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)
GOOGLE, INC. Counterclaimant, v. PERSONALIZED USER MODEL, L.L.P. and YOCHAI KONIG, Counterclaim-Defendants.	REDACTED - PUBLIC VERSION

PUM'S MOTION REGARDING THE STATUTE OF LIMITATIONS APPLICABLE TO GOOGLE'S BREACH OF CONTRACT DEFENSE AND RELATED COUNTERCLAIM

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INTRODUCTION

Pursuant to the Court's February 26, 2014, Order (D.I. 606), PUM respectfully seeks clarification whether its statute of limitations defense to Google's state law counterclaims is governed by 10 Del. C. § 8121 (Delaware's borrowing statute) or 10 Del. C. § 8117 (the nonresident tolling statute).[1] This is a purely legal determination that should not be left for the jury to decide. PUM believes that § 8121 applies, and that the jury should not be instructed on § 8117, which is both inapplicable and inconsistent with § 8121 in the circumstances here. Under either statute, however, Google's state law claims are time-barred.

ARGUMENT

I. THE DELAWARE BORROWING STATUTE CONTROLS THIS DISPUTE AND PREVENTS PARTIES FROM FILING ACTIONS IN DELAWARE TO AVOID THE EXPIRATION OF STATUTE OF LIMITATIONS IN ANOTHER STATE

Delaware's borrowing statute, 10 Del. C. § 8121, on its face, applies to actions arising outside of this State (here California), and prevents a party from filing an action in Delaware to avoid the expiration of the statute of limitations in another state. See Grynberg v. Total Compagnie Francaise des Petroles, 891 F. Supp. 2d 663, 679 (D. Del. 2012). Section 8121 provides in relevant part (emphasis added):

> Where a cause of action arises outside of this State, an action cannot be brought in a court of this State to enforce such cause of action after the expiration of whichever is shorter, the time limited by the law of this State, or the time limited by the law of the state or country where the cause of action arose, for bringing an action upon such cause of action.

Delaware law dictates choosing the shorter duration statute of limitations to discourage forum shopping. See id. (applying the borrowing statute because "the Court [was] not convinced

[1] Although breach of contract is the only counterclaim before the jury, the same statute of limitations applies to Google's other state law counterclaims.

by Plaintiffs' protestations that they are not engaged in forum shopping"); Medtronic Vascular, Inc. v. Advanced Cardiovascular Sys., Inc., No. 98-80-SLR, 2005 WL 46553, at *4 (D. Del. Jan. 5, 2005) *aff'd*, 182 F. App'x 994 (Fed. Cir. May 26, 2006) (finding § 8121 applicable to various claims in a patent action, including breach of contract). As the Delaware Supreme Court has made clear: "Borrowing statutes . . . are typically designed to address a specific kind of forum shopping scenario—cases where a plaintiff brings a claim in a Delaware court that (i) arises under the law of a jurisdiction other than Delaware and (ii) is barred by that jurisdiction's statute of limitations but would not be time-barred in Delaware, which has a longer statute of limitations." Saudi Basic Indus. Corp. v. Mobil Yanbu Petrochemical Co., Inc., 866 A.2d 1, 16 (Del. 2005)

At first blush, it would appear irrelevant whether the California or Delaware statute of limitations applies here because Google's claims would be barred under either statute. SRI's claims would have arisen in 1999 when Dr. Konig developed his invention and did not assign it to SRI. If California law were to apply, that claim expired four years later, or in 2003. See Ann. Cal. Civ. Proc. Code § 337 (West 2012). The statute of limitations in Delaware for breach of contract actions, meanwhile, is three years. See 10 Del. C. § 8106. Under the borrowing statute, the claim therefore would have expired one year earlier in 2002. Because Google did not bring its counterclaims until 2011 – both limitation periods had expired almost a decade ago. Yet by filing the breach of contract claim in Delaware, Google is in fact attempting to do exactly what the Delaware legislature sought to prevent, exploit Delaware law to revive a legal action that would be time-barred somewhere else. Google seeks to achieve that goal by applying Delaware's nonresident tolling statute, 10 Del. C. § 8117, to a California dispute between California citizens arising under California law.

Delaware's borrowing statute bars Google from seeking to revive that long stale claim in Delaware under the guise that Dr. Konig was not available to be sued on a claim that did not arise here.[2] See Saudi Basic, 866 A.2d at 15 (quoting the trial court's bench ruling that Delaware's borrowing statute was enacted to prevent "foreign plaintiffs, from coming into this forum and getting the benefit of a statute of limitations that really ought not to apply given the fact that the substantive law [of the other forum] is interwoven with the procedural right").

Google seeks to avail itself of the tolling of section 8117 because its action is otherwise time-barred under 10 Del. C. § 8106. That 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**." Medtronic Vascular, 2005 WL 46553, at *4 (emphasis added) (internal quotation marks and citation omitted). There are only two limited exceptions to this rule:

1) when the injury is inherently unknowable and the claimant is blamelessly ignorant of the wrongful act and the injury complained of," Wal-Mart Stores, Inc. v. AIG Life Inc. Co., 860 A.2d 312, 319 (Del. 2004); or

2) 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).

These exceptions are "narrowly confined" and not lightly invoked, because equitable exceptions to statutes of limitations are narrow and designed to prevent injustice. Cent. Mortg. Co. v. Morgan Stanley Mortg. Capital Holdings LLC, 2012 WL 3201139, at *22-23 (Del. Ch. Aug. 07, 2012).

Google makes no allegation of fraudulent concealment, but instead advances a legally erroneous argument that Dr. Konig's alleged breach was inherently unknowable by SRI and its

[2] Notably, that Google itself secured Dr. Konig's availability in the State by consent demonstrates that he was not unavailable. Indeed, Google offers no explanation why, had he been asked earlier, Dr. Konig would not have consented earlier to avoid duplication of actions.

purported assignee Google until Google conducted discovery to determine when conception occurred. D.I. 597 at 57; D.I. 486 at 4-6. But this is not the law.

The law requires a claimant such as SRI to exercise reasonable diligence to inquire into facts, which if pursued, would put it on notice of a potential claim. See, e.g., Cent. Mortg., 2012 WL 3201139, at *23 (stating that "equity aids only the vigilant"). The Delaware Court of Chancery has made clear that the "inherently unknowable injury doctrine, also known as the 'discovery rule,'" only tolls the statute "until the date on which the plaintiff is on inquiry notice of her claims, meaning that she becomes aware of 'facts sufficient to put a person of ordinary intelligence and prudence on inquiry which, if pursued, would lead to the discovery [of injury].'" Id. at *22. Inquiry notice does not require actual discovery of the reason for the injury; nor does it require SRI's or Google's awareness of all of the aspects of the alleged wrongful conduct. In re *Dean Witter P'ship Litig.*, No. 14816, 1998 WL 442456, at *7 (Del. Ch., July 17, 1998) *aff'd,* 725 A.2d 441 (Del. 1999).

It is undisputed that Dr. Konig's invention was not hidden but was open and notorious. In addition to applying for a patent in December 1999, Dr. Konig provided the invention to Dr. Somnez of SRI for testing in 2001-02. D.I. 454, Ex. L at 62-63. And, the '040 patent was available for the world to see when it issued in December 2005.[3] The invention and, indeed, the '040 patent were not inherently unknowable by SRI. All of the facts SRI needed to investigate a potential claim were available to it long before Google's pretrial discovery in this action. SRI simply chose not to pursue any action. The reason for this is clear – as it expressly set forth in its

[3] This Court and others have held that a patent puts the world on notice with respect to what the patentee claims to own and starts the limitations period running. Sontag Chain Stores Co. v. *Nat'l Nut Co.*, 310 U.S. 281, 295 (1940); Medtronic Vascular, Inc. v. Advanced Cardiovascular Sys., Inc., No. 98-80-SLR, 2005 WL 388592, at *2 n.4 (D. Del Feb. 2, 2005).

[redacted]

II. THE NONRESIDENT TOLLING STATUTE (10 DEL. C. § 8117) HAS NO APPLICATION TO THIS DISPUTE

Google contends that the three-year statute of limitation should be tolled pursuant to 10 Del. C. § 8117, which provides (emphasis added):

> 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 time limited therefor in this chapter, after such person comes into the State in such manner that by reasonable diligence, such person may be served with process. If, after a cause of action shall have accrued against any person, such person departs from and resides or remains out of the State, the time of such person's absence until such person shall have returned into the State in the manner provided in this section, shall not be taken as any part of the time limited for the commencement of the action.

Section 8117 does not apply for at least two reasons. First, Google's strained interpretation of § 8117 is inconsistent with Delaware's borrowing statute, § 8121, and would eviscerate it in actions against nonresidents. It further would encourage exactly the type of forum shopping that the borrowing statute was intended to avoid. Second, § 8117 does not apply because SRI and Google cannot demonstrate unavailability. Had SRI sought to bring its California claims in Delaware, it could have done so years ago by bringing an action against PUM's predecessor- in-interest, Utopy, which is a Delaware corporation.[4] These are purely legal issues of statutory interpretation that should be decided by the Court, not the jury.

[4] Of course, it is undisputed that SRI could have filed suit at any time in California, where SRI, Utopy and Dr. Konig all were and still are located.

A. Google's Application of § 8117 Would Eviscerate the Borrowing Statute

Google's proposed application of § 8117 would toll the Delaware statute of limitation for all claims against defendants who do not reside in the 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.").

As Google acknowledges, "the Agreement was between two California citizens, was signed in California, and governed an employment relationship taking place in California." D.I. 531 Ex. 1 at 1 n.2. But Google nonetheless asks the Court to apply section 8117 to this California based-dispute, because Dr. Konig, who was not a party to this patent suit, agreed to accept service in Delaware simply to avoid duplicative and needlessly costly litigation. See D.I. 486 at 6-8. Were Google correct, any party could revive a stale claim merely by bringing it in a forum having nothing to do with the parties' dispute once jurisdiction could be obtained there, thus eviscerating the statute of limitation. For example, a business that opens a location in Delaware (thereby submitting itself to personal jurisdiction in the State) would suddenly be vulnerable in Delaware to legal claims that accrued all across the country and were otherwise time-barred decades ago. That is precisely the result the Delaware legislature sought to avoid in enacting the Delaware borrowing statute. See 10 Del. C. § 8121; Saudi Basic, 866 A. 2d at 15 (quoting the trial court's bench ruling) (noting that "usually these [forum shopping] cases involve a plaintiff who chooses this forum, hoping to get a longer statute of limitations").

Here, SRI/Google's breach of contract counterclaim long since expired in California. Google is engaging in classic forum shopping by bringing its claim in Delaware, where it hopes

to take advantage of a purportedly longer statute of limitations by application of § 8117. Google cannot rely on Saudi Basic. That case involved the unusual circumstance where the plaintiff filed suit in Delaware, rather than in Saudi Arabia where the action arose, and attempted to invoke Delaware's shorter statute of limitations to bar defendants' counterclaim, where it was not time-barred in Saudi Arabia. The Delaware Supreme Court found that § 8117 should apply rather than the borrowing statute – for reasons consistent with the borrowing statute – to prevent forum shopping by plaintiff, because "literal construction of the borrowing statute, if adopted, would subvert the statute's underlying purpose." See id. at 16.

B. Section 8117 Also Does Not Apply Because SRI Could Have Filed Suit in Delaware

Section 8117 also does not apply because SRI/Google cannot demonstrate unavailability. As the 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.").[5]

[5] In addition, at least one court has construed § 8117 as applying "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). It is undisputed that Dr. Konig had no prior connection with Delaware. Nor is there any suggestion that Dr. Konig tried to evade process in Delaware.

But SRI did not diligently bring suit when it could have. Utopy, a Delaware corporation, was at all times amenable to suit in Delaware.[6] SRI could have brought its same conversion, declaration of ownership, and constructive trust claims against Utopy that it currently brings against Utopy's successor, PUM, and could have sought the same relief it seeks here.[7] Yet, SRI never pursued any claim, despite having had actual and constructive notice of Dr. Konig's invention.

Google is charged with SRI's conduct. 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). Because SRI could have filed suit to bring its California-based claims in Delaware, § 8117 has no application to this dispute.

III. TO THE EXTENT ANY FACTUAL DISPUTES REMAIN, WHICH THEY DO NOT, THE JURY SHOULD BE INSTRUCTED SOLELY THAT THE DELAWARE STATUTE OF LIMITATIONS APPLIES UNDER DELAWARE'S BORROWING STATUTE

In summary, Delaware's borrowing statute, 10 Del. C. § 8121, applies to this dispute. As noted above, it applies on its face to prevent forum shopping for a longer statutory period in

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6 [redacted] SRI engineer Dr. Mustafa Somnez was given the invention for testing in 2000-2001, and after the issuance of the '040 patent in December 2005, during which time SRI could have sued Utopy in Delaware.

7 For example, SRI could have sought a constructive trust against Utopy alone based on the assertion that the inventions were wrongfully assigned to Utopy, and that Utopy is not a good faith purchaser. Dr. Konig was not required for resolution of that dispute, but could have participated as an officer of Utopy. In any event, SRI could have sought Dr. Konig's consent as Google later did.

actions such as this one that arise outside of the State. Under this statute, Google's state law claims are time-barred because those claims expired long ago in both California and Delaware, and Google cannot avoid that expiration by seeking to apply a tolling statute in a manner that would completely defeat the anti-forum shopping intent of § 8121, which was designed to preserve actions against tortfeasors who "depart from" the State.

Applying § 8117 here would abrogate and render nugatory the borrowing statute, and encourage the very forum shopping the borrowing statute was intended to prevent. Section 8117 also does not apply because, had it chosen to do so, SRI could have brought its California-based ownership claims against Utopy in Delaware long ago. The jury should not be instructed on § 8117 because it is inconsistent with the borrowing statute. Cf. Saudi Basic, 866 A.2d at 16 (applying § 8117 to give effect to the borrowing statute). Thus, to the extent the breach of contract claim is submitted to the jury, it should be instructed that Delaware's three-year statute of limitations applies under Delaware's borrowing statute, and it should not be instructed on § 8117.

Google's state law claims are barred as a matter of law under either statute, and therefore, there are no remaining facts bearing on the statute of limitations. Because there are no factual disputes – only application of law – Google's breach of contract claim should not be tried to the jury. See Mem. Order, D.I. 537 at 4 (stating that, "to the extent there are factual disputes relating to statute of limitations," they will be tried to the jury). Furthermore, submitting the breach of contract claim to the jury under these circumstances, where such claims are plainly time-barred, not only is likely to cause jury confusion, but creates a serious risk that the jury will decide the unrelated infringement and validity issues based on its views of the contract dispute. Indeed, that is presumably why Google has fought so hard for these issues to be submitted to the jury. The

Court acknowledged this prejudice in ruling that conversion will not be part of this jury trial. D.I. 606 at 5-6. The same prejudice applies to the breach of contract claim.

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March 2, 2014
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CERTIFICATE OF SERVICE

I hereby certify that on March 6, 2014, 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 March 6, 2014, upon the following individuals in the manner indicated:

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