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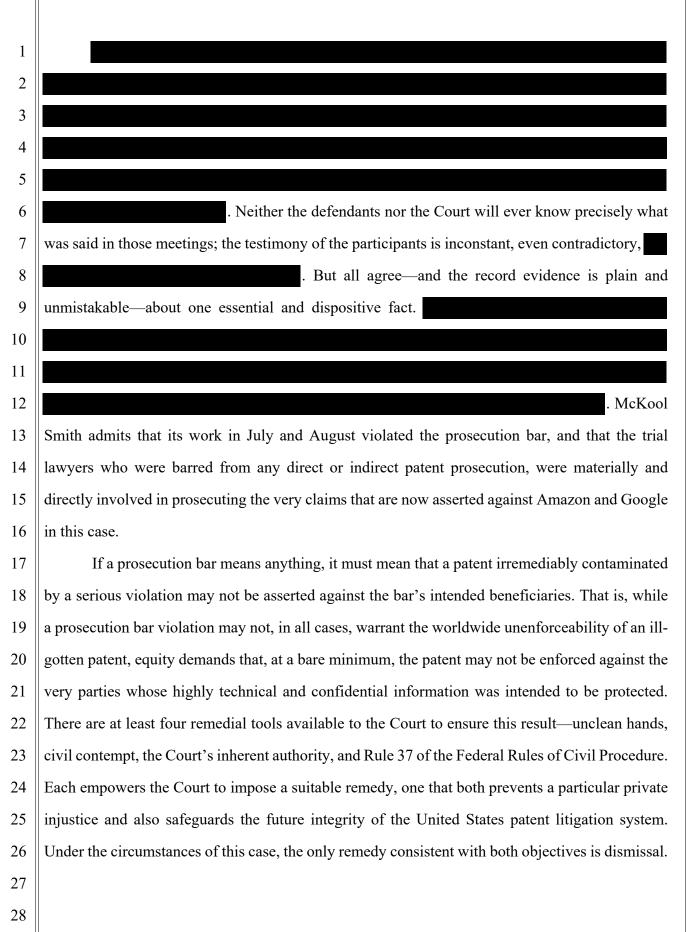
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I. INTRODUCTION

Seven years ago, a jury in East Texas ended a decades-long patent-litigation campaign against some of the world's most innovative Internet companies. Two patents, dating back to 1994 and intended to allow physicians to view remote medical images, had been weaponized against the interactive Worldwide Web and parlayed into hundreds of millions of dollars for Eolas. But the East Texas jury invalidated those patents because neither had claimed anything new. Eolas's campaign was finally over.

Except it wasn't. During the East Texas proceedings, Eolas filed a secret continuation patent application claiming priority to the same 1994 application that matured into the patents invalidated by the Texas jury. This secret application was a mere placeholder, consisting of the same specification and claims copied from its invalid predecessors. It would need to be activated, if at all, only if Eolas lost the East Texas trial. In February 2012, Eolas lost, and in July 2013 the Federal Circuit summarily affirmed. So, Eolas would need to activate its placeholder application.

Except there was a problem. The McKool Smith trial team—the only lawyers who could conceivably sculpt claims navigating the thicket of prior-art used in East Texas while still trying to capture Amazon's and Google's confidential technology—were precluded by a robust and prophylactic prosecution bar from giving any *direct or indirect* advice. Eolas and McKool Smith would need a work-around,



II. FACTUAL BACKGROUND

A. Dr. Doyle claims to own the interactive web, but a Tyler jury disagrees.

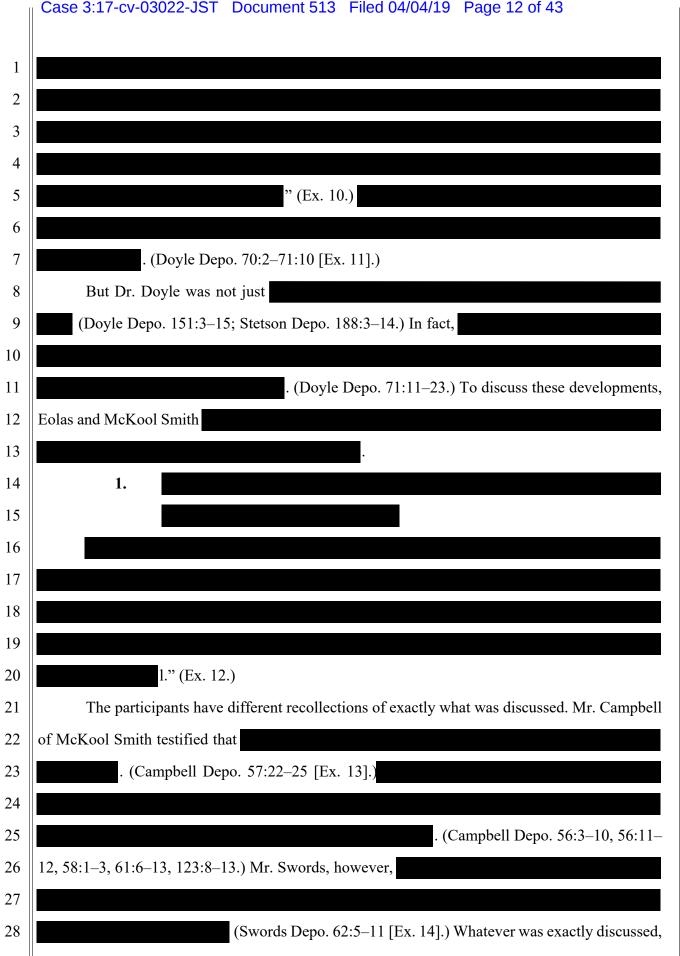
In the early 1990s, Dr. Michael Doyle, a biologist working at the University of California, formed Eolas to own U.S. Patent No. 5,838,906 (the "'906 patent"), one of the immediate predecessors to the '507 patent. According to Dr. Doyle, the '906 patent covers inconceivably vast swaths of technology, essentially the entire "interactive" web. For the better part of two decades, Dr. Doyle has pursued his claim of ownership over the interactive web, starting in 1998, when Eolas sued Microsoft claiming that Microsoft's Internet Explorer browser infringed the '906 patent. That case alone settled for almost

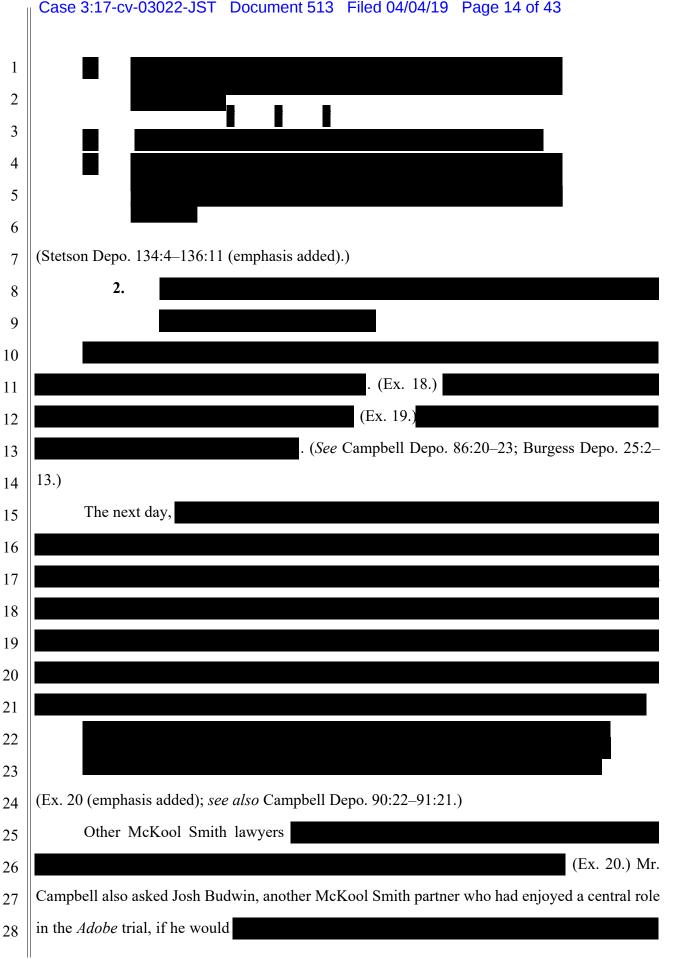
In 2012, shortly after Eolas's settlement with Microsoft and the same day that a continuation of the '906 patent issued—U.S. Patent No. 7,599,985 (the "'985 patent")—Eolas sued more than twenty of the world's leading technology companies, including Adobe Systems, Amazon, and Google. This case—the "Adobe case"—was the case in which the prosecution bar at the center of this dispute was entered. In the Adobe case, Eolas asserted that essentially everything on the defendants' websites infringed one or both of the Eolas patents. Broadly speaking, Eolas asserted claims from one patent—the '906 patent—against the portions of the defendants' websites that used Flash-type implementations. These claims were sometimes called "type information" claims and are explained in more detail in the Declaration of Dr. Ben Bederson (filed concurrently with this brief). Again, broadly speaking, Eolas asserted claims from the '985 patent against the portions of the defendants' websites that used JavaScript-type implementations. These are sometimes called "distributed application" claims, and are also explained in more detail in the Bederson Declaration. (See Bederson Decl. ¶¶ 19–22.)

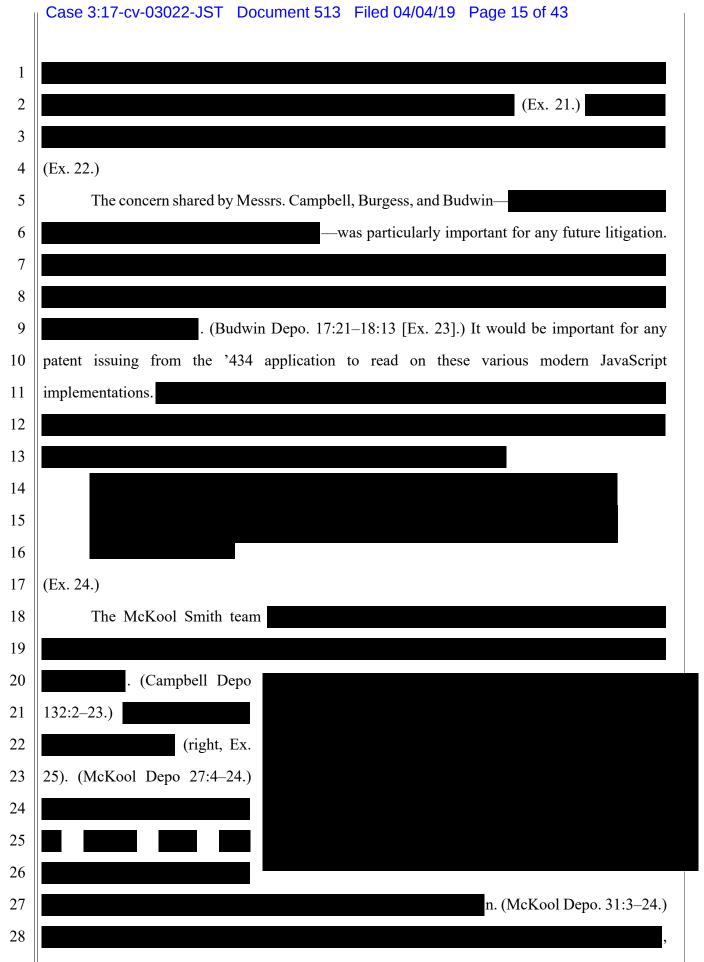
Throughout the discovery period, Eolas demanded, and the defendants produced, highly-confidential information, including source code and other technical information describing in detail how their specific technologies worked. To protect this highly confidential information, the presiding judge entered a broad protective order that included a robust prosecution bar. Save for merely "providing prior art references" to prosecution counsel, the prosecution bar prevented all participation, direct or indirect, in prosecution:

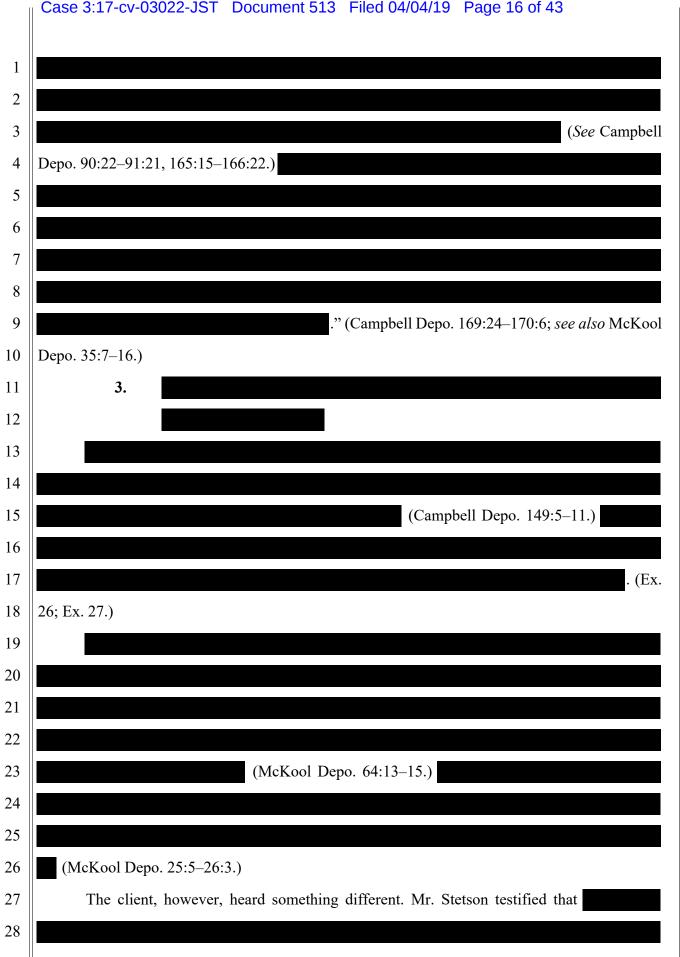
1 Any person who reviews or otherwise learns the contents of Technical Protected Material produced by another Party may not 2 participate, directly or indirectly, in the prosecution of any patent claims ... claiming the subject matter disclosed in the Patents-in-3 Suit from the time of receipt of such information through and including one (1) year following the entry of a final non-appealable 4 judgment.... 5 (Ex. 1¶ 5(a), 6(a).)¹ 6 In February 2012, the *Adobe* case went to trial on invalidity only. The jury agreed with the 7 defendants that others had invented the interactive web before Dr. Doyle, and invalidated all of the 8 asserted claims in both patents. 9 Eolas files the placeholder '434 application. B. 10 In November 2011, approximately three months before the Adobe trial, Eolas filed a 11 continuation application that ultimately resulted in the '507 patent, the patent at issue here, and is 12 referred to below as the "'434 application." The '434 application shared the same specification as, 13 and claimed priority to, the '906 patent. The '434 application also included claims 14 15 16 17 . In November 2011, the then-last continuation patent from the '906 patent was still 18 pending in the PTO. (Ex. 2.) To preserve continuity to the '906 patent, any additional continuation 19 application would have to be filed before that application issued. 20 21 . (Krueger Depo. 58:13–59:14 [Ex. 3].) Although the specification 22 could not conceivably be confidential, Eolas concealed the application by requesting 23 that the Patent Office not publish it. (Ex. 4.) 24 25 26 27 28 ¹ All Exhibit cites are to the accompanying Makker Declaration.

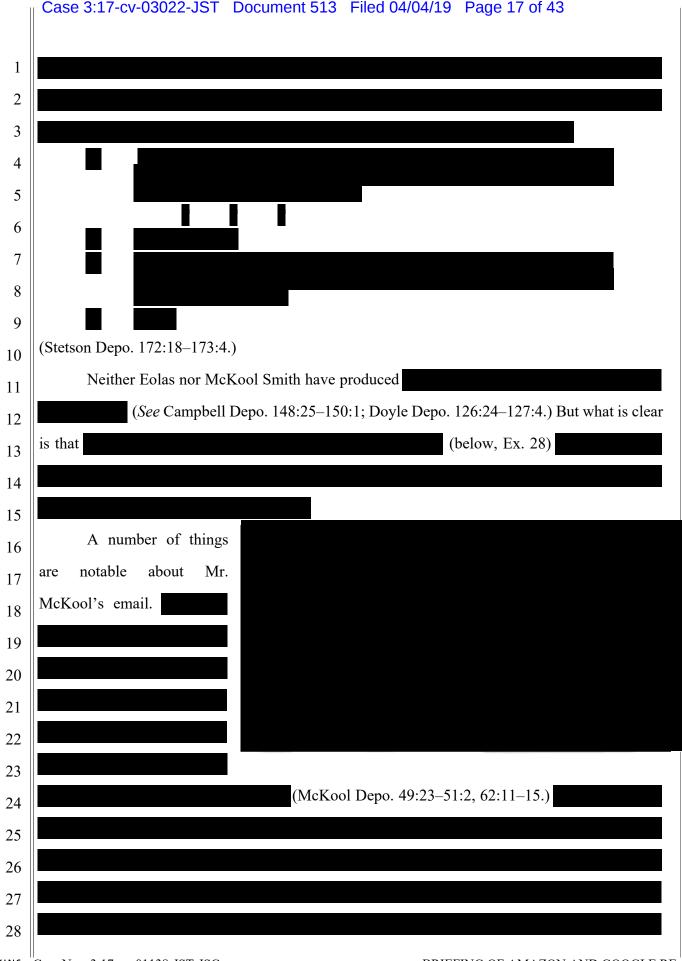
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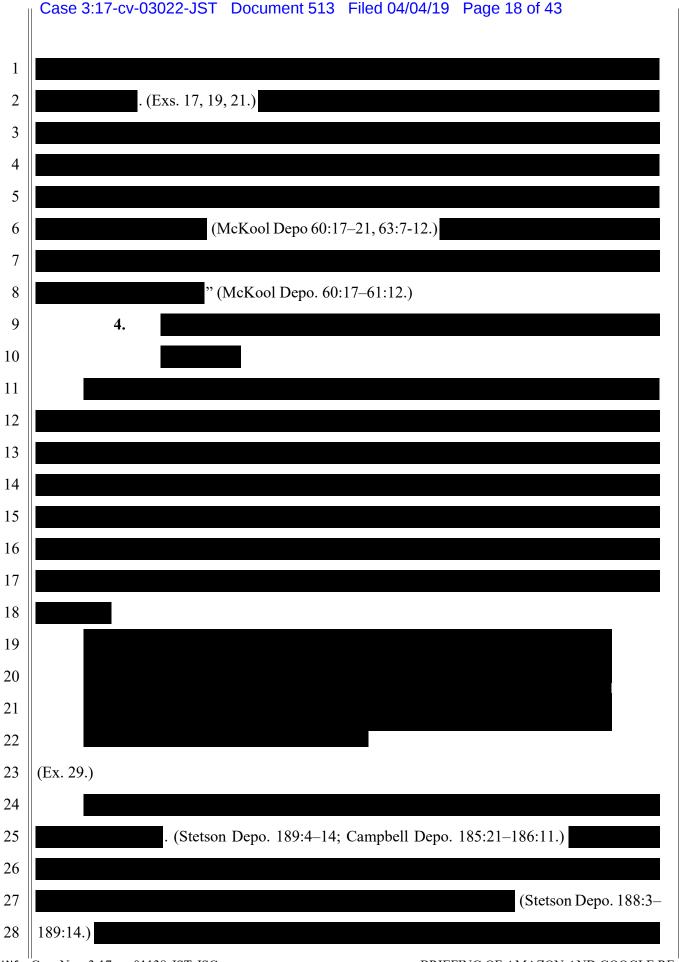


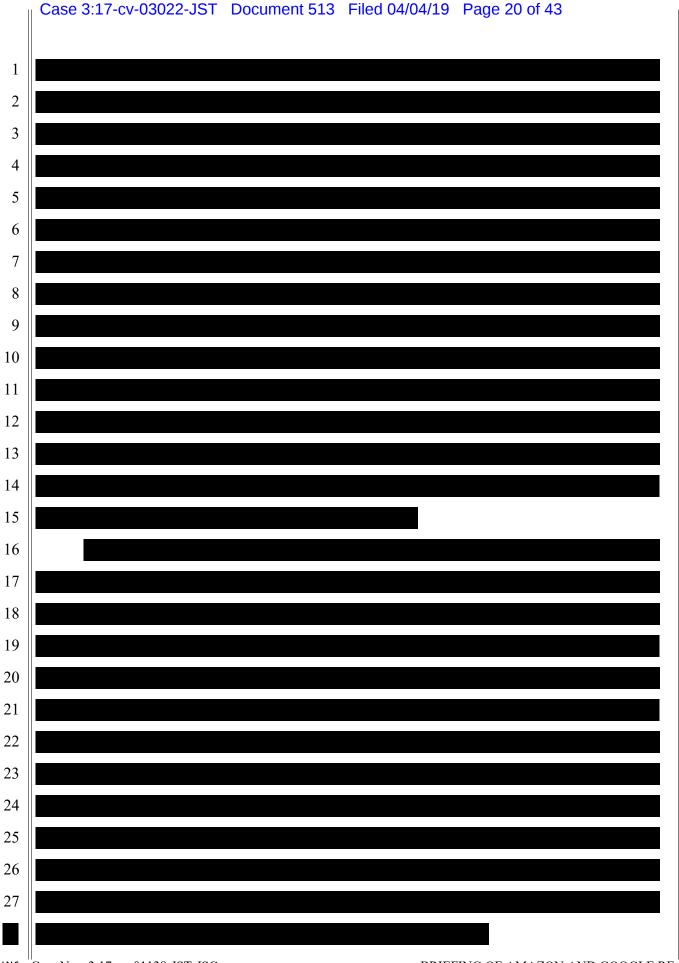












F. Eolas sues Amazon, Google, and Wal-Mart the day the '507 patent issues, and seeks to cover-up the prosecution bar violation.

The August 2014 amendment was, for all intents and purposes, the first and last significant amendment to the '434 application. The '507 patent issued on November 24, 2015, with a 1,042 day patent-term adjustment. Without that adjustment, the patent would have expired on October 17, 2014, about a year before it issued. With the patent-term adjustment, Eolas asserts that the '507 patent expired on August 24, 2017.

The day the '507 patent issued, Eolas filed this case in East Texas. The claims asserted in this litigation are those crafted to address

(Bederson Decl. ¶ 28–32.) As the case progressed, Amazon and Google became increasingly concerned that McKool Smith had violated the prosecution bar. The initial suggestion came from Eolas's own privilege logs of communication among Eolas, McKool Smith, and Charles Krueger, Eolas's prosecution counsel. A number of those entries reflected communications between McKool Smith and Eolas that were later funneled to Mr. Krueger. The log expressly stated that those communications concerned "patent prosecution." Amazon and Google raised their concerns about the potential prosecution bar violation, after which McKool Smith scrubbed its privilege logs, changing many of the designations from communications concerning "patent prosecution" to more innocuous descriptions, such as communications "regarding prior art." (Compare Ex. 34 with Ex. 35.)

G. Magistrate Judge Corley finds a *prima facie* case of a violation prior to July22, and McKool Smith admits to a violation after July 22.

After the case was transferred to this Court, the Court ruled that the prosecution bar expired in October 2014, and granted Amazon and Google's request for discovery. McKool Smith and Eolas produced requested documents *in camera*, and the Court sent the case to Magistrate Judge Corley to consider whether the documents should be produced. After her *in camera* review, Magistrate Judge Corley found that there was a *prima facie* showing of a prosecution bar violation before July 22, 2014, and that Amazon and Google would be entitled to see the documents and take depositions "to the extent you [Eolas] want to explain or argue" the violation. (Mar. 29, 2018 Tr. 16:21–17:16 [Ex. 36].) In response, McKool Smith admitted that "after July 22nd, we did what is proscribed by that Order." (*Id.* at 23:22–24:18.) Eolas and McKool Smith agreed to produce pre-July 22 documents and provide discovery to defendants for that period, but refused to provide discovery for any period after July 22, 2014.

Amazon and Google moved to compel discovery into McKool Smith's post-July 22 conduct. Magistrate Judge Corley denied that motion, but explained that because of the position they were taking in refusing post-July 22 discovery, Eolas and McKool Smith had limited themselves to just two defenses to all potential remedies to their post-July 2014 prosecution-bar violation—namely (1) that it was "objectively reasonable" for Eolas and McKool Smith to believe that the prosecution bar expired in July 2014 rather than October 2014, and (2) that the violation was "harmless" because they allegedly had no effect on the Patent Office's timing in addressing the '434 application. (Nov. 9, 2018 Tr. at 4:8–6:25, 12:8–15, 37:1–41:8 [Ex. 37]; Dkt. 472 at 13–14.)² Magistrate Judge Corley stated, "I want to be very clear, because this is not the opportunity for Eolas to just put forward these two limited defenses and then down the line when they file their brief before Judge Tigar on the patent prosecution bar, that's what we're talking about ... that they get to submit some other defense." (Nov. 9, 2018 Tr. at 39:12–19.) Consistent with the Court's Order, no documents from the post-July 22 period have been produced, and Eolas consistently

² Citations to Docket Entries are to Case No. 3:17-cv-03022 unless otherwise noted.

instructed its witnesses not to answer deposition questions directed to this period. (See, e.g., Ex. 38.)

III. ARGUMENT

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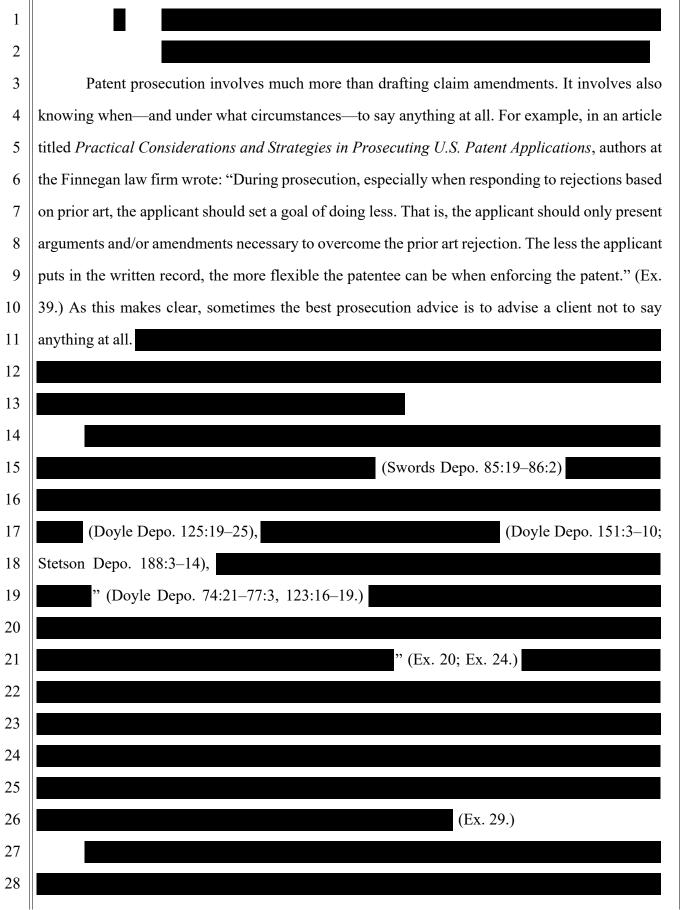
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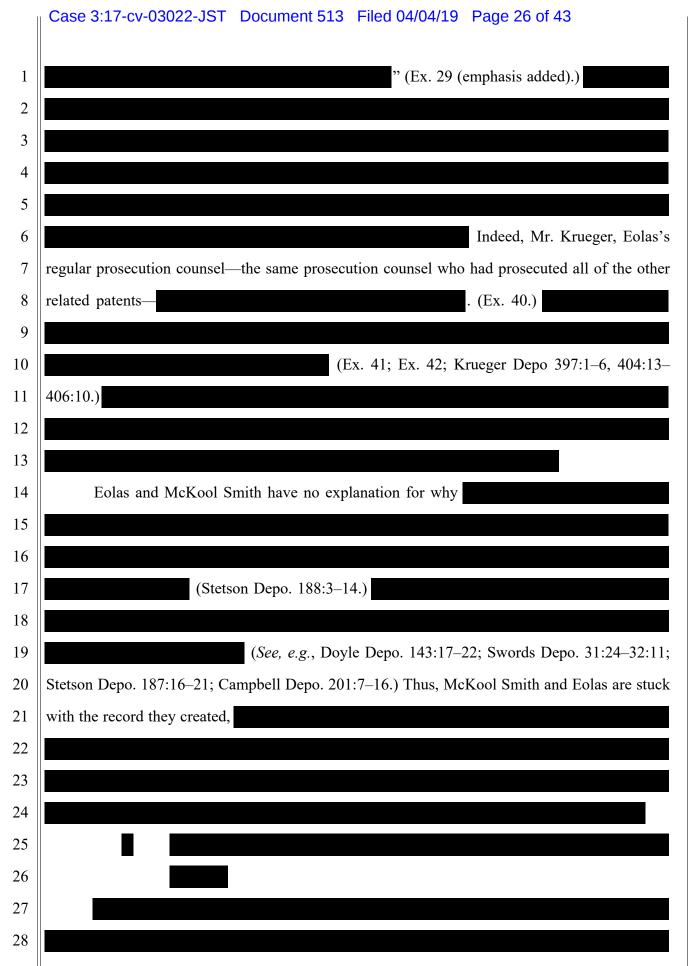
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A. McKool Smith admits that it violated the prosecution bar in July and August but the evidence shows that the

McKool Smith agrees that it violated the prosecution bar in July and August 2014 when it directly and materially participated in drafting the August amendments to the '434 application. (See, e.g., Mar. 29, 2018 Tr. at 16:21–17:16, 23:22–24:18; Nov. 9, 2018 Tr. at 4:16–19.) Thus, the main dispute about the violation concerns its length—for how long did McKool Smith violate the prosecution bar? From the beginning of this dispute, McKool Smith and Eolas have sought to obscure the answer to that question. When Amazon and Google initially inquired into the possibility that McKool Smith had violated the prosecution bar, the firm immediately scrubbed its privilege log entries, changing entries that suggested prosecution bar violations to something more innocuous. (Compare Ex. 34 with Ex. 35.) When Amazon requested that McKool Smith make the documents about which it changed its designations available for in camera review, McKool Smith refused. (See Dkt. 290-1 Doan Decl.) When Amazon filed its Motion for Order to Show Cause, McKool Smith demanded sanctions. (Dkt. 274 at 19.) When Amazon and Google sought discovery in this dispute, McKool Smith turned over communications only up to July 22, and obstructed depositions with dozens of instructions not to answer (Ex. 38), even as to questions about what the witnesses had written in their own documents. (See, e.g., Campbell Depo. 30:10–25, 31:17–25, 33:22-34:15, 92:19-94:7; Stetson Depo. 66:14-67:13, 76:14-19; Doyle Depo. 97:15-99:5, 104:11-106:17, 115:11-15.) And yet, despite McKool Smith's and Eolas's obfuscation, the evidence demonstrates that





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1	Thus, Eolas—having invoked privilege as a shield—cannot now defend itself by pointing
2	to what, specifically, McKool Smith did or did not do after July 22. Instead, as Judge Corley put
3	it during a discovery hearing in this matter: "[W]e have to assume that their involvement up to the
4	submission of that amendment in August 2014 was material." (Nov. 9, 2018 Tr. at 4:16–19.)
5	3. McKool Smith participated in prosecution
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11	—is a core prosecution function in which patent prosecutors
12	worldwide engage.
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22	t would be core prosecution
23	advice in any case, but it was even more crucial here.
24	
25	. This was a
26	massive amount of information that only McKool Smith, still fresh from the prior Adobe litigation,
27	could reasonably grasp.
28	,

. (E.g.	, Ex. 31.)
. (2.8.	, E.N. 911)
	McKool Smith was participating, at least "indirectly," in the
prosecution of	of the '434 application, as Mr. McKool conceded. (McKool Depo. 82:3–10.)
В.	Remedies
McKe	ool Smith violated the prosecution bar and culminating in
August when	n, with McKool Smith's material and direct assistance, Eolas filed the first substantive
amendments	to the '434 application. The appropriate remedy for this violation is dismissal, and
the Court ha	s the authority to order that relief under at least (1) the unclean-hands doctrine, (2)
civil contemp	pt, (3) the Court's inherent authority, and (4) Rule 37. To the extent that the Court
believes disn	nissal is inappropriate, the Court has the authority also to fashion alternative remedies,
two of which	Amazon and Google propose below.
1	. The unclean-hands doctrine provides dismissal authority.
The o	doctrine of unclean hands arises from the equitable maxim that he who comes into
Equity must o	come with clean hands. Keystone Driller Co. v. General Excavator Co., 290 U.S. 240,
241 (1933).	The Supreme Court has applied the doctrine in numerous patent cases affirming
dismissals, i	including in Keystone Driller and Precision Instrument Manufacturing Co. v.
Automotive	Maintenance Machinery Co., 324 U.S. 806 (1945). As described in Precision
<i>Instrument</i> , t	he doctrine is "far more than a mere banality. It is a self-imposed ordinance that closes
the doors of a	a court of equity to one tainted with inequitableness or bad faith relative to the matter
in which he	seeks relief, however improper may have been the behavior of the defendant." 324
U.S. at 815.	The Supreme Court has identified two elements: (a) an act that "transgresses equitable
standards of	conduct"; and (b) that the act has an immediate and necessary relation to the equity
that the party	seeks. McKool Smith's conduct meets both.

McKool Smith's violation of the prosecution bar was willful. 1 a. 2 As to the first element—the nature of the misconduct—the Supreme Court views "[a]ny 3 willful act" that "transgress[es] equitable standards of conduct" as sufficient. *Precision Instrument*, 324 U.S. at 815. Similarly, in the Ninth Circuit, the unclean-hands defense requires proving 4 "wrongfulness, willfulness, bad faith, or gross negligence" on the part of the wrongdoer. *Pinkette* 5 6 Clothing, Inc. v. Cosmetic Warriors Ltd., 894 F.3d 1015, 1029 (9th Cir. 2018); see also Pfizer, Inc. 7 v. Int'l Rectifier Corp., 685 F.2d 357, 359 (9th Cir. 1982); POM Wonderful LLC v. Coca Cola Co., 8 166 F. Supp. 3d 1085, 1092 (C.D. Cal. 2016); Aptix Corp. v. Quickturn Design Sys., Inc., 269 F.3d 9 1369 (Fed. Cir. 2001). 10 The evidence demonstrates that McKool Smith acted willfully and culminating in August when it violated the prosecution bar. 11 12 13 14 15 16 17 (Campbell Depo. 60:2–9; Burgess Depo. 23:12–25, 46:9–18.) McKool Smith further willfully violated the prosecution bar when 18 19 continued to willfully violate the prosecution bar when 20 . And finally, McKool Smith continued willfully to 21 22 violate the prosecution bar when 23 24 25 McKool Smith's conduct during this litigation also suggests that the firm knew 26 27 . At every juncture, McKool Smith and Eolas sought to obscure McKool Smith's role in the prosecution of the '434 application. From scrubbing 28

privilege logs, to demanding sanctions for even asking about the violation, to limiting discovery and obstructing depositions with instructions not to answer, McKool Smith's and Eolas's conduct strongly suggests consciousness that its violations were willful.

Eolas and McKool Smith cannot argue otherwise. To avoid producing post-July 2014 discovery, McKool Smith has taken the position that it will not interpose any "claim based on its subjective state of mind." (Dkt. 472 at 2:5) Instead, McKool Smith contends that its actions were "objectively reasonable" and that it will prove that based exclusively on "Defendants' own sworn pleadings and discovery responses; the language of Judge Davis's order read in light of Federal Circuit rules and case law; and the published views of an independent legal scholar." (Dkt. 472 at 2:1–5.)

McKool Smith's "objectiveness" argument fails as a matter of law. The relevant question for unclean hands is whether the action was in bad faith, and thus, depends entirely on the subjective state of mind of the actor at the time the action occurred. Whether or not the action could be seen in retrospect as "objectively reasonable" is irrelevant. The Supreme Court recently made precisely this point in Halo Electronics, Inc. v. Pulse Electronics, Inc., 136 S. Ct. 1923, 1933 (2016). In *Halo*, the Court rejected the Federal Circuit's "objective recklessness" test from *In re* Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). That test required a patentee to show that the accused infringer acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent," without regard to "[t]he state of mind of the accused infringer." Seagate, 497 F.3d at 1371. The Court found that the problem with such a test is that it "applies even if the defendant was unaware of the arguable defense when he acted." Halo, 136 S. Ct. at 1930. Instead, the Court found that the proper test looks to the accused infringer's actual, subjective, state of mind at the time. The Court noted "culpability is generally measured against the knowledge of the actor at the time of the challenged conduct," and a "willful" standard of liability "look[s] to the actor's real or supposed state of mind." Id. (quoting W. Keeton et al., Prosser & Keeton on Law of Torts § 34, p. 212 (5th ed. 1984)). As the Court further explained, "[t]he existence" of a "reasonable" explanation for the wrongdoer's conduct does not suffice to

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1	show that the wrongdoer actually "act[ed] on the basis of" that explanation, "or was even aware
2	of it." Id.
3	For this reason, McKool Smith's defense based entirely on "objective" evidence misses the
4	point because there is no evidence that any of this objective material formed any part of McKool
5	Smith's subjective state of mind. In fact, there is no evidence that McKool Smith did any good-
6	faith analysis about the expiration of the prosecution bar based on any of the objective materials
7	or on any others. Not a <i>single document</i> was produced in discovery reflecting any analysis McKool
8	Smith undertook to determine when the Prosecution Bar expired. There is no email, no
9	memorandum, no case law, no review of the Federal Circuit's rules, nothing in writing reflecting
10	that McKool Smith, in good faith, researched the law and facts surrounding the prosecution bar's
11	expiration date and made a judgment consistent with its findings.
12	
13	(Swords Depo. 39:21–40:5; Stetson
14	Depo. 159:22–160:7.) Simply put, because of Eolas's decision to invoke privilege for post-July 22
15	communications and to rely exclusively on "objective documents," the evidentiary record reflects
16	no analysis done on the "objective" documents. For all we know, it may be that a fulsome
17	examination of McKool Smith's state of mind at the time—which Eolas and McKool Smith
18	precluded—would show that the firm knew the bar expired in October, but acted in July anyway.
19	Thus, it would be error to conclude that McKool Smith acted reasonably based solely on
20	"objective" materials because there is no evidence they ever analyzed any of them.
21	Finally, it is worth noting that while McKool Smith, not Eolas, was covered by the
22	prosecution bar, the firm did not act alone. Instead,
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24	(McKool Depo. 65:7–8.)
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2	. Eolas is, therefore, no less culpable than McKool Smith.
3	b. McKool Smith's willful violation of the prosecution bar has immediate
4	and necessary relation to this case.
5	The Supreme Court in Keystone Driller stated the second element of the unclean-hands
6	defense—the relationship between the underlying misconduct and the litigation. The Court said
7	that the doctrine applies "where some unconscionable act of one coming for relief has <i>immediate</i>
8	and necessary relation to the equity that he seeks in respect of the matter in litigation." 290 U.S.
9	at 245 (emphasis added). The Federal Circuit has made it clear that this is not a but-for causal
10	relationship. Instead, whenever misconduct has an objective potential to affect the litigation, the
11	relationship is satisfied. In Gilead Sciences, Inc. v. Merck & Co., Inc., the Federal Circuit put it
12	this way: " the 'immediate and necessary relation' standard, in its natural meaning, generally
13	must be met if the conduct normally would enhance the claimant's position regarding legal rights
14	that are important to the litigation if the impropriety is not discovered and corrected." 888 F.3d
15	1231, 1240 (Fed. Cir. 2018) The Federal Circuit went on to explain that the standard is satisfied
16	when the misconduct objectively <i>could</i> affect the litigation—even if it does not necessarily do so:
17	"[T]he standard can cover at least some misconduct that ultimately fails to affect the litigation as
18	when it is discovered before it bears fruit, as long as its objective potential to have done so is
19	sufficient." <i>Id.</i> (emphasis added).
20	McKool Smith's advice directly affected the rights Eolas seeks to assert in this litigation.
21	
22	, which are the subject of
23	Eolas's infringement claims in this case.
24	
25	. Eolas now asserts those claims in this case.
26	There is a necessary and immediate relationship between the wrongdoing—McKool Smith's
27	violation of the prosecution bar—and the rights Eolas seeks to assert here. See, e.g., Gilead, 888
28	

F.3d at 1241 (finding patent prosecutor's wrongful manipulation of prosecution sufficient 1 2 connection with litigation for unclean hands). To avoid such a finding, Eolas and McKool Smith ask the Court to hypothesize a different 3 "but for" world, one in which McKool Smith did not violate the prosecution bar. They contend 4 5 that because the examiner did not act on the improper amendment until 2015, McKool Smith could have waited until October 2014 (after the prosecution bar actually expired) to give its advice and 6 7 the identical claims inevitably would have issued. Eolas and McKool Smith assert that their 8 actions, therefore, were harmless and that Amazon and Google are entitled to no relief. 9 To take McKool Smith's "harmlessness" argument at face value would require the Court to make impossible predictions about what *might* have happened in the prosecution had different 10 facts occurred. These predictions would be pure speculation. 11 12 (Burgess Depo. 100:21–102:3.) Nor 13 is there any reason to believe that one hypothetical world—the world hypothesized by McKool 14 Smith where Eolas files its claims in October 2014 (instead of August 2014) and nothing happens 15 until March 2015—is any more likely than any other. 16 17 18 19 20 That too would have 21 22 precluded this case. 23 24 . (See Ex. 39.) 25 Each of these possibilities is just as likely as the hypothetical world McKool Smith supposes. There 26 is no reason to accept McKool Smith's hypothetical world over any other, particularly where we 27 know that, in the actual world, McKool Smith's violation influenced the prosecution. As Judge 28 Learned Hand once cautioned, when a wrongdoer creates an impenetrable evidentiary quagmire,

2012—more than two years before the prosecution bar expired—and because the examiner did

not, in fact, act until 2015, no sanction should issue. Or take another example. Suppose a firm

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under a prosecution bar violates the bar by drafting claims for an application. Suppose further, the examiner rejects the claims. Under McKool Smith's "harmlessness" theory, there would be no remedy for that violation, too. McKool Smith's "harmlessness" theory makes enforcement of a prosecution bar turn, not on the wrongful conduct of the party violating the bar, but on the happenstance of subsequent events. The decision to violate a court order should not be reduced to a gambling wager.

McKool Smith's position is unfair, counterfactual, inconsistent with the law, and would result in prosecution bars being essentially illusory. The Court should find that McKool Smith's violation of the prosecution bar, abetted by Eolas, was (1) willful, and (2) had a necessary and immediate relationship with this litigation. Eolas and McKool Smith come to this Court with unclean hands. The Court is empowered to deny Eolas the relief it seeks, and to dismiss Eolas's case against Amazon and Google.

2. Civil contempt provides the Court with dismissal authority.

Civil contempt provides another mechanism for dismissal. For civil contempt sanctions to be appropriate, the moving party has the burden of showing by clear and convincing evidence that the contemnors violated a specific and definite order of the court. The burden then shifts to the contemnors to demonstrate why they were unable to comply. *Stone v. City and County of San Francisco*, 968 F.2d 850, 856 n.9 (9th Cir. 1992) (citations omitted). Civil, as distinguished from criminal, contempt sanctions are intended to enforce compliance with an order of the court or to compensate for losses or damages sustained by reason of noncompliance. The absence of willfulness does not relieve a party from civil contempt. *See United States v. United Mine Workers*, 330 U.S. 258, 303–04; *Penfield Co. v. Sec. & Exch. Comm'n*, 330 U.S. 585, 590 (1947); *Maggio v. Zeitz*, 333 U.S. 56, 68 (1948).

There is no doubt that McKool Smith violated the prosecution bar. Mr. McKool himself admitted as much in open court that the firm "did what is proscribed by that Order." (Mar. 29, 2018 Tr. at 23:22–24:18.) Thus, the burden shifts to McKool Smith to demonstrate why it was unable to comply. McKool Smith cannot meet this burden. Again, by virtue of its claim of privilege for post-July 22 communications, Eolas and McKool Smith have limited themselves to the

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"objectively reasonable" and "harmlessness" defenses. The "harmlessness" defense has nothing to do with whether McKool Smith could have complied with the prosecution bar, which means that Eolas and McKool Smith are left with one limited defense—the alleged "objective reasonableness" of an interpretation of the prosecution bar expiring on July 22, as opposed to the correct October date. But this limited defense provides no more help. As detailed above in relation to unclean hands, while Eolas and McKool Smith may be able to make a *post-hoc* rationalization of why it *might* have been reasonable *for someone* to believe the July 22 date applied, Eolas and McKool Smith have never said or shown that this is what they *actually* thought at the time, much less that the firm's lawyers were somehow prevented from doing the legal research necessary to conclude otherwise. McKool Smith cannot meet its burden to demonstrate that it was somehow unable to comply with the prosecution bar.

The sanction for civil contempt must be remedial. *Bingman v. Ward*, 100 F.3d 653, 655 (9th Cir. 1996) ("Civil contempt is a refusal to do an act the court has ordered for the benefit of a party; the sentence is remedial."). And that remedy can include dismissal. *Wilhelm v. Yott*, No. 08-cv-210, 2009 WL 10692110, at *3 (E.D. Cal. May 4, 2009) (finding plaintiff in civil contempt due to violation of court orders and granting request for terminating sanctions); *Ewing v. Flora*, No. 14-cv-2925, 2016 WL 1465182, at *2 (S.D. Cal. Apr. 14, 2016) ("[T]erminating sanctions [] may be appropriate where a party fails to comply with a court order."); *see also* Fed. R. Civ. P. 41(b) ("If the plaintiff fails ... to comply with these rules or a court order, a defendant may move to dismiss the action or any claim against it."). As with unclean hands, given McKool Smith's violation of the prosecution bar, abetted by Eolas, and its necessary and immediate relationship with this litigation, the appropriate remedial sanction is to deny Eolas the relief it seeks in this case, and to dismiss Eolas's case against Amazon and Google. As an alternative to outright dismissal, the Court could order that Eolas is entitled to no damages even if it can establish liability and/or award Amazon and Google their attorney fees and expert costs as a compensatory sanction.

3. ₂

3. The Court's inherent authority or Rule 37(b) provides the Court with authority to fashion alternate remedies.

The Court's inherent authority and Rule 37(b) provide the Court with broad discretion to fashion an appropriate remedy up to and including dismissal. It has long been understood that "[c]ertain implied powers must necessarily result to our Courts of justice from the nature of their institution," powers "which cannot be dispensed with in a Court, because they are necessary to the exercise of all others." *United States v. Hudson*, 7 Cranch 32, 34, 3 L.Ed. 259 (1812); *see also Roadway Express, Inc. v. Piper*, 447 U.S. 752, 764 (1980) (citing *Hudson*). These powers are "governed not by rule or statute but by the control necessarily vested in courts to manage their own affairs so as to achieve the orderly and expeditious disposition of cases." *Link v. Wabash R. Co.*, 370 U.S. 626, 630–31 (1962). Imposition of a sanction under the Court's inherent authority requires a showing of bad faith. *Chambers v. NASCO, Inc.*, 501 U.S. 32, 43–46 (1991). But "bad faith" is "a shorthand term to encompass a broad range of conduct" including "by delaying or disrupting the litigation or by hampering enforcement of a court order." *Fink v. Gomez*, 239 F.3d 989, 992 (9th Cir. 2001) (quoting *Chambers*, 501 U.S. at 46)). As the Ninth Circuit has noted, "willfulness" or "bad faith" requires "disobedient conduct not shown to be outside the control of the litigant." *Henry v. Gill Indus., Inc.*, 983 F.2d 943, 948 (9th Cir. 1993).

Essential to the Court's inherent authority is the ability to fashion an appropriate sanction matching the misconduct. Courts routinely use their inherent authority and Rule 37 to prevent parties from benefiting from the fruits of their misconduct. For instance, in *Burt Hill, Inc. v. Hassan*, where the court found that a party had improperly received and retained privileged information, the court fashioned an appropriate sanction: "the appropriate sanction is to prohibit Defendants and their lawyers from in any way benefiting from their retention and review of Plaintiff's privileged and confidential materials." No. Civ. A 09-128, 2010 WL 419433, *7 (W.D. Pa. Jan 29, 2010); *see also Univ. Patents v. Kligman*, 737 F. Supp. 325, 329 (E.D. Penn. 1990) ("it would be inequitable to permit defendants to profit from improperly obtained information"); *Chamberlain Grp., Inc. v. Lear Corp.*, 270 F.R.D. 392, 399 (N.D. Ill. 2010) ("excluding the tainted evidence means ... ensuring that JCI does not benefit from its receipt of documents").

engage in reasonable efforts to conclude prosecution of the application.

. Had Eolas and

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The '507 patent was awarded more than 1,000 days of patent-term adjustment. Amazon
and Google have asserted a defense of improper patent-term adjustment under 35 U.S.C. § 282(c).
Amazon and Google contend that Eolas is not entitled to any patent-term adjustment for the period
of November 9, 2011 (the original filing date of the '434 application) through August 19, 2014
(the preliminary amendment that McKool Smith worked on) because the claims filed in November
. It was not until
August 2014 that, with the help of McKool Smith, Eolas filed claims that it actually intended to
pursue. Thus, during the period of November 2011 through August 2014, Eolas was not engaged
in "reasonable efforts to conclude prosecution," and so is not entitled to patent-term adjustment
for this period. This issue—whether Eolas was engaged in reasonable efforts to conclude
prosecution during the period when it had only placeholder claims—is a question for the jury to
decide. See, e.g., In re Tech. Licensing Corp., 423 F.3d 1286, 1290–91 (Fed. Cir. 2005) (jury trial
for invalidity where damages sought).
. As the legislative history for section
. As the legislative history for section $154(b)(2)(C)(i) \text{ shows, `` those who purposely manipulate the system to delay the issuance of } \\$
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154(b)(2)(C)(i) shows, " those who purposely manipulate the system to delay the issuance of their patents will be penalized a result that the Conferees believe [is] entirely appropriate." 145 Cong. Rec. at S14718. Leolas should not be rewarded with a patent-term
154(b)(2)(C)(i) shows, " those who purposely manipulate the system to delay the issuance of their patents will be penalized a result that the Conferees believe [is] entirely appropriate." 145 Cong. Rec. at S14718. Leolas should not be rewarded with a patent-term adjustment covering this period. Therefore, as an alternative (or additional) remedy for McKool
154(b)(2)(C)(i) shows, " those who purposely manipulate the system to delay the issuance of their patents will be penalized a result that the Conferees believe [is] entirely appropriate." 145 Cong. Rec. at S14718. Leolas should not be rewarded with a patent-term adjustment covering this period. Therefore, as an alternative (or additional) remedy for McKool Smith's violation of the prosecution bar, the Court should instruct the jury at the trial of this case

prosecution of the application; and (3) Eolas is not entitled to patent-term adjustment, at a minimum, for the period through August 19, 2014. IV. **CONCLUSION** McKool Smith plainly and also admittedly violated the prosecution bar by engaging in prosecution related to the '434 application. Eolas now seeks to profit from that violation by asserting a patent irremediably tainted by that prosecution. The Court should dismiss Eolas's cases against Amazon and Google under either the unclean-hands doctrine, as a civil contempt sanction, as an exercise of the Court's inherent authority, or under Rule 37. In the alternative, the Court should preclude Eolas from seeking damages for the period of time commensurate with the illicit head start Eolas obtained and instruct the jury that McKool Smith violated the prosecution bar and that, for at least the period of through August 19, Eolas is not entitled to any patent-term adjustment. The Court should award other sanctions as the Court deems appropriate. Dated: April 4, 2019 Respectfully submitted, By /s/ Richard G. Frenkel DOUGLAS E. LUMISH, Bar No. 183863 doug.lumish@lw.com RICHARD G. FRENKEL, Bar No. 204133 rick.frenkel@lw.com JEFFREY G. HOMRIG, Bar No. 215890 jeff.homrig@lw.com NICHOLAS YU, Bar No. 298768 nicholas.yu@latham.com LATHAM & WATKINS LLP 140 Scott Drive Menlo Park, CA 94025 Telephone: (650) 328-4600 Facsimile: (650) 463-2600 JOSEPH H. LEE, Bar No. 248046 joseph.lee@lw.com LATHAM & WATKINS LLP 650 Town Center Drive, 20th Floor Costa Mesa, CA 92626-1925 Telephone: (714) 540-1235 Facsimile: (714) 755-8290 AMIT MAKKER, Bar No. 280747 amit.makker@lw.com

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