UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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SEOUL VIOSYS CO., LTD.,

Plaintiff,

-against-

P3 INTERNATIONAL CORPORATION,

Defendant.

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16-CV-6276 (AJN)(SN)

REPORT & RECMOMENDATION

SARAH NETBURN, United States Magistrate Judge.

TO THE HONORABLE ALISON J. NATHAN:

Following the Court's order granting in part and denying in part the parties' cross motions for summary judgment, Defendant filed a motion for attorney's fees under 35 U.S.C. § 285, arguing that Plaintiff's case for patent infringement was exceptional under the meaning of the statute. ECF No. 172. For the reasons set forth below, I recommend that Defendant's motion be denied.

BACKGROUND

On August 8, 2016, Plaintiff filed a complaint alleging that Defendant infringed upon five patents owned or exclusively licensed to Plaintiff. ECF No. 1. The complaint was amended on August 17, 2016, to add claims that Defendant infringed upon two additional patents. ECF No. 8. This case was referred to me for general pretrial management on March 17, 2017. ECF No. 50. On September 22, 2017, Judge Nathan denied Defendant's motion for judgment on the pleadings. ECF No. 116. The parties cross-moved for summary judgment, ECF Nos. 134, 149, and on September 30, 2018, Judge Nathan granted both parties' motions in part. ECF No. 164.

Specifically, Judge Nathan found that Plaintiff's United States Patent No. 7,982,207 (the "'207 patent") was invalid as a matter of law and that Plaintiff was not entitled to a remedy for infringement of its Patent No. 7,951,626 (the "'626 patent"). But Judge Nathan concluded that Plaintiff's other relevant patents were valid. Neither party was granted summary judgment as to damages. See id. Following entry of the summary judgment order, Defendant moved for attorney's fees pursuant to 35 U.S.C. § 285, alleging that the case was an exceptional one within the meaning of the statute. ECF No. 172. In October 2019, both parties moved for reconsideration of the summary judgment order, and on August 16, 2019, Judge Nathan denied the parties' motions. ECF No. 208. With the motion for reconsideration resolved, Defendant's motion for attorney fees is ripe for determination. ECF No. 218.

LEGAL STANDARD

The Patent Act authorizes district courts to award attorney's fees to prevailing parties in "exceptional cases." 35 U.S.C. § 285. The Supreme Court interpreted the meaning of "exceptional" in Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545, 548 (2014). An exceptional case is "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." Id. at 554. "[T]here is no precise formula for making these determinations." Id. (citing Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 (1994)). Rather, whether a case is exceptional is within the district court's discretion, considering the totality of the circumstances. Id. Courts may consider factors including "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 554, n. 6. A district court may grant fees under § 285 even where conduct is not sanctionable. Id. at 555. But "courts have cautioned that fee awards

should not be used as a penalty for failure to win a patent infringement suit." TNS Media Research LLC v. TiVo Research & Analytics, Inc., No. 11-cv-4039 (KBF), 2018 WL 2277836, at *4 (S.D.N.Y. May 18, 2019) (granting attorney's fees); see also Stone Basket Innovations, LLC v. Cook Med. LLC, 892 F.3d 1175, 1180 (Fed. Cir. 2019) ("[A] strong or even correct litigating position is not the standard by which we assess exceptionality."). The moving party must establish entitlement to fees by a preponderance of the evidence. Id. 558.

DISCUSSION

I. Prevailing Party

As an initial matter, the Court addresses Plaintiff's argument that Defendant is not a "prevailing party" within the meaning of 35 U.S.C. § 285. Defendant has moved for attorney's fees associated with the '207 and '626 patents. Judge Nathan granted summary judgment on Plaintiff's claims relating to these two patents on September 30, 2019. ECF No. 164. As to these claims, the court entered final judgment pursuant to Federal Rule of Civil Procedure 54(b). The remaining claims related to five other patents were resolved by stipulation. See ECF No. 204. For the purposes of this motion, I find that Defendant was a prevailing party within the meaning of § 285. See Synopsys, Inc. v. Mentor Graphics Corp., No. C 12-6467 MMC, 2015 WL 4365494, at *2 (N.D. Cal. July 16, 2015) (defendant was prevailing party even where additional claim not yet adjudicated); SSL Servs., LLC v. Citrix Sys., Inc., 769 F.3d 1073, 1086 (Fed. Cir. 2014) ("A party does not need to prevail on all claims to qualify as the prevailing party.").

II. Plaintiff's Claims

Defendant argues that this case is exceptional because Plaintiff's claims were "objectively unreasonable." Indeed, Defendant suggests that Plaintiff's claims were so lacking in merit that Defendant is entitled to fees based on this factor alone. See Def.'s Mot. 7, ECF No.

173. The Court disagrees. At the early stages of this litigation, Judge Nathan declined to enter judgment on the pleadings on Plaintiff's claims, concluding that the '207 patent claims would benefit from discovery and that the '626 patent claims were sufficiently well pleaded to survive the Federal Rule of Civil Procedure 12(c) challenge. See ECF No. 116. In other words, the claims were not so frivolous as to be exceptional. See GoDaddy.com LLC v. RPost Commc'ns Ltd., No. 14-CV-00126 (PHX)(JAT), 2016 WL 4569122, at *7 (D. Ariz. Sept. 1, 2016) (denial of motion for judgment on the pleadings evidence that claims were not "demonstrably weak on their face"). The fact that Plaintiff did not prevail on summary judgment does not render its claims exceptional. See Joao Control & Monitoring Sys., LLC v. Digital Playground, Inc., No. 12-CV-6781 (RJS), 2018 WL 1596068, at *3 (S.D.N.Y. Mar. 28, 2018) (acknowledging that case was "weak" but not "so exceptionally meritless" as to justify fee award); 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'"). I do not find Plaintiff's claims to have been objectively unreasonable or frivolous. See Octane, 572 U.S. at 554, n. 6.

III. Plaintiff's Litigation Conduct

Addressing the "manner in which the case was litigated," Defendant argues that Plaintiff behaved unreasonably and "delay[ed] the disposition" of the merits of this case. Def.'s Mot. 12, ECF No. 173. Defendant further claims that Plaintiff pursued litigation aggressively on issues it knew that Defendant "had neither the practical interest nor economic resources to adequately defend." Id. at 14. Though the Court does not dispute Defendant's characterization of this litigation—needlessly aggressive, costly, and protracted—the Court finds that Defendant is as much at fault as Plaintiff. Defendant has been focused on the prospect of an exceptional case recovery from the outset. See Def.'s Answer, ECF No. 17 (requesting a finding that the case is

exceptional); Conf. Tr. 5:5-11; 10:18-11:12, ECF No. 56 (parties discussing Defendant's intent to seek exceptional case fees). If, as Defendant states, it lacked resources to adequately defend this case, settlement would have been a rational alternative to a costly multiyear litigation. But rather than resolve this case quickly, the parties drew it out. Among other delays, the parties moved for reconsideration of four orders entered in this action. See ECF Nos. 114 (claim-construction ruling), 123 (order denying judgment on the pleadings), 167 (order on cross motions for partial summary judgment), 175 (same). Reconsideration is an "extraordinary remedy to be employed sparingly in the interests of finality and conservation of scarce juridical resources." See Anwar v. Fairfield Greenwich Ltd., 164 F. Supp. 3d 558, 560 (S.D.N.Y. 2016) (citations and internal quotation marks omitted). The parties' motions were denied each time. See ECF Nos. 130, 133, 208. The lack of cooperation and collegiality from both parties frustrated the speedy resolution of this matter. See, e.g., Memo Endorsement, ECF No. 80 (ordering parties to meet and confer and noting that the Court "refuses to tolerate such persistent back and forth animosity between the parties.").

Though Defendant suggests that Plaintiff harbored an ulterior or bad-faith motive, Defendant has put forth no evidence that Plaintiff had any goal other than prevailing in this litigation. Accordingly, the Court finds that attorney's fees are not warranted to deter Plaintiff or compensate Defendant. See Octane, 572 U.S. at 554, n. 6; Small v. Implant Direct Mfg. LLC, No. 06-CV-683 (NRB), 2014 WL 5463621, at *3 (S.D.N.Y. Oct. 23, 2014) (declining to award fees where no evidence that Plaintiff brought case in bad faith).

Considering the totality of the circumstances, I find that the way this case was litigated on Plaintiff's part was not extraordinary. If anything, both parties behaved unreasonably throughout this case. This is not the "rare" case in which Defendant is entitled to a fee award. See Octane,

572 U.S. at 555. See also Silverman v. Attilio Giusti Leombruni S.P.A., No. 15 CIV. 2260 (PAC), 2018 WL 4335507, at *5 (S.D.N.Y. Sept. 11, 2018) (attorney fees not warranted "because both sides are at fault for unnecessarily prolonging this case").

CONCLUSION

I recommend that the Court DENY Defendant's motion for an exceptional case determination and award of attorney's fees.

SARAH NETBURN
United States Magistrate Judge

DATED: October 8, 2019
New York, New York

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NOTICE OF PROCEDURE FOR FILING OBJECTIONS TO THIS REPORT AND RECOMMENDATION

The parties shall have fourteen days from the service of this Report and Recommendation to file written objections pursuant to 28 U.S.C. § 636(b)(1) and Rule 72(b) of the Federal Rules of Civil Procedure. See also Fed. R. Civ. P. 6(a), (d) (adding three additional days when service is made under Fed. R. Civ. P. 5(b)(2)(C), (D), or (F)). A party may respond to another party's objections within fourteen days after being served with a copy. Fed. R. Civ. P. 72(b)(2). Such objections shall be filed with the Clerk of the Court, with courtesy copies delivered to the chambers of the Honorable Alison J. Nathan at the United States Courthouse, 40 Foley Square, New York, New York 10007, and to any opposing parties. See 28 U.S.C. § 636(b)(1); Fed. R. Civ. P. 6(a), 6(d), 72(b). Any requests for an extension of time for filing objections must be addressed to Judge Nathan. The failure to file these timely objections will result in a waiver of those objections for purposes of appeal. See 28 U.S.C. § 636(b)(1); Fed. R. Civ. P. 6(a), 6(d), 72(b); Thomas v. Arn, 474 U.S. 140 (1985).