

THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division

FREIGHT TRACKING TECHNOLOGIES, LLC,
Plaintiff,

Civil Action No: 2:13cv708

v.

VIRGINIA INTERNATIONAL TERMINALS, LLC, *et al.*,
Defendants,

and

NOW SOLUTIONS, INC.,
Intervenor.

ORDER

Pending before the Court is a motion by Intervenor NOW Solutions, Inc. (“NOW”) for an award of fees, ECF No. 232, against Plaintiff Freight Tracking Technologies, LLC (“Plaintiff” or “Freight Tracking”) and Wiley Rein LLP (“Wiley Rein”) and a related Cost Bill. ECF No. 229. In response, Plaintiff and Wiley Rein vigorously oppose NOW’s motion and move for an order pursuant to Federal Rule of Evidence 502(d) protecting their responsive or subsequent filings or proceedings relating to NOW’s fees motion and Cost Bill (or in any appeal of this Court’s rulings). ECF No. 287. Specifically, their 502(d) Motion seeks an order declaring that their disclosure of documents, discussions, or communications that are protected by the attorney-client privilege or the attorney work product doctrine remain protected in this or in any other federal or state proceeding. These motions are resolved below.

BACKGROUND

On December 20, 2013, Plaintiff brought suit against Virginia International Terminals, LLC (“VIT”). ECF No. 1. Plaintiff alleged that VIT used Plaintiff’s patented GPS tracking methods. *Id.* paras. 19–26. Largely, the dispute centered on the meaning of the word “attach,”

because the patents at issue specify that the GPS is “attached” to the freight container. Defendant VIT opposed Plaintiff’s claims, in part, on the basis that the technology that its technology attached the GPS to a *vehicle* that moved the freight containers.

On May 22, 2014, NOW, the maker of the technology at issue, filed an Intervenor Complaint. ECF No. 54. Intervenor NOW rejected Plaintiff’s interpretation that VIT attached the GPS to the freight container in an infringing manner, and demanded that Plaintiff dismiss the case. Before commencing further litigation, the parties requested a hearing to construe patent terms. ECF No. 59. The Court held a claims construction hearing, and on February 24, 2015, ruled on the construction of a number of disputed terms. ECF No. 135.¹

On May 27, 2015, the Court concluded that the claim construction ruling foreclosed Plaintiff’s arguments for literal infringement. ECF No. 186. The Court also reserved ruling on Plaintiff’s doctrine of equivalents argument, and instead directed Plaintiff to respond to NOW’s request to strike Plaintiff’s supplemental expert testimony. *Id.* The Court later struck the supplemental testimony as untimely, and granted NOW’s Motion for Summary Judgment as to the doctrine of equivalents. The Clerk entered Judgment on August 11, 2015.

Plaintiff appealed the Judgment and all underlying Orders, including the Court’s decisions granting summary judgment, striking portions of the expert declarations, overruling Plaintiff’s opposition to the Motion to Strike, and construing dispute claim terms. ECF No. 217. On June 22, 2016, the Federal Circuit affirmed this Court’s rulings per curiam. *See Freight Tracking Tech., LLC v. Va. Int’l Terminals*, 653 F. App’x 759 (Fed. Cir. 2016). Subsequently, NOW filed a motion in this Court for an award of attorneys’ fees and submitted a Cost Bill.

¹ Regarding the meaning of “attach,” the Court held that the term was to be afforded “its plain and customary meaning, which means ‘affix or fasten to.’” Order at 12, ECF No. 135.

Before turning to the fees motion and the Cost Bill, the Court resolves the motion brought pursuant to Federal Rule of Evidence 502(d).

QUESTIONS PRESENTED

I. JOINT MOTION FOR RULE 502(D) ORDER

A. Legal Standard

Rule 502 of the Federal Rules of Evidence provides that a federal court may order that the attorney-client privilege or work product protection “is not waived by disclosure connected with the litigation pending before the court.” Congress intended courts to “weigh the circumstances of the disclosure, the nature of the legal advice sought and the prejudice to the parties in permitting or prohibiting further disclosures.” *United States v. Moazzeni*, 906 F. Supp. 2d 505, 513 (E.D. Va. 2012) (internal quotation marks and citations omitted); *see also United States v. Daugerdas, et al.*, No. S3 09-cr-581 (WHP), 2012 WL 92293, at *2 (S.D.N.Y. Jan. 11, 2012) (holding that Rule 502(d) covers work product material subpoenaed by opposing party, and denying motion to unseal material for use in other proceedings).

B. Analysis

Plaintiff and Wiley Rein move for an order recognizing that the documents or communications they disclose will remain protected by any applicable attorney-client privileges and the attorney work-product doctrine, and that any disclosure not be construed as a waiver. Intervenor NOW opposes this motion.

Plaintiff and Wiley Rein assert that this proposed Rule 502(d) Order is necessary to prevent an unintended waiver of applicable attorney-client privilege or work product protections. Intervenor NOW acknowledges the Court’s authority to issue the order that Plaintiff and Wiley Rein seek under the Federal Rules of Evidence, but NOW contends that Plaintiff and Wiley Rein

have made unfairly selective disclosures. NOW requests that the Court compel Plaintiff and Wiley Rein to make a broader disclosure of privileged communications. This request is denied.

After careful evaluation of the parties' positions, the Court concludes that the disclosures at issue do not waive the attorney-client privilege or any work product protection in this, or other, proceedings. Accordingly, the Joint Motion (ECF No. 287) brought by Plaintiff and Wiley Rein for an order pursuant to Federal Rule of Evidence 502(d) is **GRANTED**.

II. NOW'S MOTION FOR FEES

Intervenor NOW seeks to hold Plaintiff and Wiley Rein, its former counsel, jointly and severally liable for more than \$1.5 million in attorneys' fees. Among other allegations, NOW asserts that Plaintiff and its former counsel brought this action vexatiously and without regard to the lack of merits in the case. For the reasons provided herein, the Court determines that an award for fees is unwarranted.

A. Legal Standards

1. Award of Fees under the Patent Act

"In general, absent a contractual or statutory provision to the contrary, a prevailing party cannot recover attorneys' fees and expenses from a losing party." *Hitachi Credit Am. Corp. v. Signet Bank*, 166 F.3d 614, 631 (4th Cir. 1999). The Patent Act provides, however, that the "court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (2012). "A party must prove that a case is exceptional and therefore entitles the party to fees by a preponderance of the evidence." *DietGoal Innovations, LLC v. Wegmans Food Markets, Inc.*, 126 F. Supp. 3d 680, 684 (E.D. Va. 2015) (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014)).

Courts have given the word “exceptional” its ordinary meaning of “uncommon,” “rare” or “not ordinary.” *Octane Fitness*, 134 S. Ct. at 1751. 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.” *Id.* There is no precise rule or formula for making this determination. *Id.* Instead, the Court considers the “totality of the circumstances” and undertakes a “case by case” determination. *Id.*

A non-exhaustive list of factors for courts to consider in this exercise includes “bad faith litigation, objective unreasonable positions, inequitable conduct before the PTO, [and] litigation misconduct. . . .” *DietGoal Innovations, LLC v. Wegmans Food Markets, Inc.*, 126 F. Supp. 3d 680, 684 (E.D. Va. 2015) (internal quotation marks and citation omitted); *see also Octane Fitness*, 134 S. Ct. at 1756 n.6 (stating that under similar Copyright Act provisions, factors considered include “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.”) (internal quotation marks and citation omitted).

2. Award of Fees under 28 U.S.C. § 1927

Courts may also award attorneys’ fees pursuant to 28 U.S.C. § 1927, against counsel who “multiply proceedings in any case unreasonably and vexatiously.” To prevail under § 1927, bad faith must be shown, and it can be found “when it becomes evident that a claim lacks merit but an attorney persists in litigating the claim nonetheless.” *Shank, et al. v. Eagle Techs., Inc.*, No. RWT-10-2231, 2013 WL 4442033, at *2 (D. Md. Aug. 15, 2013) (citing *Blue v. Dep’t of Army*, 914 F.2d 525, 537 (4th Cir. 1990)). Section 1927 further limits fees to excess costs, expenses,

and attorneys' fees reasonably incurred because of counsel's misconduct. 28 U.S.C. § 1927 (2012).

3. Award of Experts' Costs via the Court's Inherent Powers

NOW also urges the Court to exercise its inherent authority to award experts' costs that NOW was compelled to incur, arguing that an award of attorneys' fees alone would compensate NOW inadequately. "In addition to the authority granted under 28 U.S.C. § 1927, this court also possesses the inherent authority in appropriate cases to assess attorneys' fees and impose other sanctions against a litigant or a member of the bar who has acted in bad faith, vexatiously, wantonly, and for oppressive reasons." *Stradtman v. Republic Servs., Inc.*, 121 F. Supp. 3d 578, 581 (E.D. Va. 2015) (internal quotation marks and citations omitted). "Use of this inherent authority is reserved for cases where the district court makes a finding of fraud or bad faith whereby the very temple of justice has been defiled. *MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 921 (Fed. Cir. 2012) (internal quotation marks and citations omitted).

B. Analysis

Intervenor NOW seeks attorneys' fees on the basis of the following five general arguments: (1) the inadequacies of Plaintiff's pre-suit investigations; (2) Plaintiff's strategies after the Court's summary judgment rulings; (3) Plaintiff's weak presentation of its doctrine of equivalents argument; (4) Plaintiff's alleged refusals to cooperate with NOW; and (5) the totality of the circumstances. The Court addresses each of these arguments in turn, keeping in mind that when determining whether to award attorneys' fees, "(t)he 'exceptional case' finding turns mainly on whether the claim is plausible or objectively baseless." *DietGoal Innovations, LLC v. Chipotle Mexican Grill, Inc.*, No. 2:12-cv-764, 2015 WL 1284826, at *4 (E.D. Tex. Mar. 20, 2015).

1. Pre-suit Investigation

Intervenor NOW asserts that Freight Tracking and its counsel brought this case for the sole purpose of inducing a settlement payment, without regard to the facts, and failed to understand the technology that VIT utilized. ECF No. 233 at 1. It alleges that Freight Tracking conceded that it conducted only an Internet search “to see who might be using GPS and differential GPS in the context of tracking freight.” *Id.* (quoting Hutson Dep. at 301:24-302:1, ECF No. 235-4).

However, Wiley Rein has explained that “NOW’s description of the pre-suit investigation is incomplete.” ECF No. 277 at 8–9. When Mr. Hutson acknowledged conducting Internet searches to research what companies might be utilizing GPS in freight tracking, he was describing merely one available method for identifying companies that infringed his patent. He did not assert that this kind of search encompassed the extent of the pre-filing investigation undertaken in this matter. Rather, Mr. Hutson has submitted claim charts, written descriptions, and prosecution histories that he prepared before the filing of the instant matter. Moreover, Wiley Rein confirms spending more than 100 hours in attorney time to evaluate the suit and engaging a technical expert before bringing the claims. In light of these facts, this Court concludes that NOW failed to establish that the scope of Plaintiff’s pre-suit investigations warrants an award of fees.

2. NOW’s Summary Judgment and Appeal

Intervenor NOW argues that Plaintiff had represented falsely that if it lost on claim construction, it would either dismiss its claim or appeal the Court’s ruling. However, the Court’s construction of the term “attaching” differed from the respective proposed constructions

presented by the parties. In light of this, Plaintiff's strategic decision to contemplate further litigation on the issue was reasonable.

The Court later granted summary judgment against Plaintiff, holding that no reasonable jury could find literal infringement of Plaintiff's patents and portraying Plaintiff's position as attempting to relitigate its previously unsuccessful claim construction argument. The opportunity for Plaintiff to explore a theory regarding "indirect attachment" remained, however, and further litigation at this stage was reasonable and not vexatious.

"Courts, however, must resist the temptation to engage in post hoc reasoning by concluding that an ultimately unsuccessful action must have been unreasonable or without foundation." *800 Adept, Inc. v. Murex Sec., Ltd., et al.*, 539 F.3d 1354, 1371 (Fed. Cir. 2008) (internal quotation marks and citations omitted). The Federal Circuit granted a hearing on the subsequent appeal, which suggests that the decision to pursue further litigation was not unfounded. *See iLor, LLC v. Google, Inc.*, 631 F.3d 1372, 1379 (Fed. Cir. 2011). Accordingly, an award of attorneys' fees based upon Plaintiff's strategies before and after the summary judgment motion stages, and the strategies that Plaintiff employed regarding appellate litigation, is unwarranted.

3. Failure to Develop the Record on Doctrine of Equivalents

Intervenor NOW seeks an award of fees based, in part, upon Freight Tracking's errors that resulted in the Magistrate Judge granting NOW's motion to strike Plaintiff's supplemental expert report. The decision striking that report effectively foreclosed Plaintiff from advancing a doctrine of equivalents argument. *See* ECF No. 205. Plaintiff's failure to properly advance an argument based upon the doctrine of equivalents cannot be fairly construed as vexatious.²

² The Court does not opine on whether the doctrine of equivalents argument would have been successful. The issue was never properly before the Court.

4. Plaintiff's Opposition to Various Actions by NOW

Next, Intervenor NOW refers to a number of positions taken by Plaintiff that contributed to the contentiousness of this litigation. These examples include Plaintiff's opposition to NOW's Motion to Intervene; Plaintiff's discovery challenges; and Plaintiff's opposition to a proposed stay that was later granted. The Court has scrutinized these arguments, and the record of this litigation. This scrutiny compels the conclusion that NOW has failed to adequately show that Plaintiff's conduct was in bad faith, vexatious, or that this litigation was otherwise sufficiently exceptional to warrant an award of fees. Further analysis of this argument is unwarranted.

5. Totality of Plaintiff's Actions

Taken as a whole, the record reflects that this was contentious litigation. However, NOW makes no showing of objective bad faith on the part of Plaintiff. Undeniably, Plaintiff advanced arguments and positions that were unsuccessful, but NOW has failed to prove by a preponderance of the evidence that this case qualifies as a rare, "exceptional" case that merits an award of attorneys' fees under 35 U.S.C. § 285. Intervenor NOW also fails to meet the heightened standards required for a fees award under 28 U.S.C. § 1927, or that the Court should exercise its inherent powers to award fees or experts' costs. Accordingly, Intervenor's Motion for Attorneys' Fees is **DENIED**.

III. NOW'S BILL OF COSTS

Pending before the Court is NOW's Bill of Costs filed pursuant to 28 U.S.C. § 1920, claiming costs of \$44,032.45. Plaintiff responds that it has identified only \$8,168.43 in appropriate, allowable costs, but that the Court should exercise its discretion to decline to award any amount because of NOW's poor pleadings.

The applicable statute allows for the Court to tax costs for:

- (1) fees of the clerks and marshal;
- (2) fees for printed or electronically recorded transcripts necessarily obtained for use in the case;
- (3) fees and disbursement for printing and witnesses;
- (4) fees for exemplification and the cost of making copies of any materials where the copies are necessarily obtained for use in the case;
- (5) docket fees under section 1923 of this title; and
- (6) compensation of court appointed experts or interpreters or others.

28 U.S.C. § 1920.

Under § 1920, the Court lacks discretion to award costs other than those specifically enumerated. *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2001 (2012) (holding that courts do not have discretion to tax costs not enumerated under § 1920). Courts will award the amounts that can be identified as properly taxable. Costs listed under the miscellaneous “other” category on NOW’s Bill of Costs include voice and data fees, document production fees, mail services, and assorted research related expenses. Those costs are not taxable under the statute.

Additionally, NOW fails to justify its claim for \$1,382.45 for two video depositions, because the District’s guidelines prohibit videotaped deposition costs without an authorizing order or stipulation. Similarly, NOW seeks costs for “real time” transcription services fees and rough drafts in the amount of \$1,990.45 without any justification. When the record does not present any basis or justification for reimbursement of these costs, they must be disallowed. *In re Outsidewall Tire Litig.*, 52 F. Supp. 3d 777, 793 (E.D. Va. 2014), vacated and remanded, 636 F. App’x 166 (4th Cir. 2016).

The Court finds that the Cost Bill seeks recovery of costs that are reasonably necessary and permitted under 28 U.S.C. § 1920, except for \$1,382,45 for video depositions, \$1,990.45 for rough draft and “real time” transcription services fees, and \$26,392.83 in “other” costs. Accordingly, the Court awards NOW, as the prevailing party, (1) \$300 in clerk’s fees; (2) fees

for \$12,808.84 for deposition and hearing transcripts; and (3) \$1,167.89 for copies. Total costs in the amount of \$14,276.73 are taxed against Plaintiff Freight Tracking.

CONCLUSION

The Motion for 502(d) protection advanced by Plaintiff and Wiley Rein (ECF No. 287) is **GRANTED**. It is **ORDERED** that any documents, discussions, or communications that are protected by the attorney-client privilege or the attorney work product doctrine that have been disclosed by Freight Tracking or Wiley Rein in connection with Freight Tracking's and Wiley Rein's respective Oppositions to NOW Solutions, Inc.'s Motion for Fees, or are disclosed in any subsequent filings or proceedings relating to that motion before this Court or in any appeal of this Court's ruling, shall remain under any applicable attorney-client privilege and attorney work product protection. The protections extended to those disclosed materials and to the subject matter of those materials, in this or in any other federal or state proceeding, are not waived.

Intervenor NOW's Motion for an Award of Attorneys' Fees (ECF No. 232) is **DENIED**.

The Court **ORDERS** that costs be taxed against Plaintiff Freight Tracking in favor of Intervenor NOW in the amount of \$14,276.73.

IT IS SO ORDERED.

March 15, 2017
Norfolk, Virginia



Arenda L. Wright Allen
United States District Judge

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