Appeal Nos. 2021-1858, 2021-1859, 2021-1860

United States Court of Appeals for the Federal Circuit

In re: PERSONALWEB TECHNOLOGIES LLC,

AMAZON.COM, INC., AMAZON WEB SERVICES, INC.

Plaintiffs – Appellees

v.

PERSONALWEB TECHNOLOGIES, LLC

Defendant – Appellant

LEVEL 3 COMMUNICATIONS, LLC

Defendant

PERSONALWEB TECHNOLOGIES LLC,

Plaintiff - Appellant

LEVEL 3 COMMUNICATIONS, LLC,

Plaintiff

v.

TWITCH INTERACTIVE, INC.,

Defendant – Appellee

Appeals from the United States District Court
for the Northern District of California
United States District Judge Beth Labson Freeman
in Nos. 5:18-cv-00767-BLF, 5:18-cv-05619-BLF, and 5:18-md-02834-BLF

SECOND CORRECTED RESPONSE BRIEF OF PLAINTIFFS-APPELLEES AMAZON.COM, INC. AND AMAZON WEB SERVICES, INC., AND DEFENDANT-APPELLEE TWITCH INTERACTIVE, INC.

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November 23, 2021

CERTIFICATE OF INTEREST OF PLAINTIFFS-APPELLEES AMAZON.COM, INC. AND AMAZON WEB SERVICES, INC.

For Plaintiffs-Appellees Amazon.com, Inc. and Amazon Web Services, Inc.

Counsel for Plaintiffs-Appellees Amazon.com, Inc. and Amazon Web Services, Inc. certify the following under Federal Circuit Rule 47.4:

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

   Amazon.com, Inc. and Amazon Web Services, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   As indicated in Item 1.

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

   Amazon.com, Inc. has no parent corporation and no publicly held corporation is known to own 10% or more of its stock. Amazon Web Services, Inc. is a wholly owned subsidiary of Amazon.com, Inc.

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

   Thomas J. Fox, Phillip J. Haack, Melanie L. Mayer, Ravi R. Ranganath, Shannon E. Turner, Chieh Tung, and Allen W. Wang, Fenwick & West LLP.

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. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary.)

   See attached Exhibit A.

6. Any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees).

   N/A

CERTIFICATE OF INTEREST OF
DEFENDANT-APPELLEE TWITCH INTERACTIVE, INC.

For Defendant-Appellee Twitch Interactive, Inc.

Counsel for Defendant-Appellee Twitch Interactive, Inc. certify the following under Federal Circuit Rule 47.4:

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

   Twitch Interactive, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   As indicated in Item 1.

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

   Twitch Interactive, Inc. is a wholly owned subsidiary of Amazon.com, Inc.

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

   Thomas J. Fox, Phillip J. Haack, Melanie L. Mayer, Ravi R. Ranganath, Shannon E. Turner, Chieh Tung, and Allen W. Wang, Fenwick & West LLP.

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. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary.)

   See attached Exhibit A.

6. Any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees).

   N/A

Exhibit A

The following cases in the United States District Court, District of Northern California, will be directly affected by this Court's decision in the appeal:

- *Amazon.com, Inc. and Amazon Web Services, Inc. v. PersonalWeb Technologies, LLC et. Al.*, No. 5:18-cv-00767;
- *PersonalWeb Technologies, LLC v. Twitch Interactive, Inc.*, No. 3:18-cv-05619;
- *PersonalWeb Technologies, LLC et al. v. Airbnb, Inc.*, No. 5:18-cv-00149;
- *PersonalWeb Technologies, LLC et al. v. Amicus FTW, Inc.*, No. 5:18-cv-00150;
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- *PersonalWeb Technologies, LLC et al. v. Lesson Nine GMBH*, No. 5:18-cv-03453;

- *PersonalWeb Technologies, LLC et al. v. Fiverr International Ltd.*, No. 5:18-cv-03455;
- *PersonalWeb Technologies, LLC et al. v. Capterra, Inc.*, No. 5:18-cv-03458;
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STATEMENT OF RELATED CASES

The cases on appeal are part of a multidistrict litigation ("MDL") in the Northern District of California.

In re PersonalWeb Techs. LLC, No. 19-1918, is a related appeal from the same MDL in which the Court held that claim preclusion and the *Kessler* doctrine barred PersonalWeb Technologies, LLC's ("PersonalWeb") infringement claims that concern Amazon Simple Storage Service ("S3"). The Court issued its opinion on June 17, 2020. The panel consisted of Judges Wallach, Bryson, and Taranto. The opinion is published at 961 F.3d 1365. PersonalWeb petitioned for panel rehearing and rehearing en banc, which the Court denied on November 10, 2020. *In re: PersonalWeb Techs. LLC*, No. 19-1918 (Fed. Cir. Nov. 10, 2020) (order, ECF No. 135). PersonalWeb petitioned for certiorari on April 2, 2021. *PersonalWeb Techs., LLC v. Patreon, Inc.*, No. 20-1394, 2021 WL 1298201 (U.S. Apr. 2, 2021). The petition remains pending.

In re PersonalWeb Techs. LLC, Nos. 20-1566, -1568, -1569, is a related appeal from the same MDL in which the Court affirmed the district court's summary judgment order ruling that Amazon.com, Inc. and Amazon Web Services, Inc. (collectively, "Amazon") and Twitch Interactive, Inc. ("Twitch") did not infringe the asserted PersonalWeb patents (and, by extension, the remaining cases in the MDL, for which the Twitch case served as representative). 2021 WL 3557196 (Fed. Cir. Aug.

12, 2021). The panel consisted of Judges Lourie, Prost, and Reyna. In a companion appeal decided the same day, the same panel ruled claims of the asserted U.S. Patent No. 7,802,310 ("the '310 patent") ineligible for patenting under 35 U.S.C. §101. *PersonalWeb Techs. LLC v. Google LLC*, No. 20-1543, -1553, -1554, 8 F.4th 1310 (Fed. Cir. 2021). PersonalWeb petitioned for rehearing and rehearing en banc on September 27, 2021. *Id*., ECF No. 72 (corrected Oct 5, 2021). The Court denied the petition on November 5, 2021. *Id*., ECF No. 78.

The validity of certain claims from the '310 patent was previously before this Court in *PersonalWeb Techs. LLC v. Apple, Inc.*, Nos. 2016-1174 and 2018-1599. The Court issued its first opinion on February 14, 2017. The panel consisted of Judges Taranto, Chen, and Stoll. The opinion is published at 848 F.3d 987. The Court issued a second opinion on March 8, 2019. The panel consisted of Judges Moore, Taranto, and Chen. The opinion is published at 917 F.3d 1376.

JURISDICTIONAL STATEMENT

Amazon and Twitch agree with PersonalWeb's jurisdictional statement.

INTRODUCTION

In this appeal, PersonalWeb seeks to challenge the district court's exceptional case finding and a portion of the nearly $5.5 million the court awarded under 35 U.S.C. §285. This is PersonalWeb's third appeal from the same MDL proceeding in which PersonalWeb accused more than 80 different defendants of infringement through their use of the Amazon S3 web storage service. PersonalWeb had previously asserted the same patents against Amazon itself and dismissed those claims with prejudice. Years later—after PersonalWeb changed counsel and the patents expired—PersonalWeb began suing Amazon customers on the same claims in federal districts around the country.

In the first appeal, the Court affirmed the district court's ruling that claim preclusion and the doctrine from *Kessler v. Eldred*, 206 U.S. 285 (1907) barred PersonalWeb from relitigating its claims against Amazon S3. *See In re PersonalWeb Techs. LLC*, 961 F.3d 1365 (Fed. Cir. 2020). Next, the Court affirmed the district court's independent ruling that Amazon and its customers did not infringe through use of any of the technologies that PersonalWeb added to the case later to avoid the preclusion bar. *In re PersonalWeb Techs. LLC*, No. 20-1566, 2021 WL 3557196 (Fed. Cir. Aug. 12, 2021).

PersonalWeb now asks the Court to reverse the district court's exceptional case finding and fee award. The Court should reject PersonalWeb's latest request.

The district court identified five separate ways this case "stands out from others," and thus merits fee-shifting, *see Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014), each of which is grounded in this Court's own precedent: PersonalWeb brought baseless claims; it filed false declarations in opposition to summary judgment; it changed its litigating positions in response to adverse rulings; it unreasonably prolonged the case and unnecessarily multiplied proceedings after claim construction foreclosed its infringement theory; and it gamed the MDL process by agreeing to a representative case and then attempting to back out of that agreement after it lost summary judgment.

Ultimately, aside from contesting objective baselessness (which the district court itself held was unnecessary to its exceptional case finding), PersonalWeb does not challenge the legal grounds for the decision. Instead, it asks the Court to reject the district court's fact findings and its fee calculation—drawn from close supervision of the proceedings in this case for more than three years—and substitute new ones. But none of PersonalWeb's arguments show that the district court erred, much less abused its discretion. This Court should affirm. It should do so not just because the district court acted within its discretion to find this case exceptional and award fees, but also to ensure that §285 remains a check on the knowing, cynical, and belligerent abuse of our patent system and of our courts that took place across these cases.

STATEMENT OF THE ISSUES

1. Whether the district court abused its discretion by finding the case exceptional under 35 U.S.C. §285.

2. Whether the district court abused its discretion in setting the amount of the attorney fee award.

STATEMENT OF THE CASE

A. PersonalWeb brought 85 lawsuits asserting baseless claims.

The asserted patents[1] purport to solve the problem of locating files in a computer system and controlling access to files that contain licensed content. *PersonalWeb*, 961 F.3d at 1369-70; *see, e.g.*, Appx391 at 3:52-58, Appx405 at 31:4-32. They claim a method of naming a computer file with a name created from the contents of the file (a "True Name") and using that name to check whether a user has a license to access the file. Appx352 at Abstract. According to the patents, using this content-dependent name allows a system to uniquely identify a file regardless of its context, which in turn allows the system to limit access to the file to only authorized or licensed users. 961 F.3d at 1370; *see also* Appx391 at 3:52-58, Appx405 at 31:4-32.

[1] U.S. Patent Nos. 5,978,791 (the "'791 patent"), 6,928,442 (the "'442 patent"), 7,802,310 (the "'310 patent"), 7,945,544 (the "'544 patent"), and U.S. Patent No. 8,099,420 (the "'420 patent").

In these cases, PersonalWeb accused the Hypertext Transfer Protocol ("HTTP")—the public standard that governs how web browsers and web servers communicate—a technology that has nothing to do with checking for valid user licenses or limiting access to content. *See* 961 F.3d at 1370 & n.1, 1372-73; Appx5718 at ¶26, Appx5739 at ¶94. The original accused product, Amazon S3, provides web-based storage infrastructure. 961 F.3d at 1370; *see also* Appx1375 at ¶3, Appx855. Amazon S3 uses HTTP, including an HTTP header called an "ETag." 961 F.3d at 1370; *see also* Appx855, Appx1376 at ¶9. S3 creates ETags for each object it stores by running a hash function on the object's content.[2] 961 F.3d at 1370; Appx856; *see also* Appx1376 at ¶9. It then uses the ETag to determine whether a remote client already has a copy of the current version of the object stored (i.e., "cached") locally. *See* 961 F.3d at 1370-71. The client sends a conditional GET request (*e.g.*, a GET request that includes a conditional parameter, in this case an "If-None-Match" header) and the cached object's ETag. *Id.* at 1370-72. If that ETag value matches the ETag for the object in S3, S3 signals that the client has the current version; if the ETags do not match, S3 will send the current version to the client. *Id*. The process is anonymous—it does not depend on the identity of a user or even the client—and

[2] A cryptographic hash function, such as MD5, is a mathematical function which takes a variable-length input string and converts it into a fixed-length sequence. *See* Appx329 at 12:57-63, Appx1206 at ¶11, Appx1220 at ¶41.

does not involve checking any licenses to the requested content. Appx5738-5739 at ¶¶91-94.[3]

In December 2011, PersonalWeb sued Amazon and its customer Dropbox, Inc. in the Eastern District of Texas, alleging infringement of patents from this "True Name" family, including the '791, '442, '310, and '544 patents. *PersonalWeb*, 961 F.3d at 1369-70; Appx3238. PersonalWeb expressly asserted infringement by Amazon S3 and the use of ETags with conditional operations described in the HTTP standard. 961 F.3d at 1371. After discovery and the court's claim construction order, PersonalWeb stipulated to the dismissal with prejudice of its claims against Amazon. *Id.* at 1372, Appx3455-3502, Appx1152; *see also* Appx1154. The district court entered final judgment against PersonalWeb in June 2014. 961 F.3d at 1372.[4]

[3] This process is also a ubiquitous feature of the world wide web, prompting the district court to ask whether PersonalWeb would "go after every website in the universe." Appx6667 at 52:8-20. And while PersonalWeb resisted this characterization in opposing the fee motion, PersonalWeb's Chairman Kevin Bermeister testified that he thought that a desirable result (Appx8212 at 205:9-23) and its technical expert described the patents as "relat[ing] to ubiquitous and universally practiced web protocols and standards such as HTTP." Appx5339 at ¶194.

[4] PersonalWeb has claimed that it dismissed the Texas case not because its claims were weak, but because low prospective damages would have made pursuing the case a "pyrrhic victory." PersonalWeb's Opening Brief ("OB") at 4. The record fails to corroborate this claim; PersonalWeb points only to unsupported testimony from the same declarations that the district court identified as containing false statements. *Id.* (citing Appx1430-1431, Appx1565-1566). Moreover, at the time of the Texas case, Amazon S3 was already in widespread use.

Almost four years after the Texas case ended, PersonalWeb hired new counsel and implemented a new plan to leverage settlements from an array of companies whose common attribute was the use of the same Amazon S3 service to serve web content using the HTTP protocol, just like thousands of other companies and organizations. *See PersonalWeb*, 961 F.3d at 1370 n.1, 1372-73. Starting in January 2018, PersonalWeb filed 85 lawsuits against Amazon customers in six different districts around the country. Appx2, Appx546-548; *see also* Appx9404 at ¶20. All of these lawsuits alleged that S3 infringed the same patents at issue in the Texas case (Appx9404-9405; *see, e.g.*, Appx2966-2992), as well as a fifth patent (the '420 patent) that PersonalWeb conceded did not involve any new or distinct claims. Appx3123 at 75:7-12, Appx3248.

Around the time it filed, PersonalWeb publicly announced that it had spent a year "studying" the alleged widespread infringement of the patents by the defendants before filing these cases. Appx7722. But the complaints merely reasserted the same theory about ETags that had failed in Texas, based on the publicly available HTTP specification.[5] PersonalWeb's pre-filing investigation merely cataloged the specific ways myriad different Amazon customer websites use the same non-infringing

[5] ETags and conditional GET requests were added to the HTTP specification in version 1.1 and have remained unchanged since that specification was finalized in 1997. Appx1221 at ¶44, Appx1223 at ¶¶51, 53.

HTTP operations, with no confirmation that those operations map to its claims. *See* Appx7914-7915 at ¶¶7-8, Appx7937-7938 at ¶4, Appx8041-8046 at ¶¶11-29. [6]

PersonalWeb's goal at the outset was not to litigate its claims on the merits. As it began its wave of customer suits, PersonalWeb's counsel described the "effort" as needing to "be nimble to take advantage of settlement opportunities quickly while they exist and before Defendants start consolidating their positions." Appx30 (quoting Appx8216). He explained further: "We need to start a settlement chain reaction before that happens." *Id*. (quoting Appx8216).[7]

B. PersonalWeb repeatedly changed its positions to prolong the case.

Throughout this multi-year litigation, PersonalWeb repeatedly changed its positions, telling the court whatever was expedient at the moment. In response to PersonalWeb's customer suits, Amazon filed a declaratory judgment action and moved

[6] Based on this same investigation, PersonalWeb brought several lawsuits (in addition to the 85) that it later dismissed because it lacked a basis to assert infringement. *See* OB11; Appx 543 n.1.

[7] This was consistent with PersonalWeb's litigation business model. Within months of targeting Amazon's customers, PersonalWeb obtained a low-value settlement from another defendant based on alleged infringement of the True Name patents. Appx8233-8238 (letter), Appx8219-8231 (agreement to license patents). PersonalWeb's predecessor had six earlier cost-of-litigation settlements involving the True Name patents. *See* Appx8197, Appx8200, Appx8203-8205, Appx8208. There is no indication that money was in fact transferred in connection with the November 2009 Skype license that PersonalWeb references on appeal as including "substantial cash consideration" (OB3), and in any event that license pre-dates the current suits by nearly a decade.

for an injunction against further prosecution of the customer cases. Appx9399-9418, Appx9690-9705.[8] Within a week of the injunction request, PersonalWeb sought to centralize all the customer cases in an MDL. Appx7725, Appx7746.

To win centralization, PersonalWeb told the JPML that its infringement claims were all based on the customer defendants' common use of Amazon S3 and a "Ruby on Rails [system] architecture." Appx7734-7735. It represented:

> [E]ach defendant's website is alleged to use a Ruby on Rails architecture to develop and compile its webpage files that are required to render a webpage, and to generate a fingerprint of the content of each of the files when compiled. Once each defendant's webpage files have been compiled... each defendant is alleged to upload them to *an Amazon S3 host system* as objects.... Each defendant is alleged to have contracted with the same third party to serve its content on its behalf using the *same S3 host system* so that it may control its content distribution in an infringement of the Patents-in-Suit.

Id. (emphases added); *see also* Appx7736-7737.[9]

PersonalWeb then switched this position before the district court to try to avoid the declaratory judgment suit and injunction. PersonalWeb first argued that its "Ruby on Rails-based infringement allegations" were "wholly independent of any use of S3." Appx9424. Later, it reversed itself completely, arguing that its claims

[8] About 35 of the customers separately moved to stay their cases until the declaratory judgment action was resolved. Appx690-691, Appx543.

[9] Amazon opposed consolidation on the basis that the customer suits should be stayed pending the outcome of its declaratory judgment action. *See* Appx9708-9726.

concerned *only* Ruby on Rails, *not* Amazon S3, and it moved to dismiss the declaratory judgment complaint for lack of subject matter jurisdiction because there was purportedly *no dispute about infringement by Amazon S3* in the customer cases. Appx9505 at 44:1-2 ("PersonalWeb's theory of infringement revolves around Ruby on Rails not S3"), Appx9449-9460; *see also* Appx7750 at 3:23-25. The reversal did not escape the attention of the district court[10] (Appx9471 at 10:10-11, Appx9472 at 11:6-8), but the court nonetheless suggested at the preliminary injunction hearing that it would merely stay the customer cases while it determined how to proceed (Appx9486 at 25:13-20). Having succeeded in avoiding an injunction, PersonalWeb then withdrew its baseless motion to dismiss (Appx9510-9511), reasserted its claims against S3, and, as the district court put it, eventually "Ruby on Rails seemingly vanished from the case." Appx18.

PersonalWeb then announced in a September 2018 case management statement that it in fact intended to accuse four different categories of "website operator activity," of which Amazon S3 was only one. Appx23, Appx561 at 5:19-25.[11]

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[10] *See, e.g.*, Appx9472 at 11:6-8 ("You barely mention Ruby on Rails. You don't map it on to the claimed elements at all. It's not even clear that it maps on to all of the claims that you've asserted."); *see also* Appx9471 at 10:10-11.

[11] The district court again recognized PersonalWeb's evolving theories. *See, e.g.*, Appx632 at 25:22 ("you're fundamentally changing your theories"), Appx667-668 at 60:25-61:3 ("I continue to have great concern that the way you are proposing to litigate these cases is not the way you pitched it earlier. And to have four categories of cases is really to have four separate MDL's.").

In this appeal, PersonalWeb falsely states that it alleged all four theories in its original complaints (PersonalWeb's Opening Brief ("OB") at 11-12), yet also states that it based the theories on discoveries made after it filed those complaints—including that programs other than Ruby on Rails could create fingerprints in Uniform Resource Identifiers, and that some defendants generated ETags and served website files without using Amazon S3 (OB9-10). PersonalWeb also claims on appeal that it made this "four theories" presentation merely to "make it easier" for the district court and the defendants to understand the allegations. OB11. But at the time, PersonalWeb used its "four theories" instead to argue that the district court should lift its stay and allow four different customer cases to go forward along with the declaratory judgment case. Appx561-566, Appx580. The district court rejected this argument but allowed the Twitch customer case to proceed (Appx836-838) based on PersonalWeb's express representation that the Twitch case included all four of its infringement theories and that a finding of non-infringement in that case would therefore mean that no other customer cases could go forward. Appx24; *see* Appx803 at 6:17-22; *see also* Appx606-607, Appx795-797. Ultimately, the "four theories" collapsed into the same single HTTP theory that the district court rejected at summary judgment. Appx759, Appx6769.

Finally, PersonalWeb was aware that the Texas final judgment still barred its infringement claims against Amazon S3. And so, on November 28, 2018, the day

after the district court's case management order and nearly a year into the case, PersonalWeb served infringement contentions that accused a different Amazon product, CloudFront, along with vaguely-described uses of CloudFront in combination with Amazon S3. Appx1188-1200. PersonalWeb's previous complaints did not mention CloudFront at all, let alone accuse it of infringement. Appx692-715.

C. PersonalWeb filed false declarations in opposition to summary judgment.

Amazon moved for summary judgment that the Texas judgment barred PersonalWeb's claims against Amazon S3. Appx847-868. To oppose the motion at the district court, PersonalWeb submitted declarations from its Chairman Kevin Bermeister and its counsel Lawrence Hadley claiming that the Texas action had accused only a specific feature of S3 ("multipart upload"). Appx1429-1431, Appx1563-1566. This claim was false: PersonalWeb's infringement contentions (and other communications) from the Texas case accused S3's use of both multipart upload and conditional GET requests. *PersonalWeb*, 961 F.3d at 1371-72, 1375-76. Both declarants had in fact previously received an email from lead counsel in the Texas action proposing that PersonalWeb make a $1 million settlement demand "in return for a dismissal with prejudice and a paid-up license to the PersonalWeb portfolio for the field of use of multi-code [sic] uploads *and conditional gets*." Appx7918 (emphasis added); *see also* Appx8375-8376. Mr. Hadley's declaration also asserted that the parties to the Texas case had all "recognized" that PersonalWeb

retained the right to assert new infringement claims involving S3 in the future, notwithstanding that the dismissal filed with the Texas court was with prejudice and thus said the opposite. Appx1565-1566 at ¶8.

The district court granted summary judgment, holding that claim preclusion barred PersonalWeb's claims up to the date of final judgment in the Texas Action, and that the *Kessler* doctrine barred PersonalWeb's post-judgment claims. Appx3258-3259. It ruled that the "uncorroborated and self-serving" nature of the declarations did not create a genuine dispute of material fact in light of the "plain meaning of the Texas Complaint, infringement contentions, and discovery requests." Appx3250.

D. After the Court's claim construction order foreclosed PersonalWeb's infringement claims, PersonalWeb directed its expert to apply a different construction to prolong the case.

The court issued its claim construction order in August 2019. Appx5170. It construed the term "unauthorized or unlicensed" to mean "not compliant with a valid license," and the term "authorization" to mean "a valid license." Appx5175-5181, Appx5202. These constructions foreclosed PersonalWeb's claims of infringement because the terms are present in all remaining asserted patent claims and it was undisputed that the accused HTTP technology does not check license compliance. *See PersonalWeb*, 2021 WL 3557196, at *2-3, *6.

PersonalWeb was aware of this. It had proposed a construction of "plain and ordinary meaning" for these terms. Appx3268. And two months earlier (mere weeks after the claim construction hearing) it sought leave to amend its infringement contentions to try to avoid the issue. *See* Appx25, Appx4521, Appx4524-Appx4525. PersonalWeb's new proposed theory alleged that infringement occurs when the same accused HTTP process is used to deliver content for a website that has posted terms of service, because in that circumstance it is "permitting" access to "licensed" content. *See, e.g.*, Appx4543-4544, Appx4583-4854.[12] The magistrate judge denied the request, finding that it was based on information that PersonalWeb had known since the outset of the case and PersonalWeb had not shown good cause for its delay. Appx5165-5167.[13]

After the claim construction order, Amazon sent PersonalWeb a letter stating that "PersonalWeb has no viable infringement claim" and demanding that PersonalWeb "immediately dismiss all claims against Amazon and Twitch with prejudice."

[12] This change would have had the effect of unravelling the MDL, as it would have made infringement turn in part on the wording of the individual terms of service for defendants' websites. Appx26; *see* Appx4543-4544, Appx4583-4854.

[13] The proposed amendment raised issues that PersonalWeb had litigated in its past cases but simply failed to address in its infringement contentions until the claim construction hearing evidenced that it was likely to lose. Appx5108 at 2:23-25, Appx5118 at 12:16-18. When pressed on this by the magistrate judge, PersonalWeb argued that it would be "unreasonable" to expect a party to be aware of its own past litigation where it had sued so many defendants on the same patents. *See* Appx5111 at 5:3-7, Appx5118-5119 at 12:12-13:19.

Appx5218. PersonalWeb offered to stipulate to a judgment of noninfringement as to Amazon but only as to one of the patents asserted against Twitch and the other customers. Appx5220. In response to Amazon's request for PersonalWeb's "Rule 11 basis for continuing with the remaining three patents against Twitch" (Appx5224), PersonalWeb suggested that it would re-interpret the district court's constructions based on a 2016 district court construction from the Eastern District of Texas. Appx5223; *see* Appx4020-4024. Instead of the Court's constructions "compliant with a valid license" and "a valid license," PersonalWeb suggested "compliant with valid rights to content" and "valid rights to content." Appx5223; *see also* Appx5298 at ¶64. Amazon replied that PersonalWeb's attempt to "'re-construe' the Court's claim construction to eliminate the required 'license compliance' determination [] is, of course, improper," and that Amazon would "seek all appropriate sanctions." Appx5223.

Days later, PersonalWeb served a technical expert report substituting its own constructions in place of the district court's. Appx5298 at ¶64. Based on the new constructions, the expert concluded that the Twitch website infringes because, using the HTTP protocol, Twitch's website checks whether the user has the *current* version of a file in her browser cache, which he deemed to be *analogous* to checking a license. Appx5313-5314 at ¶103. PersonalWeb then filed a motion "to clarify or

supplement" the claim construction order asking the district court to adopt the replacement constructions. Appx5204-5207. The district court denied the motion. Appx5436-5437. It found that "PersonalWeb has never been confused about what the term 'license' means" (Appx5434) and that "PersonalWeb's proposed 'clarification' appears to be nothing more than an attempt to regain the broader meaning it sought (and did not get) for the well understood term 'license'—which the Court, once again, rejects." (Appx5435). The court explained that "PersonalWeb was on notice, for months, of Amazon's proposed construction," but "chose to continue to advocate for plain and ordinary meaning and not to discuss any potential ambiguity or lack of clarity regarding the use of the word 'license' in Amazon's proposed construction"—with the court noting that it had also stated explicitly at the claim construction hearing that "unlicensed" does not need construction on its own. *Id.*

The next day, PersonalWeb requested entry of partial judgment of non-infringement under the Court's claim construction. Appx5439. This was not a concession, but rather another gambit to prolong the case, as PersonalWeb proposed a judgment that would secure advantages for itself while potentially creating disorder in the MDL. Specifically, PersonalWeb asked the district court to enter judgment on only the single claim construction issue in its motion to clarify and only in the Amazon declaratory judgment action, to avoid losing on the additional grounds raised in Amazon's forthcoming summary judgment motion. Appx5439,

Appx5441-5443, Appx5806. The Court denied PersonalWeb's motion. Appx6491-6493. It held that there was no "valid reason to deprive Amazon of a ruling on its summary judgment motion" and that "[d]ecoupling" the Amazon and Twitch cases would be "contrary to the efficiencies desired by the parties and the Court throughout this MDL." Appx6493.

E. After PersonalWeb lost all claims on multiple grounds, it tried to lay the groundwork to unravel the MDL.

Amazon and Twitch had both moved for summary judgment of non-infringement in October 2019. Appx5809, Appx5826. The district court granted the motions under its claim construction. Specifically, "to infringe the asserted patents, the accused Amazon CloudFront and Twitch website must determine whether a requested content complies with a valid license before permitting access to it." Appx6746. However, "PersonalWeb concedes that Amazon CloudFront and Twitch website do not control whether or not access is compliant with a valid license." *Id.* The court also granted summary judgment of non-infringement based on three additional grounds Amazon and Twitch had raised. Appx6746-6756.[14]

[14] The court also granted summary judgment of non-infringement of the '544 and '791 patents as to Amazon as well as the '544 patent as to Twitch because PersonalWeb had abandoned these patents during expert discovery and failed to include any infringement allegations as to these patents. Appx6744-6745.

The court then ordered the parties to provide their positions on whether it could enter summary judgment as to the remaining customer cases. Appx6761. PersonalWeb had induced the Court to structure the entire MDL on the premise that "a verdict against PersonalWeb that no infringement was found" in the Twitch case would mean that "none of the customer cases could go forward." *See* Appx805 at 8:17-18, Appx803 at 6:17-22. But as soon as it lost, PersonalWeb reneged. It claimed that "not all grounds of the summary judgment order as it relates to Twitch… are applicable to the remaining customer cases" (Appx6763-6764) and that PersonalWeb should be permitted to pursue some of those cases after its appeal (Appx6765-6767, Appx6769).

PersonalWeb argued first that whether a website using the accused HTTP process determines whether content complies with a valid license depended on each website's terms of service—"an issue of fact that is independent of the operation of computers complying with the HTTP 1.1 specification." Appx6764-6765. In other words, PersonalWeb contended that it could still add its "terms of use" infringement theory to the remaining customer cases despite the magistrate judge's denial of leave to add that theory in the representative Twitch case. *Id.*

PersonalWeb also claimed that during fact discovery it had learned information from a Twitch engineer that caused it to believe that Twitch no longer repre-

sented all four types of alleged infringement. Appx6765-6766. This was transparently false: PersonalWeb had only a single infringement theory related to the accused HTTP operations—the "four types" did not have any material differences for the infringement analysis, as the district court's summary judgment order made clear. But according to PersonalWeb, the new information meant—depending in part on the outcome of its appeal of the infringement ruling—that it might be able to pursue thirteen of the other customers in the MDL. *Id.* Despite purportedly learning the new information in July 2019, PersonalWeb did not disclose it or its new position to the district court until February 2020 after it lost summary judgment. *Id.* PersonalWeb claimed that the reason for its delay was "simply because there has not been an issue before the Court [since] July 2019 to which this has been germane." Appx6766-6767.

F. The district court found the case exceptional and awarded fees.

Amazon and Twitch moved for fees and non-taxable expenses under 35 U.S.C. §285. Appx7785. In its first order on the motion, on October 6, 2020, the district court found the case exceptional. Appx33-34. The court provided five reasons. *First*, the court found that "PersonalWeb's infringement claims related to the use of Amazon S3 were objectively baseless and clearly untenable based on established Federal Circuit precedent and in light of the with-prejudice dismissal of the Texas Action" though the court also made clear that this finding was not necessary:

"PersonalWeb's unreasonable litigation tactics alone… would have been sufficient to find this case exceptional." Appx13. *Second*, PersonalWeb's litigation conduct was unreasonable, as PersonalWeb repeatedly changed its infringement positions "to overcome the hurdle of the day." Appx19. *Third*, PersonalWeb unreasonably prolonged the case after claim construction, specifically through an "egregious and exceptional" attempt to work around the court's claim construction ruling. Appx21. *Fourth*, PersonalWeb acted unreasonably regarding the customer cases—taking "advantage of the MDL status by continuing to slice and dice this case in a way that gave it an escape hatch at every turn." Appx26-27. And *fifth*, the court found that PersonalWeb submitted declarations that it should have known were inaccurate. Appx33. The court sua sponte lifted the stay on all the customer cases and entered summary judgment in favor of the customers. Appx34.

The court allowed PersonalWeb to file a supplemental brief regarding the reasonableness of the requested fees. Appx33. After that briefing, in a second order on March 2, 2021, the court awarded Amazon $4,615,242.28 in fees and $203,300.10 in costs. Appx65. PersonalWeb noticed an appeal of these orders on March 31, 2021. Appx9690-9691.

Amazon requested to supplement the award with fees that it had incurred between February 2020 and 2021. Appx6809 at ¶21, Appx8993; *see also* Appx8995-9002. In a third order on April 19, 2021, the court granted this request awarded an

additional $571,961.71 in fees and $11,120.97 in costs. Appx66-69. PersonalWeb did not notice an appeal of this order or amend its earlier notice of appeal to include a challenge to the district court's assessment of a reasonable fee. Appx167-171.

SUMMARY OF ARGUMENT

1. The district court was well within its discretion when it found that this was an exceptional case under 35 U.S.C. §285 on five separate bases: (1) that PersonalWeb's claims related to S3 were objectively unreasonable when brought because they were precluded by the judgment in the earlier Texas case (Appx7-13); (2) that "PersonalWeb frequently changed its infringement positions to overcome the hurdle of the day" (Appx19); (3) that "PersonalWeb's attempt to work around the Court's claim construction ruling was egregious and exceptional" (Appx21); (4) that PersonalWeb's "shifting positions" with regard to the customer cases in the MDL were unreasonable (Appx25-26); and (5) that PersonalWeb submitted declarations to the court that it should have known were inaccurate (Appx29). The district court's exceptional case finding stands independently of its finding that PersonalWeb brought unreasonable and baseless claims, as it separately found that "PersonalWeb's unreasonable litigation tactics alone… would have been sufficient to find this case exceptional." Appx13.

2. The district court did not abuse its discretion in setting the amount of the fee award. Having found the case exceptional based on the totality of the circumstances, the district court could have awarded the full costs of defense. Instead, the court exercised its discretion to award only partial fees by allocating fees incurred due to PersonalWeb's unreasonable conduct and, in some cases, further reducing the requested award, but in all cases explaining sufficiently its exercise of discretion.

ARGUMENT

I. STANDARD OF REVIEW

This Court reviews a district court's decision to award fees under §285 for abuse of discretion. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 563 (2014). "To meet the abuse-of-discretion standard, the moving party must show that the district court has made 'a clear error of judgment in weighing relevant factors or in basing its decision on an error of law or on clearly erroneous factual findings.'" *In re Rembrandt Techs. LP Pat. Litig.*, 899 F.3d 1254, 1266 (Fed. Cir. 2018) (quoting *Bayer CropScience AG v. Dow AgroSciences LLC*, 851 F.3d 1302, 1306 (Fed. Cir. 2017)). The abuse of discretion standard applies to all aspects of the attorney fee determination. *Highmark*, 572 U.S. at 564. The district court "lives with the case over a prolonged period of time" and thus "'is better positioned' to decide whether a case is exceptional." *Id.* (quoting *Pierce v. Underwood*, 487 U.S. 552, 560 (1988)).

II. THE DISTRICT COURT ACTED WELL WITHIN ITS DISCRETION BY FINDING THIS CASE EXCEPTIONAL.

An "exceptional" case is "one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness*, 572 U.S. at 554. Factors the district court may consider include "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 554 n.6 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994)). "There is no precise rule or formula for making these determinations…." *Id.* (quoting *Fogerty*, 510 U.S. at 534). Rather, the district court must exercise its discretion considering these factors. *Id.*

Here, the district court closely supervised the MDL proceeding over the course of three years, and—drawing on that experience—found five separate grounds to rule the case exceptional. The district court acted well within its discretion as to each, and independent grounds in the record also support the court's exceptional case ruling.

A. The district court did not abuse its discretion by finding that PersonalWeb's claims against S3 were objectively unreasonable when brought.

A case is exceptional where plaintiff had no viable claim, i.e., the "suit never should have been filed." *Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., Inc*., 858 F.3d 1383, 1391 (Fed. Cir. 2017) (J. Mayer concurring); *see also Lumen View Tech. LLC v. Findthebest.com, Inc*., 811 F.3d 479, 483 (Fed. Cir. 2016) (affirming district court's finding that the case was exceptional because the "allegations of infringement were ill-supported... and thus the lawsuit appears to have been baseless"). Here, the district court found that PersonalWeb's scores of lawsuits against Amazon S3 were unreasonable when filed—PersonalWeb knew or should have known that the earlier Texas judgment barred relitigating these claims. Appx13. The district court ruled that the application of *Kessler* to this case was "based on established precedent," and thus should have been clear to PersonalWeb (Appx9; *see also PersonalWeb*, 961 F.3d at 1376-79), but also that even if *Kessler*'s application was uncertain, "the law of claim preclusion was straightforward and well-settled when PersonalWeb filed this case." Appx9. "None of PersonalWeb's arguments displace the fact that in the instant MDL, PersonalWeb sues Amazon's customers for infringement of the same patents related to use of the same technology as PersonalWeb sued Amazon for in the Texas Action." Appx3246 (summary judgment order).

PersonalWeb's explanations for why this represents an abuse of the district court's discretion lack merit. PersonalWeb first notes that the district court did not find that it had asserted a baseless *infringement theory*. OB32-34 (citing Appx14). But whether or not its infringement theory was baseless, it was still obviously barred: PersonalWeb could not simply relitigate the claims it had already lost against Amazon in 85 new lawsuits against Amazon customers.

Next, PersonalWeb contends that the district court could not have found its claim preclusion argument baseless, because the court "failed to address" PersonalWeb's "meritorious position" that there was a lack of privity between Amazon and the customers. OB35-36. But the reason that the district court's fee orders did not address this position is because PersonalWeb failed to argue it in opposing the fee motion below. *See* Appx7884-7908. The argument is thus waived: "If a litigant seeks to show error in a trial court's overlooking an argument, it must first present that argument to the trial court." *See Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997).

Moreover, the purportedly "meritorious position" that PersonalWeb itself overlooked at the district court is in fact groundless. In its summary judgment order, the district court held that Amazon and its customers were in privity because they "share the same interest in the unfettered use of Amazon's web services, and Amazon adequately represented this interest in the Texas Action." Appx3246. This was a

straightforward application of the Ninth Circuit case law available to PersonalWeb before it filed its complaints, *see id.* (collecting cases), and PersonalWeb did not even appeal the ruling. *PersonalWeb*, 961 F.3d at 1374 ("PersonalWeb also does not challenge the District Court's determination that Amazon and its customers are in privity, and thus are regarded as considered the same parties for claim preclusion purposes.").[15] And the authorities that PersonalWeb claims show that it reasonably believed that Amazon and the customers lacked privity in fact show the opposite. First, they are non-binding—they consist of dicta discussing inapplicable Eighth Circuit law (*Transclean Corp. v. Jiffy Lube Int'l, Inc.*, 474 F.3d 1298 (Fed. Cir. 2007)), and a quotation from the Federal Practice & Procedure treatise.[16] Second, as the district court's summary judgment ruling recognized, they do not support PersonalWeb's argument. *See* Appx3245-3246. In *Transclean*, a patent owner sought to use

[15] PersonalWeb claims that it did not know that Amazon had also agreed to indemnify its customers when it filed suit. OB36. But PersonalWeb was aware of the indemnification clause of the relevant contracts (Appx7981-Appx7982), and the indemnity was just an "*additional* basis to find there is privity between Amazon and its customers" for purposes of claim preclusion, not the primary one. Appx3247 (emphasis added).

[16] *See Co-Steel Raritan, Inc. v. Int'l Trade Comm'n.*, 357 F.3d 1294, 1307 (Fed. Cir. 2004) ("Because statements made in dicta do not implicate the substantive holding of the case, they 'cannot be considered binding authority.'" (quoting *Kastigar v. United States*, 406 U.S. 441, 454–55 (1972))); Amy E. Sloan, *Basic Legal Research - Tools & Strategies* 5 (8th ed. 2021) (explaining that "all secondary authorities are nonbinding").

privity *offensively* to bar a prior defendant's customers from raising a non-infringement defense because the plaintiff had already prevailed in the prior action against the manufacturer of the accused technology. 474 F.3d at 1302. Amazon's customers, by contrast, asserted *defensive* claim preclusion, a posture for which this Court has explained (consistent with regional Circuits) that "a lesser degree of privity is required." *Mars Inc. v. Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 619 (Fed. Cir. 1995) (quoting *Lubrizol Corp. v. Exxon Corp.*, 929 F.2d 960, 966 (3d Cir. 1991)). Similarly, the treatise provision simply states the unremarkable proposition that parties on opposite sides of a contract typically cannot bind *each other* to an adverse result obtained by one party in litigation with others. 18A Charles Alan Wright, Arthur R. Miller, & Edward Cooper, Federal Practice & Procedure §4460 & n.5 (3d ed. 2018). Here, Amazon did not seek to bind its *customers* to an adverse result; it sought to bind PersonalWeb to the result to which it stipulated in the Texas case.

As to *Kessler*, at the time PersonalWeb began its campaign of abusive customer lawsuits in January 2018, this Court had already repeatedly explained that following a "final judgment in the first [suit]," a manufacturer is entitled to sell its product "without fear of allegations of infringement by [the patentee]—even when the acts of infringement occurred post-final judgment and even when it was third-parties who allegedly engaged in those acts of infringement." *Brain Life, LLC v. Elekta Inc.*, 746 F.3d 1045, 1056 (Fed. Cir. 2014); *see also SpeedTrack, Inc. v. Office*

Depot, Inc., 791 F.3d 1317, 1328 (Fed. Cir. 2015). It had also explained that the *Kessler* doctrine "did not rely on traditional notions of claim or issue preclusion." *See Brain Life,* 746 F.3d at 1056. And ultimately this Court held that PersonalWeb's "narrower construction of the *Kessler* doctrine" that it adopted later in the case would allow a patentee "to engage in the same type of harassment that the Supreme Court sought to prevent in *Kessler*, a result that would be inconsistent both with *Kessler* itself and with this court's cases interpreting *Kessler*." *PersonalWeb*, 961 F.3d at 1379. Before filing suit, PersonalWeb relied upon a first opinion from counsel that did not consider the *Kessler* doctrine at all. Appx 7912-7913 at ¶4; *see also* Appx7918-7919. It also obtained a second opinion (Appx7975-Appx7985), which concluded that *Kessler* preclusion was unlikely to apply, despite acknowledging that under this Court's precedent it requires only a "final judgment," not that the infringement issues were "actually litigated" in the earlier case (Appx7982-7983 (citing *Brain Life*, 746 F.3d at 1058)).[17]

[17] PersonalWeb's pending petition for certiorari, which principally asks the Supreme Court to treat *Kessler* as an issue preclusion decision and overrule it, does not change the fact that PersonalWeb's position was inconsistent with controlling precedent. (Moreover, this Court recently denied PersonalWeb's request to rehear its appeal of the non-infringement summary judgment order. That denial effectively moots the petition for certiorari, as PersonalWeb has no claim for infringement against S3 under the claim constructions that this Court affirmed.)

The district court did not abuse its discretion in finding that PersonalWeb was unreasonable in bringing 85 lawsuits that asserted claims that were baseless due to their preclusion by the Texas judgment.[18]

B. The district court did not abuse its discretion in finding that PersonalWeb's constantly shifting positions made the case exceptional.

This Court has held that exceptional cases include those where a party's litigation position becomes "a constantly moving target" or "a frustrating game of Whac-A-Mole throughout the litigation." *See Oplus Techs., Ltd. v. Vizio, Inc.*, 782 F.3d 1371, 1374 (Fed. Cir. 2015).[19]

PersonalWeb's constantly changing litigating positions defined this case. PersonalWeb filed suit against the customers alleging they infringed by using Amazon S3, and it convinced the JPML to centralize the cases on that basis. Appx7734-7735;

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[18] Even if this Court decides that it was reasonable for PersonalWeb to relitigate its same claims against Amazon S3 in 85 duplicative customer suits, the district court's exceptional case determination should still stand. The district court expressly stated that "PersonalWeb's unreasonable litigation tactics alone… would have been sufficient to find this case exceptional." Appx13.

[19] District courts have regularly relied on §285 to curb this type of abuse. *See, e.g.*, *Source Search Techs., LLC v. Kayak Software Corp.*, No. 11-cv-3388-NLH-KMW, 2016 WL 1259961, at *7 (D.N.J. Mar. 31, 2016) ("[T]his flip-flopping 'stands out... with respect to the substantive strength of a party's litigating position.'" (quoting *Octane*, 572 U.S. at 554), *aff'd* 697 F. App'x 695 (Fed. Cir. 2017); *see also Andersen Mfg. Inc. v. Wyers Prod. Grp., Inc.*, No. 18-cv-0235-WJM-STV, 2019 WL 4007772, at *11 (D. Colo. Aug. 23, 2019) (finding that a party's "convenient position-shifting... evidence[s] its willingness to say whatever is needed to obtain the outcome it seeks," and supports a finding of exceptionality), *appeal dismissed per agreement*, No. 2019-1640, 2020 WL 8173074 (Fed. Cir. Mar. 27, 2020).

see also Appx701-702. But faced with a potential injunction, PersonalWeb mischaracterized its complaints. It argued to the district court that its lawsuits accused Ruby on Rails, and it filed a motion to dismiss that argued it *had not accused Amazon S3* of infringement. Appx9505 at 44:1-2, Appx9452-9459.

PersonalWeb abandoned this position once the Court questioned it. It withdrew the frivolous motion to dismiss before the Court could hear it, and it counterclaimed against Amazon for infringement by S3. Appx9510-9511, Appx9568. At the same time, PersonalWeb changed its position again with respect to the customers, arguing it now had *four different* infringement theories and that therefore the Court should allow multiple customer cases to proceed. Appx561. Then, as the district court explained, "after all that, Ruby on Rails seemingly vanished from the case. PersonalWeb's expert offered no infringement opinion based on Ruby on Rails and PersonalWeb did not even mention Ruby on Rails in its responses to Amazon and Twitch's summary judgment motions." Appx18; *see* Appx5272-5339 (expert report); Appx6445-6458 (response to Twitch's summary judgment motion); Appx6473-6489 (response to Amazon's summary judgment motion). And to avoid a judgment of claim preclusion, PersonalWeb served infringement contentions nearly a year into the case accusing Amazon CloudFront, a product not identified in any of its scores of pleadings. Appx1188-1200.

PersonalWeb's explanation is that its varying characterizations described the same basic infringement theory based on their use of the public HTTP protocol. OB39-40. But that does not explain—let alone justify—PersonalWeb's conduct, including filing scores of lawsuits that expressly accused Amazon S3 of infringement and then denying that fact to the district court; and obscuring in its "four theories" presentation (when it admits here that it had a single infringement theory, OB39-40) to try to convince the court to lift additional customer stays. *See* Appx632, Appx636, Appx638.

PersonalWeb argues that the district court could not find misconduct because it "did not hide the ball as to Ruby on Rails" before the JPML. OB40 (quoting Appx16). But again, PersonalWeb centralized the suits based on the common allegations against S3; then it argued to the district court that S3 was not accused, just Ruby on Rails; and then it dropped mention of Ruby on Rails from its expert reports. Indeed, PersonalWeb's own brief on appeal reflects the same lack of consistency and willingness to say whatever is expedient in the moment. *Compare* OB40 ("S3 and RoR *are part of the same argument*." (alteration in original)), *with* Appx9424 ("Ruby on Rails-based infringement allegations are **wholly independent** of any use of S3" (alteration in original)).

PersonalWeb finally argues that the district court could not find the late addition of CloudFront to the case to avoid the preclusion bar exceptional, because it did

not award all of Amazon's related fees. OB41. This has it exactly backwards. *After* ruling the case exceptional, the district court denied fees for Amazon's motion to dismiss CloudFront for lack of standing because it viewed that motion as Amazon's choice and unrelated to the specific misconduct, i.e., adding CloudFront late in the case. Appx51.

The district court correctly found that "PersonalWeb frequently changed its infringement positions to overcome the hurdle of the day." Appx19.

C. The district court did not abuse its discretion by finding that PersonalWeb prolonged the litigation unreasonably after the claim construction order foreclosed all infringement claims.

A case is exceptional also when the patentee continues to litigate after claim construction ends any reasonable chance of prevailing on the merits. *AdjustaCam, LLC v. Newegg, Inc.*, 861 F.3d 1353, 1360-61 (Fed. Cir. 2017) (finding case exceptional because, while the plaintiff "may have filed a weak infringement lawsuit... [its] suit became baseless after the district court's *Markman* order"); *see also MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 919 (Fed. Cir. 2012). This Court has in fact "frequently held" such cases exceptional. *See Innovation Scis., LLC v. Amazon.com, Inc.*, 842 F. App'x 555, 557 (Fed. Cir. 2021) (collecting cases). A plaintiff must therefore "continually assess the soundness of pending infringement claims, especially after an adverse claim construction." *Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306, 1328 (Fed. Cir. 2013).

The district court did not abuse its discretion in applying these principles to the facts of this case. After the court's constructions foreclosed PersonalWeb's infringement claims, PersonalWeb refused to stipulate to non-infringement and continued to litigate the case. It had its expert discard the district court's claim constructions (Appx5298), forcing the parties to conduct full expert discovery and prepare summary judgment motions. PersonalWeb's attempt to "clarify" the court's construction during that time was pretext: PersonalWeb had "never been confused about what the term 'license' means" (Appx5434); it was merely trying to "regain the broader meaning it sought" unsuccessfully at claim construction. Appx5435 (district court order). The district court correctly found that "PersonalWeb's attempt to work around the Court's claim construction ruling" had prolonged the case unreasonably, and "was egregious and exceptional." Appx21.

PersonalWeb does not contest the district court's determination that its "clarification" request was pretextual and substantively meritless. On this point PersonalWeb notes only that the district court stated that it had used the correct *procedure* (OB44), in no way contradicting the findings that the *issue* PersonalWeb raised via that procedure was at that point illegitimate.

Instead, PersonalWeb contends the district court abused its discretion because PersonalWeb took *other* actions that did not prolong the case. OB43, 45. But the district court considered these and found that they did not undermine its findings or

otherwise make PersonalWeb's misconduct reasonable. Appx19-23. Specifically, PersonalWeb suggests that it sought to avoid prolonging the case by immediately requesting partial judgment against it once the district court disposed of the frivolous "clarification" motion (OB21-22) and argues that it was Amazon who prolonged the case thereafter by seeking summary judgment on additional grounds (OB42-43). But this conduct all occurred *after* PersonalWeb refused to dismiss its claims in their entirety and instead instructed its expert to apply its own constructions instead of the court's. It did not mitigate that misconduct, nor did it allow the parties to avoid any of the months of additional work in the case that resulted, a point made expressly by the district court in its order. Appx22-23. Moreover, the district court noted that having done that additional work, Amazon and Twitch "had good reasons" for seeking summary judgment on all available non-infringement grounds (Appx22)—namely, to ensure that the case was finally disposed of and to avoid serial piecemeal appeals. Even so, the district court *still* credited PersonalWeb by denying Amazon recovery of fees for work on the additional summary judgment arguments. Appx23, Appx56. This all reflects a careful exercise of discretion, not an abuse.[20]

[20] It is also completely consistent with the other statements the district court made about PersonalWeb not prolonging the case further, "setting aside the claim construction 'clarification' issue." OB46 (citing Appx6060 at 38:4-7, Appx21). PersonalWeb's remaining arguments are meritless. It claims it followed the procedures that the district court identified as reasonable, but clearly it did not. The district court stated PersonalWeb should have stipulated "to non-infringement in both Amazon

D. The district court did not abuse its discretion in finding PersonalWeb's conduct concerning the customer cases in the MDL was unreasonable.

The district court was also correct that PersonalWeb acted unreasonably regarding the customer actions. This Court has already observed that it structured the MDL based on PersonalWeb's own representations to the district court: "Because PersonalWeb represented that it would not be able to proceed in the other customer cases if it lost its case against Twitch, the district court relied on PersonalWeb's pleadings against Twitch as being representative of PersonalWeb's pleadings in the other customer cases." *PersonalWeb*, 961 F.3d at 1372 (Fed. Cir. 2020); *see also* Appx803, Appx805; *see generally* Appx802-806, Appx837-838. But once the district court found in favor of Twitch on summary judgment, PersonalWeb claimed that Twitch was no longer representative of all the customer defendants based on information that it had learned *seven months earlier* and withheld as the parties proceeded through expert discovery and summary judgment. Appx6766. In fact, the claimed difference was inconsequential: PersonalWeb claimed Twitch was differently situated because its ETags were served by S3 while other defendants were

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and Twitch cases immediately after claim construction" (Appx22); PersonalWeb offered only a partial stipulation that would allow it to continue litigating against Twitch (Appx5220). Alternatively, the district court stated PersonalWeb could have sought clarification immediately (Appx22) (an option that assumes a legitimate ambiguity in the claim construction order, which there was not); PersonalWeb did not do so and instead instructed its expert to disregard the court's order.

served outside of S3 (Appx6765-6766), but the identity of the web server made no difference whatsoever because they all function according to the accused HTTP standard. Appx6769. Still, PersonalWeb used this to try to lay the groundwork to pursue additional customer cases, including by asserting the new theory about terms of use that turned on individual defendants' websites. Appx6765.

PersonalWeb's arguments in response are meritless. It contends that it had *no responsibility* to update the district court once it believed Twitch was no longer a representative case. OB47-48.[21] And it tries to blame Twitch for not coming forward with information about its systems at the initial case management stage, even though it was always Twitch's position that PersonalWeb had only a single infringement theory, not four.

PersonalWeb learned that what it claimed was a representative case could not actually resolve all cases. Appx6766-6767. And then it allowed the MDL to proceed for seven more months. *Id.* The district court correctly found this was "unreasonable litigation conduct." Appx26.

[21] Here, PersonalWeb places out of context statements that the district court made in rejecting PersonalWeb's request for a second representative case at the outset (Twitch "seems to be the ideal exemplar" (Appx838)); and asking Amazon whether the customers would be bound if Amazon lost ("none of us has a crystal ball" (Appx804)). OB47. Both statements were premised on PersonalWeb's representation that Twitch was representative, and neither suggests that the court expected "subsequent discovery" (OB48) might undermine the MDL structure as PersonalWeb now claims.

E. The district court did not abuse its discretion by finding that PersonalWeb filed sworn declarations that it should have known were inaccurate.

The district court did not abuse its discretion when it found that PersonalWeb's attempt to use inaccurate declarations to defeat summary judgment was exceptional. The declarations claimed that PersonalWeb's Texas lawsuit accused a different feature of Amazon S3 than the conditional GETs accused in the current customer suits. *See, e.g.*, Appx1430 at ¶4; Appx1564-1566 at ¶¶3-9. PersonalWeb and its attorneys would have known this assertion was false had they reviewed the Texas record. Moreover, the declarants themselves should each have known that their testimony was false, as counsel had emailed them a proposed settlement for the Texas case covering the conditional GET feature that they testified had not been at issue. Appx7918. The court explained that "[a] careful review of the record in the Texas Action and Mr. Dorman's email (received by both declarants), which should have taken place before filing 85 lawsuits, would have made clear that the testimony about the involvement of conditional GET in the Texas Action was inaccurate and should not have been presented to the Court." Appx29; *see also id.* ("[T]he Court finds implausible that Mr. Bermeister relied on Mr. Dorman's email (as to the preclusion issue) before bringing 85 lawsuits, but at the same time was unaware of the involvement of 'conditional GET' allegations in the Texas Action, noted in the same email.").

PersonalWeb contends that the declarations cannot be exceptional because the district court did not find that they were intentionally false or breached the duty of candor. OB50. But "sanctionable conduct is not the appropriate benchmark" for determining whether a case is exceptional under §285. *Octane*, 572 U.S. at 555. Unreasonable conduct—including failing to investigate the truth of statements to the district court—may make case exceptional. *See, e.g.*, *ThermoLife Int'l LLC v. GNC Corp*., 922 F. 3d 1347, 1356 (Fed. Cir. 2019) (failure to conduct reasonable pre-suit investigation before alleging infringement). Indeed, this Court's cases have suggested that even mere "unprofessional behavior" may suffice in some circumstances. *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081, 1106 (Fed. Cir. 2003). The declarations more than meet this bar. The district court found that both declarants "should have been 'aware' that conditional GET was part of the Texas Action," and that it remained "troubled that the testimony was contradicted by the record." Appx29. PersonalWeb did not contest this finding on appeal. *See* OB3 (stating that PersonalWeb was not "revisiting what PersonalWeb representatives should have known at times in the past"). Based on its finding, the court correctly considered the false declarations as "one factor" in its exceptionality determination. *Id.*[22]

[22] The district court noted also that the declarations were "uncorroborated and self-serving," such that they did not create triable issue of fact at summary judgment. Appx3250 (quoting *Villiarimo v. Aloha Island Air, Inc.*, 281 F.3d 1054, 1061 (9th Cir. 2002)). PersonalWeb argues that this shows that the district court wrongfully punished it for zealous advocacy. OB52. But zeal in representing a client's interest

F. Additional grounds in the record support the exceptional case determination.

The five grounds relied upon by the district court provide more than an adequate basis for the exceptional case finding. But the fact that PersonalWeb brought these cases to extract settlements rather than litigate its claims on the merits is an additional, independent basis in the record that supports an exceptional case determination.

"[T]he repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one's claims, is relevant to a district court's exceptional case determination under § 285." *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1350 (Fed. Cir. 2015). Accordingly, courts should consider the deterrent effect a fee award would have on similar vexatious lawsuits, *see Elec. Commc'n Techs., LLC v. ShoppersChoice.com, LLC*, 963 F.3d 1371, 1378-79 (Fed. Cir. 2020) (citing *Octane*, 572 U.S. at 554 n.6), including by assessing the plaintiff's litigiousness and its conduct in other cases, *see Rothschild*, 858 F.3d at 1389-90.

PersonalWeb filed scores of lawsuits against nearly one hundred Amazon customers (including medium-sized businesses) for their potential *in terrorem* effect—

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never includes sponsoring testimony that a reasonable investigation would show is false. *See Azar v. Garza*, 138 S. Ct. 1790, 1793 (2018) ("zealous advocacy" does not displace counsel's "obligations as officers of the court").

leveraging customer fear of being forced to pay millions to defend someone else's technology into settlements. The January 25, 2018 email made that clear: PersonalWeb's attorney stated that he hoped to "start a settlement chain reaction" before the customer targets could even coordinate their defense. Appx8216. PersonalWeb's nuisance value settlements and offers—both around the same time (Appx8233-8238, Appx8219-8231) and historically (Appx8197, Appx8200, Appx8203-8205, Appx8208)—also corroborate this.

The district court ruled that Amazon had pointed "to PersonalWeb's 'history of settling with multiple parties for relatively small amounts,' but not to any actual small settlements in *this case*." Appx31 (alteration in original) (quoting Appx8184). But that shows only that PersonalWeb was prevented from achieving its goal here. PersonalWeb's improper purpose for suing customers rather than Amazon and its past cynical use of the federal courts are both still relevant to the exceptional case determination, *see Octane Fitness*, 572 U.S. at 554 n.6; *Rothschild*, 858 F.3d at 1389-90, and the district court's award should be affirmed for this reason as well.

III. THE DISTRICT COURT DID NOT ABUSE ITS DISCRETION IN SETTING THE AMOUNT OF THE AWARD.

PersonalWeb challenges a total of $1,948,987.01 in fees, arguing that they lack a sufficient causal connection with its misconduct in the case. OB52-53.[23] But

[23] PersonalWeb's opening brief did not challenge the reasonableness of the rates awarded by the district court or the district court's calculation of the remaining

this Court has held that the "determination of reasonable attorney fees is… 'a matter that is committed to the sound discretion' of a district court judge." *Lumen View*, 811 F.3d at 483 (citation omitted). When awarding fees under §285, this Court has required *at most* that "the amount of the award must bear some relation to the extent of the misconduct," and "the district court must explain that relationship, at least to the extent practicable." *In re Rembrandt Techs.*, 899 F.3d at 1279. The district court's court order here easily clears that bar.

A. The district court was not required to undertake a granular line-by-line apportionment of fees.

Section 285 empowers the district court to award fees for an exceptional case—i.e., one that "stands out from others" based on the totality of the circumstances or for specific acts of litigation misconduct. *See Octane Fitness*, 572 U.S. at 554. In the former circumstance, the district court can award fees from "the entire case, including any subsequent appeals." *Therasense, Inc. v. Becton, Dickinson &*

$3,238,216.98 in fees and $214,421.07 in costs. *See* OB29, 52-53. Any such challenges are now waived. *See Phil-Insul Corp. v. Airlite Plastics Co*., 854 F.3d 1344, 1357 (Fed. Cir. 2017). PersonalWeb also cannot challenge the reasonableness of the amounts set by the district court in the supplemental award (i.e., what PersonalWeb calls the "Third Order" (Appx66-69)), for the separate and independent reason that PersonalWeb did not notice an appeal of that award. *See* Fed. R. App. P. 3(c)(1)(B) (a notice of appeal must "designate the judgment, order, or part thereof being appealed"); *see also Smith v. Barry*, 502 U.S. 244, 248 (1992) (Rule 3 requirements are jurisdictional); *Edge Sys. LLC v. Aguila*, 635 F. App'x 897, 902 (Fed. Cir. 2015) (court did "not have jurisdiction to hear [] arguments on matters beyond what is stated in [the] Notice of Appeal").

Co., 745 F.3d 513, 517 (Fed. Cir. 2014); *see also Homeland Housewares, LLC v. Sorensen Research & Dev. Trust*, 581 F. App'x 877, 881 (Fed. Cir. 2014); *Blackbird Tech LLC v. Health in Motion LLC*, 944 F.3d 910, 918-19 (Fed. Cir. 2019) (affirming award of fees for entire case), *cert. denied*., 140 S. Ct. 2765 (2020); *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1380 (Fed. Cir. 2017) (same).

This Court has required at most that "the amount of the award must bear some relation to the extent of the misconduct," and "the district court must explain that relationship, at least to the extent practicable." *In re Rembrandt*, 899 F.3d at 1279.[24] But the cases this Court relied on to announce this requirement make clear that strict accounting is not required. Instead, in allocating fees, the goal "is to do rough justice, not to achieve auditing perfection." *Fox v. Vice*, 563 U.S. 826, 838 (2011). That is, "trial courts need not, and indeed should not, become green-eyeshade accountants," *id.*, and "a tedious, line-by-line investigation of the hours Appellees expended" is not required, *Rembrandt*, 899 F.3d at 1280. Rather, "trial courts may take

[24] *In re Rembrandt* concerned a $51 million fee award for which the district court failed to explain even as a general matter how the exceedingly large amount related to the exceptional case finding. 899 F.3d at 1277-78. But that case cannot be read as requiring the district court to strictly apportion fees to specific acts of misconduct, as doing so would place it in conflict with the line of Federal Circuit cases that hold that the reasonable cost of defense is recoverable on a finding of an exceptional case, *see supra*, as well as those that hold that §285 requires assessing the entire case rather than individual acts of misconduct. *See Intellectual Ventures I LLC v. Trend Micro Inc*., 944 F.3d 1380, 1384 (Fed. Cir. 2019).

into account their overall sense of a suit, and may use estimates in calculating and allocating an attorney's time." *Fox*, 563 U.S. at 838. "The court may decide, for example, that all (or a set percentage) of a particular category of expenses… were incurred solely because of a litigant's bad-faith conduct." *Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1187 (2017). "And appellate courts must give substantial deference to these determinations, in light of 'the district court's superior understanding of the litigation.'" *Fox*, 563 U.S. at 838 (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 437 (1983)).

B. PersonalWeb's challenges to the amount of the award are nonetheless meritless.

The district court appropriately followed this framework. It found "the lion's share" of Amazon's fees was related to "the… conduct the Court found exceptional." *See* Appx46. It "exclude[d] requested fees not directly traceable to PersonalWeb's egregious conduct, but… nonetheless continue[d] to assess the totality of the circumstances as directed under *Octane*." Appx42. The court began with the presumptively reasonable lodestar figure. Appx43; *see City of Burlington v. Dague*, 505 U.S. 557, 562 (1992). It then made certain percentage-cuts, explaining that although it would have considered "a line-by-line reduction, PersonalWeb has chosen to submit its opposition based on percentage reductions." Appx44. Each component of the court's fee award was justified and within its discretion.

Case management fees. The district court found that "PersonalWeb's frivolous conduct was a significant contributor to the need for case management," explaining that "PersonalWeb's ever-shifting infringement theories—S3, Ruby on Rails, the late emergence of CloudFront and complete abandonment of Ruby on Rails, and, finally, PersonalWeb's extraordinary declaration that Twitch was not a representative customer case only fifteen months after insisting just the opposite—support Amazon's need for significant case management efforts." Appx47. The court then applied a 25% reduction to Amazon's case management fees "to reflect a fair reduction related to otherwise necessary activities." *Id.* The district court did not abuse its discretion.

While the 25% reduction was not necessary, the district court was within its discretion to apply it. This Court has stated that a flat percentage discount often "demonstrates… a careful exercise of discretion." *See Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd.*, 726 F.3d 1359, 1369 (Fed. Cir. 2013) (approving both a 10% discount across all fees and an exclusion of 75% of block-billed fees). The district court explained that while it "is often skeptical of the value of incessant meetings involving multiple attorneys," Amazon had already excluded 29 timekeepers from its fee requests and an additional 25% reduction for case management "amply addresses any over-billing in this category and thus no further deduction is necessary." Appx65. PersonalWeb argues that the selection of 25% "was completely arbitrary"

(OB54) but PersonalWeb points to nothing in the record that indicates that reduction was incorrect, let alone an abuse. Moreover, PersonalWeb itself accepted and argued in favor of a 25% reduction at the district court, asking that the court reduce the case management fees in Amazon's supplemental request "'by 25% to reflect a fair reduction' as it previously did," and without reserving any right to challenge that reduction on appeal. Appx9127 (quoting Appx47).[25] PersonalWeb's remaining arguments against the fee amount (OB55-57) merely misrepresent the district court's exceptional case findings or repeat its arguments against them.

Motions to stay; motion for preliminary injunction; MDL Proceedings. The district court's award of fees incurred early in the case was justified and reflects no abuse of discretion. In response to the dozens of customer suits filed around the country, Amazon promptly filed a declaratory judgment complaint; moved to enjoin those cases; moved to stay the cases proceeding in other jurisdictions; and responded to PersonalWeb's attempt to circumvent that effort at the JPML. These costs relate

[25] PersonalWeb had advocated a 75% cut "[b]ecause the overall time is so high, the number of timekeepers is enormous, and team meetings are so incessant." Appx8469. The district court concluded that "PersonalWeb's request for a 75% reduction of fees borders on ridiculous" and was supported "solely by [its expert's] belief that 'some sort of adjustment for reasonableness is necessary' and is untethered to any particular meeting or activity." Appx65; *see also* Appx45-47, Appx60-65.

entirely to Amazon's attempt to defend claims that the district court found were baseless, and to do so in the most efficient way possible. The district court found that Amazon "undoubtedly" would have incurred even more fees had it not undertaken these efforts. Appx50 (quoting Appx33); *see also* Appx51.

PersonalWeb's argument that its S3-related claims "were only a small portion of the case," OB58, is irrelevant and wrong. At filing, PersonalWeb's complaints mapped the patent claims only to S3. And that the district court and the JPML ultimately chose to structure the proceedings differently is wholly irrelevant to whether these fees are recoverable. *See Mathis v. Spears*, 857 F.2d 749, 756 (Fed. Cir. 1988) ("Litigants in good faith may raise alternative legal grounds for a desired outcome, and the court's rejection of… certain grounds is not a sufficient reason for reducing a fee. The result is what matters." (quoting *Hensley*, 461 U.S. at 435)). Moreover, had PersonalWeb not changed and added to its theories multiple times in the early stages of the case, some, if not all, of these fees could have been avoided. Appx48.

Investigation of PersonalWeb's shifting infringement claims. The court found that "PersonalWeb's flavor-of-the-week strategy required Amazon to expend substantial time investigating PersonalWeb's ever-shifting claims." Appx48. It then reduced the fees requested by 25% to "to reflect a fair reduction related to otherwise necessary activities." *Id.* Here, too, the district court did not abuse its discretion, and PersonalWeb's arguments against this award are meritless. PersonalWeb argues

its theories were not baseless and that the 25% reduction was arbitrary. OB58. But the district court correctly found that, regardless of the merit of the theory that PersonalWeb asserted at any one time, the "abandoned infringement theories serially dominated the case, leading to unnecessary work across multiple categories of litigation." Appx48. And the percentage reduction reflects the district court's assessment of a reasonable fee. *Monolithic Power Sys.*, 726 F.3d at 1369.

Infringement contentions. Amazon had to perform work related to contention disclosures as part of its defense of an exceptional case that the district court found both substantively weak and unreasonably litigated. It incurred them both in relation to the baseless S3 claims and the CloudFront infringement theories added to avoid the preclusion issues and prolong the case, as well as in connection with PersonalWeb's "bad faith" (Appx52) attempt to amend its contentions to accuse website terms of service that the district court found would have unraveled the MDL (Appx26).

Claim construction. The district court found that "PersonalWeb's misconduct is a 'but for' cause of some of the fees incurred by Amazon in this category." Appx53. The court cited, as one example, PersonalWeb's "egregious and exceptional" "attempt to work around the Court's claim construction ruling." Appx53-Appx54 (quoting Appx21). This included seeking "clarification" of the court's claim construction order after receiving notice that its conduct was sanctionable and after

instructing "its expert to apply the improper 'interpretation.'" Appx21; *see also* Appx5435. The court reduced "Amazon's requested fees by 25%" because some of the claim construction time was spent on "necessary litigation activities unrelated to PersonalWeb's misconduct." Appx54. Both the fee award and reduction were within the court's discretion.

CONCLUSION

For the foregoing reasons, Amazon respectfully requests this Court affirm the judgment of the district court.

November 23, 2021

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type volume limitation of Federal Circuit Rule 32(a). This brief contains 11,313 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b).

2. The brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Civil Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft Office Word Version 2010 in 14-point Times New Roman.

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CERTIFICATE OF SERVICE

The undersigned certifies that a complete copy of SECOND CORRECTED RESPONSE BRIEF OF PLAINTIFFS-APPELLEES AMAZON.COM, INC. AND AMAZON WEB SERVICES, INC., AND DEFENDANT-APPELLEE TWITCH INTERACTIVE, INC. was served on the attorneys of record via electronic mail or CM/ECF delivery on November 23, 2021.

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