

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO. 13-23309-CIV-ALTONAGA/O’Sullivan

ATLAS IP, LLC,

Plaintiff,

v.

MEDTRONIC, INC., et al.,

Defendants.

ORDER

THIS CAUSE is before the Court on Defendants, Medtronic, Inc.; Medtronic USA, Inc.; and Medtronic MiniMed, Inc.’s (collectively, “Medtronic[’s]”) Motion for Attorneys’ Fees Under 35 U.S.C. § 285 (“Fees Motion”) [ECF No. 288], filed along with exhibits [ECF Nos. 288-1 to 288-35] on March 16, 2016. The Court has carefully reviewed the Fees Motion; Plaintiff, Atlas IP, LLC’s (“Atlas[’s]”) Opposition to Defendants’ Motion for Attorneys’ Fees . . . (“Response”) [ECF No. 290] and exhibits [ECF Nos. 291-1 to 291-3; 292-1]; Defendants’ Reply . . . (“Reply”) [ECF No. 296] and exhibit [ECF No. 296-1]; the file, and applicable law. For the reasons explained below, the Fees Motion is denied.

In lieu of repeating the background facts and history of the case, the reader’s attention is directed to several orders of the Court: the Order of October 6, 2014 [ECF No. 237], granting Defendants’ Motion . . . to Exclude the Opinions of Donald Merino . . . [ECF No. 145]; the Order of October 8, 2014 [ECF No. 243], granting in part and denying in part Medtronic’s Motion for Summary Judgment [ECF No. 148], granting summary judgment of non-infringement as to claims 6 and 11, but denying summary judgment as to claim 21; the Order of October 15, 2014 [ECF No. 258], granting in part and denying in part Atlas’s Motion for

Summary Judgment [ECF No. 139]; and the Order of October 17, 2014 [ECF No. 260] granting Medtronic's Motion for Reconsideration [ECF No. 248] as to non-infringement of claim 21, following which Final Judgment [ECF No. 261] was entered on October 17, 2014 in favor of Medtronic. Attention is also directed to the Court's claim construction Order entered in *Atlas IP, LLC v. St. Jude Medical, Inc.*, No. 14-21006-CIV, 2014 WL 3764129 (S.D. Fla. July 30, 2014), which, by agreement of the parties, governed this case.¹ Detailed recitations concerning the parties' claims and defenses in this patent infringement case regarding wireless communication protocols used in medical devices related to U.S. Patent No. 5,371,734 (the "734 Patent"), owned by Atlas, are contained in the Orders described and are not repeated here.

Atlas appealed the Final Judgment, and Medtronic cross-appealed (*see* [ECF Nos. 262, 264]). At the request of the parties (*see* Joint Motion . . . [ECF No. 268]), the Court entered an Amended Final Judgment [ECF No. 270] on November 17, 2014. In *Atlas IP, LLC v. Medtronic, Inc.*, 809 F.3d 599 (Fed. Cir. 2015), the court addressed only claim 21, and affirmed in part and reversed in part the summary judgment orders.

Medtronic now seeks its attorney's fees incurred in defending this action, pursuant to the Patent Act fee-shifting provision, 35 U.S.C. section 285.² Section 285 of the Patent Act allows a court, "in exceptional cases" to "award reasonable attorney fees to the prevailing party." *Id.* The word "exceptional" is not defined in the Patent Act, and so the courts are to construe it in accord with its ordinary meaning. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct.

¹ Atlas originally named St. Jude Medical, Inc. and St. Jude Medical S.C., Inc. (collectively "St. Jude") as defendants in this action along with Medtronic. By Order dated March 17, 2014 [ECF No. 96], the Court granted St. Jude's Motion to Dismiss Under 35 U.S.C. Section 299 [ECF No. 87], and directed Atlas to sue St. Jude in a separate action, which ended up as case number 14-21006-CIV.

² Section 285 is an exception to the "American rule," which recognizes a litigant's "attorney's fees are not ordinarily recoverable in the absence of a statute or enforceable contract providing therefor." *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717 (1967).

1749, 1756 (2014) (citations omitted). To be exceptional, the case must be “uncommon, rare, or not ordinary.” *Id.* (internal quotation marks and citations omitted). “[A]n ‘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.* (alteration added).

The Court is required to determine whether a case is exceptional using a “case-by-case” approach to the exercise of its discretion, and in doing so “consider[] the totality of the circumstances.” *Id.* (alteration added). A “nonexclusive” list of “factors” the Court may consider includes “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 1756 n.6 (internal quotation marks and citation omitted). Given these factors, at least one court has found the primary purpose of awarding fees under section 285 is to prevent abuse of the patent litigation process and compensate the targets of such abuse. *Commonwealth Labs., Inc. v. Quintron Instrument Co., Inc.*, 2015 U.S. Dist. LEXIS 176133 at *4 (S.D. Fla. Aug. 15, 2015). The Court should not use “sanctionable conduct as the appropriate benchmark; instead a district court may award fees in the rare case in which a party’s unreasonable conduct — while not necessarily independently sanctionable — is nonetheless so exceptional as to justify an award of fees.” *Aylus Networks, Inc. v. Apple Inc.*, 2016 U.S. Dist. LEXIS 44066, at *12 (N.D. Cal. Mar. 30, 2016) (internal quotation marks and citation omitted).

Medtronic advances several reasons why it considers this case exceptional, and it is entitled to fees under section 285. First, it argues Atlas filed this suit based on an incorrect guess following review of a press release indicating Medtronic used a wireless chipset manufactured by Zarlink; in reality, Medtronic had never used Zarlink chipsets in the accused products. (*See*

Fees Mot. 4–5). Second, Medtronic asserts Atlas pressed on with this action even though its only basis for filing suit was wrong, and notwithstanding voluminous discovery failed to show any accused products infringed the asserted claims. (*See id.* 5–6). Third, Medtronic insists the case is exceptional because Atlas continued litigating after receiving a case-ending claim construction order. (*See id.* 6-7). Fourth, Medtronic argues Atlas sought to avoid summary judgment with new and groundless infringement theories. (*See id.* 7–8). Fifth, according to Medtronic, Atlas held on to baseless damages theories until the end. (*See id.* 8–11). And sixth, Medtronic insists Atlas’s litigation conduct compels a finding the case is exceptional. (*See id.* 11–13). Atlas addresses each of these contentions in its Opposition, and its explanations are considered below.

As to the first claim regarding Atlas suing based on an “incorrect guess,” it is appropriate for a district court to consider the motivations behind a patentee’s litigation history in deciding if a case is exceptional. In *Commonwealth Labs., Inc.*, for example, the court observed filing five infringement actions did not suggest a pattern of filing frivolous lawsuits, in contrast to a patentee who filed over 100 infringement actions after destroying many of patentee’s relevant documents. 2015 U.S. Dist. LEXIS 176133, at *6 (comparing *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314 (Fed. Cir. 2011)).

In response to Medtronic’s accusation regarding its “incorrect guess,” Atlas explains: shortly after acquiring and reviewing the ’734 patent, Atlas’s founder, Matthew Pasulka, started researching Medtronic’s efforts in wireless technology, which led him to Zarlink and to St. Jude (which Atlas accuses of infringement by virtue of its inclusion of Zarlink chipsets in its medical implant devices (*see* Opp’n 5)); Pasulka provided documentation to outside counsel, and six months later outside counsel filed this suit. (*See* Opp’n 3–4). While admittedly the Complaint

[ECF No. 1] erroneously alleged the Medtronic accused products incorporated Zarlink chip sets (*see id.* ¶ 11), this assumption was not unreasonable given the referenced June 2011 press release, the only evidence publicly available to Atlas. (*See* Opp'n 4). Medtronic's one-page Reply does not challenge Atlas's explanation. (*See* Reply 2). The Court finds Atlas has presented sufficient evidence to show its motivations in bringing this suit were not improper.

As to the second ground, that Atlas pressed on even though its only basis for filing suit was wrong, and notwithstanding discovery failed to show any Medtronic accused products infringed the asserted claims, Atlas responds it relied on its expert, Dr. J. Nicholas Laneman. Dr. Laneman worked on his infringement analysis in April and May 2014, although he did some work on his opinions in the fall of 2013, producing a 28-page report with claim charts, citing to more than 150 items of evidence produced by Medtronic. (*See* Opp'n 8–9 (citations omitted)). The Court agrees with Atlas that Medtronic distorts the record, minimizing Dr. Laneman's review and the extent of his infringement analysis. Again, Medtronic does not address these explanations in its brief Reply. (*See* Reply 2). Exceptionality is not shown on this basis.

Medtronic's third argument is that Atlas insisted on litigating this case after receiving the Court's July 30, 2014 claim construction Order. While true, litigating a case after an adverse claim construction order alone is insufficient to render a case exceptional under section 285. As noted by the court in *EON Corp. IP Holdings LLC v. Cisco Systems Inc.*, No. 12-cv-01011-JST, 2014 WL 3726170 (N.D. Cal. July 25, 2014):

Defendants argue that EON knew or should have known that [the] Court's First Claim Construction Order was dispositive of all of EON's infringement theories. . . . [T]he Court agrees that EON's infringement contentions lack merit. But that by itself is not enough to render a case "extraordinary." Patent litigants often disagree about whether a plaintiff has viable infringement contentions after an adverse claim construction, and one side is usually wrong.

Id. at *5 (alterations added). Medtronic addresses this point briefly, seeking to distinguish *EON Corp. IP Holdings LLC* by noting the court there stated “by itself” litigating a patent infringement case after an adverse claim construction did not make a case exceptional (*see Reply 2* (citing *EON Corp. IP Holdings LLC*, 2014 WL 3726170, at *5)); but insisting Atlas is guilty of several transgressions, not one. And yet, the several transgressions all revolve around an erroneous assumption by Atlas, after reviewing a press release, that the accused products contained the Zarlink chip set, *see, e.g., Commonwealth Labs, Inc.*, 2015 U.S. Dist. LEXIS 176133 at *5–6 (noting “Defendant’s website supported a reasonable good-faith belief that Defendant was infringing Plaintiff’s patent”); and a flawed infringement argument poorly supported by Dr. Laneman’s analysis. These and the other issues addressed below do not render the case so different from *EON Corp. IP Holdings LLC*, where even the court acknowledged the “post-claim construction activity . . . is in many ways difficult to explain,” presenting a “close” but not “extraordinary” case. 2014 WL 3726170, at *5–6.

Medtronic’s fourth contention is that Atlas sought to avoid summary judgment with groundless infringement theories advanced by Dr. Laneman and a new theory of infringement based on the doctrine of equivalents for which Dr. Laneman did not have an opinion. As pointed out by Atlas, Medtronic moved for summary judgment on several grounds, and the Court’s 32-page opinion denied summary judgment on all issues except for the “revoking” limitation of claim 11. (*See Opp’n 11* (citing Order of October 8, 2014)). In other words, several arguments Medtronic advanced were rejected. Then, on reconsideration, the Court granted summary judgment as to the “transmitting” limitation, dismissing Atlas’s claim. (*See id.* 11 (citing Order of October 17, 2014)). Finally, Atlas voluntarily withdrew the doctrine of equivalents theory. (*See id.*). The Court cannot say Atlas’s refusal to voluntarily dismiss the case before the

summary judgment proceedings renders the case exceptional. *See Vasudevan Software, Inc. v. Microstrategy, Inc.*, No. 11-cv-06637-RS, 2015 U.S. Dist. LEXIS 110522 at *5 (Aug. 19, 2015) (“That [the plaintiff] advanced positions based on a reading of the prosecution history ultimately found to be untenable does not render its case wholly frivolous, or necessarily imply it acted in bad faith, such that its conduct should be deemed ‘exceptional.’” (alteration added)).


The fifth argument Medtronic presents is that Atlas held on to baseless damages theories until the end. According to Medtronic, “Atlas worked hard to put teeth into its suit in the form of an absurdly high \$1 billion damages theory set forth by Atlas’s damages expert Donald Merino.” (Fees Mot. 8). The Order of October 6, 2014 agreed with Medtronic that Mr. Merino’s methodology, relying on the entire market value of Medtronic’s end products, instead of the smallest salable patent-practicing unit, was infirm. (*See* Oct. 6, 2014 Order, 4–7). In addition to finding Mr. Merino used an inflated royalty base in his damages analysis, the Court disagreed he conducted a correct apportionment of the profits attributable to the patented technology. (*See id.* 7–8). The Court’s rejection of Atlas’s expert’s flawed damages theory and exclusion of the expert’s damages opinions do not an exceptional case make, however. *See, e.g., TransPerfet Global, Inc. v. MotionPoint Corp.*, No. C 10-2590 CW, 2014 WL 6068384, at *8 (N.D. Cal. Nov. 13, 2014) (denying motion for attorney’s fees while acknowledging counter-plaintiff had “asserted some frivolous arguments and filed some frivolous motions during this litigation.”).

Last, Medtronic takes issue with Atlas’s litigation conduct. The matters Medtronic raises — Atlas’s counsel filing documents late on three occasions; Atlas’s attempt to change its damages theory on the eve of trial, after Dr. Merino’s opinions were excluded; and Atlas filing a separate lawsuit against Medtronic alleging its neurological products infringe “after Atlas discovered a new protocol used by a separate Medtronic entity” (Opp’n 15), when Atlas made

the discovery after Medtronic failed to disclose the protocol in discovery here in this suit — hardly make a case of egregious litigation conduct warranting fee-shifting. *See Vasudevan*, 2015 U.S. Dist. LEXIS 110522, at *19 (noting plaintiff’s “manner of litigation was not sufficiently egregious to justify fee-shifting.”). As pointed out by Atlas and not addressed by Medtronic in its one-page Reply, Medtronic was guilty of not observing scheduling order deadlines itself; and surely the later, separate action against Medtronic over a different product is in no way a proper example of litigation misconduct. (*See Opp’n* 14–15).

Following a careful review of the totality of the circumstances, the Court concludes this is not a case that stands out from others with respect to the substantive strength of Atlas’s litigating position or the manner in which the case was litigated. *See Octane Fitness, LLC*, 134 S. Ct. at 1756. For the foregoing reasons, it is **ORDERED AND ADJUDGED** that the Motion for Attorneys’ Fees Under 35 U.S.C. § 285 [ECF No. 288] is **DENIED**.

DONE AND ORDERED in Miami, Florida this 5th day of May, 2016.


CECILIA M. ALTONAGA
UNITED STATES DISTRICT JUDGE

cc: counsel of record