

Nos. 2018-2248, -2249

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**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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X2Y ATTENUATORS, LLC,

*Plaintiff-Appellant,*

v.

INTEL CORPORATION,

*Defendant-Appellee,*

APPLE INC., HP INC., HEWLETT-PACKARD ENTERPRISE COMPANY,

*Defendants.*

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Appeals from the United States District Court for the Western District of Pennsylvania, Nos. 1:11-cv-117 and 1:11-cv-218, Judge Cathy Bissoon

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**CORRECTED NON-CONFIDENTIAL BRIEF FOR  
DEFENDANT-APPELLEE INTEL CORPORATION**

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## CERTIFICATE OF INTEREST

Counsel for Defendant-Appellee Intel Corporation certifies the following:

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

Intel Corporation.

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

Not applicable

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

None.

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

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

*X2Y Attenuators, LLC v. Intel Corporation*, No. 3:18-cv-1394-SB (D. Or.)

Dated: January 25, 2019

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The material omitted on pages 3, 10, 42, and 46 describes evidence from X2Y that has been marked confidential which supports Intel's claims of X2Y's strategic delay. The material omitted on pages 11 and 29 both graphically reproduces and describes that same evidence. The material omitted from pages 13-14, 28-30, and 42 reproduces or describes confidential portions of an opinion from the International Trade Commission.

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## STATEMENT OF RELATED CASES

No appeal in this case was previously before this Court or any other court. The parties to this case previously were involved in litigation regarding the same patents before the International Trade Commission (“ITC”). *In the Matter of Certain Microprocessors, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-781, Initial Determination, 2012 WL 6883205 (Dec. 14, 2012); Comm’n Op. (Mar. 4, 2013). This Court affirmed the ITC’s decision. *X2Y Attenuators, LLC v. International Trade Comm’n*, No. 13-1340, 757 F.3d 1358 (Fed. Cir. July 7, 2014) (Moore, J., joined by Wallach, J.; concurrence by Reyna, J.).

The parties to this appeal are currently litigating a patent infringement case in the District of Oregon regarding two patents closely related to those asserted here. *X2Y Attenuators, LLC v. Intel Corp.*, No. 3:18-cv-1394-SB (D. Or.).

## INTRODUCTION

Although it began planning to sue Intel Corporation (“Intel”) as early as 2002, X2Y Attenuators, LLC (“X2Y”) strategically delayed filing suit for nine years until 2011. Then, in May 2011, X2Y sued Intel asserting six related patents in both the ITC and the district court. The district court actions were stayed and then administratively closed while litigation proceeded at the ITC. After extensive discovery and pre-trial proceedings, and a five-day hearing at which 24 witnesses

testified, the ITC rejected X2Y's infringement contentions across the board. This Court then affirmed the ITC's claim constructions and its findings that Intel did not infringe X2Y's patents.

Over the next three years, there was complete and utter silence from X2Y. X2Y did nothing at all to prosecute the district court cases, which remained administratively closed under a stay that was supposed to be in place only "until the determination of the [International Trade] Commission becomes final." X2Y claims that, during that time, it was retaining new counsel and renegotiating its contracts with its original counsel and litigation funder, but X2Y never communicated to Intel or the district court that it had any intention of seeking to reopen the cases. Only in 2017—nearly three years after the ITC case and appeal had ended—did X2Y move to reopen these cases.

During the span of those three years, the final remaining living inventor on the patents died, witnesses' memories necessarily faded, potential evidence—such as product prior art—became more dated and thus harder to locate, and Intel's potential damages exposure increased. With no word from X2Y, Intel continued to invest in its technology and sell its products, which it believed were free from X2Y's allegations of infringement based on the decisions from the ITC and this Court and because X2Y had done nothing to indicate otherwise.

Against that backdrop, the district court was well within its discretion to dismiss these cases under Federal Rule of Civil Procedure 41(b) due to X2Y's failure to prosecute. X2Y does not identify any errors in the district court's decision let alone meet its "heavy burden" of showing that the district court abused its discretion. X2Y's appeal fails for four primary reasons.

*First*, the district court properly found X2Y responsible for the delay. X2Y attempts to paint itself as helplessly caught between sophisticated lawyers and a litigation funder, seeking to blame its attorneys, its litigation funder, and everyone other than itself for its failure to prosecute these cases. But X2Y is no innocent victim. [REDACTED] and [REDACTED] show that it has a history of engaging in intentional delay to achieve strategic gain—that, instead of suing Intel in 2002 when [REDACTED] might [REDACTED] a [REDACTED] a [REDACTED] of [REDACTED]—with the express purpose that [REDACTED] [REDACTED] thus adding to [REDACTED] and [REDACTED]. Appx759; Appx104-105 (X2Y presentation); Appx129-130. Moreover, X2Y admitted below that it intentionally did not inform Intel of its intent to reopen the cases because it wanted to prevent Intel from "filing substantive or procedural motions in this case" or "bringing a declaratory relief action." Appx30.

X2Y now tries to explain away its nearly three-year delay in moving to reopen these cases by asserting that it needed that much time to retain new counsel

and renegotiate contracts. But as the district court found, it is not reasonable to take nearly three years to find counsel and renegotiate contracts. Moreover, those contractual negotiations were entirely the result of contracts that X2Y itself made that gave others—a litigation funder and two law firms—a stake in its litigation. The responsibility for the delay thus falls right where the district court assigned it—on X2Y and the other stakeholders in this litigation who haggled over contractual terms for almost three years rather than prosecute their case. Those negotiations give X2Y no excuse to now shift the burden of delay onto Intel. If X2Y had approached the district court after this Court’s decision in 2014 and asked for a three-year stay so that X2Y could resolve its contractual arrangements, no court in the country would have allowed it. X2Y should not be permitted to achieve the same result by having simply remained silent.

*Second*, the district court was correct to find that X2Y’s delay caused Intel significant prejudice. Intel’s ability to present its defense was impaired by the death of witnesses and fading witness memories; its risk and potential exposure were unfairly increased because of its continued investment in its products while X2Y failed to act; and, if X2Y were permitted to proceed, Intel’s reasonable expectation that the dispute had concluded would be upset.

*Third*, the district court was correct to find that the merits of X2Y’s claims did not weigh in its favor. X2Y argues that the district court should have found its

claims had merit based on X2Y's unsubstantiated allegations alone. But X2Y asserted the same six patents in the district court that it asserted in the ITC. The district court was therefore right to consider the ITC's earlier rejection of X2Y's infringement claims, and this Court's subsequent affirmance, when assessing the merits. The fact that three of the patents were not ultimately tried at the ITC is immaterial; those three patents contain the same disclaimers (either directly or through incorporation by reference) that led the ITC and this Court to find non-infringement. Finally, X2Y tries to overcome its deficiencies on the merits by asserting that Intel copied X2Y's patents. But X2Y leaves out the fact that, after a five-day evidentiary hearing, the ITC unequivocally rejected X2Y's copying argument. *In the Matter of Certain Microprocessors, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-781, Initial Determination, 2012 WL 6883205, at \*157 (Dec. 14, 2012) (finding that "X2Y's claim of copying lacks merit"). The district court was therefore correct in not finding the merits to weigh in X2Y's favor.

**Finally**, the district court was correct to dismiss the case as the remedy for X2Y's delay. While X2Y argues that the sanction is too severe, courts have repeatedly dismissed cases under similar circumstances. *See, e.g., Rocky Mountain Tech. Eng'g Co., LLC v. Hutchens Indus., Inc.*, 263 F. App'x 895, 898 (Fed. Cir. 2008) (affirming dismissal for failure to prosecute; noting that a plaintiff's delays

are “inherently prejudicial to a defendant, who ‘has a legitimate interest in bringing the matter to closure within a reasonable time.’” (quoting *Rogers v. Andrus Transp. Servs.*, 502 F.3d 1147, 1152 (10th Cir. 2007))). X2Y’s argument that the district court should have imposed lesser sanctions is wrong. X2Y did not propose to the district court any of the lesser sanctions it now presents on appeal; in fact, it argued against alternatives to dismissal. By never giving the district court an opportunity to consider these alternatives it now proposes, X2Y waived these arguments. In any event, none of X2Y’s proposed sanctions would remedy the substantial prejudice to Intel from X2Y’s delay.

\* \* \*

X2Y had a full and fair opportunity to present its infringement claims. Those claims were rejected by three different tribunals—the ALJ, the full ITC, and this Court. When X2Y then failed to pursue its district court actions for nearly three years, Intel reasonably believed the case was over, and the district court was correct to dismiss X2Y’s complaints. X2Y has no basis to argue that the district court abused its discretion. The district court’s decision should be affirmed.

### **JURISDICTIONAL STATEMENT**

The district court had jurisdiction under 28 U.S.C. § 1338(a) and entered final judgment on July 13, 2018. Appx5. X2Y timely appealed. Appx760-761. This Court has jurisdiction under 28 U.S.C. § 1295(a)(1).



## STATEMENT OF ISSUES ON APPEAL

Whether the district court abused its discretion by dismissing X2Y's patent infringement suits for failure to prosecute under Fed. R. Civ. P. 41(b) after X2Y left its district court actions completely dormant and did not communicate with the district court or Intel for nearly three years.

## STATEMENT OF THE CASE

### **A. X2Y's Asserted Patents Are Limited To A Specific Configuration Of Electrodes Used To Address Electromagnetic Interference**

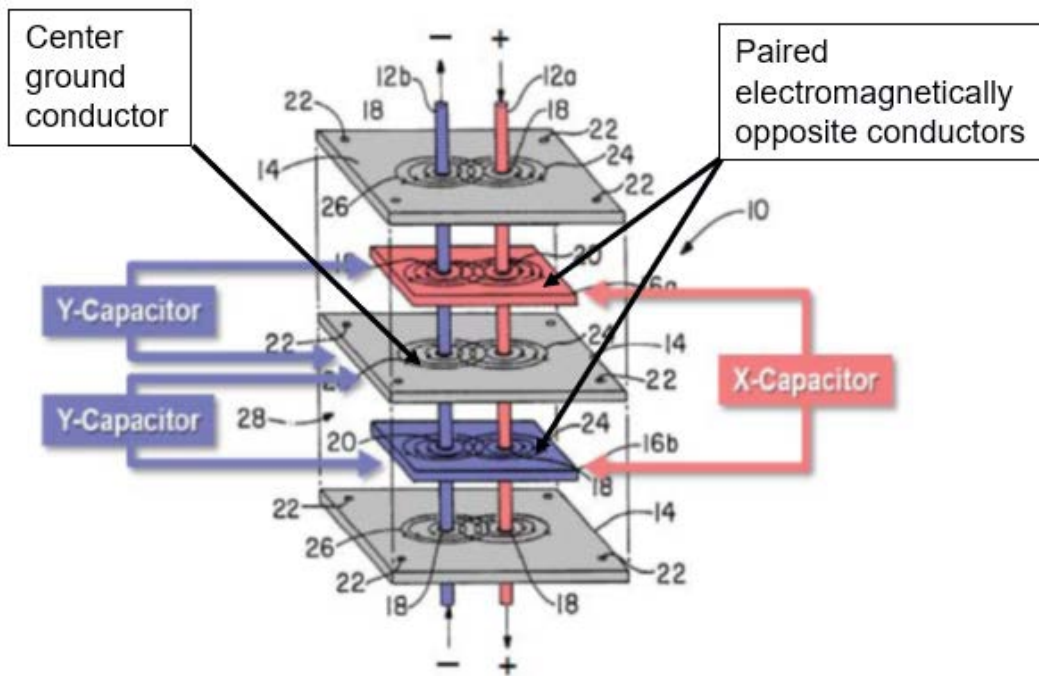
X2Y is a non-practicing entity that owns patents but makes no products. X2Y's business is to assert its patents in litigation and seek licenses from others. *See* Appx610 ¶ 4.

In the cases on appeal, X2Y asserts six patents: U.S. Patent No. 6,738,249 ("the '249 patent"), No. 7,110,227 ("the '227 patent"), No. 7,609,500 ("the '500 patent"), No. 7,773,621 ("the '621 patent"), No. 7,916,444 ("the '444 patent"), and No. 8,023,241 ("the '241 patent"). Each of X2Y's asserted patents is derived from a common set of applications filed in 1997 by Anthony A. Anthony and William ("Bill") Anthony. *See* Appx371-406; Appx407-439; Appx440-475; Appx476-515; Appx516-546; Appx552-584. X2Y's patents purport to address a problem known as "electromagnetic interference" ("EMI") in electrical circuits. *Id.*

By the time of X2Y's patent applications, Intel and many others had already developed and implemented many different ways to address EMI. To obtain its

patents, therefore, X2Y was required to claim a very specific configuration of electrical components that X2Y represented was different from prior methods: a common conductive pathway electrode positioned between paired electromagnetically opposite conductors. *See, e.g., X2Y Attenuators, LLC v. International Trade Comm'n*, 757 F.3d 1358, 1362 (Fed. Cir. 2014).

The following figure from X2Y's patents shows this configuration:



Appx373 (colors and annotations added). Among other things, the figure shows a center common ground conductor 14 (grey plane in the middle) positioned between and separating paired electromagnetically opposite conductors 16a and 16b (red and blue planes). Appx389-390 ('249 patent) at 16:5-29, 17:1-3, 17:43-57.

X2Y represented—in the asserted patents and in patent applications that they incorporate by reference—that this configuration was an “essential element” and a

“universal” feature of its claimed inventions. *See, e.g.*, Appx391 (’249 patent) at 19:19-22 (“Center common conductive pathway electrode 14 is an *essential element among all embodiments or connotations of the invention* ....” (emphasis added)); Appx387 (’249 patent) at 11:31-39 (“[T]his common pathway ... exists between at least two oppositely phased or voltage potential conductive structures ....”); Appx459-460 (’500 patent) at 10:15-11:12 (“[T]here are at least three shielding functions that occur within the invention. First, a physical shielding of differential conductive pathways accomplished by the size of the common conductive pathways ....”); Appx784 (U.S. Patent No. 5,909,350 (“the ’350 patent”) at 20:16-27 (“[R]eview of several *features universal to all the embodiments* must be noted. ... No matter which material is used, the combination of common ground conductive plates and electrode conductive plates creates a plurality of capacitors to form a line-to-line differential coupling capacitor between and two line-to-ground decoupling capacitors from a pair of electrical conductors.” (emphasis added)).

Each of the asserted X2Y patents is now expired, and both named inventors have passed away since the 2011 actions were filed: Anthony A. Anthony died in 2012 during the ITC action, and Bill Anthony died in January 2017 while this case was administratively closed. X2Y’s co-founder, Don Harris, also died in late 2017, after the briefing on Intel’s motion to dismiss was completed.

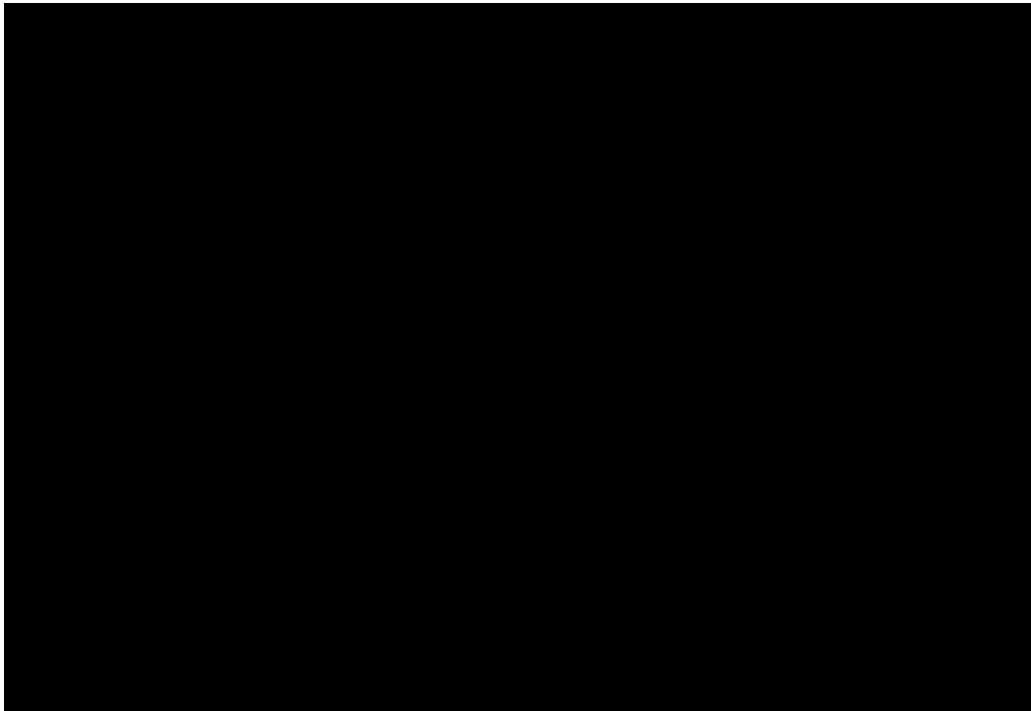
**B. From 2002 To 2011, X2Y Planned To Sue Intel But Strategically Delayed Litigation**

In 1999, as many companies do, X2Y attempted to persuade Intel to use X2Y capacitors in Intel's microprocessors. After evaluating the performance of X2Y's capacitors—at the same time it was evaluating multiple other third-party capacitors—Intel ultimately decided against using the X2Y capacitors for technical reasons.

Having failed to persuade Intel (and others) to use its capacitors, X2Y then changed strategy and began secretly planning to sue Intel for patent infringement. As [REDACTED] to file any such patent infringement action against Intel as early as [REDACTED] and [REDACTED]. Appx129-131; Appx135-147. But X2Y decided not to file suit right away; instead, it decided to strategically delay filing suit with the goal of inducing Intel into increasing its potential damages exposure. *See* Appx129-131; Appx135-141; *see also* Appx759 ([REDACTED]).

In 2008, X2Y approached Intel again, with named inventor Bill Anthony offering Intel a license to X2Y's patents. Intel inquired why it would need a license and how X2Y believed that Intel's products were covered by X2Y's patents. X2Y neither provided the requested explanation nor mentioned the possibility of a lawsuit. Appx151-152; Appx161; Appx168-170. X2Y instead decided to continue to lie in wait. A slide from a 2008 X2Y presentation shows

that, even after X2Y had been [REDACTED]  
X2Y instead [REDACTED] a [REDACTED] of [REDACTED]—with the express purpose that  
[REDACTED] Appx759; Appx129-130.



Appx759. X2Y's slide shows an [REDACTED]—the time when X2Y  
[REDACTED] it had [REDACTED] that [REDACTED] its [REDACTED]—in [REDACTED]  
[REDACTED], when [REDACTED] and [REDACTED] were [REDACTED].  
The presentation communicates [REDACTED] not to [REDACTED] at the [REDACTED]  
[REDACTED] but [REDACTED] to [REDACTED] the [REDACTED] of lying in wait until [REDACTED] had  
made [REDACTED] in its [REDACTED].

In 2011, after strategically delaying for nine years, X2Y finally sued Intel  
and two of its customers, Apple Inc. (“Apple”) and Hewlett-Packard Company

(“HPC”),<sup>1</sup> in the ITC and in two actions in the Western District of Pennsylvania, alleging that Intel microprocessors infringed the six asserted patents. *See In the Matter of Certain Microprocessors, Components Thereof, & Prods. Containing Same*, Inv. No. 337-TA-781 (the “ITC litigation”); *X2Y Attenuators, LLC v. Intel Corp.*, Nos. 1:11-cv-117-CB, 1:11-cv-218-CB (W.D. Pa.) (the “2011 actions”).

**C. The ITC And This Court Rejected X2Y’s Infringement Allegations**

Because X2Y chose to litigate the same patents against the same defendants at the ITC and the district court, Intel and its customers moved to stay the district court actions pursuant to 28 U.S.C. § 1659, which provides that district courts shall stay such cases “until the determination of the [ITC] becomes final,” 28 U.S.C. § 1659(a). The district court granted the motions in 2011, expressly staying the cases “pursuant to 28 U.S.C. § 1659(a).” Appx338. On June 1, 2012, the district court administratively closed the proceedings “for the duration of the stay.” Appx342; Appx355-356.

The parties then engaged in vigorous litigation at the ITC. The parties took a total of 54 depositions; X2Y sought and received significant discovery, including

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<sup>1</sup> In 2015, while this case was administratively closed, HPC changed its name to HP Inc. (“HPI”), as part of a spinoff transaction that created another independent entity, Hewlett Packard Enterprise Company (“HPE”). HPI and HPE, as the successors to HPC, participated in the proceedings below. On appeal, the parties jointly moved to withdraw the appeal as to Apple, HPI, and HPE, and this Court granted the motion. Dkts. 18-19.

more than 1.3 million pages of Intel documents; and the parties submitted over 23,500 pages of briefing presenting their claims and defenses.

After a five-day evidentiary hearing—at which 24 witnesses testified—the ALJ squarely rejected X2Y’s infringement claims. The ALJ made thorough and detailed findings in a 388-page decision. The ALJ found that X2Y’s patents required the particular configuration of electrodes—i.e., “a common conductive pathway electrode positioned between paired electromagnetically opposite conductors”—that X2Y had described as an “essential element”; that X2Y had “disclaimed” coverage of any products that did not use such a configuration; and that Intel did not use such a configuration and therefore did not infringe. Initial Determination, 2012 WL 6883205, at \*50-53, 64-65, 163. The ALJ found that if X2Y’s patents were as broad as it claimed, they would be invalid over the extensive prior art. The ALJ expressly rejected X2Y’s copying allegations, finding that “X2Y’s claim of copying lacks merit.” Initial Determination, 2012 WL 6883205, at \*157.<sup>2</sup> Finally, with respect to X2Y’s strategy of lying in wait, the ALJ found that [REDACTED]

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<sup>2</sup> X2Y notes (Blue Br. 5) that it filed an interference proceeding at the PTO based on X2Y’s assertion that Intel had copied its ideas. This issue, however, was addressed fully in the ITC, where Intel presented un rebutted evidence that Intel possessed the ideas that X2Y accused Intel of copying before Intel ever communicated with X2Y, and the ITC squarely rejected X2Y’s copying allegations. Initial Determination, 2012 WL 6883205, at \*157.

[REDACTED] and that [REDACTED]

[REDACTED] Appx286-287 (emphasis added).

On February 15, 2013, the full International Trade Commission adopted the ALJ's claim construction based on the disclaimers and affirmed the ALJ's noninfringement findings. Appx594-596; Appx599 (Comm'n Op. (Mar. 4, 2013)) (affirming ALJ's disclaimer and noninfringement rulings as to the "electrode" limitations). The Commission vacated the ALJ's invalidity ruling, but only on the grounds that it had been an alternative ruling based on X2Y's proposed construction, which the ALJ and the Commission had rejected. Appx600.

On June 7, 2014, this Court unanimously affirmed the ITC finding of non-infringement. This Court ruled that X2Y had disavowed products that did not use the specific "sandwich" configuration identified in the patents and that, because Intel did not use such a configuration, it did not infringe. *See X2Y Attenuators*, 757 F.3d at 1362-1363 ("We agree with the ITC that, in light of the clear disavowals, the claims at issue are limited to 'a common conductive pathway electrode positioned between paired electromagnetically opposite conductors.' Because X2Y conceded noninfringement based on this construction, we need not reach any other issues."). Rehearing and rehearing en banc were denied on September 24, 2014. X2Y did not seek further review of this Court's June 2014 decision.



**D. X2Y Then Failed To Pursue The Stayed District Court Actions For Nearly Three Years**

The district court's order closing the 2011 actions clearly communicated that the stay and administrative closing were based on the "pendency of the ... proceeding before the ITC." Appx342. Moreover, the statute authorizing the stay provides that a district court action is stayed only "until the determination of the Commission becomes final." 28 U.S.C. § 1659(a). Indeed, X2Y admitted before the district court that the ITC investigation was the "sole predicate" for the stay and administrative closing. Appx28.

The ITC proceeding was finished after this Court's decision in 2014. X2Y, however, did not at that time seek to reopen the district court cases. Instead, for nearly three years, X2Y remained silent and gave no indication to Intel or the district court that it had any intention of attempting to reopen the district court actions. X2Y's six asserted patents expired in April 2017, and Intel believed its disputes with X2Y had concluded.

The record shows that X2Y's refusal to notify the district court or Intel of its intent to move to reopen the 2011 actions was not inadvertent or unknowing, but instead deliberate and strategic. In its motion to reopen, X2Y conceded that it failed to inform Intel that it intended to seek to reopen the cases because it wanted to prevent Intel from "filing substantive or procedural motions in this case" or "bringing a declaratory relief action." Appx30.

Over the course of X2Y's three-year delay, the final named inventor died, employees left both X2Y and Intel, memories of relevant events became more distant, and relevant evidence—including, for instance, prior art products—became older and thus harder to locate. Appx66. Intel also continued to invest in the accused technology, reasonably believing that X2Y had abandoned the case after Intel prevailed in the ITC and this Court and after hearing nothing from X2Y or its counsel. Appx114-117.

**E. The District Court Properly Dismissed X2Y's Stayed Actions For Failure To Prosecute**

On June 22, 2017—three years after this Court's decision—X2Y filed a third complaint in the district court, asserting two additional patents closely related to those previously asserted (but which had not been previously adjudicated in the ITC). X2Y's June 2017 complaint suggested for the first time—after nearly three years of silence—that X2Y would move to reopen the 2011 cases. Then on August 23, 2017, X2Y moved to reopen the 2011 actions—nearly *six years* after the cases were stayed and *three years* after this Court rejected X2Y's infringement claims. *See* Appx14-16; Appx18-20.

X2Y offered no legitimate basis for its delay. In its motion to reopen and supporting papers, X2Y's only explanation was that it needed three years to retain new counsel (Dovel & Luner, LLP) and renegotiate prior contracts with a litigation funder and its former counsel (Alston & Bird). *See, e.g.*, Appx25; Appx39-43;

Appx52-64. X2Y stated in its brief and supporting declarations that Alston & Bird declined to continue to represent X2Y after this Court affirmed the ITC's determination in 2014 and that X2Y therefore hired Dovel & Luner. Appx25; Appx40-41.

X2Y claimed, however, that it was unable to enter into a retainer agreement until May 2017. X2Y asserted that, during the intervening time, Dovel & Luner conducted diligence concerning X2Y's patent portfolio and determined "that X2Y's contracts with prior counsel and a litigation funder would interfere with the firm's ability to effectively and ethically represent X2Y." Appx27. X2Y chose to renegotiate those contracts, a process allegedly lasting until March 2017. *Id.* According to David Anthony's declaration, Bill and David Anthony were intimately involved with the protracted contractual negotiations involving Dovel & Luner, the litigation funder, and Alston & Bird that allegedly contributed to the nearly three-year delay in prosecution. Appx41-43.

Intel filed a combined opposition to the motion to reopen and motion to dismiss for failure to prosecute. Appx93-123. Intel explained that X2Y's nearly three-year delay was too long to be justified by the need to retain new counsel and renegotiate contracts, pointing out X2Y's history of dilatoriness, including X2Y's strategic decision to delay first bringing suit until 2011. Appx111-113. Intel demonstrated that it had been prejudiced by X2Y's delay because relevant

evidence was more difficult to locate, named inventor Bill Anthony had died, and Intel had extended its investment in the accused products (thus increasing Intel's potential damages exposure). Appx114-117. Intel explained that X2Y's infringement claims had no merit in view of their rejection by the ITC and this Court. Appx117-118. Finally, Intel demonstrated that X2Y was responsible for the delay, that the appropriate remedy was dismissal, and that alternative sanctions would be inadequate. Appx118-122.

After considering the parties' briefs, the district court dismissed X2Y's original 2011 actions for failure to prosecute under Federal Rule of Civil Procedure 41(b). Appx1-4.<sup>3</sup> Based on all of the record evidence, the district court concluded that "the Court does not believe this to be a close case" and that X2Y's arguments "do not pass the 'smell-test.'" Appx1.

The district court applied the Third Circuit's six-factor *Poulis* test for determining whether to dismiss under Rule 41(b). *See Poulis v. State Farm Fire & Cas. Co.*, 747 F.2d 863, 868 (3d Cir. 1984). The *Poulis* test requires balancing "(1) the extent of the party's personal responsibility; (2) the prejudice to the

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<sup>3</sup> The district court's decision is concise because the district court drafted the decision so it could be filed publicly, despite being based on material the parties had filed under seal. *See* Appx1 n.1 ("Although the parties' Motion papers have been filed under seal, the Court is convinced that no confidential information is revealed in the Order. Accordingly, the filing has been made on the public docket.").

adversary ...; (3) a history of dilatoriness; (4) whether the conduct of the party or the attorney was willful or in bad faith; (5) the effectiveness of sanctions other than dismissal, which entails an analysis of alternative sanctions; and (6) the meritoriousness of the claim or defense.” *Id.* (emphases omitted).

Citing the facts as asserted by X2Y, the district court found that X2Y’s delay was its own responsibility and was inexcusable. Appx1 (“Although counsel references complicated-scenarios regarding Plaintiff’s need to renegotiate contracts in order to retain new counsel, before it could move to reopen, its explanations are too inwardly-focused, and beg too much forgiveness.”). Importantly, the court found that X2Y had waited too long even if X2Y’s explanations were fully credited as true. Appx2 (“Even accepting Plaintiff’s version of events, its reasoning would permit an indefinite delay, of any duration, so long as it plausibly could claim to have been ‘working hard’ to clear self-identified obstacles.”).

The district court found that Intel had been prejudiced. Appx2 (“Defendants convincingly have shown their [prejudice] to have been substantial, and the Court incorporates their arguments and evidence as if fully restated.”). Based on Intel’s briefing, the court found that the delay negatively affected Intel’s ability to present a defense, unfairly allowed X2Y to increase the relevant damages period, and caused Intel to continue to invest in the accused products without fear of challenge

by X2Y. Appx114-116. It also found that the delay and subsequent reopening upset Intel's reasonable understanding of finality. Appx116-17.

The district court found that the *Poulis* meritoriousness factor did not weigh in X2Y's favor. Appx3 ("Although the Court need not take quite as dim a view of Plaintiff's claims as Defendants, Plaintiff—again—cannot ignore the objective realities. By mutual agreement, the parties[] embarked on a three-year course of intensive litigation before the ITC, and Plaintiff lost. Plaintiff appealed the unfavorable decision to the Court of Appeals for the Federal Circuit, again to no avail.").

Finally, the district court concluded that, considering all the *Poulis* factors together, dismissal was warranted. Appx3 ("In sum, the Court concludes that a dismissal under Rule 41(b)/*Poulis* is warranted. This result—too—is consistent with the general interests of finality, and promoting litigants' reasonable expectations (in this case, regarding litigation that, by all available indications, appeared to have ended long-ago)."). The court's opinion made clear that the dismissal was with prejudice: "Litigation, as all things, eventually must come to an end; and, under the circumstances presented, that time is now." *Id.*; *see also* Blue Br. 1 (district court "granted Defendants' cross-motion to dismiss with prejudice"); *id.* at 15 ("The court granted Defendants' motion to dismiss with prejudice ....").

## SUMMARY OF THE ARGUMENT

X2Y waited nearly three years after this Court rejected its infringement claims against Intel before it attempted to resume its litigation against Intel or give any notice to Intel or the district court that it intended to do so. The sole issue before this Court is whether, in view of this delay, the district court abused its discretion by dismissing X2Y's long-dormant complaints against Intel under Rule 41(b). It did not: the district court carefully considered the parties' extensive briefing, correctly weighed the *Poulis* factors, and properly found that dismissal was warranted. X2Y has not come close to meeting its heavy burden of showing an abuse of discretion. Indeed, the district court took a measured approach, evaluating the facts as alleged by X2Y and treating certain *Poulis* factors neutrally even though all the factors weigh against X2Y and in favor of dismissal.

*First*, X2Y bears personal responsibility for the undue delay. X2Y is not a naive, innocent party lost in the world of litigation, but rather a litigant that plotted its strategy against Intel for years and delayed tactically while Intel continued to invest in its products. X2Y cannot pass the buck for its delay to the agents that it controlled, and X2Y's argument that a party is entitled to unilaterally help itself to a three-year stay while it gets its contractual affairs in order would wreak havoc as a matter of judicial policy.

**Second**, Intel was prejudiced by X2Y's unreasonable delay. X2Y is wrong that a showing of prejudice under *Poullis* requires a violation of a court order or a failure to respond to discovery. X2Y's delay here was more than sufficient to prejudice Intel. The deaths of named inventor Bill Anthony and X2Y co-founder Don Harris in 2017 leave Intel without any named inventor or either of X2Y's co-founders to depose regarding the issues that would be raised in the district court litigation. And by waiting to litigate until 2017—effectively through the patents' expiration—X2Y “locked in” Intel's exposure, leaving Intel with no options to make design changes to its products to avoid or lessen liability.

**Third**, X2Y's conduct shows a history of dilatoriness. Contrary to X2Y's argument, a single lengthy delay can serve as grounds for dismissal under Rule 41(b). Moreover, the record shows that X2Y's delay was part of a pattern, which began when X2Y intentionally put off suing Intel for nearly a decade in order to encourage greater investment in the technologies X2Y eventually accused. X2Y then delayed for nearly three more years before moving to reopen its lawsuits.

That conduct constitutes a history of dilatoriness

**Fourth**, X2Y's conduct shows bad faith and willfulness. Far from abusing its discretion, the district court was measured when it treated this factor as neutral. The district court easily could have found bad faith based on the record evidence of X2Y's strategy of lying in wait for years, and its admission that it delayed



notifying Intel about its plan to reopen the cases to prevent Intel from taking litigation actions in response. Appx30. X2Y can hardly complain that the district court did not affirmatively credit it for conduct that X2Y itself suggests was “neglectful.” Blue Br. 42.

*Fifth*, the meritoriousness factor—which the district court also treated as neutral—weighs against X2Y. X2Y is wrong that a court is confined to the pleadings when evaluating the merits of the plaintiff’s position for purposes of a Rule 41(b) motion. And even if this Court’s prior decision is not formally preclusive regarding X2Y’s allegations in these cases, it is highly relevant. The specifications of the three patents that X2Y did not bring to trial in the ITC or on appeal to this Court contain (either directly or by incorporation) the same disclaimers that this Court relied upon to find noninfringement in its 2014 opinion.

*Sixth*, the alternative sanctions that X2Y now proposes to this Court were never presented to the district court and, in any event, would not address Intel’s prejudice stemming from the delay.

In sum, X2Y has presented no reason to disagree with the district court’s decision—let alone find an abuse of discretion. This Court should affirm.

## ARGUMENT

### I. STANDARD OF REVIEW

Because a dismissal under Rule 41(b) is an issue not particular to patent law, this Court reviews it under the law of the regional circuit, here the Third Circuit.

*Mitutoyo Corp. v. Central Purchasing, LLC*, 499 F.3d 1284, 1290 (Fed. Cir. 2007) (“[D]ismissal for failure to prosecute under Rule 41(b) [is a] procedural issue[], not pertaining to patent law, that we review under regional circuit law.”).

Under Third Circuit law, a district court’s dismissal under Rule 41(b) is reviewed under an abuse of discretion standard. *See In re Asbestos Prod. Liab. Litig. (No. VI)*, 718 F.3d 236, 246 (3d Cir. 2013) (“[W]e review dismissals under Rule 41(b) for abuse of discretion.”). The district court’s decision is given “great deference” and the scope of appellate review is “extremely narrow.” *Mindek v. Rigatti*, 964 F.2d 1369, 1373 (3d Cir. 1992) (“Ultimately, the decision to dismiss constitutes an exercise of the district court judge’s discretion and must be given **great deference** by this Court . . . .” (emphasis added)); *Bullock v. City of Philadelphia*, 250 F. App’x 512, 515 (3d Cir. 2007) (describing scope of appellate review as “**extremely narrow**” (emphasis added)).

As the Third Circuit has long held, “[o]ne seeking to establish such an abuse of discretion . . . assumes a heavy burden.” *Lindy Bros. Builders of Phila. v. American Radiator & Standard Sanitary Corp.*, 540 F.2d 102, 115-116 (3d Cir.

1976) (no abuse of discretion can be found “[i]f reasonable men could differ as to the propriety of the action taken by the trial court”); *see also Poulis*, 747 F.2d at 870 (“Under these circumstances, although we might not have reached the same result as did this district court judge, we cannot say that the district court abused its discretion in ordering the dismissal. Therefore, we will affirm the judgment of the district court.”).

## **II. THE DISTRICT COURT DID NOT ABUSE ITS DISCRETION BY DISMISSING X2Y’S CASES AFTER X2Y FAILED TO PROSECUTE THE CASES FOR NEARLY THREE YEARS**

Rule 41(b)—entitled “Involuntary Dismissal”—expressly authorizes a court to dismiss a case “[i]f the plaintiff fails to prosecute” the case. Fed. R. Civ. P. 41(b). The Third Circuit has repeatedly affirmed the dismissal of cases under that authority. *See, e.g., Asbestos Prod. Liab. Litig.*, 718 F.3d at 242 n.4, 248-249; *see also New-Howard v. JP Morgan Chase Bank, NA*, 660 F. App’x 144, 147-148 (3d Cir. 2016); *Fullman v. Kistler*, 617 F. App’x 124, 126 (3d Cir. 2015); *Davis v. Warden Lewisburg USP*, 594 F. App’x 60, 61 & n.2 (3d Cir. 2015).

The Third Circuit evaluates an order dismissing a case for failure to prosecute under Rule 41(b) using a six-factor test:

In exercising our appellate function to determine whether the trial court has abused its discretion in dismissing, ... we will be guided by the manner in which the trial court balanced the following factors, which have been enumerated in the earlier cases, and whether the record supports its findings: (1) the extent of the *party’s* personal responsibility; (2) the *prejudice* to the adversary ...; (3) a *history* of

dilatoriness; (4) whether the conduct of the party or the attorney was *willful* or in *bad faith*; (5) the effectiveness of sanctions other than dismissal, which entails an analysis of *alternative sanctions*; and (6) the *meritoriousness* of the claim or defense.

*Poulis*, 747 F.2d at 868. “Not all of these factors need be met for a district court to find dismissal is warranted,” as “*Poulis* did not provide a magic formula whereby the decision to dismiss or not to dismiss a plaintiff’s complaint becomes a mechanical calculation easily reviewed by this Court.” *Hicks v. Feeney*, 850 F.2d 152, 156 (3d Cir. 1988); *Mindek*, 964 F.2d at 1373.

The *Poulis* factors strongly support the district court’s decision to dismiss here. X2Y has not come close to meeting its “heavy burden” of showing that the district court abused its discretion by dismissing X2Y’s claims. *Lindy Bros.*, 540 F.2d at 115-116.

**A. X2Y Bears Personal Responsibility For The Undue Delay**

Under the first *Poulis* factor, “in determining whether dismissal is appropriate, [courts] look to whether the party bears personal responsibility for the action or inaction which led to the dismissal.” *Adams v. Trustees of N.J. Brewery Employees’ Pension Tr. Fund*, 29 F.3d 863, 873 (3d Cir. 1994). The record evidence shows that the district court was well within its discretion in finding that X2Y bears personal responsibility for the long delay in the prosecution of its cases.

In its briefing before the district court, X2Y presented a laundry list of excuses for failing to prosecute its cases promptly. The district court carefully

considered X2Y's arguments regarding personal responsibility and found that they "d[id] not pass the 'smell-test,'" noting that "its explanations are too inwardly-focused, and beg too much forgiveness." Appx1; Appx2 ("Even accepting Plaintiff's version of events, ... Plaintiff has not convincingly explained-away its personal responsibility in occasioning the years-long delay.").

On appeal, X2Y again attempts to deny responsibility, painting itself as an innocent victim while attempting to shift all blame to its lawyers and the litigation funder to whom X2Y voluntarily bound itself. Blue Br. 20-23. But X2Y's arguments fail as a matter of fact and law.

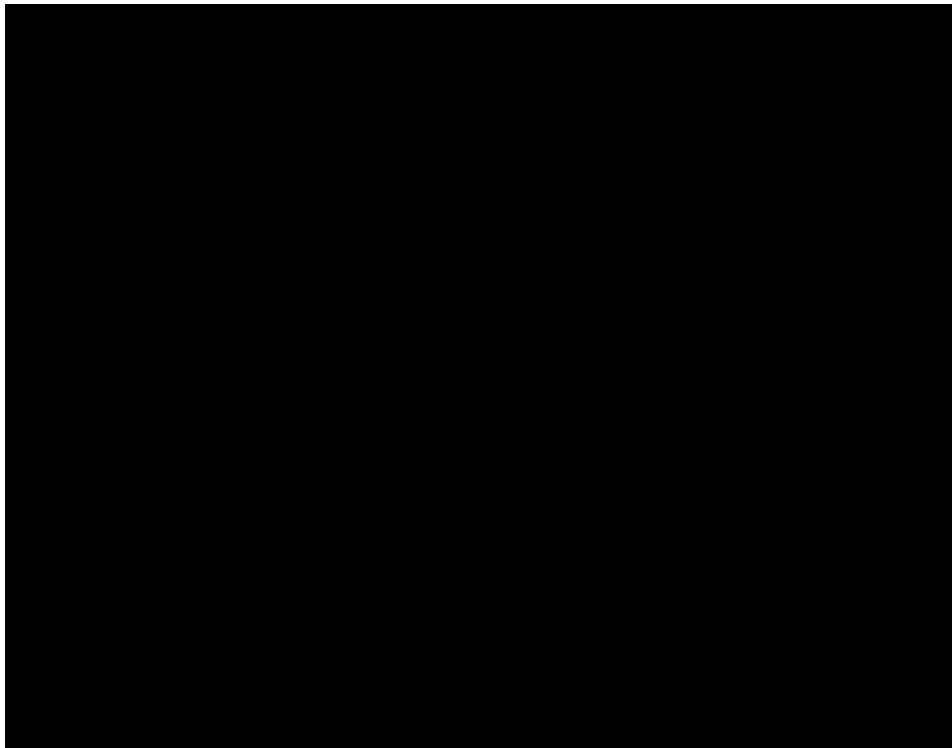
*First*, X2Y controlled its lawyers and had the ability to direct their actions. As a result, it cannot hide behind its lawyers and avoid the consequences of their actions (or inaction). *See Link v. Wabash R.R. Co.*, 370 U.S. 626, 633-634 (1962) (affirming dismissal for failure to prosecute; "dismissal of petitioner's claim because of his counsel's unexcused conduct" is proper because the petitioner "cannot ... avoid the consequences of the acts or omissions of [a] freely selected agent"); *Windward Agency, Inc. v. Cologne Life Reins. Co.*, 353 F. Supp. 2d 538, 540 (E.D. Pa. 2003) (dismissing case for failure to prosecute; "In this case, a corporate plaintiff is suing a corporate defendant in a commercial dispute involving a significant sum of money. Under these circumstances, plaintiff cannot insulate itself from any dilatory conduct on the part of its attorney or attorneys."), *aff'd*, 123

F. App'x 481 (3d Cir. 2005). Indeed, if X2Y truly believes its lawyers are responsible for the nearly three-year delay, then its remedy is an action against the lawyers. *See Wassall v. DeCaro*, 91 F.3d 443, 447 (3d Cir. 1996) (noting availability of malpractice action against attorneys under Pennsylvania law based on failure to prosecute). It should not be permitted to shift the consequences of its delay onto Intel which had no knowledge of (let alone any ability to control) the actions of X2Y's lawyers.<sup>4</sup>

*Second*, X2Y's attempt to paint itself as an innocent victim that had no idea how to navigate the world of litigation is belied by the record. As the ALJ in the ITC action found, X2Y spent years planning litigation against Intel dating back to the early 2000s. But instead of promptly bringing its claims, X2Y adopted a strategy of "lying in wait" for nine years so that Intel would continue to invest in the accused technology, thereby increasing Intel's risk and potential exposure from an infringement action. A 2008 X2Y presentation shows this [REDACTED]:

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<sup>4</sup> *See also Link*, 370 U.S. at 634 n.10 (“[A] civil plaintiff may be deprived of his claim if he failed to see to it that his lawyer acted with dispatch in the prosecution of his lawsuit. And if an attorney's conduct falls substantially below what is reasonable under the circumstances, the client's remedy is against the attorney in a suit for malpractice. But keeping this suit alive merely because plaintiff should not be penalized for the omissions of his own attorney would be visiting the sins of plaintiff's lawyer upon the defendant.”).



Appx759.

X2Y's slide shows an [REDACTED]—the time when X2Y [REDACTED] it had [REDACTED] that Intel [REDACTED] its [REDACTED]—in [REDACTED] [REDACTED], when [REDACTED] and [REDACTED] were [REDACTED]. The [REDACTED] communicates [REDACTED] not to [REDACTED] Intel at the [REDACTED] but [REDACTED] to [REDACTED] the [REDACTED] of lying in wait [REDACTED] Intel had made [REDACTED] in its [REDACTED]. X2Y's strategy is transparent: the longer the delay, the greater the Intel investment, the greater the risk to Intel (regardless of the merit of the claims), and the larger the potential damages award (or coerced settlement) from an infringement action. *See also* Appx286-287 (ALJ findings) (“X2Y [REDACTED]





agreement with Dovel in May 2017 and that it should not be faulted for that delay. Blue Br. 11-13, 21-23.<sup>5</sup> But as the district court concluded, it is not reasonable to take three years to retain new counsel—particularly where X2Y concedes that it first contacted the Dovel firm as early as 2008. Appx2 & n.2; Appx54. In its appeal brief filed by the Dovel firm itself, X2Y suggests that Dovel (not X2Y) caused the delay through its insistence that X2Y renegotiate its prior contracts and through Dovel’s own slowness in performing due diligence. Blue Br. 22-23.

Leaving aside the oddity of attorneys arguing that they themselves took too long to come around to representing their client, X2Y freely chose to spend three years seeking to retain Dovel despite the preconditions that firm imposed. X2Y could have attempted to retain other counsel. It also could have directed its existing counsel—Alston & Bird—to take whatever steps were necessary to preserve its

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<sup>5</sup> While X2Y argues that it was unrepresented by counsel between 2014 and 2017, that is not accurate. The Alston & Bird lawyer who filed the cases maintained an appearance in the district court throughout that time period and has never withdrawn. *See* Pa. R. Prof. Conduct 1.16(c) (“A lawyer must comply with applicable law requiring notice to or permission of a tribunal when terminating a representation.”); *see also* ABA Model Rule 1.16(c) (identical); W.D. Pa. L.R. 83.2.C.4 (“Withdrawal of Appearance. ***In any civil proceeding, no attorney whose appearance has been entered shall withdraw his or her appearance except upon filing a written motion.*** The motion must specify the reasons requiring withdrawal and provide the name and address of the succeeding attorney. If the succeeding attorney is not known, the motion must set forth the name, address, and telephone number of the client and either bear the client’s signature approving withdrawal or state specifically why, after due diligence, the attorney was unable to obtain the client’s signature.” (emphasis added)).

claims in the litigations. Instead X2Y did nothing. As the district court noted, “[a]t some point during the months and years of delay, Plaintiff should have appreciated that its chosen-course was problematical, and that solutions were required and/or that alternatives needed to be considered.” Appx2 n.2. X2Y has no one but itself to blame for failing to hire counsel for nearly three years. *See Rocky Mountain Tech. Eng’g Co., LLC v. Hutchens Indus., Inc.*, 263 F. App’x 895, 899 (Fed. Cir. 2008) (dismissing case for failure to prosecute based on plaintiff’s failure to retain new patent counsel).

Notably, X2Y has not disclosed the contractual provisions that Dovel or other parties found so problematic. X2Y has disclosed only the facts it has wanted to disclose, leaving behind the curtain of the attorney-client privilege the vast majority of the relevant details that would allow this Court, the district court, and Intel to understand what really happened, and X2Y should not be heard to argue otherwise under the circumstances.

***Finally***, as the district court noted, X2Y’s argument that a party should have whatever time it needs to get its contractual affairs in order has no limiting principle. It is hard to fathom how a party like X2Y, its litigation funder, or its counsel Dovel & Luner (which had worked with X2Y since 2008), thought X2Y could let a case linger for nearly three years and then restart the action whenever its private contractual affairs were in order—without any repercussions. Notably,

X2Y never even informed the district court that it needed more time to sort out its problems—a fact that further suggests that its delay (like the original delay in filing suit in the first place) was not wholly innocent. Indeed, X2Y admitted below that it declined to inform Intel that it intended to reopen the cases because it wanted to prevent Intel from “filing substantive or procedural motions in this case” or “bringing a declaratory relief action.” Appx30. As noted above, if X2Y had asked for a three-year stay to sort out its issues, such a stay would likely have been denied. *See supra* p. 4. X2Y should not be permitted to achieve that result by having remained silent.

X2Y’s reasoning is even less justifiable given the language in the district court’s order making clear that the stay and administrative closing were to last only as long as required for the ITC proceedings to conclude. The district court issued a stay “pursuant to 28 U.S.C. § 1659,” which authorizes a stay “*until the determination of the [ITC] becomes final.*” (Emphasis added). And the district court’s administrative closure order stated that the case was closed only “for the duration of the stay.” Appx338; Appx342. X2Y ignores these clear statements and instead reads the phrase “if and when appropriate” in the closure order (“if and when appropriate, any party may restore this action to the Court’s active calendar upon application by or motion” (Appx342)) as an unlimited license to take as many years as it wanted before prosecuting its case. The far more reasonable reading is

that “if” X2Y wished to reopen the cases, they had to be reopened “when” the ITC proceedings were over. *See, e.g., Windward*, 353 F. Supp. 2d at 541 (dismissing case for failure to prosecute after court stayed case for arbitration; “[i]t was obviously the intention of the court that the parties and counsel act with reasonable speed”).

X2Y’s suggestion that *Intel* should have sought to prosecute the case in X2Y’s absence also fails. Blue Br. 35. X2Y was the plaintiff that had asserted claims against Intel. Intel had no claims or counterclaims to prosecute and thus no reason or obligation to take action. *See Bendix Aviation Corp. v. Glass*, 32 F.R.D. 375, 378 (E.D. Pa. 1961), *aff’d*, 314 F.2d 944 (3d Cir. 1963); *Huber v. Taylor*, No. 02CV304, 2009 WL 1750954, at \*4 (W.D. Pa. June 19, 2009) (noting “the view of this Court that it is the obligation of plaintiffs to prosecute their claims” and that “no action on the docket for 9 months” could merit sanction).

\* \* \*

The district court carefully weighed X2Y’s arguments and determined that X2Y was responsible for the delay due to its decision to enter into its contractual arrangements, to spend years renegotiating them, and not to notify the district court or Intel that it intended to attempt to reopen. Under any standard of review—but certainly the deferential one that applies here—the district court’s decision should be affirmed.

**B. X2Y's Unreasonable Delay Prejudiced Intel**

The second *Poulis* factor is “the prejudice to the adversary caused by the failure [to prosecute].” 747 F.2d at 868. A finding of prejudice bears “substantial weight in support of a dismissal.” *Adams*, 29 F.3d at 873-874 (internal quotation marks omitted). Under Rule 41(b), courts have presumed prejudice to the defendant when the plaintiff unreasonably delays prosecuting its case. *See Windward*, 353 F. Supp. 2d at 540 (court may “reasonably infer” prejudice based on “magnitude” of delay), *aff’d*, 123 F. App’x 481 (3d Cir. 2005); *Herrman v. Allstate Ins. Co.*, 450 F. Supp. 2d 537, 543 (E.D. Pa. 2006) (“prejudice to the defendant can be assumed” based on “extended period of dormancy”); *Ezzani-Kotun v. City of Inglewood*, No. CV 12–9920–MMM, 2014 WL 2208088, at \*2 (C.D. Cal. May 24, 2014) (“[A] rebuttable presumption of prejudice to defendants arises when a plaintiff unreasonably delays prosecution of an action.”); *see also Peart v. City of New York*, 992 F.2d 458, 462 (2d Cir. 1993) (“[P]rejudice resulting from unreasonable delay may be presumed as a matter of law ....”); *Morris v. Morgan Stanley & Co.*, 942 F.2d 648, 651 (9th Cir. 1991) (“[T]he failure to prosecute diligently is sufficient by itself to justify a dismissal, even in the absence of a showing of actual prejudice to the defendant from the failure.”).<sup>6</sup>

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<sup>6</sup> X2Y’s argument (Blue Br. 36) that courts in the Third Circuit do not apply a presumption of prejudice is contradicted by the cases cited above. X2Y’s contrary claim relies on *Falor v. G&S Billboard*, 2007 WL 1362736 (D.N.J. May 7, 2007),

The district court correctly found that Intel showed substantial prejudice. Appx2 (“Defendants convincingly have shown theirs to have been substantial, and the Court incorporates their arguments and evidence as if fully restated.”). The district court found that Intel’s ability to present a defense would be impaired by the passage of time due to the deaths of key witnesses (both named inventors on the asserted patents), the inevitable fading of witnesses’ recollections, and greater challenges locating older evidence including, for instance, prior art products. Appx114-115. It found that X2Y unfairly expanded Intel’s effective damages exposure and denied Intel any opportunity to avoid X2Y’s allegations or minimize potential damages by designing around X2Y’s infringement theories. X2Y “locked in” Intel to the use of the accused technology: Intel continued to invest in the manufacture and sale of products that had been found not to infringe the X2Y patents. Appx115-116. And the district court found that Intel had a reasonable belief that the 2011 actions were complete after three years of litigation that ended with a decisive victory before the ITC and this Court, and then three additional

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which arose in a different context—default under Rule 55(c). Contrary to X2Y’s assertion (Blue Br. 36), *Falor* does not “apply” *Poulis* at all; *Falor* cites *Poulis* only for the proposition that default, “like dismissal with prejudice,” is a severe sanction. 2007 WL 1362736, at \*4. In any event, the district court’s decision here does not depend on a presumption of prejudice, since Intel has shown actual prejudice, including the death of key witnesses. *See infra* pp. 36-41.

years of silence during which X2Y never indicated to Intel that it had any intention of attempting to reopen the district court litigations. Appx116-117.

X2Y's attempts to suggest that the district court abused its discretion in its evaluation of prejudice to Intel are again wrong as a matter of fact and law.

*First*, X2Y mistakenly argues (Blue Br. 30-31) that a showing of prejudice under *Poullis* requires a violation of a court order or a failure to respond to discovery, but neither *Poullis* nor Rule 41(b) is so limited. Rule 41(b) by its plain language allows for dismissal “[i]f the plaintiff fails to prosecute or to comply with these rules or a court order.” Fed. R. Civ. P. 41(b) (emphases added). The disjunctive “or” makes clear that a failure to prosecute alone is sufficient for dismissal, while violation of a court order is an alternative ground. *Hyatt v. Lee*, No. 03-CV-901, 2016 U.S. Dist. LEXIS 86592, at \*6 (D.D.C. June 6, 2016) (“The use of the word ‘or’ makes it clear that one may fail to prosecute without violating any rules or orders.”).

Case law interpreting Rule 41(b) further confirms that it is not limited to situations where a plaintiff violates a court order or fails to respond to discovery.

For example:

- In *Hyatt v. Lee*, No. 03-CV-901, 2016 U.S. Dist. LEXIS 86592 (D.D.C. June 6, 2016), the court dismissed a patent suit for failure to prosecute under Rule 41(b) where the plaintiff had delayed three years in taking any action after remand. The court emphasized that “[t]hree years is a long time” for a case to remain inactive, that the plaintiff had provided no adequate

justification for the delay, and that the defendant would be prejudiced by the delay, both presumptively (based on the length of delay) and in fact (due to factors including loss of access to knowledgeable witnesses). *Id.* at \*5-13.

- In *Shad v. Slow Dancing Music, Inc.*, 190 F.R.D. 638 (S.D.N.Y. 2000), the court dismissed a copyright case for failure to prosecute under Rule 41(b) where the plaintiff delayed in reopening an administratively closed case for approximately five years. The district court noted that the defendant was prejudiced by the delay because a principal witness had died and other witnesses had become unavailable. *Id.* at 640.
- In *Bendix Aviation Corp. v. Glass*, 32 F.R.D. 375 (E.D. Pa. 1961), *aff'd*, 314 F.2d 944 (3d Cir. 1963), the court dismissed an action for failure to prosecute under Rule 41(b) where the plaintiff had delayed over two years to move a case from “protracted” status to an active status, after previous delays that did not merit dismissal. *Id.* at 378-379.

**Second**, X2Y is wrong (Blue Br. 31-33) that Intel was not prejudiced by the loss of evidence and witnesses during X2Y’s three-year delay, including the death of named inventor Bill Anthony. X2Y’s delay denied Intel the benefit of live cross-examination of Mr. Anthony, an essential feature of a jury trial necessary for Intel to show lack of credibility. X2Y’s complaint that it too will be prejudiced by the unavailability of Mr. Anthony is irrelevant; X2Y deliberately chose to assume the consequences of delay, whereas Intel had those consequences thrust upon it. Additionally, the death of Anthony Anthony in 2012 makes the death of Bill Anthony in 2017 more significant: X2Y’s delay deprived Intel of *any* inventor testimony concerning whatever theories X2Y would present in the district court.



Intel also will be unable to depose X2Y's co-founder, Don Harris, who died in late 2017, after the briefing on Intel's motion to dismiss was complete.

X2Y makes much of the fact that Bill Anthony was deposed in the ITC litigation. Blue Br. 32-33. But that deposition was based on the specific infringement theories that X2Y asserted in the ITC litigation. If X2Y attempts to assert different infringement theories in the district court, or if Intel advances new and different invalidity references or theories in the district court, Intel will have no opportunity to question Bill Anthony (or the other named inventor, Anthony Anthony) about these issues. Moreover, because damages are not an available remedy in the ITC, Intel has not had any opportunity to question Bill Anthony regarding any damages theories, much less the specific theories X2Y would assert in this case.

*Third*, X2Y's arguments regarding whether Intel would have changed its investment strategy had X2Y not delayed (Blue Br. 34) are incorrect. X2Y mistakenly argues that Intel would never have made design changes to its products even if X2Y had resumed the district court litigation in 2014, because Intel was so confident about its non-infringement position after this Court's prior decision. Intel did strongly believe in 2014 (and continues to believe now) that X2Y's claims lack merit—a belief that was confirmed by the ALJ, the ITC, and this Court—but Intel still was prejudiced by X2Y's delay. If X2Y had resumed the litigation in

2014, Intel would have had at least the *opportunity* to make design changes to its products (particularly as it developed the more recent versions of the products), either to sidestep X2Y's incorrect allegations of infringement or to minimize the scope of any potential damages. By waiting to litigate until 2017—effectively through the patents' expiration—X2Y “locked in” Intel's exposure, leaving Intel with no options to make design changes to its products to avoid or lessen liability.

*Fourth*, X2Y's argument about the six-year damages period (Blue Br. 34-36) similarly misses the point. X2Y argues that it could seek damages not only through judgment but also through patent expiration (i.e., an ongoing royalty) and therefore that there is no prejudice stemming from its delay. But if X2Y had litigated the case in a timely manner, any post-judgment royalties would have had to have been awarded separately from the jury verdict, in a discretionary award of an equitable ongoing royalty after verdict. *See, e.g., Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 35 (Fed. Cir. 2012) (“There are several types of relief for ongoing infringement that a court can consider: ... (4) it can exercise its discretion to conclude that no forward-looking relief is appropriate in the circumstances.”). Moreover, in that circumstance, Intel could have then pursued redesigns to cut off any ongoing royalty—an opportunity X2Y deprived Intel of by failing to prosecute. If X2Y were to prevail on the merits in a reopened case, its three-year delay would have essentially transformed discretionary and uncertain

post-verdict royalties into damages that would be calculated and awarded by the jury as part of a compensatory award—a situation that clearly prejudices Intel.

*Finally*, X2Y complains (Blue Br. 37-38) that the district court committed “clear error” and therefore abused its discretion by adopting Intel’s arguments regarding prejudice. But while X2Y may disagree with the district court’s determination, that does not create “clear error.” *See Berg Chilling Sys., Inc. v. Hull Corp.*, 369 F.3d 745, 754 (3d Cir. 2004) (“A finding of fact is clearly erroneous when it is ‘completely devoid of minimum evidentiary support displaying some hue of credibility or bears no rational relationship to the supportive evidentiary data.’” (quoting *Kool, Mann, Coffee & Co. v. Coffey*, 300 F.3d 340, 353 (3d Cir. 2002))). The district court considered the positions of the parties and found persuasive Intel’s arguments that it was prejudiced—including with respect to the death of key witnesses, the dimming of witness memories, and the further difficulty of locating additional evidence such as prior-art products. There is nothing clearly erroneous about this. Instead, the district court exercised its discretion and appropriately found this factor weighed in favor of dismissal.

**C. The District Court Did Not Abuse Its Discretion With Respect To X2Y’s History Of Dilatoriness**

Intel established that X2Y’s three-year delay alone was sufficient under the case law for dismissal, even though the delay was a single, extended episode rather than a series of shorter episodes. Appx112-113 (collecting cases, including



thinking that this factor would have only weighed against X2Y: “Were the Court to accept even a fraction of Defendants’ assertions, *regarding Plaintiff’s other pre- and post-suit delays (whether tactical or otherwise)*, the determination would be all the more obvious.” Appx2 (emphasis added). The fact that the district court did not expressly count this factor against X2Y in the *Poulis* analysis—though it plainly could have—demonstrates that it took a measured approach, not that it abused its discretion. *See, e.g., Asbestos Prod. Liab. Litig.*, 718 F.3d at 248 (finding no abuse of discretion where the district court “clearly considered the applicability of *Poulis*” though not “explicitly weigh[ing] all of the factors” because “the parties ... addressed them fully in their briefs” and the district judge “signaled his view” as to the factors).

*Second*, X2Y is wrong (Blue Br. 39-41) that a single lengthy delay alone cannot serve as grounds for dismissal under Rule 41(b). “*Extensive or repeated delay*”—not just repeated delay—can warrant dismissal. *Adams*, 29 F.3d at 874 (emphasis added). Indeed, courts have held that delays of similar duration warrant dismissal, even without the type of purposeful delay displayed here. *See id.* at 875 (“Four and one-half years is a significant and inexcusable delay, and could constitute grounds for dismissal [of an administratively closed action] under Rule 41(b) ....”); *In re Eisen*, 31 F.3d 1447, 1452 (9th Cir. 1994) (affirming dismissal with prejudice; “four-year delay ... is clearly unreasonable”); *Aronowitz v. Home*

*Diagnostics, Inc.*, No. 93-06999-CIV, 2010 WL 2351468, at \*3, 5 (S.D. Fla. June 11, 2010) (delay in moving to reopen case administratively closed for 3 years, 9 months warrants denial of motion). The only case that X2Y cites where a single delay was found insufficient to justify dismissal involved a momentary lapse in participation, not a years-long absence from litigation altogether. *See, e.g., Briscoe v. Klaus*, 538 F.3d 252, 260 (3d Cir. 2008) (no dismissal where defendant failed to attend only a single pretrial conference). X2Y's lengthy delay here is more than sufficient for Rule 41(b) dismissal. *See, e.g., Fairman v. Hurley*, 373 F. Supp. 2d 227, 233-234 (W.D.N.Y. 2005) (dismissing with prejudice after two-year delay).

Moreover, even if repeated delay were required, the record evidence demonstrates that X2Y engaged in a pattern and strategy of repeated and intentional delay. X2Y's entire history before the district court was dilatory. X2Y first strategically delayed for years in filing its lawsuits in an effort to seriously prejudice Intel. *See supra* pp. 10-12.<sup>7</sup> Then X2Y delayed for years before moving

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<sup>7</sup> X2Y cites no authority that supports its argument (Blue Br. 40-41) that pre-litigation delay is irrelevant to a history of dilatoriness. *Emerson v. Thiel College*, 296 F.3d 184 (3d Cir. 2002), says nothing about pre-litigation delay—the only delay at issue occurred after the plaintiff had filed his complaint. *Id.* at 191. And the language that X2Y cites from *N'Jai v. Floyd*, No. 07-1506, 2009 U.S. Dist. LEXIS 45130 (W.D. Pa. May 29, 2009), says only that any delay should be viewed in the larger context of the case, not restricted to any particular incident. *Id.* at \*63 (noting that “sloppiness or inexcusable lateness of a few days in meeting a court deadline” is insufficient under *Poullis*, and that instead “[a] party’s problematic conduct must be viewed in light of its behavior over the life of the case”). X2Y itself acknowledged below that *Windward* dismissed the plaintiff’s case based in

to reopen its lawsuits. The record thus shows a history of repeated delays that, if added to the *Poulis* analysis, weighs strongly against X2Y.

**D. X2Y Has No Basis To Complain Regarding The District Court's Findings On Willfulness And Bad Faith**

As to the question “whether Plaintiff’s conduct was willful or in bad faith, as opposed to excusable neglect,” the district court effectively found the factor to be neutral: “[r]egarding the Plaintiff’s state of mind, although the Court is not prepared to say that it acted willfully or in bad faith, it certainly would not characterize the delay as excusable.” Appx1; Appx3. This finding, which was more favorable to X2Y than it might have been in light of the record, again demonstrated the district court’s measured approach and was plainly not an abuse of discretion. X2Y’s arguments to the contrary are again wrong.

*First*, X2Y is wrong that, because the district court did not find X2Y acted in bad faith, the district court erred by not “affirmatively count[ing]” the willfulness and bad faith factor in X2Y’s favor. Blue Br. 44-45. As an initial matter, this argument would not change the ultimate outcome, because “[n]ot all of these factors need be met for a district court to find dismissal is warranted.” *Hicks*,

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part on pre-complaint delay. *See* Appx179-180 (arguing that the *Windward* court considered delay when “plaintiff filed a writ of summons but never served the writ and waited a year to file the complaint”); *see also Windward*, 353 F. Supp. 2d at 540-541. In any event, it does not make sense to ignore pre-litigation delay since, at a minimum, it puts X2Y’s further delay, and the impact of such delay, into context.

850 F.2d at 156. In any event, the court explicitly found X2Y's behavior *not* "excusable," and X2Y cites no authority requiring a district court in such circumstances to count this factor in a plaintiff's favor (rather than finding the factor neutral, as it did). X2Y can hardly complain that the district court did not affirmatively credit it for conduct X2Y itself suggests was "neglectful." Blue Br. 42. Just because the court was not prepared to say that X2Y engaged in bad faith conduct does not mean it was obliged to reward X2Y for its negligence. *Cf. Ware v. Rodale Press, Inc.*, 322 F.3d 218, 224 (3d Cir. 2003) (affirming dismissal of damages evidence and breach of contract claim, explaining that "[a]s to willfulness and bad faith, the District Court ... noted that '[n]o excuse has been proffered for the excessive procrastination of Plaintiff's counsel'" (quoting and approving of district court decision)).

*Second*, the district court easily could have found bad faith based on the record evidence, thus providing an alternative basis for affirmance. *See, e.g., Young v. Smith*, 905 F.3d 229, 237 n.38 (3d Cir. 2018) (affirming sanctions on different grounds from those of district court and noting "we may affirm on any grounds supported by the record").

The Court need look no further for evidence of bad faith than [REDACTED], which directly evidences a willful, bad-faith delay strategy by X2Y to manipulate damages starting many years ago. Moreover, X2Y's refusal to notify



the district court or Intel of its intent to move to reopen the 2011 actions was itself willful, not inadvertent or unknowing: X2Y said it wanted to prevent Intel from “filing substantive or procedural motions in this case” or “bringing a declaratory relief action.” Appx30. This Court therefore can affirm either on the grounds on which the district court relied, or based on X2Y’s bad faith or willfulness plainly demonstrated by the record, *see, e.g., Young*, 905 F.3d at 237 n.38.

**E. The District Court Correctly Found That The Meritoriousness Factor Could Not Be Weighed In X2Y’s Favor**

As to the *Poullis* meritoriousness factor, the district court was again measured. The court stated that it did not need to adopt Intel’s view of X2Y’s case to find that the factor did not favor X2Y, but could instead simply look at “the objective realities.” Appx3 (“Although the Court need not take quite as dim a view of Plaintiff’s claims as Defendants, Plaintiff—again—cannot ignore the objective realities.”). The court explained, “By mutual agreement, the parties’ embarked on a three-year course of intensive litigation before the ITC, and Plaintiff lost. Plaintiff appealed the unfavorable decision to the Court of Appeals for the Federal Circuit, again to no avail. No matter how early and often Plaintiff may have declared and/or insinuated, ‘all rights reserved,’ the meritoriousness factor cannot, under the circumstances, be viewed as favoring Plaintiff.” *Id.* It was not an abuse of discretion to consider these “objective realities” in determining that the claims’ merit (or lack thereof) did not favor X2Y. *Cf. Adams*, 29 F.3d at 876-877 (“Where

a plaintiff makes out a prima facie case, [and] the defendant raises a prima facie defense, the [meritoriousness] factor may not weigh in favor of the plaintiff.”).

**1. X2Y is wrong that the court may only consider the pleadings on a motion to dismiss under Rule 41(b)**

As an initial matter, X2Y is wrong that a court can consider nothing but the pleadings when evaluating the merits of the plaintiff’s position for purposes of a Rule 41(b) motion. Blue Br. 45-46. In *Adams*, for instance, the Third Circuit considered the history of the case, including the district court’s prior rejection of the defendants’ statutory and constitutional defenses to liability. *Adams*, 29 F.3d at 877. Similarly, in *Windward*, the Third Circuit affirmed the district court’s decision that took into account facts outside of the pleadings, including that the district court stated that “[c]ommon sense [i.e., not the complaint] dictates that Windward’s action is likely to be of questionable merit” because “few, if any, corporate plaintiffs with a strong case for over \$1 million in damages would sit on their hands as long as this plaintiff has done.” *Windward*, 353 F. Supp. 2d at 541 (emphasis added), *aff’d*, 123 F. App’x 481, 484 (3d Cir. 2005). Even the case X2Y cites in support of its arguments looked outside the pleadings, examining what happened later in the case at summary judgment. *Briscoe*, 538 F.3d at 263 (stating that, “[g]enerally” the *Poulis* analysis uses a Rule 12(b)(6) standard for meritoriousness, but taking into account how the claims fared on summary judgment). The fact that many cases engaging in the *Poulis* analysis are resolved

at the motion-to-dismiss stage does not mean that a court should not consider an adjudication on the merits that has already taken place, as is the case here in the parallel ITC proceedings.

Moreover, it is well settled that, even in a Rule 12(b)(6) context, a district court may consider matters of public record appropriate for judicial notice, such as decisions from the ITC and this Court. *See, e.g., Schmidt v. Skolas*, 770 F.3d 241, 249 (3d Cir. 2014) (finding public SEC filings attached to motion to dismiss appropriate for judicial notice and therefore for consideration during motion-to-dismiss proceedings); *Pension Ben. Guar. Corp. v. White Consol. Indus., Inc.*, 998 F.2d 1192, 1197 (3d Cir. 1993) (noting that matters of public record, including agency decisions, may be considered on a motion to dismiss). The district court did not act improperly by considering those decisions in determining that the meritoriousness factor did not weigh in X2Y's favor.

## **2. This Court's prior opinion is highly relevant**

X2Y is also wrong that this Court's prior opinion affirming the ITC's finding of noninfringement is irrelevant to the *Poulis* analysis. *See* Blue Br. 46-50. X2Y argues this Court's decision has no bearing here because ITC determinations are not preclusive and because the prior decisions of the ITC and this Court involved only three of the six patents asserted here. X2Y is again wrong on both the facts and the law.

*First*, the decisions of the ITC and this Court rested on a claim construction determination, and because claim construction is a legal question, there is no reason to expect a different result in subsequent litigation. Even if this Court's prior decision is not preclusive, it would be highly relevant to any further district court proceedings. See, e.g., *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) ("TI also argues that by our denying preclusive effect to ITC determinations and to our decisions in appeals from ITC decisions, district courts would be free to ignore our decisions. That is not correct. District courts are not free to ignore holdings of this court that bear on cases before them."); *Alloc, Inc. v. Norman D. Lifton Co.*, No. 03 Civ. 4419, 2007 WL 2089303, at \*11 (S.D.N.Y. July 18, 2007) ("[A] district court should afford Federal Circuit claim interpretation on appeal from the ITC a ***strong presumption of correctness***, and deviate only where the party advancing an alternative interpretation provides compelling reasons to do so." (emphasis added)); *Thomson Consumer Elecs., Inc. v. Innovatron, S.A.*, 3 F. Supp. 2d 49, 51 (D.D.C. 1998) ("[T]he ITC's claim construction" would "certainly have a pronounced effect, and in practical terms the stare decisis effect of appellate review of the ITC construction would have ***near-preclusive effect***." (emphasis added)). Contrary to X2Y's suggestion (Blue Br. 47-48), the district court did not treat the prior decisions as preclusive. It merely considered that the ITC's decision and this Court's published affirmance were

relevant to the merits factor, since the issues were so similar. Appx3. This consideration was entirely reasonable, and the court merely found that “the meritoriousness factor cannot, under the circumstances, be viewed as favoring Plaintiff.” *Id.*

**Second**, X2Y’s argument that the prior litigation is irrelevant because the decisions addressed only three of the six patents is highly misleading. The ITC litigation involved the same six patents asserted here. X2Y brought only three of those patents to trial, and the ITC’s and this Court’s opinions therefore addressed only those three patents. But the specifications of the other three patents contain (either directly or by incorporation) the same disclaimers that this Court relied upon to find noninfringement in its 2014 opinion.<sup>8</sup>

**Third**, X2Y is wrong that “the ITC’s substantive analysis of the ’241 patent was rejected by the Federal Circuit.” Blue Br. 48. This Court upheld the ITC’s determination of noninfringement regarding the ’241 patent, noting that X2Y agreed that the “electrode terms” in the ’241 patent should be construed the same

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<sup>8</sup> See *X2Y Attenuators, LLC v. International Trade Comm’n*, 757 F.3d 1358, 1362 (Fed. Cir. 2014) (citing ’350 patent at 20:16-27 (Appx784) and ’500 patent at 19:21-23 (Appx464)); see also Appx384 (’249 patent) at 6:18-31 (incorporating ’350 patent by reference); Appx387 (’249 patent) at 11:16-40; Appx391 (’249 patent) at 19:11-29; Appx420 (’227 patent) at 6:28-41 (incorporating ’350 patent by reference); Appx427 (’227 patent) at 19:32-42; Appx498 (’621 patent) at 7:55-67 (incorporating ’350 patent by reference); Appx504 (’621 patent) at 20:35-45.

way as in its other asserted patents. *See X2Y Attenuators, LLC v. International Trade Comm'n*, 757 F.3d 1358, 1363 n.2 (Fed. Cir. 2014) (“The parties chose to treat the electrode terms across the three asserted patents as rising and falling together.”); *see also id.* at 1366 (Reyna, J., concurring) (ALJ and Commission claim constructions were correct because “X2Y agreed to treat all ‘electrode’ terms consistently across the asserted patents”). If X2Y believed—as it now argues—that the ’241 patent should be construed differently from the others, it should have made that argument when the issue was being litigated in the ITC and when this Court was reviewing the ’241 patent claim construction. Moreover, X2Y’s argument that the Federal Circuit “rejected” the ITC’s analysis regarding the ’241 patent is based on a question by one judge during oral argument. Blue Br. 48-49 & n.5. But what matters is this Court’s decision, in which the panel unanimously treated the ’241 patent the same way as the other two patents and upheld the ITC’s determination that Intel did not infringe the ’241 patent. *X2Y Attenuators*, 757 F.3d at 1363 & n.2.<sup>9</sup>

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<sup>9</sup> In any event, X2Y’s new argument that the ’241 patent should be construed differently from the other patents is wrong. X2Y also disavowed claim scope in the ’241 patent. *See* Appx567 (’241 patent incorporating by reference Provisional Application No. 60/302,429 (“the ’429 application”)); A331-333 (excerpt from the ’429 application); *X2Y Attenuators, Inc. v. International Trade Comm’n*, No. 2013-1340, Br. of Intervenors Intel Corp. et al., 2013 WL 6162294, at \*37 (Fed. Cir. Nov. 13, 2013).

Moreover, the district court did not weigh this factor *against* X2Y, stating only that given this Court’s affirmance of the ITC’s finding of non-infringement, that “the meritoriousness factor cannot, under the circumstances, be viewed as favoring Plaintiff.” Appx3. Given X2Y’s loss on the merits in the prior case, X2Y has no basis to argue that the district court abused its discretion by finding the meritoriousness factor to be *neutral*.

**F. The District Court Correctly Concluded That Dismissal Was The Appropriate Sanction**

The final *Poulis* factor is “the effectiveness of sanctions other than dismissal, which entails an analysis of *alternative sanctions*.” 747 F.2d at 868. While X2Y devotes substantial energy to criticizing the district court for not entering an alternative sanction, the district court considered alternative sanctions and found “none other than dismissal would be effective and/or appropriate.” Appx2. The district court was careful to note that *X2Y proposed no meaningful alternative*: “Although Plaintiff focuses on whether it engaged in sanctionable-behavior – and highlights that none of its prior conduct was sanctioned – this does not answer the question at hand, namely, what should be the consequence(s) of the years-long delay. *No effective alternative has been identified*, and the Court agrees with Defendants that dismissal is appropriate.” Appx2-3 (emphasis added). The court’s statement that “no[] other” sanction short of dismissal “would be effective and/or appropriate” indicates that it considered sanctions short of

dismissal and determined that none was appropriate. Appx2. X2Y has shown no abuse of discretion in that finding.

**1. X2Y waived any argument based on alternative proposals by failing to present them to the district court**

On appeal, X2Y suggests various forms of alternative sanctions might have been appropriate in view of X2Y's three years of delay and the resulting prejudice to Intel. Blue Br. 50-52. But X2Y did not suggest any of these alternative sanctions below. *See* Appx86-88 (X2Y arguing that "[t]here is no basis for any sanction, much less dismissal" and identifying no alternative sanctions); Appx198-199 (X2Y arguing that "Defendants do not meaningfully address alternative sanctions" but not proposing any such alternative sanction). The record cites in X2Y's appeal brief are to *Intel's* submissions showing its prejudice. *See* Appx101; Appx114-115.

Indeed, X2Y's briefing below forcefully argued *against any* alternative sanctions, such as dismissal without prejudice. X2Y complained that dismissal without prejudice could (1) cause it to lose some of its damages period, (2) allow defendants to file an IPR petition, and (3) preclude reliance on the original complaint for notice of infringement. Appx87. It is thus clear that X2Y's strategy below was to avoid any consequences for its behavior, rather than offer reasonable



alternatives that it wanted the district court to seriously consider.<sup>10</sup> It cannot now reverse course for the first time on appeal, after never presenting to the district court the alternative sanctions it now proposes. X2Y's arguments regarding alternative sanctions are waived. *See, e.g., Sconiers v. United States*, 896 F.3d 595, 599 n.5 (3d Cir. 2018) (“[A]rguments not raised in the district courts are waived on appeal.”); *Stauffer v. Brooks Bros. Grp.*, 758 F.3d 1314, 1322 (Fed. Cir. 2014) (“Issues not properly raised before the district court are waived on appeal.”); *Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997) (“[A]ppellate courts do not consider a party's new theories, lodged first on appeal.”).

## **2. The alternatives X2Y offers on appeal would not cure Intel's prejudice**

Although the Court should not consider X2Y's unpreserved arguments regarding alternative sanctions, those arguments fail in any event because the

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<sup>10</sup> The only alternative sanction X2Y mentioned below was an irrelevant hypothetical exclusion of a product that does not exist. Appx87 (“[L]et's assume that Defendants were able to establish that (a) they reasonably believed the case was indefinitely closed with no possibility of being reactivated and, (b) in reliance on that belief, Defendants introduced a new product in the last two years, designing it specifically as claimed by the X2Y patents. In those circumstances, an appropriate alternative sanction might be to exclude X2Y from accusing that particular product of infringement.”). That narrow “sanction” regarding a non-existent product is no sanction at all. And X2Y does not even mention it on appeal, meaning that it is now waived and may not be asserted for the first time on reply. *See SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319 (Fed. Cir. 2006) (“[A]rguments not raised in the opening brief are waived.”).

proposed alternatives come nowhere close to addressing the prejudice from X2Y's conscious delay in prosecuting these litigations. Dismissal was the appropriate remedy.

*First*, precluding X2Y from asserting new infringement theories (Blue Br. 51) would not cure Intel's prejudice. Because co-inventor Bill Anthony passed away while the cases were administratively closed, Intel would be unable to depose any inventor regarding new invalidity theories and prior art that Intel will raise in the district court, or regarding damages issues, which were not at issue in the ITC case. Nor would a restriction on infringement theories address Intel's lengthened period of damages or undo the continued investment Intel made in its products after it prevailed in this Court and assumed X2Y had abandoned its claims. Intel also would still be prejudiced from having to present a case with witnesses trying to remember events from between 10 and 25 years ago. Intel would be additionally disadvantaged from having to find documentation for prior art products that would now date back more than 20 years.

*Second*, all of the above concerns apply with equal force to X2Y's new proposal that it be precluded from presenting expert testimony on validity. Blue Br. 51. This proposal still would allow X2Y to mount a validity defense, despite X2Y's delay having caused significant prejudice to Intel—including by making

key witnesses unavailable or less likely to remember important events, and by making prior art more difficult to find.

*Third*, X2Y's proposal to limit the damages period (Blue Br. 51) is similarly flawed. At the outset, X2Y explicitly *opposed* shortening its damages period in the district court. Appx87 n.8 ("A dismissal *without* prejudice could also cause X2Y to lose past damages. Currently X2Y is permitted to recover damages for all past infringement of the '241 patent based on its September 2011 filing of this case. If X2Y were required to re-file its claims for infringement of the '241 patent it would only be allowed to recover damages for infringement occurring in the prior six years, which, depending on the timing of the Court's dismissal order, could end up being less than the full term of the patent."). Having explicitly argued against limiting damages in the district court, X2Y cannot now argue that the district court abused its discretion by not adopting such a limitation as a remedy. Moreover, limiting the damages period would do nothing to cure the liability-related prejudice identified above—Intel would still have to defend itself on decade-old claims without the benefit of a full and fair record.

### CONCLUSION

After its infringement claims were unequivocally rejected by the ALJ, the ITC, and this Court, X2Y unreasonably delayed prosecuting its corresponding district court actions for three years. The district court properly rejected X2Y's

attempts to shift the blame for that delay to everyone but itself, found that X2Y's unreasonable delay significantly prejudiced Intel, and dismissed the cases. That decision was correct and well-supported by record evidence—X2Y has not come close to meeting its heavy burden of showing an abuse of discretion. The judgment of the district court should be affirmed.

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January 25, 2019

**CERTIFICATE OF SERVICE**

I hereby certify that, on this 1st day of March, 2019 I filed the foregoing Non-Confidential Brief for Intel Corporation with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system, which will send notice of such filing to all registered CM/ECF users.

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## CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(g), the undersigned hereby certifies that this brief complies with the type-volume limitation of Federal Circuit Rule 32(a).

1. Exclusive of the exempted portions of the brief, as provided in Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b), the brief contains 13,702 words.

2. The brief has been prepared in proportionally spaced typeface using Microsoft Word 2010 in 14 point Times New Roman font. As permitted by Fed. R. App. P. 32(g), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

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