IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 13-cv-02201-CBS

HACH COMPANY,
Plaintiff,
v.

IN-SITU, INC.
Defendant.

MEMORANDUM OPINION AND ORDER ON POST-JUDGMENT MOTIONS

Magistrate Judge Shaffer

This case is before the court on several post-judgment motions filed by Plaintiff Hach Company ("Hach") and Defendant In-Situ, Inc. ("In-Situ").

STATEMENT OF THE CASE

On August 15, 2013, Hach sued In-Situ for infringement of U.S. Patent No. 7,791,028 (the "'028 Patent"). The '028 Patent relates to luminescent dissolved oxygen technology. In-Situ owns the '028 Patent. Hach claims it has an exclusive license to the '028 Patent through a July 14, 1999 License Agreement ("License Agreement") with In-Situ's predecessor-in-interest (and former intervenor in this case), PhotoSense, L.L.C. ("PhotoSense"). Ex. 1.[1] The License Agreement includes "all patents and patent applications and Improvements … now owned or licensed, or thereafter acquired or licensed during the term of this Agreement, by or on behalf of PhotoSense or any of its Affiliates relating to the Technology in the Field of Use." Ex. 1 at § I.F (defining "Licensed Patents"). Hach and In-Situ stipulated that an affiliate of PhotoSense (TauTheta, LLC) developed the '028 Patent during the term of the License Agreement. Doc.

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[1] All references to exhibits in this order are to the exhibits admitted at trial.

#257 at pp. 5 ¶¶ 17-19, p. 14 (Jury Instruction Nos. 3, 10). The parties further stipulated that "patent application, No. 11/598,349, Trial Exhibit 117, that led to the U.S. Patent No. 7,791,028, described as the '028 Patent and marked as Trial Exhibit 2, was filed on November 13, 2006." *Id.* at p. 5 ¶ 17. They further stipulated that (a) in 2007, In-Situ acquired TauTheta and the rights to the '028 Patent application; (b) in 2010, the U.S. Patent & Trademark Office issued the '028 Patent; and (c) the '028 Patent is valid and enforceable. *Id.* at pp. 5, 14 (Instructions Nos. 3, 10).

In December 2013, In-Situ counterclaimed, asserting "*Handgards* sham litigation," abuse of process, unfair competition and equitable estoppel. Doc. #34. In-Situ also cross-claimed against PhotoSense. *Id.* In January 2014, In-Situ and PhotoSense settled those cross-claims, and shortly thereafter PhotoSense withdrew its intervention. Docs. #44, 46, 49. In-Situ filed an early motion for summary judgment, which Chief Judge Marcia S. Krieger denied on September 2, 2014. Doc. #59. On September 17, 2014 (doc. #62), the parties consented to magistrate jurisdiction to "conduct all further proceedings in this civil action, including trial, and to order the entry of a final judgment," pursuant to 28 U.S.C. § 636(c), Fed. R. Civ. P. 73, and D.C.COLO.LCivR 72.2. The case was referred to this court for all further proceedings on September 19, 2014. Doc. #63. In June 2015, the court denied both sides' summary judgment motions. Doc. #166. Beginning June 20, 2016, the parties tried the case for ten days to a ten-person jury.[2]

At the close of Hach's case in chief, the court denied In-Situ's motion for judgment as a matter of law on Hach's claims. Doc. #246 (minutes, June 24, 2016, trial day 5). At the close of In-Situ's case, In-Situ renewed that motion, which the court again denied. Doc. #252 (minutes of June 29, 2016, trial day 8). At the close of In-Situ's case, the court granted Hach's motion for

[2] Originally, the case was set for trial in August 2015; at the parties' requests due to health issues, the court twice reset the trial. Docs. #201, 216.

judgment as a matter of law on In-Situ's counterclaims and dismissed the counterclaims. Doc. #278 (transcript of June 29, 2016 hearing on Hach's motion) at p. 50.[3] Plaintiff's claim went to the jury with the court's instructions. Doc. #257.

The jury completed a special verdict form, finding:

> Hach Company acquire[d] through the July 14, 1999 License Agreement with PhotoSense, LLC an exclusive license to use all 'Licensed Patents' acquired by or on behalf of PhotoSense or any of its 'Affiliates.' … Hach Company [did not] timely pay the required minimum annual royalty for 2001 pursuant to Section III.D of the License Agreement. … PhotoSense [did not] voluntarily and intentionally waive its right under Section III.D to treat Hach's exclusive license as a non-exclusive license based upon Hach's untimely payment of the minimum annual royalty in 2001. … [However,] PhotoSense, with full knowledge of the pertinent facts relating to the untimely payment of the minimum annual royalty payment in 2001, unreasonably delay[ed] in asserting its right under Section III.D of the License Agreement and … Hach reasonably rel[ied] on that delay to its detriment. … Hach Company [did not] timely pay the required minimum annual royalty for 2003 pursuant to Section III.D of the License Agreement. … PhotoSense [did not] voluntarily and intentionally waive its right under Section III.D to treat Hach's exclusive license as a non-exclusive license based upon Hach's untimely payment of the minimum annual royalty in 2003. … PhotoSense, with full knowledge of the pertinent facts relating to the untimely payment of the minimum annual royalty payment in 2003, [did not] unreasonably delay in asserting its right under Section III.D of the License Agreement and [/or]… Hach [did not] reasonably rely on that delay to its detriment.

Doc. #256 at pp. 1-3. Thus, the jury found in favor of In-Situ on Hach's claim. Judgment entered on July 12, 2016.[4]

Hach moves for judgment as a matter of law, new trial, attorneys' fees and costs, and Rule 11 sanctions. Docs. #263, 266, 274, 281. In-Situ moves for attorneys' fees and costs. Doc. #265. For the following reasons, the court grants in part Hach's motion #266 for costs, to the extent of costs incurred in defending the counterclaims after Hach's offer of settlement on July 14, 2015. The court otherwise denies each of the motions.

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[3] The parties ordered trial transcripts of only In-Situ's opening statement and Hach's motion for judgment on the counterclaims. Docs. #247, 278.

[4] By clerical error, the dismissal of counterclaims was omitted from the judgment. Doc. #260. The court is entering an amended judgment to correct the error. Fed. R. Civ. P. 60(a).

ANALYSIS

The court begins with Hach's assertion (doc. #274) that the jury should have found Hach's 2003 royalty payment was timely, thus entitling Hach to a new trial. If Hach were correct on this point, then Hach's motion (doc. #263) asserting that PhotoSense waived the untimeliness of that payment would be superfluous.

I. Hach's Motion (Doc. #274) for New Trial: the 2003 Minimum Annual Royalty Payment.

Hach moves pursuant to Federal Rule of Civil Procedure 50(b) for judgment as a matter of law, or in the alternative for a new trial pursuant to Rule 59(a) because the weight of the evidence does not support the jury's finding that Hach's 2003 minimum annual royalty payment was late. Doc. #274 at pp. 1, 9.

A. Standards for Rule 50(b) and Rule 59(a)

As a preliminary matter, Rule 50(b) is not available to Hach. "Federal Rule of Civil Procedure 50 sets forth the procedural requirements for challenging the sufficiency of the evidence in a civil jury trial and establishes two stages for such challenges—prior to submission of the case to the jury, and after the verdict and entry of judgment." *Unitherm Food Sys., Inc. v. Swift–Eckrich, Inc.*, 546 U.S. 394, 399 (2006).

> The Supreme Court has instructed that compliance with the requirements of Rule 50 is mandatory. … [T]his court has held that a party may only pursue a ground for relief in a postverdict Rule 50(b) motion if that same ground for relief was first asserted in a preverdict Rule 50(a) motion.

Home Loan Inv. Co. v. St. Paul Mercury Ins. Co., 827 F.3d 1256, 1265–66 (10th Cir. 2016) (internal quotations omitted, citing *Unitherm*, 546 U.S. at 404; *Marshall v. Columbia Lea Reg'l Hosp.*, 474 F.3d 733, 738–39 (10th Cir. 2007)).[5] Hach cannot bring a Rule 50(b) motion without

[5] As authority for bringing a motion under Rule 50(b) without having filed a pre-verdict Rule 50(a) motion, Hach relies on Charles A. Wright, et al., 9B *Federal Practice and Procedure* §§ 2537, 2539 n.7 (2016). The reliance is misplaced. The treatise notes that "the district court only

having brought the same motion before the verdict. Hach did not do so. Accordingly, the court denies Hach's Rule 50(b) motion for judgment as a matter of law.

Thus, Hach's motion for new trial arises solely under Federal Rule of Civil Procedure 59(a). *See, e.g., Cavanaugh v. Woods Cross City*, 718 F.3d 1244, 1250-51, n.1 (10th Cir. 2013) (considering an insufficiency of evidence argument that the appellant had not raised in a Rule 50(a) motion but raised in a Rule 59(a) motion for new trial).[6] After a jury trial, the court may grant a new trial "for any reason for which a new trial has heretofore been granted in an action at law in federal court." Fed. R. Civ. P. 59(a)(1). To overturn the jury's verdict, Hach must meet a high standard.

> We review for abuse of discretion a district court's denial of a rule 59(a) motion for new trial. …. A Rule 59(a) motion … normally involves a review of the facts presented at trial, and thus involves the discretion of the trial court. … In deciding a new trial motion based on insufficiency of the evidence, a district court must analyze whether the verdict is clearly, decidedly or overwhelmingly against the weight of the evidence.

Elm Ridge Expl. Co., LLC v. Engle, 721 F.3d 1199, 1216 (10th Cir. 2013) (internal quotation marks and citations omitted, citing *inter alia M.D. Mark, Inc. v. Kerr–McGee Corp.*, 565 F.3d 753, 762 (10th Cir. 2009); *Cavanaugh*, 718 F.3d 1244).

> A verdict must be supported by substantial evidence … but can be based on any competent evidence tending to sustain it. … Additionally, the Court views the evidence in the light most favorable to the prevailing party, … bearing in mind

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can grant the Rule 50(b) motion on the grounds advanced in the preverdict motion" and cites cases holding that in the absence of a pre-verdict Rule 50(a) motion, a post-verdict motion challenging the sufficiency of the evidence is treated only as a motion for new trial under Rule 59(a). *Id.* at § 2359 n.7 (citing *inter alia Sears v. Pauly*, 261 F.2d 304, 306–07 (1st Cir. 1958)).

[6] *Home Loan* could be read broadly to require a Rule 50(a) motion to preserve a Rule 59(a) motion for new trial based on an insufficiency of evidence. *Home Loan*, 827 F.3d at 1266 (quoting *Unitherm*, 546 U.S. at 404). However, in *Home Loan* and *Unitherm,* the appellant did not renew its Rule 50(a) motion with any form of post-verdict motion on the issue. Unlike *Cavanaugh*, neither case directly addresses a Rule 59(a) motion based on an insufficiency of evidence that was not raised in a Rule 50(a) motion. The court therefore does not read *Home Loan* as overturning *Cavanaugh* or as foreclosing Hach's Rule 59(a) motions.

> that the jury has the exclusive function of appraising credibility, determining the weight to be given to the testimony, drawing inferences from the facts established, resolving conflicts in the evidence, and reaching ultimate conclusions of fact.

Stockmar v. Colo. Sch. of Traditional Chinese Med., Inc., No. 13-cv-02906-CMA-MJW, 2015 WL 3568132, at *1 (D. Colo. June 8, 2015) (internal quotations and citations omitted, citing *Wulf v. City of Wichita*, 883 F.2d 842, 874 (10th Cir. 1989); *Bennett v. Longacre*, 774 F.2d 1024, 1028 (10th Cir. 1985); *Anaeme v. Diagnostek, Inc.*, 164 F.3d 1275, 1284 (10th Cir. 1999); *Snyder v. City of Moab*, 354 F.3d 1179, 1188 (10th Cir. 2003)).

> When a special verdict form is used, the trial court has a duty to try to reconcile the answers to the case to avoid retrial. … The jury's findings are to be construed in the light of the surrounding circumstances and in connection with the pleadings, instructions, and issues submitted.

Click v. Lupori, No. 13-cv-01072-RBJ, 2014 WL 7228747, at *6 (D. Colo. Dec. 16, 2014) (internal quotations and citations omitted, citing *inter alia Harvey By & Through Harvey v. Gen. Motors Corp.*, 873 F.2d 1343, 1347 (10th Cir. 1989); *Domann v. Vigil*, 261 F.3d 980, 983 (10th Cir. 2001); *Johnson v. ABLT Trucking Co.*, 412 F.3d 1138, 1144 (10th Cir. 2005)).

B. The 2003 Minimum Annual Royalty Payment

Hach argues it is entitled to a new trial because the jury's finding that Hach's 2003 minimum annual royalty payment was late is against the weight of the evidence. Doc. #274. Hach argues that the court never found the License Agreement ambiguous regarding the due date for this royalty payment. *Id.* at p. 8. It further argues that under "the plain language of Section III.C," "the parties could not perform the necessary arithmetic to determine the amount Hach owed as the 'year four' minimum annual royalty payment until [September 15, 2003] … at the earliest," or not "until the payment following the year-end on April 30, 2004, which payment was not due until June 15, 2004." *Id.* at pp. 4-5. *See also* Doc. #284 (Hach Reply Brief) at p. 4.

The parties do not dispute that Hach made its 2003 minimum annual payment on August 15, 2003.

In denying In-Situ's motion for judgment as a matter of law at the close of Hach's case, the court found the License Agreement was ambiguous on this issue. Specifically, on Day 5 of the trial (June 24, 2016), at 10:53 a.m. and 10:59 a.m., the court found the License Agreement is ambiguous on the issues that In-Situ raised for its Rule 50(a) motion at the close of Hach's case: the payment due date for minimum annual royalties; if Hach breached by late payment, whether it cured the breaches; and whether PhotoSense waived the breaches by accepting late payments or was equitably estopped from asserting the breaches now.

As the court noted in its June 24 bench ruling, the License Agreement is governed by Colorado law. Ex. 1 ¶ XV. Under Colorado law, a "contract is ambiguous if it is fairly susceptible to more than one interpretation." *E. Ridge of Fort Collins, LLC v. Larimer & Weld Irr. Co.*, 109 P.3d 969, 974 (Colo. 2005) (internal quotations omitted); *overruled in part on other issue*, *Am. Family Mut. Ins. Co. v. Hansen*, 375 P.3d 115, 117 (Colo. 2016)). When the court finds a contract is ambiguous, its meaning is an issue for the jury to decide according to the documents provided and the parties' understanding. *See, e.g., Level 3 Commc'ns, LLC v. Liebert Corp.*, 535 F.3d 1146, 1156 (10th Cir. 2008).

> [When] an ambiguity has been determined to exist, the meaning of its terms is generally an issue of fact to be determined in the same manner as other factual issues. … Extrinsic evidence, for example, becomes admissible to determine the meaning of a contractual provision at issue. This extrinsic evidence may include any pertinent circumstances attendant upon the transaction, including the conduct of the parties under the agreement. … Courts in Colorado have found the conduct of the parties before the controversy arose to be a reliable test of their interpretation of the agreement.

Level 3, 535 F.3d at 1154–55 (internal quotations omitted, citing *inter alia East Ridge*, 109 P.3d at 974–75).

The court instructed the jury regarding several principles of Colorado law that guided their interpretation of the License Agreement. Doc. #257 (Jury Instructions) at pp. 21-26. The jury was to determine the parties' intent by considering the License Agreement as a whole and could not view clauses or phrases in isolation. *Fed. Deposit Ins. Corp. v. Fisher*, 292 P.3d 934, 937 (Colo. 2013); *Colo. Jury Instr., Civil* 30:32 (2016). For words or phrases that were not defined in the License Agreement, the jury was to give those words their plain, ordinary, and generally accepted meaning. *Town of Minturn v. Tucker*, 293 P.3d 581, 593 (Colo. 2013); *Colo. Jury Instr., Civil* 30:33 (2016). In determining the meaning of any unclear terms, the jury was to decide against the party who prepared the contract if the other party had no opportunity to select the words used in the contract; for purposes of that instruction, In-Situ stood in the same position as PhotoSense relative to Hach with regard to how the License Agreement must be interpreted. *Moland v. Indus. Claim Appeals Office of State*, 111 P.3d 507, 510–11 (Colo. App. 2004); *Colo. Jury Instr., Civil* 30:35 (2016).

A contract should not be interpreted to produce a result that is absurd, commercially unreasonable, or contrary to the reasonable expectations of the parties. *Copper Mountain, Inc. v. Indus. Sys., Inc.,* 208 P.3d 692, 696–97 (Colo. 2009) (interpret contract to effect the parties' intent and reasonable expectations). In sum, the jury was to determine what PhotoSense and Hach intended the terms of the License Agreement to mean, considering the language of the written agreement, the parties' negotiation of the agreement, any reasonable expectations the parties may have had because of the promises or conduct of the other party, and any other facts or circumstances that existed at the time the License Agreement was formed. *East Ridge*, 109 P.3d at 974-75; *Colo. Jury Instr., Civil* 30:31 (2006).

The court instructed the jury that they must decide the meaning of the License Agreement to resolve the parties' dispute, particularly regarding the due dates of the minimum annual royalty payments. Doc. #257 at pp. 19-20 (Instruction No. 14).[7] Hach pointed to Paragraphs III.B.1 and I.I for the due date of annual minimum royalties, while In-Situ pointed to Paragraph III.C. *Id.* These provisions read as follows:

> [I.] I. "Payment Computation Period" means a three (3) month calendar quarter ending on the last day of July, October, January, or April of a given year.
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> * * *
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> [III.] B. After the Commercial Launch by Hach of a Product and so long as all three Components are included in the Product, Hach shall pay to PhotoSense:
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> 1. a royalty of eight percent (8%) of the Net Sales of Product, which is fully described in Exhibit B, Product and parts Description, for each Product sold during each Payment Computation Period;
>
> * * *
>
> C. A minimum annual royalty shall be paid to PhotoSense by Hach regardless of the annual sales of Product and actual royalties due therefor in accordance with the scheduled provided below. Should the actual annual royalties paid to PhotoSense under Section III.B above be less than the minimum royalties set forth below, Hach shall pay to PhotoSense the difference between the actual royalties paid and the minimum royalties due within thirty days after the end of each indicated year.
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> 1. During year one of the Agreement - $0.000.00
> 2. During year two of the Agreement - $15,000.00
> 3. During year three of the Agreement - $25,000.00
> 4. During year four of the Agreement - $35,000.00
> 5. During year five and every year thereafter - $35,000.00.

Ex. 1 at pp. 2, 4; Doc. #257 (Jury Instructions) at pp. 19-20. The jury had to decide the contract's meaning on this issue "based on the Court's instructions and the evidence presented by the parties." Doc. #257 at p. 20.[8]

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[7] The complete text of Instruction No. 14 is reprinted in Appendix A to this order.

[8] On June 29 and June 30, 2016, the court held charging conferences for the parties' objections to the proposed instructions. Docs. #252, 253 (minutes). During the charging conferences,

The jury found that Hach's August 15, 2003 payment of the minimum annual royalty fee was not timely. Doc. #256 at p. 2 (answer to question no. 5). In effect, the jury agreed with In-Situ that Paragraph III.C required payment within 30 days of the contract's anniversary date (July 13), such that the 2003 minimum royalty was due by August 13, 2003. Viewing the License Agreement as a whole, this interpretation is reasonable. *See, e.g.*, Ex. 1 at p. 1 preamble "Agreement made as of the 14th Day of July, 1999); ¶ I.N ("Effective Date means the date first written above"); ¶ III.C ("minimum royalties due within 30 days after the end of each indicated year [including] … year four of the Agreement - $35,000.00"); ¶ III.D ("minimum royalties when due under Paragraph C above"). In light of the express language of these paragraphs and Paragraphs III.B and III.C, the jury could reasonably find that Hach and PhotoSense did not intend Paragraphs I.I and III.B to apply to minimum annual royalties, and intended Paragraph III.C to set the due date for minimum annual royalties at thirty days after the contract's anniversary date (*i.e.*, August 13, 2003), regardless of when Hach's payments for actual quarterly royalties were due or when Hach actually paid them.

The jury's interpretation is also reasonable based on the weight of the evidence regarding Hach and PhotoSense's negotiation and performance of the License Agreement. An earlier draft of the agreement shows that Hach originally proposed to pay only one-time fees and actual, quarterly royalties. Ex. 56 ¶ III. After PhotoSense added minimum annual royalties (*Id.;* Ex. 57 ¶ III.C)[9], the record does not reflect any discussion until May 25, 2004 (Ex. 20, Hach letter) regarding how or whether the Paragraph III.B and III.C timetables for royalties would interact. The jury could reasonably conclude that within the deadline provided for minimum annual

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Instruction No. 14 was numbered as Instruction No. 13. The court has reviewed the audio recordings of those conferences; neither party objected to the instruction.

[9] In its motion, Hach asserts the testimony of Dr. Baron and Mr. Ogan confirms that PhotoSense drafted Paragraph III.C. In response, In-Situ did not dispute that fact. Doc. #277.

royalties in Paragraph III.C (August 13, 2003), Hach knew the quantity of products it had sold during that contract year (July 14, 2002-July 13, 2003), and thus knew the amount of actual royalties it owed for year four, regardless of whether it had yet paid them.

The parties' invoices and correspondence indicate that they both understood the minimum annual royalties' due date was measured from the anniversary of the License Agreement. Ex. 5 (PhotoSense invoice to Hach dated 6/26/2001 referencing "minimum annual royalty … July 14, 2001"); Ex. 7 (Hach check stub dated 9/11/01 referencing "minimum annual royalty July 14, 2002); Ex. 10 (PhotoSense email to Hach dated June 17, 2002, referencing "July 14, 1999 anniversary of our license agreement" with regard to invoice that PhotoSense attached to the email); Ex. 12 (PhotoSense email to Hach dated July 11, 2003, stating: "We look forward to receiving your sales information …. I have attached the invoice for the minimum annual royalty for this year;" the attached invoice refers to "minimum annual royalty – due July 14, 2003); Ex. 19 (PhotoSense letter to Hach, dated Mar. 11, 2004, asserting "the fourth year of the agreement (ending 14 July 2003)"); Ex. 21 (PhotoSense letter to Hach dated Jun. 24, 2004, asserting: "The contract clearly states effective dates, and payment due dates. The contract year begins on July 14th and ends on July 13th."). The conflicting documentary evidence from Hach (Ex. 20, its May 2004 letter after the dispute arose regarding conversion to non-exclusivity),[10] is insufficient to show that the verdict is "clearly, decidedly or overwhelmingly against the weight of the evidence." *Elm Ridge*, 721 F.3d at 1213.

[10] Responding to PhotoSense's March 18, 2004 letter (Ex. 19) and April 21, 2004 meeting, Hach stated: "There is, however, no requirement that minimum annual royalties be paid in such [quarterly] divisions. In fact, the minimum annual royalties would be impossible to calculate without an entire year of royalty payments being computed prior to the calculation of the minimum annual royalties as the minimum is the 'difference between the actual royalties paid and the minimum royalties due within thirty days after the end of each indicated year.'" Ex. 20 (Hach letter to PhotoSense dated May 25, 2004) at p. 2.

In its motion, Hach also argues that the timeliness of its 2003 royalty payment is supported by the trial testimony of Dr. Baron, Mr. Ogan and Mr. Browne –without citing any specific times or pages. Doc. #274 (Hach Motion) at p. 4 (citing no dates, times or pages); Doc. #284 (Hach Reply) at p. 4 (citing only by trial day). Hach's argument fails both procedurally and substantively. Procedurally, as the movant, Hach must prove it is entitled to relief considering the evidence in the light most favorable to In-Situ. *Stockmar*, 2015 WL 3568132, at *1.

> Plaintiff's failure to identify where in the record particular facts are located impedes consideration of Plaintiff's arguments. The court is not obligated to comb the record in order to make Plaintiff's arguments for him. … Moreover, Local Rule 7.1(e) provides that "[e]very citation in a motion, response or reply shall include the specific page or statutory subsection to which reference is made."

Vreeland v. Fisher, No. 13-cv-02422-PAB-KMT, 2016 WL 363808, at *2 (D. Colo. Jan. 29, 2016) (internal quotation marks omitted, citing *Mitchell v. City of Moore*, 218 F.3d 1190, 1199 (10th Cir. 2000)). "[T]he district court has discretion to go beyond the referenced portions of these materials, but is not required to do so. If the rule were otherwise, the workload of the district courts would be insurmountable." *Mitchell*, 218 F.3d at 1199 (internal quotations omitted, affirming summary judgment against plaintiff). "[T]he district courts … have a limited and neutral role in the adversarial process, and are wary of becoming advocates who comb the record of previously available evidence and make a party's case for it." *Adler v. Wal-Mart Stores, Inc.*, 144 F.3d 664, 671–72 (10th Cir. 1998). Accordingly, the court will not search the entire trial testimony of witnesses for evidence.

Even assuming that Dr. Baron and Messers. Ogan and Browne's testimony supports Hach's view of the 2003 minimum payment deadline, this would not show the jury's verdict is "clearly, decidedly or overwhelmingly against the weight of the evidence." In light of the plain and generally accepted meaning of the contract's express language (*Cherokee Metro. Dist. v. Simpson*, 148 P.3d 142, 146 (Colo. 2006); *Level 3,* 535 F.3d at 1154-55), and the documentary evidence before the dispute arose regarding non-exclusivity (*East Ridge,* 109 P.3d at 975), the jury was free to give little weight to the trial testimony of these witnesses.

In short, Hach's motion asks the court to reweigh the evidence regarding the due date for the 2003 annual minimum royalties. Weighing the conflicting evidence was the proper province of the jury, not the court. *See, e.g., Stockmar,* 2015 WL 3568132, at *1. Hach's motion #274 does not show it is entitled to a new trial.

II. Hach's Motion (Doc. #263) for New Trial: 2014 Settlement Agreement.

Hach also requests a new trial based on the settlement agreement that Hach entered with PhotoSense, effective January 27, 2014. Doc. #263.[11] Hach argues that in the 2014 agreement, PhotoSense retroactively "waived the 2001 and 2003 era claims re untimely payments and any conversion of Hach's exclusive license of Improvements to a non-exclusive license." *Id.* at p. 1.[12] In-Situ opposes on three grounds, arguing that (a) the court should infer that the jury found the '028 Patent was not an "Improvement" under the License Agreement, (b) Section 2(e)(iii) of the 2014 Settlement Agreement carved out the '028 Patent from PhotoSense's waiver, and (c) that when PhotoSense entered the 2014 agreement with Hach, PhotoSense had no ability to bind In-Situ.

Hach and In-Situ agreed in this case that when the '028 Patent issued in 2010, it was subject to the prior license that PhotoSense had given in the License Agreement on technology that TauTheta developed as an affiliate of PhotoSense during the License Agreement – assuming

[11] To the extent Hach relied on Rule 50(b) for this motion (doc. #263 at pp.1, 9), it is denied for the same reason as Hach's motion #274. The court treats motion #263 as a motion for new trial under Rule 59(a).

[12] In closing argument to the jury, Hach did not raise this theory and mentioned the 2014 Settlement Agreement only in passing.

that technology otherwise met the definition of an Improvement. However, after In-Situ acquired TauTheta in 2007, TauTheta was no longer an Affiliate under the License Agreement. Ex. 1 ¶ I.A (defining an Affiliate among other things as an entity controlled by or under common control with PhotoSense). After that acquisition, PhotoSense could not affect the licensing terms regarding the ‘028 Patent because only the patent owner (In-Situ) had the right to do so. *Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2407 (2015) (“While a patent lasts, the patentee possesses exclusive rights to the patented article—rights he may sell or license for royalty payments if he so chooses,” citing 35 U.S.C. § 154(a)(1)).

In addition, In-Situ’s carve-out argument is persuasive. PhotoSense and Hach expressly recognized in the 2014 Settlement Agreement that

> (iii) The Baltz Patent [the ‘028 Patent] may also be a “Licensed Patent” to which Hach may have exclusive rights. Hach’s position is that the Baltz Patent is a patent obtained by a PhotoSense Affiliate subject to the License Agreement, and that Hach has exclusive rights to the Baltz Patent. In-Situ disputes that Hach has any rights to the Baltz patent and its position is that, if Hach does have rights, those rights are non-exclusive. That dispute is currently at issue in the Federal Court Action. *Hach’s rights to the Baltz Patent or any Improvement that may later be asserted in that Federal Court Action may be subject to the outcome in the Federal Court Action or any other action between Hach and In-Situ. Neither Photosense, Baron, Baltz nor Danielson takes any position in this Agreement with respect to the issues in the Federal Court Action*; nor will they take any position except as required by law.

Ex. 48 at § 2(e)(iii) (emphasis added). Thus, regardless of whether PhotoSense had a legal ability in 2014 to affect the license to the ‘028 Patent, it expressly did not agree to waive any rights under the License Agreement regarding that patent.

However, In-Situ’s argument that the court should infer the jury found ‘028 Patent was not an Improvement is unpersuasive. The jury expressly did not reach that issue. Since the ‘028 Patent was not developed, applied for or issued until years after the 1999 License Agreement, it could only be a Licensed Patent if it is an Improvement within the meaning of Section I.M in the

License Agreement. Thus the issue of whether the ‘028 Patent was an Improvement is encompassed within special verdict Question No. 12 – “Is the ‘028 patented technology acquired by TauTheta and transferred to In-Situ a ‘Licensed Patent’ subject to the terms and conditions of the 1999 License Agreement?” Doc. #256 at p.4. Consistent with the instructions in the special verdict form, because the jury found PhotoSense had not waived and was not estopped from asserting that Hach’s license became non-exclusive after its 2003 payment was late, the jury stopped at Question No. 7. Doc. #256 at 3. In-Situ offers no authority for the court to infer that the jury made a finding that it expressly did not reach on a special verdict. To do so would contradict the court’s duty to try to “reconcile the answers to the case to avoid retrial. … [and] construe[] in the light of the surrounding circumstances and in connection with the pleadings, instructions, and issues submitted.” *Click*, 2014 WL 7228747, at *6. In short, Hach’s motion #263 does not show it is entitled to a new trial.

III. The Parties’ Motions (Docs. #265, 266) for Attorneys’ Fees and Costs

"‘Our basic point of reference’ when considering the award of attorney's fees is the bedrock principle known as the ‘American Rule’: Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise.” *Kazazian v. Emergency Serv. Physicians, P.C.*, 300 F.R.D. 672, 675 (D. Colo. 2014) (internal quotations omitted, citing *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252–53 (2010)). Hach moves for its attorneys’ fees and costs incurred in defending In-Situ’s counterclaims pursuant to C.R.S. § 13-17-102, C.R.S. § 13-17-202, 28 U.S.C. § 1927, and Federal Rule of Civil Procedure 54(d). The court addresses these theories in turn.

A. Hach’s Motion (Doc. 266) for Attorneys’ Fees Under C.R.S. § 13-17-102

Hach first seeks attorneys’ fees incurred in defending In-Situ’s counterclaims under a Colorado statute that provides:

> [I]n any civil action of any nature commenced or appealed in any court of record in this state * * * [t]he court shall assess attorney fees if … it finds that an attorney or party brought or defended an action, or any part thereof, that lacked substantial justification or that the action, or any part thereof, was interposed for delay or harassment or if it finds that an attorney or party unnecessarily expanded the proceeding by other improper conduct... As used in this article, "lacked substantial justification" means substantially frivolous, substantially groundless, or substantially vexatious.

C.R.S. § 13-17-102(2), (4).[13]

Hach's reliance on this Colorado statute raises the preliminary question of whether Rule 11 (specifically, its 21 day safe-harbor) preempts the state statute. Both state and federal courts analogize between § 13-17-102 and Federal Rule of Civil Procedure 11. *See, e.g., Lorillard Tobacco Co. v. Engida*, 611 F.3d 1209, 1217-18 (10th Cir. 2010) (discussing *inter alia Consumer Crusade, Inc. v. Clarion Mortg. Capital, Inc.*, 197 P.3d 285, 288-89 (Colo. App. 2008)). Although Hach seeks attorneys' fees and costs under Rule 11 in a later motion (doc. #274, addressed below), in motion #266, Hach does not mention Rule 11 and does not indicate compliance with its 21 day safe-harbor provision.

Hach argues § 13-17-102 is not preempted here because Rule 11 purportedly applies only to filings, not to the frivolous pursuit of claims at trial. Doc. #266 at pp. 16-17, n.5. Hach's argument is not persuasive. Federal Rule of Civil Procedure 11 covers any request for attorneys' fees and costs incurred in defending an allegedly frivolous claim or theory.

> By presenting to the court a pleading … whether by signing … *or later advocating it* – an attorney … certifies that to the best of the person's knowledge … formed after an inquiry reasonable under the circumstances * * * the claims … are warranted by existing law or by a nonfrivolous argument for … establishing new law; [and] the factual contentions have evidentiary support.

Fed. R. Civ. P. 11(b)(2) (emphasis added).

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[13] Normally, the court is to hold a hearing on a request for attorneys' fees, but since "[n]either party has requested a hearing … the Court finds that both sides have waived their right to a hearing." *Kazazian*, 300 F.R.D. at 675.

> A litigant's obligations with respect to the contents of … papers are not measured solely as of the time they are filed with or submitted to the court, but include … advocating positions contained in those pleadings and motions after learning that they cease to have any merit. For example, an attorney who during a pretrial conference insists on a claim or defense should be viewed as "presenting to the court" that contention and would be subject to the obligations of subdivision (b) measured as of that time.

Fed. R. Civ. P. 11, 1993 Advisory Committee Note to Subdivisions (b) and (c). Rule 11 applies at any point that the party advocates a frivolous claim, including at trial. Thus, the court addresses whether Rule 11's safe-harbor provision preempts C.R.S. § 13-17-102.

In cases involving state law claims, the court applies the substantive law of the forum state but federal procedural law. *Scottsdale Ins. Co. v. Tolliver*, 636 F.3d 1273, 1277 (10th Cir. 2011); *Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 427 (1996) (discussing *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938)); *In re Johnson*, 485 B.R. 642, 645 (Bankr. D. Colo. 2013) (*Erie* principles apply to federal cases involving issue or claim that "has its source in state law," regardless of the ground for federal jurisdiction).

> [T]he first analytical step in an *Erie* case is to determine whether [a state] statute collides with any federal procedural rule. … A court must determine whether the scope of the Federal Rule is sufficiently broad to cause a direct collision with the state law or, implicitly, to control the issue before the court. …. In such a case ... we must apply the Federal Rule. … When a matter is covered by a Federal Rule, a federal court need not perform a full *Erie* analysis to determine whether the matter is substantive or procedural.

Kazazian, 300 F.R.D. at 677 (footnote and internal quotations omitted, citing *inter alia Scottsdale*, 636 F.3d at 1276). *See also Hanna v. Plumer*, 380 U.S. 460, 471 (1965). In this case, Rule 11 clearly covers the situation. On that basis alone, the court should be able to conclude that § 13-17-102 is preempted to the extent it conflicts with Rule 11.

However, many opinions from this court nonetheless analyze whether § 13-17-102 is substantive or procedural. *See, e.g., Kazazian*, 300 F.R.D. at 677, n.6 ("Attorneys' fees statutes can be substantive or procedural. … 'Substantive fees are those which are 'tied to the outcome of the litigation,' whereas procedural fees are generally based on a litigant's 'bad faith conduct in litigation.'"). These opinions no doubt entertain this additional analysis because the Tenth Circuit has held that "section 13–17–102 clearly may apply to claims brought in the District of Colorado." *Lorillard,* 611 F.3d at 1217. In support of this holding, *Lorillard* cites *Harrison v. Luse,* 760 F. Supp. 1394, 1400 (D. Colo.), *aff'd,* 951 F.2d 1259, 1991 WL 270031 (10th Cir. 1991) (unpublished opinion). *Harrison* predates the 1993 Amendment that introduced Rule 11's safe-harbor provision.[14] *Lorillard* does not discuss preemption or whether the movant had complied with Rule 11's safe harbor. It appears that the Tenth Circuit has not expressly analyzed the preemption issue between Rule 11 and § 13-17-102, nor whether the statute is substantive or procedural.

Colorado courts provide clarity, "characteriz[ing] § 13–17–102 as a sanction, rather than a substantive right." *Kazazian,* 300 F.R.D. at 677 (citing *City of Aurora ex rel. Utility Enter. v. Colo. State Eng'r,* 105 P.3d 595, 618 (Colo. 2005)).[15] *I.e.,* Section 13-17-102 is merely a procedural statute regarding sanctions based on conduct in the litigation, not a substantive law for further *Erie* analysis. Because the statute is procedural, the District of Colorado consistently holds § 13-17-102 preempted by Rule 11's safe-harbor provision. *See, e.g., Kazazian,* 300 F.R.D. at 678 (citing *Martinson v. Prof'l Bureau of Collections of Md., Inc.,* No. 09–cv–02145–MSK–BNB, 2010 WL 3777282, at *3 (D. Colo. Sep. 21, 2010); *Spratt v. Leinster,* No. 06–cv–01526–WDM–KLM, 2007 WL 2412826, at *1 (D. Colo. Aug. 21, 2007); *McCoy v. West,* 965 F.

[14] *See also Seismic Int'l Research Corp. v. S. Ranch Oil Co., Inc.,* 793 F.2d 227, 232 (10th Cir. 1986) (affirming denial of attorneys' fees under § 13-17-102 on state law claims).

[15] Unlike the federal rule's 1993 amendment to expand its scope beyond pleadings, Colorado Rule 11 relies on § 13-17-102 for that expansion. *SRS, Inc. v. Southward,* 272 P.3d 1179, 1181 (Colo. App. 2012). *See also In re Trupp,* 92 P.3d 923, 930 (Colo. 2004).

Supp. 34, 35 (D. Colo. 1997); *Johnson*, 485 B.R. at 649.[16] Thus, the court denies Hach's request for attorneys' fees under § 13-17-102 as preempted by Rule 11's safe-harbor provision.[17]

B. Hach's 28 U.S.C. § 1927 Motion (Doc. #266) for Attorneys' Fees in Preparing for Trial on the Counterclaims

Hach also seeks its attorneys' fees and costs incurred in defending the counterclaims under 28 U.S.C. § 1927 from In-Situ's counsel. Hach argues that In-Situ's counsel "multiplie[d] the proceedings … unreasonably and vexatiously." 28 U.S.C. § 1927.

> This is an extreme standard, and fees should be awarded only in instances evidencing a serious and standard disregard for the orderly process of justice. …. Thus, courts must strictly construe the statute to guard against dampening the legitimate zeal of an attorney in representing his client.

Baca v. Berry, 806 F.3d 1262, 1268 (10th Cir. 2015) (internal quotations omitted, citing *AeroTech, Inc. v. Estes*, 110 F.3d 1523, 1528 (10th Cir. 1997); *Braley v. Campbell*, 832 F.2d 1504, 1512 (10th Cir. 1987) (*en banc*)). While actions taken in bad faith certainly satisfy the identified standard, bad faith itself is not a discrete requirement under § 1927. *Hamilton v. Boise Cascade Exp.* 519 F.3d 1197, 1202 (10th Cir. 2008); *see also Baca*, 806 F.3d at 1268 (citing *Hamilton*).

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[16] *See also DeJean v. Grosz*, No. 13-cv-02381-NYW-MJW, 2015 WL 4504932, at *3 (D. Colo. July 24, 2015); *Christou v. Beatport, LLC*, No. 10-cv-02912-RBJ-KMT, 2014 WL 1293296, at *3, n.1 (D. Colo. Mar. 31, 2014); *Hantz Air, L.L.C. v. J. Mesinger Corp. Jet. Sales, Inc.*, No. 05-cv-330-RPM, 2007 WL 1520106, at *1 (D. Colo. May 22, 2007). *Cf., Diebold Enters. Sec. Sys., Inc. v. Low Voltage Wiring, Ltd*, No. 13-cv-00505-REB-KLM, 2014 WL 1491327 (D. Colo. Apr. 14, 2014) (noting *Johnson*, 485 B.R. 642, had found the statute preempted, the court found that even assuming the statute was applicable, the request for attorneys' fees failed on other grounds).

[17] Even if Hach had waited 21 days after service before filing this motion under Rule 11, waiting until after trial and judgment would be untimely. Hach asserts that the counterclaims were baseless from the beginning. "Ordinarily the motion should be served promptly … and, if delayed too long, may be viewed as untimely." Fed. R. Civ. P. 11, 1993 Advisory Committee Note to subdivisions (b) and (c) ("Given the 'safe harbor' provisions … a party cannot delay serving its Rule 11 motion until conclusion of the case (or judicial rejection of the offending contention"). A Rule 11 motion served after the party can no longer withdraw the allegedly baseless claim or filing would contradict the safe-harbor. *See, e.g., Hutchinson v. Pfeil*, 208 F.3d 1180, 1183-84 (10th Cir. 2000); *Laurino v. Tate*, 220 F.3d 1213, 1219 n.5 (10th Cir. 2000).

Hach argues that In-Situ's filing of the counterclaims and failure to dismiss them before trial – despite not conducting discovery or presenting evidence at trial in support of the counterclaims' unique elements – justifies an award under section 1927. In-Situ contends that it did present evidence in support, namely the same evidence for which it relied for its defense, that Hach's license to the '028 Patent became non-exclusive before Hach filed this action. According to In-Situ, this shows that Hach pursued its complaint in bad faith knowing that it had no right to claim patent infringement.

Neither party's arguments are persuasive. In claiming the late royalty payments supported its counterclaims, In-Situ misses the point. While the late royalty payments were evidence for In-Situ's defenses, each counterclaim required additional elements on which In-Situ failed to present evidence at trial. In-Situ's own proposed instructions recognized that its sham litigation counterclaim required (1) that no objectively reasonable person could believe Hach's patent infringement claim would be successful, and (2) Hach's subjective intent was to use the litigation in bad faith to "attempt to thwart competition."[18] *Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus. Inc.,* 508 U.S. 49, 60-61 (1993).[19] The late royalty payments show

[18] In-Situ's proposed instructions may understate the subjective element for sham patent litigation. Several cases in this court have cited only *PRE* and the Tenth Circuit on this issue, but Federal Circuit law appears to govern. *Honeywell Int'l Inc. v. Universal Avionics Sys. Corp.*, 488 F.3d 982, 1001 (Fed. Cir. 2007) (citing *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067–68 (Fed. Cir. 1998)). Consistent with 35 U.S.C. § 271(d), the Federal Circuit has held that the claim requires evidence that the patent owner actually knew (or disregarded whether) its patent claim was baseless when brought. *See, e.g., Golan v. Pingel Enter., Inc.*, 310 F.3d 1360, 1371 (Fed. Cir. 2002) (pre-litigation communications alleging infringement); *Honeywell Int'l, Inc. v. Universal Avionics Sys. Corp.,* 343 F. Supp. 2d 272, 326 (D. Del. 2004), *aff'd,* 488 F.3d 982 (Fed. Cir. 2007) (requiring affirmative evidence of bad faith). *Cf., C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1369 (Fed. Cir. 1998) ("affirmative evidence of bad faith"). However, Section 271 specifies "patent owner[s]." Since In-Situ failed to present evidence to meet even *PRE,* the court does not decide whether *Golan* would impose a higher standard here.

[19] Moreover, "even a plaintiff who defeats the defendant's claim to *Noerr* immunity by demonstrating both the objective and the subjective components of a sham must still prove a

only that Hach's claim was subject to conflicting evidence, on which "an objective litigant could [still] conclude that the suit is reasonably calculated to elicit a favorable outcome," *PRE*, 508 U.S. at 60. The late royalty payments show only that the evidence was conflicting; they do not show that "no reasonable litigant could realistically expect success on the merits." *Id.*

Nor did In-Situ present any evidence that Hach intended to use the process of litigation, as opposed to the outcome, as an anticompetitive weapon. *Id.* at 61. This element focuses on the "economic viability" of the litigation. *Id*. In-Situ argues that Chris McKee testified "regarding his belief that Hach had brought its claim to achieve some other purpose. He testified that this belief was emboldened by what he perceived to be increasingly onerous discovery requests seeking proprietary In-Situ information." Doc. #280 at p. 6. Assuming that Mr. McKee so testified,[20] Mr. McKee's belief in itself is not evidence of Hach's intent. Other than Hach's discovery requests, In-Situ does not point to any facts from which Mr. McKee formed this opinion. Fed. R. Evid. 701(a) (lay opinion must be "rationally based on the witness's perception"). The court twice compelled Hach's discovery requests that sought proprietary In-Situ information[21] as relevant and appropriate to Hach's claims and theories of damages. Docs. #152, 196. In-Situ does not assert that Hach has violated the protective order governing the discovery that In-Situ designated as confidential. Even if In-Situ believes Hach had dual

substantive antitrust violation. Proof of a sham merely deprives the defendant of immunity; it does not relieve the plaintiff of the obligation to establish all other elements of his claim." *PRE*, 508 U.S. at 61. In-Situ does not argue that it presented evidence of an antitrust violation.

[20] In-Situ does not cite pages or approximate times from Mr. McKee's testimony. Again, the court will not hunt for evidence. *Vreeland*, 2016 WL 363808, at *2.

[21] The information that the court compelled In-Situ to produce regarded In-Situ's sales, customers and royalties received. Doc. # 152 (compelling discovery sought in Hach's Doc. 97 motion); Doc. #97 (Hach's motion regarded discovery requests for sales and royalties, including the associated In-Situ customer names). Hach's damages expert used this information.

motivations for seeking proper discovery, awareness that litigation may collaterally damage the opponent does not show bad faith motive. *See, e.g.*, *In re Terazosin Hydrochloride Antitrust Litig.*, 335 F. Supp. 2d 1336, 1365–66 (S.D. Fla. 2004) (citing *PRE*, 508 U.S. at 69, 113 S. Ct. 1920 (Stevens, J., concurring)). Thus, in granting Hach's motion for judgment as a matter of law on the counterclaims, the court held that In-Situ presented no evidence from which a rational jury could find sham litigation. Doc. #278 (June 29, 2016 motion hearing) at 11:9-17. In-Situ does not seek reconsideration of either the discovery orders or the court's dismissal of the counterclaims. In short, In-Situ's argument that it sought to support the sham litigation counterclaim at trial is unpersuasive.

Nor did In-Situ present evidence at trial to support its abuse of process counterclaim; this claim required evidence that Hach's complaint was devoid of reasonable factual support, that Hach primarily brought the complaint with an ulterior purpose, willfully used these proceedings in an improper manner, or that the lawsuit caused In-Situ to incur damages. *See, e.g., Hewitt v. Rice*, 154 P.3d 408, 414 (Colo. 2007); *Chemiti v. Kaja*, No. 13-cv-360-LTB-KMT, 2015 WL 4979844, at *1-2 (D. Colo. Aug. 21, 2015); *Gen. Steel Domestic Sales v. Bacheller,* 291 P.3d 1, 8 (Colo. 2012); *cf.*, *Protect Our Mtn. Env't, Inc., v. Dist. Court*, 677 P.2d 1361, 1367-68 (Colo. 1984) (discussing sham exception to the First Amendment right to petition).[22] Despite the fact that In-Situ's counterclaims survived a summary judgment motion, In-Situ has not shown that it actually attempted to present any evidence at trial to support the counterclaims, other than the evidence that also supported its defenses.

However, Hach's section 1927 argument does not win the day either.

[22] In-Situ argues (Doc. #280 at 7) that it dropped its unfair competition counterclaim on July 21, 2015, citing Doc. #197. Hach's present motion argues that In-Situ's conduct made unclear whether it had withdrawn the claim, but when Hach made its motion for judgment on June 29, 2016, Hach understood the claim was already withdrawn. Doc. #278 at 23:18-21. The court considers the unfair competition counterclaim withdrawn as of July 21, 2015.

> The statute makes attorneys potentially liable for harm caused "because of" unreasonable and vexatious multiplication of proceedings. 28 U.S.C. § 1927. Thus, there must be a causal connection between the objectionable conduct of counsel and multiplication of the proceedings, such that the conduct resulted in proceedings that would not have been conducted otherwise.

Baca, 806 F.3d at 1268 (internal quotations omitted). Hach asserts that it conducted discovery to defend the counterclaims, but points to only seven interrogatories (doc. #266-1) and a handful of pages in a deposition (of In-Situ's Chris McKee) that Hach would have taken anyway. Doc. #266 at pp. 6-8, 9, 12, 20. Hach recognizes that In-Situ did not require Hach to answer any discovery directed to the counterclaims. *Id.* at p. 23. Hach moved for summary judgment on the counterclaims (doc. #104), but the court denied that motion. Doc. #166.

Hach further recognizes that it did not have to rebut any evidence unique to the counterclaims at trial. Hach had to rebut In-Situ's evidence regarding the late royalty payments regardless of the counterclaims because In-Situ relied on that evidence for its defenses.[23] Hach has not shown "the conduct resulted in proceedings that would not have been conducted otherwise." *See, e.g., Kazazian,* 300 F.R.D. at 676 (denying attorneys' fees request under section 1927 where movants did not point to vexatious conduct that caused them to undertake significantly expanded work); *cf., Martinson,* 2010 WL 3777282, at *3, n.5 (noting the court would deny request for attorneys' fees because even if the plaintiff deficiently investigated part of its case, the rest of the claims would still have proceeded regardless). Accordingly, the court denies Hach's motion for attorneys' fees and costs pursuant to 28 U.S.C. § 1927.

[23] Hach argues that In-Situ used the counterclaims "to obfuscate" and "to 'poison the well'" during opening statements and closing arguments. Doc. #266 at p. 24. If Hach believed it was being unfairly prejudiced, it had to object at the time. *See, e.g.,* Doc. #247 (transcript of In-Situ's opening statement) at pp. 10, 16 (no objections). This is not a basis for § 1927 sanctions.

C. In-Situ's Motion (Doc. #265) for Attorneys' Fees, Expert Fees and Costs Pursuant to 35 U.S.C. § 285

In-Situ argues that Hach's patent infringement claim was an "exceptional case" in which the court "may award reasonable attorney fees to the prevailing party," 35 U.S.C. § 285, as well as expert witness fees and costs. As interpreted in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. –, 134 S. Ct. 1749 (2014), the statute gives the court discretion to shift attorney fees in a case

> 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. 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, 134 S. Ct. at 1756 (footnote omitted). "[E]quitable discretion should be exercised in light of the considerations we have identified" in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). *Id.* Those considerations are: "a nonexclusive list of factors, including 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 n.6 (internal quotations omitted, citing *Fogerty*, 510 U.S. at 534, n.19).

Under this standard, "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." *Octane*, 134 S. Ct. at 1757. "[A] case presenting subjective bad faith alone could sufficiently set itself apart from mine-run cases to warrant a fee award." *Halo Elec., Inc. v. Pulse Elec., Inc.*, 136 S. Ct. 1923, 1933 (2016) (internal quotations omitted, quoting *Octane*, 134 S. Ct. at 1757). Consistent with these principles, section 285 decisions remain a matter of the court's discretion and "generally is, at heart, rooted in factual determinations." *Highmark Inc. v. Allcare Health Mngmt. Sys., Inc.*, 134 S. Ct. 1744, 1747, 1749 (2014).

In-Situ argues that Hach used its claim "as a sword to chill competition in its desired market space" because (a) two of Hach's witnesses (Kenneth Ogan and Glen Cruger) testified that they knew Hach had paid some of its minimum annual royalties late and knew that late payment triggered automatic conversion to non-exclusivity, and (b) PhotoSense sent written notice in 2003 that it "converted the license to non-exclusive." Doc. #265 at p. 4. In-Situ does not cite pages or approximate times of testimony; nor does it cite trial exhibits, other than the License Agreement. According to In-Situ, the "most reasonable explanation for Hach's conduct is that it brought this suit as part of a strategy to weaken In-Situ as a competitor in the marketplace." *Id*. In-Situ does not argue any specific Hach conduct in the litigation was unreasonable, but rather that Hach's claim was so weak that its entire case was unreasonable.

Hach responds that In-Situ's motion is frivolous for lack of factual basis and legal support. Doc. #279 at p. 1, n.1. Hach points to evidence that supported its belief that PhotoSense had waived the right to convert to a non-exclusive license or should be estopped from arguing that after leading Hach to believe that its license was still exclusive. *Id.* at pp. 2-4. Specifically, Hach does not dispute that Messers. Ogan and Cruger testified that they knew Hach had paid some minimum royalties late, but argues that testimony conflicts with other Hach witnesses (Mike Strycker, Duncan Browne, Ken Ogan and Melissa Aquino)'s testimony "that PhotoSense led them to believe that the license remained exclusive." Doc. #279 at p. 4. As it did for its 28 U.S.C. § 1927 motion, Hach points to In-Situ's lack of evidence that Hach pursued its claim for an anticompetitive (or otherwise improper) purpose or in an anticompetitive manner. *Id.* at pp. 5-7. In-Situ argues in turn that Hach's waiver and estoppel theories were unreasonable because, it asserts, the License Agreement provided that conversion was automatic and therefore PhotoSense could not have waived or been estopped. Doc. #282 at p. 3.

In-Situ has not shown that Hach's case stands out from the norm, either in substantive strength or the manner in which Hach litigated it. In-Situ's argument regarding Hach's license is no more persuasive now than in any of In-Situ's prior iterations. In-Situ has several times argued that Hach's license converted to non-exclusive as a matter of law before Hach filed this action. The court rejected the argument. Docs. #59 at pp. 6-8; Doc. #166 (denying In-Situ motion doc. #101); Doc. #246 (minutes of June 24, 2016); *see also* June 24, 2016 audio recording at 10:53 a.m., 10:59 a.m.); Doc. #252 (minutes of June 29, 2016). Although "[w]here, as here, a party's motion for fees does no more than refer the court back to its previous rulings, the district court has no obligation to reconsider or re-explain its prior rulings," *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1348 (Fed. Cir. 2015), this court found the License Agreement ambiguous regarding whether PhotoSense could waive or be estopped from asserting the conversion. In its reply brief, In-Situ does not dispute that the record includes testimony from Hach's witnesses (Mike Strycker, Duncan Browne, Ken Ogan and Melissa Aquino), that PhotoSense had led them to believe the license was still exclusive. The jury agreed with Hach as to the 2001 payment. The jury disagreed with Hach regarding the 2003 payment, but this does not make the case "exceptional."

"[A]s the Supreme Court made clear in *Octane*, fee awards are not to be used as a penalty for failure to win a patent infringement suit. … In other words, fees are not awarded solely because one party's position did not prevail." *Gaymar Indus., Inc. v. Cincinnati Sub-Zero Prod., Inc.*, 790 F.3d 1369, 1373 (Fed. Cir. 2015) (internal quotations omitted, citing *Octane*, 134 S. Ct. at 1753). "[A] hard-fought case is not necessarily an exceptional one." *JS Prod., Inc. v. Kabo*

Tool Co., No. 2:11-cv-01856-RCJ-GW, 2014 WL 7336063, at *5 (D. Nev. Dec. 22, 2014) (internal quotations omitted). Hach's claim had legal underpinning and factual support that, although the jury ultimately found against Hach and for In-Situ regarding the 2003 payment, nonetheless show that its case was objectively reasonable, and not improperly motivated or frivolous. In-Situ does not point to any egregious litigation conduct by Hach. Nor are there any "considerations of compensation and deterrence" of any importance in this case. In the totality of the circumstances, this case is not exceptional.

This conclusion is further buttressed by In-Situ's failure to cite any cases awarding section 285 motions in similar circumstances. In-Situ relies on *Universal Electronics, Inc. v. Universal Remote Control, Inc.*, 130 F. Supp. 3d 1331 (C.D. Cal. 2015), *appeal dismissed* (Feb. 18, 2016), *aff'd*, No. 2015-1410, – F. App'x –, 2016 WL 6068203 (Fed. Cir. Oct. 17, 2016) (*per curiam*). *Universal Electronics* provides no support for In-Situ. The court analyzed only the amount of attorney fees to award after already deciding the case was exceptional. *Id.* at 1334. *See also* Doc. #279-1 (unpublished *Universal Electronics* opinion filed by Hach). *Universal Electronics* was exceptional largely based on egregious conduct, such as filing a petition with the U.S. Patent and Trademark Office during the litigation to correct inventorship on a patent in issue, without informing the court or opposing party. Doc. #279-1 at pp. 8, 12. That conduct is nothing akin to Hach's decision to pursue a claim that was subject to conflicting evidence.

Post-*Octane*, courts that find a case exceptional based on frivolous litigation positions do so on the basis of undisputed facts, law of the case, or the like – not the movant's view of conflicting evidence. *See, e.g.*, *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 483 (Fed. Cir. 2016) (affirming district court's finding of exceptional case in part because the court found noninfringement based on the patentee's own proposed claim constructions); *Sprint*

Commc'ns Co. L.P. v. Comcast Cable Commc'ns, LLC, No. CV 12-1013-RGA, – F. Supp. 3d –, 2016 WL 4443146, at *1–2 (D. Del. Aug. 18, 2016) (noting that "exceptional" cases generally involve egregious facts, such as a patentee litigating contrary to law of the case or contrary to the advice of its own lawyer); *Bovino v. Levenger Co.,* No. 14-cv-00122-RM-KLM, 2016 WL 1597501, at *5, 8 (D. Colo. Apr. 21, 2016) (noting that the plaintiff sued a manufacturer whose sole products on their face did not practice the patent and plaintiff "made factual assertions in his response [filed with the court] that plaintiff, if he had read the letter [from defendant] … knew were wrong."); *Bayer Cropscience AG v. Dow Agrosciences LLC*, No. 12-cv-256 (RMB/JS), 2015 WL 1197436, at *4–5 (D. Del. Mar. 13, 2015), *appeal pending* (noting it was "undisputed that Bayer granted MSTech an exclusive license" to use patents "to commercialize product," which MSTech did with the defendant, but Bayer nonetheless claimed the defendant was infringing Bayer's patent).

The court's research has found two post-*Octane* courts addressing section 285 motions where (1) the evidence regarding the license or assignment of a patent was conflicting and (2) ultimately the claimant lost at least in part or dismissed its claims. *XY, LLC v. Trans Ova Genetics, LC,* No. 13-cv-0876-WJM-NYW, 2016 WL 1391615, at *9 (D. Colo. Apr. 8, 2016), *reconsideration den'd on this issue,* 2016 WL 6664619, at *3 (Nov. 10, 2016); *appeal pending; Orbit Irrigation Prod., Inc. v. Sunhills Int'l, LLC*, No. 1:10-cv-113 TS, 2015 WL 7574766, at *3 (D. Utah Nov. 25, 2015). In both cases, the movant argued only its view of the conflicting evidence, and both courts declined to find the case exceptional. *XY*, 2016 WL 1391615, at *9; *Orbit Irrigation,* 2015 WL 7574766, at *3 (finding the movant's argument that plaintiff knew it did not have standing to sue on the patent when it brought its claim was based on speculation and would require drawing improper inferences on summary judgment record). In *XY,* the court addressed a section 285 motion after a jury trial and verdict. The court

> disagree[d with the patent owner, XY] that it was unreasonable of Trans Ova to believe it continued to have a valid license, at least until April 16, 2009. Indeed, the jury ultimately found that XY's attempt to terminate the Agreement was improper, and the Agreement therefore continued in place until that date. … While it may have been less reasonable for Trans Ova to continue to believe the Agreement persisted after its negotiations with XY for an amended license failed, and after it began seeking alternative technologies with Owl Biomedical, the Court rejects XY's contention that Trans Ova's belief that the Agreement remained in effect was completely untenable so as to render this case exceptional under § 285.

XY, 2016 WL 1391615, at *9. Much as in *XY* and *Orbit Irrigation*, In-Situ's section 285 motion asks the court to adopt In-Situ's view of conflicting evidence. This is insufficient.

In-Situ's further request under section 285 for non-taxable costs, including expert fees, fails for the same and additional reasons. In-Situ seeks its expert fees under section 285, citing *Universal Electronics,* 130 F. Supp. at 1337, but In-Situ also recognizes that its request for expert fees requires it to show "fraud on the court or an abuse of judicial process." Doc. #265 at p. 6 (quoting *Amsted Ind. v. Buckeye Steel Castings Co.*, 23 F.3d 374, 379 (Fed. Cir. 1994)). More accurately, *Amsted* held that section 285 does not provide for shifting expert fees but that district courts could exercise their inherent powers to award expert witness fees as a sanction for fraud on the court or abuse of judicial process. *Id.* at 378-79. *See also Universal Electronics,* 130 F. Supp. at 1341 (same); *In re Electro-Mechanical Indus.*, 359 F. App'x 160, 166 (Fed. Cir. 2009) (same). In-Situ raises only the same argument that the court already rejected in dismissing the abuse of process counterclaim, and thereby fails to show it is entitled to expert fees under Section 285. In short, the court denies In-Situ's motion under 35 U.S.C. § 285 in its entirety.

D. Costs Pursuant to Rule 54(d) and C.R.S. § 13-17-202.

Both parties seek their costs under Rule 54(d) as the prevailing party on part of the claims in this case. In-Situ appears to seek all of its costs in the case. Docs. #265 (In-Situ's motion) at p. 7, #264 (In-Situ's bill of costs), #269 (In-Situ's corrected bill of costs). Hach requests an award of its costs incurred in defending In-Situ's counterclaims. However, neither party's bills of costs appear to delineate between costs they incurred on successful and unsuccessful claims.

"Except when express provision therefor is made either in a statute of the United States or in these rules, costs other than attorneys' fees shall be allowed as of course to the prevailing party unless the court otherwise directs...." Fed. R. Civ. P. 54(d)(1).[24] "As is apparent from the language of Rule 54(d)(1), the determination of who qualifies as a prevailing party is central to deciding whether costs are available." *Barber v. T.D. Williamson, Inc.*, 254 F.3d 1223, 1233–34 (10th Cir. 2001) (internal quotations omitted). "[W]hile costs presumptively are awarded to the prevailing party … a trial court still has the discretion to act under Rule 54(d)(1)." *Id.* at 1234. If the court exercises its discretion to not award costs, the court must state a valid reason. *Zeran v. Diamond Broad., Inc.*, 203 F.3d 714, 722 (10th Cir. 2000).

"[I]n cases in which neither side entirely prevailed, or when both sides prevailed, or when the litigation was thought to be the result of fault on the part of both parties, some courts have denied costs to both sides." *Barber*, 254 F.3d at 1234-35 (internal quotations omitted, citing Wright & Miller, *Federal Practice and Procedure (Civil)* § 2668). *See also Howell Petroleum Corp. v. Samson Res. Co.,* 903 F.2d 778, 783 (10th Cir. 1990) ("The court was within its discretion to refuse to award costs to a party which was only partially successful."); *Rogers v. United States*, No. 97-2666-JWL, 2000 WL 382015, at *2 (D. Kan. Mar. 17, 2000) (denying

[24] Because both parties filed motions seeking costs, the clerk of court postponed taxing costs until after this ruling.

costs to both sides because both were partially successful); *All W. Pet Supply Co. v. Hill's Pet Prod. Div., Colgate-Palmolive Co.,* 153 F.R.D. 667, 669–70 (D. Kan. 1994) (same; collecting cases). Denying costs to both sides has been found within the trial court's discretion where, as here, neither party prevailed on its claims. Wright & Miller *Federal Practice and Procedure (Civil)* § 2668, n. 31 (citing *e.g., Ruiz v. A.B. Chance Co.,* 234 F.3d 654, 670 (Fed. Cir. 2000); *Kropp v. Ziebarth,* 601 F.2d 1348, 1358 (8th Cir. 1979) (vacating award of costs where jury found neither party was entitled to recover); *Tao of Sys. Integration, Inc. v. Analytical Servs. & Materials, Inc.,* 412 F. Supp. 2d 571, 575 (E.D. Va. 2006); *City of Rome v. Glanton,* 184 F.R.D. 547, 550 (E.D. Pa. 1999)). *See also Wheatley v. Moe's Sw. Grill, LLC,* 580 F. Supp. 2d 1319, 1322 (N.D. Ga. 2008).

In this case, Hach did not prevail on its claims. In-Situ likewise did not prevail on its counterclaims – counterclaims which required "proof outside the scope of plaintiff's claim," *City of Rome,* 184 F.R.D. at 550, and which In-Situ insists it pursued until the judgment for Hach on those counterclaims during trial. In these circumstances, the court exercises its discretion to deny both parties' requests under Rule 54(d) for costs.

In its reply brief, Hach argues C.R.S. § 13-17-202 for its costs incurred after In-Situ rejected Hach's July 14, 2015 offer of settlement.[25] With respect to In-Situ's counterclaims, Hach was a counterclaim defendant. Section 13-17-202 provides:

> If the defendant serves an offer of settlement in writing at any time more than fourteen days before the commencement of the trial that is rejected by the plaintiff, and the plaintiff does not recover a final judgment in excess of the amount offered, then the defendant shall be awarded actual costs accruing after the offer of settlement to be paid by the plaintiff.

[25] In its motion #266, Hach originally argued Federal Rule of Civil Procedure 68 entitled it to costs after making an offer of judgment. In-Situ argued that Rule 68 was inapplicable to the judgment dismissing the counterclaims because Hach did not win an amount in its favor. Doc. #280 at p. 13. In reply, Hach dropped Rule 68 and raised § 13-17-202. Doc. #285 at p. 10.

C.R.S. § 13-17-202(1)(a)(II) (in relevant part). "Such an award is mandatory and nondiscretionary in many respects. …. Colo. Rev. Stat. § 13–17–202 applies in diversity actions and is not preempted by the federal rules." *Pahoua Xiong v. Knight Transp., Inc.*, No. 14-1390, – F. App'x –, 2016 WL 4056115, at *5 (10th Cir. July 27, 2016) (citing *Scholz v. Metro. Pathologists, P.C.*, 851 P.2d 901, 910 (Colo. 1993), *superseded by statute on other issue*; *Garcia v. Wal–Mart Stores, Inc*., 209 F.3d 1170, 1176–79 (10th Cir. 2000)).

Here, Hach offered to pay $2 to settle In-Situ's counterclaims, which offer remained open for 14 days after service. Doc. #268 at pp. 52-54.[26] Hach asserts that In-Situ did not respond to the offer. On June 29, 2016, In-Situ lost on the counterclaims. In-Situ does not dispute these facts. Doc. #280 at p. 13. Therefore, pursuant to § 13-17-202(1)(a)(II), Hach is entitled to its "actual costs"[27] incurred in defending the counterclaims after its offer of settlement on July 14, 2015.

However, Hach can recover only costs that it incurred to defend the counterclaims, and only those incurred after July 14, 2015. Hach's bill of costs (doc. #268) and supplemental declaration in support (doc. #275) include costs incurred before that date. Hach's submissions also do not clearly delineate between costs incurred (a) in pursuing Hach's claims and rebutting In-Situ's defenses and (b) in opposing Hach's defense of the counterclaims. "The party seeking

[26] Hach filed the offer as pages 53-55 of its bill of costs submission. Doc. #268. In the document, Hach "offers to allow judgment to enter against it on In-Situ's counterclaims." "The statute does not require any particular form for an "offer of settlement" and an offer need not be expressly entitled 'settlement offer.'" *Pahoua Xiong*, 2016 WL 4056115, at *5 (citing *Dillen v. HealthOne, L.L.C.*, 108 P.3d 297, 301 (Colo. App. 2004)).

[27] "[A]ctual costs" shall not include attorney fees but shall mean costs actually paid or owed by the party, or his or her attorneys or agents, in connection with the case, including but not limited to filing fees, subpoena fees, reasonable expert witness fees, copying costs, court reporter fees, reasonable investigative expenses and fees, reasonable travel expenses, exhibit or visual aid preparation or presentation expenses, legal research expenses, and all other similar fees and expenses." C.R.S. § 13-17-202(1)(b).

costs bears the burden of establishing the amount of compensable costs and expenses to which it is entitled." *Keelan v. Denver Merch. Mart*, No. 00-cv-02303-EWN-CBS, 2005 WL 1799365, at *5 (D. Colo. July 28, 2005), *aff'd*, 182 F. App'x 806 (10th Cir. 2006) (internal quotations omitted). Within 10 days of this order, Hach shall file an amended bill of costs that conforms to this order and to § 13-17-202(1)(b) for the clerk of court to tax costs consistent with this order.

IV. Hach's Motion (Doc. #281) for Sanctions Regarding In-Situ's Section 285 Motion

Under Rule 11 and 28 U.S.C. § 1927, Hach seeks an award of its attorneys' fees incurred in responding to In-Situ's section 285 motion. Doc. #281. Rule 11 provides sanctions *inter alia* for filings that are legally or factually frivolous. Fed. R. Civ. P. 11(b)(2), (3). Imposition of Rule 11 sanctions is discretionary and reversible only for errors of law or "clearly erroneous assessment of the evidence." *Lundahl v. Home Depot, Inc.*, 594 F. App'x 453, 455–56 (10th Cir. 2014). Section 1927 is an "extreme standard" that reserves fee awards to cases in which counsel intentionally or recklessly disregarded their duties to the court. *Baca*, 806 F.3d at 1268.

Hach asserts that In-Situ's section 285 motion has no factual basis to maintain that Hach had an anticompetitive intent in bringing this action, especially after the court found that In-Situ failed to present evidence of such at trial for its counterclaims. Hach also argues that the motion lacks legal support, particularly as to In-Situ's request for its expert fees, and has vexatiously increased the proceedings in requiring Hach to prepare a response in opposition. In-Situ responds that the "standard for awarding attorneys' fees under the Act [is] now lower than ever before, and clearly trending towards favoring fee shifting in patent cases." Doc. #286. In-Situ cites no cases in support of its hyperbole. In-Situ recognized that its request for expert fees requires showing Hach committed a fraud on the court or an abuse of process. In-Situ did not attempt to show a fraud on the court and does not seek reconsideration of the dismissal of its counterclaims, including its abuse of process counterclaim.

In-Situ's section 285 motion was quite light on support. However, the court finds an award of attorneys' fees to Hach as a sanction inappropriate for the following reasons. First, after *Octane*, long-shot section 285 motions appear to be quite common. *See, e.g.*, *Labyrinth Optical Techs. LLC v. Alcatel-Lucent USA, Inc.*, No. SACV1200759AGD-FMX, 2015 WL 8227494, at *6–7 (C.D. Cal. Mar. 23, 2015) ("In every case terminated by adjudication in this Court after *Octane* …, a party has filed an exceptional case motion under 35 U.S.C. § 285"); *cf.*, *Sprint*, 2016 WL 443146, at *2 (noting the court receives "a lot of these [Section 285] motions"). It would be difficult to sanction In-Situ's counsel for following the well-trodden road of seeking to extend the law under *Octane's* somewhat amorphous equitable factors.

Second, as noted above, Rule 11 motions must be served promptly when the offending claim or filing can still be withdrawn. *Hutchinson*, 208 F.3d at 1183-84. Although Hach's Rule 11 motion was timely as to In-Situ's section 285 motion, Hach's argument rests only in part on the court's dismissal of the counterclaims during trial. It also rests in part on the allegedly frivolous nature of In-Situ's counterclaims from their inception. *See, e.g.*, Doc. #281 at pp. 1-4 (including reference to Hach's motion #266 for attorneys' fees and costs); Doc. #287 at p. 2. Hach's decision to not serve a Rule 11 letter to In-Situ before trial[28] somewhat undermines its persuasiveness as to the section 285 motion because it causes the Rule 11 motion to verge on appearing "simply an effort to extract some measure of revenge." *Consumer Crusade, Inc. v. Pub. Tel. Corp. of Am.*, No.05-cv-00208-MSK-CBS, 2006 WL 2434081, at *7 (D. Colo. Aug. 21, 2006).

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[28] The court could have deferred decision on a pretrial Rule 11 motion until after resolution of the underlying merits. *See, e.g.*, *Alcohol Monitoring Sys., Inc. v. Actsoft, Inc.*, No. 07-cv-02261-PAB-MJW, 2012 WL 4476623, at *2 (D. Colo. Sept. 28, 2012) (denying Rule 11 motion without prejudice to renewing); *Nova Leasing, LLC v. Sun River Energy, Inc.*, No. 11-cv-00689-CMA-BNB, 2012 WL 917259, at *1–2 (D. Colo. Mar. 19, 2012) (same).

Moreover, [t]he only sanction that Hach suggests is an award of its attorneys' fees incurred in preparing the Rule 11 motion and opposing In-Situ's section 285 motion. Doc. #287 (Reply) at p. 4. "[I]n keeping with its ultimate goal of deterrence, rather than compensation, Rule 11 de-emphasizes monetary sanctions and discourages direct payouts to the opposing party." *Hutchinson*, 208 F.3d at 1183 (internal quotations omitted). *See also Hutchinson v. Hahn,* 402 F. App'x 391, 394 (10th Cir. 2010) (Rule 11 focuses on deterrence, while section 1927 focuses on compensation). It is not plain that awarding Hach attorneys' fees would more efficiently deter frivolous section 285 motions better than the attorneys' fees that In-Situ itself incurred on briefing a fruitless section 285 motion and opposing the Rule 11 motion. *See, e.g., Consumer Crusade,* 2006 WL 2434081, at *7. Accordingly, the court exercises its discretion not to sanction In-Situ's counsel. For the same reasons, the court finds that the section 285 motion was not so unreasonable and vexatious as to warrant an award of fees under section 1927.

CONCLUSION

The court DENIES motions #263, 265, 274 and 281. The court GRANTS IN PART motion #266 to the extent that Hach seeks its costs incurred in defending In-Situ's counterclaims after July 14, 2015 and otherwise DENIES that motion. Hach shall file an amended bill of costs consistent with this opinion within 10 days for the clerk of court to tax costs.

DATED at Denver, Colorado, this 22nd day of November, 2016.

BY THE COURT:

s/Craig B. Shaffer
United States Magistrate Judge

APPENDIX A: JURY INSTRUCTION NO. 14

Hach and PhotoSense dispute the meaning of the phrase “at the end of each indicated year” contained in Section III.C of the License Agreement. That provision states:

> A minimum annual royalty shall be paid to PhotoSense by Hach regardless of the annual sales of Product and actual royalties due therefor in accordance with the scheduled provided below. Should the actual annual royalties paid to PhotoSense under Section III.B above be less than the minimum royalties set forth below, Hach shall pay to PhotoSense the difference between the actual royalties paid and the minimum royalties due within thirty days after the end of each indicated year.
>
> During year one of the Agreement - $0.000.00
> During year two of the Agreement - $15,000.00
> During year three of the Agreement - $25,000.00
> During year four of the Agreement - $35,000.00
> During year five and every year thereafter - $35,000.00.

Hach interprets the phrase “at the end of each indicated year” to take into account both the “Payment Compensation Period” language set forth in Section III.B and Section V.A of the License Agreement, and the due-dates the License Agreement provides for Hach to pay PhotoSense actual annual royalties. The License Agreement defines “Payment Computation Period” to mean: “a three (3) month calendar quarter ending on the last day of July, October, January, or April of a given year.” The due-date for payment of royalties is “within forty-five (45) days after the end of each Payment Computation Period.” Hach’s position is that “at the end of each indicated year” refers to 45 days after the end of the last day of July in a given year to allow Hach to compute the quarterly payment due for July before having to determine whether to make a minimum annual royalty for that year.

On the other hand, In-Situ interprets the phrase “at the end of each indicated year” to mean the anniversary of the date the parties signed the License Agreement, or the July 14, 1999 date. It is In-Situ’s position that “year one,” “year two,” etc. refers to July 14, 2000, July 14, 2001, and so forth.

The parties also dispute the meaning of Section III.D of the License Agreement which states as follows:

> Should Hach elect at any time during the terms of this Agreement not to pay minimum royalties when due under Paragraph C above, the Grant of License set forth in Section II above shall automatically convert to a non-exclusive license and grant, and all exclusive rights conferred pursuant to this Agreement shall likewise be converted to non-exclusive rights.

Hach interprets the word "elect" in this provision to mean "to make a selection of" or "to choose," and interprets this provision to mean that Hach needed to make a conscious or intentional choice not to pay the minimum royalties when due in order for the exclusive license to convert to a non-exclusive license. On the other hand, In-Situ interprets this provision to mean that the exclusive license converted automatically to a non-exclusive license if Hach failed to make a minimum annual royalty payment on the date that payment was due. In-Situ maintains that Hach's intent is irrelevant under this provision.

But it is for you, the jury, to decide what these license provisions mean, based on the Court's instructions and the evidence presented by the parties.

Doc. #257 at pp. 19-20 (Instruction No. 14).