

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO. 13-cv-60136-MIDDLEBROOKS/BRANNON

ODORSTAR TECHNOLOGY, LLC and
STAR BRITE DISTRIBUTING, INC.,

Plaintiffs,

v.

SMM DISTRIBUTORS, LLC d/b/a
BIOCIDE SYSTEMS and SMM
MANUFACTURING, INC.,

Defendants.

ORDER DENYING DEFENDANTS' MOTION FOR ATTORNEYS' FEES

THIS CAUSE comes before the Court upon Defendants' Motion for Attorneys' Fees [DE 99] ("Motion"), filed March 27, 2014. Plaintiffs filed a Response in Opposition [DE 106] ("Response") on April 24, 2014, to which Defendants filed a Reply [DE 107] ("Reply") on May 5, 2014. Plaintiffs then filed a Sur-Reply to Defendants' Reply [DE 111] ("Sur-Reply") on May 13, 2014. For reasons stated below, the Motion is denied.

I. Background.

On July 23, 2013, Plaintiffs Odorstar Technology, LLC ("Odorstar") and Kinpak, Inc. ("Kinpak") (collectively, "Plaintiffs") filed the First Amended Complaint [DE 39] alleging infringement of U.S. Patent No. 6,764,661 (the "'661 Patent") against Spencer Blua ("Blua") and Juan Carlos Baselli ("Baselli") (collectively, the "Individual Defendants") and against Defendant SMM Distributors, LLC d/b/a Biocide Systems ("Biocide"). Odorstar is a Florida-based limited liability company engaged in the management and treatment of odors and is the sole owner of the '661 Patent by assignment. [DE 39 at ¶ 15]. The '661 Patent protects a device that produces an

aqueous chlorine dioxide solution when placed in water, which can be used to eliminate odors. [*Id.* at Ex. A]. Kinpak, Odorstar's exclusive manufacturer of products sold under license from the '661 Patent, manufactures a line of deodorizing products for a number of distributors. [*Id.* at ¶ 17]. One of these distributors, Star-Bright Distributing, LLC ("Star Bright"), sells a line of deodorizing products under the brand name NOSGUARD. [*Id.*]. Kinpak also manufactures deodorizing products for BBL Distributors, LLC d/b/a OdorScience ("BBL"), which sells a line of deodorizing products under the brand name ROOM VACCINE. [*Id.* at ¶ 19].

Defendant Biocide is a California-based limited liability company also in the business of selling odor eliminating products. [*Id.* at ¶¶ 10, 20]. Defendant Blua is the Chief Financial Officer of Biocide and Defendant Baselli is the Chief Executive Officer of Biocide. [*Id.* at ¶¶ 11-12]. Both Individual Defendants reside in California. [*Id.*]. The First Amended Complaint alleged that Biocide sold several odor-eliminating products called the "Room Shocker," "RV Shocker," "Marine Shocker," and "Auto Shocker" (the "Shocker products") through Amazon.com, which infringed the '661 Patent. [*Id.* at ¶ 27].

In February of 2008, BBL entered into a distribution agreement with Biocide to sell a line of odor disinfectant products under the brand name NOSGUARD. [*Id.* at ¶ 29]. Under the agreement, BBL would supply Biocide with the NOSGUARD products as well as the applicable retail labels. It appears from the First Amended Complaint and the attached exhibits that Biocide would then label and market these products under their "Shocker" line. A patent license was not granted as part of the agreement and there is no mention of the '661 Patent in the agreement. The agreement between BBL and Biocide was terminated on January 3, 2010 by Greg Boyle, the Operating Manager of BBL and a Manager of Odorstar. [DE 39 at 55-56, Boyle Aff. at ¶¶ 3-4, 7]. On March 11, 2011, Defendant Blua confirmed via e-mail that Biocide ceased sales of BBL

products and the remaining unsold products were returned to BBL. Defendant Baselli was copied on this e-mail. The First Amended Complaint alleged that the Individual Defendants “concealed the ‘661 Patent number marking on the packaging containing Biocide products supplied by BBL,” and knowingly directed Biocide to infringe the ‘661 Patent, thereby inducing Biocide to infringe in violation of 35 U.S.C. § 271(b). [DE 39 at ¶¶ 32-33, 36]. However, the only allegation the First Amended Complaint provided as to the Individual Defendants’ contacts with Florida was that they “intentionally advertis[ed] and market[ed] the Biocide infringing products within this State, at least by and through the website and biocidesystems.com” [DE 39 at ¶ 33]. Accordingly, the Court granted the Individual Defendants’ Motion to Dismiss the First Amended Complaint for lack of personal jurisdiction on the grounds that there were “insufficient ‘minimum contacts’ between the Individual Defendants and Florida to ensure due process.” [DE 52 at 7].

Plaintiffs subsequently filed a Second Amended Complaint [DE 79] in order to join SMM Manufacturing, Inc. (“SMM Manufacturing” / “Biocide”) as a defendant because “SMM Manufacturing is the successor-in-interest to the now defunct SMM Distributors and there are facts and law common to all defendants.” [DE 79 at ¶ 7]. The Second Amended Complaint alleged that Biocide directly infringed one or more claims of the ‘661 Patent¹ in violation of 35 U.S.C. § 271(a), with knowledge of the ‘661 Patent since at least 2010. [DE 79 at ¶ 32]. On cross Motions for Summary Judgment, this Court determined that the accused products did not infringe the ‘661 Patent’s claims and entered summary judgment in Defendants’ favor. [DE 91]. The Federal Circuit Court of Appeals affirmed this Court’s decision on February 19, 2015. [DE

¹ Specifically, Plaintiffs asserted that Biocide’s Shocker products infringed Claims 1, 3, and 8-12 of the ‘661 Patent. [DE 79].

112]. Defendants now seek an award of attorneys' fees and non-taxable costs totaling \$259,550.00 pursuant to 35 U.S.C. § 285. [DE 99 at 4].

II. Legal Standard.

The Patent Act authorizes district courts to award reasonable attorneys' fees to the prevailing party "in exceptional cases." 35 U.S.C. § 285. When deciding whether to award attorneys' fees under § 285, a district court engages in a two-step inquiry. First, the district court must determine whether the prevailing party has proven that the case is exceptional. Second, it must determine whether an award of attorneys' fees is justified. *Marctec, LLC v. Johnson & Johnson*, 664 F.3d 907, 915-16 (Fed. Cir. 2012).

Recently, in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1751 (2014), the Supreme Court rejected the Federal Circuit's test set forth in *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381, for determining whether a case is "exceptional" under § 285. *Brooks Furniture* defined an "exceptional case" as one that was "objectively baseless" and "brought in subjective bad faith," or one in which the losing party engaged in "material inappropriate conduct." *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005), *abrogated by Octane Fitness*, 134 S. Ct. 1749. Finding the Federal Circuit's standards unduly rigid and inconsistent with the plain text of § 285, the Supreme Court held that an "exceptional case":

is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances.

Octane Fitness, 134 S. Ct. at 1756 (internal quotations and citations omitted).

Emphasizing that “exceptional” should be construed in accordance with its ordinary meaning, the Supreme Court instructed district courts to exercise “equitable discretion” in light of the totality of the circumstances and the nonexclusive list of factors previously set forth in cases concerning similar provisions of the Copyright Act. *Id.* at 1756. These factors include “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 1756 n.6 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 535 n.19 (1994)). Under this standard, “a district court may award fees in the rare case in which a party’s unreasonable conduct – while not necessarily independently sanctionable – is nonetheless so ‘exceptional’ as to justify an award of fees.” *Id.* at 1757. Further, “a case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from [unexceptional] cases to warrant a fee award.” *Id.* at 1757. “Nevertheless, the decision whether or not to award fees is still committed to the discretion of the trial judge, and even an exceptional case does not require in all circumstances the award of attorney fees.” *Modine Mfg. Co. v. Allen Grp., Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990) (internal quotations and citations omitted). A party must prove its entitlement to fees by a preponderance of the evidence. *Octane Fitness*, 134 S. Ct. at 1756. at 1758.

III. Discussion.

Defendants argue that this is an exceptional case under 35 U.S.C. § 285 because they prevailed on all claims [DE 99 at 11], plaintiffs’ patent infringement claims against Blua and Baselli were “vexatious and unjustified,” [*id.* at 11-14], and because “plaintiffs’ patent claims against SMM Distributors [we]re objectively baseless,” [*id.* at 14-20]. Defendants further argue that the \$259,550.00 they seek in attorneys’ fees for the defense of all claims is reasonable. [*Id.*

at 20-23]. Plaintiffs counter that merely prevailing is not enough to show that a case is exceptional, and that Plaintiffs commenced and litigated this action in good faith. [DE 106]. They also argue that the bills Defendants submitted in support of their motion for attorneys' fees "are unclear, unreasonable, and yet another example of bad faith." [*Id.* at 16].

A. Substantive Strength of Plaintiffs' Litigating Position

1. Claims Against Blua and Baselli

Defendants argue that "plaintiffs' patent claims against Blua and Baselli are objectively baseless." [DE 99 at 12]. Specifically, Defendants contend that the original complaint:

stated that [Blua and Baselli] each had contacts with Florida sufficient to establish personal jurisdiction. This was not only a false representation in a pleading, but the plaintiffs were fully aware that Mr. Blua and Mr. Baselli lived in California, worked in California, and transacted business with Mr. Boyle, through email, regular mail and phone calls from California, with Mr. Boyle working and living in New Jersey. Either Plaintiffs did no pre-filing investigation as to Mr. Blua and Mr. Baselli's activities in Florida, or knew that none existed and alleged that they did anyway. Lack of personal jurisdiction was pointed out with specificity to Plaintiffs' litigation counsel by letter . . . before the lawsuit was served, but in spite of the specific notice given to them of the true facts, Plaintiffs proceeded with litigation against Mr. Blua and Mr. Baselli anyway.

[*Id.*]. Defendants further argue that Plaintiffs had "no reason to accuse Mr. Blua and Mr. Baselli of engaging in patent infringement." [*Id.* at 13].

Plaintiffs counter that they reasonably brought this action against the Individual Defendants in good faith. [DE 106 at 9]. Specifically, "Plaintiffs believe the Individual Defendants reasonably belonged in the case as Defendants because they knew of the '661 Patent before the instant action was filed, concealed the '661 Patent Number on their previously sold Biocide products, and because they are the only decision makers of Biocide. This behavior gave the appearance that Biocide was a mere alter ego of the Individual Defendants" [*Id.* at 10]. Plaintiffs further argue they believed the Individual Defendants had sufficient minimum contacts

in Florida because emails from the Individual Defendants led Plaintiffs to believe they “were shipping infringing products into Florida.” [*Id.*].

As a preliminary matter, the Court does not find that Plaintiffs’ claims against Blua and Baselli are objectively baseless.² “To be objectively baseless, the infringement allegations must be such that no reasonable litigant could reasonably expect success on the merits.” *Dominant Semiconductors Sdn. Bhd. v. OSRAM GmbH*, 524 F.3d 1254, 1260 (Fed. Cir. 2008) (internal quotations and citations omitted). Here, Plaintiffs’ claims against the Individual Defendants, while ultimately unsuccessful, were not so baseless that no reasonable litigant could expect success on the merits.

Turning to the issue of personal jurisdiction, in ruling on the Individual Defendants’ Motion to Dismiss the First Amended Complaint [DE 42], this Court noted that “[h]aving reviewed the allegations and affidavits, I find that Plaintiff has made a prima facie showing that the Individual Defendants committed tortious acts in Florida, and are therefore subject to Florida’s long arm statute.” [DE 52 at 6]. Although the Court ultimately granted the Individual Defendants’ Motion to Dismiss because of their insufficient minimum contacts with Florida, [*id.* at 8-9], merely losing a motion to dismiss for lack of personal jurisdiction is not a sufficient basis for finding a case exceptional. While the Court found Plaintiffs’ arguments that the Individual Defendants had sufficient minimal contacts with the state of Florida unpersuasive, the arguments advanced by Plaintiffs were not so meritless as to “stand out from othe[r cases].” *Octane Fitness*, 134 S. Ct. at 1756. For example, it was not unreasonable for Plaintiffs to argue that this Court had personal jurisdiction over the Individual Defendants in light of case law supporting their

² In light of *Octane*, litigation is no longer required to be “objectively baseless” for a case to be found “exceptional” under § 285. *Octane Fitness*, 134 S. Ct. at 1751.

position that “[w]hen an intentional tort is alleged, personal jurisdiction may be supported over a non-resident defendant who has no other contacts with the forum.” *Exhibit Icons, LLC v. XP Companies, LLC*, 609 F. Supp. 2d 1282, 1298 (S.D. Fla. 2009). Accordingly, the Court is unpersuaded that this case is exceptional based on Plaintiffs’ claims against the Individual Defendants.

2. Claims Against Biocide

Defendants also argue that Plaintiffs’ claims against Biocide lacked merit. [DE 99 at 14-17]. Specifically, Defendants highlight that Plaintiffs “did not obtain a single proposed claim construction,” [*id.* at 17], and argue that this case “was not close; the accused products had no wick, and had no membrane shell that cooperated in a certain way with a wick. This was explained to Plaintiffs’ counsel prior to serving the original complaint, but it was clear that the plaintiffs had no interest in the facts, when what they were really interested in was punishing the Defendants,” [*id.* at 15]. Plaintiffs counter that their proposed claim constructions were reasonable. Specifically, Plaintiffs assert that they:

engaged patent counsel and conducted a pre-filing investigation and sent the results of its findings to Defendants on January 18, 2013 in the form of a claim chart. (See Exhibit A). Further, Plaintiffs consulted with Dr. DeFilippi as an expert in Biotechnology (enzymes), Environmental (bioremediation), and Regulatory Compliance (OSHA/EPA). Dr. DeFilippi not only supported Plaintiffs’ claim of patent infringement against the Defendants but also explained the terms of the ‘661 in the same manner that Plaintiffs ultimately presented in their proposed claim construction.

[DE 106 at 15].

In ruling on the Parties’ cross Motions for Summary Judgment and claim construction briefs, the Court had to construe six claim terms: (1) “membrane shell”; (2) “compartment”; (3) “wick means”; (4) “connected to” (5) “extending into”; and (6) “transports.” While, as Defendants note, the Court adopted Defendants’ proposed constructions of all terms, the

substantive strength of Plaintiffs' arguments were not so weak as to render this case "exceptional" under § 285.

For example, Claim 1 states that the device is comprised of "a membrane shell defining a compartment which includes" With respect to the construction of "membrane shell," Biocide maintained that the term did not require construction beyond its plain and ordinary meaning, while Plaintiffs' proposed construction was that "membrane shell" means "a thin sheet of enveloping material." In support, Plaintiffs cited to the specification³, the dictionary⁴, and their expert, Dr. DeFilippi⁵. [DE 51-1 at 10]. Plaintiffs relied on the same authorities to argue that a "shell" is "something resembling or likened to a shell because of its shape or function as an outer case." [*Id.*] (citing the Oxford Dictionary). This Court ultimately found that "Plaintiffs' proposed construction additionally seeks to inject a limitation ('enveloping') to the term, which would render 'defining a compartment' superfluous." [DE 91]. However, it was not unreasonable for Plaintiffs to argue that "membrane," a thin sheet or layer of material, when modified by "shell," an outer case, should be construed as "a thin sheet of enveloping material." Without Plaintiffs' proposed limitation of "enveloping," it could reasonably be argued that Claim 1's use of the term "shell" is otherwise superfluous. Plaintiffs' proposed constructions of the five other claim terms, while ultimately unsuccessful, were not unreasonable. In sum, this case does not stand out from other patent cases with respect to the strength of the parties' litigating positions.

³ Plaintiffs highlight the fact that the Specification states that "the membrane shell 22 [is] formed of a semi-permeable membrane." [DE 51-1 at 11] (citing Ex. 1 at Col. 7:43-45).

⁴ Plaintiffs cite to the Oxford Dictionary, which defines the term "membrane," when used with a modifier (such as "shell"), as "a thin pliable sheet of material forming a barrier or lining. [*Id.*] (citing <http://oxforddictionaries.com/us/definition/english/membrane?q=membrane>).

⁵ Dr. DeFilippi opined that "Membrane has its usual meaning of a thin sheet(s) or layer(s) of material." [*Id.*] (citing Ex. 2 at ¶ 19).

B. Plaintiffs' Manner of Litigating

Finally, Defendants argue that Plaintiffs' inclusion of "Mr. Blua and Mr. Baselli was a deliberate attempt to escalate cost, and exposure, in an effort to intimidate all defendants into capitulation." [DE 99 at 13]. Defendants elaborate:

The entire exercise, of naming the principals of the commercial entity SMM Distributors personally liable in two different complaints, requiring an answer, two motions to dismiss and reply, could have been avoided. As seen in the emails and on-line postings of Mr. Boyle, he wanted badly to hurt Mr. Blua and Mr. Baselli, without any regard for whether there was a legal basis for haling them into court in Florida.

[*Id.* at 14]. Plaintiffs counter that they brought suit "to enforce their intellectual property rights," and that "the purpose of filing the Amended Complaint was to add a necessary party [and] to further clarify the allegations against the Individual Defendants." [DE 106 at 6].

As previously discussed, Plaintiffs' claims against the Individual Defendants, while ultimately unsuccessful, were not so baseless that no reasonable litigant could expect success on the merits. Further, the record does not indicate that Plaintiffs filed an Amended Complaint to further burden the Individual Defendants, but rather to clarify the allegations against the Individual Defendants, to remove Star-Brite Distributing, Inc. as a party, and to add Kinpak, which had an exclusive license under the '661 Patent and would have been prejudiced had it not been joined to the lawsuit, as a party.

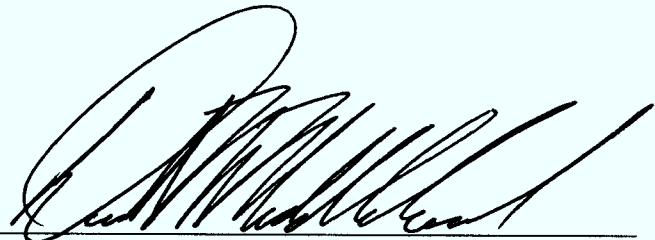
Finally, the Court turns to Defendants' argument that, as evidenced by the emails Mr. Boyle sent to the Individual Defendants, Mr. Boyle "wanted badly to hurt Mr. Blua and Mr. Baselli, without any regard for whether there was a legal basis for haling them into court in Florida." [DE 99 at 14]. In the emails, Mr. Boyle calls the Individual Defendants names, such as "lying pieces of [****]," and threatens "[w]hen the slander and patent infringement litigation

begins it will finally be over... All that \$ you spent on copying another company's products and marketing will soon be gone forever." See [DE 100 at Exhibits 4-5].

While Mr. Boyle's emails were in poor taste, Mr. Boyle is not a Plaintiff in this action. Mr. Boyle is a Manager at Odorstar who had a prior "distributor relationship" with the Individual Defendants, and sent the emails at issue *prior* to the commencement of the present litigation. As declared in Odorstar President Peter Dornau's Affidavit, Mr. Boyle's prior communications with the Individual Defendants were unrelated to Odorstar's decision to initiate a lawsuit against Biocide and the Individual Defendants for patent infringement. [DE 106, Exhibit D]. Accordingly, Defendants have failed to show that Plaintiffs' conduct during litigation warrants a finding that this case is exceptional under § 285. Having considered the totality of the circumstances in this action, it is hereby

ORDERED AND ADJUDGED that Defendants' Motion for Attorneys' Fees [DE 99] is **DENIED**.

SO ORDERED in Chambers at West Palm Beach, Florida, this 2 day of March, 2015.



DONALD M. MIDDLEBROOKS
UNITED STATES DISTRICT JUDGE

Copies to: Counsel of Record