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**UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA**

UNIVERSAL ELECTRONICS, INC.,)
)
 Plaintiff,)
)
 v.)
)
 UNIVERSAL REMOTE CONTROL,)
 INC.)
)
 Defendants.)
 _____)

CASE NO. SACV 12-00329 AG (JPRx)

**ORDER GRANTING DEFENDANT'S
MOTION FOR ATTORNEYS' FEES,
DKT. NO. 447**

1 **INTRODUCTION**

2
3 Exceptional cases are, by definition, the exception. But since *Octane*'s change in the
4 standard, the rule seems to be for prevailing parties to bring an exceptional case motion. This
5 case is no exception. But it is exceptional.

6 Plaintiff Universal Electronics, Inc. ("UEI" or "Plaintiff") brought this patent
7 infringement suit against its competitor, Defendant Universal Remote Control, Inc. ("URC" or
8 Defendant"). After a jury trial on the legal issues and a concurrent bench trial on the equitable
9 issues, the Court entered judgment in favor of Defendant. (Dkt. No. 453.) Defendant now
10 moves for a determination that it is entitled to its attorneys' fees, with the dollar amount to be set
11 after additional briefing (the "Motion"). (Dkt. No. 447.) Plaintiff opposes the Motion, arguing
12 that this was a mine-run case. (Dkt. No. 463.)

13 The Court GRANTS the Motion.
14

15 **BACKGROUND**

16
17 This is not the first lawsuit between the parties. Plaintiff also sued Defendant on
18 November 15, 2000 ("the prior case"). In the prior case, Plaintiff asserted, among others, U.S.
19 Patent No. 5,414,426 ("426 Patent"), and Defendant argued that prior art invalidated it.
20 Plaintiff replied that it could add Paul Darbee as an inventor to the patent, entitling the patent to
21 a priority date that predated the alleged prior art. (Trial Ex. 1095 at URCI005385.) But instead
22 of doing so, Plaintiff dismissed its claim of infringement of the '426 Patent on October 18, 2002
23 with prejudice. (Miro Decl., Ex. 17, Dkt. No. 447-5 at 13-21.) In 2004, the parties entered into
24 a settlement and license agreement ending the remainder of the prior case. (Haan Decl., Ex. 8,
25 Sept. 12, 2013 Hayes Dep., Dkt. No. 176-1 at 7; URCI000303-310.)

26 On March 2, 2012, Plaintiff filed this suit, alleging infringement of the '426 Patent and of
27 U.S. Patent Nos. 5,614, 906 ("906 Patent"), 6,587,067 ("067 Patent"), and 5,568,367 ("367
28 Patent"). The '067 Patent had expired at the time of the Complaint, so only back damages were

1 | at issue as to that patent.

2 | On July 3, 2012, Plaintiff petitioned the United States Patent and Trademark Office
3 | (“PTO”) to do what it had said it could do ten years earlier: add Darbee as an inventor in the
4 | ‘426 Patent. (Trial Ex. 21.) Plaintiff’s petition was accompanied by signed declarations from
5 | Darbee and the three inventors who were named on the patent. (Finkelstein Decl., Ex. 5, Dkt.
6 | No. 463-7 at 109-119.) On July 31, 2013, the PTO granted Plaintiff’s petition, adding Darbee as
7 | a named inventor of the ‘426 Patent. (Finkelstein Decl., Ex. 5, Dkt. No. 463-7 at 123.)

8 | On February 1, 2013, the Court issued a Claim Construction Order that invalidated the
9 | only relevant claim in the ‘367 Patent, and later denied Plaintiff’s motion for reconsideration of
10 | that issue. (Dkt. Nos. 60, 79.)

11 | From February 6, 2013 through February 26, 2013, Defendant filed petitions for *inter*
12 | *partes* review of the ‘426, ‘906, and ‘067 Patents. Defendant then moved to stay the case
13 | pending *inter partes* review, but the Court denied that motion. (Dkt. Nos. 63, 78.) Later, the
14 | Patent Trial and Appeal Board (“PTAB”) declined to institute *inter partes* review of the ‘906
15 | Patent and ‘426 Patent, but instituted review of the ‘067 Patent. (Finkelstein Decl., Ex. 1, Dkt.
16 | No. 463-2 at 3-24; Decision Denying *Inter Partes* Review, IPR2013-00168, Patent 5,414,426
17 | (Aug. 26, 2013); Decision Instituting *Inter Partes* Review, IPR2013-00127, Patent 6,587,067
18 | (July 16, 2013)). In the *inter partes* review of the ‘067 Patent, the PTAB determined that claims
19 | 1-6 were unpatentable as obvious under 35 U.S.C. § 103. (Miro Decl., Ex. 25, Dkt. No. 447-6 at
20 | 314-37.)

21 | In February 2014, the parties each moved for summary judgment on a variety of issues.
22 | (Dkt. Nos. 159, 161.) Most significantly, the Court granted summary judgment of non-
23 | infringement of the ‘426 Patent and that no damages were available for the ‘067 Patent due to
24 | Plaintiff’s failure to comply with the marking requirement, but held that triable issues remained
25 | concerning the validity of the ‘426 Patent, infringement of the ‘906 Patent, and various defenses.
26 | (Dkt. Nos. 222, 223.)

27 | The case proceeded to trial in May 2014, and on May 21, 2014, the jury returned a verdict
28 | in favor of Defendant. (Dkt. No. 408.) The Court resolved the equitable defenses after post-trial

1 briefing. (Dkt. No. 435.)

2
3 **LEGAL STANDARD**

4
5 The Patent Act provides that “[t]he court in exceptional cases may award reasonable
6 attorney fees to the prevailing party.” 35 U.S.C. § 285. In this context, “exceptional” retains its
7 ordinary meaning of “uncommon, rare, or not ordinary.” *Octane Fitness, LLC v. ICON Health*
8 *& Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). Accordingly, “an ‘exceptional’ case is simply one
9 that stands out from others with respect to the substantive strength of a party’s litigating position
10 (considering both the governing law and the facts of the case) or the unreasonable manner in
11 which the case was litigated.” *Id.* “Section 285 discourages certain ‘exceptional’ conduct by
12 imposing the cost of bad decisions on the decision maker.” *Cambrian Sci. Corp. v. Cox*
13 *Commc’ns, Inc.*, __ F. Supp. 3d. __, No. SACV 11-01011 AG, 2015 WL 178417, *1 (C.D. Cal.
14 Jan. 6, 2015).

15 District courts determine whether a case is “exceptional” on a case-by-case basis,
16 “considering the totality of circumstances.” *Id.* Fees may be awarded where “a party’s
17 unreasonable conduct—while not necessarily independently sanctionable—is nonetheless”
18 exceptional. *Id.* at 1757. “A case presenting either subjective bad faith or exceptionally
19 meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award.”
20 *Id.* A party must prove its entitlement to fees by a preponderance of the evidence. *Id.* at 1758.

21 “[A] patentee does not act in good faith if it raises an infringement claim in which ‘no
22 reasonable litigant could realistically expect success on the merits.’” *GP Indus. Inc. v. Eran*
23 *Indus., Inc.*, 500 F.3d 1369, 1374 (Fed. Cir. 2007) (citation omitted). “For this reason, proper
24 investigation is an important pre-requisite to filing an infringement claim” *JS Prods., Inc.*
25 *v. Kabo Tool Co.*, No. 2:11-cv-01856 RCJ, 2014 WL 7336063, at *4 (D. Nev. Dec. 22, 2014).

26 In the companion case to *Octane Fitness*, the Supreme Court held that “[b]ecause § 285
27 commits the determination whether a case is ‘exceptional’ to the discretion of the district court,
28 that decision is to be reviewed on appeal for abuse of discretion.” *Highmark Inc. v. Allcare*

1 *Health Mgmt. Sys.*, 134 S. Ct. 1744, 1748 (2014). The abuse-of-discretion standard applies to
2 “all aspects of a district court’s § 285 determination.” *Id.* at 1749.

3 Federal Rule of Civil Procedure Rule 54(d)(2)(C) provides that “[t]he court may decide
4 issues of liability for fees before receiving submissions on the value of services.”

5
6 **ANALYSIS**

7
8 The Court analyzes the substantive strength of Plaintiff’s litigating position and Plaintiff’s
9 manner of litigating for each of the patents in suit. In reviewing the record, the Court is mindful
10 that evidence at trial showed that this litigation was at least in part motivated by Plaintiff’s desire
11 for “payback” for Defendant’s successful competition in the marketplace: “We are going to get
12 VERY aggressive on this quote. We are going to push URC’s margin and price DOWN. That
13 along with the current lawsuit should push them to the brink. This will be payback for Time
14 Warner.” (Oct. 4, 2012 email from Plaintiff’s Vice President in charge of U.S. cable remote
15 sales, Trial Ex. 1358.)

16
17 **1. THE ‘067 PATENT**

18
19 Patentees who make or sell products in the United States may notify the public that the
20 product is patented by marking the product with the patent number. 35 U.S.C. § 287. If a
21 patentee does not do so, the damages period does not start running until the patentee notifies the
22 infringer of the infringement. *Id.* Compliance with the marking requirement is a question of
23 fact, on which the patentee bears the burden of proof. *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098,
24 1111 (Fed. Cir. 1996).

25 Here, the Court granted summary judgment that Plaintiff failed to comply with the
26 marking requirement, so no pre-suit damages were available. (Dkt. No. 222 at 48, 50.) Because
27 the ‘067 Patent was expired at the time of suit, no post-suit damages were available, either. (*Id.*
28 at 49.)

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