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The Honorable Leonard P. Stark
United States District Court
844 North King Street
Wilmington, DE 19801

VIA ELECTRONIC FILING

Re: *Personalized User Model, L.L.P. v. Google, Inc.*
C.A. No. 09-525 (LPS)

Dear Judge Stark:

PUM submits this letter pursuant to the Court's direction that the parties submit letter briefing on which definition of "conceived" applies to the SRI/Konig employment agreement (DTX 163). should the Court decide to so instruct the jury. As a preliminary matter, PUM notes that there are factual issues, discussed below, for the jury to decide, as this Court has repeatedly held in denying Google's motion for summary judgment and for reconsideration, as well as its motion *in limine*. However, to the extent the Court is inclined to consider the issue, all of the evidence in this trial has confirmed that a technical definition of conception should apply. Indeed, there was no contrary evidence.

Google bears the burden of showing that Dr. Konig breached his contract by failing to assign "discoveries, improvements, or inventions, including software, conceived of or made by [him] during the period of [his] employment" with SRI, and to "do all things which may be necessary" to "effect transfer of ownership of in" such interests. DTX 163. But, only the patent law/technical meaning makes sense in the circumstances of this agreement. Google has offered no evidence that demonstrates that the patent law definition should *not* apply or the "lay" definition – which remains undefined – should. Nor is there any dispute that the agreement involved technical subject matter, and that it does not use the word "ideas" anywhere in the agreement, but rather references "California State Patent Law." (DTX 163 at 2). In addition, as Google admits, this was a form agreement, drafted by SRI, the employer in an employment contract, and there was no negotiation. Thus, any ambiguity should be construed against Google, standing in the shoes of SRI.

1) The Evidence Compels Applying A Patent Law Definition

PUM submits that "conceived" in the agreement must mean conceived in the patent law sense because the only evidence presented at trial, including the language of the agreement itself, is that the parties intended to contract for the assignment of intellectual property, and that the subject matter governed by the assignment was technical, as was the business of SRI.

The context of this agreement cannot be ignored. SRI was a technology research institute and, as Dr. Franco testified, many of its employees were PhD scientists like Dr. Konig. Within a field of advanced technology research and among those particular employees, "conception" has had a very specific meaning "that has remained essentially unchanged for more than a century." *Dawson v. Dawson*, 710 F.3d 1347, 1352 (Fed. Cir. 2013). Dr. Konig's testimony at trial is consistent with this patent law understanding. As Dr. Konig testified, the employment agreement didn't even mention the word "ideas". Trial Tr. at 1027-28; 1063-64; 1075-77. As he also testified, his work at SRI and his invention involved sophisticated statistical modeling, and that those skilled in the art could not practice his invention until it was sufficiently developed and definite. *See id.* He testified that he did not have an invention at the time because he had not yet developed a solution. *Id.*

An interpretation that requires transfer of mere ideas would be inconsistent with the body of law on these issues. No rights attach to an invention until "an idea is so far developed that the inventor can point to a definite, particular invention." *Burroughs Wellcome*, 40 F.3d at 1228 (Fed. Cir. 1994). This contract calls for the assignment of "discoveries, improvements, or inventions, including software," and does not mention ideas. DTX 163. But, even where an employment contract includes the obligation to assign "ideas," courts routinely apply the patent law definition to determine the issue of conception. *See, e.g., Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 487 F. Supp. 2d 1099, 1116 (N.D. Cal. 2007) (applying patent law definition to employment agreement in contract calling for the inventor to assign his "right, title, and interest in each of the ideas" acquired as a result of his employment); *Leighton Technologies LLC v. Oberthur Card Sys.*, S.A., 04 CIV 2496 CM, 2007 WL 2230157 (S.D.N.Y. July 11, 2007) (applying patent law definition to employment agreement calling for assignment of "all inventions, innovations and ideas developed or conceived ... during the entire period of [his] engagement with Motorola."); *Medtronic, Inc. v. White*, 526 F.3d 487, 491 (9th Cir. 2008) (finding that "conceive" in an employment agreement to assign patentable inventions is a "term[] of art used in patent and inventorship law").[1]

Before there is conception in the patent law sense, no rights attach to an invention, and the inventor has nothing to assign. *See, e.g., Roche*, 583 F. 3d 832, 842 (Fed. Cir. 2009) (finding that legal title accrued to the assignee once the invention was made); *Burroughs Wellcome*, 40 F.3d at 1228 ("Conception is only complete when the invention is so clearly defined in the

[1] There can be no doubt that this agreement did not require Dr. Konig to assign inventions conceived *after* he left SRI, because such a provision would "function as a non-compete provision" and would likely be void under California law. *Roche*, 487 F. Supp. 2d at 1116; Cal. Bus. & Prof. Code § 16600 ("Except as provided in this chapter, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void").

inventors mind that only ordinary skill would be necessary to reduce the invention to practice"); *Mattel, Inc. v. MGA Ent., Inc.*, 616 F.3d 904, 909 (9th Cir. 2010) (noting that "[d]esigns, processes, computer programs and formulae are concrete, unlike ideas, which are ephemeral and often reflect bursts of inspiration that exist only in the mind.").[2] Here, all the evidence suggests that "conceived" was meant in the patent law sense to give full effect to the agreement's purpose of assigning intellectual property.

2) California Canons of Contract Interpretation Favor PUM's Definition

A contract must be interpreted to give effect to "the parties' objective intent when they entered into it," *People ex rel. Lockyer v. R.J. Reynolds Co.*, 107 Cal. App. 4th 516, 524-25 (Cal. Ct. App. 2003) (internal quotation marks and citations omitted), and "interpretation of an ambiguous clause in a contract must be made in reference to the entire contract." *Med. Ops. Management Inc. v. Nat'l Heath Labs., Inc.*, 176 Cal. App. 3d 886, 893 (Cal. Ct. App. 1986). Here the objective intent was the transfer of intellectual property rights, in particular patent rights. *See* DTX 163 ¶ 3 (requiring "transfer of ownership" and assistance in "obtaining and enforcing patents"). In addition, given the sophistication of the statistical modeling tools his work at SRI entailed, and the highly technical and complex nature of his invention, not until someone skilled in the art could reduce the invention to practice, could it be said to be conceived in a sense that ownership could be assigned. *See, e.g.*, Trial Tr. at 1088, 1090-92, 1094-95).

Finally, as Google admitted during today's conference with the Court, there is no dispute that this was a form agreement drafted by SRI with no negotiation, Tr. at 1549, so to the extent there is ambiguity in the meaning of "conceived," it must be strictly construed against the drafter, particularly in employment contracts to assign patents. *See, e.g., Applera Corp. v. Illumina, Inc*., 375 F. App'x 12, 18 (Fed. Cir. Mar. 25, 2010) (holding that § 1654 required construing contractual obligations in an employee invention agreement "'most strongly against the party who caused the uncertainty to exist [i.e. the employer].'"); *Hercules Glue Co. v. Littooy*, 25 Cal. App. 2d 182, 186 (Cal. Ct. App. 1938) (employment agreement to assign inventions is "specifically enforceable as to patents, clearly within its terms, as strictly construed against the employer."). Further, when parties use a contract term in a technical sense, a court interpreting the term must apply that technical meaning. Cal. Civ. Code. § 1644. Here, a technical meaning clearly applies.

[2] Although the court in *Mattel*, a case involving Barbie and Bratz dolls, not technical inventions, considered whether the term "invention" could encompass ideas, it held only that there was an issue for the jury to decide because it turned "in part the credibility of conflicting extrinsic evidence." *Id.* at 910 (9th Cir. 2010). Here, all the evidence points to a technical definition. Indeed, in the context of agreements involving scientific employees, courts have applied the patent law meaning to the term "conceived." For example, scientists who work on Government contracts agree to give a license to the United States for any inventions that the "contractor conceived or first actually reduced to practice in the performance of the work under" the contract. 48 C.F.R. § 52.227-11(a). Courts deciding whether a license is owed to the Government under such agreements apply the patent law meaning of "conceived." *See, e.g., Rutgers v. United States*, 41 Fed. Cl. 764, 772 (Fed. Cl. 1998).

Respectfully,

/s/ Karen Jacobs

Karen Jacobs (#2881)

KJ
cc: Clerk of the Court (by hand)
All Counsel of Record (by e-mail)