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March 26, 2014

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:

The parties submit herewith their proposals for the post-trial schedule.

PUM's Proposal

Following the jury verdict on March 20, 2014, the Court directed the parties to submit to the Court their "proposed form of order" for a "judgment that [the parties] think that [the Court] can enter at this point and also a letter indicating your proposal for what, if any, next steps need to occur in front of [the Court]." Tr. at 2048:7-11. In response to a question regarding pending motions by Google's counsel, the Court stated that it would "like to be able to enter some sort of judgment and maybe move on to motions to challenge the judgment." Tr. at 2048:22-24; *see also* Tr. at 2049:18-19 (requesting that the parties suggest "whether there is any portion of a judgment or any order that I can enter at this time").

PUM therefore proposes that the Court follow a procedure it has employed in the past and enter an interim judgment on the jury verdict (D.I. 666) subject to modification following the Court's consideration of the parties' post-trial motions. PUM's proposed form of judgment is attached as Ex. A.[1] After the Court enters judgment on the jury verdict, PUM proposes that the parties brief motions to challenge the judgment, as suggested by the Court, and as contemplated

[1] Google's proposed judgment incorrectly states that PUM's claims are dismissed rather than that judgment is entered on them, and also does not state that the judgment is subject to post-trial motions.

by Rules 50(b) and 59.[2] PUM proposes that any renewed motion for judgment as a matter of law ("JMOL") and/or a motion for a new trial shall be filed on or before 28 days after the entry of judgment on the verdict and shall be limited to 40 pages collectively. Answering briefs shall be filed within 30 days of such motion, and shall be limited to 40 pages collectively. Reply briefs shall be filed within 21 days of service of the answering briefs, and shall be limited to 20 pages collectively.

PUM further proposes that, within 10 days of the Court's decision on post-trial motions, the parties shall submit a joint status report with their positions as to what additional proceedings, if any, are required. A joint status report is appropriate at that time because any further proceedings that are required should be informed by the Court's decisions. PUM believes that this procedure is the most efficient for addressing what further proceedings, if any, need to occur before the Court. For example, if the Court were to grant JMOL or a new trial, then Google's proposed "bench hearing" on the issues of Google's counterclaims for lack of standing,[3] the imposition of a constructive trust, and declaration of co-ownership, and PUM's defenses thereto, as well as Google's proposed trial on its conversion counterclaim will be moot.

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[2] PUM disagrees that with Google's argument that the parties' Rule 50(a) motions are necessarily moot, particularly where, as here, judgment has not yet been entered on the verdict. Rather the Court has discretion to decide the motions or deny them as moot subject to a renewed motion under Fed. R. Civ. P. 50(b). When a party makes a motion for JMOL pursuant to Rule 50(a) before the case is sent to the jury, the Court can enter judgment for that party after a contrary jury verdict even without the party making a renewed motion pursuant Rule 50(b). *See, e.g, Nichols Constr. Corp. v. Cessna Aircraft Co.*, 808 F.2d 340, 355-56 (5th Cir. 1985) (holding that "failure to file a motion for judgment n.o.v. did not prevent the district court from granting Cruse's motion for directed verdict on which decision had previously been reserved" where court did so before judgment was entered and within the time for the party to file a renewed motion for directed verdict); *First Safe Deposit Nat'l Bank v. Western Union Tel. Co.*, 337 F.2d 743, 745–47 (1st Cir.1964) (finding that where a timely motion for judgment n.o.v. could still be filed, trial court has discretion to act on " [defendant's] reserved pre-verdict motion [for directed verdict]" and that to find otherwise, where "court could have asked the defendant to file an immediate Rule 50(b) motion, and have acted upon it" "would be to insist upon form over substance.").

[3] Google's contention that PUM lacked standing to bring the patent infringement lawsuit against Google is wrong as matter of law. *See Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991). (party claiming equitable title cannot go "Back-to-the Future" and retroactively divest legal title holder of ownership and "revest that legal title in [claimant] for standing purposes"); *see also Filmtec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1578 (Fed. Cir. 1991 (employer's claim of equitable title to patent "not sufficient to make the employer an indispensable party to the suit"). Nor can there be any co-ownership claim because an inventor's first assignment of patent rights cuts off his ability to assign those rights a second time, voiding any subsequent assignment. *See Bd. Of Trustees of Leland Stanford v. Roche,* 583 F.3d 832, 841-42 (Fed. Cir. 2009).

It makes no sense to proceed with an evidentiary hearing and jury trial on issues that the Court may find are barred as a matter of law or where the Court may find that a new trial is warranted.[4]

For this reason, it makes sense to enter interim judgment now on the jury verdict, as is the typical practice of this Court, and as contemplated by Rule 50, so as to trigger post-trial motions. *See., e.g, DuPuy Synthes Prods., LLC v. Globus Med., Inc*., No. 11-652, D.I. 329 (D. Del. June 24, 2013) (Ex. B) (entering judgment on the jury verdict, "subject to modification following the Court's consideration of the parties' post-trial motion"). Google's discussion of Rule 54(b) does not apply because the judgment on the verdict explicitly is not a final judgment.[5] In any event, this Court has discretion to stage the proceedings as appropriate, and PUM respectfully submits that it makes most sense and is more efficient to first decide post-trial motions which may moot the further proceedings Google seeks. The issue here is the efficient staging of proceedings. Because the judgment on the verdict is an interim, not a final judgment, there is no danger of "piecemeal appeals" as Google suggests below.

In addition, Google for the first time in this lawsuit requests relief of attorneys' fees as purported consequential contract damages. That request is both meritless and untimely. First, Google has waived any request for attorneys' fees as contract damages by failing to previously request such relief during this lawsuit. *See* D.I. 180 at ¶ 58 (Google's only request for attorneys' fees was pursuant to 35 U.S.C. § 285). Second, Google waived its request for contract damages or attorneys' fees by failing to request such relief in the Pretrial Order.[6] *See* D.I. 588 at Exs. 3 & 5. Google argues that there was no waiver because "damages were bifurcated and not at issue at the liability trial." But by failing to request such relief in the Pretrial Order or otherwise, it cannot seek that relief now. Moreover, Google included in the Pretrial Order its other requested relief, which also was "not at issue at the liability trial," namely, its requested relief for declaration of co-ownership and imposition of a constructive trust. *See, e.g.,* D.I. 588, Ex. 3

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[4] PUM also notes that, contrary to Google's assertion that only PUM requested that the remaining equitable issues be decided after trial, Google also contended in the Pretrial Order that the issues of standing, constructive trust, declaration of co-ownership. and PUM's defense of laches were issues for the Court to decide separately and were not issues for the jury, and concurred that they would be decided at a later date. *See* D.I. 588, Ex. 5 (Google's Statement of Issues of Law) at 1-3.

[5] But in any event, this Court does have discretion under Fed. R. Civ. P. 54(b) to sever claims that remain before the Court. *See, e.g., Linear Tech. Corp. v. Monolithic Power Sys.,* C.A. No. 06-476 (GMS) (D. Del.) (Ex. C).

[6] Google also never sought a declaration as to any patents other than those asserted in this action. Thus Google's request for the same relief "regarding any new or forthcoming patents that trace priority to the same application(s) as the Asserted Patents," is also untimely.

(Google's Statement of Contested Facts) at ¶¶ 22-23; Ex. 5 at 1-3.[7] Simply put, Google cannot now seek a trial on relief it never sought, and which would be bifurcated in any event.

Even if it were not untimely, Google's request for these damages is meritless. California has incorporated into its statute the American Rule that each party pays its own attorney's fees, except where otherwise provided by statute or agreement. *See, e.g.*, *Trope v. Katz*, 902 P.2d 259,262-63 (Cal. 1995) ("California follows what is commonly referred to as the American rule" as "codified in Cal. Code Civ. Proc., § 1021"); Cal. Code Civ. Proc. § 1021 ("Except as attorney's fees are specifically provided for by statute, the measure and mode of compensation of attorneys and counselors at law is left to the agreement, express or implied, of the parties."). There is no dispute that the Employment Agreement at issue here has no provision for an award of attorneys' fees. Moreover, as explained below, Google stepped into the shoes of SRI and cannot improve its position regarding attorneys' fees through the assignment to it of SRI's purported rights against Dr. Konig.

Instead Google tries to sidestep the American rule codified by California law by seeking attorneys' fees as consequential contract damages. The *De La Hoya* case Google cites provides no relief to Google. There, the court found that an innocent buyer of stolen property, a handgun, could recover damages from the seller of the gun, including attorneys' fees, arising out of the criminal action that was brought against him based on the stolen gun. *De La Hoya v. Slim's Gun Shop*, 80 Cal. App.3d Supp. 6, 9-10 (Cal. Super. 1978) Google attempts to shoehorn itself into this narrow exception to the American rule by conflating alleged injury to Google with alleged injury to SRI. Contract damages are limited to "the amount which will compensate the party aggrieved for all the detriment proximately caused thereby, or which, in the ordinary course of things, would be likely to result therefrom." Cal. Civ. Code § 3300. Here, the allegedly "aggrieved party" to the contract is *SRI* not Google. Google is merely SRI's assignee. *See Madison Fund, Inc. v. Midland Glass Co.*, No. 394-1974, 1980 WL 332958 (Del. Super. Ct. Aug. 11, 1980) (assignee stands in the shoes of the assignor). Google has not made and could not make any showing that Google's attorneys' fees represent an injury to SRI. SRI was not sued for patent infringement. Indeed, if Google's contentions at trial were correct - that SRI had rights to Dr. Konig's personal search patent - it would have been foreseeable that SRI may have sued Google for patent infringement in the ordinary course. Google's request for damages discovery and for a trial on contract damages therefore should be denied.

Google's Position

On March 20, 2014, following the jury's verdict on the liability phase of trial, the Court asked the parties to submit a letter "indicating [their] proposal for what, if any, next steps need to occur" in front of this Court. (3/20/14 Trial Tr., 2048:4-13.) As set forth in detail below, Google believes that the following remains: (1) a bench hearing on equitable issues, (2) a jury trial on damages, (3) entering final judgment at the appropriate time, and (4) post-judgment

[7] PUM similarly included its request for "damages and enhanced damages." D.I. 588, Ex. 2 at ¶19.

briefing. Because the Court has not yet resolved all counterclaims, Google believes it is premature for the Court to enter final judgment. The next steps this Court should take is to set a bench hearing on equitable issues, and set a schedule for damages discovery and a jury trial on damages.

First, as the Court is aware, at PUM's request, certain equitable issues were not tried before the jury and PUM proposed that a hearing on those issues be scheduled after the jury trial. (Pretrial Order, Ex. 18 at 4; 2/26/14 Hearing Tr., 79:4-11 ("I think we both agreed in our submissions that those would be best heard following the trial at a hearing. Whether it's immediately following the trial or, you know, some break in between would be fine as well.") Google requests that the Court set a bench hearing to declare Google a rightful co-owner of the Asserted Patents and impose a constructive trust requiring PUM to transfer to Google the share of title in the Asserted Patents originally held by Dr. Konig.[8] Google will request the same relief regarding any new or forthcoming patents that trace priority to the same application(s) as the Asserted Patents, since rights to those patents are equally affected by Dr. Konig's breach of contract. There is no reason why this bench hearing should not be scheduled, and PUM does not provide one. In fact, given the challenges the parties had in scheduling a trial date, it is appropriate to get this hearing on calendar.

PUM's only argument in opposition to scheduling the bench hearing is that the Court should decide post-trial motions first and then the parties should submit a joint status report regarding the issues that remain. PUM claims that this is more efficient. But, it was PUM that proposed that the equitable issues be tried after the jury trial in the first place. PUM did not suggest that they should be delayed for post-trial briefing. (Pretrial Order, Ex. 18 at 4; 2/26/14 Hearing Tr., 79:4-11.) Clearly, PUM has changed its position because the jury decided in Google's favor. Further, submitting a joint status report after post-trial briefs are submitted seems to ignore what the Court requested in this submission. The Court expressly asked the parties to submit their proposal for "what, if any, next steps need to occur" in front of this Court. (3/20/14 Trial Tr., 2048:4-13.) PUM's proposed joint status report merely postpones providing an answer to the Court's question. Moreover, as explained in more detail below, PUM's post-trial motions will not be due until after a judgment is entered. It is premature to enter judgment until these issues are resolved, and PUM has not provided any explanation or argument that judgment should be entered on fewer than all of the claims in the case. Fed. R. Civ. P. 54.

Second, damages were bifurcated in this matter. Given that Google prevailed in its breach of contract claim against Dr. Konig, it is entitled to pursue damages on that claim. At the damages trial, Google intends to seek all of the attorneys fees, expert witness fees, and other expenses that Google incurred defending against PUM's infringement claims. These litigation expenses were the direct result of Dr. Konig's breach-of-contract. At the damages trial, Google will also bring its conversion claim against Dr. Konig and PUM, consistent with the Court's prior ruling that the conversion claim be deferred to the damages phase of the case. (D.I. 606 at 6.)

[8] If the Court finds that Google is a rightful co-owner of the patents-in-suit, then it follows that PUM no longer has standing to assert claims of patent infringement against Google.

Thus, the Court should set a schedule for damages discovery and a jury trial on damages and conversion thereafter. Again, there is no reason to delay in doing so.

As it has done repeatedly and baselessly throughout this case, PUM argues Google's request is late or waived. Google believes that this submission is not the proper mechanism for PUM to seek a ruling that Google has waived or not properly preserved a claim. But in any event, PUM's arguments are meritless. PUM incorrectly argues that Google did not request attorneys' fees as contract damages, citing to the portion of Google's Amended Answer and Counterclaims discussing 35 U.S.C. § 285. PUM, however, ignores the request for relief, which states: "6. An award of compensatory and punitive damages to Google for Konig's breach of contract, in an amount to be proven at trial. 7. An award of compensatory and punitive damages to Google for Konig and PUM's conversion of Google's property, in an amount to be proven at trial." (D.I. 180 at 18.) PUM also argues that Google did not seek damages for breach of contract in the Pretrial Order and, therefore, the request is somehow waived. But, damages were bifurcated and not at issue at the liability trial. Thus, it is irrelevant whether Google included any request for damages in the Pretrial Order, and PUM does not cite any authority stating that such a request should have been included in the Pretrial Order. PUM further argues that Google requested other relief that was not at issue at the liability trial, such as its request for a declaration of co-ownership and imposition of a constructive trust. But, as of the date when the Pretrial Order was filed, February 19, 2014, this Court had not yet decided that those two issues would not be decided at the jury trial on liability. Rather, the Court issued those decisions following the Pretrial Conference. (D.I. 606 at 4-6.) Thus, it was entirely reasonable for Google to include those requests for relief in the Pretrial Order, but not its request for damages.

PUM also asserts that Google's request for damages on the breach of contract claim is meritless and makes several arguments in that regard. Again, this submission is not the place for such merits arguments. If PUM believes that Google is not entitled to damages on its breach of contract claim as a matter of law, it can make those arguments at the proper time and under the proper procedures. This submission is not the appropriate mechanism for PUM to seek rulings and judgments in its favor on Google's substantive claims. In any event, PUM's contentions are wrong. Attorneys' fees are recoverable as contract damages under California law. *De La Hoya v. Slim's Gun Shop*, 80 Cal. App.3d Supp. 6, 9-10 (Cal. Super. 1978) ("many cases from other jurisdictions have established the proposition that a party who becomes embroiled in litigation with third persons as a result of the defendant's breach of contract may recover, as an item of damages, attorney fees incurred in prosecuting or defending the third party litigation . . . . We see no reason why the general rule applied elsewhere should not also be adopted in this state, and we follow it in this case.") And, PUM's claim that the aggrieved party is SRI, not Google, is belied by the fact that Google stands in the shoes of SRI. (3/11/14 Trial Tr., 381:22-24 (Mr. Friedman: "And, remember this. To the extent that Google says it has any claim, the Court will instruct you, Google stands in the same shoes as SRI.")

Third, when all claims are resolved, the Court should enter final judgment under Federal Rule of Civil Procedure 54. Google does not believe that it is appropriate to do so at this time because not all claims have been resolved; Google's counterclaims for declaratory relief that it is a rightful co-owner of the patents-in-suit, constructive trust, and conversion, remain to be tried

before this Court and the jury that will hear damages. Under Federal Rule of Civil Procedure 54(b), a court may direct entry of a final judgment as to "fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay." Fed. R. Civ. P. 54(b) (emphasis added). Although PUM proposes that judgment be entered at this time, it has not made a showing that the standard of Rule 54(b) is met. Nor would it be appropriate to do so in this joint submission. If PUM believes that judgment on fewer than all of the claims is justified, then that important issue should be fully briefed so that Google can respond fully and the Court can make the determination required by Rule 54(b). *Elliott v. Archdiocese of New York*, 682 F.3d 213, 220 (3d Cir. 2012) ("This latter requirement, that a district court 'must go on to determine whether there is any just reason for delay,' is not merely formalistic"); *id.* at 229 ("Rule 54(b) means what it says: a district court may certify a judgment under Rule 54(b) only after concluding 'that there is no just reason for delay.' A Rule 54(b) order will be valid and provide [the appellate court] with jurisdiction over the appeal only if it expressly sets forth that determination, though not necessarily in those precise words.") Accordingly, if PUM believes the Court should enter judgment under Rule 54(b) based on the jury's verdict, then the parties should brief that issue. The Court should not simply enter judgment based upon PUM's request herein.

PUM contends that Google's citation to Rule 54(b) is irrelevant because it is only seeking an interim judgment. PUM attaches two sample judgments from this District in support of its position. PUM does not, however, provide any argument or explanation as to whether these cases are analogous to the present case. There is no indication that *Depuy Synthes Products, LLC v. Globus Medical, Inc.* or *Linear Technology Corp. v. Monolithic Power Systems, Inc.* involved equitable claims that had facts intertwined with the claims presented to the jury, as is the case here. PUM does not provide a logical reason for there to be an interim judgment on Google's breach of contract counterclaim and then a separate judgment or judgments on its counterclaims for declaratory relief that it is a right co-owner of the patents, imposition of a constructive trust, or conversion. The underlying facts of these counterclaims overlap with the underlying facts of the breach of contract claim. There certainly should not be any piecemeal appeals of these issues.

Further, the form of PUM's proposed judgment is problematic for many reasons. It is very confusing because it lumps together all of the claims, making the judgment unclear on its face. Moreover, the judgment itself does not state what the jury's findings were. Instead, it incorporates by reference the verdict form. When a judgment is ultimately entered, it should clearly state that Google was found not to infringe, the patents-in-suit were found to be invalid as anticipated and obvious, and that Yochai Konig was found to be in breach of his employment agreement with SRI. PUM's proposed judgment seems to be intended to leave the door open for PUM to bring a claim of infringement on the doctrine of equivalents, which would be inappropriate, or on products that PUM accused of infringement but then dropped before trial, which is also inappropriate. When the Court enters judgment in this case (and again, Google believes it is not appropriate to do so yet), the judgment should more closely follow the form in the attached Exhibit D.

Finally, once judgment is entered, then the Court will need to resolve post-trial briefs, to the extent that the parties file them. On March 16, Google filed a written Rule 50(a) motion in support of the oral motion made on March 13. PUM filed an opposition on March 19. On March 21, PUM filed a written Rule 50(a) motion in support of the oral motions it made on March 18. Each of these pending motions was mooted by the jury's verdict and therefore need not be resolved by this Court. *See, e.g., Donald M. Durkin Contracting, Inc. v. City of Newark*, 2007 WL 2710451, *1 (D. Del. 2007) (when court reserves ruling on Rule 50(a) motion and jury returns verdict, Rule 50(a) motion is moot subject to losing party renewing its arguments in Rule 50(b) motion). Google further believes that any further briefing on the Rule 50(a) motions is unnecessary. PUM has indicated that it does not believe that the Rule 50(a) motions are moot, but the only authority it cites is from other jurisdictions and is decades old. In any event, Google requests clarification from the Court as to whether it will treat PUM's Rule 50(a) motion as moot. If not, Google will file a written opposition to PUM's motion.[9]

PUM has also proposed deadlines and page limits for PUM to file a renewed motion for judgment as a matter of law and/or motion for a new trial, and that the parties file a joint status report after those motions are resolved. Under the Federal Rules of Civil Procedure, however, the deadlines for such motions trigger from entry of judgment. Although Google does not take issue with the deadlines proposed by PUM, Google does object to any such motions being filed before judgment is entered. Accordingly, this briefing should follow judgment being entered after the first two stages discussed above: the bench trial on equitable issues, and the damages phase of the trial.[10]

Respectfully,

/s/ Karen Jacobs

Karen Jacobs (#2881)

KJ
cc: Clerk of the Court (by hand)
All Counsel of Record (by e-mail)
8121646

[9] Google's Rule 50(a) motion is certainly moot because there is no relief the Court can grant to Google, as the jury already found in Google's favor.

[10] Google will also pursue any costs and/or fees pursuant to Federal Rule of Civil Procedure 54(d) at the appropriate time.