CALDARELLI HEJMANOWSKI & PAGE LLP
William J. Caldarelli (SBN #149573)
Ben West (SBN #251018)
12340 El Camino Real, Suite 430
San Diego, CA 92130
Telephone: (858) 720-8080
Facsimile: (858) 720-6680
wjc@chplawfirm.com
dbw@chplawfirm.com

FABIANO LAW FIRM, P.C.
Michael D. Fabiano (SBN #167058)
12526 High Bluff Drive, Suite 300
San Diego, CA 92130
Telephone: (619) 742-9631
mdfabiano@fabianolawfirm.com

OSBORNE LAW LLC
John W. Osborne *(Appointed Pro Hac Vice)*
33 Habitat Lane
Cortlandt Manor, NY 10567
Telephone: (914) 714-5936
josborne@osborneipl.com

WATTS LAW OFFICES
Ethan M. Watts (SBN #234441)
12340 El Camino Real, Suite 430
San Diego, CA 92130
Telephone: (858) 509-0808
Facsimile: (619) 878-5784
emw@ewattslaw.com

Attorneys for Plaintiff Ameranth, Inc.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

IN RE: AMERANTH PATENT LITIGATION

CASE NOS.

11cv1810 DMS (WVG) 12cv1643 DMS (WVG)
12cv0729 DMS (WVG) 12cv1644 DMS (WVG)
12cv0731 DMS (WVG) 12cv1646 DMS (WVG)
12cv0732 DMS (WVG) 12cv1648 DMS (WVG)
12cv0733 DMS (WVG) 12cv1649 DMS (WVG)
12cv0737 DMS (WVG) 12cv1650 DMS (WVG)
12cv0739 DMS (WVG) 12cv1651 DMS (WVG)
12cv0742 DMS (WVG) 12cv1652 DMS (WVG)
12cv0858 DMS (WVG) 12cv1653 DMS (WVG)
12cv1627 DMS (WVG) 12cv1654 DMS (WVG)
12cv1629 DMS (WVG) 12cv1655 DMS (WVG)
12cv1630 DMS (WVG) 12cv1656 DMS (WVG)
12cv1631 DMS (WVG) 13cv0350 DMS (WVG)
12cv1633 DMS (WVG) 13cv0352 DMS (WVG)
12cv1634 DMS (WVG) 13cv0353 DMS (WVG)
12cv1636 DMS (WVG) 13cv1072 DMS (WVG)
12cv1640 DMS (WVG) 13cv1520 DMS (WVG)
12cv1642 DMS (WVG) 13cv1525 DMS (WVG)
12cv2350 DMS (WVG) 13cv1840 DMS (WVG)

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF PLAINTIFF AMERANTH, INC.'S MOTION TO DISQUALIFY AKIN GUMP

Date: **January 3, 2014**
Time: **1:30 p.m.**
Courtroom: **13A**
Judge: **Hon. Dana M. Sabraw**

Complaint Filed: August 15, 2011

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I. INTRODUCTION

Plaintiff Ameranth, Inc. ("Ameranth") moves to disqualify Akin Gump, defense counsel for defendants Hilton Resorts Corp., Hilton Worldwide, Inc. and Hilton Int'l Co. (collectively "Hilton" or "Hilton Defendants") in order to avoid violation of applicable ethics rules, including Rule 1.12 of the ABA Rules of Professional Conduct and Local Rule 83.4(b).

Attorney David Stein, lead counsel for Hilton in these consolidated cases, accepted the representation of Hilton in this matter in 2012 for Akin Gump despite the fact that he works closely with Charles Everingham, a former Magistrate Judge from the Eastern District of Texas who presided over the *Ameranth v. Menusoft* patent infringement lawsuit from its filing to disposition of post-trial motions, as well as the *Ameranth v. Par* patent infringement lawsuit, regarding several of the same patents, and concerning many of the same issues, involved in the consolidated cases. Mr. Stein and Mr. Everingham are partners with Akin Gump, and both work out of Akin Gump's Longview, Texas office. These facts call into question whether Akin Gump could have possibly adequately screened Mr. Everingham from matters involving Ameranth.[1]

Moreover, irrespective of any screening that may or may not have occurred, neither Ameranth, the Court, nor the USPTO was given notice of the

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[1] Mr. Stein and Mr. Everingham are working together on other hotel defendant patent cases involving web/wireless technology, along with lawyers representing Hilton here and in the CBM proceedings (Kellie Johnson and Emily Johnson).

potential issue regarding Mr. Everingham, and thus disqualification of Akin Gump is mandated under ABA Rule 1.12(c) and similar authorities.[2]

The *Ameranth v. Menusoft* case presided over by former Judge Everingham from 2007-2011, and the *Ameranth v. Par* case assigned to him from 2010-2011, involved Ameranth's '850, '325 and '733 patents, each of which are among the four patents in suit in the consolidated cases before this Court. Mr. Everingham is now a partner at Akin Gump in Akin's Longview, Texas office. Attorney David Stein, lead counsel for Hilton here, also works out of Akin's Longview office (at least part of the time—Mr. Stein also works in Los Angeles). Exh. 2. Only one other attorney lists their situs on the Akin Gump website as Longview, and that is Akin's Global Head of IP and member of the firm management committee, with principal office in either Houston or New York. The close proximity of Mr. Stein and Mr. Everingham utilizing the same office, their involvement in numerous patent litigation matters together concerning subject matters in the same field as the consolidated cases before this Court, and the lack of any notices of screening (as required by Rule 1.12) raise serious concerns over whether Mr. Everingham has been screened from contact with the consolidated cases and the CBM proceedings involving the Ameranth patents. This concern is accentuated by the fact that Hilton has specifically raised issues to this Court regarding the effect of the proceedings in the

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[2] Ameranth wishes to make clear that it has the highest respect for Judge Everingham and does not allege that he has intentionally disclosed information adverse to Ameranth. However, due to his unique knowledge of Ameranth and the similar subject matter fields he is working in at Akin Gump, with the same Akin Gump counsel working on these consolidated cases, the possibility of inadvertent disclosure is simply too high to allow the Akin Gump representation against Ameranth to continue.

Ameranth v. Menusoft and *Ameranth v. Par* lawsuits presided over by Judge Everingham when he was on the bench.

Southern District of California Local Rule 83.4(b), entitled "Standards of Professional Conduct," advises counsel to conduct themselves in compliance with the "Code of Professional Responsibility of the American Bar Association."[3] This District looks to the ABA Model Rules of Professional Conduct when determining disqualification motions. *See*, *e.g.*, *Multimedia Patent Trust v. Apple Inc.*, 2011 WL 1636928 *2 (S.D. Cal. 2011).

ABA Model Rule 1.12 ("Former Judge, Arbitrator, Mediator or Other Third-Party Neutral") provides that:

> (a) … a lawyer shall not represent anyone in connection with a matter in which the lawyer participated personally and substantially as a judge or other adjudicative officer or law clerk to such a person or as an arbitrator, mediator or other third-party neutral, unless all parties to the proceeding give informed consent, confirmed in writing. . .
>
> (c) If a lawyer is disqualified by paragraph (a), no lawyer in a firm with which that lawyer is associated may knowingly undertake or continue representation in the matter unless:
>
> (1) the disqualified lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom; and
>
> (2) written notice is promptly given to the parties and any appropriate tribunal to enable them to ascertain compliance with the provisions of this rule.

ABA Model Rule 1.12 is the basis of a substantively identical Patent Office ethical rule, Codified at 37 C.F.R. §11.112, which provides:

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[3] The standard of care exercised by this Court is exemplified in this case by both Judges Sammartino and Stormes recusing themselves from the case to assure that no conflicts were presented.

> (a) … a practitioner shall not represent anyone in connection with a matter in which the practitioner participated personally and substantially as a judge or other adjudicative officer or law clerk to such a person or as an arbitrator, mediator or other third-party neutral, unless all parties to the proceeding give informed consent, confirmed in writing. . . .
>
> (c) If a practitioner is disqualified by paragraph (a) of this section, no practitioner in a firm with which that practitioner is associated may knowingly undertake or continue representation in the matter unless:
>
> (1) The disqualified practitioner is timely screened from any participation in the matter and is apportioned no part of the fee therefrom; and
>
> (2) Written notice is promptly given to the parties and any appropriate tribunal to enable them to ascertain compliance with the provisions of this section.

Because Mr. Everingham was the judge in the *Ameranth v. Menusoft* and *Ameranth v. Par* lawsuits involving the same patents and many of the same issues of patent validity present in the consolidated cases and in the CBM proceedings, both Mr. Everingham and his entire law firm should be disqualified for failing to properly ethically screen Mr. Everingham from these matters. Moreover, even if proper and timely screening can be shown, Akin Gump should be disqualified because neither Ameranth, the Court nor the Patent Office was notified of the issue presented by Akin Gump attorneys working adverse to Ameranth while Mr. Everingham was a partner in their firm and collaborating with them on other cases, as required by Rule 1.12(c)(2). Osborne Decl., ¶ 11.

Further, the non-Hilton defendants in the consolidated cases pending in this Court are parties to a joint defense agreement with Hilton, are co-petitioners in the CBM proceedings before the USPTO,[4] and the non-Hilton defendants' counsel have interacted with Hilton counsel regarding the subject matter over

[4] Ameranth plans to bring a similar disqualification motion before the USPTO.

which Judge Everingham presided in the *Ameranth v. Menusoft* and *Ameranth v. Par* litigations. Without evidence of proper and timely screening, these interactions create the possibility of improper transmission of information from tainted Hilton counsel to all of the other defendants in this case. Therefore, discovery should be permitted into the extent of joint defense group communications between disqualified members of the Akin Gump firm and other defense counsel in the joint defense group to determine if additional disqualifications are appropriate.[5] *See j2 Global Comms. Inc. v. Captaris Inc.*, 2012 WL 6618272 *10 (C.D. Cal. 2012) (ordering co-counsel that had discussions with the disqualified attorney to be screened from the case).

II. BACKGROUND FACTS

In 2007, Ameranth filed a patent infringement lawsuit in the Eastern District of Texas against Menusoft Corporation and other defendants styled as *Ameranth v. Menusoft*, Civil Case No. 07-cv-271. The *Ameranth v. Menusoft* case was assigned to the Hon. Charles Everingham. The defendants in the *Ameranth v. Menusoft* lawsuit were accused of infringing three of Ameranth's patents—the '850, '325 and '733 patents. The claims of the terms were construed by the court, and a jury trial was held from September 13-20, 2010 before Judge Everingham. Osborne Decl., ¶¶2-3.

In 2010, Ameranth filed a patent infringement lawsuit in the Eastern District of Texas against Par Technology Corp. and other defendants styled as *Ameranth v. Par*, Civil Case No. 10-cv-294. The *Ameranth v. Par* case was

[5] Although Ameranth was aware that Mr. Everingham left the bench and entered private practice, it did not investigate any potential conflict until mid-November of 2013, when it became aware that Mr. Everingham's former law clerk, Jim Warriner, was working on the consolidated cases and CBM petitions for the Fulbright Firm, which is part of the joint defense group with Akin Gump.

assigned to Judge Everingham as well, and also involved claims for infringement of the '850 and '325 patents. Osborne Decl., ¶4.

Ameranth filed the earliest of the consolidated cases in August of 2011. Ameranth sued Hilton in June of 2012 on the '850, '325 and '077 patents. Hilton has been represented at all times by Akin Gump, and David Stein, Emily Johnson and Kellie Johnson have been among the primary members of the firm representing Hilton since inception of the case. Osborne Decl., ¶7-8.

In the consolidated cases, the defendants—including Hilton—raise numerous challenges to the validity of the '850, '325 and '733 patents, including the same challenges previously raised to those same patents in the *Ameranth v. Menusoft* and *Ameranth v. Par* actions. Furthermore, the defendants, including Hilton, raise a number of defenses and issues arising directly out of the *Ameranth v. Menusoft* and *Ameranth v. Par* lawsuits. For example, defendants argue that the judgment entered in the *Ameranth v. Menusoft* case (and subsequently vacated), or subsequent orders entered in *Ameranth v. Par* based on such judgment, should collaterally estop Ameranth from asserting the claims of the patents against the defendants here. *See*, *e.g.*, Case No. 12-cv-1636, Dkt. No. 17-1, pp. 5-12 (Hilton Motion to Dismiss); Case No. 11-cv-1810, Dkt. No. 457-1 (Hilton Motion for Reconsideration). Likewise, defendants argue that Judge Everingham's claim construction rulings should unilaterally collaterally estop Ameranth (but not the defendants) from asserting other constructions. Dkt No. 497 (Transcript of Proceedings, pp. 10-11, Sept. 12, 2013). Furthermore, defendants assert claims of inequitable conduct against Ameranth on the (incorrect) grounds that Ameranth supposedly failed to disclose to the USPTO the alleged "prior art" references that the defendants in the *Ameranth v. Menusoft* submitted to the Eastern District of Texas. *See*, *e.g.*, Case No. 12-cv-1636, Dkt. No. 44, ¶¶136-139, 205; Case No. 12-cv-733, Dkt. No. 59, ¶¶169-72;

Case No. 12-cv-1651, Dkt. No. 40, ¶209. Thus, there are substantial overlapping issues between the *Ameranth v. Menusoft* and *Ameranth v. Par* litigation and the consolidated cases before this Court. Hilton *itself* made the following representation to this Court: "The exact same factual and legal issues concerning the invalidity of the '850 and '325 patents that are presented by this litigation were previously adjudicated in *Ameranth, Inc. v. Menusoft Sys. Corp. et al.*, No. 2:07-CV-271 (E.D. Tex.)." Case No. 12-cv-1636, Dkt. No. 17-1, p. 5, ll. 22-25 (Hilton Motion to Dismiss—signed by David Stein).

Akin Gump, on behalf of Hilton, has been aggressively pursuing issues directly related to the *Markman* orders and other rulings that Mr. Everingham issued as a judge, seeking to exploit and/or reverse key aspects of those prior rulings. Hilton filed a motion to dismiss in this matter arguing that the vacated judgment in *Ameranth v. Menusoft*, and an order issued by Judge Everingham in *Ameranth v. Par* arising from that judgment before it was vacated, collaterally estopped Ameranth from pursuing patent infringement claims here. Case No. 12-cv-1632, Dkt. No. 17-1. After Judge Sammartino denied that motion, Hilton filed a request for reconsideration with this Court, based in part upon the very rulings and or verdicts that Judge Everingham issued or presided over in *Ameranth v. Menusoft* and *Ameranth v. Par*. Case No. 11-cv-1810, Dkt. No. 457-1. Hilton argued, among other things, that Ameranth should even be estopped from litigating patent claims that were not adjudicated in Texas.

The collateral estoppel argument Hilton made in the present action is particularly relevant to the ethical issues presented by Mr. Everingham's presence at Akin Gump because Judge Everingham explicitly rejected that very same argument in the *Ameranth v. Par* case. *Ameranth v. Par*, 2:10-cv-0294-DF-CE, Dkt. No. 107, p. 5 (Exh. 12) ("there could have been no final decision on the validity of claims that were withdrawn, not asserted, or never litigated in

first case – that is, there could have been no final decision on "the identical question" of the validity of claims that were not presented to the jury in the first case. Accordingly, the undersigned recommends that the court deny Kudzu's motion to dismiss claims of the patent s-in-suit that were not previously adjudicated"). Likewise, the CBM petitions challenge the validity of the patents in suit on many of the same grounds unsuccessfully asserted as defenses by the Fulbright Firm on behalf of the defendants in *Ameranth v. Menusoft*.

According to an Akin Gump press release appearing on its website, Mr. Everingham joined Akin Gump as a partner on or about October 3, of 2011—approximately nine months prior to Ameranth's suit against Hilton and at the same time David Stein, Hilton's lead counsel here, arrived at the firm:

> Akin Gump Strauss Hauer & Feld LLP announced today that former U.S. magistrate judge Chad Everingham has joined as a partner in its intellectual property practice in the firm's newly established office in Longview, Texas. His arrival coincides with that of partner David M. Stein, who joined the firm's intellectual property practice today in its Downtown Los Angeles office. . . .
>
> "I couldn't be more thrilled to welcome Chad and David to the firm," stated firm Chairman R. Bruce McLean. "Our clients will benefit greatly from the addition of these talented partners—particularly with their deep experience in critical jurisdictions such as the Eastern District of Texas." . . .
>
> Mr. Stein . . . will practice in the firm's Los Angeles office, in addition to its Longview, Texas, office.

(Akin Gump Press Release, Oct. 3, 2011 (Exh. 1)).

The press release implies that Mr. Everingham and Mr. Stein would be working together representing clients of the firm in patent cases. Ameranth has recently learned that both Mr. Everingham and Mr. Stein practice out of Akin Gump's Longview, Texas office and practice together in patent suits. As detailed below, Mr. Everingham and Mr. Stein have worked together, and are

currently working together, on cases from the Longview office, many of which involve subject matter fields and legal issues very similar to the subject matter of the Ameranth patents. *See, e.g.,* Answer in *Lodsys, LLC v. Caesars Interactive Entertainment, Inc*., C.A. No. 2:13-cv-00272 (E.D. Tex. June 17, 2013) (Exh. 7); *Macrosolve, Inc. v. Wyndham Hotel Group*, LLC, C.A. No. 6:13-cv-00675-KNM (E.D. Tex.) (Exhs. 8-10). In light of his management and trial of the *Ameranth v. Menusoft* lawsuit and management of the *Ameranth v. Par* litigation as the presiding judge (the parties consented to Judge Everingham conducting all proceedings), Mr. Everingham is disqualified from participation in the consolidated cases and the CBM petitions under ABA Model Rule 1.12, Local Rule 83.4(b), and USPTO ethical rule 37 C.F.R. §11.112.

Ameranth does not presently assert that Mr. Everingham has actually directly participated in any of these matters. However, unless Mr. Everingham was ethically screened from these matters, the entire Akin Gump firm must be disqualified pursuant to Rule 1.12(c). Still further, by virtue of the joint defense relationship between Hilton and the other defendants, there is a distinct likelihood that counsel for other defendants in the consolidated cases have become tainted by virtue of their communications, information sharing and cooperation with the Akin Gump attorneys. Under such circumstances, all other defense counsel would be subject to potential disqualification.

III. ARGUMENT

Ameranth has only very recently become aware that it may be prejudiced by the conduct of the Akin Gump firm. Based on Ameranth's recent investigation, there is at least the potential for improper disqualifying conduct arising from Mr. Everingham's status as a partner at Akin Gump and his relationship with attorneys David Stein, Julie Johnson and Emily Johnson, all of whom represent Hilton in the consolidated cases and in the CBM proceedings.

Mr. Everingham never represented Ameranth, but his position as the judge assigned to cases involving the patents asserted here disqualifies him from serving in a capacity adverse to Ameranth in these matters. "[N]o California case has held that only a client or former client may bring a disqualification motion." *Kennedy v. Eldridge*, 201 Cal.App.4th 1197, 1204, 135 Cal.Rptr.3d 545 (2011) (emphasis added). This is because "[a] trial court's authority to disqualify an attorney derives from the power inherent in every court '[t]o control in furtherance of justice, the conduct of its ministerial officers, and of all other persons in any manner connected with a judicial proceeding before it, in every matter pertaining thereto.'" *People ex rel. Dept. of Corporations v. SpeeDee Oil Change Systems, Inc.*, 20 Cal.4th 1135, 1145, 86 Cal.Rptr.2d 816, 980 P.2d 371 (2006) (*quoting* Cal. Civ. Proc. Code § 128(a)(5)). Ultimately, California law recognizes that "[t]he important right to counsel of one's choice must yield to ethical considerations that affect the fundamental principles of our judicial process." *Id.* "Disqualification of counsel not only prevents attorneys from breaching their ethical duties, but also protects the judicial process from any taint of unfairness that might arise from conflicts of interest." *Bernhoft Law Firm, S.C. v. Pollock*, 2013 WL 542087 *2 (S.D. Cal. 2013).

A. California Courts Look To ABA Rule 1.12 As Persuasive Authority.

Courts applying California ethics law look to the ABA Model Rules of Professional Conduct as persuasive authority, including Rule 1.12. *See County of Los Angeles v. Forsyth*, 223 F.3d 990, 993 (9th Cir. 2000) ("Though the Model Rules of Professional Conduct have not been adopted as binding under California law (which governs here), *see State Compensation Ins. Fund v. WPS, Inc.,* 70 Cal. App. 4th 644, 655-56 (1999), we rely on the Rules as persuasive authority. *See Paul E. Iacono Structural Eng'r, Inc. v. Humphrey,* 722 F.2d 435,

439 (9th Cir. 1983); *see also Cho v. Superior Court,* 39 Cal. App. 4th 113, 121 n.2 (1995); *Higdon v. Superior Court,* 227 Cal. App. 3d 1667, 1680 (1991)").

Absent thorough and effective screening, Mr. Everingham and his law firm, Akin Gump, are clearly disqualified from representing parties adverse to Ameranth in this case. Rule 1.12 provides that:

> (a) … ***a lawyer shall not represent anyone in connection with a matter in which the lawyer participated personally and substantially as a judge or other adjudicative officer or law clerk*** . . . unless all parties to the proceeding give informed consent, confirmed in writing. . . .
>
> (c) If a lawyer is disqualified by paragraph (a), ***no lawyer in a firm with which that lawyer is associated may knowingly undertake or continue representation in the matter unless***:
>
> (1) ***the disqualified lawyer is timely screened*** from any participation in the matter and is apportioned no part of the fee therefrom; and
>
> (2) ***written notice is promptly given*** to the parties and any appropriate tribunal to enable them to ascertain compliance with the provisions of this rule.

Mr. Everingham is now a partner at Akin Gump, which is representing Hilton on matters that Hilton *admits* involve the same subject and issues as *Ameranth v. Menusoft* and *Ameranth v. Par* over which Mr. Everingham presided as a federal judge. Ameranth has not consented to Mr. Everingham's involvement adverse to Ameranth (and would not do so). Akin Gump has provided no evidence that Mr. Everingham was timely and properly screened from the actions adverse to Ameranth. Akin Gump has not provided prompt written notice to Ameranth, the Court or the Patent Office of the conflict created by Akin Gump representing Hilton in these matters while Mr. Everingham is a partner with the firm and working with Hilton's counsel of record on similar patent infringement matters. The absence of such notice leads to a reasonable

conclusion that no screening was done. Moreover, because no notice was given, disqualification is mandated even if there has been an attempt to screen.

The Rule is clear: Mr. Everingham, and his firm, must be disqualified from the consolidated cases and the CBM proceedings. Even if Akin Gump can prove that Mr. Everingham was screened, given the failure to provide the required notices, Mr. Everingham's substantial role in *Ameranth v. Par* and *Ameranth v. Menusoft*, and his undisclosed but close working relationship with Hiltons' counsel of record in these matters, disqualification is appropriate to prevent the appearance of impropriety involving a former federal judge.

B. Mr. Everingham's Firm, Akin Gump, Is Now Working Against Ameranth On The Same Subject Matter Mr. Everingham Was Involved With In A Judicial Capacity.

Numerous courts have held that the ABA Rule of Professional Conduct expansive definition of "matter" in Rule 1.11(d) controls as to the meaning of "matter" in ABA Rule 1.12:

> [T]he term "matter" includes:
>
> (1) any judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, investigation, charge, accusation, arrest or other particular matter *involving a specific party or parties*....
>
> Model Rule 1.11(d). As one commentator has stated, the thrust of the word "is more in the direction of universality than of delimitation." C. Wolfram, *Modern Legal Ethics* § 8.10 (1986) at 471, 472–73 (additionally stating that the same issue of fact involving the same parties and the same situation or conduct is the same matter); *see also Laker Airways Ltd. v. Pan American World Airways,* 103 F.R.D. 22, 34, 38 & n. 60 (D.D.C. 1984) (interpreting similar language in a District of Columbia rule to require that the relationship between issues in prior and present cases be "patently clear").
>
> In his roles as territorial court judge and special master, Feuerzeig participated personally and substantially in attempts to resolve a disagreement concerning the existence and extent of an easement

> over Parcel No. 38 . . . those same parties are now before the AAA. . . [T]the arbitration panel will have to ascertain whether an easement exists and, if so, the extent of the easement and how it was created. Hence, the same "matter" in which Feuerzeig participated personally and substantially as judge and special master is before the panel in the arbitration proceeding, in which Feuerzeig is ARI's lead counsel. Rule 1.12(a) requires, therefore, that Feuerzeig be disqualified from further representation of ARI in the disputes that are now before the AAA.

Isidor Paiewonsky Assoc., Inc. v. Sharp Prop., Inc., 1990 WL 303427 at *8 (D. Virgin Is. April 6, 1990).

> By choosing the word "matter" for Rule 1.11 and Rule 1.12, the Utah Supreme Court intended the two rules to encompass more than just the same lawsuit. In the context of interpreting "matter" for the purpose of understanding Rule 1.12, courts have held: "The same lawsuit or litigation is the same matter. The same issue of fact involving the same parties and the same situation or conduct is the same matter.... [T]he same 'matter' is not involved [when] ... there is lacking the discrete, identifiable transaction of conduct involving a particular situation and specific parties." *See Poly Software Int'l v. Datamost Corp.*, 880 F.Supp. 1487, 1492 (D. Utah 1995) (citing Sec. Investor Protection Corp. v. Vigman, 587 F.Supp. 1358, 1365 (C.D. Cal. 1984) (holding two civil lawsuits, filed ten years apart with some identical and some different claims, constituted the same matter because they addressed the same conduct involving a particular situation and specific parties)).

Archuleta v. Turley, 904 F.Supp. 2d 1185 (D. Utah 2012).

The operative facts present in the above mentioned cases are present here. There are overlapping issues presented in the *Ameranth v. Menusoft* and *Ameranth v. Par* lawsuits and this consolidated case, as well as in the CBM petitions, and at least one party—Ameranth, is common to all. As Hilton itself acknowledged: "The exact same factual and legal issues concerning the invalidity of the '850 and '325 patents that are presented by this litigation were previously adjudicated in *Ameranth, Inc. v. Menusoft Sys. Corp. et al*., …." Case No. 12-cv-1636, Dkt. No. 17-1, p. 5, ll. 22-25. Where the same issues are

litigated in cases involving the same parties, even though in different forums, they are litigating the same "matter" for purposes of ABA Rule 1.12.

In fact, Judge Everingham himself made clear that cases involving the same patents are the same "matters" for purposes of ABA Rule 1.12 in the context of a former law clerk seeking to work on a case adverse to a party which had been before his judge in a matter dealing with the same patents:

> Based on Mr. Langham's previous participation in penning a *Markman* order for Judge Gilmore involving patents common to this case, the court disqualifies Mr. Langham from further participation in this case.

SuperSpeed, LLC, v. IBM Corp., C.A. No. 2:07-cv-089, Dkt. No. 77 (E.D. Tex. Jan. 18, 2008) (Exh. 13). In *SuperSpeed*, Mr. Langham was a judicial clerk who participated in "*penning a Markman*" order regarding particular patents, who subsequently was employed by a law firm litigating the very same patents in a different court, and which firm tried to used him in the second case to improperly harvest his unique knowledge and insights obtained in the first case while he was working in the judiciary. Judge Everingham emphatically rejected that attempt. Judge Everingham's basis for disqualifying the clerk who "penned the Markman" in *SuperSpeed* would certainly apply to this case, where Judge Everingham not only "penned the Markman," but signed it as well.

Many other courts and ethics bodies have reached the same conclusion:

> Thus, if we treat this new, 1999 action and the 1984 action as the same "matter," it is clear under Rule 1.12 that Carroll must be precluded from participating in this case. There is little doubt that the two actions should be treated as the same "matter": they involve the same parties and largely the same facts and conduct and, more importantly, this new action seeks to recover for the violation of a consent decree that Carroll had a hand in construing while she served as Judge Troutman's law clerk.

Monument Builders of Pennsylvania, Inc. v. Catholic Cemeteries Ass'n, 190 F.R.D. 164, 166-67 (E.D. Pa.,1999); *see also* Michigan Ethics Opinion, RI-288 (Feb. 10, 1997) (deciding that former judge cannot provide representation in attempt to modify order he entered while judge, and that entire firm is disqualified "unless the lawyer is screened from all participation in the matter"; noting that "The Rule makes no distinction as to whether or not the matter is pending before the court on which the lawyer had previously sat as judge."); *James v. Mississippi Bar*, 962 So. 2d 528, 533-35 (2007) (where issues were intertwined between cases, the cases involved the same matter even though in different venues); *Jessen v. Hartford Ca. Ins. Co.,* 111 Cal. App.4th 698, 711 (2003) (in-depth analysis not required; a rational link between the subject matter of the two cases will suffice); *U.S. v. Villaspring Health Care Center, Inc*., 2011 WL 5330790 (E.D. Ky. 2011) ("because the two matters involve the same basic facts, the same defendant and related prosecutors, and the time elapsed between the events was not significant, the two matters are the same for Rule 1.11 purposes"); *In re de Brittingham,* 319 S.W.3d 95, 98-99 (Tex. App. 2010) ("similar, particular transaction involving a specific party or parties").

The overlap between patent infringement cases involving the same patents is indisputable given the bifurcated manner the Supreme Court has directed for the litigation of patent claims. *Markman v. Westview Instr., Inc.,* 517 U.S. 370, 384 (1996). First, the court must construe the patent's reach as a matter of law. That claim construction is intended to be predictive of the patent's application to all parties with the court looking to "the letters patent and the description of the invention and specification of claim annexed to them." *Id*. Only after the patent is construed can infringement be determined. Insofar as the *Ameranth v. Menusoft* case, the *Ameranth v. Par* case, these consolidated cases and the CBM proceedings are concerned, the "matters" are the same. The "correctness" of

Judge Everingham's claim construction orders in *Ameranth v. Menusoft* will have a direct bearing on claim construction issues in this case and in the CBM proceedings. Likewise, the fact that Judge Everingham construed the system claims of the '850, '325 and '733 patents undermines the defendants' arguments that those claims lack written description or impermissibly combine system (apparatus) claims and method claims.

There can be no doubt that the correctness of Judge Everingham's claim construction decisions will bear upon numerous issues in the present case; in fact, it will figure prominently. *See, e.g., Precor Inc. v. Fitness Quest, Inc.*, No. C05-0993L, 2006 WL 2469123 at *1 (W.D. Wash. Aug. 23, 2006) (recognizing importance of prior claim construction). A former federal judge should not be put in position where it appears that his knowledge is being used to undermine or circumvent the work he performed while upon the bench.[6]

Hilton's counsel (and the joint defense counsel with whom they work) are or will be arguing to ignore or modify the claim construction orders which Judge Everingham drafted and issued. That is precisely what Judge Everingham himself said a former clerk cannot do; thus certainly a judge himself should not be permitted to do so. *SuperSpeed, LLC, v. IBM Corp.*, C.A. No. 2:07-cv-089 (E.D. Tex. Jan. 18, 2008) (Exh. 13); *see also, e.g., Mississippi Comm'n on Jud. Performance v. Atkinson,* 645 So. 2d 1331 (Miss. 1994) (disciplining lawyer for

[6] Note that disqualification is mandated under Rule 1.12 *despite*, rather than because of, any actual leaked confidence. *Fredonia Broadcasting v. RCA Corp.*, 569 F.2d 251 (5th Cir. 1978) (reversing judgment because trial lawyer had previously served as clerk in earlier trial of the same case in view of appearance concerns)(*overruled on other grounds*, 810 F.2d 1345). A requirement to demonstrate the actual transfer of confidences would ignore persuasive authority which seeks to maintain the integrity of the bench and bar by requiring disqualification where there is an "appearance" of impropriety.

representation seeking to reduce bond previously set by lawyer while functioning as judge).

Mr. Everingham rendered a number of important decisions in the *Ameranth v. Menusoft* and *Ameranth v. Par* cases involving issues implicated in the present case and in the defendants' CBM petitions, including, *e.g.*,: (a) claim construction for terms of the '850, '325 and '733 patents, comprising three separate claim construction orders; (b) denial of a motion for summary judgment on the "best mode requirement" of 35 USC §112; and (c) denial of a motion in *Ameranth v. Par* to apply collateral estoppel to claims which were not adjudicated in *Ameranth v. Menusoft*. Additionally, the effect, if any, of the vacated verdict from the *Menusoft* lawsuit has been and will be disputed in the consolidated cases. In fact, Hilton moved to dismiss this case on the grounds of the collateral estoppel effect of the *Menusoft* verdict, which Judge Everingham's court later vacated (after he left the bench), and which same expansive collateral estoppel argument was expressly rejected by Judge Everingham in the *Ameranth v. Par* case, as detailed above.

C. Mr. Everingham Has Worked Closely With David Stein, Hilton's Counsel Here, And Has Been In Close Proximity To Mr. Stein In a Small Office.

Former Judge Everingham and David Stein of Akin Gump, lead counsel for Hilton here, opened the Longview, Texas office of Akin Gump in 2011 when they joined the firm together in 2011. (Akin Gump Expands IP Practice With Addition of Partners Chad Everingham and David Stein (Oct. 3 2011) (Exh. 1)); Akin Gump Longview Search Result (Exh. 2)). Only one other Akin Gump attorney is listed on the Akin Gump website as having an office in Longview--the Global Head of IP and member of the firm's management committee with principal office in either Houston or New York City. Messrs. Everingham and Stein work together on patent litigation matters. (*See, e.g.,* Answer to Complaint

in *Lodsys, LLC v. Caesars Interactive Entertainment, Inc*., C.A. No. 2:13-cv-00272 (E.D. Tex. June 17, 2013) (Exh. 7))(*See also* Exhs. 5,6). The *Lodsys* case involves computer networking and wireless mobile electronic devices, the same subject matter fields as Ameranth's asserted patents in this case and in the CBM proceedings. Emily Johnson and Kellie Johnson of Akin Gump, counsel of record for Hilton in these consolidated cases, also work with Mr. Everingham and Mr. Stein on other patent infringement lawsuits. Everingham, Stein and both Johnsons are working together on *Macrosolve, Inc. v. Wyndham Hotel Group*, LLC, C.A. No. 6:13-cv-00675-KNM (E.D. Tex.), as counsel to another hotel company, the Wyndham Hotel Group (*See* Docket Sheet in C.A. No. 6:13-cv-00675-KNM (E.D. Tex.) (Exh. 8)(*See also* Exhs. 9,10). Kellie Johnson lists Longview as one of her offices in the *Macrosolve* case. Exh. 8. Both Emily Johnson and Kellie Johnson are also counsel for Hilton in the CBM proceedings against Ameranth (CBM Petition (Exh. 11, p.5)). *Macrosolve v. Wyndham* also involves the hotel industry, which is the same business Hilton is in, and the patent asserted in that suit also involves computer networking, internet communications and wireless remote electronic devices. Moreover, these attorneys work on other hotel cases in the same or similar subject matter fields as the Ameranth patents. For example, Mr. Stein's Akin Gump profile states that Mr. Stein is:

> defending two of the world's largest hotel companies in a patent infringement suit relating to a system for marketing goods and services utilizing computerized central and remote facilities *Variant Holdings LLC, et al. v. Hilton Hotels Holdings, et al.*
>
> defending one of the world's largest hotel companies in a patent infringement suit relating to electronic time-share exchange for trading time-share interests in vacation properties *Vacation Exchange, LLC v. Wyndham Exchange and Rentals, Inc., et al.*

See http://www.akingump.com/en/lawyers-advisors/david-m-stein.html

The field of Ameranth's patents includes the hospitality industry (encompassing hotels), and includes computer networking, the internet and wireless electronic devices. Thus it is reasonable to assume that Messrs. Everingham, Stein and the two Johnsons discuss issues pertinent to the present case, just as they discuss issues related to the hotel cases they work on together. It would be extremely difficult, if possible at all, to implement effective screening between Stein, the Johnsons and Everingham in such circumstances, given the proximity and close contact these four attorneys must have in order to service the similar subject matter cases on which they work.

In fact, while on the bench, Judge Everingham himself held that it is reasonable to expect that lawyers sharing an office would exchange confidential information. *See Honeywell Int'l, Inc. v. Philips Lumileds Lighting Co*., 2009 WL 256831 *3 (E.D. Tex. 2009) (disqualifying entire firm where "the PHJW attorneys working on the other Philips matters currently work out of the Washington D.C. office, the same office as the PHJW attorneys working on this case"). The inference is even stronger here considering that a very small number attorneys work in the Akin Gump Longview office (including Everingham, Stein and Ms. Johnson), and one of them is Hilton's lead counsel in the consolidated cases and for the CBM proceedings[7].

Based on the failure of the Akin Gump firm to adhere to the requirements of Rule 1.12, Mr. Everingham and all other Akin Gump attorneys should be disqualified from further participation in the consolidated cases and the CBM proceedings. If the Court wishes to develop a fuller record on what, if anything was done to ethically screen Mr. Everingham, the Court may wish to consider ordering Akin Gump to produce evidence on this topic. In light of the degree of

[7] Mr. Everingham and Mr. Stein have also participated as panelists at the same patent and intellectual property conference. See Exh. 14, pp. 8, 15,

involvement between attorneys Everingham, Stein and the Johnsons on numerous patent matters, it would be appropriate to require proof from Akin Gump that former Judge Everingham has been at all times properly screened from the consolidated cases and the CBM proceedings, and has not discussed the *Ameranth v. Menusoft* or *Ameranth v. Par* cases with Mr. Stein, the Johnsons or any other Akin Gump attorneys or personnel not also screened from the Ameranth matters, and to explain why the required notices were not provided. Akin Gump, and Mr. Stein, as lead counsel for Hilton in these matters, should have shouldered the responsibility, upon accepting the engagement to represent Hilton, to have established the proper screening procedures in a timely manner and given notice to Ameranth, the Court and the Patent Office.

D. Ameranth Shared Its Confidential Information Directly With Judge Everingham But Did Not Divulge That Confidential Information To Defendants In The *Ameranth v. Menusoft* Case.

Judge Everingham conducted confidential settlement discussions with Ameranth (and separately with Menusoft) in the *Ameranth v. Menusoft* lawsuit. In these discussions, Ameranth's officers (Keith McNally and Vern Yates) shared confidential information with the court that was not disclosed to Menusoft or otherwise made public, including Ameranth's assessment of the merits of its case, the strength of its patents, and its strategic licensing plans and goals. McNally Decl., ¶4.

One of the underlying rationales for ABA Rule 1.12 is that a litigant should be free to discuss the merits of its case with a judicial officer who has involved himself in an attempt to settle a case without fear that he will later work against the litigant on the same subject matter. Because of this stringent prohibition of later use of confidential information obtained by a judicial officer during settlement efforts, California has in the past applied an absolute bar to participation by any firm employing a tainted lawyer:

> [A] judge who has participated in mediation or settlement efforts, or who has otherwise received confidential information from the parties in a case . . . becomes a confidant of the parties, on a par with the parties' own lawyers. Under those circumstances, the judge will be conclusively presumed to have received client confidences in the course of the mediation, and his later participation in the case will be governed by the same rule that governs lawyers: He may not participate in the case and, pursuant to Model Rules of Professional Conduct Rule 1.10(a), neither may his firm.

County of Los Angeles v. Forsyth, 223 F.3d 990, 993-94 (9th Cir. 2000). Thus vicarious disqualification of the entire firm requires no proof of actual receipt of confidential information. *See j2 Global Comms. Inc. v. Captaris Inc.*, 2012 WL 6618272 *8 (C.D. Cal. 2012) ("Normally, an attorney's conflict is imputed to the law firm as a whole on the rationale that attorneys, working together and practicing law in a professional association, share each other's, and their clients', confidential information") (*citing City and County of San Francisco v. Cobra Solutions*, 38 Cal.4th 839, 847–48 (2006)); *Advanced Messaging Techs. v. EasyLink Services Intern.*, 913 F.Supp. 2d 900, 910-11 (C.D. Cal. 2010)(applying "Vicarious Presumption Rule" to disqualify entire law firm without analysis of "how much work a tainted attorney performed" or proof of shared confidences within the firm). ABA Model Rule Prof. Conduct 1.12(c).

The presumption of shared confidences is now deemed rebuttable by interpreting courts consistent with the provisions of ABA Rule 1.12. *Id*. at 996. Such rebuttal, however, must comprise proof of effective screening:

> An ethical wall, ***when implemented in a timely and effective way***, can rebut the presumption that a lawyer has contaminated the entire firm. The Model Rules explicitly approve the use of screening procedures to avoid vicarious disqualification where a former judicial officer or government lawyer has joined the firm. *See id.* Rules 1.11(a)-(b), 1.12(c)(1)

County of Los Angeles, 223 F.3d at 996 (emphasis added).

Ameranth engaged in its confidential settlement discussions with Judge Everingham in his chambers in a good faith attempt to resolve the case and conserve the parties' and the court's resources. Ameranth should not now be subjected to the risk that such information may be used against it by the Akin Gump firm, or any of the other defendants sharing information with the Akin Gump firm under their joint defense agreement.

> The integrity of the judicial process demands that litigants have confidence that a judicial officer who has been privy to revelations regarding the case in the course of settlement conferences will not later become aligned with the opposition.

Cho v. Superior Court of Los Angeles County, 39 Cal. App. 4th 113, 122 (1995).

> If parties to mediation know that their mediator could someday be an attorney on the opposing side in a substantially related matter, they will be discouraged from freely disclosing their position in the mediation, which may severely diminish the opportunity for settlement. . . .

Id. at 124 (*quoting Poly Software Intern*., *Inc.,* 880 F. Supp. 1487, 1494 (D. Utah 1995).

> We agree with the analysis in *Poly Software* that disqualification of both the individual attorney and his or her firm is required where the attorney has been privy to confidences of a litigant while acting as a neutral mediator. We also agree with the distinction drawn between adjudicators and mediators, so long as the adjudicator does not become a mediator and, in doing so, receive confidences from the parties going to the essential merits of the dispute. Where a judicial officer has presided over settlement conferences which included *ex parte* communication, we presume the revelation of confidences relating to the merits of a litigant's case.

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Id. at 125.[8] Cases decided after *Cho* have held that effective screening can avoid vicarious disqualification,[9] but such screening must be proven, or disqualification is mandatory under Rule 1.12.

E. Defendants Would Not Be Prejudiced By Disqualification Of Their Tainted Present Counsel.

Hilton should be estopped from arguing that it would be unduly prejudiced by disqualification based on alleged "lateness in the case" and/or proximity to trial, *etc*., because it just sought a stay of the entire case arguing that no prejudice would result from a stay:

> C. The Trial Date and Discovery Status Weighs in Favor of a Stay.
>
> Ameranth's argument that the case is "substantially advanced" is similarly unavailing. *See* Opp. at 19. Regardless, the fourth factor strictly is "whether discovery is complete and whether a trial date

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[8] Note also that:

> [E]ven when two matters are not the same as defined in Rule 1.11 and applied in Rule 1.12, a lawyer may be disqualified under Rule 1.12 if he received confidential information that tainted the litigation and resulted in an unfair advantage for one party. *See Poly Software*, 880 F.Supp. at 1494–1495. The court in *Poly Software* used Rule 1.12 to disqualify a lawyer who mediated a dispute involving the parties who were then before the court in a legally distinct, but substantially factually related case. The court interpreted "matter" under Rule 1.12 to include not only the definition of Rule 1.11, but also the broader definition of "substantially factually related matter" as understood in Rule 1.9 of the Utah Rules of Professional Conduct.

Archuleta v. Turley, 904 F.Supp.2d 1185 (D. Utah 2012).

[9] Cases dealing with prior representation conflicts are instructive in indicating the types of preemptive steps which might indicate effective screening. *See, e.g., Openwave Sys. Inc. v. Myriad France S.A.S*., 2011 WL 1225978 *4 (N.D. Cal. 2011) ("The firm may rebut the presumption that confidential client information was shared by showing that the tainted attorney ***has not had*** and will not have any ***involvement with the litigation, or any communication with other attorneys or employees concerning the litigation***.") (emphasis added).

> has been set." AIA § 18(b)(1). Ameranth concedes that "discovery is not complete, and no trial date is currently set." Opp. at 19. Thus, this factor strongly favors granting a stay.

Defendants' Reply In Support Of Motion For Stay, Dkt. No. 528, p. 9. *See also* Dkt, No. 520-1, pp. 11-12. As the Court is aware, non-claim construction discovery is currently stayed in the consolidated cases, further reducing the likelihood of any prejudice. Moreover, "the paramount concern must be the preservation of public trust both in the scrupulous administration of justice and in the integrity of the bar. Consequently, the recognizably important right to choose one's counsel must yield to the ethical considerations that embody the moral principles of our judicial process." *State Farm Mut. Auto. Ins. Co. v. Federal Ins. Co.*, 72 Cal.App.4th 1422, 1428 (1999).

IV. CONCLUSION

It is indisputable that Mr. Everingham is a former federal judge who was personally and substantially involved in the same matter as a judge (both in the *Ameranth v. Menusoft* and *Ameranth v. Par* lawsuits) in which his current law firm, Akin Gump, now represents the Hilton Defendants adverse to Ameranth (both in the consolidated cases and the CBM proceedings). It is further indisputable that Akin Gump has failed to provide the notices required by Rule 1.12 to Ameranth, the Court, or the USPTO. Under these circumstances, and pursuant to governing ethics decisions, Mr. Everingham, Hilton's counsel of record (Mr. Stein and the Johnsons), and all other attorneys in the Akin Gump firm should be disqualified from further participation in this matter.

If the Court wishes to develop a fuller record for this motion, Akin Gump should be required to produce evidence that Judge Everingham has been, since the inception of Akin Gump's representation of Hilton in this matter, screened from anything to do with Ameranth, the consolidated cases and the CBM proceedings despite Mr. Everingham's close collaboration with Hilton counsel

of record and any other non-screened Akin Gump attorneys or employees, and to satisfactorily explain why the requisite notices were not served.

Furthermore, the level of information sharing and cooperation occurring between the members of the joint defense group with respect to both the consolidated cases and the CBM petitions presents the likelihood that tainted members of the Akin Gump firm may have infected counsel for other defendants in these matters. Therefore, Ameranth requests that it be permitted to conduct discovery into the communications between the Akin Gump firm and other defense counsel to determine if further disqualifications are appropriate.

Respectfully submitted,

Dated: November 22, 2013

CALDARELLI HEJMANOWSKI & PAGE LLP

By: */s/ William J. Caldarelli*
William J. Caldarelli
Ben West

FABIANO LAW FIRM, P.C.
Michael D. Fabiano

OSBORNE LAW LLC
John W. Osborne

WATTS LAW OFFICES
Ethan M. Watts

Attorneys for Plaintiff Ameranth, Inc.