UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

IN RE: PERSONALWEB TECHNOLOGIES, LLC ET AL., PATENT LITIGATION	Case No. 18-md-02834-BLF
AMAZON.COM, INC., and AMAZON WEB SERVICES, INC., Plaintiffs v. PERSONALWEB TECHNOLOGIES, LLC and LEVEL 3 COMMUNICATIONS, LLC, Defendants,	**ORDER GRANTING IN PART AND DENYING IN PART MOTION FOR ATTORNEYS' FEES AND COSTS** [Re: ECF 636] Case No.: 5:18-cv-00767-BLF [Re: ECF 184] Case No.: 5:18-cv-05619-BLF [Re: ECF 88]
PERSONALWEB TECHNOLOGIES, LLC, and LEVEL 3 COMMUNICATIONS, LLC, Plaintiffs, v. TWITCH INTERACTIVE, INC., Defendant.	

Having found this case exceptional under 35 U.S.C. § 285, the Court must now determine the amount of reasonable attorneys' fees and costs owed at the end of this multidistrict litigation ("MDL") for alleged patent infringement that ensnared Amazon and over 80 of its customers. In February 2020, Defendants Amazon.com, Inc., Amazon Web Services, Inc., and Twitch Interactive, Inc. (collectively "Amazon") prevailed against Plaintiff PersonalWeb Technologies, LLC ("PersonalWeb") at summary judgment and judgment was entered in favor of all Defendants. ECF 381; ECF 578; ECF 643. After an August 6, 2020 motion hearing, the Court found the case

reserved the question of the reasonableness of Amazon's requested fees. H'rg, ECF 625; Order Awarding Fees, ECF 636 at 34. In its prior motion, Amazon requested attorney fees totaling $6,100,000.00 and non-taxable expenses of $323,668.06. Mot. for Attorney Fees and Costs ("Mot."), ECF 593 at 15. Amazon also reserved its right to submit a supplemental fee request for future fees related to preparing the fees motion. Gregorian Declaration ("Gregorian Decl.") ¶ 21, ECF 592-1. Now, PersonalWeb challenges the reasonableness of Amazon's request. Suppl. Br., ECF 644. For the reasons that follow, the Motion is GRANTED IN PART and DENIED IN PART.[1]

I. BACKGROUND

Separate from this MDL, in December 2011, PersonalWeb commenced a patent infringement suit in Texas federal court against Amazon and its customer Dropbox, Inc. *See PersonalWeb Techs., LLC v. Amazon.com Inc.*, No. 6:11-cv-00658 (E.D. Tex. Filed Dec. 8, 2011) (the "Texas Action"). PersonalWeb eventually stipulated to dismissing its claims with prejudice, ending the action. ECF 315-7; ECF 315-8. Four years later in January 2018, PersonalWeb resurrected its claims, filing over 85 lawsuits across the country against various Amazon customers for their use of Amazon's Simple Storage Service ("S3") and alleging infringement of the same patents implicated in the Texas Action. *See* ECF 295; ECF 1, Schedule A. Amazon quickly intervened to defend its customers, and counterclaims from both parties ensued. *Amazon.com, Inc. et al v. Personal Web Technologies, LLC et al*, 18-5:18-cv-00767-BLF (N.D. Cal. Filed February 5, 2018) (the "DJ Action"), ECF 62, 71.

In June 2018, the cases were consolidated into the current MDL proceeding and assigned to this Court. Compl., ECF 1. With Plaintiff's approval, the Court selected the Twitch case as the representative customer action to proceed and stayed all other customer cases pending resolution. ECF 313. In two phases, the Court granted Amazon's motions for summary judgment as to all claims. ECF 381; ECF 578.

On March 20, 2020, Amazon moved for attorney fees and costs. Mot. On October 6, 2020, this Court granted the Motion and concluded that the case was exceptional

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

Order Awarding Fees at 33. Because PersonalWeb failed to object to the reasonableness of Amazon's requested fees in its opposition brief, the Court ordered supplemental briefing. *Id*. PersonalWeb filed its Supplemental Brief on October 30, 2020. Suppl. Br., ECF 644. Amazon filed its Response on November 16, 2020. Response, ECF 646.

II. LEGAL STANDARD

A. Exceptional Case Status

The first issue to resolve is the proper methodology of calculating the amount of attorneys' fees to which Amazon is entitled. In patent infringement actions, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285*; see Octane Fitness, LLC v. ICON Health & Fitness, Inc*., 572 U.S. 545, 553 (2014). Supreme Court precedent determining the reasonableness of fees applies uniformly to all federal fee-shifting statutes permitting the award of reasonable fees, such as § 285. *See City of Burlington v. Dague*, 505 U.S. 557, 562 (1992). Furthermore, courts "apply Federal Circuit law to the issue of attorney fees in patent infringement cases." *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1299 (Fed. Cir. 2004). District courts have "'considerable discretion' in determining the amount of reasonable attorney fees under § 285" because of "the district court's superior understanding of the litigation and the desirability of avoiding frequent appellate review of what essentially are factual matters." *Homeland Housewares, LLC v. Sorensen Research*, 581 Fed. Appx. 887, 881 (Fed. Cir. 2014) (quoting *Bywaters v. U.S.*, 670 F.3d 1221, 1228 (Fed. Cir. 2012)) (internal quotation marks omitted); *see also Hensley v. Eckerhart*, 461 U.S. 424, 437 (1983).

The Court has already determined that this case is exceptional, meriting an award of

attorneys' fees. *See* Order Awarding Fees; *see also Octane*, 572 U.S. at 555 ("a district court may award fees in the rare case in which a party's unreasonable conduct—while not necessarily independently sanctionable—is nonetheless so 'exceptional' as to justify an award of fees."). The parties now dispute the implication of this finding. PersonalWeb urges this Court to apply a "but for" standard that awards fees accrued litigating frivolous conduct and excludes fees accrued litigating non-frivolous conduct. *See* Suppl. Br. at 1-2. Amazon counters that awarding fees related to discrete acts of litigation misconduct is the incorrect standard to apply. Response at 1. This Court agrees with PersonalWeb that it should apply the "but for" standard as described in *Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178 (2017), but is mindful that there are limits to the degree of parsing required. *Homeland Housewares, LLC v. Sorensen Research*, 581 F. App'x 877, 881 (Fed. Cir. 2014) ("We decline, however, to require such granularity from the district court, particularly because it is the 'totality of the circumstances,' and not just discrete acts of litigation conduct, that justify the court's award of fees." (quoting *Octane*, 572 U.S. at 554).

PersonalWeb's proposed methodology originates in *Fox v. Vice*, 563 U.S. 826 (2011). There, the Supreme Court held that when a plaintiff asserts both frivolous and non-frivolous claims, the defendant may recover only the amount incurred because of the frivolous claims. *Id.* at 826. In such cases, fees are determined according to "whether the fees requested would not have accrued but for the" misconduct. *Id.* at 839-40; *see also Goodyear*, 137 S. Ct. at 1187.

Several years later, the Supreme Court applied the "but for" standard to a court's inherent authority to sanction a litigant for bad faith conduct by ordering it to pay the other side's legal fees. *Goodyear*, 137 S. Ct. at 1183-84. It explained that fee-shifting in the sanction context must be compensatory rather than punitive. *Id.* at 1186. As such, "the court can shift only those attorney's fees incurred because of the misconduct at issue." *Id.* An award that "extends further than that—to fees that would have been incurred without the misconduct—then . . . crosses the boundary from compensation to punishment. *Id.* Hence, a "causal connection" is required between the misbehavior and the legal fees imposed, which "is most appropriately framed as a but-for test: The complaining party . . . may recover 'only the portion of his fees that he would not have paid but for' the misconduct.'" *Id.* at 1186-87 (quoting *Fox*, 563 U.S. at 836)). The Federal Circuit has since applied

this reasoning in the patent context, explaining that fees awarded under § 285 are "compensatory, not punitive" and "[i]n such a statutory sanction regime, a fee award may go no further than to redress the wronged party for losses sustained." *In re Rembrandt Techs. LP Patent Litig.*, 899 F.3d 1254, 1279 (Fed. Cir. 2018) (quoting *Goodyear*, 137 S. Ct. at 1186) (internal marks omitted). "Critically, the amount of the award must bear some relation to the extent of the misconduct." *Id.*

Amazon emphasizes that *Goodyear* applied the "but for" fee-shifting methodology in a different context, where the court was concerned with its inherent power to sanction. Response 1. But *Fox* concerned a § 1983 claim where the court dismissed the plaintiff's federal claims with prejudice after the plaintiff admitted they were invalid. 563 U.S. at 830. In that case, the Supreme Court was considering § 1988, which allowed an award of reasonable fees to a prevailing party in certain civil rights cases. *Fox*, 563 U.S. at 829-30. It reversed the district court's grant of fees for defending the entire suit in federal court, holding that the "but for" test applied. *Id.* at 839-40; *see also Rambus Inc. v. Infineon Techs*. AG, 318 F.3d 1081, 1106 (Fed. Cir. 2003) (holding that where a court finds a case exceptional, the amount of the award must relate to the misconduct). And numerous courts have since applied the *Fox-Goodyear* standard to § 285 assessments. *See, e.g.*, *In re Rembrandt Tech. LP Patent Litigation*, 899 F.3d 1254 (Fed. Cir. 2018); *Flowerider Sur, Ltd. v. Pac. Surf Designs, Inc.*, No. 315-cv-01879-BEN-BLM, 2020 WL 5645331 (S.D. Cal. Sept. 22, 2020); *Indus. Print Tech., LLC v. Cenveo, Inc.*, No. 3:15-cv-01195-M, 2020 WL 5057738, (N.D. Tex. Aug. 26, 2020); *Cave Consulting Grp., Inc. v. Truven Health Analytics Inc.*, 293 F. Supp. 3d 1038, 1043 (N.D. Cal. 2018); *Envtl. Mfg. Sol., LLC v. Peach State Labs, Inc.*, 274 F. Supp. 3d 1298 (M.D. Fla. Aug. 14, 2017).

Amazon contends that § 285 permits the Court to award fees for an exceptional case based on the "totality of the circumstances," which allows for an award for the entire case, including any subsequent appeals. Response 1 (citing *Therasense, Inc. v. Beton, Dickinson & Co.*, 745 F.3d 513, 517 (Fed. Cir. 2014). In *Goodyear*, the Supreme Court explained that "[i]n *exceptional cases*, the but-for standard even permits a trial court to shift all of a party's fees, from either the start or some midpoint of a suit, in one fell swoop." 137 S. Ct. at 1186 (emphasis added). But the Supreme Court explicated its definition of "exceptional cases" by providing an example of a case where "everything

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.