at issue, and procedural issues). Bifurcation remains the exception because, as here, it is typically neither economical nor efficient.

Bifurcation is Not the Most Efficient Way to Handle this Case: Google conjures a host of "efficiencies" that, it argues, justify bifurcation, including (i) jury confusion related to hypothetical negotiation dates and different Google products/services because the patents have different issue dates, and because the Google products/services may have different launch dates, (ii) jury confusion if it hears willfulness testimony, and (iii) the elimination of certain issues should Google prevail on infringement or invalidity. Upon inspection, however, each of these alleged "efficiencies" is baseless.

Google's first argument – alleged jury confusion regarding hypothetical negotiation dates and different Google products/services – is a "straw man." First, the patents here have the same inventors and common lineage. Courts routinely hear cases involving multiple patents and multiple products without bifurcation. Google identifies nothing specific about these patents, or the accused Google products/services, that makes the damages issues in this case different from other cases.

Google's second argument – willfulness testimony "cluttering" the record or confusing the jury – amounts to nothing more than Google's desire that the jury deciding infringement and validity not be the same jury deciding willfulness and damages. But bifurcating these issues, which will require that a separate jury hear a rehash of the record from the earlier trial (without the benefit of the knowledge gained from having sat through the trial), is not more efficient than deciding these issues in one trial.

Google's third argument – bifurcation is more efficient because Google might prevail in the first trial – is another "straw man." Were this argument to carry the day, bifurcation of damages would be the rule in every civil litigation across the country. This argument, therefore, should be given little weight.

In short, Google has not demonstrated how having two separate trials and two separate discovery periods will conserve either the parties' or the Court's resources.

Google also fails to demonstrate why, at a minimum, discovery on damages and willfulness should not proceed even if trial on these issues were eventually bifurcated by the trial judge. As demonstrated in P.U.M.'s April 22, 2010 letter, bifurcating discovery will inevitably lead to disputes about which discovery goes forward now and which should be reserved for the

second phase, resulting in unnecessary motion practice. *See, e.g., Teles AG Informationstechnologien v. Quintum Techs., LLC,* No. 06-197-SLR-LPS, 2009 WL 3648458 (D. Del. Oct. 30, 2009) (adjudicating a dispute concerning the "commercial success evidence" that must be produced under a scheduling order bifurcating damages from liability). Although Google attempts to distinguish commercial-success-type evidence from damages evidence, such a distinction will not likely reduce the number of arguments regarding whether particular documents are relevant to commercial success and, accordingly, should be produced in the first proceeding.

Going forward with discovery on all issues now would have little, if any, impact on the Court's resources. That is because fact and expert discovery largely proceeds between the parties with little court intervention. Indeed, in the primary case that Google cites in support of bifurcation, the decision to bifurcate came ***after*** documents relating to damages had already been produced. *Dutch Branch of Streamserve Dev. AB v. Exstream Software, LLC*, No. 08-343-SLR, 2009 WL 2705932, at *1 n.1 (D. Del. Aug. 26, 2009). Here, in contrast, not a single document relating to damages has been produced and, under the current Scheduling Order, such documents will not be produced until after trial on infringement and invalidity is concluded.

Lastly, allowing damages and willfulness discovery now will permit the parties, and especially P.U.M., to better assess their respective positions and, thereby, equip them to better evaluate settlement. Although Google's promise to provide "financial and revenue information" under the auspices of F.R.E. 408 is appreciated, Google's self selection of documents (presumably those that will favor it) is not a substitute for discovery on damages (or willfulness). To fully evaluate settlement, P.U.M. must have the complete picture of its potential damages. P.U.M. should not be forced to accept the picture depicted by Google because all damages discovery is deferred until the completion of the infringement and invalidity case. *See Johns Hopkins Univ. v. Cellpro*, 160 F.R.D. 30, 35 (D. Del. 1995) ("Discovery on damages not only assists the parties in preparing for trial, it also educates each party on the other's view of the damages, which, in turn, assists each party in evaluating essential elements of the matters in issue and in assessing the risks associated with an adverse decision in the action. Consequently, it can facilitate settlement discussions.").

For the foregoing reasons, the provision in the Scheduling Order requiring bifurcation of both discovery and trial should be rescinded. Rescinding the bifurcation order will conserve the resources of both the parties and the Court, as well as facilitate settlement discussions. At a minimum, discovery should proceed on all issues so that the case will be trial-ready for Your Honor's successor, who can later determine whether the issues should be bifurcated for trial.

Respectfully,

Karen Jacobs Louden

Karen Jacobs Louden (#2881)

KJL/cht
cc: Clerk of the Court (by hand)
Richard L. Horwitz, Esq. (by e-mail)
David E. Moore, Esq. (by e-mail)
Charles K. Verhoeven, Esq. (by e-mail)
Marc S. Friedman, Esq. (by e-mail)

3531419