

# EXHIBIT 1

**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.,	)	<b>JURY TRIAL DEMANDED</b>
	)	
Defendant.	)	
<hr style="border: 0.5px solid black;"/>		
GOOGLE, INC.	)	
	)	
Counterclaimant,	)	
	)	
v.	)	
	)	
PERSONALIZED USER MODEL, LLP and	)	
YOCHAI KONIG	)	
	)	
Counterdefendants.	)	

**REPLY BRIEF IN SUPPORT OF GOOGLE’S MOTION FOR RECONSIDERATION**

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Google’s Motion for Reconsideration argued that the Court made a clear error of law in concluding that there were triable fact disputes on the meaning of “conception” merely because that term is ambiguous. (D.I. 523.) As Google argued, and as PUM does not dispute, California black-letter law dictates that contractual ambiguity does not give rise to a question of fact unless the ambiguity is the subject of conflicting extrinsic evidence.<sup>1</sup> (*Id.* at 2-4.) Thus, while PUM repeatedly argues “the record is replete with relevant extrinsic evidence,” that is irrelevant to Google’s Motion. It is PUM’s failure to point to conflicting extrinsic evidence during the summary judgment briefing that demonstrates why Google’s Motion should be granted.

Rather than rebut this central point of Google’s Motion, PUM argues that Google’s Motion improperly raises new arguments. (Opp. at 4.) This accusation is both unfounded and ironic. It is unfounded because, as Google detailed in its Motion and as PUM does not dispute, the summary judgment hearing was the first time PUM argued that a question of fact existed on the issue of contract interpretation. (Hearing Tr. 126:24-127:11.) So it is no surprise that Google did not address this argument in its prior papers.<sup>2</sup> It is ironic because PUM itself raises several new arguments in opposing Google’s Motion for Reconsideration. To the extent the Court considers these arguments at all, as detailed below, none of them warrant denial of Google’s Motion.

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<sup>1</sup> In a footnote, PUM suggests that Delaware contract law might govern the Konig-SRI Agreement. (Opp. at 7 n. 18 (citing *GMG Cap. Inv., LLC v. Athenian Venture Partners I, L.P.*, 36 A.3d 776, 783 (Del. 2012)). But this is clearly incorrect, as the Agreement was between two California citizens, was signed in California, and governed an employment relationship taking place in California.

<sup>2</sup> PUM also faults Google for not addressing the statute of limitations and whether Dr. Konig’s invention is exempt under Section 2870 of the California Labor Code. (Opp. at 2, 9, 10.) But those issues were already briefed and argued at length during summary judgment, so there was no need to rehash them in Google’s Motion for Reconsideration. Rather, these issues can and should be resolved on the existing summary judgment record.

**I. THE EXCEPTION FOR “TECHNICAL” TERMS IN CAL. CIV. CODE § 1644 IS INAPPLICABLE HERE**

PUM now argues – for the first time – that Cal. Civ. Code § 1644 does not require that “conception” be understood in its ordinary and popular sense because Section 1644 has an exception for cases where contractual language is “used by the parties in a technical sense.” (Opp. at 5 (quoting Cal. Civ. Code § 1644)). But the “technical sense” exception is for cases where the parties are engaged in particular trade and the trade usage of a word has a technical meaning at odds with its ordinary and popular meaning. For example, in the venerable case of *Ermolieff v. R.K.O. Pictures*, 19 Cal. 2d 543 (1942), the California Supreme Court held that the term “United Kingdom” in a movie contract could be construed to include Erie (Ireland) because “according to the custom and usage of the moving picture industry Erie is included in the United Kingdom.” *Id.* at 549. This sort of idiosyncratic trade usage is what is captured by the “technical sense” exception to the normal “ordinary and popular meaning” presumption of Section 1644. *See Appalachian Ins. Co. v. McDonnell Douglas Corp.*, 262 Cal. Rptr. 716, 720 (Cal. Ct. App. 1989) (“the words of a contract are to be understood in their ordinary and popular sense unless a contrary intent is shown, such as a specialized meaning due to trade custom”); *Body-Steffner Co. v. Flotill Prods.*, 147 P.2d 84, 86 (Cal. Ct. App. 1944) (“it is always open to the parties to the contract to prove that by the general and accepted usage of the trade or business in which both parties are engaged and to which the contract applies the words have acquired a meaning different from their ordinary and popular sense.”)

Here, Dr. Konig was employed as computer scientist, not a patent lawyer. Thus, it cannot be said that the parties meant to define “conception” according to its specialized meaning in the patent law trade. Indeed, under PUM’s logic every contractual term in any contract where the parties are engaged in “technical” scientific work – every pharmaceutical contract, every computer science contract, every engineering contract – be shorn of the usual presumption that words get their ordinary meaning. The exception would swallow the rule. PUM cites no authority for the

proposition that the “technical sense” exception should sweep so widely. In fact, PUM cites no cases on Section 1644 at all.

In fact, Dr. Konig would have no way of knowing even how to comply with the Agreement if conception was defined according to the patent law. Non-lawyer scientists would not be objectively expected to understand the patent-law meaning of conception, and indeed Dr. Konig testified that he did not understand the patent-law meaning of conception before this litigation. (D.I. 521 at 15.) As PUM’s patent-law interpretation defies the objective intentions of both parties, it must be rejected. *See* Cal. Civ. Code § 1636 (contract must be interpreted to effectuate the intention of the parties).

**II. THE “LAST RESORT” CANON THAT AMBIGUOUS CONTRACT LANGUAGE BE RESOLVED AGAINST THE DRAFTER DOES NOT APPLY HERE**

PUM also now argues that conception should be interpreted against SRI and given its patent law meaning because Cal. Civ. Code § 1654 states that “an ambiguity is to be construed against the draftsman.” (Opp. at 7.) But PUM ignores that section 1654 only applies “in cases of uncertainty not removed by the preceding rules” – *i.e.*, all the preceding canons of contract interpretation. Cal. Civ. Code § 1654. In other words, § 1654 is a “last resort” that “applies only when other canons of construction, including consideration of extrinsic evidence of the parties’ intent, fail to resolve the ambiguity.” *Vine v. Bear Valley Ski Co.*, 13 Cal. Rptr. 3d 370, 379 n.2 (1st Dist. 2004); *Realnetworks, Inc. v. DVD Copy Control Ass’n*, 641 F. Supp. 2d 913, 948-49 (N.D. Cal. 2009) (Section 1654 “is often referred to as the rule ‘of last resort.’”). PUM does not even try to show that this is true here. Rather, as Google has explained, the canons concerning the objective intentions of the parties and the presumption of ordinary and popular meaning already resolve any ambiguity over the meaning of “conception.” Thus, the Court need not, and should not, invoke the “last resort” canon of Section 1654.

### **III. “CONCEPTION” SHOULD NOT BE DEFINED IN A PATENT-LAW SENSE ON THE THEORY PATENT-LAW CONCEPTION WAS NECESSARY FOR DR. KONIG TO ACQUIRE PATENT RIGHTS**

PUM further argues that “conception” should be defined in its patent-law sense because patent-law conception was supposedly necessary for Dr. Konig to acquire patent rights. (Opp. at 6.) Citing *Burroughs Wellcome Co. v. Barr Labs., Inc.*, 40 F.3d 1223, 1228 (Fed. Cir. 1994), PUM argues that “the rules of patent conception ensure that patent rights attach only when an idea is so far developed that the inventor can point to a definite, particular invention.” (*Id.*) But this is not true: proof of conception is generally not a requirement for patentability. Patents will be granted for inventions that are novel (35 U.S.C. § 102), non-obvious (§ 103) and fully-described (§ 112), without any inquiry into when the invention was “conceived.”

Conception only becomes relevant in specialized circumstances. For example, in the *Burroughs* case cited by PUM, there was a battle over whether certain individuals should have been named as inventors, so the court needed to determine when the invention was conceived to determine whether this conception date was before or after the putative co-inventors’ involvement. *Burroughs*, 40 F.3d at 1227-28. Conception was also historically important in interferences between two alleged patentees, in which the patent would be awarded to the person who was the “first to conceive” as long as he was suitably diligent in reducing his invention to practice. *See Brown v. Barbacid*, 436 F.3d 1376, 1378 (Fed. Cir. 2006). These circumstances have no relevance here.

Thus, there is no reason to think that the Konig-SRI Agreement meant to define “conceived” according to a patent-law definition that is not even germane to most patents, let alone all the other inventions, discoveries, and improvements that were encompassed within Dr. Konig’s transfer obligations. Indeed, it is important to note how broad Dr. Konig’s transfer obligations were. As PUM recognizes (Opp. at 6), under the plain language of the Agreement, he had a duty to transfer “all discoveries, improvements, and inventions, including software, conceived or made by me during

the period of my employment.” (D.I. 414, Ex. A.) There is no indication that his transfer obligations were even limited to patentable inventions. In fact, the plain language shows otherwise.

Furthermore, at the moment that Dr. Konig thought of a discovery, improvement, or invention, there would be no way for him to know whether such discovery, improvement, or invention would ever be patentable. Thus, it makes no sense to say that such discoveries, improvements, and inventions only fall within the Agreement if and when they reach patent-law conception – a standard that some of them might never reach at all. “Conceived” should be given the same meaning for all the discoveries, improvements, and inventions encompassed within Dr. Konig’s transfer obligations, not given a different meaning depending on a forward-looking guess as to which discoveries, improvements, and inventions will end up being patented, or may be subject to some other intellectual property protection, such as trade secrets.

Respectfully submitted,

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