IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

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

GOOGLE'S ANSWERING BRIEF IN OPPOSITION TO PUM'S CROSS-MOTION FOR SUMMARY JUDGMENT

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In this patent infringement case, summary judgment motions were due by December 6, 2012. (*See* D.I. 411). Google filed three summary judgment motions on December 6, including a motion for summary judgment on its breach of contract and ownership counterclaims and its standing defense. (D.I. 412). PUM did not file any summary judgment motions on December 6. Instead, on January 2, 2013, PUM filed a motion for leave to file an untimely cross-motion for summary judgment on breach-of-contract, ownership, and standing. (D.I. 444). Rather than wait for the Court to rule on its motion for leave, PUM engaged in "self-help" and simply filed its cross-motion for summary judgment without leave of the Court on January 14, 2013. (D.I. 452). Specifically, and without leave of the Court, PUM bundled its cross-motion with its opposition brief to Google's motion for summary judgment, and filed this omnibus paper on January 14. (*See id.*) PUM's request for summary judgment should be denied on this procedural basis alone. (*See* D.I. 445).

Summary of Argument

PUM's cross-motion raises three arguments, all of which must fail. ***First***, PUM argues that Google's breach-of-contract and ownership claims are time-barred under the statute of limitations. Yet under either Delaware or California law, the statute of limitations is tolled until the plaintiff could reasonably have discovered the basis for its claims. Here, Google's claims are based on the fact that co-inventor Yochai Konig conceived the patented invention by [redacted], while he was still employed at SRI International. Neither Google nor SRI could have learned of this [redacted] conception date until discovery got underway in this lawsuit, because the [redacted] conception date is evidenced solely through PUM's interrogatory responses, deposition testimony, and confidential documents produced in discovery. Because SRI and/or Google could not have discovered the basis for Google's claims until discovery commenced in this lawsuit, the statute of limitations is tolled

until that time. And because Google filed its claims barely one year after discovery commenced, these claims are timely under the Delaware or California statute of limitations.

Second, PUM argues that it has standing as the rightful successor to co-inventors Roy Twersky's and Michael Berthold's patent rights, even if Konig's patent rights are rightfully held by Google. But Federal Circuit law holds that all co-owners must join as plaintiffs in a patent infringement suit. Failure to join even one co-owner destroys the other co-owners' standing. Thus, because Google is the rightful successor to Konig's ownership rights, PUM cannot maintain standing merely by arguing that it is the rightful successor to Twersky's and Berthold's ownership rights.

Third, PUM argues that Google's ownership rights are no impediment to PUM's standing because Google's ownership rights are "speculative" and "unperfected." But this ignores the fact that Google has filed counterclaims to perfect its ownership rights by declaring that Konig breached his contract with SRI and that Google (as SRI's successor) is a rightful co-owner of the patents-in-suit. While Google's ownership rights may be "speculative" and "unperfected" pending a resolution of these counterclaims, they will become perfected and judicially-decreed once the Court finds for Google on these counterclaims – which Google respectfully submits should occur.

Statement of Facts

I. PUM FILES THIS LAWSUIT IN JULY 2009

PUM filed this patent infringement lawsuit against Google in July 2009. (D.I. 1). PUM originally asserted two patents against Google. On their face, both patents purport to trace their priority back to a provisional patent application filed on December 28, 1999, several months after Konig left SRI. (*Id.*, Exs. A-B). PUM later added a third patent to its Complaint, which also claimed priority to the December 28, 1999 provisional patent application. (D.I. 39, Ex. C).

II. DURING DISCOVERY, GOOGLE LEARNS THAT THE PATENTED INVENTION WAS CONCEIVED DURING KONIG'S SRI EMPLOYMENT

Discovery in this case commenced in December 2009. (D.I. 20-21). During discovery, Google learned that the first named inventor of the patents-in-suit – Yochai Konig – was employed by SRI International until August 1999. (D.I. 414, Ex. B at 70:4-7). PUM produced Konig's Employment Agreement with SRI, which revealed that Konig promised to transfer to SRI all inventions "conceived or made by me during the period of my employment." (D.I. 414, Ex. A).

The evidence unearthed during discovery also showed that the patented invention was actually conceived by [redacted] – while Konig was still employed at SRI. For example, PUM's interrogatory responses served in October and December 2010 stated that "[redacted]" (D.I. 414, Ex. F at 3, 5). Mr. Twersky also testified at his December 2010 deposition that the patented invention was "conceived," in the layman's sense of the word, [redacted]. (D.I. 215, Ex. 2 at ¶4).

The confidential documents that Google was able to unearth during discovery also showed that the patented invention was conceived by [redacted]. For example, [redacted]. (*Id.* at PUM 42226, 42234). This document is labeled "Confidential" on its face and was produced under a Highly Confidential-Attorneys Eyes Only designation. (*See id.* at PUM0042214). A separate [redacted] document, also labeled "Confidential" on its face and produced under a Highly Confidential-Attorneys Eyes Only designation, [redacted]. (D.I. 414, Ex. C at PUM0091914). These two documents were produced in April 2010 and January 2011, respectively.

[redacted]

III. GOOGLE PROMPTLY PURCHASES SRI'S RIGHTS TO THE PATENTS AND BRINGS ITS CONTRACT AND OWNERSHIP CLAIMS

Based on this evidence about the [redacted] conception date – all of which was unearthed during discovery and none of which could have been available to Google or SRI before then – [redacted] Google then filed an amended pleading on February 4, 2011 that brought counterclaims for breach-of-contract and declaration of ownership against Konig and PUM. (D.I. 180 at 14-16). Based on Google's ownership rights to the patents-in-suit, this pleading also asserted the defense that PUM lacked standing to assert the patents against Google. (*Id.* at 5).

Argument

I. THE STATUTE OF LIMITATIONS DOES NOT BAR GOOGLE'S CLAIMS

A. The Statute of Limitations Must Be Tolled Until Google or SRI Could Have Learned that Konig Conceived the Invention During his SRI Employment

PUM argues that Google's contract-based claims are barred under the statute of limitation because Konig's alleged breach of contract occurred in 1999, when he failed to transfer his invention to SRI. (Cross-Motion at 8). PUM further argues that SRI had actual or constructive knowledge of

Konig's invention by 2001 or 2005, based on the issuance of the first patent over this invention in 2005 and/or the fact that one SRI engineer beta-tested this invention in 2001. (*Id.*) Thus, PUM argues that the statute of limitations began running no later than 2005. (*Id.*)

But PUM's argument is fatally flawed. Under the "discovery rule" that applies to both Delaware and California statutes of limitations, the statute of limitations is tolled until a plaintiff learns or could have learned of the basis for its claims. *See Wal-Mart Stores, Inc. v. AIG Life Ins. Co.*, 860 A.2d 312, 319 (Del. 2004) ("Under the 'discovery rule' the statute is tolled where the injury is 'inherently unknowable and the claimant is blamelessly ignorant of the wrongful act and the injury complained of.'"); *Dean v. United of Omaha Life Ins. Co.*, No. CV 05-6067-GHK (FMOx), 2008 WL 7611369, at *2 (C.D. Cal. Oct. 14, 2008) ("In California, the discovery rule postpones the accrual of a cause of action for breach of contract until the plaintiff knew or should have known of the breach.") Here, Google's claims are based on the fact that Konig conceived the invention by [redacted], when he was still employed at SRI. Absent the fact that this invention was conceived during Konig's SRI employment, the invention would not be covered by Konig's Employment Agreement and Google would have no breach-of-contract claim at all. And there is no way that Google or SRI could have discovered that the invention was conceived during Konig's SRI employment until discovery got underway in this lawsuit, because all the evidence that evinces the [redacted] conception date is information kept confidential that was first disclosed during discovery. Thus, under the discovery rule, the statute of limitation must be tolled until discovery commenced in this case in December 2009.

For example, Google bases the [redacted] conception date on two internal Utopy documents produced during discovery, dated [redacted] or earlier, that disclose the key concepts of the patented invention. (D.I. 414, Exs. C-D). Because both these documents are labeled "Confidential" on their

face and were produced under a Highly Confidential Attorneys-Eyes-Only designation (*see id.*), there was no way that Google or SRI could have seen these documents before discovery commenced in this lawsuit. Google also bases the [redacted] conception date on PUM's interrogatory responses stating that the invention was conceived "[redacted]." (D.I. 414, Ex. F at 3, 5). These interrogatory responses did not exist until discovery got underway in this lawsuit. Google also bases the [redacted] conception date on testimony from Mr. Twersky that the invention was conceived in the layman's sense by [redacted] (D.I. 215, Ex. 2) and testimony from Mr. Konig that he had conceived the basic concepts of the invention by [redacted]. (D.I. 414, Ex. B at 72:4-10, 200:24-202:12). This testimony likewise did not exist until discovery got underway in this lawsuit.

As discussed in the Statement of Facts, *supra,* discovery commenced in this case in December 2009, the information evincing the [redacted] conception date was unearthed beginning in 2010, and Google brought its breach-of-contract and ownership claims in February 2011. Thus, these claims are timely under either the Delaware or California statutes of limitations.

B. The Delaware Statute of Limitations Must Be Tolled Until Konig Became Subject to Service of Process in Delaware

If Delaware law governs PUM's statute of limitations defense – as PUM asserts it does – then there is a separate reason why this defense must fail. Namely, the statute of limitations would be tolled until Konig became subject to service of process in Delaware, and this did not occur until, at the earliest, Konig helped file the present Delaware lawsuit in July 2009.

Under Delaware Code Title 10, Section 8117, the statute of limitations on any claim must be tolled until the defendant of such claim becomes subject to service of process in Delaware. "It is settled law that the purpose and effect of Section 8117 is to toll the statute of limitations as to defendants who, at the time the cause of action accrues, are outside the state and are not otherwise subject to service of process in the state. In those circumstances, the statute of limitations is tolled

until the defendant becomes amenable to service of process." *Saudi Basic Indus. Corp. v. Mobil Yanbu Petrochem. Co., Inc.*, 866 A.2d 1, 18 (Del. 2005). Here, Google's breach-of-contract and ownership claims are based on Konig's breach of his contract with SRI. Yet Konig would not have been subject to service of process in Delaware until July 2009 at the earliest, when he (as PUM's representative) filed this patent infringement lawsuit in Delaware Federal Court.[1] *See Saudi Basic*, 866 A.2d at 18 (holding that Section 8117 tolled statute of limitations against out-of-state counterdefendant until counterdefendant initiated its own suit in Delaware).

Specifically, Konig has been a California resident ever since 1999, the year he breached his contractual obligations to SRI. (*See* Konig Dep. 48:14-17; 49:22-50:9; 70:5-9).[2] There is no evidence that Konig ever resided in Delaware or had any other connections with Delaware that would have subjected him to service of process. While it is true that Konig has long been an officer of Utopy, Inc., which is incorporated in Delaware, an individual's status as director of a Delaware corporation only subjects that individual to Delaware service of process for claims alleging breach of the director's fiduciary duties to his corporation. *See* 10 Del. C. § 3114; *LeCrenier v. Cent. Oil Asphalt Corp.*, C.A. No. 4927-VCN, 2010 WL 5449838, at *2-3 (Del. Ch. Dec. 22, 2010) (finding no personal jurisdiction over non-resident directors of a Delaware corporation, where the plaintiff's claims did not allege that these directors breached their fiduciary duties). Here, Google does not claim that Konig breached his fiduciary duties to Utopy. Rather, Google alleges that Konig breached

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[1] PUM previously presented Konig as PUM's "representative" to the Court. (1/11/2011 Tr. at 3:9-11). After Google filed its counterclaims against Konig in February 2011, Konig never objected to personal jurisdiction or insufficient service of process. Thus, there is no dispute that Konig is now subject to service of process in Delaware. *See* Fed. R. Civ. P. 12(h)(1) (objections to service of process and personal jurisdiction are waived if not made in a pre-Answer motion).

[2] These Konig deposition pages are attached to the Declaration of Joshua L. Sohn, filed concurrently herewith.

his contractual duties to SRI. Thus, Konig's status as an officer of Utopy did not alone subject him to service of process or personal jurisdiction in Delaware.[3]

Because Konig would not have been subject to service of process in Delaware at any time before this lawsuit was filed in 2009, the statute of limitations on Google's counterclaims must be tolled until that time. As previously noted, Google filed these counterclaims in February 2011. Therefore, these counterclaims are timely under the Delaware statute of limitations.

II. PUM'S STANDING ARGUMENT IS WITHOUT MERIT

The second aspect of PUM's summary judgment motion addresses Google's standing defense. PUM argues that "regardless of any purported defect in Dr. Konig's patent rights, there can be no dispute that PUM has standing as the owner of co-inventors Twersky's and Berthold's undivided patent rights." (Cross-Motion at 9). PUM also argues that Google's standing defense should fail because the ownership rights that give rise to Google's standing defense are "speculative" and "unperfected." (*Id.* at 9, n. 14). As discussed below, neither of these arguments have merit.

A. PUM Cannot Claim Standing Merely as the Successor to Twersky's and Berthold's Patent Rights

PUM's argument that it has standing through its ownership of Twersky's and Berthold's patent rights ignores unequivocal Federal Circuit law holding that all co-owners must join as plaintiffs in a patent infringement suit. Failure to join even one co-owner destroys the other co-owners' standing. *See Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 848 (Fed. Cir. 2009) (holding that plaintiff lacked standing where one of the co-inventor's ownership rights flowed to defendant, not to plaintiff); *Isr. Bio-Eng'g Project v. Amgen*

[3] Even if Konig personally helped to incorporate Utopy in Delaware, a defendant does not become subject to personal jurisdiction in Delaware merely by incorporating a company there. *See Red Sail Easter LP v. Radio City Music Hall Prods.*, C.A. No. 12036 VCA, 1991 WL 129174, at *1-3 (Del. Ch. July 10, 1991).

Inc., 475 F.3d 1256, 1264-65 (Fed. Cir. 2007) ("Absent the voluntary joinder of all co-owners of a patent, a co-owner acting alone will lack standing."); *Int'l Nutrition Co. v. Horphag Research Ltd.*, 257 F.3d 1324, 1331 (Fed. Cir. 2001) ("all co-owners normally must join as plaintiffs in an infringement suit."). Because Google (as SRI's assignee) rightfully possesses Konig's ownership rights to the patents-in-suit, PUM cannot claim standing to assert these patents merely because PUM is the successor to Twersky's and Berthold's ownership rights.

In arguing for a contrary result, PUM relies exclusively on a statement from *Rite-Hite Corp. v. Kelly Co.*, 56 F.3d 1538, 1551-52 (Fed. Cir. 1995) that conveying "an undivided part or share of the entire patent" grants "a right to sue infringers." (Cross-Motion at 9). But the issue in *Rite-Hite* was whether the patent owner's sales agents had standing to join the patent owner as co-plaintiffs. *See Rite-Hite*, 56 F.3d at 1551-54. *Rite-Hite* nowhere suggested that the sales agents would have standing to bring suit alone. Nor did *Rite-Hite* question the basic rule that an infringement suit must join all co-owners as plaintiffs, regardless of whether these co-owners possess separate undivided shares. *See Israel Bio-Eng'g*, 475 F.3d at 1264 ("Where one co-owner possesses an undivided part of the entire patent, that joint owner must join all the other co-owners to establish standing.")[4]

Incredibly, PUM argues that the failure to join Google as a co-plaintiff is irrelevant to standing because Google is present in this suit as the defendant. (Cross-Motion at 9 ("Google cannot credibly argue that as an alleged co-owner of the patents it is an absent indispensible party since it is present in this litigation.")) This ignores the Federal Circuit law, cited above, holding that an infringement action must join all co-owners as co-plaintiffs. Indeed, in the *Stanford* and *Int'l Nutrition* cases cited above, the "absent" co-owner was in the case as a defendant, but the plaintiffs still lacked standing because the defendant co-owners could not be voluntarily joined as plaintiffs.

[4] As a side note, *Rite-Hite* also denied standing to the sales agents, which makes PUM's reliance on *Rite-Hite* all the more inapposite. *See Rite-Hite*, 56 F.3d at 1551-54.

Stanford, 583 F.3d at 848; *Int'l Nutrition*, 257 F.3d at 1331. So here too, Google will not join as a plaintiff against itself, and PUM lacks standing to bring suit without joining Google as a plaintiff. Indeed, as co-owner, Google has an affirmative right to practice the patents, "without the consent and without accounting to the other owners." 35 U.S.C. § 262.

B. PUM Cannot Defeat Google's Standing Defense by Arguing that Google's Ownership Rights are "Speculative" and "Unperfected"

PUM next argues that SRI and Google never had any ownership rights because "all SRI had at best was a future right to have Dr. Konig take steps 'to effect transfer of ownership.' [redacted]." (Cross-Motion at 9, fn. 14). But this ignores the fact that Google has filed counterclaims to perfect its ownership rights by declaring that Konig breached his contract with SRI and that Google (as SRI's successor) is a rightful co-owner of the patents-in-suit. (*See* D.I. 180 at Counterclaims VII-X; D.I. 336 at Counterclaims VII-X). While Google's ownership rights may be "unperfected" pending a resolution of these counterclaims, they will become perfected and judicially-decreed should the Court find for Google on these counterclaims. *See U.S. v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933) ("A patent is property, and title to it can pass only by assignment. If not yet issued, an agreement to assign when issued, if valid as a contract, will be specifically enforced. The respective rights and obligations of employer and employee, touching an invention conceived by the latter, spring from the contract of employment.") (emphasis added).

As discussed in the briefing over Google's Motion for Summary Judgment on breach-of-contract and ownership, there is no genuine dispute that Konig did breach his contract with SRI or that Google is a rightful co-owner of the patents as a result. Accordingly, Google respectfully submits that the Court should perfect Google's ownership rights at this juncture. Of course, even if PUM were able to defeat Google's summary judgment motion on breach-of-contract and ownership,

that would not support PUM's present position that Google's standing defense fails as a matter of law. Instead, it would merely mean that the validity of Google's standing defense would be deferred until the Court and/or a jury decided the merits of Google's breach-of-contract and ownership claims at some later juncture, since it is these claims that give rise to Google's standing defense.

Conclusion

Accordingly, Google respectfully requests that the Court deny PUM's motion for summary judgment on Google's contract and ownership claims and Google's standing defense.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, David E. Moore, hereby certify that on February 1, 2013, 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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