

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No. LA CV15-05493 JAK (JPRx)

Date June 14, 2016

Title Tzu Technologies, LLC v. Winzz, LLC

Present: The Honorable JOHN A. KRONSTADT, UNITED STATES DISTRICT JUDGE

Andrea Keifer

Not Reported

Deputy Clerk

Court Reporter / Recorder

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

**Proceedings: (IN CHAMBERS) ORDER RE MOTION FOR DEFAULT JUDGMENT
AGAINST DEFENDANT WINZZ LLC (DKT. 32, 39)**

I. Introduction

On July 20, 2015, Tzu Technologies, LLC (“Plaintiff”) brought this action against Winzz, LLC (“Defendant”) in which it advances two claims for patent infringement pursuant to 35 U.S.C. § 271(a) and § 271(b). Dkt. 1. On November 13, 2015, Plaintiff requested that default be entered against Defendant. Dkt. 29. That request was granted on November 16, 2015. Dkt. 30. On January 5, 2016, Plaintiff filed a Motion for Default Judgment (“Motion”) as to both claims. Dkt. 32.

A hearing on the Motion was held on February 29, 2016, and the matter was taken under submission. Dkt. 34. Following the hearing, Plaintiff submitted supplemental briefing with respect to the remedies and attorney’s fees sought. Dkt. 37, 39. Defendant has failed to respond to the Complaint or the Motion, and has not appeared in the action. For the reasons stated in this Order, the Motion is **GRANTED IN PART**.

II. Factual Background

The Complaint alleges that Plaintiff is the owner of U.S. Patent No. 6,368,268 (“‘268 Patent”), entitled “Method and Device for Interactive Virtual Control of Sexual Aids Using Digital Computer Networks.” Dkt. 1, ¶ 6, Ex. A. The ‘268 Patent was issued by the U.S. Patent and Trademark Office on April 9, 2002. *Id.* The ‘268 Patent, which is attached to the Complaint, provides the following description:

An interactive virtual sexual stimulation system has one or more user interfaces. Each user interface generally comprises a computer having an input device, video camera, and transmitter. The transmitter is used to interface the computer with one or more sexual stimulation devices, which are also located at the user interface. In accordance with the preferred embodiment, a person at a first user interface controls the stimulation device(s) located at a second user interface. The first and second user interfaces may be connected, for instance, through a web site on the Internet. In another embodiment, a person at a user interface may interact with a prerecorded video feed. The invention is

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implemented by software that is stored at the computer of the user interface, or at a web site accessed through the Internet.

Dkt. 1-1, Ex. A at 1.

The Complaint alleges that Defendant currently sells or has sold products and services to customers in the United States on the websites www.lovepalz.com and www.indiegogo.com. Dkt. 1, ¶ 8. It also alleges that these products directly infringe the ‘268 Patent. *Id.* ¶ 10. The alleged infringing products are identified as “Twist,” “Zeus” and “Hera” products (collectively, “Infringing Products”). *Id.* ¶ 8. The Infringing Products are identified in attachments to the Complaint. See Dkt. 1-1, Ex. B, D, E.¹ The alleged Infringing Products are hand-held stimulation systems, described in the Complaint as follows:

Each of the stimulation systems has a hand-operable input device for generating a command signal in response to an input from a first user. A first user interface is connected to the said input device, for generating a control signal based upon the command signal. A second user interface is remotely located from first user interface and a second user interface receives the control signal. A stimulation device receives a control signal from the second user interface. The stimulation signal imparts stimulation to a user in response to the control signal.

Dkt. 1, ¶ 9.

The Complaint alleges that Defendant willfully infringed the ‘268 Patent. *Id.* ¶ 13. The Complaint contends that Defendant had knowledge of the ‘268 Patent “based on participation in trade fairs, informational articles and news articles published about the previous lawsuit by former owner, Hassex, Inc. . . . advertising of the patent by the previous owner on www.hassex.com and the marking provided on competing licensed products sold by OhMiBod.” *Id.* ¶ 24.

III. Analysis

A. Legal Standard

Local Rule 55-1 requires that a party moving for default judgment submit a declaration or include information with respect to the following: (1) when and against which party default has been entered; (2) the pleading as to which default has been entered; (3) whether the defaulting party is an infant or incompetent person, and if so, whether that person is represented by a general guardian, committee, conservator or other representative; (4) whether the Servicemembers Civil Relief Act, 50 U.S.C. App. § 521, applies; and (5) whether notice has been served on the defaulting party, if required by Fed. R. Civ. P. 55(b)(2).

Once the foregoing procedural elements have been satisfied, whether to enter a default judgment is

¹ The Complaint also refers to an “Exhibit C,” but it is not attached to the Complaint. Dkt. 1, ¶ 8.

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within the discretion of the trial court. *Aldabe v. Aldabe*, 616 F.2d 1089, 1092 (9th Cir. 1980). In exercising this discretion, district courts should consider seven factors: (1) the possibility of prejudice to the plaintiff; (2) the merits of the plaintiff's substantive claim; (3) the sufficiency of the complaint; (4) the sum of money at stake in the action; (5) the possibility of a dispute concerning material facts; (6) whether the default was due to excusable neglect; and (7) the strong public policy favoring decisions on the merits (collectively, "the *Eitel* factors"). *Eitel v. McCool*, 782 F.2d 1470, 1471-72 (9th Cir. 1986). "The general rule of law is that upon default the factual allegations of the complaint, except those relating to the amount of damages, will be taken as true." *Geddes v. United Fin. Grp.*, 559 F.2d 557, 560 (9th Cir. 1977). The plaintiff is required to prove all damages. To determine damages, a court may rely on the declarations submitted by the plaintiff or order a full evidentiary hearing. Fed. R. Civ. P. 55(b)(2). Further, "[a] default judgment must not differ in kind from, or exceed in amount, what is demanded in the pleadings." Fed. R. Civ. P. 54(c).

B. Application

1. Procedural Requirements

Most of the procedural requirements of Local Rule 55-1 have been satisfied. Default was entered against Defendant on November 16, 2015, and the Motion was served on Defendant. Dkt. 32 at 6, 15. The Motion does not address whether Defendant is an "infant or incompetent" person, or whether the Servicemembers Civil Relief Act applies. However, because Defendant is a corporate entity, those procedural requirements are not relevant.

2. Eitel Factors

a) Possibility of Prejudice

As a result of the failure of Defendant to appear or participate in this litigation, Plaintiff will suffer prejudice if a default judgment is not entered. Thus, Plaintiff would be left without a remedy against this Defendant. *Philip Morris USA v. Castworld Prods., Inc.*, 219 F.R.D. 494, 499 (C.D. Cal. 2003) ("Plaintiff would suffer prejudice if the default judgment is not entered because Plaintiff will be without other recourse for recovery."); *PepsiCo v. Cal. Sec. Cans*, 238 F. Supp. 2d 1172, 1177 (C.D. Cal. 2002) ("If Plaintiffs' motion for default judgment is not granted, Plaintiffs will likely be without other recourse for recovery."). Therefore, the first *Eitel* factor weighs in favor of granting default judgment.

b) Substantive Merits and Sufficiency of the Claim

The second and third *Eitel* factors assess the substantive merit of the movant's claims and the sufficiency of its pleadings. These factors "require that a [movant] state a claim on which [it] may recover." *PepsiCo*, 238 F. Supp. 2d at 1175 (internal quotation marks omitted).

(1) Direct Infringement

35 U.S.C. § 271(a) provides: "Except as otherwise provided in this title, whoever without authority makes,

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uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” The Complaint alleges that Defendant infringed the ‘268 Patent by importing, buying, selling and offering the Infringing Products through various websites to customers in the United States. Dkt. 1, ¶ 11. The Infringing Products, as described in the Complaint, are within the scope of the ‘268 Patent. *Id.* ¶ 9 & Ex. A. Because factual allegations pleaded in the complaint are taken as true, *Geddes*, 559 F.2d at 560, Plaintiff has sufficiently stated a claim for direct patent infringement.

(2) Inducement of Patent Infringement

35 U.S.C. § 271(b) provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.” “Thus, a person infringes by actively and knowingly aiding and abetting another’s direct infringement. Although section 271(b) does not use the word ‘knowing,’ the case law and legislative history uniformly assert such a requirement.” *Cybiotronics, Ltd. v. Golden Source Elecs. Ltd.*, 130 F. Supp. 2d 1152, 1164 (C.D. Cal. 2001) (quoting *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 667 (Fed. Cir. 1988)). To show liability under § 271(b) “requires proof of (1) an act by the defendant knowingly intended to induce another to infringe, and (2) actual infringement by the third party induced thereby.” *Id.* at 1165. Plaintiff must show that Defendant “specifically intended [its] customers to infringe the [‘268] Patent and knew that the customer’s acts constituted infringement.” *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1339 (Fed. Cir. 2012).

The Complaint alleges that Defendant’s infringement of the ‘268 Patent has been willful. It also alleges that Defendant had knowledge of the ‘268 Patent “based on participation in trade fairs, informational articles and news articles published about the previous lawsuit by former owner, Hassex, Inc. . . . advertising of the patent by the previous owner on www.hassex.com and the marking provided on competing licensed products sold by OhMiBod.” Dkt. 1, ¶¶ 13, 24. Furthermore, as demonstrated above, Plaintiff sufficiently stated a claim for actual infringement. Therefore, the Complaint adequately states a claim for inducement of patent infringement.

For the foregoing reasons, the second and third *Eitel* factors weigh in favor of granting the Motion.

c) Sum of Money at Stake

Under the fourth *Eitel* factor, “the court must consider the amount of money at stake in relation to the seriousness of Defendant’s conduct.” *PepsiCo*, 238 F. Supp. 2d at 1176. Default judgment is discouraged when the amount of money at stake in the litigation is “too large or unreasonable in light of defendant’s actions.” *Truong Giang Corp. v. Twinstar Tea Corp.*, 2007 WL 1545173, at *12 (N.D. Cal. May 29, 2007).

Plaintiff seeks damages in the amount of \$66,100.71. Plaintiff argues that this reflects a reasonable royalty for Defendant’s past infringement. It also requests an additional royalty of \$0.05 per minute for any interactive product offered by Defendant, with the total amount due to be calculated after discovery. Plaintiff also seeks approximately \$17,300 in attorney’s fees and costs. 35 U.S.C. § 284 provides for

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damages in the form of a reasonable royalty for the use of the patented item, together with interests and costs. As explained below, the royalty amounts requested reflect the established royalty rate used by Plaintiff for similarly situated persons to whom it has granted licenses. Thus, the sum requested is not disproportionately large in light of Defendant's alleged willful infringement. Moreover, due to Defendant's failure to participate in this litigation, Plaintiff has been unable to obtain evidence as to Defendant's conduct that would provide an alternative means of determining a royalty amount. For these reasons, this factor supports the entry of default judgment.

d) Possibility of Dispute Concerning Material Facts

Upon entry of default, all facts pleaded in the Complaint are taken as true, except those relating to damages. *TeleVideo Sys., Inc. v. Heidenthal*, 826 F.2d 915, 917-18 (9th Cir. 1987). The Complaint alleges that Defendant infringed Plaintiff's '268 Patent. Although it is possible that Defendant could dispute these material facts, its failure to answer the Complaint supports a finding that this is unlikely. Therefore, the fifth *Eitel* factor weighs in favor of granting the Motion.

e) Whether Default Is Due to Excusable Neglect

There is no showing that Defendant failed to respond to the Complaint due to excusable neglect. Notice of the Summons, Complaint and Motion were properly served. Therefore, the sixth *Eitel* factor weighs in favor of default judgment.

f) Policy Favoring a Decision on the Merits

The seventh *Eitel* factor generally disfavors the entry of default judgment. However, "although the federal courts prefer to decide cases on their merits when reasonably possible, this preference is not dispositive. When a defendant fails to answer a plaintiff's complaint, a decision on the merits is impractical, if not impossible. Therefore, the preference to decide cases on the merits does not preclude a court from granting default judgment." *United States v. One Glock 19*, 2007 WL 2438361, at *3 (N.D. Cal. Aug. 23, 2007) (internal citations and quotation marks omitted). The failure of Defendant to respond to the Complaint has precluded a decision on the merits. Therefore, this factor does not alone provide a sufficient basis to deny the Motion.

* * *

Based on the foregoing analysis, viewed collectively, the *Eitel* factors weigh in favor of the entry of default judgment against Defendant. Accordingly, the Motion is **GRANTED**.

3. Remedies Sought

A "default judgment must not differ in kind from, or exceed in amount, what is demanded in the pleadings." Fed. R. Civ. P. 54(c). A motion for default judgment "must be supported by specific allegations as to the exact amount of damages asked for in the complaint." *Philip Morris USA*, 219 F.R.D.

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at 499. Here, Plaintiff seeks a permanent injunction barring further actions of infringement of the '268 Patent, monetary damages, attorney's fees and costs.

a) Permanent Injunction

Plaintiff seeks an injunction that would bar Defendant, its agents, servants, employees, successors and assigns, and all others in concert or privity with Defendant from further acts of infringement of the '268 Patent. Courts "may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." 35 U.S.C. § 283.

To establish a basis for injunctive relief with respect to patent infringement, a plaintiff must demonstrate the following: (i) it has suffered an irreparable injury; (ii) remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (iii) considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (iv) the public interest would not be disserved by a permanent injunction. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). "While the decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court, the traditional principles of equity demand a fair weighing of the factors listed above, taking into account the unique circumstances of each case." *La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V.*, 762 F.3d 867, 880 (9th Cir. 2014) (internal quotation marks and alteration omitted).

(1) Irreparable Injury

"As its name implies, the irreparable harm inquiry seeks to measure harms that no damages payment, however great, could address." *Celsis In Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 930 (Fed. Cir. 2012). "Price erosion, loss of goodwill, damage to reputation, and loss of business opportunities are all valid grounds for finding irreparable harm." *Id.*

Plaintiff argues that "irreparable harm is presumed when 'a clear showing has been made of patent validity and infringement,'" citing *Richardson v. Suzuki Motors Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989). Dkt. 32 at 11. However this component of *Richardson* was abrogated by *Robert Bosch LLC v. Pylon Manufacturing Corp.*, 659 F.3d 1142, 1148-49 (Fed. Cir. 2011). Moreover, *Richardson* preceded *eBay*. As the Ninth Circuit has explained, "our longstanding rule that a showing of a reasonable likelihood of success on the merits in a copyright infringement claim raises a presumption of irreparable harm[] is clearly irreconcilable with the reasoning of the Court's decision in *eBay* and has therefore been effectively overruled." *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 981 (9th Cir. 2011) (internal citation, alteration and quotation marks omitted).

In the supplemental briefing, Plaintiff argues that it has suffered irreparable injury due to the competitive advantage held by the infringing Defendant. Dkt. 39 at 10-11. Plaintiff is an entity that licenses patents. Its licensing agreements for the '268 Patent include both monetary and nonmonetary terms "to maximize both revenue and the number of products in the market." *Id.* at 10. The nonmonetary terms include "preventing specific products from competing in the market; creating three distinct buckets of licenses to encourage lower priced hardware only manufacturers; and encouraging the premium positioning of pay

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per view products to maximize revenue, thereby providing more choices for the end user.” Tovar Decl., Dkt. 37-1, ¶ 13.

Plaintiff argues that if injunctive relief is not granted, other companies will be encouraged to compete by infringement, *i.e.*, by selling products without entering a licensing agreement with Plaintiff and paying the agreed upon fees. Plaintiff argues that such entities could act as Defendant has here. Thus, if sued, allow a default to be entered, thereby saving the attorney’s fees that would be incurred in a defense of the action, and avoid being subject to the nonmonetary terms of the Plaintiff’s standard licensing agreement.

These facts are not sufficient to show that Plaintiff has suffered an irreparable injury. Plaintiff can be compensated with damages. There is no showing that Plaintiff cannot measure damages, in part, based on the nature and location of any sales by Defendant.

(2) Inadequate Remedies at Law

Plaintiff must show that “remedies available at law, such as monetary damages, are inadequate to compensate” for the injury arising from an infringement. *Herb Reed Enters., LLC v. Fla. Entm’t Mgmt., Inc.*, 736 F.3d 1239, 1249 (9th Cir. 2013). Plaintiff argues that such remedies are inadequate because the nonmonetary terms of its licensing agreements are significant. Dkt. 39 at 11. Plaintiff states that its “current licenses have restrictions on the types of services or products each licensee may sell; prohibitions on sub-licenses entirely for certain licensees; prohibitions on sub-licenses to certain direct competitors of licensees to preserve the premium end of the market; the termination of licenses for breach and a plethora of non-monetary commercial terms.” *Id.* Plaintiff argues that these non-monetary licensing terms, “are crucial to [Plaintiff’s] economic model for encouraging compliance and maximizing revenue.” *Id.* Thus, “without the three tier model of licensing, and the ability to prevent certain players from competing, Plaintiff cannot encourage more hardware manufacturers and continue to derive revenue from the premium pay per view segment.” *Id.* at 12. Once again, these conclusory assertions are not sufficient to make the necessary showing. Further, upon the entry of judgment and efforts to enforce its monetary provisions, Plaintiff will have additional opportunities to communicate with Defendant. This could lead to an agreement to terms that will address the matters now claimed to be at issue.

(3) Balance of Hardships

Plaintiff contends that the balance of hardships favors the entry of injunctive relief. *See, e.g., Blackberry Ltd. v. Typo Prods. LLC*, 2014 WL 1318689, at *12 (N.D. Cal. Mar. 28, 2014) (“[T]he fact that an injunction might put an alleged infringer out of business ‘cannot justify denial of that injunction.’” (quoting *Windsurfing Int’l Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986))); *Deckers Outdoor Corp. v. Ozwear Connection Pty Ltd.*, 2014 WL 4679001, at *13 (C.D. Cal. Sept. 18, 2014) (“There is no hardship to a defendant when a permanent injunction would merely require the defendant to comply with law.”). Under these standards, because Defendant has failed to appear and provide any evidence of hardship, the balance of the hardships weighs in favor of granting injunctive relief.

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(4) Public Interest

“[T]he touchstone of the public interest factor is whether an injunction, both in scope and effect, strikes a workable balance between protecting the patentee’s rights and protecting the public from the injunction’s adverse effects.” *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 863 (Fed. Cir. 2010) *aff’d*, 564 U.S. 91 (2011).

Plaintiff argues that a permanent injunction serves the public interest. If there is no such relief, it will have to increase the license fees paid by those who are following the law to offset the costs of Defendant’s free-riding. This will result in higher prices to consumers. Dkt. 39 at 13. Here, “granting a permanent injunction would protect Plaintiff’s federally protected rights, which is in the public interest, and would have no adverse effect on the public.” *Deckers*, 2014 WL 4679001, at *13; *accord Amini Innovation Corp. v. KTY Intern. Mktg.*, 768 F. Supp. 2d 1049, 1057 (“Allowing such infringement of intellectual property discourages future innovation by failing to provide an adequate forum through which individuals and corporations can protect their own ideas.”).

* * *

Viewed collectively, these factors do not warrant the entry of injunctive relief at this time. Accordingly, the request is **DENIED**, without prejudice to its renewal following the entry of judgment, collection efforts, and any new evidence in support of the entry of injunctive relief.

b) Statutory Damages

35 U.S.C. § 284 provides that, “[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.” “The burden of proving damages falls on the patentee.” *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009).

“There are two methods by which damages may be calculated under [35 U.S.C. § 284]. If the record permits the determination of actual damages, namely, the profits the patentee lost from the infringement, that determination accurately measures the patentee’s loss. If actual damages cannot be ascertained, then a reasonable royalty must be determined.” *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1078 (Fed. Cir. 1983); *accord Lucent*, 580 F.3d at 1324 (“Two alternative categories of infringement compensation are the patentee’s lost profits and the reasonable royalty he would have received through arms-length bargaining.”).

“The correct measure of damages is a highly case-specific and fact-specific analysis.” *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1366 (Fed. Cir. 2008), *mandate recalled and amended on other grounds by Mars, Inc. v. Coin Acceptors, Inc.* (Fed. Cir. 2009). “The reasonable royalty may be based upon an established royalty, if there is one, or if not upon a hypothetical royalty resulting from arm’s length negotiations between a willing licensor and a willing licensee.” *Hanson*, 718 F.2d at 1078. “Where an

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established royalty rate for the patented inventions is shown to exist, the rate will usually be adopted as the best measure of reasonable and entire compensation.” *Id.* (quoting *Tektronix, Inc. v. United States*, 552 F.2d 343, 347 (Ct. Cl. 1977), *cert. denied*, 439 U.S. 1048 (1978)).

Plaintiff seeks damages in the form of the amount of a reasonable royalty that Defendant would have paid following hypothetical negotiations with Plaintiff. In support of this request, Plaintiff explains its business model:

The licenses issued to date for the ‘268 patent have varied by both the licensee and the licensed products. Standard Innovation Corporation, High Joy Products LLC, NextGen Interactive, LLC, Kiiroo B.V., [and] Citouch, are licensed for specific products and/or services under the ‘268 patent. Suki, LLC and Shockspot are device manufacturers, who are sub-licensees of NextGen Interactive, LLC’s license to the ‘268 patent. The current licenses for the ‘268 patent fall into three broad categories, including fully paid up licenses, yearly royalty licenses and per minute licenses. Fully paid up licenses are typically only granted to manufacturers of hardware. Yearly royalty licenses are typically granted to hardware manufacturers who also provide some services, such as encoded videos, and are valued based on the licensee’s volume of sales. Finally, per minute licenses are the most expensive licenses, which are granted to cam and pay per view operators, which provide interactive experiences between users and models.

Dkt. 39 at 8 (internal citations omitted).

Plaintiff states that NextGen “was one of the first licensees to obtain a pay per view license at \$0.05 [] a minute” and that NextGen also pays “a yearly royalty payment of \$10,000 and an upfront payment of \$20,000 in addition to its pay per view license to offer additional products and services including Vstroker.” *Id.* Because Defendant “operates an interactive website to allow interaction between models and multiple partners,” which is similar to that of NextGen, Plaintiff argues that it is entitled to a minimum of \$0.05 per minute, paid no less than every 30 days, a reasonable royalty of \$20,000 up front and \$10,000 every year thereon until the end of the patent term. *Id.* at 8-9. Plaintiff argues that Defendant launched its website in 2012. Therefore, it seeks \$30,000 in total annual royalties for the applicable three-year period. *Id.* at 9.

Finally, Plaintiff argues that it is entitled to reasonable interest in the amount of \$6,100.71. This amount was calculated by applying the New York Prime Interest rate of 3.5% compounded quarterly. *Id.*

Based on the foregoing, Plaintiff requests a total award of \$66,100.71 as a reasonable royalty for Defendant’s past infringement. This includes the \$20,000 up front fee, \$30,000 in annual fees for the three-year period, and \$6,100.71 in interest. But, these amounts total \$56,100.71. Moreover, there is no showing of how the interest amount was calculated or why it is permitted as a matter of law. Plaintiff also seeks a royalty of \$0.05 per minute for any interactive product offered by Defendant, which Plaintiff proposes to calculate with “an order against the payment processor, warehouse shippers and retailers of [Defendant’s website] including Touch of Modern to provide sales numbers for [Defendant’s website], to

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allow the accurate calculation of reasonable royalties.” Dkt. 39 at 18. But, there is no showing that each such product infringes. Moreover, the proposal appears to be a disguised means to seek to levy on the judgment. No such separate remedy is justified or supported by any legal authority that Plaintiff has cited.

Plaintiff’s request for statutory damages is **GRANTED IN PART**. An award of \$56,100.71 is approved.

c) Attorney’s Fees and Costs

Pursuant to 35 U.S.C. § 285, “[t]he court in exceptional [patent] cases may award reasonable attorney fees to the prevailing party.” 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.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). “Criteria for declaring a case exceptional include willful infringement, bad faith, litigation misconduct, and unprofessional behavior.” *Special Happy, Ltd. v. Lincoln Imports, Ltd.*, 2011 WL 2650184, at *10 (C.D. Cal. July 6, 2011) (citing *nCube Corp. v. Sea Change Int’l, Inc.*, 436 F.3d 1317, 1319 (Fed. Cir. 2006)). “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.

As noted, the Complaint alleges that “Defendant knows of the ‘268 patent, based on participation in trade fairs, informational articles and news articles published about the previous lawsuit by former owner, Hassex, Inc., [] against the RealTouch devices, advertising of the patent by the previous owner on www.hassex.com and the marking provided on competing licensed products sold by OhMiBod.” Dkt. 1, ¶ 24. Plaintiff contends that the allegations of the Complaint are sufficient to permit an inference of willful infringement. Plaintiff also argues that Defendant’s “refusal to accept service, and continuing to ignore legal proceedings, while engaging in commercial contacts with this district constitutes bad faith.” Dkt. 39 at 14.

“[T]he fact that a default judgment was entered against [Defendant] does not alone make [a] case exceptional—despite the default finding of willfulness.” *Deckers Outdoor Corp. v. ShoeScandal.com, LLC*, 2013 WL 6185203, at *3 (C.D. Cal. Nov. 25, 2013) (citing *Telequip Corp. v. The Change Exch.*, 2007 WL 655734, at *2 (N.D.N.Y. Feb. 26, 2007) (denying patentee’s motion for attorney’s fees and noting that “neither willful infringement nor defaults are unusual in patent infringement cases”); *Cequent Trailer Prods., Inc. v. Intradin (Shanghai) Mach. Co.*, 2007 WL 438140, at *11 (N.D. Ohio Feb. 7, 2007) (awarding treble damages for willful infringement but declining to award attorney’s fees on default)).

Some courts have awarded attorney’s fees in connection with the entry of a default judgment based solely on the allegation that the infringement was willful. See, e.g., *Ceiva Logic Inc. v. Frame Media Inc.*, 2014 WL 7338840, at *4 (C.D. Cal. Dec. 19, 2014). However, the Federal Circuit has stated that “a finding of willful infringement does not mandate that damages be increased or that attorney[’]s fees be awarded” *Tate Access Floors, Inc. v. Maxcess Techs., Inc.*, 222 F.3d 958, 972 (Fed. Cir. 2000). Moreover, to award attorney’s fees here based solely on the allegation of willfulness and Defendant’s failure to respond, would, in effect, establish a per se rule in favor of an award under 35 U.S.C. § 285 in connection

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with any default judgment. This would be inconsistent with the controlling standards for determining whether fees should be awarded. As explained in *Deckers Outdoor*:

The bare default finding of willful infringement is insufficient evidence of exceptional circumstances to warrant an attorneys'-fees award. Attorneys' fees are not awarded as a matter of course, and should not be permitted in the ordinary, typical patent suit. Neither default judgments nor willful infringement are uncommon in patent-infringement cases. The Court is not willing to categorize a default finding of willfulness as exceptional without some additional extraordinary circumstances plead in the complaint. An attorneys'-fees award should be premised upon a finding of unfairness, bad faith, or other equitable consideration of similar force that makes it grossly unjust that the prevailing party be left to bear the burden of its counsel's fees. [Plaintiff]'s complaint does not allege such circumstances here.

This is not to say that the Court condones [Defendant]'s actions—it intentionally failed to participate in this action. But although [Defendant] is blameworthy for its failure to file responsive pleadings, this is not sufficiently exceptional to warrant an attorneys'-fees award.

2013 WL 6185203, at *4; *accord Tech. Advancement Grp., Inc. v. IvySkin, LLC*, 2014 WL 3501060, at *6 (E.D. Va. July 14, 2014) (“The Court concludes that simply failing to respond to a lawsuit does not rise to this standard. Indeed. Plaintiff has likely spent far less in attorneys' fees in this case than it would have had Defendant contested the case on its merits.”).

For these reasons, Plaintiff's request for attorney's fees and non-taxable costs pursuant to 35 U.S.C. § 285 is **DENIED**. However, Plaintiff, as the prevailing party, may recover certain taxable costs pursuant to 28 U.S.C. § 1920 and Fed. R. Civ. P. 54. *See Maurice A. Garbell, Inc. v. Boeing Co.*, 546 F.2d 297, 301 (9th Cir. 1976). Plaintiff shall submit a bill of costs within 10 days of the issuance of this Order.

IV. Conclusion

For the reasons stated in this Order, Plaintiff's Motion is **GRANTED IN PART**. Plaintiff's request that default judgment is entered against Defendant Winzz LLC is **GRANTED**. The request for injunctive relief is **DENIED**, without prejudice. The request for damages is **GRANTED IN PART**, and Plaintiff is awarded \$56,100.71. Finally, the request for an award of attorney's fees and non-taxable costs is **DENIED**.

Plaintiff shall lodge a proposed Judgment consistent with this Order on or before June 20, 2016.

IT IS SO ORDERED.

Initials of Preparer _____ : _____
ak _____