UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0456-AG-RNB	Date	October 27, 2015
Title	Winterborne, Inc. v. FUJIFILM North America Corporation, et al.		

Present: The Honorable	ANDREW J. GUILFORD	
Lisa Bredahl	Not Present	
Deputy Clerk	Court Reporter / Recorder	Tape No.
Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:	

Proceedings: **[IN CHAMBERS] ORDER DENYING DEFENDANTS' MOTION FOR SUMMARY JUDGMENT**

Pending before the Court is Defendants' motion for summary judgment of invalidity of U.S. Patent No. 8,205,746 ("the '746 patent") (Dkt. No. 42.) Shortly before the hearing, Plaintiff disclaimed and dedicated to the public all right, title, and interest in the '746 patent, rendering the majority of Defendants' motion for summary judgment moot. The only remaining issue is Defendants' request for attorney's fees.

For the reasons stated in this Order, the request for attorney's fees is DENIED.

1. BACKGROUND

Plaintiff Winterborne, Inc. ("Plaintiff" or "Winterborne") filed a Complaint against Defendants FUJIFILM North American Corporation, Roku Inc., Seagate Technology LLC, and Vizio Inc. for allegedly infringing U.S. Patent No. 7,726,480 ("the '480 patent"). (Complaint, Dkt. No. 1.) Plaintiff amended the initial Complaint to include two recently-issued patents, U.S. Patent Nos. 8,205,746 ("the '746 patent") and 8,205,747 ("the '747 patent"), and also added AVC Corporation as a defendant to the lawsuit. (Second Amended Complaint, Dkt. No. 36.)

The PTO granted Defendants' request for *inter partes* reexamination for two of the three

patents at issue, the '480 patent and related '747 patent. (Lauson Decl., Ex. A, Dkt. No. 29-1.) On December 3, 2012, this Court granted Defendants' Motion to Stay Case Pending Reexamination. (Dkt. 35.) The stay was lifted on May 26, 2015, following the conclusion of the *inter partes* reexaminations and appeals, which invalidated both patents for obviousness. (Order to Lift Stay, Dkt. No. 40.)

Following the Court's lifting of the stay, Defendants FUJIFILM North America Corporation, Roku, Inc., Vizio, Inc., and AVC Corp. (collectively "Defendants") filed a Motion for Summary Judgment alleging that the remaining patent-in-suit, the '746 patent, was invalid due to obviousness. (Dkt. No. 41.) Defendants alleged that the case was exceptional, under 35 U.S.C. § 285, and should be awarded reasonable attorney's fees. (Dkt. No. 42 at 24.) Plaintiff filed its opposition on June 8, 2015, and requested that "the Court defer Defendant's motion for summary judgment until claim construction disputes have been resolved" and "to allow Winterborne time to discover facts necessary to its case." (Dkt. No. 47, 1:27-2:3.) This Court continued the hearing date for the motion from June 29, 2015 to October 26, 2015, and extended the discovery period until September 28, 2015. (Minutes, Dkt. No. 55 at 3.)

On September 30, 2015, Plaintiff disclaimed and dedicated to the public all right, title and interests in the patent-in-suit U.S. Patent No. 8,205,746 and filed notice with this Court. (Notice of Dedication of the '746 Patent, Dkt. 57.)

Due to Plaintiff's recent disclaimer, Defendant's motion for summary judgment of invalidity is moot. But there remains the issue of whether this case is exceptional, and whether Defendants should receive attorney's fees and costs. Defendants request $110,000 in attorney fees to date for litigating this case, including the reexamination. (Motion, Dkt. No. 42 at 26.) Defendants also seek costs since June 1, 2015, including replying to the opposition, for an amount of $19,943.30. (Supplemental Reply, Dkt. No. 56 at 4.)

2. LEGAL STANDARD

2.1 Attorney Fees under 35 U.S.C. § 285

In patent cases, the court "may award reasonable attorney fees to the prevailing party" if the case is "exceptional." 35 U.S.C. § 285. Previously, the Federal Circuit defined an "exceptional" case as one that either involves "material inappropriate conduct" or is both "objectively baseless" and "brought in subjective bad faith." *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.,* 393 F.3d 1378, 1381 (2005). However, that standard has since been construed as being "unduly rigid and impermissibly encumbers the statutory grant of discretion to the district courts." *Octane Fitness, LLC v. Icon Health & Fitness*, *Inc.*, 134 S. Ct. 1749, 1755 (2014).

In *Octane Fitness*, the Supreme Court eased the requirements to get attorney's fees. *Universal Electronics, Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329-AG (JPRx), 2015 WL 5470164 (C.D. Cal. Sep. 4, 2015). An "exceptional" case was held to be "simply one that stands out from others with respect to the substantive strength of a party's litigating position . . . or the unreasonable manner in which the case was litigated." *Octane* at 1756. "District courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id.* Relevant factors may include: frivolousness, motivation, objective unreasonableness (both in factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence. *Id.*

Even if a case is found to be exceptional, the district court still retains discretion to determine the level of exceptionality arising out of a party's conduct and the compensatory quantum of the award. *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988). The "reasonable" requirement for fees under Section 285 safeguards against excessive reimbursement. *Id.* The district court has equitable power to decide whether to make or withhold an award, and the amount of that award if one is given. *Id.*

3. ANALYSIS

Since Plaintiff has disclaimed and dedicated all right, title and interest in the '746 patent to the public, it is not necessary to address Defendants' arguments regarding the invalidity of the patent.

Still pending is Defendants' request for attorney's fees under 35 U.S.C. § 285. Defendants request that the Court award all fees incurred to date in litigating this case, including the reexaminations proceedings at the PTO. (Dkt. No. 42 at 26.) Such fees have amounted to $110,000, and an additional $19,943.30 since June 1, 2015 for responding to Plaintiff's opposition to its motion for summary judgment. (*Id.*; Supplemental Reply, Dkt. No. 56 at 4.) Defendant must show that this case is one that is "exceptional" under the new *Octane Fitness* standard to receive an award of attorney's fees.

3.1 Whether Plaintiff's case is exceptional and Defendants should be awarded attorney fees

The '746 patent is the last remaining patent asserted in this litigation. It is a continuation of the now invalid '480 patent and related to the now invalid '747 patent, which was also a continuation of the '480 patent. The primary feature of the patents were found to be obvious in light of prior art in the *inter partes* reexaminations the '480 and '747 patents. (Dkt. No. 42 at 1.) Defendants assert that the '746 patent was not part of the reexamination because there were few, if any, sales of products covered by that patent. (Dkt. No. 42 at 1.)

Defendants allege that Plaintiff's motivations for the lawsuit make this case exceptional. (Dkt. No. 42 at 26.) According to Defendants, Plaintiff initiated its lawsuit by suing AVC's customers rather than AVC itself in an apparent attempt to interfere in AVC's relationships with its customers. (*Id.*) Plaintiff also continued to litigate this case despite receiving notice of a prior art reference from Defendants which purportedly disclosed certain limitations not previously considered by the patent examiner (*Id.*) Then in reexaminations Plaintiff allegedly made arguments to the Patent and Trademark Office that were ultimately unsuccessful.

The District Court has case-by-case discretion to determine whether a case is "exceptional"

and whether a party is deserving of a fee award by considering the totality of the circumstances. *Octane Fitness,* 134 S. Ct. at 1756. The Court may consider factors such as: frivolousness, motivation, objective unreasonableness and the need in particular circumstances to advance considerations of compensation and deterrence. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S. Ct. 1023 (1994).

Here, Defendants have not shown that Plaintiff participated in behavior that would "stand out from others." As an initial matter, Defendants complain that Plaintiff should have sued AVC first instead of AVC's customers, but there is no requirement in patent law to sue a particular category of defendants before suing others. *See* 35 U.S.C. § 271. Plaintiff was well within its rights to initiate the lawsuit against AVC's customers before pursuing its claims against AVC. Defendants have also failed to proffer any evidence that AVC intended to interfere in AVC's relationships with its customers.

Defendants additionally allege that Plaintiff raised frivolous arguments throughout the duration of the litigation, and thereby needlessly lengthened the lawsuit, by contending that the Loheed reference was non-analogous prior art. (Reply, Dkt. No. 54 at 24.) But it was not objectively unreasonable for Plaintiffs to dispute Defendant's allegations, even if the Patent Office ultimately rejected the argument. *See SFA Sys., LLC v. Newegg, Inc.*, 793 F.3d 1344, 1348 (Fed. Cir. 2015) ("A party's position on issues of law ultimately need not be correct for them to not 'stand[ ] out,] or be found reasonable.") (citations omitted). For example, Plaintiff plausibly argues that the Loheed reference is not within the inventor's field of endeavor because it pertains to waterproofing cardboard cartons, and thereby raises potential issues of material fact as to the differences between the prior art and the claims at issue. (Opp'n, Dkt. No. 47 at 6-7, 10.) Plaintiff's arguments are not objectively baseless and do not make this case exceptional.

The procedural history of the lawsuit also weighs against a finding of exceptionality. Plaintiff initiated the suit in March 2012. (Complaint, Dkt 1.) A stay pending the reexamination of the '480 and '747 patents was granted in December 2012 and proceeded until May 20, 2015. Defendant filed the current motion less than two weeks later, and the hearing on the motion was continued to October to allow additional discovery. Meanwhile, Plaintiff dedicated the '746 patent to the public and the invalidity contentions became moot. From these facts, it is

not apparent that Plaintiff engaged in any deliberate delay or misconduct. Indeed, the majority of time spent on this lawsuit was used to determine the scope and meaning of the patents through the reexamination proceedings.

While Defendants point to the absence of additional discovery requests during the continuance granted by this Court, they do not proffer any evidence to support their allegation that the delay constituted an unscrupulous attempt to extend and extract royalty revenue.

Defendants have not sufficiently established that this is an "exceptional" case. This includes a consideration of the substantive strength of Plaintiff's positions and the way that Plaintiff litigated the case. Accordingly, the Court exercises its discretion to deny Defendants' request for attorney's fees. **4. DISPOSITION**

Defendants' request for attorney's fees is DENIED.

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