

**IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

CLEARLAMP, LLC,)	
)	
Plaintiff,)	
)	Case No. 12 C 2533
v.)	
)	Judge Joan H. Lefkow
LKQ CORPORATION,)	
)	
Defendant.)	

ORDER

LKQ Corporation’s motion for attorney’s fees under the exceptional case doctrine arising under 35 U.S.C. § 285 (dkt. 208) is denied. See Statement.

STATEMENT

The facts of this case and its procedural history have been set forth in the court’s previous opinions and orders and are only repeated here as needed to address LKQ’s pending motion to find this case exceptional. On March 18, 2016, the court ruled on the parties’ cross-motions for summary judgment on invalidity and infringement of Clearlamp, LLC’s U.S. Patent No. 7,297,364 (the Patent). (Dkt. 193.) As set forth in that opinion and in a subsequent ruling on Clearlamp’s motion for reconsideration (dkt. 217), the court found that a combination of prior art rendered the Patent invalid as obvious.

I. Legal Standard

Section 285 of the Patent Act authorizes a district court to “award reasonable attorney fees to the prevailing party” in “exceptional cases.” 35 U.S.C. § 285. The standard is found in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. ----, 134 S. Ct. 1749, 1756, 188 L. Ed. 2d 816 (2014), which characterizes an exceptional case as “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.* District courts “may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* A preponderance of the evidence is sufficient to prove exceptionality. *Id.* at 1758.

II. Analysis

A case can be exceptional if either of the *Octane Fitness* prongs is satisfied. Here, LKQ maintains that this case is exceptional under both. It argues that the “substantive strength” prong is met because Clearlamp ignored evidence that demonstrated that it could not prevail; and it argues that the “unreasonable manner in which the case was litigated” prong is met because

Clearlamp unreasonably increased LKQ's defense costs.¹ LKQ's briefing is hard to follow, as arguments seem to be repeated and spread over three different sections. In the end, the arguments are unconvincing.

A. Substantive Strength

In support of its position that Clearlamp ignored evidence that demonstrated that its case lacked merit, LKQ points to (1) its use of UVHC3000 in the prior art period and (2) its development of the accused process prior to the filing of the Patent.

While it is true that the court found the asserted claims invalid as obvious because of a prior art combination that included the UVHC3000 datasheet, the existence of the datasheet does not make this case exceptional. As discussed in the court's summary judgment ruling, the UVHC3000 datasheet was discovered by the parties after *inter partes* review. Although, the court concluded that LKQ was not estopped from relying on the datasheet in district court as a result of its unavailability during *inter partes* review, that does not mean that Clearlamp had an exceptionally weak argument. In fact, in finding that LKQ was entitled to summary judgment, the court explicitly noted that the law relating to *inter partes* review estoppel is unsettled. *See, e.g., Travel Sentry, Inc. v. Tropp*, No. 06 C 6415, 2016 WL 4491718, at *2 (E.D.N.Y. Aug. 25, 2016) (finding that claims were not patently meritless or unreasonably litigated, in part because the claims raised an issue of first impression); *HomeSafe Inspection, Inc. v. Hayes*, No. 14 C 209, 2016 WL 867008, at *3 (N.D. Miss. Mar. 2, 2016) (finding that because the case was decided on an issue of first impression under state law that the non-prevailing party's case was not frivolous so as to justify fees under § 285); *Synopsys, Inc. v. Mentor Graphics Corp.*, No. 12 C 6467, 2015 WL 4365494, at *4 (N.D. Cal. July 16, 2015) (finding that dismissal of infringement claim under § 101 did not give rise to fees under § 285, in part, because "the issue raised at summary judgment arose in the context of a developing area of the law"). Given the state of the law at the time of the court's ruling, the existence of UVHC3000 in the prior art period does not render Clearlamp's position sufficiently weak for the court to find the case exceptional.

Likewise, just because LKQ put Clearlamp on notice of its prior use defense does not mean that Clearlamp's claim was so meritless that fees would be warranted under § 285. As an initial matter, the court never examined the strength of LKQ's prior use defense. Nonetheless, from LKQ's briefing, it appears that LKQ did not put Clearlamp on notice of its prior use defense until LKQ amended its counterclaim on February 20, 2015. (*See* dkt. 212 at 12.) Even from that point forward, as demonstrated from the parties' summary judgment briefing, LKQ's prior use defense was susceptible to attack given the lack of corroboration of the alleged inventor's testimony. *See General Elec. Co. v. Witkins*, 750 F.3d 1324, 1330 (Fed. Cir. 2014) (noting that to avoid "courts being deceived by inventors who may be tempted to mischaracterize the events of the past through their testimony, the law requires corroboration of a putative inventor's credible testimony" (internal citation marks omitted)). In any event, as cases in this

¹ LKQ breaks up this case into four phases: (1) prior to *inter partes* review, (2) during *inter partes* review, (3) the appeal of the PTAB's *inter partes* review decision, and (4) following *inter partes* review. It argues that this case is exceptional in each of its phases.

area are increasingly teaching, “[f]or a case dismissed before trial to be designated exceptional, evidence of the frivolity [*sic*] of the claims must be reasonably clear without requiring a ‘mini-trial’ on the merits for attorneys’ fees purposes.” *SFA Sys., LLC v. 1-800 Flowers.com, Inc.*, No. 09 C 340, 2014 WL 10919514, at *2 (E.D. Tex. July 8, 2014); *see also Snap-on, Inc. v. Robert Bosch, LLC*, No. 09 C 6914, 2016 WL 1697759, at *6 (N.D. Ill. Apr. 28, 2016) (“Evidence of meritless claims must be reasonably clear without requiring a ‘mini-trial’ on the merits for attorney fees purposes . . .”). LKQ has made no such showing.

LKQ’s arguments, individually and collectively, fail to demonstrate that Clearlamp’s infringement claim lacked such substantive strength for this case to be found exceptional under § 285.

B. Unreasonable Manner in Which the Case Was Litigated

In support of its position that this case is exceptional because Clearlamp unreasonably increased LKQ’s defense costs, LKQ points to (1) increased *inter partes* review costs resulting from Clearlamp’s use of three experts and a fact witness, filing a motion to amend its patent, and appealing the PTAB’s *inter partes* review decision to the Federal Circuit; (2) Clearlamp seeking to amend its final infringement contentions to include 35 U.S.C. § 271(g) despite early evidence that LKQ did not perform the step of removing the headlamp for the majority of its sales; (3) Clearlamp’s repeated requests for summary judgment briefing to occur before claim construction and other fact discovery; (4) Clearlamp’s filing a frivolous motion for reconsideration; (5) Clearlamp’s rejection of a good-faith settlement offer; and (6) Clearlamp’s taking these steps despite early evidence of LKQ’s low margins on its headlamp sales.

LKQ does not substantiate its arguments that Clearlamp acted unreasonably during *inter partes* review. While it points to Clearlamp’s use of three experts and a fact witness during *inter partes* review, it does not demonstrate, as it must, that such conduct was unreasonable under the circumstances. LKQ’s presentation is further unclear why (other than Clearlamp’s lack of success) it was unreasonable for Clearlamp to seek to amend its patent—as permitted by 35 U.S.C. § 316(d)—or appeal the PTAB’s decision—as permitted by 35 U.S.C. § 141(c).

This pattern of argument—that Clearlamp must have acted unreasonably because it unsuccessfully moved for relief—is repeated in LKQ’s argument that Clearlamp’s motion to amend its final infringement contentions demonstrates the unreasonable manner in which this case was litigated. Given that the court denied Clearlamp’s motion to leave to amend its final infringement contentions without requiring a response from LKQ, it is unlikely, as LKQ claims, that Clearlamp’s conduct drove up LKQ’s defense costs in any significant way.

LKQ’s other arguments are equally deficient. The various arguments relating to Clearlamp’s pushing for a specific summary judgment schedule are unpersuasive given that it was the court that decided the timing and manner of summary judgment briefing. Further, while the court denied Clearlamp’s motion for reconsideration, the tactic was not unreasonable given the unsettled state of *inter partes* review estoppel law. LKQ’s arguments regarding Clearlamp’s rejection of a good-faith settlement offer is bizarre and misleading, given that both parties’ subsequent briefing indicates that the “good-faith” settlement offer rejected by Clearlamp was for zero dollars. Lastly, as far as LKQ’s damages argument goes, Clearlamp’s decision to

proceed in the manner it did was not unreasonable in light of its colorable argument under the Federal Circuit's developing case law, *see Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020 (Fed. Cir. 2015), and the fact that even the arguments raised now would appear to require a mini-trial on damages to see whose position would have prevailed.

Accordingly, LKQ has not demonstrated that Clearlamp litigated this case in an unreasonable manner.

A handwritten signature in black ink, reading "Joan H. Lefkow". The signature is written in a cursive, flowing style.

Date: December 14, 2016

U.S. District Judge Joan H. Lefkow