Appeal Nos. 2017-2597, -2598, -2600, -2602, -2605, -2606, -2609, -2611, -2612, -2627, -2628, -2629, -2630, -2631, -2632, -2633, -2634 and 2018-1006

United States Court of Appeals

for the

Federal Circuit

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff-Cross-Appellant,

– v. –

OFFICE DEPOT INC., J.C. PENNEY COMPANY, INC., QVC INC., SEARS HOLDINGS CORPORATION, LIMITED BRANDS INC., GAP, INC., WILLIAMS-SONOMA, INC., COSTCO WHOLESALE CORPORATION, NORDSTROM.COM LLC, NORDSTROM.COM INC., NORDSTROM INC.,

Defendants,

ADOBE SYSTEMS INCORPORATED,

Defendant-Appellant.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE IN CASE NOS. 1:13-cv-00239-LPS, 1:13-CV-00287-LPS, 1:13-CV-00288-LPS, 1:13-CV-00289-LPS, 1:13-CV-00326-LPS, 1:13-CV-00330-LPS, 1:13-CV-00331-LPS, 1:13-CV-00404-LPS AND 1:13-CV-00408-LPS
LEONARD P. STARK, CHIEF JUDGE

OPENING AND RESPONSE BRIEF FOR PLAINTIFF/CROSS-APPELLANT PRINCETON DIGITAL IMAGE CORPORATION

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CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, Counsel for the Plaintiff/Cross-Appellant, Princeton Digital Image Corporation certifies the following:

1. The full name of every party or *amicus* represented by me is:

   Princeton Digital Image Corporation.

2. The name of the real party in interest represented by me is:

   Not applicable.

3. All parent corporations and any publicly held companies that own 10% or more of the stock of the party or *amicus* represented by me are:

   None.

4. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

Sean O'Kelly, Daniel Murray, Michael Botts, O'Kelly Ernst & Joyce, LLC

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal:

   None. (Note: Appellee respectfully disagrees with statement in Appellant's Certificate of Interest that the two cases cited in Appellant's Certificate of Interest will directly affect or be directly affected by this court's decision in the pending appeal).

January 16, 2018

/s/ George Pazuniak

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STATEMENT OF RELATED CASES

Pursuant to Federal Circuit Rule 47.5, Plaintiff/Cross-Appellant, Princeton Digital Image Corporation ("PDIC") states that:

No appeal in this case has ever been heard before this Court or any other appellate court;

No other case known to counsel will directly affect or be directly affected by this Court's decision in the pending appeal.

JURISDICTIONAL STATEMENT

The District Court had jurisdiction pursuant to at least 28 U.S.C. §1338(a). The Court issued a final judgment on August 25, 2017. Intervenor-Appellant Adobe Systems Incorporated ("Adobe") appealed on September 22, 2017. PDIC timely cross-appealed on September 27, 2017. Appx5546-5548. Adobe asserts that this Court has jurisdiction pursuant to 28 U.S.C. §1295(a)(1), but, as detailed below, PDIC denies that this Court has jurisdiction over the appeal taken by Adobe. The Court has jurisdiction over PDIC's cross-appeal pursuant to 28 U.S.C. §1295(a)(1).

INTRODUCTION

This appeal raises various legal issues of importance to this Court and the District Courts, including issues which this Court has not previously considered, such as whether this Court has jurisdiction over a volunteered final judgment requested in order to appeal a non-dispositive evidentiary ruling of the District

Court; who may seek sanctions under §285 and Rule 11; whether District Courts may grant attorney fees in vacating a default under Rule 55(c); the legal limits of grants of attorney fees allowable under Rule 37(d)(3); and whether a party may be punished with additional attorney fees for raising legitimate and legally-supported objections to a fee petition.

The legal issues are largely independent of the specific facts. Nevertheless, it bears noting that Adobe's brief is written as if Adobe had won below. But, Adobe failed on everything and proved nothing. It lost all its motions for sanctions. Then, after spending almost three years assailing PDIC, at great cost to the Court and PDIC, and with the jury pool assembled to hear its case, Adobe unilaterally and voluntarily asked for an adverse final judgment in PDIC's favor.

Adobe's action has consequences. It is not for Adobe to create the rules, or try cases only on its terms. By walking out of the courtroom, Adobe has waived its right to pursue any appeal, because the Final Judgment is the product of Adobe's unilateral decision – not any Court action.

Even if this Court has jurisdiction, Adobe both ignores basic law and attempts to rewrite established law. But, Adobe cannot do that either.

Adobe did succeed in confusing the District Court, so that the Court issued two orders for attorney fees against PDIC. Even if PDIC had erred in the two

instances that resulted in the awards, the attorney fee awards are unprecedented and violate established law on many grounds.

STATEMENT OF THE ISSUES

On Adobe's Appeal

1. Whether this Court has jurisdiction to hear Adobe's appeal from an adverse Final Judgment which Adobe itself requested so that it could appeal a non-dispositive interlocutory evidentiary ruling?

2. May Adobe assert sanctions under 35 U.S.C. §285, when Adobe is not the prevailing party?

3. May Adobe assert sanctions under Fed.R.Civ.P. Rule 11 for PDIC's filing of its Complaints against Defendants, when PDIC did not sue Adobe, and all the underlying cases were dismissed by stipulated orders that waived all costs and attorney fees?

4. Has Adobe demonstrated that the District Court abused discretion in denying Adobe's sanction motions; or in properly limiting the scope of alleged waiver of the attorney-client privilege; or in limiting Adobe's attempt to present irrelevant and prejudicial evidence to the jury?

On PDIC's Cross-Appeal

5. Is a District Court authorized to grant attorney fees pursuant to Fed.R.Civ.P. Rule 55(c). If so, may a Court punish PDIC for following the Court's direct order or for seeking to vacate a clerk's illegal entry of default?

6. Does Rule 37(d)(3) authorize a court to grant attorney fees for an entire second deposition where the entire second deposition was not caused by any failure of PDIC, and to award fees without a proper fee petition required by established law and without explanation, and then additionally punish a party for reasonably objecting to an unwarranted fee application?

STATEMENT OF THE CASE

A. The Parties And General Background

PDIC is the assignee of the now-expired U.S. Patent 4,813,056 (the "Patent"), which disclosed and claimed methods for encoding image data. Appx109-126. It was issued to General Electric Company ("GE"). GE had licensed the Patent worldwide, and in 2010 assigned it to PDIC to continue future licensing efforts, with GE retaining an interest in all such licenses. Appx2619(¶9).

Prior to forming PDIC, Thomas Meagher, an attorney and PDIC's president, had represented GE in licensing the Patent, and oversaw the Patent's reexaminations in the U.S. Patent Office. Appx2618-2621(¶¶7-17).

In 2011, Meagher negotiated an agreement with Adobe to license the Patent, resulting in the parties' license agreement, Appx4010-4014 ("Agreement"). Appx2621-2625(¶¶18-29). The Agreement included PDIC's covenant-not-to-sue Adobe's customers, but solely to the extent that PDIC's "claim arose in whole or part owing to an Adobe Licensed Product." Appx4011(¶3.1), Appx2662(¶22).

B. Underlying Actions Here

In addition to licensing, PDIC also filed patent infringement actions to enforce the Patent. Appx3505-3507(16:5-23:14), Appx5794-5797. Many resulted in licenses. *Id.* Two actions are still pending. Appx3837.

The actions included the nine groups of Defendants in the above-captioned cases. Based on his experience in handling the reexamination of the Patent, years of licensing the Patent for GE and PDIC, and experience in prior litigation, Meagher reasonably believed that any encoding of images according to the JPEG standard necessarily practiced the method claimed in the Patent. Appx2625-2626(¶¶30-36). In view of that conclusion and based on PDIC's investigation of the Defendants, Meagher also concluded that Defendants necessarily infringed the Patent by encoding JPEG images on their websites. *Id.*

Meagher recalled the Adobe Agreement, but he had no reason to investigate whether any Defendant was practicing an Adobe method, because he "was not aware of any Adobe product that could have been encoding JPEG on-the-fly images on the

Defendants' websites," and he never knew Adobe owned the Scene7 system. Appx2627-2628(¶¶37-40). Even if PDIC had recognized Scene7 as an Adobe product, PDIC still could not have discovered that any Defendant was utilizing Scene7. Appx2681-2711.

In the reasonable belief that Defendants infringed, PDIC filed the complaints in the nine captioned cases. Appx2628-2630(¶¶41-48). Sometime after the actions were filed, PDIC learned for the first time that Adobe's Agreement may be an issue. Appx2675(¶¶15-16).

C. PDIC Never Asserted Infringement Against Adobe Licensed Products

PDIC immediately responded that it respected the Agreement, and had not, and would not, assert any claims against licensed products. Appx2675-2679(¶¶16-29). On October 8, 2013, after working with PDIC, Adobe sent a letter to its customers which stated that PDIC had confirmed that it was not accusing any Adobe-mediated images or methods. Appx5549-5550. Adobe advised its customers that it could confirm with PDIC. Appx5550. Separately, Adobe thanked PDIC for its cooperation in issuing the letter. Appx5551. Indeed, Adobe rejected indemnification requests, because PDIC had committed to not accusing any Adobe products. Appx5552. There is no record of Adobe accepting any indemnification for any customer.

Nevertheless, PDIC had no access to Defendants' systems, and, thus, PDIC asked that any Adobe licensee confirm that only Adobe-licensed methods were used on their websites before PDIC dismissed. Appx2675-2676(¶¶16-20). After discussions between PDIC and Defendants, the parties agreed that, if the Defendants provided a declaration that all the JPEG images on the websites had been mediated in some form by an Adobe product, PDIC would dismiss its case.

Eventually, the Defendants in the nine cases on appeal provided the agreed informal declarations to PDIC, and, thereafter, the parties filed stipulated dismissals with prejudice that waived all expenses and attorney fees. Appx5554-5571. Although Adobe complains that some dismissals were delayed after the declarations were submitted, it required both PDIC and the Defendants to effectuate the stipulated dismissals. Appx1645. Much of delay can be placed at the feet of Adobe and the Defendants. Appx2676-2679(¶¶22-29). For example, "some of the declarations … are dated months before they were ever provided to PDIC's counsel." Appx2679(¶29).

D. Adobe Intervenes To Assert Monetary Claims Against PDIC

With PDIC's good-faith efforts to dismiss the nine cases progressing, Adobe moved to intervene – not to protect its customers, who needed no further protection, but to assert monetary claims against PDIC. The Court characterized Adobe's actions as "aggressive." Appx40-41.

Adobe argues that it intervened because PDIC was not dismissing the cases quickly enough. OpBr8-10. But, there is no record of any undue delay by PDIC, and Adobe mischaracterizes the circumstances. Adobe had demanded dismissal of all cases based simply on the fact that Defendants were Adobe's customers and without regard to whether the accused infringements involved Adobe. For example, Adobe argues that it provided to PDIC "records of its product sales to defendants, and copies of the end-user license agreements." OpBr9-10. This argument only highlights Adobe's error and unsustainable position below. Adobe was overextending the Agreement by arguing that it only had to show that a Defendant was a customer, when the Agreement did not protect customers, but only customers who were using Adobe's licensed products at the point of the accused infringement. Appx2621-2625(¶¶21-29), Appx2676-2677(¶22), Appx4018-4020. Adobe has not pointed to any instance where PDIC had refused to dismiss a case after a Defendant confirmed that only Adobe's systems were used on their website.

That Adobe did not intervene to protects its customers, but solely to begin an unnecessary litigation against PDIC is manifested by the fact that Adobe never asserted a license defense. Its motion to intervene plainly states Adobe's intention to pursue only affirmative claims which Adobe said, "overlap with the defenses that Defendants will assert in these actions." Appx1051. Adobe filed Complaints for breach of contract mainly to seek attorney fees against PDIC, as PDIC's written

commitments not to pursue any claim based on an Adobe-mediated action rendered any other claim for relief unnecessary. Appx1955-1967, Appx3196-3207. There was no case or controversy involving the Defendants, and only Adobe's breach of contract claim was subsisting.

Adobe points to the District Court's comments for allowing Adobe's intervention. OpBr11. But these comments merely confirmed that Adobe's affirmative breach of contract and other claims protected *Adobe's* "significant protectable interest," which overlapped with potential defenses and could most efficiently be handled in a single proceeding. The Court never held that Adobe's breach of contract affirmative claims protected Defendants, which would be unsupportable in any event.

In addition to filing its complaints in the nine cases seeking attorney fees as damages, Adobe filed two rounds of motions seeking monetary sanctions under 35 U.S.C. §285; Fed.R.Civ.P. Rule 11; 28 U.S.C. §1927; and the Court's Inherent Authority, all of which were denied by the Court. Appx23-43.

In short, Adobe left the Defendants to resolve the underlying cases with PDIC, which they did, and pursued its own agenda against PDIC.

E. Adobe Seeks Unsegregated "Defense" and "Affirmative" Attorney Fees

Adobe never presented any traditional damages in this case, as Adobe did not suffer any loss. For example, Adobe had rejected any indemnifications. Appx5552.

Instead, Adobe has sought attorney fees from PDIC. This included (i) the attorney fees it allegedly incurred in defending its customers, and (ii) fees incurred in prosecuting its claims for attorney fees. Appx61-65. (Adobe had also, at one time, sought restitution of the license fee it paid PDIC, but the District Court dismissed the claim and Adobe does not pursue it. Appx65-67). The attorney fees that Adobe purportedly incurred in defending its customers have been termed "defense" fees; while the fees Adobe incurred in affirmatively prosecuting its breach of contract and sanctions claims have been termed "affirmative" fees. Appx61.

Adobe's affirmative claims are "evergreening." When Adobe filed its Complaints, Adobe had spent minimal fees in allegedly defending its customers (who did not need any help from Adobe). But, by pursuing its claims against PDIC and then demanding that PDIC pay for the fees incurred in pursuing PDIC, Adobe's attorney fees demands became significant. The more Adobe's attorneys litigate to recover fees, the greater are the resulting affirmative fees that the attorneys seek to recover.

F. Adobe Abandons Its Case At Trial

Despite the difference between defense and affirmative fees, Adobe presented its total attorney fees as a single block, and adamantly refused to segregate or apportion its defense and affirmative fees. Adobe asserted that all its attorney fees were actionable as "damages." Adobe's damage expert presented a report that

encompassed all Adobe's fees as a single block of damages, even though he could have segregated defense and affirmative fees. Appx3629(123:8-125:5).

PDIC had consistently maintained that, even if Adobe could prove that PDIC breached the Agreement, New Jersey had adopted the American Rule, which prohibited Adobe from making any claim for affirmative fees. Indeed, on November 17, 2016, PDIC moved for leave to file an early motion for summary judgment to preclude Adobe from claiming affirmative fees, citing the same legal rationale as it later argued, and the Court accepted. Appx3036-3039, Appx3054-3058, Appx3156-3160.

The District Court chose not to entertain the early motion. Appx3166. But, at the time provided in the scheduling order for filing dispositive and trial motions, PDIC again moved to have the Court exclude Adobe's proposed evidence of its affirmative fees. Appx3579, Appx3592-3595. On August 1, 2017, or three weeks before trial, the Court ruled that PDIC had been correct all along and Adobe could not claim affirmative fees. Appx61-65. The District Court ordered Adobe to serve a supplemental damage expert report reflecting only such defense fees. Appx61-65, Appx71.

Adobe incorrectly asserts that the Court thereby "reversed course from earlier rulings" on "the eve of trial." OpBr23. In fact, the Court never allowed Adobe to claim affirmative fees. The Court denied PDIC's motion for early consideration of

summary judgment on the damage issue (Appx3166), but that denial did not affirm Adobe's strategy. It was Adobe's choice to proceed with its "all-or-nothing" approach throughout the litigation despite PDIC's remonstrations. Appx82.

The events after the Court's exclusion of affirmative fees are detailed in the Court's decision is issuing Adobe's-requested Final Judgment. Appx104-107. Adobe does not challenge the Court's recitation of the subsequent history, and that history shows a pattern of Adobe attempting to circumvent the Court's decision. Adobe first asserted that all its fees through December 2016 were necessarily "defensive." OpBr24. Adobe says that its damage expert "opined" that Adobe's fees through December 2016 "were in defense of its customers, and thus recoverable." OpBr24. But, that is plainly false. Adobe's expert testified only that "I have been asked to compute the legal fees incurred by Adobe up through that [December 2016] date," and never "opined" that to be the correct approach. Appx4265(¶7).

The Court properly shut down Adobe's new argument as merely a verbal end-around of the Court's ruling. Appx81-83, Appx105. The Court also rejected Adobe's new arguments that all its affirmative fees should be admissible, because they were "inextricably intertwined" with defense fees, because Adobe presented no factual support that the fees were "inextricably intertwined," and its arguments contradicted New Jersey law. Appx83-87, Appx105.

After losing these arguments, two days before trial was to begin, Adobe presented a new exhibit that purported to separate out defense fees. Appx4512, Appx106. The chart was considered the morning that trial was to begin, and the Court found that it manifestly still sought affirmative fees. Appx5203-5205, Appx106, Appx5049-5050. The chart continued Adobe's untenable position that it could claim as defense fees any of the hours that its attorneys spent on, for example, pleading Adobe's breach of contract case, so long as Adobe could point to some arguable benefit for its alleged defense of Defendants. The Court refused this continued effort to argue that defense and affirmative fees are "inextricably intertwined." Appx5203-5204.

Adobe still has not presented any exhibit that shows its attorneys working specific hours on specifically-identified projects that could arguable be termed defensive – for example, writing letters to PDIC addressing the Agreement or responding to any indemnification requests. Instead, Adobe unfairly accuses the Court of providing insufficient guidance on how to segregate its defense and affirmative fees. OpBr26-27. But, as the Court stated, its rulings were understandable, PDIC was being cooperative, and the Court offered to delay trial to permit Adobe to prepare its damage case. Appx5216-5218; Appx5221-5224. The Court did not restrict Adobe's options on how to present its case. But, as required by Fed.R.Evid. Rule 402, the Court excluded irrelevant and prejudicial affirmative

fees from the jury trial, including Adobe's attempt to circumvent the ruling by presenting Adobe's affirmative fees as "inextricably intertwined" to its purported defense strategy. Appx104-107.

Having failed to get its affirmative fees into evidence, Adobe moved the Court for entry of an adverse final judgment, so that Adobe could appeal the Court's evidentiary ruling. Appx5226.

By abandoning its case, Adobe also waived its opportunity to present the first issue it had intended to present to the jury – "Whether PDIC breached the Adobe License by filing and/or maintaining suit against one or more Adobe customers." Appx3842-3843. Adobe also decided that it would not present its case based on the 691 exhibits Adobe had listed for trial, which included its attorney fee invoices that were the bases of Adobe's damage claims. See, for example, Appx3867-3898(##296,297,390,391). Adobe also chose not to call its most knowledgeable person about Adobe's legal fees and a listed trial witness, Dana Rao, who was sitting in the courtroom. Appx86; Appx5135.

PDIC and the Court were prepared to go to trial, and both agreed that Adobe had, in fact, the capability, evidence and witness to present its claim for defense fees. Appx106-107, Appx5229-5230. Adobe, nevertheless, maintained its position that it wished for an adverse final judgment, and, thus, the Court sent the jury pool home. Appx5230-5231.

As Adobe requested, the Court entered a Final Judgment here on appeal. Appx108. Contrary to Adobe's representation, the District Court did not enter a "stipulated" judgment. OpBr27. Adobe requested and obtained a Final Judgment, which neither the Court nor PDIC could have opposed, as the case would be terminated and PDIC would prevail.

Other facts are considered together with the Arguments below.

G. Cross-Appeal Background

During the pretrial proceedings, the District Court issued two distinct orders that PDIC pay Adobe attorney fees in the amounts of $42,631.75 and $34,861, respectively.

1. Background Of Nordstrom Default Award

Adobe filed its Complaints in intervention in the nine cases below on May 8, 2015, including in PDIC v. Nordstrom.com LLC, et al, case 1:13-cv-00408 ("Nordstrom"). Appx384(#50). PDIC answered Adobe's Complaints in all cases, except Nordstrom. Appx1968-1980. No answer was filed, because PDIC and the Nordstrom Defendants filed a stipulated dismissal with prejudice of all claims on May 19, 2015. Appx5572-5573. The dismissal was "So Ordered" by the Court, and the case was marked "Civil Case Terminated" on the docket. Appx5575.

On May 29, 2015, Adobe's counsel confirmed to PDIC that the Nordstrom case was still marked "Civil Case Terminated" on the docket, and that Adobe was

requesting that the termination notice be removed. Appx5588. PDIC misapprehended at the time that it could not file an Answer with the case marked "terminated."

In the meantime, on July 16, 2015, the Court ordered a consolidated scheduling conference in the nine cases for August 7, 2015 (later rescheduled to August 6). Appx384(#56). On July 27, 2015, Adobe filed a motion for default pursuant to Fed.R.Civ.P. Rule 55(a). Appx5576-5579.

PDIC then used the scheduling conference to bring the default motion before the Court. The parties filed a proposed scheduling order on August 4, 2015. Appx5593-5596. First, because all the underlying cases had been dismissed with prejudice, PDIC asserted that the "Court no longer has Article III jurisdiction over any of the [nine] above-captioned cases," and asked that "this issue be decided by the Court prior to further proceeding in the above-captioned matters." Appx5595-5596. Second, as to the Nordstrom default, PDIC explained the confusion engendered by the case being marked "terminated," and the fact that PDIC "was never informed that the case was reopened by the Court or Adobe." Appx5596. Adobe, for its part, responded that it "should be permitted to apply for default judgment as soon as the Clerk enters the requested default, as contemplated by Federal Rule of Civil Procedure 55." *Id.*

The Nordstrom default was then addressed at the scheduling conference on August 6, 2015. Appx2566-2587. PDIC requested permission to file motions to dismiss Adobe's Complaints in Nordstrom and the other cases, for lack of jurisdiction in view of the change of circumstance of the dismissals in the underlying cases. Appx2569-2570, Appx2575.

The Court granted PDIC's request:

> …I do hereby direct that the plaintiff file a motion to dismiss, omnibus motion to dismiss in all of these cases and to do so by no later than two weeks from tomorrow.

Appx2582(17:15-23).

Adobe then specifically objected to PDIC filing the proposed motions to dismiss in Nordstrom, because of the default in filing an answer. Appx2586(21:14-19).

The District Court *overruled* Adobe's objection, specifically stating that his directive for PDIC to file and brief its motion to dismiss applied to Nordstrom:

> THE COURT: At the moment, I'm more focused on that I want to make a jurisdictional decision and potentially a sanctions decision that, for today's purposes, in my view would apply to all nine cases. Whether it turns out that there are particular differences in some of those nine cases, I'm not in a position to clarify today. I don't think that it is a driving factor. And I think that is something we could take care of after at least we see the briefing on the larger questions.
>
> All I would add to that is an administerial or administrative decision about what a case looks like in the computer, you know, in ECF, and whether it says open or closed is not intended to change anybody's legal rights in this context. But beyond that, I don't think

there is anything more I can say or really focus on in light of the bigger issues that are here.

Are there any other questions, Ms. Elliott?

[Adobe's counsel]: No. I appreciate that, Your Honor.

Appx2586-2587(21:14-22:12).

Considering the Court's statements, PDIC reasonably believed that the Nordstrom default had been mooted. PDIC filed its motion under Fed.R.Civ.P. Rule 12(b)(1) and Fed.R.Civ.P. Rule 12(b)(6) to dismiss Adobe's Complaint in the Nordstrom action on August 21, 2015. Appx384-385(#61-62).

At the time the motions were filed and briefed, the clerk had not taken any action on Adobe's motion for default. But, unexpectedly, on March 8, 2016, while PDIC's motion to dismiss Adobe's Complaint in Nordstrom was still pending, the clerk entered a default against PDIC in Nordstrom. Appx5605.

On March 28, 2016, the Court issued its Memorandum Opinion and Order in Nordstrom that, *inter alia*, granted PDIC's motion to dismiss Count II of Adobe's Complaint. Appx3, Appx18-21.

PDIC immediately moved to set aside default, again explaining the default and pointing to the fact that the issue had been raised at the scheduling conference, and that the Court ordered PDIC to file a motion to dismiss under Fed.R.Civ.P Rule 12(b), which terminated any obligation to file any further responsive pleading. Appx5606-5626, Appx5655-5664.

The Court granted PDIC's motion to vacate the entry of default, but assessed attorney fees against PDIC. Appx5665-5669. The Court did not address the scheduling conference at all, much less explain how PDIC could be culpable for not filing a further responsive pleading in view the Court's directive to file motions to dismiss. Instead, the Court stated that "PDIC never responded to Adobe's Complaint in the Nordstrom Suit." (Appx5666). This was plainly erroneous because Rule 12(b) states that a motion is a responsive pleading to a complaint. Moreover, the Court ordered fees, even though Adobe had not requested them, and without any opportunity for PDIC to be heard.

Adobe then filed its preliminary fee petition. Appx5685-5716. PDIC responded, and again noted the scheduling conference and PDIC's responsive pleading, as well as arguing that Adobe's fee petition failed the requirements of the Supreme Court and the Third Circuit. Appx5717-5727.

On January 27, 2017, the Court ordered Adobe to file additional support for its fee claim, but otherwise continued to award fees to Adobe, without addressing PDIC's legal and fact arguments. Appx5728-5734, Appx5736-5739. Adobe then presented additional information, but still failed to provide any detail about what the attorneys had actually done. Appx5740-5754. PDIC again objected that the petition was inadequate under Third Circuit law. Appx5755-5756.

The District Court awarded Adobe $42,631.75, without ever addressing PDIC's repeated arguments that the Court had mooted the default, and, in any event, that PDIC's court-directed Rule 12(b) motions to dismiss were responsive pleadings that negated any need to file further responsive pleadings, and ignoring PDIC's contention that Adobe's fee petition failed Third Circuit law. Appx114-116.

2. Background Of The Attorney Fee Award For Taking Second Day Of PDIC Deposition

During discovery, Adobe deposed PDIC pursuant to Fed.R.Civ.P. Rule 30(b)(6), with the deposition extending for 377 pages and the full seven hours allowed by Fed.R.Civ.P. Rule 30(d)(1) for any one deposition. Appx3224-3319. Adobe thereafter filed a motion to compel, arguing that PDIC's representative was unprepared to address specific topics, which Adobe identified as follows:

> 1. Whether PDIC entered into a license or settlement agreement with over 20 different defendants it sued for infringement of the '056 patent, and the terms of any such settlements. Ex. 1 at 274:4-275:6, 286:1-11,291:3-292:24,295:8-297:14,298:18-304:22.
>
> 2. Which defendants provided PDIC with declarations regarding their use of Adobe products, and, in particular, whether they used Scene7. Id. at 307:12-312:15.
>
> 3. The total amount of licensing fees PDIC has received from enforcing the '056 patent, and how much of that was paid to General Electric. *Id*. at 366:4-367:5.

Appx5761.

PDIC responded that Adobe did not properly notice the specific topics by its ambiguous, more general topic designations, and the specific questions required analysis and summarization of multiple documents which had been provided to Adobe. Appx5780-5781.

The Court granted Adobe's discovery motion, stating:

> ORAL ORDER: … IT IS HEREBY ORDERED that … (2) Adobe's request to compel PDIC to re−produce Mr. Meagher for a deposition at PDIC's expense is GRANTED as the Court is persuaded that PDIC failed its obligation under Rule 30(b)(6) to prepare its witness on the noticed deposition topics….

Appx5785.

PDIC complied with the Court's Order. To streamline the second deposition, PDIC appeared at the offices of Adobe's counsel, and presented to Adobe a series of charts that summarized information requested in Adobe's letter. Appx3505-3506(15:14-18:9). Adobe, nevertheless, continued the second deposition for 6 hours and 278 pages of transcript. Appx5810-5811, Appx3501-3571. Thus, even though, Adobe's first deposition had already exhausted its seven allotted hours of deposition, Adobe basically took the opportunity of the Court's order to take a second day of deposition. Adobe's examination ventured into various areas unrelated to the questions which were not previously answered, including questions such as:

- "And it's your testimony that the 2008 guide covers the types of software used by these retailers in 2007?" Appx3555(224:13-15);

- "[W]here in Exhibit 92 does it show that any of these defendants were enlarging images on the fly on their web site servers?" Appx3556(220:11-13); and
- "Do you know Nicola Fedele, the named inventor on the '056 patent?" Appx3568(266:15-16).

Thereafter, Adobe moved that PDIC pay all Adobe's fees and costs associated with the second deposition, which totaled $49,722. Appx5812. PDIC objected, because the Court had never ordered PDIC to pay the Adobe's attorney fees, Adobe had manifestly taken a second day of deposition far beyond any questions that were previously unanswered, and no authority supported an award in this case. Appx5813-5815.

The Court rejected PDIC's objections, except to reduce Adobe's fees by 50% in light of PDIC's good-faith with respect to the second deposition, and then sanctioned PDIC for opposing Adobe's fee request. It entered two Orders which awarded $34,861 in fees. Appx109-113.

SUMMARY OF THE ARGUMENT

On Adobe's Appeal

1. The Court has no jurisdiction to hear Adobe's appeal, because Adobe voluntarily requested the appealed Final Judgment. The law does not allow Adobe to engage in piecemeal litigation by volunteering an adverse final judgment merely

to appeal an interlocutory evidentiary ruling which did not dispose of the case or render trial impossible or irrelevant.

2. Adobe has no standing to assert §285 because Adobe is not a prevailing party.

3. Adobe cannot seek fees under Rule 11 for wrongful filing of complaints against the Defendants, because Adobe was an intervenor whom PDIC never sued.

4. To the extent the Court had authority to consider Adobe's §285 and Rule 11 claims, Adobe has not demonstrated abuse of discretion in denying Adobe's motions.

5. The District Court properly exercised discretion under FRE Rule 402 to preclude Adobe from violating New Jersey's American Rule by directly or indirectly presenting to the jury Adobe's attorney fees incurred in pursuing its breach of contract case as damages. No authority supports Adobe's arguments.

6. Even if the Court's discovery ruling on privilege was erroneous, it is harmless error, because Adobe has not shown that the ruling affected a substantial right, and, in any event, the Court did not abuse discretion, but provided Adobe with maximum discovery allowed by Fed.R.Evid. Rule 502(a).

On PDIC's Cross-Appeal

7. The Court erred in awarding fees in connection with PDIC's motion to vacate default, because fees are not allowed on such motion. Alternately, the Court

erred, because the default was unlawful, and PDIC cannot be required to pay fees for vacating an illegal default. The District Court incomprehensibly held PDIC culpable for PDIC doing exactly what the Court had ordered it to do, without explaining how such culpability could be supported in light of the Court's own order.

8. The Court exceeded its authority under Fed.R.Civ.P. Rule 37(d)(3) in awarding fees in connection with a second deposition, and ignored established Supreme Court and Third Circuit law governing fee petitions. The Court further erred in punishing PDIC for raising proper objections to Adobe's fee request.

STANDARD OF REVIEW

This Court must determine its jurisdiction over an appeal. *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1284 (Fed.Cir. 2007).

The Court reviews *de novo* whether Adobe is the "prevailing party," or has standing to assert Rule 11. See *SSL Servs., LLC v. Citrix Sys., Inc*., 769 F.3d 1073, 1086 (Fed.Cir. 2014). Assuming standing, a district court's decision to grant or deny Rule 11 sanctions is reviewed for abuse of discretion. *Simmerman v. Corino*, 27 F.3d 58, 61 (3d Cir.1994).

"[A]buse of discretion is the proper standard of review of a district court's evidentiary rulings." *Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 141 (1997). A trial court's determination whether to admit or exclude evidence will be upheld "unless manifestly erroneous." *Waldorf v. Shuta*, 142 F.3d 601, 627 (3d Cir. 1998).

On PDIC's cross-appeal, the Third Circuit will "review *de novo* the standards and procedures applied by the District Court in determining attorneys' fees, as it is a purely legal question," *Planned Parenthood of Cent. New Jersey v. Attorney Gen. of State of New Jersey*, 297 F.3d 253, 265 (3d Cir. 2002); and the appellate court "exercise[s] plenary review in considering whether the District Court applied the proper legal standards in determining the fee award, and we review the reasonableness of the fee award for abuse of discretion." *McKenna v. City of Philadelphia*, 582 F.3d 447, 455 (3d Cir. 2009).

ARGUMENT

I. THIS COURT LACKS JURISDICTION TO CONSIDER ADOBE'S APPEAL

This Court does not have jurisdiction under §1295(a)(1) to hear Adobe's appeal.

A. The Court's Interlocutory Rulings Did Not End Adobe's Case

Adobe erroneously asserts that the "district court … prevented Adobe from having the jury trial to which it was entitled." OpBr3. In fact, the Court exercised proper discretion to refuse admission of certain evidence that Adobe wished to directly or indirectly present to the jury in support of its damage claim. Appx61-65, Appx81-87, Appx101-07. Adobe could still have presented its case for breach of contract and for defensive fees as damages. To paraphrase Fed.R.Civ.P. Rule 54(b),

the District Court rulings "d[id] not end the action as to any of the claims or parties and [could have been] revised at any time before the entry of a judgment adjudicating all the claims and all the parties' rights and liabilities."

Moreover, even if, *arguendo*, Adobe could not have presented any damage case, the jury would have been instructed to award Adobe at least nominal damages if it proved that PDIC breach the Agreement. *Nappe v. Anschelewitz et al.*, 477 A.2d 1224, 1228 (N.J. 1984) ("The general rule is that whenever there is a breach of contract … the law ordinarily infers that damage ensued, and, in the absence of actual damages, the law vindicates the right by awarding nominal damages").

B. Adobe Is Pursuing Piecemeal Litigation Abhorred By The Courts

Adobe's decision to seek adverse Final Judgment, because the District Court would not allow it to present all the damages to which Adobe considered itself "entitled," is quintessential piecemeal litigation. Adobe seeks review of interlocutory evidentiary decisions of the District Court, which were neither final nor dispositive. Adobe thereby flouts the venerable federal policy against such piecemeal litigation:

> From the very foundation of our judicial system the object and policy of the acts of congress in relation to appeals and writs of error ... have been to save the expense and delays of repeated appeals in the same suit, and to have the whole case and every matter in controversy in it decided in a single appeal.

McLish v. Roff, 141 U.S. 661, 665–66 (1891). One fundamental reason for the rule is the judicial hardships that will occur with multiple appeals in one case. *Catlin v. United States*, 324 U.S. 229, 233–34 (1945). Other reasons are fairness to the other litigants and interests of judicial efficiency:

> In addition, the [final judgment] rule is in accordance with the sensible policy of "avoid[ing] the obstruction to just claims that would come from permitting the harassment and cost of a succession of separate appeals from the various rulings to which a litigation may give rise, from its initiation to entry of judgment." The rule also serves the important purpose of promoting efficient judicial administration.

Pause Tech. LLC v. TiVo Inc., 401 F.3d 1290, 1293 (Fed.Cir. 2005) (quoting *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 374 (1981))[1]. See also *Spread Spectrum Screening LLC v. Eastman Kodak Co*., 657 F.3d 1349, 1354 (Fed.Cir. 2011).

Adobe's decision to abandon the jury trial in favor of an appeal directed to interlocutory evidentiary rulings on damages flies directly in the face of the law against piecemeal litigation. Adobe cannot disregard the law for its convenience or because it unilaterally views its procedure as more efficient. As shown below, this Court cannot exercise jurisdiction over Adobe's attempt at piecemeal litigation.

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[1] Internal citations are omitted in all quotations in this brief.

C. The Supreme Court's *Baker* Decision Requires Dismissal of Adobe's Appeal

The recent decision of the Supreme Court in *Microsoft v. Baker*, 137 S.Ct. 1702 (2017) is squarely applicable, and requires dismissal of Adobe's appeal for lack of jurisdiction.

In *Baker*, the facts were that the district court issued an interlocutory and unappealable ruling declining to certify the respondents' proposed class action, and the appellate court declined discretionary interlocutory review. *Id.* at 1706-08. The Court noted that, as in this case, the respondents "could also have proceeded to litigate their case, mindful that the District Court could later reverse course," or "have litigated the case to final judgment and then appealed." *Id.* at 1711. But, "[i]nstead of taking one of those routes, respondents moved to dismiss their case with prejudice," indicating to the District Court that they would then appeal. *Id.* The appellate court accepted jurisdiction because the stipulated dismissal was "sufficiently adverse" to be a final decision under 28 U.S.C. §1291. *Id.*

The Supreme Court reversed, because the appellate court had no jurisdiction. The Court cited *McLish* and *Firestone Tire & Rubber Co.*, *supra*, for the "general rule [that] the whole case and every matter in controversy in it must be decided in a single appeal," and that the "final-judgment rule, now codified in §1291, preserves the proper balance between trial and appellate courts, minimizes the harassment and delay that would result from repeated interlocutory appeals, and promotes the

efficient administration of justice." *Id.* at 1712. The Court then explained that "Respondents' voluntary-dismissal tactic, even more than the death-knell theory, invites protracted litigation and piecemeal appeals." *Id.* at 1713. One problem was that "the decision whether an immediate appeal will lie resides exclusively with the plaintiff; she need only dismiss her claims with prejudice," and could "exercise that option more than once, stopping and starting the district court proceedings with repeated interlocutory appeals." *Id.* The Court held that parties could not "transform a tentative interlocutory order … into a final judgment within the meaning of §1291 simply by dismissing their claims with prejudice—subject, no less, to the right to 'revive' those claims if the denial of class certification is reversed on appeal," and "§1291's firm final-judgment rule is not satisfied whenever a litigant persuades a district court to issue an order purporting to end the litigation." *Id.* at 1715.[2]

Baker favorably cited the Third Circuit decision in *Camesi v. Univ. of Pittsburgh Med. Ctr.*, 729 F.3d 239 (3d Cir. 2013). *Baker* at 1712 n.8. In *Camesi*, the district court decertified a collective action under the Fair Labor Standards Act.

[2] Three justices concurred with the judgment, but would have ground that conclusion on the basis that the case or controversy requirement of Article III of the Constitution is lacking, where the appellants had consented to the judgment against them. *Id.* at 1717. Under that theory, Adobe's voluntary decision to accept an adverse Final Judgment also preclude a justiciable case or controversy.

Id. at 243. Instead of continuing their claims individually, the plaintiffs/appellants "moved under [Fed.R.Civ.P.] 41(a) for 'voluntary dismissal of their claims with prejudice in order to secure a final judgment for purposes of appeal,'" which the Court granted "stating that 'Plaintiffs' remaining claim are hereby dismissed with prejudice in order to allow Plaintiffs to seek appellate review.'" *Id*.

The Third Circuit held that it had no jurisdiction over the subsequent appeal, stating:

> If we were to allow such a procedural sleight-of-hand to bring about finality here, there is nothing to prevent litigants from employing such a tactic to obtain review of discovery orders, evidentiary rulings, or any of the myriad decisions a district court makes before it reaches the merits of an action. This would greatly undermine the policy against piecemeal litigation embodied by §1291.

Id. at 245-46. The Third Circuit further explained that, having voluntarily obtained an adverse judgment that was unappealable, the appellant's case was gone forever:

> The claims that Appellants dismissed with prejudice are gone forever—they are not reviewable by this Court and may not be recaptured at the district court level. … As such, Appellants' individual claims are moot.

Id. at 247.

The *Baker*/*Camesi* decisions are fully applicable here. Although the cases involved §1291 and the appeal here is under §1295(a)(1), both require "a final decision of a district court." There is also no relevant distinction between a Fed.R.Civ.P. Rule 41(a)(2) dismissal with prejudice and a Final Judgment, as they

both finally terminate cases with prejudice.[3] *Baker/Camesi* cannot be distinguished because Adobe is appealing an evidentiary decision, because all the decisions are interlocutory, and, further, *Camesi* applies to any "tactic to obtain review of discovery orders, evidentiary rulings, or any of the myriad decisions a district court makes before it reaches the merits of an action." 729 F.3d at 245-46.

The Final Judgment here provided that Adobe can appeal. But, that was also true in both *Baker* and *Camesi,* and such provisions merely avoid a waiver issue, but cannot confer appellate jurisdiction, which Adobe has the burden of proving. *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994) ("Federal courts are courts of limited jurisdiction. They possess only that power authorized by Constitution and statute, which is not to be expanded by judicial decree. It is to be presumed that a cause lies outside this limited jurisdiction, and the burden of establishing the contrary rests upon the party asserting jurisdiction"); *Blueport Co., LLC v. United States*, 533 F.3d 1374, 1381 (Fed.Cir. 2008) (applying "long-established practice of placing the burden of establishing jurisdiction on the party who claims that the power of the court should be exerted in his behalf").

[3] Adobe may have decided to ask for a final judgment rather than dismissing with prejudice under Rule 41(a)(2), because the latter authorizes the Court to impose "terms that the court considers proper."

This case is somewhat akin to appeals taken from claim construction rulings after the parties stipulate to a final judgment. But such cases are also different because the claim construction ruling is dispositive and effectively ends the case because the patentee cannot establish any liability. Even then, the mere fact that the ruling disposes of the case is insufficient, and the final judgment must, by consent, dismiss all other claims and counterclaims without prejudice to satisfy the Court's jurisdiction to hear the appeal. *Atlas IP, LLC v. Medtronic, Inc*., 809 F.3d 599, 604 (Fed. Cir. 2015). Here, the District Court's rulings did not preclude Adobe from going forward, and no claims were dismissed without prejudice. Adobe simply took an adverse judgment against its breach of contract claim, because it was going to try its case its way, and not as the law required.

In short, *Baker*/*Camesi* require rejection of the entirety of Adobe's appeal, and this necessarily includes all interlocutory rulings that are merged into the Final Judgment. As in *Camesi*, Adobe's case is gone forever.

II. ADOBE IS NOT A PREVAILING PARTY UNDER §285

Even if this Court has jurisdiction over Adobe's appeal, Adobe cannot assert 35 U.S.C. §285. The statute provides: "The court in exceptional cases may award reasonable attorney fees to *the prevailing party*." Adobe had judgment entered against it. It is not a prevailing party.

D. Adobe Distorts The Court's Order

To avoid this basic lapse, Adobe misrepresents that the District Court found "a litany of reasons as to why PDIC's litigation conduct was deemed exceptional; yet the court inexplicably refused to award fees." OpBr31.

In fact, PDIC argued below that Adobe was not the prevailing party under §285. Appx25. The District Court agreed, and held that "the Court cannot determine at this time whether PDIC or Adobe is the prevailing party. Appx26. The Court then concluded that Adobe was not entitled to sanctions even if Adobe ultimately proved to be the prevailing party. *Id.*

E. Adobe Is Not The Prevailing Party

Adobe had the burden of proving entitlement to sanctions. Yet, other than distorting the District Court's decision, Adobe does not explain how it is the prevailing party. Adobe has waived any right to offer any additional grounds for arguing that it is "the prevailing party." *Walker v. Health Int'l Corp.*, 845 F.3d 1148, 1156 (Fed.Cir. 2017) (in arguing that he was "the prevailing party," "Walker failed to raise this argument in his opening brief, so it is waived"); *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319 (Fed.Cir. 2006) ("[A]rguments not raised in the opening brief are waived").

Even without the waiver, Adobe cannot succeed. Adobe is plainly the losing party under the Final Judgment. Although this fatal defect of Adobe's appeal is rather obvious, PDIC will analyze the statutory language as a precaution.

"Congress has included the term 'prevailing party' in various fee-shifting statutes, and it has been the Court's approach to interpret the term in a consistent manner." *CRST Van Expedited, Inc. v. E.E.O.C.*, 136 S.Ct. 1642, 1646 (2016). The common definition of "prevailing party" in federal statutes is that there "must be the material alteration of the legal relationship of the parties," which also "must be marked by 'judicial imprimatur.'" *Id.* (citing and quoting *Buckhannon Board & Care Home, Inc. v. West Virginia Dept. of Health and Human Resources*, 532 U.S. 598, 602–603 and n. 4 (2001), and *Texas State Teachers Assn. v. Garland Independent School Dist.*, 489 U.S. 782, 792-93 (1989)) (internal brackets eliminated).

Here, Adobe has not obtained a "material alteration of the legal relationship of the parties [Adobe and PDIC]." Adobe cannot rely on any of stipulated dismissals between PDIC and Defendants. Adobe was not a party to the dismissals and, hence could not be "the prevailing party." Second, all the dismissals waived all costs and attorney fees, and, thus, cannot serve as a basis for a claim of attorney fees. Third, §285 refers to "**the** prevailing party." Thus, "For the purposes of costs and fees, there can be only one winner. A court must choose one, and only one, 'prevailing

party' to receive any costs award." *Shum v. Intel Corp*., 629 F.3d 1360, 1367 (Fed.Cir. 2010). Adobe cannot be *the* prevailing party, because PDIC prevailed.

Finally, in excess of caution, PDIC notes that Adobe cannot argue that it changed PDIC's conduct. PDIC was committed to the Agreement before Adobe filed its complaints in intervention. Moreover, even if Adobe's lawsuit was a "catalyst," the Supreme Court has expressly held that being a "catalyst" does not equate to being a "prevailing party." *Buckhannon*, 532 U.S. at 605 ("A defendant's voluntary change in conduct, although perhaps accomplishing what the plaintiff sought to achieve by the lawsuit, lacks the necessary judicial imprimatur on the change").

III. ADOBE CANNOT ASSERT ITS RULE 11 VIOLATIONS

Adobe argues PDIC violated Rule 11 by (i) failing to conduct an adequate pre-suit investigation before filing its complaints against the Defendants, and (ii) filing the underlying cases against the Defendants for an improper purpose. OpBr28,37-42. Thus, Adobe, as intervenor, is asserting that PDIC violated Rule 11 by suing the third-party Defendants. PDIC had argued below that Adobe had no standing to pursue the claim. Appx2602-2603. The District Court did not rule on the issue, but held that PDIC did not violate Rule 11. Appx42.

An intervenor, such as Adobe, has no standing to assert Rule 11 as to the underlying actions. *New York News, Inc. v. Kheel*, 972 F.2d 482, 486 (2d Cir. 1992)

(intervenor "has no legally protectable interest in moving for Rule 11 sanctions"); *Port Drum v. Umphrey*, 852 F.2d 148, 150 (5th Cir. 1988) ("Rule 11 is designed to regulate proceedings among parties already before the court in a particular case"); *Nyer v. Winterthur Int'l*, 290 F.3d 456, 459 (1st Cir. 2002) ("As a general rule, non-parties to a case may not bring a motion for sanctions pursuant to Rule 11").

Moreover, Adobe is not asserting any Rule 11 violation as to any pleading or conduct *vis-à-vis* Adobe. Adobe is solely asserting that PDIC violated Rule 11 in suing Defendants. But, PDIC and all the Defendants have dismissed with prejudice all claims in each of their cases, and waived all expenses. These have been "So Ordered" by the Court (Appx5554-5571), and thus enjoy the "judicial imprimatur." *CRST Van Expedited, supra*. Defendants judicially waived any Rule 11 violations in their underlying cases. Adobe, as a mere intervenor in the cases, cannot assert Rule 11 violations as to the underlying litigations when the Defendants are judicially barred from doing so. Adobe has to accept the underlying cases as they are, and the cases bar any Rule 11 claim.

IV. THE DISTRICT COURT DID NOT ABUSE DISCRETION IN DENYING SANCTIONS

Even if Adobe can seek sanctions, Adobe has not demonstrated that the District Court abused discretion in denying sanctions.

With respect to Adobe's §285 and Rule 11 arguments, it is wrong for Adobe to rely on the District Court's comments that Adobe finds favorable while ignoring

the entirety of the Court's decision. OpBr17-18. The District Court denied all Adobe's sanctions motions. Appx23-43. Because the Court concluded that PDIC acted in good-faith and should not be sanctioned, the Court may well have given more benefit to Adobe's arguments than they deserved, which PDIC could not appeal as the prevailing party.

In any event, the Court still determined three key facts:

(i) PDIC made an investigation. The Court stated: "This pre-suit investigation, although incomplete and far from ideal, was adequate under the circumstances to meet counsel's Rule 11 obligations. *** The Court accepts on this record that Mr. Meagher and PDIC possessed a plausible theory of infringement under a reasonable interpretation of the Adobe License." Appx35.

(ii) PDIC had a reasonable belief that Defendants infringed: "Accepting as true his representations, Mr. Meagher had a good faith, objectively reasonable belief that the '056 patent was valid and that systems using JPEG technology infringed the '056 patent in the manner understood by Mr. Meagher." Appx34.

(iii) PDIC always acted in good-faith: "There is no evidence of bad faith or otherwise sanctionable conduct" (Appx41), and "the Court finds that PDIC was not pursuing these actions in bad faith or for an improper purpose" (Appx42).

Adobe cannot demonstrate that these three conclusions were irrational or unsupportable, and those conclusions are sufficient basis to sustain the District Court's exercise of discretion.

In further exercise of caution, PDIC will specifically address three points upon which Adobe appears to place greatest stress. Adobe first argues that "PDIC conducted no pre-suit investigation demonstrating that it believed images on defendants' websites in 2007 were encoded with non-Adobe products." OpBr38. That arguments begs the question of why PDIC should have been considering Adobe's products. PDIC did not know that any Adobe products could encode images on the websites, and so had no reason to look for Adobe in its investigation. Appx2628-2632(¶¶30-54). Neither §285 nor Rule 11 demand that patentees have 20/20 hindsight. Moreover, Adobe cites that some Defendants used Scene7. OpBr5,17-18, but Adobe never disputed PDIC's showing that even an expert could not have discovered from any investigation whether a Defendant utilized Adobe's Scene7. Appx2681-2711.

Second, PDIC never changed its infringement arguments and there was never any inconsistency in any of the Meagher declarations or other testimony. Meagher's initial declaration was very short and conclusory, and a second declaration provided much detail with many exhibits, but they were not inconsistent. Appx1881-1883, Appx2615-2637. Each Complaint in the nine captioned cases stated: "Defendant

encoded image data into JPEG files for purposes of producing JPEG images … on Defendant's websites…" Appx1002(¶9). The websites are, by definition, produced by website servers, which is where PDIC had believed and asserted the JPEG encoding occurred. Appx1481.

Finally, Adobe complains that "PDIC filed more than fifty virtually identical cases for infringement of an expired patent against Adobe's customers," to extort "low cost settlements." OpBr7,38-39,41. No record is cited, and none exists, to support Adobe's pejoratives. The defendants encoded JPEG images on their websites, which PDIC believed was inherently infringing. Most of the "over 50" defendants did not use Adobe's products, and, in fact, even after Adobe entered the scene, many defendants took licenses under the Patent, and couple cases are still pending. Appx5794-5797. Further, PDIC's license demands —which were never pressed against any defendant claiming to be a licensee— necessarily factored in the limited period of infringement, and this Court's precedent as to damages that a party can seek on method claims of the type reflected in the Patent. Appx2632(¶56), Appx2673-2674(¶¶11-12). The patent laws do not restrict enforcement to only those patents that can command some minimum damage amount.

The District Court did not abuse discretion in rejecting Adobe's sanction assertions.

V. THE DISTRICT COURT'S PROPERLY RESTRICTED ADOBE'S IRRELEVANT EVIDENCE

The Court precluded Adobe from directly or indirectly presenting evidence of affirmative fees to the jury because New Jersey law rendered them irrelevant and prejudicial. "The Third Circuit reviews a district court's decision to exclude evidence for abuse of discretion," and a District Court's "ruling excluding evidence under Rule 403 is accorded particular deference, and ... it may not be reversed unless the determination is arbitrary and irrational." *Siemens Med. Sols. USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc*., 637 F.3d 1269, 1284 (Fed. Cir. 2011) (quoting *In re Paoli R.R. Yard PCB Litig*., 113 F.3d 444, 453 (3d Cir.1997)).

The Court did not abuse discretion in excluding Adobe's proposed affirmative fees evidence. Two basic points should not be overlooked in the mass of arguments and cases cited by Adobe:

1. New Jersey, whose law governs here, follows the American Rule to prohibit recovery of affirmative attorney fees as alleged damages absent a contractual or statutory provision providing for such fees.

2. Adobe has not cited any case where, in the absence of a "duty-to-defend" or other contractual or statutory provision, any court has allowed affirmative attorney fees in a breach of contract case under an "inextricably intertwined" or any other theory.

A. New Jersey Law, Applying American Rule, Prohibits Recovery Of Attorney Fees In Pursuit of Breach Of Contract Claims

New Jersey follows the "American Rule," and its courts have consistently held that attorney fees are not compensable damages in breach of contract cases absent an agreement or a statutory obligation to pay such fees. *New Flyer of Am., Inc. v. Mid-Newark, L.P.*, 2010 WL 2794249 at *7 (N.J.App. 2010) (reversing judgment for attorney fees, because "Awarding attorney's fees for any breach of contract, even if foreseeable, would erode the American rule"); *In re Estate of Folcher*, 135 A.3d 128, 134 (N.J. 2016) ("New Jersey is an American Rule' jurisdiction, meaning we have a 'strong public policy against shifting counsel fees from one party to another"); *Occhifinto v. Olivo Const. Co., LLC*, 114 A.3d 333, 336 (2015) ("New Jersey courts have traditionally adhered to the American Rule," which "prohibits recovery of counsel fees by the prevailing party against the losing party'"); *N. Bergen Rex Transp., Inc. v. Trailer Leasing Co., a Div. of Keller Sys.*, 730 A.2d 843, 848 (N.J. 1999) ("New Jersey has a strong policy disfavoring shifting of attorneys' fees"); *Litton Indus., Inc. v. IMO Indus., Inc*., 982 A.2d 420, 427-28 (N.J. 2009) ("In general, New Jersey disfavors the shifting of attorneys' fees"); *Atl. City Associates, LLC, v. Carter & Burgess Consultants, Inc*., 453 F. App'x 174, 181–82 (3d Cir. 2011) ("attorney's fees are not normally a proper measure of contract damages"); *Willow Int'l, Inc. v. Standard Casing Co*., 2013WL6710359 at *8

(D.N.J. 2013) ("I see no contractual or statutory basis for an award of fees in this ordinary contract action, and, absent such a basis, New Jersey law does not permit an award of fees").

The American Rule is also the law in federal courts generally. *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) ("Our basic point of reference when considering the award of attorney's fees is the bedrock principle known as the American Rule: Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise"); *Marx v. Gen. Revenue Corp*. 568 U.S. 371, 381-82 (2013) ("Under the 'bedrock principle known as the "American Rule," each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise'").

Thus, exclusion of Adobe's claims for affirmative attorney fees incurred in prosecuting its breach of contract and sanctions claims was not only proper, but required. Fed.R.Evid. Rule 402.

B. Every New Jersey Authority Cited By Adobe Directly Supports The District Court Ruling Or Is Inapposite

Adobe asks this Court to overturn New Jersey's well-established American Rule by simply relabeling "attorney fees" as "damages." The cases cited by Adobe do not support its contentions. Neither *Totaro, Duffy, Cannova & Co. v. Lane, Middleton & Co*., 921 A.2d 1100, 1107 (N.J. 2007); nor *Lieberman v. Employers*

Ins. of Wausau, 419 A.2d 417, 425 (N.J. 1980) suggest that affirmative attorney fees can be viewed as the damages. In fact, these general "damage" cases have co-existed with the American Rule without any suggestion that *Totaro* and/or *Lieberman* had *sub silento* worked a magical exception to the American Rule. The reason is that "attorneys' fees are not properly viewed as a form of consequential damages—or as damages at all." *Atl. City Assocs., LLC, supra*, 453 F.App'x at 181 (applying New Jersey law). Thus, the two lines of authority co-exist without any conflict.

Unable to find any authority in support of its argument, Adobe misstates the holding of *Dorofee v. Planning Bd. of Pennsauken Township*, 453 A.2d 1341 (N.J. App. 1982) to say the opposite of what the court actually held. OpBr44. *Dorofee* distinguished between "defense" and "affirmative" fees by quoting from Restatement, Torts 2d, §914, which provides that in tort cases "affirmative" fees (§914(1)) are not recoverable; but "defense" fees involving a "third person" (§914(2)) are recoverable:

> (1) The damages in a tort action do not ordinarily include compensation for attorney fees or other expenses of the litigation.
>
> (2) One who through the tort of another has been required to act in the protection of his interests by bringing or defending an action against a third person is entitled to recover reasonable compensation for loss of time, attorney fees and other expenditures thereby suffered or incurred in the earlier action.

453 A.2d at 1343. *Dorofee* then held that "defense" fees in that case were allowable and "affirmative" fees were not allowable:

> …we conclude that the legal expenses reasonably incurred by the Planning Board in defending the litigation which foreseeably ensued may properly be considered as damages proximately caused by the tortious conduct. Contrariwise, recovery of those expenses attributable to the prosecution of the Planning Board claim against Tocco himself is interdicted by R. 4:42–9.

453 A.2d at 1344. In short, *Dorofee* unambiguously stands for the opposite of what Adobe argues.

Other New Jersey cases cited by Adobe also hold the opposite of what Adobe argues.

Verhagen v. Platt, 61 A.2d 892, 894-895 (N.J. 1948) (OpBr45) allowed only "defense" fees, and then expressly held that "the law is settled in this State that there is no recovery" for fees incurred in pursuit of an affirmative claim. 61 A.2d at 895.

Gerhardt v. Continental Ins. Cos., 225 A.2d 328, 334 (N.J. 1966) (OpBr45) held that Plaintiff was not entitled to recovery of any attorney fees relative to the dispute between plaintiff and defendant – i.e., was not entitled to "affirmative fees." (*Id.* at 334). The case allowed Plaintiff to recover only "defense fees," because that was a cost that the insurance company had contracted to provide.

Riveredge Assocs. v. Metropolitan Life Ins. Co., 774 F.Supp. 897 (D.N.J. 1991) (OpBr46,47) excluded any recovery for affirmative fees, holding that the

"measure of damages…is its costs of defending against the allegedly wrongful suit." 774 F. Supp. at 902.[4]

The two other New Jersey cases cited by Adobe are inapposite, and do not support Adobe:

Pickett v. Lloyd's, 621 A.2d 445, 474 (N.J. 1993) (OpBr29,45) involved an insurance company's refusal to pay a claim, and did not involve any claim for attorney fees.

Borbely v. Nationwide Mut. Ins. Co., 547 F.Supp. 959 (D.N.J. 1981) (OpBr45,46) did not grant any recovery, and, in any event, the only claims were for defense fees. 547 F.Supp. at 980.

The non-governing authorities which Adobe cites from other jurisdictions did not address recovery of affirmative fees.

Thus, every case cited by Adobe either expressly supports denial of affirmative fees, or the cases do not address the issue. No case supports Adobe's assertion that affirmative fees may be treated as damages for breach of contract.

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[4] All emphases in quotations in this brief are supplied, unless noted as being in original.

C. "But-For" Is Not The Standard

Adobe argues that it can recover fees "Adobe would not have incurred … but for PDIC's breach," citing *Goodyear Tire & Rubber Co. v. Haeger*, 137 S.Ct. 1178, 1184 (2017) and *Gilbreth Int'l Corp. v. Lionel Leisure, Inc*., 622 F.Supp. 478, 487 (E.D. Pa. 1985), aff'd, 802 F.2d 469 (Fed. Cir. 1986). OpBr48.

Both cases are fee-petition cases which hold that where fees are *already awardable to a claimant by statute*, the claimant is limited to "but-for" fees. Neither case suggests that a party is entitled to attorney fees anytime those fees would not have occurred "but-for" a breach. The "but for" test is utilized to limit the attorney fees otherwise awardable, and not to authorize fees where otherwise not permitted.

D. The District Court Properly Excluded Adobe's "Inextricably Intertwined" Argument

Adobe separately argues that the District Court erred as a matter of law in rejecting Adobe's argument that its defense and affirmative fees were "inextricably intertwined." OpBr49-55. Adobe's arguments do not properly reflect the record and distort the law.

1. "Inextricably Intertwined" As Used By Adobe

Adobe does not accurately recite the background of the Court's "inextricably intertwined" ruling. Adobe's "inextricably intertwined" argument below was that Adobe's affirmative efforts must be treated as defensive, because the work allegedly

benefited its customers. Appx4376-78; Appx4447; Appx4504-05. Thus, Adobe argued that its affirmative fees were "inextricably intertwined" to its alleged defense, because Adobe's pursuit of its money claims against PDIC "was necessary to the defense of [its customers] as a strategic matter," and "Adobe's breach of contract claim is 'inextricably intertwined' with its defense of its customers." Appx4378.

Adobe similarly argues here that "Adobe's breach of contract claim was 'inextricably intertwined' with the license defense of its customers," and "necessary to the defense of [its customers] as a strategic matter … to limit or defeat [the customers'] liability." OpBr54.

Thus, Adobe is not arguing, as it could not, that its defense and affirmative fees were "inextricably intertwined" in the sense that it was impossible for Adobe's Dr. Becker or Mr. Rao to segregate particular attorney time or fees into a defense or affirmative bucket. Rather, it is simply that Adobe can avoid New Jersey's American Rule by asserting that its affirmative breach of contract claims was necessary to defending its customers.

The Court properly rejected that theory, because the theory was unsupported on the facts, and distorted the law. Adobe's theory is a back-door attempt to void New Jersey's American Rule by the mere expediency of the claimant's conclusory assertions that its affirmative claims were necessary to defend Adobe's customers.

2. Adobe Did Not Support "Inextricably Intertwined"

In rejecting Adobe's "inextricably intertwined" argument, the District Court noted that Adobe's "inextricably intertwined" argument was entirely *ipsi dixit*. Appx83-85(¶¶10-11).

Adobe's brief still does not support its assertions that its affirmative breach of contract and sanctions claims could reasonably be considered to have been "inextricably intertwined" with its purported defense of its customers.

Preliminarily, as noted before, Adobe's breach of contract and sanction claims are not "defensive." Even assuming, *arguendo*, that Adobe's customers required protection and that Adobe wanted to help them, Adobe pled monetary claims to enrich itself. If Adobe wanted to address indemnification requests, or limit or defeat any liability, Adobe would have asserted a license defense, which was all that was necessary to support its customers and would have the most effective defense. But Adobe never pled a license defense, but pled damages which Adobe, not its customers, would collect.

Adobe itself says that affirmative claims are "inextricably intertwined" with a defense, if: "any precise allocation of expenses would be impossible" (OpBr49); "cannot be separated by distinct claims or time periods" (OpBr49); "necessary to the defense of the litigation as a strategic matter" (OpBr51); and "essential to the defense against the counterclaim." (OpBr51). This is the showing that is entirely missing in

the record. Adobe has never presented any analysis or made any other showing that its affirmative claims were impossibly intertwined with its alleged defense or essential to defend its customers. Adobe has not explained why it never pled a license defense, or why it was necessary to seek money damages from PDIC to have the Court find that that its customers were protected by a license.

New Jersey has established the American Rule to prohibit parties from seeking fees incurred in pursuit of their affirmative claims. That fundamental rule of New Jersey (and federal) law cannot be circumvented by the simple expediency of a party's *ipsi dixit* that only its claims for money damages could protect its customers.

Adobe's argument, if accepted, would entirely swallow-up New Jersey's established and fundamental American Rule, because its acceptance would mean that any party could at any time argue that affirmative claims were "necessary as a strategic matter" to a defense. The American Rule cannot be negated on the strength of a party's professed belief that the Rule does not apply.

3. No Law Supports Adobe's Arguments

Leaving to one side the illogic of Adobe's argument that enriching Adobe is necessary to limit or defeat PDIC's claims against the Defendants, Adobe errs on the law. No case supports Adobe's argument.

a. Adobe Cites Only Fee Petition and Insurance Cases

All the cases which Adobe cites are either insurance "duty-to-defend" or statutory fee petition cases. OpBr49-55.

The fee petition cases are unique, because such cases are informed by the statutory language and intent, which Adobe never addresses. In fee petition cases, the statute has required attorney fees, and the Courts applied the statute to determine what fees are required by statute. That is entirely distinct from this case, where the American Rule prohibits fees.

All the other cases cited by Adobe are insurance cases. The District Court correctly noted the "relevant distinction" between insurance cases and Adobe's claim, although the Court went on to distinguish the cases cited by Adobe. Appx84-85(¶11). Notably, Adobe does not even attempt to address the Court's careful consideration of the cases.

In fact, insurance cases are unique because insurance policies are viewed as "adhesion contracts," and, consequently, "courts must assume a particularly vigilant role in ensuring their conformity to public policy and principles of fairness" and "interpret insurance contracts to accord with the objectively reasonable expectations of the insured." *Nav-Its, Inc. v. Selective Ins. Co. of Am.*, 869 A.2d 929, 933–34 (N.J. 2005). Any "doubts [are] resolved in favor of the insured," and when "multiple alternatives causes of action are stated [in a complaint], the duty to defend will

continue until every covered claim is eliminated." *Voorhees v. Preferred Mut. Ins. Co.*, 607 A.2d 1255, 1259 (N.J. 1992). Adobe cites no authority that all insurer's "duty-to-defend" principles are generally applicable to non-insurance contract cases.

Even though the insurance and fee-petition cases are distinguishable from ordinary contract cases, the cases still support the Final Judgment, and contradict Adobe's arguments.

b. No Case Supports Adobe's Arguments

The about 20 cases which Adobe cites at OpBr49-55 comprise mostly quotes taken out-of-context, and without any showing how they support Adobe's particular "inextricably intertwined" argument below that the American Rule does not apply whenever a party claims a strategic defensive benefit to an affirmative claim.

The Cited New Jersey Cases Do Not Support Adobe

Voorhees v. Preferred Mut. Ins. Co., 588 A.2d 417, 425 (N.J.App. 1991) (OpBr49), is an insurance "duty-to-defend" case which relied on "the strong public policy" in favor of insureds when "any precise allocation of expenses would be impossible." Adobe is not an insured, and, as analyzed above, has not presented any evidence that allocation is "impossible."

Garmeaux v. DNV Concepts, Inc., 151 A.3d 992, 997 (N.J.App. 2016) (OpBr53) held that a party may not seek fees for "distinctly different claims for relief" in one lawsuit, but that a "court may shift fees on the [Consumer Fraud Act]

claim or claims that involve the common core of CFA-related facts." Thus, the case squarely supports the District Court's ruling.

Norton v. Wilshire Credit Corp, 36 F.Supp.2d 216, 220 (D.N.J. 1999), applying federal law, held it "unnecessary" for claimant to separate time for various claims that were "inextricably intertwined" only because all the time was apparently recoverable in any event.

Other Cases Cited By Adobe Do Not Support Adobe

The case from outside of New Jersey that Adobe most stresses, *Safeguard Scientifics, Inc. v. Liberty Mut. Ins. Co.*, 766 F.Supp. 324 (E.D. Pa.1991) aff'd in part 1992WL12915247 (3d Cir. 1992), is another insurer's duty-to-defend case, which held only that, on the particular facts of that case, the insured had presented sufficient evidence to support "the conclusion that the counterclaims were strategic and were utilized in defense of the Barnes action." 1992WL12915247 at *5. That non-governing case does not say, as Adobe argues, that the American Rule does not apply merely because there is some strategic benefit in pursuing affirmative claims.

In short, no case supports Adobe's argument.

E. New Jersey Decides Policy, Not Adobe

The District Court did not "punish Adobe for taking actions to mitigate damages." OpBr55-57. The Court applied established New Jersey law enforcing the American Rule. Adobe may disagree with the law and policy, but, in fact, it was

fairly applied here. Adobe did not defend its customers by filing its complaints in intervention, but only created litigation in pursuit of attorney fees for the sake of generating more attorney fees– a litigation version of a perpetual motion machine.

A party cannot "blow-up" the American Rule by self-serving unilateral protestations that it was trying to help its insureds or that it was "forced to litigate."

VI. ADOBE'S APPEAL OF DISCOVERY RULING IS MERITLESS

A. Adobe Does Not Demonstrate That Any Alleged Error Affected Substantial Rights

The governing law states:

> On the hearing of any appeal …, the court shall give judgment after an examination of the record without regard to errors or defects which do not affect the substantial rights of the parties.

28 U.S.C. §2111.

"Not every error warrants a remand." *Walter Kidde Portable Equip., Inc. v. Universal Sec. Instruments, Inc*., 479 F.3d 1330, 1340 (Fed.Cir. 2007). See also *Deere & Co. v. Int'l Harvester Co*., 710 F.2d 1551, 1558 (Fed.Cir. 1983) ("the district court's erroneous application of [Fed.R.Evid. 408] did not affect the substantial rights of the parties"); *Gen. Motors Corp. v. New A.C. Chevrolet, Inc*., 263 F.3d 296, 328 (3d Cir. 2001) ("Although we conclude that the District Court erred …, we believe the Court's error to be harmless, as it did not impact New AC's substantial rights").

In its brief, Adobe does not address §2111 or demonstrate that the District Court's decision on the scope of PDIC's privilege waiver had affected a "substantial right" of Adobe. Thus, even if the Court erred in its discovery ruling, Adobe has waived arguing that the error is anything but harmless error by not raising the issue in its opening brief.

B. District Court Did Not Abuse Discretion

The Court did not abuse discretion in its ruling. The governing law is that disclosure of privileged matter requires disclosure of undisclosed communications only if:

> (1) the waiver is intentional;
>
> (2) the disclosed and undisclosed communications or information concern the same subject matter; and
>
> (3) they ought in fairness to be considered together.

Fed.R.Evid. Rule 502(a).

Here, PDIC did not intentionally waive any privilege. However, PDIC had already complied with the Court's discovery Order, and, therefore, that objection is moot. Nevertheless, Adobe cannot overcome the restrictions of the remainder of Rule 502(a).

1. Adobe Has Not Addressed The "Fairness" Requirement

Rule 502(a) allows the Court to order production of additional matter only upon finding that it "ought in fairness to be considered together" with the

intentionally disclosed material. Adobe recognizes that the Court considered this "fairness" requirement in its discovery order. OpBr3,21.

Yet, Adobe never argues, and has, thus, waived any right to argue, that the "fairness" provision of the Rule 502(a) required that the District Court have ordered disclosure of additional materials. Pp. 33, *supra*. In view of Adobe's waiver, the Court's "fairness" ruling is unappealable, and Adobe's appeal cannot succeed, because, even if Adobe proved all other elements, it cannot overturn the Court's exercise of discretion in determining "fairness."

2. Adobe Fails To Show Abuse In Court's Determination Of "Same Subject Matter"

Adobe recognizes that undisclosed communications are discoverable only if they "concern the same subject matter" as the intentionally disclosed materials. OpBr59. But, thereafter, Adobe never demonstrates that its demanded information is the same subject matter as the disclosed matter. It cannot, because the "subject matter" of the waiver was PDIC's assertions of good-faith in the filing and maintaining of the nine cases in which Adobe had intervened.

Thus, the District Court exercised proper discretion in determining that PDIC's arguments which precipitated the waiver were claims of good-faith in the nine cases here in issue, and, thus, the "same subject matter" was necessarily limited to the same nine pending cases. Appx75.

Although the above is dispositive of Adobe's appeal, it is also noted that Adobe does not draw any correlation between the "intentionally disclosed" materials and the additional information that it seeks. Adobe purports to cite two instances of PDIC's alleged disclosure. OpBr57-58. The second cite (Appx3085(20:8-18)) appears to be an error. *Id*. The first cite (Appx3285(247:17-19)) shows only that PDIC's principal testified that "I had no reason to believe, and don't even to this day, to believe that Adobe has a product that can do that [perform infringing method]." (Appx3285(247:17-19).

The only other evidence cited by Adobe are certain documents produced by PDIC, Appx3409-3427. OpBr59. These documents cannot support waiver, because Adobe has never demonstrated that they were either attorney-client or work-product privileged. In fact, these documents could not be attorney-client or work-product privileged as a matter of law, because all the documents are between PDIC's principal, Thomas Meagher, and his brother William Meagher. The latter was a mere non-lawyer third-party independent contractor working for PDIC, and there was never any attorney-client relationship between them. Appx3432-3433(13:17-14:2), Appx3437-3438(31:14-37:5). Therefore, these documents were never attorney-client privileged and cannot support waiver of the attorney-client privilege.

Instead of correlating specific instances of intentional waiver and undisclosed materials as Rule 502(a) requires, Adobe substitutes *ipsi dixit* that "All of PDIC's

infringement suits implicated the same claims and defenses." OpBr59. That is patently incorrect. Each Defendant had its own website, and, thus, the "claims" were different. Moreover, Adobe has intervened in alleged defense of its customers who had a license defense. But, some Defendants had an Adobe license defense, but many did not. Adobe does not explain how cases in which Adobe intervened involve "the same" issues as the cases in which Adobe's license is not in issue.

Adobe has not demonstrated any abuse of discretion.

CROSS-APPEAL

This Court has jurisdiction to consider the interlocutory orders here on cross-appeal. See *Camesi, supra*, 729 F.3d at 244–45 ("[u]nder the 'merger rule,' prior interlocutory orders … merge with the final judgment in a case, and the interlocutory orders (to the extent that they affect the final judgment) may be reviewed on appeal from the final order").

VII. THE COURT HAD NO AUTHORITY TO AWARD ATTORNEY FEES TO ADOBE AS SANCTION FOR PDIC'S DEFAULT OR MOTION TO VACATE THE DEFAULT

PDIC appeals the District Court's erroneous interlocutory order awarding Adobe $42,631.75 in attorney fees for PDIC's having to file a motion to vacate an illegal entry of default arising from PDIC's failure to file an answer to Adobe's complaint in the Nordstrom case. Appx114-116.

A. The Court Had No Jurisdiction Or Authority To Award Attorney Fees On A Default Motion

The District Court had no authority to award attorney fees to Adobe or against PDIC with respect to any motion for entry or for vacating a default.

First, Rule 55(a) does not provide for any attorney fees or sanctions.

Second, Rule 55(c) provides that the "court may set aside an entry of default for good cause…." The Rule does not provide for fees or "terms" for vacating a default. Notably, Rule 55(c) differs from Fed.R.Civ.P. Rule 60(b) which provides that "On motion and just terms, the court may relieve a party or its legal representative from a final judgment, order, or proceeding for the following reasons…." Thus, Congress intentionally authorized courts to vacate default for "good cause," without affording courts the opportunity to require "just terms."

Consequently, the American Rule applies, and the Court has no jurisdiction or authority to award attorney fees. *Baker Botts L.L.P., supra,* 135 S.Ct. at 2164 ("Our basic point of reference when considering the award of attorney's fees is the bedrock principle known as the American Rule: Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise"); *Marx, supra*; *Hardt v. Reliance Standard Life Ins. Co*., 560 U.S. 242, 252–53 (2010).

In *Chambers v. NASCO, Inc*., 501 U.S. 32 (1991), the Court noted three recognized exceptions to that American Rule where the Court has the inherent right

to award fees. 501 U.S. at 45. One is the "common fund" case, which is not applicable here. The other two exceptions are "narrowly defined circumstances" involving "willful disobedience of a court order" and situations "when a party has 'acted in bad faith, vexatiously, wantonly, or for oppressive reasons.'" 501 U.S. at 45–46. None of the exceptions apply here, because there is no finding, and can be no finding, that PDIC acted in bad faith.

The District Court had no jurisdiction or authority to supersede the careful body of governing law that restrict attorney fees to carefully-circumscribed situations.

B. The District Court Erred In Awarding Fees Against PDIC For Conduct Which The Court Directed

Even if the District Court had authority to grant attorney fees, the District Court's award against PDIC was erroneous as a matter of law.

The Court justified the fees, because "PDIC never responded to Adobe's Complaint in the Nordstrom Suit." Appx5666. This was plain error, because PDIC **had responded**. The Nordstrom default was raised at the scheduling conference, and the Court directed PDIC to file its proposed Rule 12(b) motion to dismiss Adobe's Nordstrom Complaint. Pp 16-18, *supra*. PDIC did move to dismiss Adobe's Complaint in Nordstrom under Rule 12(b)(1,6). The Court's action necessarily overruled the default, and, in any event the Court-directed PDIC's

motion to dismiss interrupted any need for PDIC to file any further responsive pleading, at least until "14 days after notice of the court's action" as to the Rule 12(b) motion. Fed.R.Civ.P. Rule 12(a)(4).

After legally erring in concluding that PDIC failed to respond, the Court held that PDIC's actions were inexcusable because the Court had directed PDIC to file the Rule 12(b) motions to dismiss:

> … PDIC's refusal to answer the complaint was inexcusable, given the Court's repeated references to all nine cases (Related Suits plus the Nordstrom Suit) as being pending before the Court, even after Adobe filed its motion for entry of default. (**See D.I. 89 at 3-4**)

Appx5668. The Court's reference, "D.I. 89 at 3-4," is to PDIC's quotation from the Court's ruling at the scheduling conference directing PDIC to file its motions to dismiss Adobe's Complaints in all nine cases, including Nordstrom. Appx5608-5609. Hence, the Court sanctioned PDIC for having done exactly what the Court directed it to do – which was to file the Rule 12(b) motions in all nine cases.

Finally, PDIC advised the Court at the scheduling conference that its proposed motion would challenge the Court's jurisdiction over Adobe's Complaints, and the Court stated that "It seems to me that the bigger issues are whether or not the Court has jurisdiction in these matters." Appx5621(3:17-18). Given the Court's own concern about whether the Court had jurisdiction over the complaint that Adobe filed in Nordstrom, it would be an error of law to have required PDIC to file a responsive pleading in a case where the Court arguably had no jurisdiction.

The Court has never answered PDIC's arguments based on the Court's order at the scheduling conference, and there is no answer. The District Court manifestly erred in punishing PDIC for having done exactly what the Court had ordered.

C. The District Court Erred In Awarding Fees For Vacating An Illegal Default

The Court's award was further legally erroneous, because the entry of default was illegal. PDIC should not punished for challenging an illegal default, and Adobe should not be rewarded for supporting the illegal default.

The clerk entered default on March 8, 2016, while the Court-authorized motion to dismiss Adobe's complaint in Nordstrom was still pending. Appx5605. The entry was illegal because the Court authorized PDIC's Rule 12(b) motion to dismiss, and, consequently, Rule 12(a)(4) extended PDIC's duty to file any further responsive pleading until after the Court determined the motion. PDIC was not in default, and the clerk had no authority to enter any default.

There is no precedent, and should be no precedent, that a party can be sanctioned for properly petitioning to vacate an illegal entry of default.

D. The Court Erred In Awarding Fees To Adobe, When Adobe Did Not Prevail

PDIC prevailed on its motion to vacate the default. Adobe's opposition was unjustified, and Adobe lost. The general rule in federal courts is that "a fees claimant

must show some degree of success on the merits before a court may award attorney's fees." *Hardt, supra,* 560 U.S. at 255.

Hardt is governing law. Although that case involved a specific statute, the statute in issue provided for attorney fees at the discretion of the Court, which is broad authority. Thus, the Court necessarily required that a court may exercise discretion to award attorney fees only when "claimant … show[s] some degree of success on the merits." Adobe did not achieve any success here, and, cannot have fees awarded in connection with its failed opposition.

This case reflects why the rule should be as stated in *Hardt*. The District Court awarded Adobe $42,631.75 in attorney fees, where the vast majority of Adobe's attorney time was spent after Adobe had filed its motion for default, including the time spent unsuccessfully opposing PDIC's plainly merited motion to vacate. Courts should not encourage unmerited opposition to proper motions by awarding fees for such conduct. As plainly occurred here, Adobe tried to take advantage of a plainly erroneous order, prolonged the proceedings to the detriment of the Court and parties, and should not have been rewarded.

The Court's award of $42,631.75 in attorney fees to Adobe should be reversed.

VIII. THE COURT ERRED IN AWARDING ATTORNEY FEES IN CONNECTION WITH PDIC'S DEPOSITION

The District Court awarded Adobe $34,861 in attorney fees in connection with PDIC's alleged failure to properly prepare for Adobe's deposition of PDIC. Appx109-113.

Although PDIC contends that the lower Court erred in concluding that PDIC's witness was unprepared for his deposition, PDIC recognizes that this is not an issue which this Court would normally review, and, therefore, does not rest its appeal on that basis. The issues on appeal are that the Court ordered PDIC to pay (1) $24,861 to Adobe's attorneys for taking the second deposition; and (2) another $10,000 in fees to Adobe's attorneys as punishment for PDIC's opposition to paying those attorney fees.

The Orders were contrary to law for several reasons.

A. The Court Erred In Awarding Fees For Second Deposition

The Court cited Fed.R.Civ.P. Rule 37(d)(3) for its fee award. Appx110. In fact, absent Rule 37(d)(3), the District Court had no authority to order any fees in view of the American Rule. *Baker Botts, supra; Marx, supra; Hardt, supra.*

That Rule, however, provides that a Court shall grant "reasonable expenses, including attorney's fees, caused by the failure" of a party to appear for a deposition. Assuming that failure to answer certain questions at a deposition is equivalent to

failing to appear, the Rule still says that attorney fees and other expenses may be awarded only if incurred by the failure to appear (or to answer those questions).

Despite its view that PDIC was prepared to answer, and did answer, all reasonable questions posed at the first deposition, PDIC respected the District Court's contrary ruling and was willing to pay the expenses caused by its purported failure to answer certain questions at the first deposition. Appx5806. PDIC objected, however, to Adobe's petition for fees and expenses, because it sought Adobe's fees and expenses for the 6 hours and 278 transcript pages of the entire second day of deposition, which could not have been caused by any failure of PDIC to answer a handful of questions during the 7 hours and 377 transcript pages of the first deposition. Appx5806, Appx5814-5815.

Fees under Rule 37(d)(3) must satisfy the "but-for" test that Adobe itself cited in its brief. OpBr48. The Supreme Court has generally limited attorney fees to those that would not have occurred "but-for" the accused transgression:

> The complaining party … may recover "only the portion of his fees that he would not have paid but for" the misconduct. … … when "the cost [ ] would have been incurred in the absence of" the discovery violation, then the court (possessing only the power to compensate for harm the misconduct has caused) must leave it alone.

Goodyear, supra, 137 S.Ct. at 1186–87. *Goodyear* relied on its prior decision in *Fox v. Vice*, 563 U.S. 826 (2011). The Court there illustrated the "but-for" requirement in terms fully applicable here:

> Suppose, for example, that a defendant's attorney conducts a deposition on matters relevant to both a frivolous and a non-frivolous claim—and more, that the lawyer would have taken and committed the same time to this deposition even if the case had involved only the non-frivolous allegation. In that circumstance, the work does not implicate Congress's reason for allowing defendants to collect fees. The defendant would have incurred the expense in any event; he has suffered no incremental harm from the frivolous claim. … The basic American Rule thus continues to operate

At 836.

Adobe was entitled to only those fees and costs for that portion of the deposition where Adobe re-asked the same questions that had been previously unanswered (perhaps with some limited follow-up questions after an answer), but to nothing more. Award of fees and expenses for any portion of the deposition beyond that limited area violates Rule 37(d)(3) and the principles stated in *Goodyer* and *Fox*.

Adobe had the burden of proving any claim for fees, including entitlement and amount. *Hensley v. Eckerhart*, 461 U.S. 424, 437 (1983) ("the fee applicant bears the burden of establishing entitlement to an award and documenting the appropriate hours expended and hourly rates"). To claim those limited fees and expenses, Adobe had to prove what portion of its requested fees and expenses were "caused by [PDIC's] failure," and would not have been incurred "but-for" PDIC's failure. That meant identifying the portions of the deposition where Adobe re-asked the questions and had the answers, and nothing more than that. Adobe did not even try to meet that burden. Adobe never attempted to demonstrate that any portion of

its demand for fees and expenses was tethered to any failure of PDIC to answer deposition questions in the first deposition.

PDIC objected to Adobe's meritless demand. The Court rejected PDIC's opposition by an explanation that only confirmed the Court's basic error. In fact, the Court granted the full amount of fees and expense sought by Adobe (with fees reduced by half for other reasons), including fees for preparation for the new second day of deposition, simply because the deposition purported to involve topics the Court allowed Adobe to pursue:

> There is no indication that Adobe proceeded unreasonably in taking Mr. Meagher's second deposition. The relief granted allowed Adobe to explore three topics, not simply three "questions," and it was fair for Adobe's attorneys both to be fully prepared for the deposition and to delve fully into the permissible topics during the deposition.

Appx110.

The legal deficiency of the Court's Order is that it ordered PDIC to pay Adobe's fees and costs simply because Adobe's costs were reasonable, and the second day of deposition addressed "permissible topics," without finding that any of the fees and expenses were caused by Adobe having to re-ask the previously unanswered questions, rather than asking new questions. The huge gap between the two is manifested by the facts that:

(i) The first day of Adobe's deposition had already consumed the full 7 hours allotted for depositions under the Rules (which time allotment was never increased by the Court), and had covered 377 pages of transcript;

(ii) The alleged failures of PDIC involved only a small fraction of the questions which were posed during the first day of deposition; but

(iii) The Court granted fees and expenses for the preparation and taking of the full second day of deposition, which totaled 6 hours and 278 pages of transcript.

It is a temporal impossibility for the entire second day of deposition to have involved re-asking the questions for which PDIC's witness had been purportedly previously unprepared. Rule 37(d)(3) provides for expenses caused by failure to appear at a deposition. It does not provide for any expenses for a deposition that is an adventitious result of an order for a second day of deposition.

B. Adobe Did Not Properly Support Its Fee Petition

Adobe had the "burden of establishing entitlement to an award and documenting the appropriate hours expended and hourly rates." *Hensley*, *supra*. To carry its burden of proof, Adobe, like any fee applicant, was required to submit its detailed invoices or other information that detailed the work for which the fees are sought. Adobe's fee petitions did not meet minimal requirements and should have been dismissed.

The law in the Third Circuit, which supplies the applicable law on the issue, is that:

> In requesting, challenging, and granting attorneys' fees, specificity is critical. A request for fees must be accompanied by "fairly definite information as to hours devoted to various general activities, e.g., partial discovery, settlement negotiations, and the hours spent by various classes of attorneys."

United Auto. Workers Local 259 Soc. Sec. Dep't v. Metro Auto Ctr., 501 F.3d 283, 291 (3d Cir. 2007) (quoting *Evans v. Port Auth. of New York & New Jersey*, 273 F.3d 346, 361–62 (3d Cir. 2001)). Otherwise stated, the fee petition must permit "reviewing the time charged, deciding whether the hours set out were reasonably devoted to each of the particular purposes described, and then excluding the hours that were "excessive, redundant, or otherwise unnecessary." *McKenna*, *supra*, 582 F.3d at 456. See also *Hahnemann Univ. Hosp. v. All Shore, Inc.*, 514 F.3d 300, 310-14 (3d Cir. 2008).

Notwithstanding the Third Circuit's unequivocal law of fee petitions, Adobe's $49,000 fee petition consisted of a summary chart that provided (i) a date, (ii) name of the timekeeper, (iii) the time spent and (iv) the total fee amount. Appx5812. Adobe provided no information whatsoever as to what was done by the timekeeper during the time spent.

Adobe's inadequate submission made it impossible for PDIC to challenge, and the District Court to exclude, the hours that are prohibited from being counted.

For example, the Court cannot grant fees for attorney's time that was "excessive, redundant, or otherwise unnecessary." *Hensley*, *supra*, 461 U.S. at 434; *McKenna*, *supra*, 582 F.3d at 455. Yet, PDIC could not determine whether Adobe's time was "excessive, redundant, or otherwise unnecessary," because Adobe had withheld all such information.

The Court's award is erroneous, because Adobe failed to file a proper fee application.

C. The Court's Award Is Inadequately Explained

In light of Adobe's failure to provide required information, it is understandable that the Court's award also failed minimum standards required by Third Circuit law to justify an award. A district court "must explain on the record the reasons for its decisions." *Planned Parenthood*, *supra*, 297 F.3d at 266. And,

> "if the district court's fee-award opinion is so terse, vague, or conclusory that we have no basis to review it, we must vacate the fee-award order and remand for further proceedings."

Id. The Third Circuit has explained that:

> The District Court "has 'a positive and affirmative function in the fee fixing analysis, not merely a passive role.'" And, where, as here, an objecting party has challenged specific types of work and states why it is contended that the hours claimed are excessive, the reviewing court must support its findings with a sufficient articulation of its rationale to allow for meaningful appellate review

Interfaith Cmty. Org. v. Honeywell Int'l, Inc., 726 F.3d 403, 416 (3d Cir. 2013).

The District Court did not explain its award, and did not address PDIC's objections. Any potential inferred findings from the Court's Orders would be inadequate to support a fee finding, because they are at best the type of conclusory statements that the Third Circuit has rejected as inadequate:

> This perfunctory statement does not allow for meaningful appellate court review. As we said in [*Interfaith Cmty. Org. v. Honeywell Int'l, Inc.*, 426 F.3d 694, 713 (3dCir.2005)], "where the opinion of the District Court 'is so terse, vague, or conclusory that we have no basis to review it, we must vacate the fee-award order and remand for further proceedings.'" … Accordingly, we must once again vacate the District Court's latest fee awards and remand for further proceedings.

Interfaith, supra, 726 F.3d at 417.

As difficult as the process may be, the Third Circuit requires courts to carefully review fee petitions and support any award based on the record:

> It is important that we reiterate our admonition in Maldonado that fee requests be subjected to a thorough and searching analysis. Contrary to the suggestion of the District Court, it is necessary that the Court "go line, by line, by line" through the billing records supporting the fee request. Our review of these records convinces us that the total time billed and the extent of the overlap in work performed by Evans' attorneys were extraordinary, and demand more than the cursory examination conducted by the District Court.

Evans, supra, 273 F.3d at 362. See also *Loughner v. Univ. of Pittsburgh*, 260 F.3d 173, 178 (3d Cir. 2001) ("the record must reflect, at least, that the trial court 'fully

comprehended the factual and legal issues and adequately performed the decision reaching process'").

The Court's Orders are inadequate as a matter of law.

D. The Court Improperly Punished PDIC For Raising Legitimate Objections to Adobe's Fee Request

The Court awarded Adobe an additional $10,000 in fees as punishment for PDIC's legitimate and legally-supportable opposition to Adobe's deficient fee application. That award was error.

First, Adobe had not moved for any award of fees associated with its enforcement attempts. The sole support for the Court's grant of the $10,000 was Adobe's statement in a footnote to its letter to the Court that "To date, Adobe has incurred attorneys' fees exceeding $10,000 in seeking recovery of Adobe's deposition expenses, preparing for and participating in the meet and confer, seeking a discovery teleconference before the Court, and drafting this letter." Appx 5791(fn.5).

That footnote, however, did not petition for any fees, and, hence, the District Court had no authority to the award the $10,000 to Adobe. The Third Circuit law is that "before being sanctioned, a party is entitled to notice of the reasons for possible sanctions, the rule on which they might be based, and their potential form." *Am. Bd. of Surgery, Inc. v. Lasko*, 611 F. App'x 69, 72–73 (3d Cir. 2015). This case is

essentially indistinguishable from the *Lasko* case. There, as here, Plaintiff filed a motion for specific fees, and, in addition averred that

> [I]t had incurred approximately $7,120 in legal fees and expenses—not in appearing or arranging for Lasko's deposition, but in drafting its motion for sanctions, responding to motions that Lasko filed both before and after ABS filed its motion for sanctions, and preparing for and attending the hearing."

The court then awarded the $7,120. The above facts are indistinguishable from the Court's reliance on Adobe's passing comment in a footnote.

The Third Circuit held in *Lasko* that

> Imposition of that sanction under these circumstances was inappropriate because neither ABS's motion nor anything else of record put Lasko on notice that he faced anything other than a $2,000 sanction for failing to appear for a deposition.

Id. The award of the $10,000 cannot be sustained here for the identical reasons the Third Circuit reversed in *Lasko*.

The second problem with the award is that the District Court improperly punished PDIC for raising legitimate objections to Adobe's overreaching and improper fee demands. The Court stated:

> Given that the Court previously ordered PDIC to cover expenses, that PDIC was uncooperative in not making a counterproposal when Adobe requested reimbursement or otherwise attempting to reach a resolution without involving the Court, and that PDIC unreasonably tries to minimize the scope of relief previously granted, IT IS FURTHER ORDERED that PDIC reimburse Adobe for all expenses, including attorney fees, associated with enforcing the Court's April 11 order. (D.I. 209 at 3 & n.5)

Appx110.

The Court's first statement is inaccurate, because Adobe first moved under Rule 37(d)(3) for attorney fees after the second deposition.[5] PDIC responded, as it had a right to do. There is no support for the Court's conclusion that it ordered PDIC to bear attorney fees.

The Court further erred in stating that "PDIC was uncooperative in not making a counterproposal when Adobe requested reimbursement or otherwise attempting to reach a resolution without involving the Court." Adobe demanded $49,000 in fees (reduced perhaps by $5,000 in return for prompt settlement and payment, which would have mooted PDIC's legitimate objections). PDIC made a modest proposal equal to the cost of the portion of the deposition which could arguably be related to answering the previously unanswered questions, which would have been consistent with any obligation under Rule 37(d)(3) for expenses "caused by [PDIC's] failure." Adobe refused PDIC's offer, and the parties were at an impasse created by Adobe exorbitant demand for $49,000. Considering the plain defect of Adobe's demand, PDIC should not be punished for resisting Adobe's excessive demand. The amount

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[5] In the prior proceedings, neither Adobe nor the Court mentioned Rule 37(d)(3), which would have been the applicable Rule provision relating to attorney fees if there had been a request to grant such fees. The Court only granted Adobe's motion for PDIC "to re–produce Mr. Meagher for a deposition at PDIC's expense." The clear language of the Order was that PDIC would be responsible for producing its witness at its cost, and not that PDIC was responsible for all costs of the deposition.

demanded by Adobe, $49,000, was hardly an insignificant amount which PDIC should have been extorted to accept, despite the legal problems with Adobe's demand, or face a further sanction.

Finally, the Court punished PDIC for demanding that Adobe comply with established Third Circuit law of fee petitions, and opposed Adobe's petition as lacking in any detail. Such adherence to established law is not "unreasonable."

The award of $34,861 in attorney fees in connection with PDIC's alleged failure to properly prepare for Adobe's deposition of PDIC should be reversed.

CONCLUSION

Based on the foregoing analysis of fact and law, PDIC respectfully requests that this Court: affirm the dismissal of Adobe's claims, and reverse or vacate the awards of attorneys' fees granted to Adobe.

January 16, 2018

/s/ George Pazuniak

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ADDENDUM

CLOSED,APPEAL,MEDIATION−CJB,PATENT

U.S. District Court
District of Delaware (Wilmington)
CIVIL DOCKET FOR CASE #: 1:13−cv−00239−LPS

Princeton Digital Image Corporation v. Office Depot Inc.
Assigned to: Judge Leonard P. Stark
Related Cases: 1:12−cv−01739−LPS
1:12−cv−01749−LPS
1:12−cv−01770−LPS
1:13−cv−00238−LPS
1:13−cv−00237−LPS
1:13−cv−00288−LPS
1:13−cv−00289−LPS
1:13−cv−00290−RGA
1:13−cv−00325−LPS
1:13−cv−00326−LPS
1:13−cv−00327−LPS
1:13−cv−00328−LPS
1:13−cv−00329−RGA
1:13−cv−00330−LPS
1:13−cv−00331−LPS
1:13−cv−00399−LPS
1:13−cv−00400−LPS
1:13−cv−00401−LPS
1:13−cv−00402−LPS
1:13−cv−00403−LPS
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1:13−cv−00407−LPS
1:13−cv−00285−LPS
1:13−cv−00408−LPS
1:13−cv−00410−LPS
1:13−cv−00411−LPS
1:13−cv−00442−LPS
1:13−cv−00510−LPS
1:13−cv−00519−LPS
1:13−cv−00511−LPS
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1:13−cv−00520−LPS
1:13−cv−00521−LPS
1:13−cv−00522−LPS
1:13−cv−00523−LPS
1:13−cv−00524−LPS

Date Filed: 02/15/2013
Date Terminated: 08/25/2017
Jury Demand: Plaintiff
Nature of Suit: 830 Patent
Jurisdiction: Federal Question

1:13−cv−00525−LPS
1:13−cv−00286−LPS
1:13−cv−00287−LPS
1:13−cv−00240−LPS
1:13−cv−00241−LPS

Case in other court: 17−02597
18−01006

Cause: 35:271 Patent Infringement

Date Filed	#	Docket Text
07/14/2017	212	ORAL ORDER: Having reviewed the parties' letters (D.I. 209, 210, 211) relating to Adobe's request for expenses, including attorney's fees, arising from Mr. Meagher's second deposition and enforcement of the Court's April 11 order, IT IS HEREBY ORDERED that Adobe's request is GRANTED IN PART. The April 11 Order compelling PDIC to re−produce Mr. Meagher at PDIC's expense granted in full the relief sought by Adobe, which included reasonable attorney fees. (See D.I. 194 at 2 (citing Opengate Capital Grp. LLC v. Thermo Fisher Scientific Inc., 2015 WL 5222544, at *5 (D. Del. Sept. 8, 2015)); Fed. R. Civ. P. 37(d)(3)) There is no indication that Adobe proceeded unreasonably in taking Mr. Meagher's second deposition. The relief granted allowed Adobe to explore three topics, not simply three "questions," and it was fair for Adobe's attorneys both to be fully prepared for the deposition and to delve fully into the permissible topics during the deposition. However, the Court also recognizes that PDIC made efforts to move the deposition along efficiently by traveling for the deposition and preparing various exhibits. In these circumstances, the Court finds it fair and reasonable for PDIC to reimburse Adobe for half of its requested expenses associated with the deposition ($24,861). Adobe additionally requests expenses, including attorney fees, associated with bringing the present dispute to the Court. Given that the Court previously ordered PDIC to cover expenses, that PDIC was uncooperative in not making a counterproposal when Adobe requested reimbursement or otherwise attempting to reach a resolution without involving the Court, and that PDIC unreasonably tries to minimize the scope of relief previously granted, IT IS FURTHER ORDERED that PDIC reimburse Adobe for all expenses, including attorney fees, associated with enforcing the Court's April 11 order. (D.I. 209 at 3 & n.5) The teleconference scheduled for July 18, 2017 is CANCELLED. ORDERED by Judge Leonard P. Stark on 7/14/17. Associated Cases: 1:13−cv−00239−LPS et al. (ntl) (Entered: 07/14/2017)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. OFFICE DEPOT INC., Defendant.	C.A. No. 13-239 LPS
PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. J.C. PENNEY COMPANY, INC., Defendant.	C.A. No. 13-287 LPS
PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. QVC INC., Defendant.	C.A. No. 13-288 LPS
PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. SEARS HOLDINGS COMPANY, Defendant.	C.A. No. 13-289 LPS

PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. LIMITED BRANDS, INC., Defendant.	C.A. No. 13-326 LPS
PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. GAP INC., Defendant.	C.A. No. 13-330 LPS
PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. WILLIAMS-SONOMA INC., Defendant.	C.A. No. 13-331 LPS
PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, v. COSTCO WHOLESALE CORP., Defendant.	C.A. No. 13-404 LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

v.

NORDSTROM.COM LLC, NORDSTROM.COM INC., and NORDSTROM INC.,

Defendants.

C.A. No. 13-408 LPS

~~[PROPOSED]~~ ORDER

At Wilmington, this 7th day of August, 2017:

Pursuant to this Court's Oral Orders of April 11, 2017 (C.A. No. 13-239 D.I. 183) and July 14, 2017 (C.A. No. 13-239 D.I. 212), IT IS HEREBY ORDERED that Princeton Digital Image Corporation ("PDIC") compensate Adobe Systems Incorporated ("Adobe") for attorneys' fees and related costs associated Mr. Meagher's second deposition and enforcement of the Court's April 11 order in the amount of $34,861. PDIC shall pay Adobe the full amount of this award by August 11, 2017.

Honorable Leonard P. Stark
United States District Judge

CLOSED,APPEAL,MEDIATION−CJB,PATENT

U.S. District Court
District of Delaware (Wilmington)
CIVIL DOCKET FOR CASE #: 1:13−cv−00408−LPS

Princeton Digital Image Corporation v. Nordstrom.com LLC, et al.
Assigned to: Judge Leonard P. Stark
Related Cases: 1:12−cv−01739−LPS
1:12−cv−01749−LPS
1:12−cv−01770−LPS
1:13−cv−00237−LPS
1:13−cv−00238−LPS
1:13−cv−00239−LPS
1:13−cv−00240−LPS
1:13−cv−00241−LPS
1:13−cv−00284−LPS
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1:13−cv−00287−LPS
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1:13−cv−00406−LPS
1:13−cv−00514−LPS
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1:13−cv−00520−LPS
1:13−cv−00521−LPS
1:13−cv−00522−LPS
1:13−cv−00523−LPS
1:13−cv−00442−LPS
1:13−cv−00524−LPS
1:13−cv−00510−LPS
1:13−cv−00525−LPS

Date Filed: 03/12/2013
Date Terminated: 08/25/2017
Jury Demand: Plaintiff
Nature of Suit: 830 Patent
Jurisdiction: Federal Question

1:13−cv−00519−LPS
1:13−cv−00511−LPS
1:13−cv−00512−LPS
1:13−cv−00513−LPS
1:13−cv−00410−LPS
1:13−cv−00411−LPS

Case in other court: 17−02612
17−02634

Cause: 35:271 Patent Infringement

Date Filed	#	Docket Text
08/01/2017	235	ORAL ORDER: Having reviewed the parties letters relating to the dispute over the number of hours the Court should use in its lodestar calculation (D.I. 187, 188), IT IS HEREBY ORDERED that the Court agrees with Adobes position (71.65 hours), for the reasons given in Adobes letter. In short, the Court is persuaded that Adobe spent a reasonable amount of time dealing with default−related issues, all of which was caused by how PDIC handled the Nordstrom litigation. The Court is unpersuaded by PDICs position, including its repeated contentions that Adobes request is nonsensical (D.I. 188 at 2). IT IS FURTHER ORDERED that, no later than August 3, the parties shall file a proposed order for the Court to enter to direct PDIC to pay the resulting amount of fees by a date certain. Ordered by Judge Leonard P. Stark on 8/1/2017. (etg) (Entered: 08/01/2017)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PRINCETON DIGITAL IMAGE CORPORATION, Plaintiff, vs. NORDSTROM.COM LLC, NORDSTROM.COM INC., AND NORDSTROM INC., Defendants.	Civil Action No. 1:13-cv-00408-LPS

~~[PROPOSED]~~ **ORDER**

At Wilmington, this 7th day of August, 2017:

Pursuant to this Court's Memorandum Orders of August 16, 2016 (D.I. 106), January 27, 2017 (D.I. 177), and August 1, 2017 (D.I. 235), IT IS HEREBY ORDERED that Princeton Digital Image Corporation ("PDIC") compensate Adobe Systems Incorporated ("Adobe") for attorneys' fees and related costs associated with all default-related filings in the amount of $42,631.75. PDIC shall pay Adobe the full amount of this award by August 11, 2017.

Honorable Leonard P. Stark
United States District Judge

United States Court of Appeals
for the Federal Circuit
Princeton Digital Image Corp. v. Office Depot Inc., No. 17-2597

CERTIFICATE OF SERVICE

I, Simone Cintron, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by O'Kelly Ernst & Bielli, LLC, Attorneys for Plaintiff-Cross-Appellant, to print this document. I am an employee of Counsel Press.

On January 23, 2018, counsel authorized me to electronically file the foregoing Brief for Plaintiff-Cross-Appellant (Corrected) with the Clerk of Court using the CM/ECF System, which will serve via e-mail notice of such filing to any of the following counsel registered as CM/ECF users:

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Originally filed: January 16, 2018.

Upon acceptance by the Court of the e-filed document, six paper copies will be filed with the Court within the time provided in the Court's rules.

January 23, 2018

/s/ Simone Cintron
Counsel Press

CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(C), the undersigned hereby certifies that this brief complies with the type-volume limitation of Fed. R. App. P. 28.1(e)(2)(B)(i).

1. Exclusive of the exempted portions of the brief, as provided in Fed. R. App. P. 32(f) and Federal Circuit Rule 32(b), the brief contains 16,377 words.

2. The brief has been prepared in proportionally spaced typeface using Microsoft Word 2016 in 14 point Times New Roman font. As permitted by Fed. R. App. P. 32(a)(7)(C), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

January 16, 2018

/s/ George Pazuniak

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