

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

AMERICAN CALCAR, INC.,

Plaintiff,

vs.

AMERICAN HONDA MOTOR CO.,
INC.; HONDA OF AMERICA
MANUFACTURING, INC.,

Defendants.

AND RELATED COUNTERCLAIM.

CASE NO. 06cv2433 DMS (KSC)

**ORDER GRANTING
AMERICAN HONDA'S
MOTION FOR EXCEPTIONAL
CASE STATUS UNDER 35
U.S.C. § 285**

This case comes before the Court on American Honda's motion for exceptional case status under 35 U.S.C. § 285. Honda argues this case is exceptional under 35 U.S.C. § 285 in light of the Court's finding of inequitable conduct and Calcar's conduct during this litigation. Calcar filed an opposition to the motion in which it disputes that the Court's inequitable conduct finding warrants a finding that this case is exceptional, or that it engaged in any misconduct during this litigation. For the reasons set out below, the Court grants the motion.

///
///
///

1 I.

2 DISCUSSION

3 Title 35 U.S.C. § 285 provides: “The court in exceptional cases may award
4 reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. A “central aim” of
5 this statute:

6 is to prevent an alleged infringer from suffering a “gross injustice.” The
7 injury to the alleged infringer is the focus ... § 285 “is remedial and for the
8 purpose of compensating the prevailing party for the costs it incurred in
9 the prosecution or defense of a case where it would be grossly unjust ... to
require it to bear its own costs.” Again, it is clear that the aim of § 285 is
to compensate a defendant for attorneys’ fees it should not have been
forced to incur.

10 *Kilopass Tech., Inc. v. Sidense Corp.*, 738 F.3d 1302, 1313 (Fed. Cir. 2013) (internal
11 citation omitted).

12 Until recently, the Federal Circuit held a case was not exceptional unless there
13 was misconduct during the litigation or in securing the patent, or “both (1) the litigation
14 is brought in subjective bad faith, and (2) the litigation is objectively baseless.” *Octane*
15 *Fitness, LLC v. Icon Health & Fitness, Inc.*, ___ U.S. ___, 134 S.Ct. 1749, 1754 (2014).
16 The Federal Circuit also stated that a showing of exceptional case must be established
17 by clear and convincing evidence. *Id.*

18 In *Octane Fitness*, the Supreme Court rejected both of those holdings. It found
19 the Federal Circuit’s substantive test was “overly rigid” and “too restrictive.” *Id.* at
20 1756-67. Instead, the Court held that an exceptional case:

21 is simply one that stands out from others with respect to the substantive
22 strength of a party’s litigation position (considering both the governing
23 law and the facts of the case) or the unreasonable manner in which the
24 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.

25 *Id.* at 1756. The Supreme Court also rejected the Federal Circuit’s imposition of a clear
26 and convincing standard on the exceptional case inquiry, finding instead that the
27 applicable burden of proof is preponderance of the evidence. *Id.* at 1758.

28 ///

1 **A. Inequitable Conduct**

2 Here, Honda argues it has met that burden by virtue of the Court’s finding that
3 Calcar engaged in inequitable conduct. “Inequitable conduct may serve as grounds for
4 finding a case exceptional, but there is no per se rule of exceptionality.” *Intellect*
5 *Wireless, Inc. v. Sharp Corporation*, 45 F.Supp.3d 839, 848-49 (N.D. Ill. 2014) (citing
6 *Nilssen v. Osram Sylvania, Inc.*, 528 F.3d 1352, 1358 (Fed. Cir. 2008)). A finding of
7 inequitable conduct “often makes a case ‘exceptional,’ leading potentially to an award
8 of attorneys’ fees under 35 U.S.C. § 285.” *Therasense, Inc. v. Becton, Dickinson and*
9 *Co.*, 649 F.3d 1276, 1289 (Fed. Cir. 2011) (citing *Brasseler, U.S.A. I, L.P. v. Stryker*
10 *Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001)). However, “inequitable conduct by
11 the patentee does not automatically render a case exceptional.” *DietGoal Innovations*
12 *LLC v. Chipotle Mexican Grill, Inc.*, Nos. 2:12-cv-00764-WCB, 2:12-cv-00338-WCB,
13 2015 WL 1284669, at *4 (E.D. Tex. Mar. 20, 2015).

14 To decide whether the inequitable conduct finding in this case warrants a finding
15 of exceptionality, the Court returns to the facts underlying that finding. Those facts are
16 set out in their entirety in the Court’s April 17, 2012 Findings of Fact and Conclusions
17 of Law on Inequitable Conduct. In sum, the facts show that Calcar, through its founder
18 Michael Obradovich and other employees, learned about and recorded the details of the
19 1996 Acura RL navigation system (“96 RL”). Mr. Obradovich’s experience with the
20 96 RL led to his conception of the inventions at issue in this case. Although Mr.
21 Obradovich took a lead role in preparing the applications for the patents at issue in this
22 case, and although he disclosed the existence of the 96 RL to the Patent and Trademark
23 Office (“PTO”) during prosecution of those patents, he failed to disclose the operational
24 details of the 96 RL, and the similarities between those details and his alleged
25 inventions, to the PTO. This Court found those details were material to the patentability
26 of Mr. Obradovich’s ideas, and that Mr. Obradovich acted with specific intent to
27 deceive the PTO in failing to disclose those details, and thus found there was
28 inequitable conduct. The Federal Circuit affirmed those findings.

1 Calcar does not take issue with those findings, but urges the Court to consider
2 other factors in making its exceptionality decision. First, Calcar relies on the jury’s
3 advisory verdict finding no inequitable conduct. However, that verdict was advisory
4 only. This Court “was in no way bound by the jury’s finding of no inequitable conduct
5 in this case.” *Am. Calcar, Inc. v. Am. Honda Motor Co., Inc.*, 651 F.3d 1318, 1334
6 (Fed. Cir. 2011). Likewise, the Court assigns little, if any, weight to this fact in
7 deciding exceptionality.

8 Second, Calcar relies on Judge Newman’s dissent in *Am. Calcar, Inc. v. Am.*
9 *Honda Motor Co., Inc.*, 768 F.3d 1185 (Fed. Cir. 2014). As with the advisory verdict,
10 Calcar argues Judge Newman’s dissent indicates the issue of inequitable conduct was
11 “a close one,” (Opp’n to Mot. at 4), which weighs against a finding of exceptionality.
12 Despite the advisory verdict, this Court twice found that Calcar had engaged in
13 inequitable conduct, and that finding was affirmed by the Federal Circuit. Thus, Judge
14 Newman’s dissent does not tend toward a finding that the case is not exceptional.

15 Third, Calcar argues that the nature of the inequitable conduct, which it describes
16 as a failure to disclose, weighs against a finding of exceptionality. However, the Court
17 disagrees that distinction makes a difference. The doctrine of inequitable conduct is
18 rooted in the “duty to prosecute patent applications in the Patent Office with candor,
19 good faith, and honesty.” *Honeywell Int’l Inc. v. Universal Avionics Systems Corp.*,
20 488 F.3d 982, 999 (Fed. Cir. 2007) (citing *Molins PLC v. Textron, Inc.*, 48 F.3d 1172,
21 1178 (Fed. Cir. 1995)). A patent applicant may breach that duty by making an
22 affirmative misrepresentation or by failing to disclose a material reference to the PTO;
23 both constitute a breach. This Court declines to discount the inequitable conduct in this
24 case because it involved a failure to disclose rather than an affirmative
25 misrepresentation.

26 Contrary to Calcar’s arguments, the circumstances of the inequitable conduct in
27 this case warrant a finding of exceptionality. In essence, the founder of Calcar modeled
28 his alleged invention on the navigation system in the 96 RL, failed to disclose the

1 details of that navigation system to the PTO, obtained patents for those inventions, and
2 then asserted those patents against the entity that developed the 96 RL navigation
3 system. Had Mr. Obradovich fulfilled his duty of candor to the PTO and disclosed the
4 details of the 96 RL navigation system, the '497, '465 and '795 Patents would not have
5 issued, and Honda would not have had to defend itself from those patents. Thus,
6 Calcar's inequitable conduct warrants a finding of exceptionality.

7 **B. Litigation Misconduct**

8 Honda also argues this case is exceptional due to Calcar's conduct during
9 litigation. Specifically, Honda asserts Calcar (1) made arguments to the Court and the
10 jury that contradicted the Court's claim construction, (2) refused to recognize the 96 RL
11 as prior art, (3) made improper arguments to the jury that Honda knew about certain
12 Calcar patents prior to the case but did nothing about them, (4) failed to conduct an
13 adequate pre-filing investigation, (5) concealed Mr. Obradovich's California residence
14 from Judge Leonard Davis of the United States District Court for the Eastern District
15 of Texas¹ and (6) obstructed Honda's efforts to obtain discovery from co-inventor
16 Michael Kent by falsely claiming to represent him.

17 Calcar disputes that it engaged in any of the conduct described above, and the
18 Court agrees. Although the record allows for Honda's arguments, they are just that:
19 arguments. Calcar offers an alternative explanation for every instance of alleged
20 misconduct cited by Honda, and those explanations offer a different, benign
21 interpretation of events. Without a doubt, this was a hard-fought case on both sides.
22 However, the Court cannot say that Calcar's substantive positions were so weak or that
23 its litigation of the case was so unreasonable as to make this case exceptional.

24 ///

25 ///

26 ///

27
28 ¹ Calcar filed this case originally in the United States District Court for the
Eastern District of Texas. The case was subsequently transferred to this Court on
Honda's motion.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

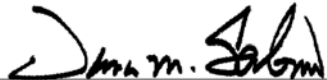
II.

CONCLUSION AND ORDER

For these reasons, the Court grants Honda’s motion for exceptional case status under 35 U.S.C. § 285. Pursuant to Honda’s opening brief, (Mem. of P. & A. in Supp. of Mot. at 1), the parties shall meet and confer on a procedure to determine the amount of fees and costs, and if necessary, shall propose a briefing schedule on that issue. In doing so, the Court notes that it is inclined to award reasonable attorneys’ fees and costs related to the ‘497, ‘465 and ‘795 Patents only, consistent with the Court’s inequitable conduct findings as to those Patents. If necessary, the parties shall submit their proposed briefing schedule on this issue on or before **June 5, 2015**.

IT IS SO ORDERED.

DATED: May 7, 2015



HON. DANA M. SABRAW
United States District Judge