IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PERSONALIZED USER MODEL, L.L.P.,	)	
Plaintiff,	)))	C.A. No. 09-525-LPS
v.	))	**JURY TRIAL DEMANDED**
GOOGLE INC.,	))	
Defendant.	))	
GOOGLE, INC.	))	
Counterclaimant,	)))	
v.	))	
PERSONALIZED USER MODEL, LLP and YOCHAI KONIG	)))	
Counterdefendants.	)	

GOOGLE'S OPPOSITION TO PERSONALIZED USER MODEL'S AND YOCHAI KONIG'S RULE 50(B) MOTION FOR JUDGMENT AS A MATTER OF LAW ON GOOGLE'S BREACH OF CONTRACT COUNTERCLAIM

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Nature and Stage of the Proceedings

On April 17, 2014, the Court entered judgment in Google's favor on non-infringement, invalidity, and breach-of-contract. (D.I. 689.) Google hereby opposes PUM's Rule 50(b) motion for judgment as a matter of law on the breach-of-contract claim.

Summary of Argument

The Court asked the jury to decide several issues in connection with Google's breach-of-contract claim. Specifically, the Court asked the jury to determine whether this claim was barred by the statute of limitations, whether SRI assigned this claim to Google, whether Konig breached his contract by not assigning his inventions to SRI, and whether the inventions are exempt under Section 2870 of the California Labor Code. PUM's Rule 50(b) motion challenges all of the jury's findings except for the Section 2870 finding. Yet PUM fails to demonstrate, as a matter of law and viewing the evidence and inferences most favorably to Google, that no reasonable jury could have found in Google's favor for any of these issues.

PUM first argues that the Court should reject the jury's finding that the statute of limitations on Google's breach-of-contract claim was tolled under the discovery rule. PUM does not dispute that all the trial evidence proving the conception date was either nonexistent before this lawsuit or kept confidential, both unknown and effectively unknowable to SRI. While PUM points to the five-month gap between the December 1999 patent application and the end of Konig's SRI employment in August 1999, PUM cites no authority that this five-month gap put SRI on inquiry notice as a matter of law (and such a presumption would create a logistically untenable situation for companies in dealing with former employee inventors). PUM also ignores Konig's trial testimony suggesting exactly the opposite inference, such as the evidence PUM presented about how Konig had both the motive and ability to conceive and patent the inventions in a far more truncated time period (*e.g.*, at trial, PUM suggested that Konig had a

vague idea about the invention prior to leaving SRI, but only actually conceived of the invention sometime between the time he left SRI and the time he started drafting the patent application). And while PUM contends that a SRI engineer beta-tested "the patented product" many months later in 2000-2001, it points to no record evidence that this beta-test was of the "patented product," ignores the fact that the purported time frame was years after Konig left SRI, and again cites no authority suggesting that this beta-test requires judgment in its favor as a matter of law.

Furthermore, even if SRI were on inquiry notice, a reasonable jury could easily conclude that no pre-lawsuit inquiry by SRI would have led to the discovery of the conception date that forms the basis of the contract claim. Again, none of the evidence showing the pre-August 1999 conception date was publically available. And despite PUM's suggestion that SRI could have discovered the conception date by asking Konig, it was PUM that emphasized again and again that Konig "never wavered" in his position that the inventions were conceived after he left SRI. Thus, the jury was fully justified in finding that SRI would not have learned of the pre-August 1999 conception date by simply asking Konig. In short, the fact remains that the only evidence showing that Konig conceived of his invention while employed by SRI was information kept confidential by Utopy, Konig, and PUM which, absent the discovery process brought about by PUM's suit against Google, never would have come to light.

Google's contract claim is also not barred by the statute of limitations because the limitations period was tolled under 10 Del. C. § 8117 until Konig became subject to service of process in Delaware. This is an independent reason why the contract claim is timely.

PUM's other JMOL arguments also lack merit. PUM fails to show that no reasonable jury could find that the the parties to the Google-SRI Purchase Agreement intended to assign SRI's contract claim to Google, as this Agreement explicitly assigned "all" causes of action under

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or on account of the Patents. PUM also fails to show that no reasonable jury could find that Konig breached his Employment Agreement by failing to transfer the patented inventions to SRI. There was copious evidence – including PUM's interrogatory responses – that these inventions were conceived during his employment and thus fell within his Employment Agreement.[1]

Statement of Facts

The relevant facts are addressed in the Argument section below.

Legal Standard

A motion for judgment as a matter of law may only be granted if no reasonable jury could find for the non-movant. Fed. R. Civ. P. 50(b). In conducting this analysis, the Court must "view[] the evidence in the light most favorable to the non-movant" and give the non-movant "the advantage of every fair and reasonable inference." *ZF Meritor, LLC v. Eaton Corp.*, 696 F.3d 254, 268 (3d Cir. 2012).

Argument

I. GOOGLE PRESENTED SUFFICIENT EVIDENCE THAT THE STATUTE OF LIMITATIONS WAS TOLLED UNDER THE DISCOVERY RULE.

The Court instructed the jury that "[y]ou must find that the statute of limitations was tolled if, before PUM produced confidential discovery in this case, it was inherently unknowable to Google and SRI that the inventions were conceived during Dr. Konig's SRI employment." (D.I. 663 at 44-45.) This recognizes that the core fact giving rise to the contract claim is that the

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[1] The contract claim is important not just as an alternative basis to defeat PUM's infringement suit, or as a vehicle to win contract damages. Rather, it is important also because PUM recently received continuation patents tracing priority to the same December 1999 provisional application as the Asserted Patents in this case. (*See* U.S. Patent Nos. 8,626,911; 8,301,764.) Google is justifiably concerned that PUM will start a new round of litigation by asserting these new patents against it. But the breach-of-contract verdict could shield Google from this prospective litigation. Because the continuation patents trace priority to the same 1999 invention, a finding that Konig was obliged to convey this invention to SRI means that Google (SRI's successor-in-interest) would own equitable title to these new continuation patents.

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inventions were conceived during Konig's SRI employment, and that without this fact, the contract claim itself was inherently unknowable.

PUM argues that, in determining whether a reasonable jury could have found this fact inherently unknowable, "[t]he relevant inquiry is whether there were facts available to put a diligent plaintiff on notice to inquire whether there was a cause of action." (Mot. at 4; *see also id.* ("SRI . . . . merely needed to have enough information to warrant investigation as to whether it had a breach of contract claim.")) But this is incorrect and incomplete. It only recognizes the first half of the standard for discovery rule tolling that the jury was charged to apply.

Instead, the Court's instruction explains that the "inherently unknowable" determination requires a two-step process. Specifically, the Court instructed the jury that in order to determine whether the conception date was inherently unknowable: "You must consider whether Google or SRI were aware of the conception date before this lawsuit was filed, whether any facts available to Google or SRI would have caused a person of ordinary intelligence and prudence to conduct an inquiry into the conception date, <u>and</u> whether such an inquiry would have led to the discovery of the conception date." (D.I. 663 at 45 (emphasis added.)) In other words, the jury first needed to resolve whether SRI was put on inquiry notice to investigate whether it had a contract claim. Then, the jury needed to <u>additionally</u> resolve whether an SRI inquiry, if pursued, would have led to the discovery of the pre-August 6, 1999 conception date that gives rise to the contract claim.[2] Thus, even if it were conclusively shown that SRI was put on inquiry notice, this would only defeat discovery rule tolling if an inquiry by SRI would have caused SRI to discover the pre-August 6 conception date that gives rise to the contract claim. *Coleman v. Pricewaterhousecoopers, LLC*, 854 A.2d 838, 843 (Del. 2004) ("Assuming without deciding that

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[2] Konig left SRI on August 5, 1999. (Trial Tr. 1019:23-25.) Thus, any inventions conceived on that date or earlier would be conceived during his period of employment.

the plaintiffs were on inquiry notice, it cannot be determined, on the present record, whether a diligent inquiry by plaintiffs would have uncovered facts sufficient for them to assert an accounting malpractice claim.")[3]

Here, PUM fails to demonstrate that no reasonable jury could find either that SRI was not on inquiry notice or that no SRI inquiry would have uncovered the pre-August 6 conception date, particularly when the evidence is viewed most favorably to Google and Google is given the benefit of every fair and reasonable inference.

A.   A Reasonable Jury Could Have Found that No Inquiry By SRI Would Have Uncovered the Pre-August 6 Conception Date.

Viewing the evidence most favorably to Google and drawing all reasonable inferences in Google's favor, a reasonable jury could have found—and, in fact, did find—that no inquiry by SRI would have yielded the pre-August 6 conception date. The most reasonable inference for the jury to draw was that any such inquiry by SRI would have been futile. All of Google's trial evidence showing conception occurred before Konig left SRI—PUM's interrogatory responses, Mr. Twersky's deposition admissions, the May 1999 and July 1999 Utopy documents, etc.— were either nonexistent before this case or kept highly confidential. PUM disputes none of this.

Rather, PUM contends that SRI could have asked Konig what the conception date was. (Mot. at 5 (citing D.I. 677, 7-8.)) But a reasonable jury could easily infer that, had SRI asked Konig, he would not have told SRI that conception occurred during his SRI employment – *i.e.*, it

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[3]   Consistent with the Court's jury instruction, the Delaware Supreme Court's opinion in *Coleman* illustrates this factual, two-step process. The issue in *Coleman* was whether a 1999 email discussing accounting irregularities was sufficient to defeat discovery rule tolling on plaintiffs' malpractice claim against their auditor. *Id.* at 842. The Delaware Supreme Court held that it was not, for two reasons. "First, it is unclear, as a factual matter, whether or not the 1999 e-mail should have aroused the plaintiffs' suspicions to a degree sufficient to impose upon the plaintiffs a duty of further inquiry. Second, it is impossible to determine from the present record whether a more diligent investigation, even if pursued, would have uncovered facts sufficient to enable the plaintiffs to discover the basis of their accounting malpractice claim." *Id.* at 842-43.

was reasonable for a jury to infer that Konig would have provided SRI the same story that he told the jury. Certainly, Konig never testified that to the contrary, if asked, he would have told SRI that he conceived the inventions while working for them. Instead, all the trial evidence supports an inference, and the jury's finding, that he would not have done so. Konig consistently denied that the inventions were conceived during his SRI employment. (*E.g.*, Trial Tr. 1028:6-8; 1090:7-12.) Indeed, PUM argued Konig "never wavered" in his contention that the inventions were conceived after he left SRI: "Number 1, Dr. Konig's testimony has always been consistent about the conception date. It never changed."[4] (Trial Tr. 380:9-11; *see also id.* at 1944:20-21.) PUM points to literally nothing in the record to suggest that Konig would have admitted to the pre-August 6 conception date had SRI asked him in the pre-lawsuit period. Thus, PUM fails to show that no reasonable jury could find that this core fact creating the contract claim was inherently unknowable in the pre-lawsuit period – even if SRI were on inquiry notice to try to discover this fact. On this basis alone, the jury's tolling verdict must be sustained.

B.   **A Reasonable Jury Could Have Found That SRI Was Not on Inquiry Notice.**

PUM also fails to show that, viewing the evidence most favorably to Google and drawing all reasonable inferences in Google's favor, SRI was put on inquiry notice of a breach-of-contract

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[4]   PUM identifies no other person that SRI could have asked to discover the conception date. Nor could it. While Konig was a former SRI employee, none of the other named inventors had any relationship with SRI at all. Thus, there is no reason to think that they would have even agreed to answer SRI's questions, much less voluntarily divulged the pre-August 6 conception date, had SRI managed to track them down in the pre-lawsuit period and ask them when the inventions were conceived. Certainly there is a reasonable inference that SRI would not have learned of this conception date from any other individuals. Consider, for example, co-inventor Roy Twersky. After Google injected the SRI issue into this case by purchasing SRI's rights and bringing its contract claim, Twersky promptly recanted his prior deposition testimony and stated that the inventions were not conceived during Konig's SRI employment. (Trial Tr. 1136:13-1138:23.) Thus, it would be reasonable for the jury to infer that, had SRI contacted Twersky in the pre-lawsuit period to inquire about a potential contract claim, Twersky would have denied that the inventions were conceived during Konig's SRI employment, just as he did in this lawsuit after the SRI issue became apparent.

claim as a matter of law. As Google demonstrated at trial, Konig never told SRI that he was launching a new company during his SRI employment. (Trial Tr. 1047:20-1048:1.) He never disclosed his May 1999 and July 1999 "Personal Web" documents to SRI. Instead, he kept them highly confidential. (*Id.* at 1048:2-7; 1056:20-22; 1059:10-21.) Indeed, the work that Konig did immediately after leaving SRI was, by his and Twersky's own admission, done in "stealth mode." (PTX513 at 1.) PUM does not dispute any of this.

Instead, PUM argues that SRI was on inquiry notice based solely on the timing of the provisional patent application and an SRI engineer's beta-test of a Utopy product. But neither of these facts shows that SRI was put on inquiry notice as a matter of law, particularly when the evidence is viewed most favorably to Google.

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1.   <u>The Timeframe Between Konig's SRI Employment and the Provisional
Patent Application Did Not Put SRI on Inquiry Notice as a Matter of Law.</u>

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Citing the Court's April 7 letter, PUM argues that SRI was put on inquiry notice due to the timeframe between Konig leaving SRI and the filing of the provisional patent application. (Mot. at 3, 5) (citing D.I. 677 at 7-8.) But PUM fails to show that this timeframe demonstrates, as a matter of law, that SRI was on inquiry notice as to whether the inventions were conceived during Konig's SRI employment. Konig did not file the provisional application just a few days or even a few weeks after leaving SRI. There was no unmistakable "red flag" for SRI to suspect that the inventions were conceived during his employment. Far from it. There was a <u>five-month</u> gap between Konig's SRI employment and the application. PUM cites no authority that such a gap provides notice for a former employer to investigate a potential breach-of-contract claim as a matter of law, such that no reasonable jury could find otherwise. This is likely because such a rule would make no sense. PUM's position would require that, to preserve their contract rights, all companies would need to monitor their former employees for years after their employment

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ended—since patent applications do not publish until 18 months after filing—and launch investigations if any former employee filed a patent within five months of leaving. There is no authority (or logic) for inquiry notice to sweep this broadly. PUM's purported rule would create an impractical and burdensome (if not impossible) duty for employers to monitor patent filings by all former employees for years on end.

PUM's own trial presentation further illustrates why a reasonable jury could find that the five-month gap between Konig's SRI employment and the provisional application would not have put SRI on inquiry notice. For example, PUM portrayed that Konig had every incentive to develop and patent the inventions as quickly as possible. Konig testified that 1999 was the time of "the new gold rush, the Internet boom," where "time is of the essence." (Trial Tr. 467:4-12.) He also testified that he began working on the inventions in earnest after leaving SRI in August 1999 (*id.* at 1098:1-9) and conceived the inventions just a month later. (*Id.* at 1028:6-8.) And in its Opening Statement, PUM itself spoke of conception here as something that occurred in a blinding stroke – a single "Eureka moment" – in September 1999 (albeit contradicted by Konig's deposition and trial testimony). (*Id.* at 358:6-9.) Given that PUM itself had presented a motive and ability to conceive and patent the inventions so quickly, the jury could reasonably conclude that the filing of the provisional application in December 1999 would not have caused SRI to suspect that the inventions were conceived five months earlier. PUM's argument to the jury that Konig's SRI work did not concern the "personalization" subject-matter of the patents (Trial Tr. 376:11-14; 1103:18-20) could also have led the jury to infer that SRI would not have suspected that these patents were conceived during Konig's SRI employment.[5]

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[5] The jury, however, properly rejected PUM's legal argument that that the patents were exempt under Section 2870 of the California Labor Code simply because Konig's SRI work did not concern "personalization." For example, there was copious evidence that the patented inventions related to SRI's <u>overall</u> business and research. (*E.g.,* Trial Tr. 1154:8-1155:5; 1677:8-

At a minimum, even if the five-month gap between Konig's employment and the filing of the patent application could create an inference that inquiry notice existed, PUM fails to demonstrate that there is not at least a reasonable <u>competing</u> inference that the five-month gap would <u>not</u> have put SRI on inquiry notice. *Coleman* is instructive here as well. In *Coleman*, the Delaware Supreme Court held that the evidence at issue in that case, a 1999 email, did not necessarily put plaintiffs on inquiry notice because "[a] person of ordinary intelligence and prudence could draw competing inferences from the statements made in that email" and "there was no 'red flag' that clearly and unmistakably would have led a prudent person of ordinary intelligence to inquire" about a potential claim. *Coleman*, 854 A.2d at 843. "To be sure, an inference to that effect could be drawn; however, opposite inferences could be drawn as well." *Id.* "The trial court erred in concluding, as a matter of law, that the plaintiffs' receipt of the January 6, 1999 e-mail placed them on inquiry notice." *Id.* Here too, competing inferences could be drawn about whether the timing of the patent application put SRI on inquiry notice. Thus, the Court should not rule that SRI was put on inquiry notice as a matter of law.

2.   <u>An SRI Engineer's Beta-Test of a Utopy Product Did Not Put SRI on Inquiry Notice as a Matter of Law.</u>

PUM also fails to show that no reasonable jury could reject its other alleged basis for SRI's inquiry notice, an SRI engineer's beta-test of a Utopy product in 2000 or 2001. (Mot. at 3, 5.) First, the gap between Konig's employment and the beta-test is <u>longer</u> than the gap between Konig's employment and the December 1999 patent application. Thus, if the application would not have necessarily put SRI on inquiry notice, then the later beta-test would not have done so either. Second, while PUM says that the beta-test was of "the patented product" and cites the Court's letter saying the same (Mot. at 3), there is no record evidence of that. Neither Dr. Konig,

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1679:4.) Tellingly, PUM's JMOL motion does not challenge the jury's Section 2870 finding.

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nor PUM's experts, nor any other witness testified that the specific beta-tested product that the

SRI engineer saw practices the Patents, or that the SRI engineer thought it did. Nor did PUM

introduce any documentary evidence of what this "beta-test" actually was, or what a beta-tester

could see about the product in testing it. Thus, a reasonable jury could easily conclude that the

beta-test of this ill-defined product in 2000-01 would not have caused SRI to suspect that the

patented inventions were conceived during Konig's SRI employment.

II.   THE STATUTE OF LIMITATIONS WAS TOLLED UNDER SECTION 8117.

An alternative basis to uphold the jury's verdict is that the statute of limitations was tolled

until Konig entered Delaware during the course of this lawsuit and therefore became subject to

service of process in Delaware. Before this lawsuit commenced, Konig had never set foot in

Delaware (Trial Tr. 505:16-18) and there is no evidence that he would have been subject to

service of process for a breach-of-contract claim in Delaware.[6] This means that the statute of

limitations on the contract claim must be tolled under 10 Del. C. § 8117 until Konig became

subject of service of process in Delaware. Section 8117 plainly states that "[i]f 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." 10

Del. C. § 8117. "It is settled law that the purpose and effect of Section 8117 is to toll the statute

of limitations as to defendants who, at the time the cause of action accrues, are outside the state

and are not otherwise subject to service of process in the state. In those circumstances, the

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[6]   While Konig has long been an officer or director of Utopy, which is incorporated in
Delaware, an individual's status as director of a Delaware corporation only subjects that
individual to Delaware service of process for claims alleging breach of his fiduciary duties to his
corporation. 10 Del. C. § 3114; *LeCrenier v. Cent. Oil Asphalt Corp.*, C.A. No. 4927, 2010 WL
5449838, at *2-3 (Del. Ch. Dec. 22, 2010). Here, Google did not allege that Konig breached his
fiduciary duties to Utopy. Rather, it alleged that Konig breached his contractual duty to SRI.

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statute of limitations is tolled until the defendant becomes amenable to service of process."

Saudi Basic Indus. Corp. v. Mobil Yanbu Petrochem. Co., Inc., 866 A.2d 1, 18 (Del. 2005).

PUM does not dispute that the plain language of Section 8117 requires that the statute of limitations be tolled until Konig "came into the State" and became subject to service of process. Instead, PUM raises a series of policy arguments for why Section 8117 should not be applied according to its plain language, given the facts of this case. Even if this Court were willing to disregard the plain language of the statute for policy reasons, none of PUM's policy arguments are persuasive.

Citing *Hurwitch v. Adams*, 155 A.2d 591 (Del. 1959), PUM first argues that "Google's proposed application of § 8117 would toll the Delaware statute of limitations for all claims against defendants who do not reside in the State, a proposition the Delaware Supreme Court expressly rejected." (Mot. at 6-7). PUM raised this same erroneous characterization of *Hurwitch* at summary judgment (D.I. 492 at 6-7) and in pre-trial briefing (D.I. 610 at 6), and it is no less erroneous this time around. As Google previously explained (D.I. 620 at 8-9), and as PUM again ignores, *Hurwitch* merely rejected the proposition that Section 8117 should toll the statute of limitations against non-residents <u>who are subject to service of process in the state</u>. As *Hurwitch* specifically said: "10 Del. C. § 8116[7] has no tolling effect on the applicable statute of limitations when the defendant in the suit is subject to personal or other service to compel his appearance." *Hurwitch*, 155 A.2d at 593. Specifically, the non-resident defendants in *Hurwitch* were subject to substitute service through "a statute designed to obtain jurisdiction over non-residents using Delaware highways." *Id.* *Hurwitch* reasoned that Section 8117 should not toll the statute of limitations against non-residents who are subject to service of process in Delaware, because

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[7] At the time of *Hurwitch*, Section 8117 was codified as Section 8116.

allowing the tolling statute to sweep so broadly "would result in the abolition of the defense of statutes of limitation in actions involving non-residents." *Id.* at 594.

Later courts have confirmed that *Hurwitch* merely prevents Section 8117 from tolling the statute of limitations against non-residents who are subject to service of process in Delaware. For example, as recited above, *Saudi Basic* held that Section 8117 tolls the statute of limitations against defendants who "are outside the state and <u>are not otherwise subject to service of process in the state</u>." *Saudi Basic*, 866 A.2d at 18 (emphasis added). To support the "not otherwise subject to service of process in the state" qualifier, *Saudi Basic* cited *Hurwitch*. *Id.* at fn. 36. And as another court aptly explained:

> The holdings of *Hurwitch* and *Saudi Basic* are entirely consistent. When a non-resident defendant is subject to service in Delaware, either through personal or substitute service, the statute of limitations is not tolled. When a non-resident defendant is sued in Delaware, but is outside its jurisdiction, the statute of limitations is tolled until the defendant is available to be served in Delaware.

McCorriston v. L.W.T., Inc., 536 F. Supp. 2d 1268, 1276 (M.D. Fla. 2008).

Here, there is no dispute that Konig would not have been subject to personal or substitute service in Delaware before this litigation began. He was wholly outside Delaware's jurisdiction. Thus, the statute of limitations must be tolled under Section 8117 until this lawsuit got underway and he could be served with process in Delaware.

PUM argues that Konig was not an absent defendant because "[h]e voluntarily consented to jurisdiction in Delaware when requested to do so." (Mot. at 9.) But any defendant, anywhere in the world, can <u>voluntarily consent</u> to service of process in Delaware. If the possibility of voluntary consent were enough to render Section 8117 inapplicable, then any defendant could avoid Section 8117 tolling just by saying *post-hoc* that it would have consented to an earlier Delaware suit. This, needless to say, is not the law. The Section 8117 inquiry asks whether and when the defendant could have been forced to defend itself in Delaware court; it does not

speculate about whether the defendant might have voluntarily chosen to do so. *Saudi Basic*, 866 A.2d at 18 (finding that Section 8117 tolled statute of limitations against Saudi company that could not have been haled into Delaware court); *F.D.I.C. Corp. v. Brossman*, C.A. No. 81C-DE-116, 1984 WL 553542, at *1 (Del. Super. June 1, 1984) (finding that Section 8117 tolled statute of limitations against Pennsylvania resident who could not have been haled into Delaware court.)

PUM also argues that Konig was not a necessary defendant because Google or SRI could have brought their conversion, ownership, and constructive trust claims against Utopy alone, without naming Konig. (Mot. at 9). This contention fails for two reasons. First, the claim at issue here is the contract claim against Konig alone. Konig was a necessary defendant for this claim. Thus, Section 8117 tolled the statute of limitations on this claim, regardless of what <u>other</u> claims Google or SRI could have supposedly brought against other defendants such as Utopy.

Second, it is doubtful whether SRI or Google could have sued Utopy for conversion or declaration of ownership without naming Konig. After all, the wrongful act giving rise to the conversion claim is Konig's breach of contract. Google could not win its conversion claim – or the resulting ownership declaration and constructive trust – without a ruling that Konig breached his contract. It would likely violate due process to make this ruling without Konig's presence, and so Konig is a necessary party for all of these claims.

PUM further argues that, even assuming Konig was a necessary defendant, SRI could always have filed its claims against Konig in California. (Mot. at 8 n.5). But Section 8117 tolls the statute of limitations against defendants who "are outside <u>the state</u> and are not otherwise subject to service of process <u>in the state</u>." *Saudi Basic*, 866 A.2d at 18 (emphasis added.) "§ 8117 references 'the State,' an obvious reference to Delaware." *McCorriston*, 536 F. Supp. 2d at 1276. Thus, whether or not SRI could have sued Konig in California is irrelevant to the

Section 8117 inquiry. By analogy, the plaintiff in *Brossman* could have always sued the defendant in his home state of Pennsylvania, and the counterclaimant in *Saudi Basic* could always have sued the counterdefendant in its home nation of Saudi Arabia. Yet the courts in both cases held that Section 8117 tolled the statute of limitations because the plaintiff could not have sued its adversary <u>in Delaware</u>. *Saudi Basic*, 866 A.2d at 18-19; *Brossman*, 1984 WL 553542 at *2 ("there is no reason why Farmers Bank's failure to sue Brossman in Pennsylvania should cause it to lose the protection of the Delaware tolling statute.") The same is true here—the impact of Section 8117 on this Delaware suit does not depend on whether SRI or Google could have sued Konig somewhere else.

Finally, PUM argues that ruling in Google's favor on Section 8117 would open the floodgates for businesses to be sued on stale, out-of-state claims once they established a presence in Delaware. (Mot. at 7.) As an initial matter, PUM's parade of horribles rests on an unlikely series of conjectures: (1) that there are legions of stale out-of-state claims whose holders are waiting for their adversaries to establish a presence in Delaware; and (2) that these putative defendants will subsequently subject themselves to *general* jurisdiction in Delaware, such that Delaware could be a proper forum for these out-of-state claims. In any event, the Court need not issue any broad or sweeping rules in order to hold that Section 8117 tolls the statute of limitations in this case. Rather, this case fits comfortably within the fairly narrow fact pattern of *Saudi Basic*, and can be decided on that basis without making any broader holding. Just like counterclaimant Mobil in *Saudi Basic*, Google was forced to litigate in this forum by being haled as a defendant here. Just like Mobil, Google is bringing its counterclaims against a party who was not subject to service of process in Delaware before this litigation began. Thus, just as

Mobil could invoke Section 8117 to toll the statute of limitations on its counterclaims, so can Google. *Saudi Basic*, 866 A.2d at 18-19.

III.   GOOGLE PRESENTED SUFFICIENT EVIDENCE THAT IT ACQUIRED SRI'S RIGHTS TO BRING THE BREACH-OF-CONTRACT CLAIM.

There was ample evidence to support the jury's finding that Google acquired SRI's rights to bring the contract claim. (D.I. 666 at 5.) PUM successfully argued that whether SRI assigned its contract claim to Google was a question of fact for the jury. (Trial Tr. 1558:18-1559:1; D.I. 663 at 46.) This question must be guided by the mutual intent of the contracting parties. Cal. Civ. Code § 1636. Viewing the evidence most favorably to Google and drawing all reasonable inferences in Google's favor, there was overwhelming evidence to support the jury's verdict that SRI and Google did intend for the contract claim to be assigned.

For example, the Google-SRI Purchase Agreement states that SRI assigned to Google "all . . . causes of action . . . under, or on account of, any of the Patents . . ." (DTX412 at § 4.2). SRI also assigned to Google "any perfected or unperfected claims of ownership that Seller may have in the Patents." (*Id.* at § 4.1). The breach-of-contract claim is a cause of action "under or on account of the Patents," since winning this claim allows Google to perfect its ownership of the Patents. Specifically, winning the contract claim allows for a constructive trust remedy to transfer Konig's share of patent title from its wrongful holder (PUM) to its rightful holder (Google), thereby perfecting Google's co-ownership of the Patents. *Campbell v. Superior Court*, 132 Cal. App. 4th 904, 920 (4th Dist. 2005) ("A constructive trust is an involuntary equitable trust created by operation of law as a remedy to compel the transfer of property from the person wrongfully holding it to the rightful owner.")

PUM's position that the assignment of "all" causes of action did not include the breach-of-contract claim defies the language of the Agreement, the context of the Agreement, and

common sense. It makes no sense to say that SRI assigned unperfected ownership of the Patents to Google, but that SRI's simultaneous assignment of "all" causes of action did not include the breach-of-contract claim that can be used to convert Google's unperfected ownership into perfected ownership. This position flatly contradicts the objective intent of the parties, which was to allow Google to perfect its ownership of the patents.

PUM cites several cases for the unremarkable proposition that an agreement transferring property (including patents) will not implicitly transfer causes of action relating to that property. (Mot. at 11.) But these cases are inapposite, because the jury did not need to imply a transfer of SRI's causes of action. Rather, the Agreement explicitly transferred all causes of action under or of account of the Patents, including the contract cause of action at issue here.

It is actually PUM that argues that the Agreement implicitly excluded a contract cause of action from the "all causes of action" assignment language because the Agreement specifically references infringement causes of action that SRI assigned to Google. (Mot. at 10.) But the fact that the Agreement contemplates Google suing for infringement actually shows that SRI did assign the contract cause of action, not that SRI excluded it. This is because only the holder of perfected legal title has standing to sue for infringement. *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991). By granting Google the right to sue for infringement, SRI clearly contemplated that Google would also have the right to perfect its ownership—the very thing that Google seeks to do through the contract claim. This is further shown by Section 6.1 of the Agreement, where the parties explicitly reference this lawsuit and acknowledge that Google may need to bring further litigation in this lawsuit "in order to perfect an interest in the Patents." (DTX412 at § 6.1.) Again, this is exactly what Google is doing by bringing the contract claim. Thus, the parties clearly contemplated that Google would and could bring such a claim.

SRI's actions also show that it intended to assign the contract claim. *Crestview Cemetery Ass'n v. Dieden*, 54 Cal.2d 744, 752 (1960) ("The acts of the parties under the contract afford one of the most reliable means of arriving at their intention"). For example, SRI provided the chief scientist of its STAR lab, Horacio Franco, to support Google's contract claim by testifying about SRI's work building machine learning models for individual speakers. (Trial Tr. 1154:8-1155:5; 1984:19-1985:7). That SRI would provide a fact witness to testify in support of Google's contract claim shows that SRI clearly intended for Google to be able to assert this claim.

IV. GOOGLE PRESENTED SUFFICIENT EVIDENCE THAT KONIG CONCEIVED THE INVENTIONS DURING HIS SRI EMPLOYMENT.

In finding that Konig breached his Employment Agreement by failing to assign the patented inventions to SRI, the jury necessarily found that the inventions were conceived during Konig's SRI employment. There was copious evidence for a reasonable jury to find this.

Initially, two interrogatory responses by PUM's own counsel <u>admitted</u> that the inventions bear a patent-law conception date of July 1999 or earlier. (DTX238 at 3; DTX150 at 5.) "A party opponent's answers to interrogatories are admissible as admissions. Such admissions qualify as substantive evidence of the fact stated therein." *Buckley v. Airshield Corp.*, 116 F. Supp. 2d 658, 669 (D. Md. 2000) (internal citation omitted). Thus, PUM's interrogatory responses are both admissions and substantive evidence that the inventions were conceived during Konig's SRI employment. Their weight was only amplified when Mr. Twersky admitted in deposition that "strongly believed" the July 1999 conception date cited in these responses was correct. (Trial Tr. 1127:1-20.) Thus, PUM's argument that Google introduced no evidence for a patent-law conception date during Konig's SRI employment (Mot. at 13-15) is clearly false.

Moreover, these two interrogatory responses were served shortly <u>before</u> Google brought its breach-of-contract claim in January 2011. Thus, the jury could properly infer that these two

interrogatory responses represented PUM's best honest belief as to the conception date, given that they were the most recent responses that PUM served before it was faced with the contract claim and thus became motivated to assert a conception date falling outside Konig's SRI employment. In other words, the jury was well within its rights to credit these two interrogatory responses and discredit PUM's later response changing the conception date to September 1999 (DTX0165 at 5-6), given that PUM's changed position came after PUM had a strong motivation to strategically assert a conception date falling outside Konig's SRI employment. Determining which of PUM's asserted conception dates was the sincere and correct date—*i.e.,* judging the credibility of PUM's changing positions on the conception date—was the exclusive province of the jury. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986).

Beyond the interrogatory responses and Mr. Twersky's endorsement of them, there was copious other evidence supporting the position that patent-law conception occurred during Konig's SRI employment. For example, Konig sent Twersky an "initial patent document" on August 30, 1999, just three weeks after his SRI employment ended. (DTX157; Trial Tr. 1117:1-1118:3.) The jury could easily infer that patent-law conception probably occurred before Konig's SRI employment ended, if Konig was in a position to circulate patent documents just three weeks later. The jury also saw evidence that Konig and Twersky were talking about an "ongoing patent application process" by September 1, 1999, less than a month after Konig left SRI. (PTX513; Trial Tr. 1118:12-1120:21.) Again, the jury could easily infer that patent-law conception probably occurred during Konig's SRI employment if Konig and Twersky had a patent application process up and running less than a month later.

The July 1999 Personal Web PowerPoint (DTX151) and the May 1999 Personal Web White Paper (DTX161) provide still more evidence that the inventions were conceived by July

1999 or earlier. These documents disclose numerous key features of the inventions, such as transparent monitoring, building a user model to estimate the probability of user interest in documents, updating this model through user actions, employing Bayesian statistics and Hidden Markov models to make these calculations, and using this process for personalized search. (DTX151 at PUM42226, 42228, 42234; DTX161 at PUM91914; Trial Tr. 1046:22-1063:9.)

PUM argues that the July 1999 PowerPoint "does not support that Konig 'conceived' the inventions while at SRI" because it "merely sets forth *goals* that Konig *hoped* he could achieve." (Mot. at 14) (emphasis in original). Yet PUM's interrogatory responses explicitly <u>cited</u> this July 1999 PowerPoint to support the July 1999 patent-law conception date. (DTX238 at 3; DTX150 at 5 (citing PUM42214, the July 1999 PowerPoint)). At no point in trial did any PUM witness explain why PUM's lawyers would cite this PowerPoint to support a July 1999 conception date if this document were insufficient to show conception. Thus, the jury was fully justified in holding PUM to its prior admission that this document <u>does</u> show patent-law conception.

As for the May 1999 Personal Web White Paper, it is not nearly so sketchy or vague as PUM suggests. It is a 4-page single-spaced document (excluding title page and table of contents) with an entire section addressing "Utopy's solution" to the personal search problem. (DTX161 at PUM91913-5.) This section introduces such technical concepts as Bayesian statistics and Hidden Markov Models as elements of Utopy's solution. (*Id.* at PUM91914.) It gives specific Bayesian formulas to carry this out (*id.*) and also includes multi-step instructions for Utopy's personal search model. (*Id.* at PUM91915.) A reasonable jury could easily take this May 1999 document as further confirmation that the inventions were conceived during Konig's SRI employment, even in the patent-law sense. Indeed, the very fact that this document bears warnings on its face saying that it contains "PROPRIETARY INFORMATION BELONGING

[TO] UTOPY" (*id.* at PUM919110) strongly suggests that this document contains engineering solutions rather than mere vague ideas that would be useless to one of skill in the art.

Weighed against this evidence that patent-law conception occurred during Konig's SRI employment, PUM produced almost no contrary evidence. While PUM says that "[t]he scientific evidence presented at trial was that Dr. Konig conceived of the invention *after* leaving SRI" (Mot. at 15), the only evidence that PUM cites to support this statement is Konig's own testimony and an <u>undated</u> document that Konig <u>says</u> was created on September 21, 1999. (*Id.* (citing PTX532 and Trial Tr. 1028, 1090-95.)) Thus, PUM's cited evidence on the conception date is based on Konig's testimony alone. But the jury had ample grounds to doubt the credibility of both PUM's and Konig's positions as to the conception date. PUM's flip-flop on the conception date in its interrogatory responses alone casts doubts on its credibility. Also, Konig's counsel told the jury in Opening Statement about a "Eureka moment" in September 1999 when Konig "finally figured out how to do it." (Trial Tr. 358:6-9.) Yet when confronted with this statement, Konig testified there was no Eureka moment. (*Id.* at 1030:1-21.) Judging PUM's and Konig's credibility in light of these inconsistencies was the exclusive province of the jury.[8]

Conclusion

For the foregoing reasons, Google respectfully requests that the Court deny PUM's motion for judgment as a matter of law.

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[8]   PUM's argument that Google's counsel used the phrase "the idea" to refer to the patented inventions (Mot. at 13-14) fails to demonstrate that no reasonable jury could find patent-law conception during Konig's SRI employment. PUM never explains how Google's use of this phrase could negate all the evidence cited above, showing a reasonable basis to find that patent-law conception occurred during Konig's SRI employment. PUM also cites the summary judgment hearing, in which Google argued that it only needed to show layman's conception to prevail on its contract claim. (Mot. at 13.) Again, PUM never explains how Google's summary judgment arguments—based on a layman's definition of "conceived" that the Court did not adopt for the jury instructions—could erase the trial evidence cited above.

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Respectfully submitted,

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Dated: June 18, 2014
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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

<u>CERTIFICATE OF SERVICE</u>

I, David E. Moore, hereby certify that on June 18, 2014, the attached document was

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