No. 18-

IN THE

Supreme Court of the United States

PRINCETON DIGITAL IMAGE CORPORATION,

Petitioner,

v.

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

Nominal Parties,

and

ADOBE SYSTEMS INCORPORATED,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

GEORGE PAZUNIAK
Counsel of Record
O'KELLY ERNST & JOYCE, LLC
901 North Market Street,
Suite 1000
Wilmington, Delaware 19801
(302) 778-4000
gp@del-iplaw.com

Counsel for Petitioner

288161

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

QUESTIONS PRESENTED

In accordance with *Coopers & Lybrand v. Livesay*, 437 U.S. 463 (1978) and *Microsoft Corp. v. Baker*, ____ U.S. ____, 137 S.Ct. 1702 (2017), the Federal Circuit in this case dismissed for lack of jurisdiction an appeal from a consent final judgment requested by Respondent/intervenor-plaintiff in order to appeal an otherwise unappealable interlocutory evidentiary ruling limiting damages at trial.

After properly dismissing the appeal for lack of jurisdiction, however, the Court exercised jurisdiction over the final judgment by vacating the district court's consent final judgment and instructing the district court to revive the case. Additionally, the Federal Circuit refused to consider Petitioner's cross appeal. The Federal Circuit's decisions thus raised the following questions which were implicated, but not answered, in the above decisions in *Coopers & Lybrand v. Livesay*, and *Microsoft Corp. v. Baker*:

1. Whether the court below erroneously held, in conflict with a decision of the Third Circuit, that it may vacate a district court's consent final judgment and instruct the district court to revive the case, after dismissing the appellant's appeal for lack of appellate jurisdiction?

2. May a federal court of appeals refuse to consider a cross-appeal of a final collateral order, if the main appeal is dismissed for lack of jurisdiction, leaving the cross-appellant without any ability to appeal?

PARTIES TO THE PROCEEDING

All parties to the proceeding are identified in the caption.

RULE 29.6 STATEMENT

No publicly traded company owns 10% or more of the stock of Petitioner.

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PETITION FOR A WRIT OF CERTIORARI

Princeton Digital Image Corporation ("PDIC") respectfully petitions for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the Federal Circuit (Pet. App. 1a) is published at 913 F.3d 1342, and the Federal Circuit judgment (Pet. App. 19a) is unpublished. The relevant memorandum and Final Judgment of the district court (Pet. App. 20a, 29a) are unpublished.

JURISDICTION

The Federal Circuit issued its decision and judgment on January 22, 2019. (Pet. App. 1a, 19a.) This Court has jurisdiction under 28 U.S.C. § 1254(1).

RELEVANT CONSTITUTIONAL AND STATUTORY PROVISIONS AND RULES

United States Constitution Article III, Section 2 provides in relevant part: "The judicial power shall extend to all cases, in law and equity, arising under this Constitution, the laws of the United States," and to certain "controversies."

28 U.S.C. § 1291 provides in relevant part: "The courts of appeals (other than the United States Court of Appeals for the Federal Circuit) shall have jurisdiction of appeals from all final decisions of the district courts of the United

States…. The jurisdiction of the United States Court of Appeals for the Federal Circuit shall be limited to the jurisdiction described in sections 1292(c) and (d) and 1295 of this title."

28 U.S.C. § 1292(c)(2) provides in relevant part: "The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—… (2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting."

28 U.S.C. § 1292(e) provides: "The Supreme Court may prescribe rules, in accordance with section 2072 of this title, to provide for an appeal of an interlocutory decision to the courts of appeals that is not otherwise provided under subsection (a), (b), (c), or (d)."

Federal Rules of Appellate Procedure Rule 4(a)(3) provides in relevant part "If one party timely files a notice of appeal, any other party may file a notice of appeal within 14 days after the date when the first notice was filed…."

STATEMENT OF THE CASE

This case presents an important federal appellate jurisdictional issue that is now the subject of a circuit split.

1. PDIC filed patent infringement actions against the nine companies identified as "Nominal Parties" in the caption. Respondent Adobe, Inc. intervened in the nine actions, and asserted that PDIC's infringement actions constituted patent misuse and breach of a licensing

agreement between PDIC and Adobe. On PDIC's motion to dismiss, the district court dismissed the patent misuse claims for failing to state a cause of action, but scheduled Adobe's breach of contract claim for a jury trial. The trial was to determine whether PDIC breached the license agreement, and, if so, what were the damages.

2. During the pretrial proceedings, the district court restricted Adobe's evidence on damages. (Pet. App. 4a-5a, 24a-28a). On the first day of trial, while the jury panel was waiting in the courtroom for *voir dire* and selection, Adobe announced that it did not want to go to trial with its damages restricted as required by the district court's earlier evidentiary rulings, and, therefore asked the Court to enter an adverse judgment against Adobe and in favor of PDIC, so that Adobe could appeal the evidentiary rulings. (Pet. App. 27a). Given Adobe's concession of its case, the district court sent the jury home, issued a memorandum detailing its various evidentiary rulings and proceedings (Pet. App. 23a-28a), and entered a Final Judgment as requested by Adobe. (Pet. App. 29a).

The district court never precluded Adobe from presenting its liability evidence, or from presenting damages except as limited by the court's evidentiary rulings. Under governing law, upon proving breach of contract, Adobe would have been entitled to whatever damages it could prove, and, in any event, to at least nominal damages. *Nappe v. Anschelewitz et al.*, 477 A.2d 1224, 1228 (N.J. 1984) ("The general rule is that whenever there is a breach of contract … the law ordinarily infers that damage ensued, and, in the absence of actual damages, the law vindicates the right by awarding nominal damages").

3. Adobe then appealed the consent judgment to the Federal Circuit, and PDIC cross-appealed two awards of attorney fees that the district court had rendered against PDIC during the pretrial proceedings.

As the Federal Circuit stated, "Adobe could still have proceeded to trial on its breach claim, and was required to do so to obtain a final decision on the merits that could be appealed." (Pet. App. 14a). Thus, on appeal, PDIC argued that Adobe's tactic of confessing judgment and then appealing the interlocutory evidentiary rulings constituted quintessential forbidden piecemeal litigation. Adobe was seeking review of interlocutory evidentiary district court decisions that were neither final nor dispositive. Therefore, the appellate court had no jurisdiction under §§ 1291/1292. PDIC relied on this Court's decisions discussed in Section I.A., *infra*, and, particularly, this Court's most recent decision in *Microsoft Corp. v. Baker*, ––– U.S. ––––, 137 S.Ct. 1702 (2017).

PDIC also cited the concurring opinion in *Microsoft v. Baker*, that Adobe's appeal failed the case or controversy requirement of Article III of the Constitution, because Adobe had requested the entry of the adverse Final Judgment from which it was appealing.

PDIC also relied on the Third Circuit decision in *Camesi v. Univ. of Pittsburgh Med. Ctr.*, 729 F.3d 239 (3d Cir. 2013) ("*Camesi*") to argue that the district court's Final Judgment would remain valid and effective after Adobe's appeal was dismissed. *Camesi* had followed and relied upon *Coopers & Lybrand*, and had been cited and relied upon by *Microsoft Corp. v. Baker*. PDIC specifically argued that:

> The Third Circuit [in *Camesi*] further explained that, having voluntarily obtained an adverse judgment that was unappealable, the appellant's case was gone forever:
>
> The claims that Appellants dismissed with prejudice are gone forever—they are not reviewable by this Court and **may not be recaptured at the district court level.** … As such, Appellants' individual claims are moot.

(emphasis supplied in original). And, "As in *Camesi*, Adobe's case is gone forever."

4. After briefing and argument, the Federal Circuit correctly concluded that Adobe's appeal must be dismissed for lack of jurisdiction under the authority of *Coopers & Lybrand* and *Microsoft Corp. v. Baker*. (Pet. App. 6a-11a). Adobe had requested the Final Judgment in order to appeal from an interlocutory evidentiary ruling, in an impermissible attempt at piecemeal litigation.

5. After determining that it had no jurisdiction over Adobe's appeal, the Federal Circuit, nevertheless, vacated the district court's Final Judgment and ordered the district court to revive Adobe's abandoned breach of contract claim:

> Because the purported final judgment is ineffective, the district court must treat the case as though final judgment had never been entered. There are thus further steps remaining for the district court to take: it must determine whether PDIC breached its license agreement

> with Adobe, and if so, it must determine the damages (actual or nominal) to which Adobe is entitled. In short, the case must continue until there is a final disposition of the breach claim, at which point there can be an appeal.

(Pet. App. 15a).

6. The Federal Circuit expressly held that it would not consider PDIC's cross-appeal, because there was no effective final judgment:

> Only once there has been a final decision on the contract claim may there be an appeal from … the imposition of monetary sanctions on PDIC.

(Pet. App. 17a).

Thus, the Federal Circuit held that the Final Judgment in the district court, which Adobe had requested, was "ineffective," and ordered the district court to revive the district court breach of contract case "as though final judgment had never been entered." (Pet. App. 15a). Further, the Federal Circuit ordered the district court to enter a new "final disposition of the breach claim, at which point there can be an appeal." *Id.*

The Federal Circuit did not cite any authority for its exercise of jurisdiction over the Final Judgment after the appeal was dismissed, and did not address the conflict with the Third Circuit decision in *Camesi*.

7. PDIC moved for rehearing and rehearing *en banc*. In response, Adobe argued that PDIC's motion was one

day late. Thus, the Federal Circuit could dismiss PDIC's rehearing motion as untimely, and, absent a timely motion for rehearing, PDIC's due date for filing a petition for certiorari would then be calculated from the date of the Federal Circuit's decision and judgment.

This petition followed.

REASONS FOR GRANTING THE PETITION

I. THIS CASE PRESENTS A RECURRING QUESTION OF EXCEPTIONAL IMPORTANCE WARRANTING THE COURT'S IMMEDIATE RESOLUTION

A. The Court Below Properly Dismissed Adobe's Appeal

In the district court, Adobe requested an adverse judgment. The district court had not restricted Adobe's ability to present its liability case. The court had limited Adobe's damages evidence, but did not preclude Adobe from presenting damages, and, in fact, Adobe would have been entitled to at least nominal damages if it proved liability. (Pet. App. 5a, 27a). But Adobe controlled its own case, and given its decision to remove any case or controversy between the parties, the district court and PDIC had no basis to oppose Adobe's concession. The Final Judgment was entered.

Adobe then appealed its own consented judgment in an exercise of paradigm piecemeal litigation. Adobe did not appeal any rulings related to liability, but appealed from an evidentiary damages ruling. Adobe could have appealed

that damages ruling together with any other appealable issues after the district court entered judgment after trial. Of course, if the jury determined that PDIC was not liable for breach of contract, the district court's evidentiary damages ruling would have been moot.

The Federal Circuit properly dismissed the appeal. The mandate of 28 U.S.C. §§ 1291/1292 that appellate jurisdiction be limited to "final" decisions serves important interests concerning the fair and efficient administration of justice by precluding piecemeal litigations. *McLish v. Roff*, 141 U.S. 661, 665–66 (1891); *Catlin v. United States*, 324 U.S. 229, 233–34 (1945); *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 374 (1981).

The rule recognizes that "[p]ermitting piecemeal appeals would undermine the independence of the district judge, as well as the special role that individual plays in our judicial system"; and is necessary to "avoid the obstruction to just claims that would come from permitting the harassment and cost of a succession of separate appeals from the various rulings to which a litigation may give rise, from its initiation to entry of judgment." *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. at 374 (citing *Cobbledick v. United States*, 309 U.S. 323, 325 (1940) and *DiBella v. United States*, 369 U.S. 121, 124 (1962)). "The rule also serves the important purpose of promoting efficient judicial administration." *Id.* (citing *Eisen v. Carlisle & Jacquelin*, 417 U.S. 156, 170 (1974)).

This Court applied these principles in *Coopers & Lybrand v. Livesay* to hold that parties could not manufacture appellate jurisdiction over interlocutory orders, because "allowing appeals of right from nonfinal orders that turn on the facts of a particular case thrusts

appellate courts indiscriminately into the trial process and thus defeats one vital purpose of the final-judgment rule—'that of maintaining the appropriate relationship between the respective courts.'" *Coopers & Lybrand,* 437 U.S. at 476.

In its most recent decision in *Microsoft Corp. v. Baker*, the Court reviewed another attempt at an end-run around the restriction against piecemeal litigation, and again held that a party could not "transform a tentative interlocutory order … into a final judgment within the meaning of §1291 simply by dismissing their claims with prejudice," and "§1291's firm final-judgment rule is not satisfied whenever a litigant persuades a district court to issue an order purporting to end the litigation." *Microsoft Corp. v. Baker,* 137 S.Ct. at 1713-15.

In addition, having conceded the Final Judgment, Adobe eliminated any case or controversy, and thus, the Federal Circuit also lacked jurisdiction as a matter of Article III of the Constitution. See, the concurring opinion in *Microsoft Corp. v. Baker.*

Thus, the Federal Circuit properly dismissed Adobe's appeal.

B. After Dismissing Appeal, The Court Below Had No Jurisdiction to Vacate the Final Judgment or Instruct the District Court to Revive Adobe's Claim

The Federal Circuit properly recognized that Adobe's appeal had to be dismissed in view of this Court's governing law prohibiting piecemeal litigation.

Having properly dismissed Adobe's appeal, however, the Federal Circuit lost any jurisdiction or authority to vacate the Final Judgment or to order that Adobe's abandoned breach of contract claim be revived. Under §§ 1291/1292, only "final" judgments involving a "case or controversy" between the parties may be acted upon by the appellate courts. Nothing in the Constitution, statutes, court rules or this court's jurisprudence allows an appellate court to vacate a judgment which is not a proper subject of an appeal or to revive a claim that the party had abandoned by requesting an adverse final judgment. Indeed, the Federal Circuit did not cite any authority or jurisdictional basis to instruct the district court to vacate the Final Judgment.

C. The Federal Circuit's Decision to Vacate A Judgment Over Which It Had No Jurisdiction is Exceptionally Important

The Federal Circuit's exercise of dominion over a final judgment over which it had no jurisdiction is frighteningly dangerous to established rules of appellate jurisdiction. As reflected in the cases cited in I.A., *supra*, this Court has carefully circumscribed appellate jurisdiction to accord with the requirements of "finality" under §§ 1291/1292, as well as Article III's "case or controversy."

Yet, without citing any statute, rule, precedent or other authority, the Federal Circuit defied its limited jurisdiction by ordering the district court to vacate a final judgment over which the Federal Circuit had admittedly no jurisdiction after Adobe's appeal was dismissed. Nor did the Federal Circuit have any authority to revive Adobe's abandoned breach of contract claim.

Without any explanation, much less any authority, the Federal Circuit deemed the district court's Final Judgment to be "ineffective." (Pet. App. 15a). Yet, the Final Judgment was entered at Adobe's request, and with its consent. Well-established law is that such a "decree, which appears by the record to have been rendered by consent, is always affirmed, without considering the merits of the cause." *Nashville, C. & St. L. Ry. Co. v. United States*, 113 U.S. 261, 265 (1885). Thus, having requested the Final Judgment, Adobe is estopped to challenge it, and, thus, is not "ineffective." See *Microsoft Corp. v. Baker,* 137 S.Ct. at 1714 ("where a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply because his interests have changed, assume a contrary position") (quoting *Davis v. Wakelee*, 156 U.S. 680, 689 (1895)).

The Federal Circuit's decision is published, 913 F.3d 1342, and is precedential. Unless this Court reverses that decision, the Federal Circuit's decision in this case will remain the governing law for at least those cases where the Federal Circuit exercises appellate jurisdiction. Yet, that decision is plainly erroneous and is capable of great mischief, as it is a basis for the Federal Circuit, as well as potentially other circuit courts, to wrongfully exercise jurisdiction over judgments which are not properly before the appellate court. This Court should grant certiorari to consider whether such exercise of appellate jurisdiction is consistent with §§ 1291/1292 and Article III.

II. THE DECISION BELOW CONFLICTS DIRECTLY WITH THE DECISION OF THE THIRD CIRCUIT COURT OF APPEALS ON A FUNDAMENTAL ISSUE OF THE JURISDICTION OF THE FEDERAL COURTS

The Federal Circuit's decision in this case conflicts directly with a decision of the Third Circuit Court of Appeals that a dismissal of an appeal leaves the district court's judgment untouched and untouchable except as otherwise permitted by statute or rule.

The Third Circuit had considered the issue in *Camesi v. Univ. of Pittsburgh Med. Ctr.*, 729 F.3d 239 (3d Cir. 2013), a case this Court cited in *Microsoft Corp. v. Baker.* After dismissing the appeal for failing to meet the finality requirement of § 1291, the Third Circuit considered appellants' claims that they were entitled to continue to maintain a personal stake in the outcome of the litigation. The Third Circuit reserved the issue "for another day," but held that the judgment entered in the district court was untouchable:

> [Appellants' argument] reflects a fundamental misunderstanding of the nature of a dismissal with prejudice. The claims that Appellants dismissed with prejudice are gone forever—they are not reviewable by this Court and may not be recaptured at the district court level.

Camesi, *supra,* 729 F.3d at 247.

Additionally, in a case from the Fourth Circuit, *Keena v. Groupon, Inc.*, 886 F.3d 360, 364 (4th Cir. 2018), plaintiff

dismissed her case with prejudice after the district court ordered the parties to arbitrate and stayed all proceedings pending arbitration. Then, as here, plaintiff appealed her dismissal with prejudice. The Fourth Circuit dismissed the appeal because, as here, plaintiff sought "to transform an otherwise interlocutory order into a § 1291 final decision" and "the final-judgment rule will not tolerate that effort." The Fourth Circuit concluded:

> In these circumstances, the Dismissal Order secured by Keena is not an appealable final decision under 28 U.S.C. § 1291. Appellate jurisdiction is therefore lacking and Keena's appeal must be dismissed.

886 F.3d at 365. Instructively, the Fourth Circuit did not vacate the district court judgment or otherwise allow any further action in the district court.

PDIC cited *Camesi* and *Keena* to the Federal Circuit. Yet, the Federal Circuit determined to act in direct contradiction to the ruling of the Third Circuit, and rejected the implicit holding of the Fourth Circuit. Thus, by vacating the Final Judgment, the Federal Circuit created a division of authority in the courts of appeals on the fundamental jurisdictional issue of whether an appellate court can vacate a final judgment over which it has no jurisdiction.

The Federal Circuit decision is reported and, unless reversed, will engender significant confusion regarding federal appellate jurisdiction. The decision below will be an invitation for courts to act with respect to judgments over which they have no jurisdiction. Only this Court can bring uniformity to this jurisdictional issue.

III. THE FEDERAL CIRCUIT WAS REQUIRED TO CONSIDER PDIC'S CROSS-APPEAL

In the jurisdictional decisions cited in Section I.A., *supra*, this Court ruled that appeals from non-final decisions must be dismissed, but the Court was not confronted with issues of the consequences as to any cross-appeals. This case presents such an issue.

In this case, the district court had ordered PDIC to pay attorney fees to Adobe for what the district court perceived as violations of federal rules. PDIC challenged those orders on grounds that the district court had misconstrued and misapplied the federal rules, and, after paying the fees to Adobe, cross-appealed the district court's awards. The issues on cross-appeal were entirely collateral to any other issues pending in the case, but PDIC could not appeal until after Final Judgment was entered.

The Federal Circuit refused to consider PDIC's cross-appeal, and held that the issues would have to be appealed only after the district court entered a new judgment to replace the existing vacated Final Judgment. (Pet. App. 17a).

The Federal Circuit erred. As explained in I.C., *supra*, the district court's Final Judgment in this case was voluntarily requested by Adobe, and was valid. The Federal Circuit had no jurisdiction over Adobe's appeal, because Adobe voluntarily requested the adverse judgment from which it was appealing, and that consent judgment did not meet the "final decision" requirement of §§ 1921/1292. "Finality" was lacking because Adobe dismissed its case with prejudice to appeal an interlocutory evidentiary

ruling, where all other issues remained unresolved, including the potentially dispositive issue of liability.

Adobe's appeal also failed the Article III requirement of a "case or controversy" as to Adobe's claim, because, as stated in the concurring opinion in *Microsoft Corp. v. Baker*:

> The parties thus were no longer adverse to each other on any claims, and the Court of Appeals could not "affect the[ir] rights" in any legally cognizable manner. Indeed, it has long been the rule that a party may not appeal from the voluntary dismissal of a claim, since the party consented to the judgment against it.

137 S.Ct. at 1717.

The above considerations do not apply to PDIC's cross-appeal from the district's courts awards of attorney fees. PDIC had paid the awards to Adobe (under protest), and only an appellate court could overturn the awards. The district court's awards of attorney fees were final decisions of the district court and were entirely collateral to the Final Judgment requested by Adobe.

Similarly, unlike the judgment requested by Adobe, PDIC never requested the awards of attorney fees against it, and there was a real case and controversy as between PDIC and Adobe as to those fees.

Thus, while the appellate court had no jurisdiction to consider Adobe's appeal, the Federal Circuit was required to consider PDIC's cross appeal.

This case presents an opportunity for the Court to consider the issues of cross-appeals which were unresolved and not considered in the Court's prior decisions involving dismissals of appeals for lack of jurisdiction.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully Submitted,

GEORGE PAZUNIAK
Counsel of Record
O'KELLY ERNST & JOYCE, LLC
901 North Market Street,
Suite 1000
Wilmington, Delaware 19801
(302) 778-4000
gp@del-iplaw.com

Counsel for Petitioner

April 22, 2019

APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED JANUARY 22, 2019

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff-Cross-Appellant,

v.

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

Defendants,

ADOBE INC.,

Defendant-Appellant.

January 22, 2019, Decided

Appendix A

Appeals from the United States District Court for the District of Delaware in Nos. 1:13-cv-00239-LPS, 1:13-cv-00287-LPS, 1:13-cv-00288-LPS, 1:13-cv-00289-LPS, 1:13-cv-00326-LPS, 1:13-cv-00330-LPS, 1:13-cv-00331-LPS, 1:13-cv-00404-LPS, 1:13-cv-00408-LPS, Chief Judge Leonard P. Stark.

Before DYK, TARANTO, and STOLL, *Circuit Judges*.

DYK, *Circuit Judge*.

The parties appeal and cross appeal from various rulings by the U.S. District Court for the District of Delaware in a patent and breach of contract dispute. Because there was no final decision on the merits, we dismiss the appeal for lack of jurisdiction.

BACKGROUND

Princeton Digital Image Corporation ("PDIC") owns U.S. Patent No. 4,813,056 ("the '056 patent"), which relates to methods for encoding image data and allegedly covers the encoding of digital images in the JPEG file format. In June 2011, PDIC licensed the '056 patent to Adobe, Inc. In the license agreement, PDIC promised not to sue Adobe or Adobe's customers for claims arising "in whole or part owing to an Adobe Licensed Product." J.A. 1538-39.

Beginning in December 2012, PDIC sued numerous customers of Adobe, alleging that the encoding of JPEG images on the customers' websites infringed claims of the '056 patent. In November 2014, Adobe moved to intervene to defend nine of its customers, contending that its

customers were using Adobe products to display images on their websites, which was covered by PDIC's license to Adobe. The district court granted Adobe's motion to intervene on May 5, 2015.

On May 8, 2015, Adobe filed a complaint in intervention, asserting that PDIC breached its license agreement with Adobe by suing Adobe's customers. For this breach of contract claim, Adobe sought damages consisting of (1) its attorneys' fees expended in connection with defending its customers and responding to customers' indemnity requests and (2) its fees expended in bringing the breach of contract claim itself.

By July 31, 2015, PDIC had dismissed each of the infringement actions brought against Adobe's customers in which Adobe had intervened. Adobe moved for attorneys' fees under 35 U.S.C. § 285, which permits an award of attorneys' fees to the prevailing party in "exceptional cases," and for sanctions under Federal Rule of Civil Procedure 11. The district court denied both fees and sanctions. As to § 285 fees, the district court concluded that it "cannot determine at this time whether PDIC or Adobe is the prevailing party." J.A. 26. Assuming that Adobe was the prevailing party, the court found that the case was "exceptional" in that it "stand[s] out from the rest," J.A. 39-40, but that in its discretion, it would deny the request for attorneys' fees because the conduct was not "***so*** exceptional," J.A. 41 (emphasis in original) (citation omitted). As to Rule 11 sanctions, the court concluded that it "cannot say that PDIC's pre-suit investigation was inadequate or that any filing was made for any improper purpose." J.A. 42.

Litigation continued on Adobe's breach of contract claim. On August 1, 2017, the district court granted in part and denied in part PDIC's motion for summary judgment based on liability and damages. As to liability, the court held that there were "genuine issues of material fact precluding summary judgment," because a "reasonable juror could accept Adobe's view that PDIC's infringement allegations . . . cover the use of Adobe products," which would violate the license agreement's covenant not to sue. J.A. 60. But as to damages, the court held that Adobe could only collect "defense" fees—"that is, those Adobe incurred in defending [its customers] from PDIC's infringement suit, suits that were brought in alleged violation of the covenant not to sue." J.A. 64. Adobe could not recover the fees that Adobe incurred "in attempting to vindicate its contract rights," that is, "any attorney fees Adobe incurred in the affirmative breach-of-contract suit." J.A. 64. The court ordered Adobe to file a supplemental report disclosing Adobe's defense fees. Adobe filed the supplemental report on August 7, 2017.

On August 17, 2017, the court struck Adobe's supplemental report because it did "not separate Adobe's defense fees from its affirmative fees" but instead "claim[ed] all fees as defensive so long as they were incurred while at least one Defendant (who requested indemnification) was still involved in litigation with PDIC." J.A. 82. The court concluded, however, that "there is sufficient evidence in the record to determine the amount of Adobe's fees that are purely defense fees," and therefore directed Adobe to file a letter disclosing the total amount of such fees and the record support for the claimed amount.

J.A. 86-87. When Adobe filed its letter, however, the court struck it because it too "did not disclose a purely defensive number." J.A. 106.

The court nevertheless declined to grant summary judgment to PDIC on damages, explaining that it was "undisputed that some amount of Adobe's legal fees are purely defensive." J.A. 106. It ruled that Adobe would be permitted to present a purely defensive number to the jury, but Adobe would have to disclose that number to PDIC before opening statements.

In an effort to secure an appealable decision, Adobe then requested that the court enter judgment in favor of PDIC, contending that in light of the court's rulings, "Adobe doesn't have damages to present," which Adobe contended was "an element of what is to be tried." Tr. of Pre-Trial Conference at 67:23-24, *Princeton Digital Image Corp. v. Office Depot Inc.*, No. 1:13-cv-00239-LPS (D. Del. Sept. 1, 2017), ECF No. 281. The court reiterated its conclusion "that there are purely defensive damages that can be proven on this record," but granted Adobe's request and entered judgment in favor of PDIC. J.A. 106-08.

Adobe appeals, contending that the district court erred in (1) not awarding fees under § 285 and sanctions under Rule 11; (2) limiting the damages for Adobe's breach of contract claim; and (3) refusing to compel PDIC to produce additional documents (regarding PDIC's pre-suit investigation and litigation conduct) that Adobe asserted were encompassed within PDIC's waiver of attorney-client privilege.

Appendix A

PDIC cross appeals, contending that the district court erred in imposing two monetary sanctions on PDIC. The sanctions required PDIC to pay Adobe's attorneys' fees and costs in connection with (1) PDIC's failure to timely answer Adobe's complaint in intervention in one of PDIC's infringement cases against an Adobe customer; and (2) PDIC's failure to present a competent Rule 30(b)(6) witness for deposition.

DISCUSSION

Adobe contends that we have jurisdiction under 28 U.S.C. § 1295 because this is an appeal "from a final decision of a district court." *Id.* § 1295(a)(1). "Section 1295's final judgment rule mirrors that of its counterpart found at 28 U.S.C. § 1291." *Pause Tech. LLC v. TiVo Inc.*, 401 F.3d 1290, 1292 (Fed. Cir. 2005) (quoting *Nystrom v. TREX Co.*, 339 F.3d 1347, 1350 (Fed. Cir. 2003)). The central question is whether the judgment entered by the district court at Adobe's request constitutes a final decision. We hold that it does not.

I

A

Generally, a final decision is a decision by the district court that "ends the litigation on the merits and leaves nothing for the court to do but execute the judgment." *Catlin v. United States*, 324 U.S. 229, 233, 65 S. Ct. 631, 89 L. Ed. 911 (1945). "If a 'case is not fully adjudicated as to all claims for all parties,' there is no 'final decision' and

therefore no jurisdiction." *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1362 (Fed. Cir. 2003) (quoting *Syntex Pharm. Int'l, Ltd. v. K-Line Pharm., Ltd.*, 905 F.2d 1525, 1526 (Fed. Cir. 1990)).

At one time, several circuit courts recognized an exception to this rule, permitting an appeal from a denial of class certification if that denial sounded the "death knell" of the litigation. *See Coopers & Lybrand v. Livesay*, 437 U.S. 463, 469-70, 98 S. Ct. 2454, 57 L. Ed. 2d 351 (1978), *superseded on other grounds by rule as stated in Microsoft v. Baker*, 137 S. Ct. 1702, 1708-09, 198 L. Ed. 2d 132 (2017). The rationale for this exception was that "without the incentive of a possible group recovery the individual plaintiff may find it economically imprudent to pursue his lawsuit to a final judgment and then seek appellate review of an adverse class determination." *Id.* Thus, under this doctrine, appealability turned on whether the plaintiff had an "adequate incentive to continue" litigating. *Id.* at 471.

The Supreme Court in *Coopers & Lybrand* rejected the death knell doctrine. *Id.* at 476. "[T]he fact that an interlocutory order may induce a party to abandon his claim before final judgment is not a sufficient reason for considering it a 'final decision' within the meaning of § 1291." *Id.* at 477. Otherwise, many "other kinds of interlocutory orders" that "create the risk of a premature demise" of a plaintiff's economic incentive to continue litigating would become appealable as a matter of right. *Id.* at 474. The Court held that the order decertifying the plaintiffs' class was not a final decision and therefore not appealable. *Id.* at 464-65.

More recently, in *Microsoft v. Baker*, the Supreme Court again addressed appellate jurisdiction in the context of an adverse class determination. There, following the denial of class certification, plaintiffs took an additional step that the *Coopers & Lybrand* plaintiffs did not: they dismissed with prejudice their individual claims while reserving the right to revive their claims if the certification decision were reversed, and then sought to appeal the denial of class certification. 137 S. Ct. at 1706-07. The Court held that this "voluntary-dismissal tactic" "subverts the final-judgment rule" and "does not give rise to a 'final decision' under § 1291." *Id.* at 1712-13 (brackets omitted). The Court reasoned that treating every voluntary dismissal as a final decision would impermissibly "allow indiscriminate appellate review of interlocutory orders." *Id.* at 1714.[1]

1. The Court distinguished its earlier decision in *United States v. Procter & Gamble Co.*, 356 U.S. 677, 680-81, 78 S. Ct. 983, 2 L. Ed. 2d 1077 (1958), where the district court ordered the government, as plaintiff in a civil antitrust action, to produce a grand jury transcript to the defendants. At the government's request, the district court amended the order to provide that if the government did not produce the transcript, the complaint would be dismissed. *Id.* at 679. The government refused to produce the transcript and the court dismissed the complaint. *Id.* at 679-80. Although the government could have obtained an appeal of the production order "by the route of civil contempt," the Court treated the voluntary dismissal as final under the circumstances, noting that this avoided "any unseemly conflict with the District Court." *Id.* at 680. The Court in *Microsoft* distinguished *Procter & Gamble* because "that case—a civil antitrust enforcement action—involved neither class-action certification nor the sort of dismissal tactic at issue here." 137 S. Ct. at 1715 n.11. Adobe does not contend that this case is similar to *Procter & Gamble*.

Contrary to Adobe's argument, although the Supreme Court in *Microsoft* relied in part on the conflict between allowing the appeal and the limited appeal right in the class action context, *id.* at 1714-15, we think that *Microsoft*'s reasoning extends beyond that context. Following *Microsoft*, other courts of appeals have applied its holding in cases not involving a denial of class certification. In *Keena v. Groupon, Inc.*, 886 F.3d 360 (4th Cir. 2018), the plaintiff voluntarily dismissed her claims after the district court ordered her to arbitrate, because in her view "the costs of that process outweighed the potential recovery." *Id.* at 362. The Fourth Circuit held that the order to arbitrate was not a final decision under *Microsoft* and thus not appealable. *Id.* at 364.

In *Board of Trustees of the Plumbers, Pipe Fitters & Mechanical Equipment Service, Local Union No. 392 v. Humbert*, 884 F.3d 624, 625 (6th Cir. 2018), the district court held that certain defendants were liable to a union under a collective bargaining agreement. The defendants attempted to facilitate an immediate appeal as to liability by stipulating to damages. *Id.* However, the stipulated judgment order also provided that "none of the parties are waiving any rights or arguments in any subsequent proceedings . . . including but not limited to the amount of the damages." *Id.* The Sixth Circuit held that because this order "specifically reserve[d] the parties' right to litigate 'the amount of the damages'" in future proceedings, it did not "conclusively resolve" even the issue of damages and hence was not a final judgment for the plaintiff under *Microsoft*. *Id.* at 626.[2]

2. *But see Xlear, Inc. v. Focus Nutrition, LLC*, 893 F.3d 1227, 1236 (10th Cir. 2018) ("We read *Microsoft* as addressing the narrow

In an attempt to distinguish *Microsoft* and the cases following it, Adobe argues that the district court's damages rulings here are unlike the denial of class certification in *Microsoft*, and instead are "akin to an unfavorable claim construction ruling, after which a party may stipulate to judgment of non-infringement to facilitate an immediate appeal." Appellant's Reply Br. at 3. As in the claim construction context, Adobe maintains, the district court's order here "meant that Adobe's claim was effectively dismissed." *Id.* at 4.

We disagree. Under our precedent, to be appealable a claim construction order must preclude a finding of infringement—a required element of the plaintiff's cause of action. Such preclusion of infringement may be established by the patent owner's binding admission that the accused activities are not infringing under the adopted claim construction. But where a claim construction order does not resolve the issue of infringement, it is not a final decision, and, accordingly, is not appealable. *See Taylor Brands, LLC v. GB II Corp.*, 627 F.3d 874, 877 (Fed. Cir. 2010) (only "a stipulated final judgment after a dispositive ruling" is appealable); *see also Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1326 (Fed. Cir. 2006) ("[F]inal judgment in a patent case will usually produce a judgment of infringement or non-infringement. This court reviews claim construction only as necessary

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situation where a hopeful class action plaintiff uses a stipulation of dismissal as a tactic to overcome the limitations placed on appellate jurisdiction by 28 U.S.C. § 1291.").

to reach that final judgment on an infringement cause of action."); *Nystrom v. TREX Co.*, 339 F.3d 1347, 1350 (Fed. Cir. 2003) ("[I]mmediate appeal of an interlocutory claim construction ruling without a resolution of all of the factual issues of infringement or validity dependent thereon is often desired by one or both of the parties for strategic or other reasons. But, other than the accommodation for deferred accounting in 28 U.S.C. § 1292(c)(2), the rules of finality that define the jurisdiction of this court do not contain special provisions for patent cases or admit to exceptions for strategic reasons or otherwise . . . .").

Here the district court's damages rulings were not dispositive, as is required under *Microsoft*. In *Microsoft*, the interlocutory order denying class certification was not dispositive because the order did not resolve any element of the plaintiffs' claims on the merits. *See* 137 S. Ct. at 1710-11. *Microsoft* at least establishes that a voluntary dismissal does not constitute a final judgment where the district court's ruling has not foreclosed the plaintiff's ability to prove the required elements of the cause of action. This interpretation of *Microsoft* has been adopted by the other circuits that have followed *Microsoft*. In *Keena* there was no final resolution of liability. *See* 886 F.3d at 362. In *Board of Trustees* there was no final ruling as to damages. *See* 884 F.3d at 626.

Several decisions by other circuits pre-dating *Microsoft* reached the same result and are virtually identical to this case. In *Palmieri v. Defaria*, 88 F.3d 136, 139-40 (2d Cir. 1996), the district court entered an order dismissing the complaint after the district court

had excluded plaintiff's preferred evidence in an in limine order. The Second Circuit held that there was no appealable final decision because the district court had "expressly declined to take the position . . . that [the plaintiff's remaining] proof as a whole was insufficient as a matter of law." *Id.* at 140. "The district court judge here continually showed his willingness to revisit all of his rulings depending upon how the evidence developed." *Id.* at 141. Plaintiff "made clear to the district court that he sought to appeal the in limine evidentiary rulings without proceeding to trial. However, under the circumstances, there was no course of action he could have taken that would have allowed this to occur." *Id.; see also Ali v. Fed. Ins. Co.*, 719 F.3d 83, 88 (2d Cir. 2013) (explaining that although a plaintiff may "appeal from a voluntary dismissal" when "a prior order . . . had in effect dismissed plaintiffs' complaint," "to qualify as an 'effective dismissal' of the claim, . . . the adverse ruling must have rejected the claim as a matter of law" (citation omitted)).

In *Verzilli v. Flexon, Inc.*, 295 F.3d 421, 422 (3d Cir. 2002), the district court had entered an order restricting the plaintiff's damages for failure to follow the court's pretrial discovery rules. The plaintiff then entered into a consent judgment in an attempt to facilitate an appeal challenging the limitation of damages. *Id.* The Third Circuit dismissed for lack of jurisdiction, concluding that the challenged order was interlocutory and that the consent judgment did not create finality under § 1291. *See id.* at 422-25.

In *Union Oil Co. of California v. John Brown E&C*, 121 F.3d 305, 309 (7th Cir. 1997), the district court had ruled that the plaintiff's breach of contract damages were limited to $332,000, rather than the $8 million it sought. The plaintiff, "not wishing to continue with the litigation if damages were so limited, entered into a stipulation . . . conditionally settling the case" and obtained a purported final order. *Id.* at 306. The Seventh Circuit held that there was no final decision and dismissed the appeal, because "the merits were never decided"—the plaintiff merely "d[id] not believe it's worth the fight" to continue litigating. *Id.* at 309, 312; *see also Massey Ferguson Div. of Variety Corp. v. Gurley*, 51 F.3d 102, 104-05 (7th Cir. 1995) ("Not until *all* of the elements of a case have been wrapped up is there a final judgment . . . ."). Nothing in *Microsoft* calls these cases into question.

In sum, the cases both before and after *Microsoft* make clear that unless the district court has conclusively determined, including determined by consent, that the plaintiff has failed to satisfy a required element of the cause of action, a voluntarily dismissal lacks finality.[3]

3. We have held that "a final judgment exists when a district court *fully adjudicates* some claims and by consent dismisses" all remaining unadjudicated claims, including counterclaims. *Atlas IP, LLC v. Medtronic, Inc.*, 809 F.3d 599, 604 (Fed. Cir. 2015) (emphasis added). That final judgment allows review of the adjudicated claims but not of the unadjudicated claims. *Atlas* provides no support for reviewing claims that have been partially adjudicated.

Here there was no final ruling by the district court barring recovery on Adobe's breach claim because of a failure to prove a required element of that claim. Under New Jersey law, actual damages are not even a required element of a breach of contract claim. "[W]henever there is a breach of contract . . . the law ordinarily infers that damage ensued, and, in the absence of actual damages, the law vindicates the right by awarding nominal damages." *Nappe v. Anschelewitz, Barr, Ansell & Bonello*, 97 N.J. 37, 477 A.2d 1224, 1228 (N.J. 1984); *Karcher v. Phil. Fire & Marine Ins. Co.*, 19 N.J. 214, 116 A.2d 1, 3 (N.J. 1955) (plaintiff who "established a breach of the contract" "was entitled to at least a judgment for nominal damages"). Nothing in the district court's rulings foreclosed an award of nominal damages. Moreover, the district court did not even preclude Adobe from establishing actual damages, but in fact ruled multiple times that "there are purely defensive damages that can be proven on this record." J.A. 106-07. The district court's rulings did not foreclose Adobe's ability to satisfy a required element of its breach claim; they merely limited Adobe's potential actual damages as in the cases discussed above.

Accordingly, we conclude that Adobe could still have proceeded to trial on its breach claim, and was required to do so to obtain a final decision on the merits that could be appealed. To be sure, the prospect of only a small damages recovery may have *discouraged* Adobe from going to trial, but the cases discussed earlier establish that the fact that continuing litigation could be economically imprudent does

not create a "final decision." *See Coopers & Lybrand*, 437 U.S. at 477; *Keena*, 886 F.3d at 362; *Union Oil*, 121 F.3d at 309.

Adobe resists this conclusion, arguing that the district court's judgment here qualifies as a "final decision" because "there is no action remaining for the district court to take." Appellant's Reply Br. at 4. But the fact that Adobe "persuade[d] [the] district court to issue an order purporting to end the litigation" does not create finality under *Microsoft*. 137 S. Ct. at 1715. Because the purported final judgment is ineffective, the district court must treat the case as though final judgment had never been entered. There are thus further steps remaining for the district court to take: it must determine whether PDIC breached its license agreement with Adobe, and if so, it must determine the damages (actual or nominal) to which Adobe is entitled. In short, the case must continue until there is a final disposition of the breach claim, at which point there can be an appeal.

II

Because there is no final judgment in the case, we also lack jurisdiction to consider Adobe's objections to the district court's denial of attorneys' fees under § 285 and sanctions under Rule 11, as well as PDIC's cross-appeal regarding the two sanctions imposed on it.

Although an order regarding attorneys' fees entered after a final judgment on the merits is separately appealable, here the district court's order denying fees

preceded any judgment on the merits. Such an interim order denying fees is generally not appealable. *See Giraldo v. Building Serv. 32B-J Pension Fund*, 502 F.3d 200, 203 (2d Cir. 2007) (denial of fees while merits litigation continued was not appealable until "following the district court's final judgment on the merits"); 15B Charles A. Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice and Procedure* § 3915.6 (2d ed. 1992) [hereinafter "Wright & Miller"] ("Interim attorney fee awards present appeal questions quite different from awards made upon conclusion of proceedings on the merits. Refusal to make an interim award is not appealable . . . ."). In some limited and unusual circumstances, decisions as to fees before a final judgment on the merits might be appealable as collateral orders, particularly if there is reason to believe that there will be no opportunity for a future appeal on the issue. *See Graham v. Hartford Life & Accident Ins. Co.*, 501 F.3d 1153, 1163 n.11 (10th Cir. 2007) (denial of petition for fees in an ERISA case appealable as a collateral order); Wright & Miller, *supra*, § 3915.6 ("Appeal may be allowed, however, if there is substantial ground to fear that the award [of fees] cannot be recaptured if later proceedings make that appropriate or if the award is made in a complex proceeding that promises to endure a long time."). No circumstances exist here that would justify treating the denial of fees as an order collateral to the merits.

The same is true for orders imposing or denying sanctions on a party to the proceeding: in general, such orders are separately appealable only if entered *after* a final judgment on the merits. *See Sanders Assocs., Inc. v. Summagraphics Corp.*, 2 F.3d 394, 398 (Fed. Cir.

1993) (order imposing monetary sanctions in the course of litigation not immediately appealable, but would only be "reviewable after final judgment is entered" on the merits); *Tenkku v. Normandy Bank*, 218 F.3d 926, 927 (8th Cir. 2000) (order imposing discovery sanctions on party not immediately appealable); *McCright v. Santoki*, 976 F.2d 568, 570 (9th Cir. 1992) (denial of motion for Rule 11 sanctions not immediately appealable); Wright & Miller *supra*, § 3914.30 ("Denial of a party's request for sanctions of whatever variety ordinarily should not be appealable" before final judgment on the merits).

Only once there has been a final decision on the contract claim may there be an appeal from the denial of fees pursuant to § 285, the denial of Rule 11 sanctions, and the imposition of monetary sanctions on PDIC.

CONCLUSION

The district court's judgment is not final. We lack jurisdiction over this appeal and cross appeal.

DISMISSED

Costs

No costs.

APPENDIX B — JUDGMENT OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED JANUARY 22, 2019

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff-Cross-Appellant,

v.

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

Defendants,

ADOBE INC.,

Defendant-Appellant.

17-2597, 17-2598, 17-2600, 17-2602, 17-2605, 17-2606, 17-2609, 17-2611, 17-2612, 17-2627, 17-2628, 17-2629, 17-2630, 17-2631, 17-2632, 17-2633, 17-2634, 18-1006

Appendix B

Appeals from the United States District Court for the District of Delaware in case Nos. 1:13-cv-00239-LPS, 1:13-cv-00287-LPS, 1:13-cv-00288-LPS, 1:13-cv-00289-LPS, 1:13-cv-00326-LPS, 1:13-cv-00330-LPS, 1:13-cv-00331-LPS, 1:13-cv-00404-LPS, 1:13-cv-00408-LPS, Chief Judge Leonard P. Stark.

JUDGMENT

THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

DISMISSED

ENTERED BY ORDER OF THE COURT

January 22, 2019 /s/Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

APPENDIX C — MEMORANDUM ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, FILED AUGUST 25, 2017

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C.A. No. 13-239-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

v.

OFFICE DEPOT INC.,

Defendant.

C.A. No. 13-287-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

v.

J.C. PENNEY COMPANY, INC.,

Defendant.

C.A. No. 13-288-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

Appendix C

v.

QVC INC.,

Defendant.

C.A. No. 13-289-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

v.

SEARS HOLDINGS COMPANY,

Defendant.

C.A. No. 13-326-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

v.

LIMITED BRANDS, INC.,

Defendant.

C.A. No. 13-330-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

Appendix C

v.

GAP INC.,

Defendant.

C.A. No. 13-331-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

v.

WILLIAMS-SONOMA INC.,

Defendant.

C.A. No. 13-404-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

v.

COSTCO WHOLESALE CORP.,

Defendant.

C.A. No. 13-408-LPS

PRINCETON DIGITAL IMAGE CORPORATION,

Plaintiff,

Appendix C

v.

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

Defendants.

August 25, 2017, Decided
August 25, 2017, Filed

MEMORANDUM ORDER

Having reviewed the parties' filings regarding their proposed final judgments (C.A. 13-239-LPS D.I. 275, 276, 277, 278),[1]

IT IS HEREBY ORDERED that:

1. Adobe Systems Incorporated's ("Adobe") motion for entry of final judgment (C.A. 13-239-LPS D.I. 275; C.A. No. 13-287-LPS D.I. 275; C.A. No. 13-288-LPS D.I. 275; C.A. No. 13-289-LPS D.I. 274; C.A. No. 13-326-LPS D.I. 272; C.A. No. 13-330-LPS D.I. 272; C.A. No. 13-331-LPS D.I. 274; C.A. No. 13-404-LPS D.I. 273; C.A. No. 13-408-LPS D.I. 290) is GRANTED IN PART, as the Court will enter an order of final judgment consistent with the Court's rulings and the events during trial. The Court will NOT adopt Adobe's proposed final judgment, as the Court has found and stated that the record demonstrates that Adobe could prove some amount of purely defense fees.

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1. All references to the Docket Index are to C.A. No. 13-239, unless otherwise noted.

2. The Court will ADOPT the second final judgment proposed by Princeton Digital Image Corporation ("PDIC"). (D.I. 278) The Court sets out the following procedural history to provide accurate context for the final judgment. *See In re Cendant Corp. Sec. Litig.*, 454 F.3d 235, 243 (3d Cir. 2006).

3. On August 1, 2017, the Court granted in part and denied in part PDIC's motion for summary judgment on Adobe's breach of contract claim, concluding in pertinent part as follows:

> [T]he Court agrees with PDIC that Adobe cannot collect as damages for the breach of contract any attorney fees Adobe incurred in the affirmative breach-of-contract suit. . . .
>
> However, the defense fees — that is, those Adobe incurred in defending [third-party] Defendants [i.e., Adobe customers] from PDIC's infringement suit, suits that were brought in alleged violation of the covenant not to sue — are the type of fees that may be awarded as damages. Adobe's legal costs in defending its customers are a proper measure of the harm to Adobe caused by PDIC's alleged breach.
>
> . . .
>
> Nor is the Court persuaded that Adobe cannot disaggregate its defense fees from its affirmative fees. . . . By separate order, the

> Court will direct Adobe to serve a supplemental expert report relating to the revised amount of damages Adobe is seeking in light of today's rulings.

(D.I. 220 at 13-14)

4. By Order entered the same date, the Court directed that "Adobe shall serve on PDIC a supplemental expert report relating to the amount of damages it is seeking, in light of today's rulings," by no later than August 7. (D.I. 221 at ¶4)

5. On August 7, 2017, Adobe served on PDIC a supplemental expert report relating to damages. (D.I. 230)

6. On August 9, 2017, PDIC filed an "Emergency Renewed Motion for Summary Judgment." (D.I. 234)

7. On August 10, 2017, the Court held a pretrial conference, relating to a jury trial scheduled to begin on August 21, 2017, and directed the parties to (among other things) brief a motion to strike Adobe's new expert report and brief "whether under [governing] New Jersey law attorney fees that are incurred in a way that is inextricably intertwined between affirmative and defense costs are recoverable." (Tr. at 72-73)

8. On August 17, 2017, after receiving the required briefing, the Court struck Adobe's supplemental expert report as non-compliant with the Court's previous Order, as it "does not separate Adobe's defense fees from its

affirmative fees" (D.I. 260 at 4-6), and further held that under New Jersey law Adobe could not recover defensive attorney fees that were inextricably intertwined with affirmative fees (*id.* at 7-8).

9. In the same August 17, 2017 Order, the Court nonetheless denied PDIC's motion for summary judgment, as even after striking the supplemental expert report "[t]here is sufficient evidence of record of Adobe's purely defensive fees, including Adobe's billing records, on which a reasonable juror could find that Adobe has proven the damages element of its breach-of-contract claim." (*Id.* at 8-9)

10. In the same August 17, 2017 Order, the Court gave Adobe an additional opportunity to "file a letter with the Court, copying PDIC, (i) disclosing the total amount (in dollars) of defense fees Adobe is seeking as breach-of-contract damages (i.e., only those fees that Adobe incurred in defending its customers in the infringement suits and no fees associated with Adobe's breach-of-contract claim; defense fees that are 'inextricably intertwined' with affirmative fees are not recoverable), and (ii) identifying with particularity the record bases (e.g., the specific legal bills) on which Adobe intends to rely to support its calculation of the amount of damages it is seeking." (*Id.* at 9-10)

11. On August 19, 2017, Adobe submitted a letter to the Court disclosing its damages. (D.I. 270)

12. On the morning of August 21, 2017, on the first day of trial, out of the presence of potential jurors but while the jury pool was assembled in the courthouse waiting to be selected, the Court concluded that Adobe's August 19 damages submission did not disclose a purely defensive fee number. (D.I. 276-1 at 46)

13. Despite Adobe's noncompliance, the Court declined to grant summary judgment on damages, for reasons including that, as the Court stated, it was "undisputed that some amount of Adobe's legal fees are purely defensive in the manner the Court has defined them," so "a reasonable juror could find that Adobe has proven some damages." (*Id.*)

14. The Court further ruled that "Adobe will be permitted to present a purely defensive number to the jury provided that it discloses that number to PDIC before we get to opening statements." (*Id.*)

15. After further discussion with counsel and a recess, Adobe – contending that, given the Court's rulings, "Adobe doesn't have damages to present" – requested that, in light of the Court's rulings, the Court not select a jury but, instead, cancel trial and enter judgment in favor of PDIC. (*Id.* at 67)

16. PDIC did not object to Adobe's request but stated it believed Adobe "still could have put on a damage case." (*Id.* at 70)

17. The Court then restated its view "that there are purely defensive damages that can be proven on this record," but added that it was not "in a position to force Adobe" to go to trial and, therefore, agreed to proceed as Adobe requested. (*Id.* at 70-71)

18. The parties were unable to agree to a form of judgment the Court could enter (*see* D.I. 275, 276, 277, 278), and the Court has concluded that adopting PDIC's second proposed form of order (D.I. 278), in conjunction with the context provided by this memorandum, is appropriate.

IT IS FURTHER ORDERED that, for the reasons stated in Court during trial, Adobe's motion for sanctions (C.A. 13-239-LPS D.I. 261; C.A. No. 13-287-LPS D.I. 261; C.A. No. 13-288-LPS D.I. 261; C.A. No. 13-289-LPS D.I. 260; C.A. No. 13-326-LPS D.I. 258; C.A. No. 13-330-LPS D.I. 258; C.A. No. 13-331-LPS D.I. 260; C.A. No. 13-404-LPS D.I. 259; C.A. No. 13-408-LPS D.I. 276) is DENIED WITHOUT PREJUDICE.

August 25, 2017
Wilmington, DE

/s/ Leonard P. Stark
HON LEONARD P. STARK
UNITED STATES DISTRICT JUDGE

APPENDIX D — FINAL JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, FILED AUGUST 25, 2017

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

1-13-cv-239-LPS, 1-13-cv-287-LPS, 1-13-cv-288-LPS, 1-13-cv-289-LPS, 1-13-cv-326-LPS, 1-13-cv-330-LPS, 1-13-cv-331-LPS, 1-13-cv-404-LPS, 1-13-cv-408-LPS

PRINCETON DIGITAL IMAGE CORPORATION

v.

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

FINAL JUDGMENT

Adobe having advised the Court that judgment is in order from which Adobe can take appeal,

Adobe's request for entry of final judgment is GRANTED, without prejudice to Adobe's ability to appeal. Accordingly, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. Final judgment is entered for PDIC and against Adobe.

2. Adobe and PDIC expressly reserve the right to appeal from this judgment, including any interlocutory orders of the Court.

/s/_____
Chief United States District Judge