Appeal No. 2021-1858

# United States Court of Appeals for the Federal Circuit

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IN RE: PERSONALWEB TECHNOLOGIES, LLC,

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AMAZON.COM, INC., AMAZON WEB SERVICES, INC.
*Plaintiffs – Appellees*

v.

PERSONALWEB TECHNOLOGIES, LLC
*Defendant – Appellant*

LEVEL 3 COMMUNICATIONS, LLC
*Defendant*

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PERSONALWEB TECHNOLOGIES, LLC
*Plaintiff – Appellant*

LEVEL 3 COMMUNICATIONS, LLC
*Plaintiff*

v.

TWITCH INTERACTIVE, INC.,
*Defendant – Appellee*

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2021-1858, 2021-1859, 2021-1860
IN RE: PERSONALWEB TECHNOLOGIES LLC

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On Appeal from the United States District
Court for the Northern District of California
Honorable Beth Labson Freeman
Case Nos. 5:18-cv-00767-BLF; 5:18-cv-05619-BLF;
and 5:18-md-02834-BLF

# PERSONALWEB TECHNOLOGIES, LLC'S PRINCIPAL APPEAL BRIEF

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# UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**Amended**

## CERTIFICATE OF INTEREST

| | |
|---|---|
| **Case Number** | 2021-1858 |
| **Short Case Caption** | In re: PersonalWeb Technologies, LLC |
| **Filing Party/Entity** | PersonalWeb Technologies, LLC |

**Instructions:** Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box**. Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 08/16/2021

Signature: /s/ Michael A. Sherman

Name: Michael A. Sherman

| **1. Represented Entities.** Fed. Cir. R. 47.4(a)(1). | **2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2). | **3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3). |
|---|---|---|
| Provide the full names of all entities represented by undersigned counsel in this case. | Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities.<br><br>☑ None/Not Applicable | Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities.<br><br>☑ None/Not Applicable |
| PersonalWeb Technologies, LLC | | |
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☐ Additional pages attached

**4. Legal Representatives.** List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

☐ None/Not Applicable ☐ Additional pages attached

| | | |
|---|---|---|
| Maceiko IP c/o Theodore S. Maceiko | Kent, Beatty & Gordon LLP c/o Jack A. Gordan, Joshua B. Katz | |
| Stanley H. Thompson, Jr. | Farnan, LLP c/o Brian E. Farnan, Michael J. Farnan | |
| Sandeep Seth | | |

**5. Related Cases.** Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

☐ None/Not Applicable ☑ Additional pages attached

| | | |
|---|---|---|
| See attached Exhibit A | | |
| | | |
| | | |

**6. Organizational Victims and Bankruptcy Cases**. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

☑ None/Not Applicable ☐ Additional pages attached

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**Exhibit A**

The following cases pending in this or any other court or agency may directly affect, or be directly affected by, this court's decision in the pending appeal:

***Federal Circuit Cases***

1. *In re PersonalWeb Techs. LLC*, Case No. 19-1918, docketed on 5/24/2019, and decided on 6/17/2020; and
2. *In re PersonalWeb Techs. LLC*, Case No. 20-1566, docketed on 3/6/2020.

***District Court Cases (all pending in the Northern District of California)***

1. *Amazon.com, Inc. and Amazon Web Services, Inc. v. PersonalWeb Techs., LLC et. al.,* No. 5:18-cv-00767-BLF;
2. *PersonalWeb Techs., LLC v. Twitch Interactive, Inc.,* No. 3:18-cv-05619-BLF;
3. *In re PersonalWeb Techs., LLC* No. 5:18-md-02834-BLF;
4. *PersonalWeb Techs., LLC et al. v. Buzzfeed Inc.,* No. 5:18-cv-06046-BLF;
5. *PersonalWeb Techs., LLC et al. v. Dictionary.com*, *LLC*, No. 5:18-cv-05606-BLF;
6. *PersonalWeb Techs., LLC et al. v. Oath Inc*., No. 5:18-cv-06044-BLF;
7. *PersonalWeb Techs., LLC et al. v. Patreon, Inc*., No. 5:18-cv-05599-BLF;
8. *PersonalWeb Techs., LLC et al. v. Popsugar, Inc*., No. 5:18-cv-06612-BLF;
9. *PersonalWeb Techs., LLC et al. v. Vice Media, LLC*, No. 5:18-cv-05970-BLF;
10. *PersonalWeb Techs., LLC et al. v. Vox Media, Inc*., No. 5:18-cv-05969-BLF;
11. *PersonalWeb Techs., LLC et al. v. Ziff Davis, LLC*, No. 5:18-cv-07119-BLF;
12. *PersonalWeb Techs. LLC v. Airbnb, Inc*., No. 5:18-cv-00149-BLF;
13. *PersonalWeb Techs. LLC v. Amicus FTV, Inc.,* No. 5:18-cv-00150-BLF;
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16. *PersonalWeb Techs. LLC v. BDG Media, Inc.,* No. 5:18-cv-03571-BLF;
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## STATEMENT OF RELATED CASES

Pursuant to Federal Circuit Rule 47.5, Plaintiff-Appellant PersonalWeb Technologies, LLC (PersonalWeb") states that the following appeals from the same civil action were previously before, or are currently before, this Court:

1. *In re PersonalWeb Technologies LLC,* CAFC Case No. 19-1918, docketed on 5/24/2019, and decided on 6/17/2020.

2. In re PersonalWeb Technologies LLC, CAFC Case No. 20-1566, docketed on 3/17/2020, and decided on 8/12/2021.

PersonalWeb further states that the following cases pending in this court or in other courts could directly affect, or be directly affected by, this Court's decision:

District Cases

The following district court cases are all pending in the US District Court for the Northern District of California, before the Hon. Beth Labson Freeman:

1. *Amazon.com, Inc. and Amazon Web Services, Inc. v. PersonalWeb Techs., LLC et. al.,* No. 5:18-cv-00767-BLF;

2. *PersonalWeb Techs., LLC v. Twitch Interactive, Inc.,* No. 3:18-cv-05619-BLF;

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50. *PersonalWeb Techs. LLC v. NRT LLC and NRT New York LLC d/b/a Citi Habitats,* No. 5:18-cv-05201-BLF;

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60. *PersonalWeb Techs. LLC v. Rockethub, Inc and ELEQT Group Ltd.,* No. 5:18-cv-03583-BLF;

61. *PersonalWeb Techs. LLC v. ShareFile, LLC,* No. 5:18-cv-05202-BLF;

62. *PersonalWeb Techs. LLC v. Shopify (USA) Inc*., No. 5:18-cv-04626-BLF;

63. *PersonalWeb Techs. LLC v. Slack Techs., Inc.,* No. 5:18-cv-05600-BLF;

64. *PersonalWeb Techs. LLC v. Spokeo, Inc.,* 5:18-cv-02140-BLF;

65. *PersonalWeb Techs. LLC v. Spongecell, Inc.,* No. 5:18-cv-03564-BLF;

66. *PersonalWeb Techs. LLC v. Square, Inc.,* 5:18-cv-00183-BLF;

67. *PersonalWeb Techs. LLC v. Stack Exchange, Inc*., No. 5:18-cv-06045-BLF;

68. *PersonalWeb Techs. LLC v. StartDate Labs, Inc.*, No. 5:18-cv-05203-BLF;

69. *PersonalWeb Techs. LLC v. Stitch Fix, Inc*., No. 5:18-cv-00173-BLF;

70. *PersonalWeb Techs. LLC v. Strava, Inc*., No. 5:18-cv-04627-BLF;

71. *PersonalWeb Techs. LLC v. TastyTrade, Inc.,* No, 5:18-cv-05204-BLF;

72. *PersonalWeb Techs. LLC v. Teespring, Inc*., No. 5:18-cv-00175-BLF;

73. *PersonalWeb Techs. LLC v. Tophatter, Inc.,* No. 5:18-cv-00176-BLF;

74. *PersonalWeb Techs. LLC v. Treehouse Island, Inc*., No. 5:18-cv-05205-BLF;

75. *PersonalWeb Techs. LLC v. Trello, Inc.,* No. 5:18-cv-6045-BLF;

76. *PersonalWeb Techs. LLC v. TripAdvisor LLC,* No. 5:18-cv-05967-BLF;

77. *PersonalWeb Techs. LLC v. Under Armour, Inc.*, No.5:18-cv-00166-BLF;

78. *PersonalWeb Techs. LLC v. Upwork Global, Inc.,* No. 5:18-cv-05624-BLF;

79. *PersonalWeb Techs. LLC v. Urban Dictionary, LLC*, No. 5:18-cv-05968-

BLF;

80. *PersonalWeb Techs. LLC v. Valassis Communications, Inc.,* No. 5:18-cv-

05206-

BLF;

81. *PersonalWeb Techs. LLC v. Vimeo, Inc.,* No. 5:18-cv-06042-BLF;

82. *PersonalWeb Techs. LLC v. Webflow, Inc.,* No. 5:18-cv-00178-BLF;

83. *PersonalWeb Techs. LLC v. WeddingWire, Inc.,* No. 5:18-cv-03463-BLF;

84. *PersonalWeb Techs. LLC v. Wework Companies, Inc.,* No. 5:18-cv-05272-

BLF;

85. *PersonalWeb Techs. LLC v. Yotpo Ltd.,* No. 5:18-cv-03412-BLF;

86. *PersonalWeb Techs. LLC v. Zoom Video Communications, Inc.,* No.5:18-cv-05625-BLF.

## JURISDICTIONAL STATEMENT

The District Court had subject matter jurisdiction of the action pursuant to 28 U.S.C. §§ 1331 and 1338(a). This Court has jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) because the Orders on appeal constitute "a final decision of a district court of the United States…in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents…"—here, the patent laws of the United States, 35 U.S.C. §§ 1, *et seq*.

## STATEMENT OF THE ISSUES

1. Whether the District Court abused its discretion in finding that the case was exceptional pursuant to 35 U.S.C. § 285.

2. Whether the District Court abused its discretion in awarding attorneys' fees and costs to Amazon.com, Inc., Amazon Web Services, Inc. (collectively, "Amazon"), and Twitch Interactive, Inc. ("Twitch") (collectively "Amazon" or "defendants", unless otherwise necessary to delineate the parties) on the basis that the case was exceptional pursuant to 35 U.S.C. § 285, resulting in a fee award that was punitive and not compensatory.

3. Whether the District Court abused its discretion in awarding a portion of attorneys' fees and costs to Amazon that were attributable to, and incurred as a result of, non-exceptional conduct.

## STATEMENT OF THE CASE

### Background on PersonalWeb and the Patents

The underlying action concerned PersonalWeb Technologies, LLC's ("PersonalWeb") efforts to enforce a valuable family of "True Name" patents (collectively, "patents") that PersonalWeb owns. Appx0723, ¶23. The patents were invented and designed to solve inefficiencies in the way computer networks in the 990s identified data in their systems. Appx0721-722, ¶¶15-16. Then, conventional computer networks could not link a data name given to the data item and the contents

of the data item. "The same file name in two different folders could refer to different data items, or two different file names could refer to the same data item." Appx7853. This limitation often congested computer networks with duplicate data and impaired the efficiency of data processing systems. *Id*.

The patents were invented in the mid-1990s to solve this problem. The patented True Name system creates a substantially unique identifier for each data item, based upon the contents of the data. *See*, *e.g*., Appx3335. That way, computers on a network can more efficiently store, manage, and access data. There were ten issued patents, with hundreds of claims; the summaries of invention in the patents described wide, potential usage and applicability, covering many aspects of distributive computing and networks, data file control, file access, cache control, *etc*. Appx0232-0542.

PersonalWeb was formed in 2010 and has continuously owned the patents since July 2011. Appx1430, ¶3. PersonalWeb's business plan called for, *inter alia*, developing products using its patents as the foundation for educational software, as well as licensing its products and patents. Appx7912, ¶2. *Id*. In furtherance of its business plan, PersonalWeb, as well as its parent company/predecessor-in-interest, Kinetech, Inc. ("Kinetech"), had utilized the patents to develop new technologies. Appx6404-6408. They have also licensed the patents to various companies, allowing these companies to expand on their products and services. Before the District Court

were multiple declarations of PersonalWeb's Non-Executive Chairman, Kevin Bermeister, detailing PersonalWeb and Kinetech's collective "approximate fifteen years of licensing activity associated with the 'True Name' patent family." Appx7912-7916, Appx9651-9654. As some examples, (1) in 2009, Kinetech licensed the patents to Skype Technologies SA in exchange for substantial cash consideration, and (2) beginning in 2011, PersonalWeb utilized the patents in connection with its efforts to develop an educational software product, in collaboration with the University of Texas. *Id*., Appx9652-9653, ¶¶8-9.

**PersonalWeb's Prior Efforts to Enforce its Patents in the Texas Action**

On December 8, 2011, PersonalWeb sued Amazon for patent infringement in the Eastern District of Texas, in the case entitled *PersonalWeb Technologies, LLC and Level 3 Communications LLC v. Amazon.com, Inc.; Amazon Web Services LLC; and Dropbox, Inc.*, Case No. 6:11-cv-00658 (the "Texas Action"). Appx1154. PersonalWeb recognizes that the legal significance and consequence of what PersonalWeb actually alleged and sought to recover in the Texas Action has been the subject of prior orders of this Court and the District Court. Adhering to those orders and without revisiting what PersonalWeb representatives should have known at times in the past, its Non-Executive Chairman, Kevin Bermeister, presented in his declaration before the District Court that "[i]n initiating the Texas Action in late 2011 and throughout its prosecution, I understood that it only accused the Multipart

Upload functionality of Amazon Web Service's Simple Storage Service ('S3') system." Appx1430, ¶4.

During the course of the Texas Action, PersonalWeb determined that any victory would be pyrrhic (*i.e.*, the cost of litigation would exceed the amount of potentially recoverable damages) resulting in PersonalWeb voluntarily dismissing its claims, with final judgment thereupon entered. Appx1430-1431, Appx1565-1566, Appx1152. No dispositive motions were filed in the Texas Action, nor did the court make a specific finding of non-infringement. *See* Appx1408, Appx2843.

**PersonalWeb's Analysis and Diligence Before Filing this Case**

Beginning in January 2018, PersonalWeb filed 85 single-defendant patent infringement actions against website operators in six judicial districts across the United States, necessitated by venue rules applicable to patent infringement disputes. Appx0037. *See*, *e.g.*, Appx2970. In its complaints, PersonalWeb alleged the defendants infringed five of the patents, *i.e.*, U.S. Patent Numbers 5,978,791 (the "791 patent"), 7,802,310 (the "310 patent"), 8,099,420 (the "420 patent"), 6,928,442 (the "422 patent"), and 7,945,544 (the "544 patent"). *See*, *e.g.*, Appx2990. The first patent issued on November 2, 1999. Appx2059. The subject patents had all expired as of the filing of the first lawsuits, with PersonalWeb seeking damages for the time periods before said expirations. *See* Appx2201, ¶18, Appx2970, ¶17.

In its initial complaints, PersonalWeb made substantially the same

infringement allegations against each defendant, centering around the defendants' (1) use of content-based ETags and use of them in serving their web site content, and (2) embedding file content fingerprints into filenames for web site content. Appx7941-7943. In the Counts for most of the patents—where PersonalWeb applied specific language to the accused methods/systems—PersonalWeb also alleged that the defendants (1) caused the content-based ETags to be generated by uploading files to Amazon S3 servers, which then served the files with the ETags to web users, and (2) embedded the fingerprints into filenames using open-source software for creating and serving web sites, called Ruby on Rails ("RoR"). The allegations in the Counts for the '791 and '442 patents, though, include no reference to Amazon S3 or RoR. *See*, *e.g.*, Appx2976-2977. Further, in the Count for the '310 patent, PersonalWeb alleged the use of content-based ETags in serving files for webpages, but did not allege embedding fingerprints in filename. Appx2981-2982.

Prior to filing, PersonalWeb, through multiple, experienced patent counsel and technical experts, conducted an extensive and diligent review of the patents, the claims, the prior art, the potential defendants, *inter partes* reviews, other post-grant proceedings with the US Patent & Trademark Office, other True Name litigation, and the Texas Action (including claim constructions issued by U.S. District Judge Rodney Gilstrap and claim charts for Preliminary Infringement Contentions). Appx1433-1434, ¶3, Appx8039-8046, Appx8098-8103, Appx8107-8109, ¶¶2-7.

The District Court rejected Amazon's characterizations of PersonalWeb's pre-filing conduct as deficient, and specifically commended PersonalWeb's "extensive efforts to investigate the infringement theories prior to bringing these cases." Appx0014. Based on this extensive investigation and analysis, PersonalWeb commenced these lawsuits. Appx1433-1434, ¶3, Appx8039-8046, Appx8098-8103, Appx8107-8109, ¶¶2-7.

In reviewing and evaluating its claims prior to filing its lawsuits, PersonalWeb's counsel was significantly assisted by Dr. Samuel Russ—an independent technical expert and a professor of electrical and computer engineering. Dr. Russ was retained to (1) evaluate and investigate whether various website operators infringed PersonalWeb's patent portfolio, and (2) analyze and verify PersonalWeb and its counsel's infringement findings. Appx8039-8046. Prior to filing, Dr. Russ provided PersonalWeb's counsel with his written expert opinions of validity and infringement. *Id*., Appx8041, ¶10. Dr. Russ based his expert opinion in part on Judge Gilstrap's prior claim construction order in the Texas Action. Appx5298, ¶64. Further, prior to and during the lawsuit, PersonalWeb was also supported by an outside technical team of engineers and computer technologists that assessed and determined the viability of infringement claims against website

operators believed to infringe the patents.[1] Appx7937, ¶4.

**Amazon's Early Participation in the Lawsuits**

On February 5, 2018, Amazon undertook the defense on behalf of the alleged infringers. Appx0037. Separately, Amazon filed a complaint against PersonalWeb, seeking a declaratory judgment that PersonalWeb's 2014 voluntary dismissal in the Texas Action precluded the claims in this case ("Amazon's declaratory judgment action"). Appx9399-9418. PersonalWeb counterclaimed in Amazon's declaratory judgment action for infringement against Amazon. Appx0718-738.

On February 20, 2018—two weeks after Amazon filed its complaint for declaratory judgment—Amazon filed a Motion for a Preliminary Injunction ("Injunction Motion") in Amazon's declaratory judgment action. In its Injunction Motion, Amazon asserted that "PersonalWeb's complaints are identical, alleging infringement of the same patents and accusing the same Amazon technology at issue in this case." *See* Appx7737.

**PersonalWeb Moves to Transfer the Related Cases into an MDL**

On February 27, 2018, PersonalWeb filed a Motion for Transfer and

[1] Notably, the District Court rejected Amazon's argument of exceptionality in PersonalWeb "su[ing] scores of disparate companies in a sprawling MDL over technology—like Amazon S3—that those defendants did not create or supply' in order to collect 'nuisance-value settlements.'" Appx0030. The District Court determined that "the record does not support a finding that PersonalWeb brought these lawsuits to collect 'nuisance-value' settlements." Appx0031.

Consolidation with the Judicial Panel ("Panel") on Multidistrict Litigation ("MDL Motion"). Appx7725-7746. PersonalWeb argued that—based upon the significant commonality of factual and legal issues between the actions—consolidation would prevent inconsistent rulings, conserve judicial and party resources, and provide convenience for the parties and witnesses. Appx7739-7745. Amazon opposed consolidation, even though Amazon asserted in its above-referenced Injunction Motion that "PersonalWeb's complaints are identical…" Appx7737. The Panel agreed with PersonalWeb, and granted the MDL Motion on June 6, 2018 ("MDL Order"). Appx0543-548.

In its MDL Motion, PersonalWeb made clear that its infringement theory involved RoR *and* S3. Appx7734-7735. PersonalWeb also emphasized that:

> … the existing and future PersonalWeb patent infringement actions present the same infringement issue: whether the accused websites that operate in the same manner, being based on the same Ruby on Rails architecture and using the same aspects of the internet protocol to communicate their authorizations and re-authorizations to control what web pages files a browser uses to render their webpages, infringe the Patents-in-Suit…Because all the PersonalWeb actions involve the same type of website operation, the resolution of those cases will necessarily involve overwhelmingly common questions of fact. Appx.7740.

In granting PersonalWeb's MDL Motion over Amazon's opposition, the Panel transferred the customer cases and Amazon's declaratory judgment action into the MDL proceeding, and assigned the cases to the District Court. The Panel made

the following findings:

> On the basis of the papers filed and hearing session held, we find that these 48 actions involve common questions of fact, and that centralization in the Northern District of California will serve the convenience of the parties and witnesses and promote the just and efficient conduct of the litigation. The actions contain similar allegations regarding the infringement, validity and enforceability of five now-expired PersonalWeb patents that, broadly, concern cloud computing concepts that ensure that internet browsers do not use outdated and no longer authorized content when rendering the defendants' business webpages for viewing. Appx0543.

The Panel ordered the transfer, despite "[r]ecent developments such as PersonalWeb's amendments to several customer action complaints, combined with some customers' alleged use of cloud services other than S3…" Appx0544. The Panel's decision did not distinguish between or specify RoR or S3—which makes sense, as some of PersonalWeb's infringement claims involved one, but not the other. Plainly stated, amending the complaints by adding or removing defendants or allegations—including by removing allegations that the infringing activity was based on the use of either S3 or RoR— would not, presumptively, change the appropriateness of consolidation in the cases, as long as there was commonality among the general nature of the alleged infringing activity.

**During the Course of District Court Case Management, PersonalWeb Files Additional Lawsuits, and Amends its Complaints with Court Permission**

On February 23, 2018—as PersonalWeb was preparing its MDL Motion—PersonalWeb's counsel received a letter from one of the defendants' counsel,

contending that the defendant's website "was not developed with and has not used RoR architecture from 2012 to 2016." Appx7938, Appx8112, Appx8133-8134. Based on this newly disclosed information, PersonalWeb immediately performed additional technical analysis of all defendants' websites that was aided by a computer program written specifically for the investigative effort by PersonalWeb's counsel. Appx7939-7940, ¶¶10-11, Appx8112-8113, ¶¶15-18. As a result, over the next several months, PersonalWeb discovered that (1) some of the defendants' websites did not use RoR architecture during the infringement period, (2) fingerprints in Uniform Resource Identifiers ("URIs") may be created by programs other than RoR, (3) some defendants generated content-based ETags and served website files with these ETags without using Amazon's S3, and (4) some defendants used content-based ETags, but not fingerprints in URIs. Appx7939-7942, ¶¶10-23. PersonalWeb's additional analysis *did not* result in any *new* allegations or theories of infringement. Rather, it resulted in PersonalWeb's discovery that (1) some defendants did not infringe in *all* the ways alleged in the original complaints, (2) some of the defendants performed the same infringement alleged in the original complaints, but by using servers/software other than S3 and RoR, and (3) there was insufficient evidence that five of the defendants used either content-based ETags or fingerprints in filenames. *Id*.

Consequently, beginning in late May 2018, prior to the hearing before the

Panel, PersonalWeb began amending its complaints (either because no responsive pleading had been filed in certain instances, or as specifically allowed by the District Court). Appx7940, ¶15, Appx0755, Appx0687. PersonalWeb completed amending complaints on October 3, 2018. *See*, *e.g.*, Appx0692-0717. PersonalWeb promptly dismissed the complaints against the above-referenced five defendants for which there was insufficient evidence of infringement. Appx7938, ¶8.

**PersonalWeb's Infringement Contentions and Case Management Efforts**

After PersonalWeb had found that the infringement by the defendants were subsets of all the original January 8, 2018 allegations and varied between defendants, PersonalWeb sought to make it easier for the District Court and the defendants to understand the amended infringement allegations. In its portion of the Preliminary Joint Management Conference Statement submitted to the District Court on September 13, 2018, PersonalWeb introduced the concept of four categories of infringing activity. Appx0605-607, Appx0795-797. For each defendant, PersonalWeb identified the categories of infringing activity that were alleged in the complaint against that defendant. *Id*. Categories 1-3 all included generating content-based ETags for files served as part of webpages. In category 1, the file was a webpage index file. In category 2, the content-based ETags was not generated by S3. In category 3, the content-based ETags was generated by S3. Category 4 was for defendants that embedded fingerprints into filenames of webpage files. Appx0561.

While not denominated as such at the time of filing of the original complaints, all four categories of conduct had been included in the original January 8, 2018 complaints. *See*, *e.g.*, Appx9655-9679.

On September 20, 2018, the District Court held a Case Management Conference ("CMC"). During the Conference, counsel for one of the website operator defendants advised that he believed that PersonalWeb's complaints were devoid of specific facts, violating Federal Rule of Civil Procedure. Appx0622-649. In response, on October 3 and 4, 2018, in conjunction with the 81 amended complaints that PersonalWeb filed pursuant to Court order, each amended complaint identified, for each defendant, the specific applicable categories, the particular file that fell within that category, the date on which the file had been served over the web, and either the content-based ETag served with the file (categories 1-3) or the fingerprint that was embedded in the filename (category 4). Appx0692-0717, Appx0756.

For some defendants, the information on the specific files identified in the amended complaints, as revealed by the specially developed computer program, showed that the files were not served by Amazon S3, but by another Amazon service, Amazon CloudFront. Unlike S3, Amazon's CloudFront is a content delivery network that can cache and serve files that a website operator hosts on S3 or a completely unrelated host system. Since CloudFront and S3 have different software

engineers, written in different languages, are priced different, and have different customers, PersonalWeb's infringement contentions (served on Amazon on October 29, 2018) included the scenario where the webpage files were served by Amazon S3, and the scenario where the webpage files were served by CloudFront. Appx1188-1200. In response, Amazon filed a Motion for Judgment on the Pleadings, asserting that PersonalWeb lacked standing to bring infringement claims against CloudFront. Appx9680-9689. The District Court denied said Motion. Appx6759.

The District Court addressed these four categories at a November 2, 2018 CMC. During the CMC, the District Court indicated that it was inclined to stay all cases, except for Amazon's declaratory judgment action and a representative case against one of Amazon's customers. The District Court explained that it would proceed with a representative case due to the concern that a verdict against Amazon in Amazon's declaratory judgment action may leave unresolved issues as to the liability of the other defendants in the customer cases. *See* Appx0836. The District Court remarked that, while no one had a "crystal ball", designating a single customer to represent the four categories of infringement was the "most efficient way to move to a resolution of the case." Appx0804-805, 7:17-8:8. The District Court rejected PersonalWeb's request to use more than one website operator as a representative case, commenting that: "So I'm not comfortable with a separate defendant from each

of the four categories, because I don't find that manageable. I'm willing to do this with a single customer." Appx0806, 9:21-24.

At the time (*i.e.*, November 2, 2018), and based on its continuing investigation bereft of any defendant discovery, PersonalWeb believed that the Twitch case likely involved infringement of all four categories. There had been no meaningful discovery concerning the allegedly infringing systems (as just the day before the November 1, 2018 CMC, PersonalWeb received Amazon's *initial* responses to the first set of discovery). Appx1157-1164. At the CMC, Amazon's counsel agreed that Twitch would be an appropriate representative. Amazon's counsel indicated that "I have actually discussed this with Twitch. And if a representative case is required, they would be amenable." Appx0802, 5:12-14. The District Court agreed, noting that "[a]s agreed to by the parties, Twitch ***seems to be*** an ideal exemplar." Appx0838 (emphasis added). The District Court acknowledged that there was a possibility that proceeding with Amazon's declaratory judgment action and the representative case against Twitch may not resolve all of the cases—however, the District Court did not "want to kick the can down the road, try the Amazon case, and find that all it did was conclude the Amazon case, and that would be really unfortunate." Appx0807, 10:5-9. Consequently, on November 27, 2018, the District Court stayed all cases, except for Amazon's declaratory judgment action and PersonalWeb's single representative customer case against Twitch. Appx0836-838.

**Amazon Moves for Summary Judgment on Preclusion**

On November 28, 2018, Amazon filed its first Motion for Summary Judgment. Appx0847-868. Amazon argued that, since PersonalWeb voluntarily dismissed the Texas Action, PersonalWeb's infringement action was barred by claim preclusion and the *Kessler* doctrine. *Id*.

One of the disputed issues in Amazon's first Motion for Summary Judgment was whether Amazon's customers were in privity with Amazon. *See* Appx0865. This was significant because privity is a necessary element of claim preclusion. Amazon sought to establish privity on the basis that Amazon agreed to indemnify its customers pursuant to an indemnification provision in its Customer Agreement. Appx0858. Since Amazon raised the issue of indemnification for the first time after PersonalWeb filed its lawsuit, PersonalWeb did not know about, and could not have known about, any alleged indemnification, or its scope, until post-filing. *See* Appx1416. PersonalWeb contended that there was no privity between Amazon and its website operators, who were not parties to the prior Texas Action. In challenging privity, PersonalWeb emphasized that the indemnification provisions (1) stated that Amazon had no contractual obligation to indemnify for the infringement claims, and (2) had become effective on June 28, 2017—which was six months after the period of infringement had ended. Appx1417. The District Court determined that, while there "appears to be privity…Even if the Court found no privity between Amazon

and its customers with respect to claim preclusion, the *Kessler* doctrine would fill the gap and thus preclude PersonalWeb's claims." Appx3244-3245.

Another disputed issue in the first Motion for Summary Judgment was whether the *Kessler* doctrine precluded PersonalWeb's claims. PersonalWeb argued that its claims were not barred by *Kessler*, on the basis that *Kessler* is rooted in issue preclusion, and, like issue preclusion, would apply only if the issue of infringement was actually litigated and decided in the Texas Action. Appx3256. Consequently, PersonalWeb contended that the voluntary dismissal of the Texas Action did not trigger *Kessler*. *Id*.

The District Court rejected PersonalWeb's position. The District Court relied on *Molinaro v. Am. Tel. & Co*., 460 F. Supp. 673, 676 (E.D. Pa. 1978), *aff'd sub nom. Molinaro, Appeal of*, 620 F.2d 288 (3rd Cir. 1980), which was "the only case that the parties have identified that squarely addresses the applicability of *Kessler* based on a prior dismissal with prejudice." Appx3257. *Molinaro*, a non-controlling 50-year-old district court case, had been cited by the Federal Circuit in the 2015 case of *Speedtrack, Inc. v. Office Depot, Inc*., 791 F.3d 1317, 1326 (Fed. Cir. 2015). While the *Speedtrack* decision cited *Molinaro* "for the specific proposition that a customer could invoke the *Kessler* doctrine…" (Appx3257), the *Speedtrack* decision had not addressed whether *Kessler* requires an actual adjudication of non-infringement. The District Court acknowledged as such, but determined that

"nothing in *Speedtrack* suggested that the Federal Circuit disagreed with *Molinaro* as to the preclusive effect of a dismissal with prejudice." Appx3257. PersonalWeb's counsel had carefully reviewed *Kessler* preclusion issues prior to filing suit and had articulated reasons, both pro and con, for a conclusion that *Kessler* might be found to apply and bar PersonalWeb's claims. Appx7943, ¶¶25-26

Another disputed issue in Amazon's first Motion for Summary Judgment was, for purposes of claim preclusion, whether the claims in the Texas Action were the same as the claims in this case. PersonalWeb challenged Amazon's position that the claims were the same. As part of its opposition papers, PersonalWeb submitted six declarations, including the Declaration of Lawrence Hadley (PersonalWeb's attorney who had litigated the Texas Action), and the Declaration of Kevin Bermeister. Appx1563-1566, Appx1429-1431. PersonalWeb submitted these declarations to establish that PersonalWeb had not been seeking findings in the Texas Action that the functionality at issue in the Texas Action was the same as the functionality in this case. *Id*. The declarations attested to the material differences between the infringement contentions in this case and in the Texas Action, and to the different purposes of the two actions, and different reasons for origination. *Id*. Messrs. Bermeister and Hadley's respective declarations provided that, at the time of the Texas Action, they were not aware that there were S3 website operator customers who were using ETags for an entirely different purpose of controlling

browser by directing browsers to use conditional HTTP GET requests containing ETags. *Id*.

The District Court determined that "Mr. Hadley's declaration does not create a genuine dispute of material fact because the declaration is 'uncorroborated and self-serving.'" Appx3250. In weighing the evidentiary value of Mr. Hadley's Declaration, the District Court determined that "Mr. Hadley's posthoc recollection of his litigation strategy is simply insufficient to place this issue in dispute." *Id*. The District Court commented at the February 28, 2019 hearing on the first Motion for Summary Judgment, as follows: "So here's the situation I'm in. Mr. Hadley gives me evidence of what the case was about, and I have other evidence also really emanating from Mr. Hadley of his discovery circumstances in his Complaint. I think I can ignore his Declaration, to the extent that it contradicts the record." Appx3122, 74:7-12.

Ultimately, on April 2, 2019, the District Court granted Amazon's first Motion for Summary Judgment ("first Summary Judgment Ruling"). Appx3233-3259. PersonalWeb appealed the first Summary Judgment Ruling. The Federal Circuit affirmed said Ruling, as set forth in its opinion in *In re PersonalWeb Technologies LLC* 961 F.3d 1365(Fed. Cir. 2020). PersonalWeb has filed a Writ of *Certiorari* to the United States Supreme Court, which is pending.

**PersonalWeb Discovers New Information Bearing upon Twitch's Designation as a Category 2 Representative**

In July 2019, PersonalWeb discovered new information bearing upon whether Twitch should remain as a category 2 representative. On July 26, 2019, PersonalWeb deposed Twitch's person most knowledgeable, James Richard. Appx5798. Based on Mr. Richard's testimony, PersonalWeb discovered, for the first time, that Twitch's web service platform is conducted in such a manner that Twitch was not representative of category 2 infringement. *Id*. Mr. Richard affirmed that there was no way for the public to have known of this information, *i.e*., PersonalWeb could not have uncovered this information with its pre-litigation investigation. Appx6766. The District Court never determined that PersonalWeb should have known that Twitch was not representative of category 2 at any earlier time.

**Meanwhile, the District Court Issues its Order Construing Claims ("Construction Order") and PersonalWeb Moves for Judgment of Noninfringement Against It**

The *Markman* hearing date of May 24, 2019 had been set months in advance by the District Court, in September, 2018. Appx0688. As the *Markman* hearing was upcoming, on March 1, 2019, the District Court set August 23, 2019 as the expert report submission deadline. Appx3047. To meet the expert submission deadline, PersonalWeb promptly began working with its expert, Erik de la Iglesia.

On August 16, 2019, one week before the August 23, 2019 expert submission deadline, the District Court issued its 34-page Construction Order. Appx5170-5203. When PersonalWeb received that Order, Mr. de la Iglesia's 64-page technical expert

report was practically complete. As of August 16, 2019, Mr. de la Iglesia had interpreted the term "valid license" to mean "valid rights to content", in accordance with Judge Gilstrap's claim construction order in the Texas Action, and in a circumstance where the District Court specifically found such interpretational efforts as of August 16, 2019 to be "reasonable." Appx3449, Appx5298, ¶64. Specifically, the District Court noted in its Construction Order that "PersonalWeb made reasonable, albeit unsuccessful, arguments that the terms authorized/unauthorized or licensed/unlicensed should be given their plain and ordinary meaning." Appx0014.

In its Construction Order, the District Court construed the claim term "unauthorized or unlicensed" as "not compliant with a valid license", and construed the claim term "authorization" as "a valid license." Appx5202. Immediately, the parties found themselves disagreeing over the meaning of the "licensed" versus "unlicensed"—which was not expressly construed/defined in the Construction Order. Appx5207. PersonalWeb contended that a "license" only required "valid rights to content" (consistent with Judge Gilstrap's order), while Amazon contended that a "license" required a written instrument or oral agreement. *Id*., Appx5342.

Within hours of issuance of the Construction Order, Amazon's counsel sent a letter to PersonalWeb's counsel. Appx5218. The letter stated that, based on the Construction Order, PersonalWeb had no viable patent infringement claims. The letter further advised that, if PersonalWeb failed to immediately dismiss all its claims

against Amazon and Twitch, then Amazon and Twitch would seek sanctions against PersonalWeb. *Id*. Despite the parties' prior zealous advocacy of infringement/non-infringement, the letter marked the first time that Amazon raised the specter of Rule 11 in PersonalWeb pursuing invalid infringement theories. *See* Appx8115, ¶24.

The next business day, on August 19, 2019, PersonalWeb's counsel responded. PersonalWeb proposed to stipulate to judgment of non-infringement against Amazon, as well as a portion of the claims against Twitch that were no longer viable as a result of the Construction Order. Appx5220. Amazon, however, *rejected* PersonalWeb's proposal—Amazon would not even agree to stipulate to PersonalWeb's proposal to dismiss all claims against Amazon. Appx5223. Thus, despite approximately six written communications between counsel between August 16 and 23, 2019 and phone calls, the parties could not bridge their different interpretations of the Construction Order. Appx5218-5224, Appx6371, ¶5.

On August 23, 2019, PersonalWeb's expert submitted his expert infringement opinion, acknowledging the above ambiguity with the Construction Order and incorporating Judge Gilstrap's construction from the Texas Action of "license"/"unlicensed" to resolve what was believed to be a persisting ambiguity. Appx5298, ¶64.

The next business day, on August 26, 2019, PersonalWeb filed a Motion to Clarify, seeking clarification on "whether the word 'license' in the Court's

construction 'meant something different than 'valid rights to content' (i.e., a narrower/license instrument-type of meaning)", as found by Judge Gilstrap. Appx5207. The purpose of the Motion to Clarify was to obtain clarification "before the parties and the Court spend more time on this case." *Id*. Thus, as set forth in the Motion to Clarify, if the District Court disagreed with PersonalWeb's interpretation, then "PersonalWeb will withdraw the report of the technical expert and dismiss, in order to preserve appellate rights." *Id*. Consistent with the Motion to Clarify, Mr. de la Iglesia noted in his expert report that "I may also supplement or amend my report or opinions in response to claim construction decisions…" Appx5276-5277, ¶3. On October 1, 2019, the District Court determined that PersonalWeb's Motion to Clarify was "a generally proper request" (Appx0021) and "properly submitted" (Appx5433), yet declined to clarify or supplement its Construction Order. Appx5428-5437.

The following day, October 2, 2019, PersonalWeb filed its Motion for Entry of Judgment ("Motion for Entry"). Appx5438-5444. In its Motion for Entry, PersonalWeb conceded that, in light of the Construction Order, "PersonalWeb cannot meet its burden of proving infringement. Entering final judgment of non-infringement in favor of Amazon will allow the parties to forego further litigation and conserve judicial resources in this case while preserving PersonalWeb's right to appeal…" Appx5440. Amazon opposed the Motion for Entry. Notably, in opposing

the Motion for Entry, "Amazon and Twitch sought findings of non-infringement based on additional grounds independent of the District Court's Claim Construction Order." Appx0005.

**The District Court Comments on PersonalWeb's Efforts to Economically Handle the Case**

On October 3, 2019, the District Court held a CMC, and commended PersonalWeb for its efficiency in handling the post-claim construction stage of the case, as follows:

> And to the extent that there's ever an issue of attorney's fees, clearly Mr. Sherman, you've made your record on the conduct of PersonalWeb to mitigate any obligation, if there is any ever. I mean, there may never been, I'm not suggesting that. But I know you are looking at the efficiency and the cost issues as well. Appx6060, 38:4-7.

**Amazon Files its Second Motion for Summary Judgment**

In October 2019, Amazon filed its second Motion for Summary Judgment. Appx6716-6732. Amazon "sought summary judgment of non-infringement not only based on the Court's claim construction, but also on additional grounds unrelated to the terms the Court had construed." Appx0020. Those "additional grounds" included that PersonalWeb failed to put forth any evidence to meet its burden of proof of infringement on other patents, and that PersonalWeb lacked standing to assert any claim against CloudFront. Appx6716-6732.

Since "Amazon/Twitch were no longer interested in a claim construction-only

judgment and sought a finding of non-infringement as to all the grounds raised in their motions", the District Court found that "the prolongation of the case at that stage did not rest solely on PersonalWeb's shoulders." Appx0022. "In other words, if Amazon/Twitch wanted to end the case, they could have asked the Court to hold PersonalWeb to its promise to dismiss all claims against Twitch based on the Court's claim construction. They did not. Instead, they pushed ahead with summary judgment on additional grounds." *Id*.

On February 3, 2020, the District Court granted the second Motion for Summary Judgment. Appx6734-6760. Two weeks later, in response to the District Court's request for the parties to advise the District Court as to how the granting of the second Motion for Summary Judgment should be applied to the stayed customer cases (Appx6761), PersonalWeb informed the District Court that the deposition testimony of Twitch's engineer on July 26, 2019 had revealed that Twitch did not perform the actions in category 2 and the engineer's testimony that there was no way that PersonalWeb could have discovered this before July 26, 2019. Appx6766. For this reason, the Court's ruling on the second Motion for Summary Judgment did not address the alleged category 2 infringement. *Id*. Thirteen of the stayed customer cases contained allegation of category 2 infringement and PersonalWeb requested that judgment not be entered as to these defendants for alleged category 2 infringement. *Id*.

PersonalWeb also requested that it be allowed to pursue its allegations of infringement based on the "terms of service" used by the defendants in the stayed customers cases. *Id*. at 3-4. While the Magistrate Judge had denied PersonalWeb's Motion to Amend Infringement Contentions to explicitly add this contention, no infringement contentions had been served regarding the stayed customer cases and neither the Court nor the Magistrate Judge had given any indication whether the infringement contentions in the Twitch case would automatically be applied to the stayed customer cases. Appx5157-5169.

**The District Court Finds the Case Exceptional and Awards Fees and Costs**

On March 20, 2020, Amazon filed its Motion for Attorney Fees and Costs ("Fee Motion"), on the basis that the case was exceptional pursuant to 35 U.S.C. § 285. Appx6776-6795. Amazon sought $6.1 million in attorneys' fees and $323,668.06 in expenses. Appx6794. The District Court heard the Fee Motion on August 6, 2020. Appx8362-8364. On October 6, 2020, the District Court determined that the case was exceptional for the following reasons:

> This case is exceptional because (1) PersonalWeb's infringement claims related to Amazon S3 were objectively baseless and not reasonable when brought because they were barred due to a final judgment entered in the Texas Action; (2) PersonalWeb frequently changed its infringement positions to overcome the hurdle of the day; (3) PersonalWeb unnecessarily prolonged this litigation after claim construction foreclosed its infringement theories; (4) PersonalWeb's conduct and positions regarding the customer cases were unreasonable; and (5) PersonalWeb submitted declarations that it should have known were not accurate. Appx0033.

Thereafter, on March 2, 2021, the District Court awarded Amazon $4,615,242.28 in fees and $203,300.10 in non-taxable costs. Appx0065. On March 11, 2021, Amazon and Twitch sought a supplemental $694,147.86 in attorneys' fees and $$11,120.97 in non-taxable costs. Appx0066. On April 19, 2021, the District Court awarded Amazon an additional $571,961.71 in attorneys' fees and $11,120.97 in non-taxable costs. Appx0069. The Orders dated October 6, 2020 ("First Order"), March 2, 2021 ("Second Order"), and April 19, 2021 ("Third Order") are collectively referred to as the "Orders".

Even assuming that exceptional conduct was properly found, the District Court awarded fees for various categories of legal services that are not attributable to any exceptional conduct. For example, the District Court erroneously awarded attorneys' fees for legal services arising from PersonalWeb's successful efforts in amending its complaint to add CloudFront as a defendant, even though the District Court denied Amazon's Motion for Judgment on that very issue and "easily resolved this motion in favor of PersonalWeb." Appx0051.

## SUMMARY OF THE ARGUMENT

The record below demonstrated a hard-fought patent infringement dispute; one in which the District Court specifically commended the patent holder for its extensive pre-filing investigative efforts. In filing suit against many alleged infringers, the patent holder strived to produce efficiency and economy for all

involved by promptly seeking consolidation in an MDL proceeding (achieved over the objection of intervenor Amazon) and fully cooperating with the District Court's active case management. The patent holder has a robust history of commercializing and licensing the patents-in-suit, and foreswore any hint of "nuisance-value" settlements. Efforts to impugn it with that tactic failed, the District Court rejecting such categorization. As demonstrated below, the District Court contradicted itself in numerous, material ways on its findings of PersonalWeb's exceptional litigation conduct.

That the District Court determined applicability of both claim preclusion and of the *Kessler* doctrine—findings upheld on appeal by this Circuit, demonstrates nothing more than the patent holder's lack of success on issues that this Court itself (as respects *Kessler*) concluded in its precedential opinion did not require an actual litigation resulting in a prior finding of non-infringement. *In re PersonalWeb Technologies LLC,* 961 F.3d 1365 (Fed. Cir. 2020). Indeed, perhaps in light of what might be viewed as the imprecise contours of the *Kessler* doctrine, the US Supreme Court has requested Amazon to respond to PersonalWeb's Petition for Writ of *Certiorari*.

Regarding PersonalWeb's infringement theories, the District Court made multiple findings in its *Octane* order confirming the reasonableness of PersonalWeb's infringement position. The District Court expressly found

PersonalWeb's efforts at clarification of its Claim Construction Order to be procedurally proper, specifically commended PersonalWeb's counsel on their efforts in that regard, and claimed to equally charge both PersonalWeb and Amazon with prolonging disposition of this case post Claim Construction Order. Yet, inconsistently, the District Court's *Octane* Order concludes that PersonalWeb's conduct in that regard was exceptional.

One of the District Court's key findings undergirding its conclusion that PersonalWeb's positions regarding the customer cases was unreasonable was PersonalWeb's discovery towards the close of fact discovery that the customer "test case" case involving Twitch would not resolve every category of claimed infringement. The District Court criticized PersonalWeb's calling attention to that development, concluding that PersonalWeb was in some fashion advocating "unravel[ing] the MDL" when PersonalWeb never advanced unraveling the MDL, and when nothing in the record supports such a drastic result attributable to PersonalWeb. There is no finding that Twitch not falling within every category of alleged infringement, or even the potential necessity of considering terms of service to determine infringement, as leading to any MDL unraveling.

The final finding of PersonalWeb's "exceptional" conduct relates to two declarations it submitted in opposition to the first summary judgment motion. The District Court found one of the declarations to be insufficient to create a genuine

dispute of material fact to preclude the grant of summary judgment on claim preclusion/*Kessler*, and expressly rejected Amazon's characterization of the declarations as "sham". Neither of the declarations figured in claim construction or infringement positions, and there is *zero* linkage anywhere located, showing that these declarations figured at all (in any other way) in the prosecution or defense of this case, or to any increase in legal fees to Amazon.

In addition to the District Court abusing its discretion in making a finding of "exceptionality," the District Court further conflated the *Octane* mandated direction that the "totality of the circumstances" provides the basis of such a decision, with its recognition that there be a "causal connection" (a but-for test) between the exceptional conduct and the legal fees imposed. The Orders are bereft of any findings of Amazon legal fees incurred because of any of the five instances of PersonalWeb exceptional conduct and the Orders run afoul of the requirement that a § 285 award must be compensatory rather than punitive. Even if the "exceptionality" finding were to stand, the District Court abused its discretion in awarding $1,948,987.01 in attorneys' fees to Amazon that are attributable to non-exceptional conduct.

## STANDARD OF REVIEW

In cases of patent infringement, "the court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. This Court

reviews a finding of exceptionality or an award of attorney fees pursuant to 35 U.S.C. § 285 under the law of the regional circuit—here, the Ninth Circuit. The Ninth Circuit reviews determinations under 35 U.S.C. § 285 for abuse of discretion. *SunEarth, Inc. v. Sun Earth Solar Power Co., Ltd*., 839 F.3d 1179, 1181 (9th Cir. 2016).

"A district court would necessarily abuse its discretion if it based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence." *ATEN International Co., Ltd. v. Uniclass Technology Co., Ltd*., 932 F.3d 1371, 1373 (Fed. Cir. 2019) (citing *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc*., 572 U.S. 559, 561 (2014). A district court also abuses its discretion if it awards attorneys fees that are not attributable to conduct that renders the case exceptional. *See Lumen View Technology LLC v. Findthebest.com, Inc*., 811 F.3d 479, 483 (Fed. Cir. 2016).

## ARGUMENT

If a district court finds that a case is exceptional, an award of any reasonable attorney fees is not automatic, but rather is within the district court's discretion. *Octane Fitness, LLC v. ICON Health & Fitness, Inc*., 572 U.S. 545, 550 (2014). Further, even if a district court exercises its discretion to award reasonable attorney fees under 35 U.S.C. § 285, the court can award only those attorney fees that were incurred as a result of the misconduct that renders the case exceptional. An award

that "extends further than that—to fees that would have been incurred without the misconduct—then it crosses the boundary from compensation to punishment." *Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1186 (2017). There must be a "causal connection" between the misconduct and the award of attorney fees, and the prevailing party "may recover 'only the portion of his fees that he would not have paid but for' the misconduct.'" *Id*., at 1186-87 (quoting *Fox v. Vice*, 563 U.S. 826, 836 (2011). A movant must establish its entitlement to attorneys' fees under 35 U.S.C. § 285 by a preponderance of the evidence. *Octane Fitness, LLC,* 572 U.S. at 557.

An exceptional case "is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id.* at 545. In considering the totality of the circumstances, the Supreme Court suggested that "district courts could consider 'nonexclusive' factors it previously set forth concerning a similar provision in the Copyright Act, including 'frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.'" *Id.*, at 554 n.6. The basic premise of the objective test is that absent misconduct, an alleged infringer must show that the suit is objectively baseless in order for the case to be exceptional. The relevant

question in the objective test is whether any reasonable litigant could have reasonably expected success on the merits. *Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306, 1327 (Fed. Cir. 2013).

Fee awards are not to be used "as a penalty for failure to win a patent infringement suit." *Octane Fitness, LLC,* 572 U.S. at 548. Further, "it is the 'substantive strength of the party's litigating position' that is relevant to an exceptional case determination, not the correctness or eventual success of that position." *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1348 (Fed. Cir. 2015).

## I. THE DISTRICT COURT ABUSED ITS DISCRETION IN MAKING THE FIRST FINDING

The First Finding was that "PersonalWeb's infringement claims related to the use of Amazon S3 were objectively baseless and clearly untenable based on established Federal Circuit precedent and in light of the with-prejudice dismissal of the Texas Action." Appx0013. The District Court found that such infringement claims "were objectively baseless and not reasonable ***when brought***." Appx0033 (emphasis added). However, the District Court's own conclusions and findings in the Orders show the District Court also found the *exact opposite*.

### A. The District Court's Determination that PersonalWeb's Infringement Positions were Meritorious

The District Court repeatedly explained that—even though the District Court may have determined that PersonalWeb's infringement claims were barred by claim

preclusion and the *Kessler* doctrine—that determination *did not* render PersonalWeb's claims objectively baseless or unreasonable. Notably, Amazon's position in *Octane* briefing was that PersonalWeb's "infringement theory was refuted by even a cursory review of the publicly available HTTP specification" and that on the substantive merits of the patents themselves, PersonalWeb had "no viable infringement theory." Appx7786.

At the time that PersonalWeb commenced its lawsuit in January 2018, PersonalWeb did not have the benefit of an applicable claim construction order in this case. As a result, PersonalWeb constructed its infringement claims consistent with Judge Gilstrap's claim construction order in the Texas Action. Appx5298, ¶64. The District Court determined that "PersonalWeb made reasonable, albeit unsuccessful, arguments that the terms authorized/unauthorized or licensed/unlicensed should be given their plain and ordinary meaning." Appx0014.

In endorsing PersonalWeb's position, the District Court concluded: "Regarding Judge Gilstrap's claim construction, PersonalWeb correctly notes this Court's conclusion that Judge Gilstrap's claim construction order was not 'directly on point with the instant dispute' and ***therefore, the merit of PersonalWeb's infringement positions were not clear until after this Court issued its Claim Construction Order***." Appx0014 (emphasis added). This determination contradicts the District Court's First Finding that PersonalWeb's infringement claims were

objectively baseless or unreasonable *when brought*.

The District Court observed: "Regarding PersonalWeb's infringement theories, while Amazon has pointed out several meaningful deficiencies in PersonalWeb's contentions, as evidenced by Amazon's complete success at summary judgment, ***those theories were not baseless or unreasonable from the start***." Appx0014 (emphasis added). The District Court elaborated: "The declarations submitted by PersonalWeb demonstrate its extensive efforts to investigate the infringement theories prior to bringing these cases and the Court is persuaded that, ***while unsuccessful, PersonalWeb presented reasonable infringement arguments throughout the case, including at summary judgment***." Appx0014-15 (emphasis added). The Order therefore provides that "***PersonalWeb's infringement positions were not objectively baseless and thus, do not support a finding of an exceptional case***." Appx0015 (emphasis added).

### B. The District Court Failed to Address PersonalWeb's Meritorious Position on Privity

Independently, the First Finding is premised on a misapplication of the law. That the District Court found the claims baseless when brought logically means *only* that some aspect of claim preclusion operated in this case. To establish claim preclusion, the defendant has the burden of proving each of the three elements, *i.e.*, the prior lawsuit (1) reached a final judgment on the merits, (2) involved identical parties or privies, and (3) involved the same claim or cause of action. *Garity v.*

*APWU National Labor Organization*, 828 F.3d 848, 855 (9th Cir. 2016).

If the defendant proves only two of the three elements, then claim preclusion *does not* apply. Thus, before reaching any conclusion in its determination of exceptional conduct justifying a fee award that PersonalWeb's infringement claims were objectively baseless and barred by claim preclusion, the District Court would have needed to determine that PersonalWeb had no reasonable or meritorious position on *any* of the elements of claim preclusion.

The District Court's First Order found that "PersonalWeb's arguments against the application of claim preclusion were not well founded." Appx0009. At the risk of understatement, that sums up why PersonalWeb lost on claim preclusion. However, nowhere in the context of exceptional litigation conduct did the District Court identify or explain why PersonalWeb's arguments before the District Court citing to and arguing applicability of both (1) *dicta* in this Court's decision in *Transclean Corp. v. Jiffy Lube Int'l, Inc*., 474 F.3d 1298, 1306 (Fed. Cir. 2007), that "a manufacturer or seller of a product who is sued for patent infringement typically is not in privity with a party…ordinarily such parties are not so closely related and their litigation interests are not so nearly identical that a patentee's suit against one would bar a second action against the other under the doctrine of claim preclusion" or (2) a leading federal practice treatise in synthesizing privity relationships (18A Fed. Prac. & Proc. Juris. §4460 Commercial Relationships (2d ed.)), concluding that

"parties on opposite sides of a contract ordinarily do not have authority to bind each other by litigation with third parties," were each objectively baseless or unreasonable when applied to this fact pattern.

Aside from the conclusion of "not well founded," in the Orders, there is nothing more. The Orders contain zero references to the word "privity" or "same party" (or any functional equivalent thereof), and no references to why citing to this Court's *dicta* or a leading federal practice treatise on manufacturer/customer privity was exceptional. This fatal omission necessarily nullifies the First Finding.

PersonalWeb did not know, and could not have known, about the indemnification provision until after the lawsuit, since Amazon raised the indemnification provision after PersonalWeb filed its lawsuit (and was not meaningfully developed until Amazon's first Motion for Summary Judgment). *See* Appx0858. Moreover, the indemnification provision stated that Amazon had no contractual obligation to indemnify for the infringement claims; and the indemnification agreement became effective on June 28, 2017, which was six months after the patents expired. Appx2408, 49:5-21. PersonalWeb had reasonable, meritorious reasons for pursuing the testing of Amazon's claim of indemnification up through the time of the ruling on the first Summary Judgment Ruling.

### C. The Erroneous Determination that PersonalWeb's Position on *Kessler* was Objectively Baseless

As support for the District Court's conclusion that "PersonalWeb's claims

related to S3 were clearly barred based on existing Federal Circuit precedent on the Kessler doctrine and thus, were objectively unreasonable when brought," the District Court relied on this Court affirming the District Court's earlier determination that *Kessler* precluded some of PersonalWeb's claims. In particular, the District Court emphasized that "the Federal Circuit rejected PersonalWeb's assertion that the *Kessler* doctrine was essentially equivalent to issue preclusion – and did so not by setting new precedent, but by reiterating its existing caselaw and explaining that the Kessler doctrine precludes relitigation of claims that were brought or could have been brought in the prior action." Appx0009 (emphasis omitted).

The reasonable inference from this excerpt is that the District Court determined that PersonalWeb's position on *Kessler* was "objectively unreasonable when brought" because this Court affirmed the District Court's determination that *Kessler* precluded some of PersonalWeb's claims. Erroneously, in finding that the infringement claims were unreasonable "when brought", the District Court *could not have* relied on this Court's June 17, 2020 opinion, which occurred two-and-a-half years *after* PersonalWeb filed its lawsuit in January 2018. Further, this Court's precedential decision added significantly to the body of law surrounding the reach and scope of the hundred-year-old *Kessler* doctrine. *See* United States Court of Appeals for the Federal Circuit, Internal Operating Procedures, IOP#10.

Dispelling any notion of well-established *Kessler* jurisprudence, this Court

noted in its precedential decision that *Kessler* is a "separate and less frequently invoked doctrine" and cited to policy considerations—*i.e.*, this Court observed that "the policy that drove the Supreme Court's decision in Kessler would be ill-served by adopting the rule proposed by PersonalWeb." *In re PersonalWeb Technologies LLC*, 961 F.3d at 1378. The District Court acknowledged that, aside from a 50-year-old non-controlling district court case, no other case applied *Kessler* to situations in which the issue of non-infringement was not actually litigated. That the District Court disagreed with PersonalWeb's position on *Kessler* otherwise does not make PersonalWeb's position frivolous or without merit. Perhaps to that point, the District Court observed that "the baselessness of PersonalWeb's claims related to the use of S3 plays a limited role in the Court's 'totality of circumstances' analysis for finding this case exceptional." Appx0013. "Limited role" or not (and whatever that means), such considerations ought not have played *any* role. Ultimately the last word on *Kessler* will be had by the United States Supreme Court in ruling on PersonalWeb's pending Petition for Writ of *Certiorari*.

## II. THE DISTRICT COURT ABUSED ITS DISCRETION IN MAKING THE SECOND FINDING

The District Court's Second Finding was that "PersonalWeb frequently changed its infringement positions to overcome the hurdle of the day." Appx0019. The Second Finding reflects two erroneous conclusions—*i.e.*, first, that PersonalWeb "changed" its infringement positions, and second, that PersonalWeb

did so "frequently".

### A. PersonalWeb Did Not Change its Infringement Positions

The Second Finding centered around a common, non-exceptional occurrence in lawsuits—in pursuit of ethically proper zealous advocacy, a party reasonably emphasizes what it believes to be meritorious facts at one stage in the proceeding, and subsequently emphasizes other meritorious facts later. The District Court focused on the arguments that PersonalWeb asserted before the MDL Order, and after the MDL Order. Before the MDL Order, PersonalWeb emphasized that the alleged infringement involved the use of RoR *and* S3. The District Court noted that, after the MDL Order, PersonalWeb focused on and emphasized that the alleged infringement involved the use of RoR, without a proportional emphasis on S3. Appx0016.

At all times, PersonalWeb's "infringement theory" was and remained the same. As PersonalWeb consistently alleged, the websites infringe when they (1) generate a fingerprint of the content of files when compiled for inclusion in a webpage, (2) have a unique content-based E-Tag value generated for files included in webpages, and (3) authorize new content and re-authorize what cached web page files may be used to render their web pages, and communicate those authorizations using HTTP 200 AND HTTP 304 messages. Appx0692-716, Appx2966-2990, Appx7941-7943, ¶¶19-24. The four categories that PersonalWeb identified in

September 2018 were not new infringement theories, but rather were all subsets of the same infringement theory that PersonalWeb pleaded in its original complaints. *Id*. The notion that emphasizing different parts of a consistent, overall theory at different times amounts to a "frequent shifting" in infringement theories is factually and legally specious, and cannot support a finding of exceptionality.

### B. The District Court Contradicted its Finding that PersonalWeb Changed its Infringement Positions

The District Court contradicted the Second Finding. In describing PersonalWeb's emphasis of different facts at different times, the District Court noted that: "To the extent that PersonalWeb argues it did not hide the ball as to Ruby on Rails from the MDL Panel, the Court agrees. That said, PersonalWeb ***clearly emphasized each Defendant's use of Amazon S3*** as a common issue supporting its centralization efforts . . . But after the MDL was created . . . PersonalWeb distanced its infringement position from S3 and ***put its focus on Ruby on Rails***." Appx0016 (emphasis added). In elaborating on the above, the District Court further found that PersonalWeb "did not hide the ball as to Ruby on Rails from the MDL Panel…" *Id*. The District Court could not have found that PersonalWeb frequently shifted its legal infringement theories, as any such finding would have necessarily required something more than *not* hiding the ball, and something more than "emphasizing" S3 at an earlier stage, and "focusing on" RoR at a later stage—especially since S3 and RoR *are part of the same argument*. The language of the Order expressly

contradicts the Second Finding that PersonalWeb "frequently shifted" infringement positions.

### C. The District Court Erroneously Concluded that PersonalWeb Frequently Changed its Infringement Positions

The only other instance of changed infringement positions the District Court pointed to was PersonalWeb's inclusion of CloudFront in its infringement contentions served on October 29, 2018, when all but the Amazon case had been stayed since very early in the cases. The suggestion that PersonalWeb's efforts to add a new Amazon product feature during the pendency of the lawsuit amounts to a shifting legal theory is a non-sequitur. In fact, in part of its Fee Motion, Amazon sought to recover its fees incurred in connection with its Motion for Judgment, on the basis that "PersonalWeb accessed CloudFront for the first time ten months into the case—one of the changes in infringement positions that the Court found made the case exceptional.'" Appx8975. The District Court rejected Amazon's position, on the basis that "[t]he Court easily resolved this motion in favor of PersonalWeb." Appx0051. Having found that Amazon was not entitled to recover its attorneys' fees in challenging PersonalWeb's allegations against CloudFront, the District Court could not have determined that the CloudFront allegations rendered the case exceptional.

The District Court also used "shifting positions" at one point to describe PersonalWeb's conduct regarding the stayed customer cases (Appx0025-26), yet the

District Court separated this conduct from the category of "frequently changed… infringement positions." Appx0033. Nevertheless, characterizing PersonalWeb's conduct regarding the stayed customer cases as "shifting positions" is incorrect. The District Court criticized PersonalWeb for not bringing its discovery of facts, known to Twitch since the beginning of the case, to the District Court's attention sooner. Also, despite all customer cases (other than Twitch) being stayed when the Magistrate Judge denied leave to amend the Twitch infringement contentions, the District Court criticized PersonalWeb for asking, *for the first time*, whether the denial should apply to the stayed customer cases. Appx0018-19.

## III. THE DISTRICT COURT ABUSED ITS DISCRETION IN MAKING THE THIRD FINDING

The Third Finding was that "PersonalWeb unnecessarily prolonged this litigation after claim construction foreclosed its infringement theories." Appx0033. Yet, the District Court (1) expressly validated PersonalWeb's post-claim construction efforts to streamline (and thus avoid prolonging) the lawsuit, and (2) recognized that Amazon was responsible for unnecessarily prolonging the case in certain respects.

### A. The District Court Contradicted its Finding that PersonalWeb Prolonged the Case Post Claim Construction

In opposing the Motion for Entry, Amazon prolonged the case because it "sought findings of non-infringement based on additional grounds independent of

the District Court's Claim Construction Order." Appx0005. Then in October 2019, Amazon filed its second Motion for Summary Judgment. Amazon "sought summary judgment of non-infringement not only based on the Court's claim construction, but also on additional grounds unrelated to the terms the Court had construed." Appx0020. Since "Amazon/Twitch were no longer interested in a claim construction-only judgment and sought a finding of non-infringement as to all the grounds raised in their motions", the District Court found that "the prolongation of the case at that stage did not rest solely on PersonalWeb's shoulders." Appx0022. "In other words, if Amazon/Twitch wanted to end the case, they could have asked the Court to hold PersonalWeb to its promise to dismiss all claims against Twitch based on the Court's claim construction. They did not." *Id*.

Post-Construction Order, Amazon prolonged the case by seeking summary judgment on grounds unrelated to said Order. The Third Finding is directly contradicted by the District Court's finding that "the prolongation of the case at that stage did not rest solely on PersonalWeb's shoulders." Appx0022. Yet, in abuse of its discretion, in finding that PersonalWeb unnecessarily prolonged the case, the District Court placed the burden entirely on PersonalWeb's shoulders. In doing so, the District Court violated the legal prohibition that (as quoted in the Second Order): "As such, 'the court can shift only those attorney's fees incurred because of the misconduct at issue.' An award that 'extends further than that — to fees that would

have been incurred without the misconduct—then…crosses the boundary from compensation to punishment. Hence, a 'causal connection' is required between the misbehavior and the legal fees imposed…" Appx0039.

### B. The District Court Erroneously Concluded that PersonalWeb's Motion to Clarify was Prompted by the Threat of Sanctions

The Third Finding is further nullified by the District Court's conclusion that "[i]t was improper for Mr. de la Iglesia to 'interpret' the Court's construction and apply his 'interpretation' to the infringement analysis." Appx0021. The District Court elaborated that, although PersonalWeb's Motion to Clarify was "a generally properly request", PersonalWeb "did so *after* it was faced with Amazon/Twitch's threat of sanctions under Rule 11 (ECF 507 at 2) and *after* it instructed its expert to apply the improper interpretation." Appx0021 (emphasis in original). The reasonable inference, according to the District Court, is that PersonalWeb must have filed its Motion to Clarify in response to the letter threatening sanctions (as opposed to the Construction Order). In reaching that conclusion, the District Court overlooked the most important fact—*i.e.*, that the District Court issued its Construction Order just hours before Amazon's letter threatening sanctions. Given this gap of only hours, the District Court had no basis to find or even suggest that PersonalWeb filed its Motion to Clarify in a strategic effort to simply avoid the threat of sanctions—*especially* considering that the District Court determined that PersonalWeb's position was 'reasonable, albeit unsuccessful" and that its Motion to

Clarify was a "proper request." Appx0014, Appx0021.

### C. The District Court Erroneously Supported its Third Finding Based on PersonalWeb's Failure to Proceed with One of Two Reasonable Courses of Action

The Third Finding is belied by another contradiction. In criticizing PersonalWeb's post construction efforts, the District Court explained that "PersonalWeb's reasonable course of action would have been to stipulate to non-infringement in both Amazon and Twitch cases immediately after claim construction when it received Amazon's Rule 11 letter and proceed to appeal." Appx0022. Yet, the District Court contradictorily found that this approach would not have been possible or accepted by Amazon because Amazon based the second Motion for Summary Judgment "on additional grounds independent of the Claim Construction Order.*"* Appx0023.

Alternatively, the District Court suggested that "PersonalWeb could have immediately sought clarification of the Court's Claim Construction Order before instructing its expert to 'interpret' the Court's construction." Appx0022. Through its Motion to Clarify, t*hat is exactly what PersonalWeb did*, although, ultimately, the District Court declined to adopt Judge Gilstrap's construction of the term "licensed/unlicensed." Appx5202. The District Court even endorsed the Motion to Clarify as "proper" (over Amazon's strident opposition of procedural irregularity) and noted that PersonalWeb's position in the Motion was "reasonable, albeit

unsuccessful…" and its position on infringement "reasonable … throughout the case" Appx0014-15.

In sum, having found that PersonalWeb's Motion to Clarify was proper and reasonable, the District Court could not have simultaneously found that the Motion to Clarify that was ruled on prior to Amazon filing its second summary judgment motion, unnecessarily prolonged the case.

### D. The District Court's Third Finding is Contradicted by the District Court's Determination that PersonalWeb Efficiently Handled the Case Post-Claim Construction

The Third Finding is contradicted by the District Court's endorsement of PersonalWeb's post claim construction efforts at the October 3, 2019 CMC. There, the court commented: "And to the extent that there's ever an issue of attorney's fees, clearly Mr. Sherman, you've made your record on the conduct of PersonalWeb to mitigate any obligation…" which is consistent with the court's observation in the First Order that "setting aside the claim construction 'clarification' issue, PersonalWeb endeavored to avoid prolonging this case." Appx6060, 38:4-7, Appx0021.

## IV. THE DISTRICT COURT ABUSED ITS DISCRETION IN MAKING THE FOURTH FINDING

The District Court abused its discretion in finding that "PersonalWeb's conduct and positions regarding the customer cases were unreasonable". Appx0033. Specifically, the District Court took issue with PersonalWeb's discovery in July

2019 that Twitch was not an adequative category 2 representative. The District Court concluded that removing Twitch as the representative case for that category would "unravel" the MDL. Appx0025. The Fourth Finding is not based in law or fact.

### A. The Fourth Finding is Contradicted by the District Court's Requirement of Proceeding with a Single Customer Representative for all Categories

The Fourth Finding is contradicted by the District Court's determination that, based on the information available as of November 2018, and as agreed to by the parties, Twitch "seems to be the ideal exemplar" as the single customer representative for all categories. Appx0838. Counsel and the District Court acknowledged that this was a belief, and could be impacted by information learned during discovery. Hence, the District Court stated that Twitch "***seems to be*** an ideal exemplar." *Id*. (emphasis added). Further, at the November 2, 2018 CMC, the District Court explained: "***None of us has a crystal ball…I'm not asking for a binding commitment***, I'm really — so I'm looking for the best, most efficient way to move to a resolution of the case." Appx0804-805, 7:17-8:8 (emphasis added). According to Twitch's designated representative, PersonalWeb could not have discovered this information earlier. *See* Appx6766. To that point, there was no adjudication, nor could there have been, that PersonalWeb should have known that Twitch was not representative of Category 2.

Thus, the District Court cannot base any finding of exceptionality on

PersonalWeb's subsequent discovery that Twitch's web service platform is conducted in such a manner that challenged the parties' earlier belief that Twitch was an adequate category 2 representative.

### B. The District Court Erroneously Determined that Twitch's Removal as a Category 2 Representative Would Unravel the MDL

Further, contrary to the District Court's erroneous determination, the removal of Twitch as the category 2 representative would not have "unraveled" the MDL. Rather, the action would have proceeded with one of the thirteen stayed customer cases on the narrow undecided issues as to category 2 alleged infringement. Indeed, the District Court recognized and accepted this distinct possibility when it selected Twitch as the representative case, stating: "This gives me better hope that with a verdict, in an Amazon and customer case, that it leads you to a mediator who takes care of the case for us. I mean, that's all a bellwether ever does. A bell weather isn't binding on anybody else, I don't even think of this as a bell weather, actually, but you know, because that name means lots of different things." Appx0807, 10-15.

The District Court neither addressed nor explained how Twitch ceasing to be representative threatened to "unravel" the MDL, as opposed to illustrating how the MDL achieved its purpose by eliminating all but a few issues for the remaining thirteen cases. In fact, in the MDL Order, the Panel did not draw any distinction between S3 or RoR (as some infringement claims did not involve S3, and other infringement claims did not involve RoR) and would continue to apply to the thirteen

category 2 defendants. The four categories were, in no way, inconsistent with the MDL Order, or could have, in any way, "unraveled" the MDL.

The District Court's Fourth Finding appears to have been linked to the court's comment during an August 6, 2020 hearing that it is not Amazon's "job to prove" PersonalWeb's case. Appx8401. Yet, PersonalWeb was in no way reliant on Amazon to "prove" its case, as there were other defendants that could have been a representative case for category 2. Further, as an officer of the court, Twitch's counsel was obliged to not permit a framework of litigation to move forward where Twitch is the only party with the information necessary to show that it is not representative of the category 2 infringement. This is particularly so when, at the November 2, 2018 hearing, the District Court originally suggested using a different defendant, Centaur Media, as the representative case. Appx0802, 4:22-5:2. Indeed, it was Amazon's counsel who suggested using Twitch instead of Centaur Media: "There are a number of customers similarly [in all four categories]…So if you look on page 2, an example is Twitch Interactive, which I also represent…and I have actually discussed this with Twitch. and if a representative case is required, they would be amenable." Appx0802, 5:12-14 (brackets added). This statement that Twitch, a wholly owned Amazon subsidiary, was "amenable" to serve as the category 2 representative is perhaps the strongest evidence that it was Amazon that believed Twitch was the ideal single-customer representative. Nonetheless, the

District Court did not address why Twitch—the only party before the Court as of November 2, 2018 with the relevant information bearing upon the propriety of using Twitch as the category 2 representative because Twitch's computer architecture operated in a certain way—was not obligated to apprise the District Court that Twitch was not representative of the category 2 infringement allegations (instead of taking the position that Twitch was "amenable").

## V. THE DISTRICT COURT ABUSED ITS DISCRETION IN MAKING THE FIFTH FINDING

The District Court found that "PersonalWeb submitted declarations that it should have known were not accurate." Appx0033. The Fifth Finding is contradicted by the Orders and cannot support a finding of exceptionality.

The District Court characterized Mr. Hadley's Declaration as "uncorroborated and self-serving", and determined that "Messrs. Hadley and Bermeister should have been 'aware' that conditional GET was part of the Texas Action." Appx0029. The court did not determine that either declarant was *actually aware* that years later a court would conclude that some passing mentions of conditional GETs apart from the uploading feature meant that the operation of downloading was being pursued in the Texas Action. The court rejected Amazon's argument that they were "sham" declarations, determining that "there was no showing of blatant misrepresentation or bad faith", and found that Mr. Hadley's Declaration did not amount to a breach of duty of candor. Appx0027-29. While the declarations were admittedly unpersuasive,

these findings belie exceptionality. Nonetheless, in abuse of its discretion, the District Court proceeded to "consider these declarations as one factor in the 'totality of the circumstances' related to PersonalWeb's unreasonable conduct in this litigation." Appx0029. The District Court had no factual or legal basis to do so.

The District Court could not have premised its finding of exceptionality on its determination that Mr. Hadley's Declaration was "uncorroborated and self-serving." As addressed above, in characterizing Mr. Hadley's Declaration as such, the District Court misconstrued that it made that assessment *from an evidentiary perspective* when ruling on Amazon's first Motion for Summary Judgment. After all, the terms "uncorroborated and self-serving" did not originate from the District Court. Rather, the District Court was quoting from the following excerpt from *Villiarimo v. Aloha Island Air, Inc*. 281 F.3d 1054, 1061 (9th Cir. 2002): "However, this court has refused to find a 'genuine issue' where the only evidence presented is 'uncorroborated and self-serving' testimony." Appx0028. That excerpt from *Villiarimo* was followed by a citation to J*ohnson v. Washington Metro. Transit Auth*., 993 F.2d 125, 128 (D.C. Cir. 1989), along with the parenthetical explanation, "discussing cases in which self-serving testimony uncorroborated by other evidence did not create a genuine issue of material fact." *Villiarimo*, 281 F. 3d at 1061.

Based on *Villiarimo* and *Johnson*, it is not uncommon for courts to determine that declarations are "uncorroborated and self-serving" for purposes of analyzing a

genuine issue of material fact in connection with motions for summary judgment. Through what the District Court concluded was Mr. Hadley's "insufficient" "posthoc recollection" (Appx3250), there was nothing "exceptional" about Mr. Hadley's Declaration.

Finally, the court acknowledged that "self-serving" advocacy does not support a finding of exceptionality. In analyzing Amazon's conduct, the District Court determined that: "While Amazon/Twitch at times failed to provide the full context of the certain cited portions of the record – e.g., PersonalWeb's representation to the MDL panel (Motion at 3) and the colloquy between the Court and PersonalWeb as to whether the patents-in-suit covered the entire Internet (Motion at 10) – none raise to the level of 'falsehood' PersonalWeb suggests." Appx0032. The District Court acknowledged that (1) "self serving" zealous advocacy is expected and part of litigation, and (2) in the absence of any falsehood or misrepresentation, the fact that a pleading or position is self-serving does not make it exceptional. For these reasons, the declarations do not, and cannot, support any finding of exceptionality.

## VI. THE DISTRICT COURT ABUSED ITS DISCRETION IN AWARDING FEES NOT ATTRIBUTABLE TO EXCEPTIONAL CONDUCT

In the Second and Third Orders, the District Court awarded Amazon a total of $5,187,203.99 in attorneys' fees and $214,421.07 in costs. Appx0065, Appx0069. In awarding as such, the District Court abused its discretion because, of the $5,187,203.99 in attorneys' fees awarded, $1,948,987.01 is not attributable to any

exceptional conduct. In other words, although the District Court stated that there must be a "causal connection" between the exceptional conduct and the amount of attorneys' fees awarded, the District Court did just the opposite—it awarded attorneys' fees that Amazon would have incurred, regardless of any exceptional conduct. *See* Appx0042.

Before turning to specific categories of erroneously awarded fees/costs, and issues of claim preclusion/*Kessler* bar to the side, the law is clear that the exceptional conduct found by the District Court may only result in fee shifting with a cause-and-effect relationship. *Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1187 (2017). With the MDL having been ordered over Amazon's objection (and never at any risk of "unraveling") and with the First Order replete with multiple findings of reasonable infringement positions being advanced by PersonalWeb through the disposition on the second Motion for Summary Judgment, with the Twitch facts surrounding category 2 becoming known in July 2019, and with the Bermeister and Hadley declarations having been disregarded by the Court in its rulings on the first Motion for Summary Judgment—the District Court rulings are only punitive and in no way compensatory.

### A. Erroneous Fees for Non-Exceptional Case Management Conduct

Amazon sought $1,079,001.52 in attorneys' fees related to case management, and the District Court awarded $809,251.14, amounting to a 25% reduction.

Appx0046-47. The District Court stated that "PersonalWeb's frivolous conduct was a significant contributor to the need for case management." Appx0047. The District Court elaborated that "PersonalWeb's ever-shifting infringement theories—S3, Ruby on Rails, the late emergence of CloudFront and complete abandonment of Ruby on Rails, and finally, PersonalWeb's extraordinary declaration that Twitch was not a representative customer case only fifteen months after insisting just the opposition — support Amazon's need for significant case management efforts." *Id*. The District Court abused its discretion in awarding such fees.

First, the 25% reduction to $809,251 was completely arbitrary—it was not based on any determination that Amazon would have incurred $809,251 in case management fees but for any exceptional case management conduct. The District Court did not identify the basis of the 25% reduction, or attempt to explain how any exceptional case management conduct caused Amazon to incur $809,251.14 in fees.

Second, the District Court did not explain what it meant by "significant" or "frivolous conduct." Indeed, the District Court even acknowledged that "it is particularly difficult to attribute case management activities in this case…" *Id*. Any such difficulties in ascertaining the amount of case management fees tied to exceptional conduct must fall on Amazon, which had the burden of proof in establishing the amount of fees attributable to exceptional conduct. Yet, in abuse of its discretion, the District Court awarded $809,251 in attorneys' fees to Amazon,

even though Amazon did not satisfy its burden of proof.

Third, the District Court's decision to award fees for PersonalWeb's claims related to the use of S3 is contradicted by the District Court's determinations that (1) "PersonalWeb's infringement positions were not objectively baseless and thus, do not support a finding of an exceptional case"; and (2) "the baselessness of PersonalWeb's claims related to the use of S3 plays a limited role in the Court's 'totality of circumstances' analysis for finding this case exceptional." Appx0015, Appx0013. Based on the District Court's determination that PersonalWeb's S3 claims played only a "limited role", the District Court, by its very own standards, abused its discretion in awarding Amazon 75% of its requested attorneys' fees for this category.

Fourth, the District Court's decision to award fees for "the late emergence of CloudFront" was erroneous. The District Court rejected Amazon's Motion for Judgment on that very issue, and "easily resolved this motion in favor of PersonalWeb." Appx0051. The District Court even noted that "the Court cannot impute misconduct to PersonalWeb based on a failed litigation decision by Amazon" (*id.*) — yet, in awarding attorneys' fees related to CloudFront, that is exactly what the District Court did. In fact, "the Court did not find PersonalWeb's CloudFront infringement claims were baseless." Appx0053.

Fifth, as addressed above, the District Court's statement that there was a

"complete abandonment of Ruby on Rails" is contradicted by the District Court's determination that PersonalWeb "emphasized" S3 prior to the MDL Order, and "put its focus on Ruby on Rails" following the MDL Order. Appx0016.

Sixth, the District Court had no basis to award any fees concerning Twitch. In late 2018, the District Court *rejected* "PersonalWeb's proposal to have multiple customer cases go forward", and instead decided to proceed with a single customer representative. Appx0047. Indeed, as set forth below, the District Court awarded fees related to the MDL on the basis that "had the Court accepted PersonalWeb's proposal to have multiple customer cases go forward, the MDL proceeding would have been significantly more expensive." *Id*. In other words, Twitch was the category 2 representative only because the District Court ordered a representative for all categories and rejected PersonalWeb's preference for having a second customer case. Having determined that there could be only one representative, the District Court cannot now penalize PersonalWeb for choosing a representative that all parties had agreed "seems to be the ideal exemplar" at the time. Appx0838, Appx0802. The fact that PersonalWeb subsequently discovered that Twitch was not an adequate category 2 representative based upon the July 2019 deposition testimony of Twitch's person most knowledgeable has no bearing on the reasonableness of PersonalWeb's belief as of September 2018 that Twitch was an adequate representative—especially considering that Amazon and Twitch's counsel agreed

and did nothing to disabuse either the District Court or PersonalWeb from that perception.

### B. Erroneous Fees for Non-Exceptional MDL Conduct

Amazon sought, and the District Court awarded, $145,613.05 in fees for work related to the MDL. Appx0047. The District Court agreed with Amazon's position that Amazon was entitled to such fees because "it was Amazon's…presence in the MDL that made it possible for the Court to resolve the case as efficiently as it did. And had the Court accepted PersonalWeb's proposal to have multiple customer cases go forward, the MDL proceeding would have been significantly more expensive." *Id*. The District Court concluded that "Amazon would have not incurred these fees but for PersonalWeb's frivolous conduct…" Appx0048.

The District Court's determination was erroneous—the District Court did not provide any analysis or support. Further, the suggestion that Amazon's MDL position "made it possible for the Court to resolve the case as efficiently as it did" is false—Amazon *objected* to the MDL. For the reasons addressed above, the District Court had no basis to determine that PersonalWeb shifted its positions, or that PersonalWeb did anything "to unravel the MDL after summary judgment and to keep some of the customer cases in play." Appx0026. To the contrary, the District Court determined that "setting aside the claim construction 'clarification' issue, PersonalWeb endeavored to avoid prolonging this case." Appx0021.

### C. Erroneous Fees for Investigating and Responding to PersonalWeb's Claims

Amazon sought $212,047.88 in attorneys' fees related to investigating and responding to PersonalWeb's claims, and the District Court awarded $159,035.91 (amounting to a 25% reduction). Appx0048. In justifying said amount, the District Court stated that "PersonalWeb's abandoned infringement theories serially dominated the case, leading to unnecessary work across multiple categories of litigation." *Id*.

The reduction of 25% was entirely arbitrary and not based on any causal connection with exceptional conduct. Moreover, the award is nullified by the District Court's findings that "PersonalWeb's infringement positions were not objectively baseless and thus, do not support a finding of an exceptional case" and that "while unsuccessful, PersonalWeb presented reasonable infringement arguments throughout the case, including at summary judgment." Appx0015, Appx0014.

### D. Erroneous Fees for Non-Exceptional Motions to Stay

Amazon sought, and the District Court awarded, $151,668.62 in attorneys' fees for work related to Amazon's motions to stay. Appx0050. The District Court found that "PersonalWeb's S3-related misconduct led Amazon to file its declaratory judgment suit, the motions to stay, and the motion for a preliminary injunction." *Id*. That determination was erroneous, as PersonalWeb's S3-related claims were only a small portion of the case, and (as addressed above) the District Court determined

that the remainder of PersonalWeb's claims were reasonable. Indeed, the case proceeded after the District Court granted the first Motion for Summary Judgment attacking PersonalWeb's S3 claims. This necessarily establishes that such fees would have been incurred even if PersonalWeb did not pursue any S3-related claims.

### E. Erroneous Fees for Non-Exceptional Injunction Motion

Amazon sought, and the District Court awarded, $219,985.69, in attorneys' fees for work related to its Injunction Motion. Appx0051. The District Court relied on the same reasons that it awarded fees related to the motions to stay, as addressed above. Yet, as set forth above, but-for PersonalWeb's S3 infringement claims, the Injunction Motion still would have been filed, and would have been based on positions that the District Court determined were reasonable. Thus, Amazon would have necessarily incurred such fees but for any exceptional conduct.

### F. Erroneous Fees for Non-Exceptional Infringement Contentions

Amazon sought, and the District Court awarded, $72,896.40 in attorneys' fees for work related to PersonalWeb's infringement contentions. Appx0051. The District Court determined that "the case schedule required Amazon to review and respond to PersonalWeb's contentions…Buttressing this conclusion is the fact that in June 2019 PersonalWeb moved to amend its infringement contentions in bad faith. *See* Order Awarding Fees at 24-26." Appx0052. In June 2019, no such finding was made, not by the District Court and not by the Magistrate Judge who ruled on

PersonalWeb's motion to amend. That the District Court objected in February 2020 to PersonalWeb asking whether the Magistrate Judge's August 7, 2019 order automatically applied to the stayed cases says nothing about attorneys' fees incurred in 2019.

### G. Erroneous Fees for Non-Exceptional Claim Construction Conduct

Amazon requested $520,714.93 in attorneys' fees for work related to claim construction, and the District Court awarded Amazon $390,536.20 (amounting to a 25% reduction). Appx0053-54. Despite the District Court's conclusion that "PersonalWeb made reasonable, albeit unsuccessful, arguments that the terms authorized/unauthorized or licensed/unlicensed should be given their plain and ordinary meaning" (Appx0014), the District Court awarded such fees on the basis that "PersonalWeb's attempt to work around the Court's claim construction ruling was egregious and exceptional…" Appx0053-54.

There was no basis to award such fees. The use of the 25% reduction was arbitrary, and was not tied to any exceptional conduct. In fact, in analyzing this category of fees, the District Court even acknowledged that "the Court cannot trace all of the requested fees to PersonalWeb's misconduct." Appx0054. As addressed above, this can only mean that Amazon did not meet its burden in establishing its entitlement to such attorneys' fees.

Further, PersonalWeb's post claim construction conduct could not have

supported any award of fees, as the District Court determined that the Motion to Clarify was "generally proper" and contained "reasonable, albeit unsuccessful, arguments…" Appx0021, Appx14. Finally, even assuming, *arguendo*, that this conduct should have been deemed exceptional—it should not have been—the District Court determined that it became exceptional only *after* its Construction Order. Yet, it applied only a blanket 25% reduction, even though the attorneys' fees were necessarily incurred *before* the Construction Order.

## CONCLUSION

In light of the foregoing, the Orders should be reversed, in their entirety.

August 16, 2021

/s/ *Michael A. Sherman*

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## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this **PERSONALWEB TECHNOLOGIES, LLC'S PRINCIPAL APPEAL BRIEF** was served on this 16th day of August, 2021 by operation of the Court's CM/ECF system on all counsel of record.

August 16, 2021

STUBBS, ALDERTON & MARKILES, LLP

/s/ *Michael A. Sherman*
Michael A. Sherman

**FORM 19. Certificate of Compliance with Type-Volume Limitations** **Form 19**
**July 2020**

# UNITED STATES COURT OF APPEALS
# FOR THE FEDERAL CIRCUIT

## CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATIONS

**Case Number:** 2021-1858

**Short Case Caption:** In re: PersonalWeb Technologies, LLC

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