IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PERSONALIZED USER MODEL, L.L.P., Plaintiff, v. GOOGLE, INC., Defendant.	C.A. No. 09-525 (LPS) **PUBLIC VERSION**
GOOGLE, INC. Counterclaimant, v. PERSONALIZED USER MODEL, L.L.P. and YOCHAI KONIG, Counterclaim-Defendants.	

PUM'S REPLY BRIEF IN SUPPORT OF ITS PROPOSED CROSS-MOTION FOR SUMMARY JUDGMENT ON GOOGLE'S DECLARATORY JUDGMENT CLAIMS AND STANDING DEFENSE REGARDING SRI

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Original Filing Date: February 4, 2013

Redacted Filing Date: February 18, 2013

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INTRODUCTION

In its Opposition, Google does not, as it cannot, dispute that SRI's ownership claims, if any, accrued in 1999, a dozen years before Google brought its counterclaims. Instead, Google asserts that the three-year Delaware statute of limitation was tolled, but does not and cannot cite to any evidence showing that the relevant facts were fraudulently concealed or inherently unknowable, as Delaware law requires to establish tolling. Finally, Google's standing defense, based only on SRI's stale and indisputably non-existent co-ownership claims, also fails and should be dismissed.

To support its tolling defense, Google spends much of its brief arguing that it did not learn of the conception date until discovery in this case. This is irrelevant. The relevant inquiry for tolling is whether Google's assignor SRI had access to facts that would cause it to inquire whether it had a cause of action. Had SRI thought that Dr. Konig's invention might relate to his SRI work or any other SRI business, it would have had every reason to investigate no later than 2001-02, [redacted] when the '040 patent was issued, naming Dr. Konig as an inventor and listing a December 1999 provisional patent application. Those facts plainly were not fraudulently concealed from or inherently unknowable to SRI. Google does not and cannot contend otherwise. For its final "Hail Mary" pass, Google relies on 10 Del. C.§ 8117 to toll the statute based on its assertion that Dr. Konig was not previously amenable to service in Delaware. However, Section 8117 does not apply where, as here, a California-based plaintiff had a dozen years to sue Dr. Konig, a California resident, in California for claims arising there, and where SRI also could have sued Dr. Konig's assignee, Utopy, Inc. in Delaware, had it chosen to do so.

Google's standing defense also fails. Google tacitly admits it has no current rights in the patents that impact standing. It also does not dispute that SRI was never a co-owner because

Dr. Konig's Employment Agreement was not an assignment of rights, but, at best, a promise to assign in the future inventions falling within the scope of that Agreement. Google acknowledges this, asserting that it "has filed counterclaims to perfect its ownership rights." D.I. 486 at 10. But any such claims expired years ago. Because there are no co-owners who should have been joined as a co-plaintiff with PUM, Google's standing defense also fails.

Accordingly, PUM's proposed cross-motion should be granted.[1]

ARGUMENT

I. THERE IS NO GENUINE ISSUE OF MATERIAL FACT THAT GOOGLE'S DECLARATORY JUDGMENT COUNTERCLAIMS ARE TIME-BARRED

A. Google's Declaratory Judgment Counterclaims Were Not Tolled Because The Facts On Which They Are Based Were Neither Fraudulently Concealed Nor Inherently Unknowable.

PUM's proposed cross-motion should be granted because Google's Opposition demonstrates that none of the material facts supporting PUM's requested relief are in dispute.

[redacted] as Google contends (and PUM disputes), that is when SRI's claim, if any, accrued, whether or not it had knowledge of the claim. See Medtronic Vascular, Inc. v. Advanced Cardiovascular Sys., Inc., No. 98-80-SLR, 2005 WL 46553 (D. Del. Jan. 5, 2005), *aff'd*, 182 F. App'x 994 (Fed. Cir. May 26, 2006) ("Medtronic I"). [redacted]

[redacted] Third, Google does not dispute that the issuance of the '040 patent on

[1] Contrary to Google's assertion, PUM did not "engage[] in 'self-help'" in filing a cross-motion. PUM will file its cross-motion when and if the Court grants leave. As it explained, PUM relies on the same facts for its proposed cross-motion as those on which it relies in opposition to Google's motion, and included those facts in its allotted page limits. Rather than addressing those facts in its reply brief, Google unilaterally filed a separate opposition, taking an additional ten pages without leave of Court.

December 27, 2005 – listing on its face a December 1999 provisional application – served as constructive notice to the world of Dr. Konig's invention. See id.

Instead, Google sets up two strawmen. First, Google contends that the statute of limitation started only when it learned about conception. See id. at 3 ("During Discovery, Google Learns That the Patented Invention Was Conceived During Konig's SRI Employment"). This is incorrect. What is relevant is when Google's assignor SRI knew or should have known of its claim. Google is charged with SRI's knowledge. It is black letter law that "the assignee stands in the shoes of the assignor; he acquires no greater right than that which was possessed by his assignor." Madison Fund, Inc. v Midland Glass Co., No. 394-1974, 1980 WL 332958 (Del. Super. Ct. Aug. 11, 1980) (holding that statute of limitations barred plaintiff assignee's suit against obligor because claim originally belonged to non-party assignors against whom the statute of limitations had already run).

[redacted] and when the first patent issued on December 27, 2005, naming Dr. Konig as an inventor and listing a December 1999 provisional date (see D.I. 1-1, Ex. A), SRI at the very least would have been put on inquiry notice to determine when conception occurred. See Wal-Mart Stores, Inc. v. AIG Life Ins. Co., 860 A.2d 312, 319 (Del. 2004) (statute begins to run "upon the discovery of facts constituting the basis of the cause of action **or the existence of facts sufficient to put a person of ordinary intelligence and prudence on inquiry**, which if pursued, would lead to the discovery of such facts") (emphasis in quoted material is added unless otherwise noted); Medtronic Vascular, Inc. v. Advanced Cardiovascular Sys., Inc., No. 98-80-SLR, 2005 WL 388592, at *1, n.4 (D. Del. Feb. 2, 2005), *aff'd*, 182 F. App'x 994 (Fed. Cir. May 26, 2006) ("Medtronic II") ("Patents

served to 'put the world on notice' with respect to what the patentee claims to own" and starts the statute of limitations running). Google does not contend otherwise.

Next, Google advances an erroneous legal standard, asserting that "the statute of limitations is tolled until the plaintiff could reasonably have discovered the basis for its claim." D.I. 486 at 1. As explained in PUM's opening brief, ordinarily the statute of limitations begins to "run at the time of the alleged wrongful act **even if the plaintiff is ignorant of the cause of action**." D.I. 452 at 8 (citing Medtronic II). As Google's own cited case acknowledges, the statute is only "tolled where the injury is **'inherently unknowable** and the claimant is blamelessly ignorant of the wrongful act and the injury complained of.'" D.I. 486 at 5 (quoting Wal-Mart Stores, 860 A.2d at 319). The statute also may be tolled where a defendant "fraudulently conceals a wrong to induce the plaintiff to refrain from bringing suit." Wright v. Dumizo, No. 08-292, 2002 WL 31357891, at *3 (Del. Super. Ct. Oct. 31, 2002). Fraudulent concealment requires an active, affirmative "misrepresentation or fraudulent artifice by which the defendant has prevented the plaintiffs from discovering the basis for their cause of action." Lecates v. Hertich Pontiac Buick Co., 515 A.2d 163, 176 (Del. Super. Ct. 1986).

Google does not allege any facts demonstrating that the alleged wrong was either inherently unknowable or fraudulently concealed. Indeed, all that Google alleges is that SRI/Google did not know of the alleged conception date until discovery in this case. See D.I. 486 at 4-6. Even if that were true, it would be irrelevant under the correct legal standard. Conception was neither concealed nor inherently unknowable. Quite to the contrary, Dr. Konig actually invited his former employer to be a beta user of his invention and published it in a patent that issued six years before Google brought its counterclaims. See D.I. 454, Ex. L at 62-63. Had SRI suspected Dr. Konig's invention related to his SRI work or SRI's business, it would have

been on notice to inquire when conception occurred, especially given the listing of the December 1999 provisional application in the '040 patent. See Wal-Mart Stores, 860 A.2d at 319 (statute begins to run with existence of facts "sufficient to put a person of ordinary intelligence and prudence on inquiry"). Not only did SRI take no action, it effectively disclaimed ownership by refusing to warrant to Google that it held any rights to the patents. See D.I. 452 at 9, n.14.

As a result, Google's assertion that "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," D.I. 486 at 5, is indisputably wrong. Dr. Konig's invention was not hidden but was available for the world to see. All of the facts SRI needed to investigate a potential claim were available to it long before Google's discovery in this action.

Because there is no genuine issue of material fact that SRI's claims were not tolled, PUM's proposed cross-motion should be granted.

B. Google Cannot Rely On Section 8117 To Revive Stale Claims That SRI Chose Not To Pursue More Than A Decade Ago.

Google's attempt to rely on 10 Del. C. § 8117[2] also fails because that statute does not toll actions that could have been brought, but were not, during the limitations period. Here, there is no dispute that any cause of action SRI may have had arose in California, not Delaware. Nor is there any dispute that Dr. Konig was at all times amenable to suit in California. SRI simply chose not to pursue any action there, presumably because it thought it had none, as SRI's statements in its Quitclaim Assignment to Google confirm. See D.I. 431-1, Ex. G, § 8.5. That Google, as an assignee, brought an ownership action against Dr. Konig and PUM years later in

[2] Section 8117 provides that: "If at the time when a cause of action accrues against any person, such person is out of the State, the action may be commenced, within [the statute of limitations], after such person comes into the State in such manner that by reasonable diligence, such person may be served with process." The statute provides the same protection for claims against Delaware residents where "such person departs from and resides or remains out of the State." 10 Del. C. § 8117.

Delaware in this patent infringement case (where Dr. Konig consented to jurisdiction to avoid a multiplicity of actions) does not give Google a basis to revive claims that expired years ago. Indeed, if SRI wished to pursue its purported claim in Delaware, it could have filed its constructive trust claims against PUM's predecessor, Utopy, a Delaware corporation.[3] Dr. Konig, the Chief Technology Officer and a Director of Utopy at the time, likely would have consented to be joined (again, to avoid a multiplicity of actions). Simply put, Google cannot show that Dr. Konig and his assignee Utopy were not amenable to service had SRI filed suit such that Section 8117 should apply.

As the Delaware Superior Court explained in Hurwitch v. Adams, 151 A.2d 286, 288 (Del. Super. Ct. 1959), *aff'd*, 155 A.2d 591 (Del. 1959), "the obvious purpose and the only purpose" of Section 8117 "is to allow reasonably diligent plaintiffs the statutory period within which to obtain service upon an absent or once absent and later elusive defendant." Id. at 288. See also Schmidt v. Polish *People's Republic*, 742 F.2d 67, 71 (2d Cir. 1984) ("[T]olling a statute of limitations because of defendant's absence from a jurisdiction is largely intended to diminish the incentive to avoid service of process."). As a New York court construing Section 8117 explained, it also "was meant to apply only in a **circumstance where the defendant had a prior connection to Delaware**, meaning that the tolling provision envisioned that there would be some point where the defendant would return to the state or where plaintiff could effect service on the defendant to obtain jurisdiction." Portfolio Recovery Assocs., LLC v. King, 927 N.E.2d 1059, 1062 (N.Y. 2010). Google's proposed application of Section 8117, however, would extend the Delaware statute of limitation to claims and against defendants with no prior

[3] Utopy was an assignee of the patent rights until March 2, 2006, when it assigned those rights to Levino Ltd. See D.I. 454, Ex. M. [redacted] and months after the issuance of the '040 patent, during which time SRI could have sued Utopy in Delaware.

connection to this state, a proposition the Delaware Supreme Court expressly rejected. Hurwitch v. Adams, 155 A.2d 591, 593-94 (Del. 1959) ("[I]t is said that 10 Del. C. § 8116 [now § 8117] is plain on its face and that it applies in any action in which the defendant is a non-resident. We think this argument, if accepted, would result in the abolition of the defense of statutes of limitation in actions involving non-residents.").

Section 8117 does not apply where a California claimant, like SRI, had a purported claim that arose in California against a California defendant, like Dr. Konig, who has had no personal connection to Delaware. It also does not apply where, as here, SRI was anything but diligent, but rather failed to bring any action in California or anywhere else against Dr. Konig, or against his assignees in the decade following its actual knowledge of his invention in 2001-02.

Google is essentially arguing that Section 8117 of the Delaware Code prevents SRI's California-based claim from ever expiring. Taken to its logical conclusion, had Google been sued for patent infringement in 2018 and chose to then bring its counterclaims, under its tortured interpretation of Section 8117, Delaware's three-year statute of limitation would then start running. Such a result would be absurd and simply cannot be correct.

Google's reliance on Saudi Basic Industries Corp. v. Mobil Yanbu Petrochemical Co. is misplaced because the defendant there—a Saudi Arabian entity ("SABIC") who had asserted that it was "immune from suit under the Foreign Sovereign Immunities Act"—had not previously been amenable to service anywhere in the United States. 866 A.2d 1, 18 n.38 (Del. 2005). SABIC only became amenable to service when it filed suit in New Jersey and an action in Delaware Superior Court seeking a declaratory judgment that it had not overcharged its joint venture partners over a 20-year period. Id. at 8-10. Defendants Exxon and Mobil filed counterclaims alleging breach of contract and tortious conduct based upon SABIC's 20-year

record of concealment. Id. at 10. The Superior Court rejected SABIC's statute of limitations defense, and Defendants appealed. Id. at 11, 14.

The Delaware Supreme Court affirmed based on its finding that there was no statute of limitation under the laws of Saudi Arabia, and refused to apply the Delaware borrowing statute to prevent SABIC from forum-shopping to benefit from a shorter statute of limitations on ExxonMobil's counterclaims. The Court also held that it would have reached the same result based on the application of Section 8117. Id. at 15-16, 18-19. As the Court noted, SABIC only became amenable to service in the United States by voluntarily initiating actions in Delaware and New Jersey. See id. at 38. Those facts are clearly distinguishable from the instant case. Here, in stark contrast, Dr. Konig always was amenable to suit in California, where SRI resided and its claim arose, and his assignee, Utopy, was amenable to suit in Delaware. Unlike SABIC in Saudi Basic Industries, Dr. Konig did not initiate any action in Delaware, let alone forum shop to avoid an unfavorable statute of limitations elsewhere. Simply stated, SRI, a California resident, had over a decade to bring its California-based claim against another California resident, Dr. Konig. It could have even sued Dr. Konig's assignee, Utopy, in Delaware, had it so desired. There have been no attempts to evade service. Accordingly, Google's argument based on Section 8117 should be rejected.

II. GOOGLE'S STANDING DEFENSE ALSO FAILS BECAUSE PUM IS THE ONLY OWNER OF THE PATENTS-IN-SUIT.

Summary judgment also should be granted dismissing Google's standing defense because neither Google nor SRI is now or ever has been a co-owner of any of the patents-in-suit. Google does not, as it claims, "rightfully possess Konig's ownership rights to the patents-in-suit." D.I. 486 at 9. All Google possesses is whatever breach of contract claims SRI may have had under its Agreement with Dr. Konig; claims that expired long ago under any conceivable

interpretation of the statute of limitations. Because there are no patent owners who are not joined in the suit, PUM has standing. [4]

The Employment Agreement required that Dr. Konig disclose "discoveries, improvements, and inventions," and "execute documents" and take other steps necessary "to effect transfer of ownership in" any discoveries subject to the Agreement. See D.I. 454, Ex. D. Putting aside that the Agreement does not cover the invention (for all the reasons discussed in PUM's opening brief, D.I. 452 at 11-13), no ownership rights ever passed from Dr. Konig to SRI because Dr. Konig never executed any documents or took any steps to transfer his ownership rights in the patents-in-suit to SRI. Google concedes this, noting that it seeks to have the Court "perfect Google's ownership rights at this juncture." D.I. 486 at 10. Because SRI did not have any ownership rights, it never gained title to the patents-in-suit. See Bd. of Tr. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 583 F.3d 832, 841-42 (Fed. Cir. 2009) (contract language agreeing to assign "reflects a mere promise to assign rights in the future, not an immediate transfer of expectant interests"); DDB Techs., L.L.C. v. MLB Advanced Media, L.P., 517 F.3d 1284, 1290 (Fed. Cir. 2008) (citation and internal quotation marks omitted) ("Contracts that merely obligate the inventor to grant rights in the future . . . do not by themselves vest legal title to patents on the inventions in the promisee."). Because there was no assignment to SRI, there was no conveyance of title to SRI, and hence none to Google. Thus, no patent co-owners were omitted as co-plaintiffs. As the only patent owner, PUM has standing.

Although Google now seeks to "perfect" its rights to obtain co-ownership of the patents, D.I. 486 at 10, as discussed above, any such rights have long since expired, and the Court cannot

[4] Because Google admittedly has no current rights to the patents, but instead seeks to "perfect" its stale claims, Google's arguments about co-owner standing are irrelevant and PUM does not pursue them further here.

revive such stale claims. Moreover, Google ignores that Dr. Konig has nothing to transfer. Because Dr. Konig already assigned his patent rights,[5] he has no ability to assign them again to SRI, Google, or anyone else. See, e.g., Roche, 583 F.3d at 842 (citing FilmTec Corp. v. Allied-Signal Inc., 939 F.2d 1568, 1572 (Fed. Cir. 1991) (once legal title is transferred to an assignee, the "assignor-inventor would have nothing remaining to assign")). Any subsequent assignment "is a nullity." FilmTec, 939 F.2d at 1572.

Roche, supra, provides ample support for PUM's standing. There, the inventor had assigned his interests twice: once to Defendant Roche, and once to Plaintiff Stanford. See 583 F.3d at 841-44. To decide standing, the Court had to determine which assignment actually vested title to the patent. Id. It found that the inventor's agreement with Roche provided an immediate assignment vesting title in Roche upon conception of the invention. Id. at 842. In the instant case, there was no assignment to SRI, so SRI never had any ownership interest in the patents, nor does Google as SRI's assignee. At best SRI had an inchoate right to future assignments that was cut-off by the earlier assignment vesting title in Utopy. Here, there is only one chain of assignments, and there is only one patent owner: PUM.

Because PUM indisputably is the only entity with ownership rights in the patents-in-suit, summary judgment should be granted to PUM dismissing Google's standing defense.

CONCLUSION

For the foregoing reasons, PUM's cross-motion for summary judgment should be granted and Google's motion for summary judgment should be denied.

[5] See D.I. 454, Ex. M, containing assignment documents for Utopy, Levino Ltd., and PUM.

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February 4, 2013
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CERTIFICATE OF SERVICE

I hereby certify that on February 18, 2013, I caused the foregoing to be electronically filed with the Clerk of the Court using CM/ECF which will send electronic notification of such filing to all registered participants.

Additionally, I hereby certify that true and correct copies of the foregoing were caused to be served on February 18, 2013, upon the following individuals in the manner indicated:

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