IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

NATIONAL CHENG KUNG UNIVERSITY,	§	
	§	
Plaintiff,	§	
	§	
vs.	§	**CASE NO. 2:13-CV-442**
	§	
INTEL CORPORATION,	§	
	§	
Defendant.	§	

MEMORANDUM OPINION AND ORDER

Before the Court is Defendant Intel Corporation's ("Intel") Motion for Leave to File a Short Response to New Issues Raised by NCKU's Supplemental Declaration (Docket No. 101) and Intel's Motion for Attorneys' Fees Under 35 U.S.C § 285 (Docket No. 86). Having reviewed the parties' arguments and for the reasons stated below, Intel's Motion for Leave (Docket No. 101) is **GRANTED** and Intel's Motion for Attorneys' Fees (Docket No. 86) is **DENIED**.

BACKGROUND

On May 31, 2013, Plaintiff National Cheng Kung University ("NCKU") filed this action alleging infringement of U.S. Patent Numbers 5,626,152 (" '152 Patent") and 5,825,420 (" '420 Patent") ("asserted patents") against Intel. On September 24, 2014, the parties jointly moved to dismiss the '152 Patent from the suit, which was granted on September 29, 2014. Docket Nos. 75, 78. Then, on October 7, 2014, the parties jointly moved to dismiss the remainder of their respective claims. Docket No. 83. The parties' claims were dismissed with prejudice on October 22, 2014. Docket No. 87. Intel now moves for attorneys' fees under 35 U.S.C. § 285.

Docket No. 86. The Court held a hearing on Intel's motion for attorneys' fees on October 27, 2015. *See* Docket No. 96 ("Hr'g Tr."). At the hearing, the parties were invited to supplement the record with authority helpful to each side's respective position within 10 days of the hearing. Hr'g Tr. 33:25–34:3. The parties supplemented the record with various cases, which in turn lead to Intel's motion for leave (Docket No. 101). *See* Docket Nos. 97–98, 100.

INTEL'S MOTION FOR LEAVE

On November 11, 2015, Intel filed a motion for leave to file a three-page response to issues raised in NCKU's supplemental declaration (Docket No. 100). Docket No. 101 at 1. Intel argues that the supplemental declaration offers new evidence to which Intel has not had an opportunity to respond. *Id.* Specifically, Intel contends that the supplemental declaration states for the first time that NCKU's experts' pre-suit discussions with Dr. Yang concluded on February 27, 2013, which contradicts, by about two weeks, previous arguments made by NCKU at the October 27th hearing. *Id.* at 2. Intel asserts that its response to the supplemental declaration would provide it "with a fair opportunity to respond to the facts and timeline set forth regarding these issues in [the supplemental] declaration . . . ." *Id.*

NCKU responds that Intel's accusations are inaccurate and the short response is, in actuality, a supplemental brief to its motion for attorneys' fees. Docket No. 103 at 1. NCKU argues that every statement made in the supplemental declaration was first raised in NCKU's response to Intel's motion for attorneys' fees. *Id.* at 2–3. In order to fully consider the issues surrounding Intel's motion for fees, the motion for leave (Docket No. 101) is **GRANTED**.

INTEL'S MOTION FOR ATTORNEYS' FEES

LEGAL STANDARD

"The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. Prior to the Supreme Court's recent decision in *Octane Fitness*, Federal Circuit precedent required the prevailing party to produce clear and convincing evidence that the opposing party's claims were objectively baseless and brought with subjective bad faith to declare a case exceptional. *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381–82 (Fed. Cir. 2005). Rejecting both the clear and convincing evidence standard and the two-part test, the Supreme Court held that an exceptional case under § 285 is "simply one that stands out from others with respect to the substantive strength of a party's litigating position (concerning both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014).

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.* at 1757. As the Supreme Court noted, "a case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award." *Octane*, 134 S. Ct. at 1756. "The predominant factors to be considered, though not exclusive, are those identified in *Brooks Furniture*: bad faith litigation, objectively unreasonable positions, inequitable conduct before the PTO, litigation misconduct, and (in the case of an accused infringer) willful infringement." *Stragent, LLC v. Intel Corp.*, No. 6:11-cv-421, 2014 WL 6756304, at *3 (E.D. Tex. Aug. 6, 2014) (Dyk, J., sitting by designation); *see also Octane Fitness*, 134 S. Ct. at 1756 n.6 ("[I]n determining whether to award fees under a similar

provision in the Copyright Act, district courts could consider 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.' ") (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 535 n.19 (1994)). "Ultimately, a party's entitlement to attorney fees need only be proved by a preponderance of the evidence." *DietGoal Innovations LLC v. Chipotle Mexican Grill, Inc.*, No. 2:12-cv-764, 2015 WL 1284826, at *1 (E.D. Tex. March 20, 2015) (Bryson, J, sitting by designation) (citing *Octane*, 134 S. Ct. at 1758).

ANALYSIS

Intel argues this case is exceptional and, as the prevailing party, that it should be awarded attorneys' fees. Docket No. 86 at 11. Intel seeks to recover its costs from the time NCKU received Intel's source code, August 6, 2014, up to the time when the parties' requested dismissal of the case. *Id.* at 3. Intel contends that NCKU's litigation was meritless from the beginning and its discovery misconduct exceptional. *Id.* at 11. NCKU responds the fees are unwarranted because (1) Intel is not a prevailing party, (2) the case brought against Intel was in good faith and (3) NCKU did not engage in any discovery misconduct. Docket No. 88 at 7, 9.

Intel Is The Prevailing Party

NCKU argues that Intel is not the prevailing party because it has not won any dispute where the Court made any findings on substantive issues between the parties. *Id.* at 7–8 (citing *Pragmatus Telecom LLC v. Newegg Inc.*, 2014 WL 3724138 (D. Del. 2014), rev'd by, 625 Fed.Appx. 528 (Fed. Cir. 2015)). NCKU asserts that the only substantive dispute—Intel's Motion to Transfer Venue (Docket No. 24)—was resolved in NCKU's favor. *Id.* at 8. NCKU further distinguishes this case by stating that discovery was ongoing at the time the case was

dismissed, and the case's dismissal with prejudice "does not have 'the necessary judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties' sufficient to award fees under 35 U.S.C. § 285." *Id.* (quoting *Highway Equipment Co., Inc. v. FECO, Ltd.*, 469 F.3d 1027, 1033 (Fed. Cir. 2006)). NCKU maintains that the parties' legal relationship did not sufficiently change because they did not enter into any "licenses, covenants-not-to-sue, summary judgment rulings, or any trials on the merits, or even other assertions, [as such] NCKU could conceivably bring its unasserted claims against Intel." *Id.* at 8–9.

Intel responds that dismissing the parties' claims with prejudice is sufficient to deem Intel the prevailing party. Docket No. 89 at 2. Intel contends that NCKU's standard for a prevailing party would require that Intel "would have had to oppose the voluntary dismissal offer and proceed to defend itself against NCKU's baseless claims on the merits." *Id.* Intel argues that this case was not ready for substantive motions because depositions were still taking place and a claim construction hearing had not yet occurred. *Id.*

"[T]o be a prevailing party, one must 'receive at least some relief on the merits,' which 'alter[s] . . . the legal relationship of the parties.' " *Former Emps. Of Motorola Ceramic Prods. v. United States*, 336 F.3d 1360, 1364 (Fed. Cir. 2003) (quoting *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health and Human Res.*, 532 U.S. 598, 601, 605 (2001)). "The dismissal of a claim with prejudice . . . is a judgment on the merits under the law of the Federal Circuit." *Power Mosfet Tech., L.L.C. v. Siemens AG*, 378 F.3d 1396, 1416 (Fed. Cir. 2004). A party need not win "a dispute or benefitted from a substantive court decision." *Pragmatus Telecom LLC v. Newegg Inc.*, 625 Fed.Appx. 528, 529 (Fed. Cir. 2015).

The parties disagree about whether their joint motions to dismiss are sufficient to consider Intel the prevailing party. The dismissal orders state that "each claim made by NCKU

against Intel" with respect to the asserted patents, "and each defense and counterclaim made by Intel against NCKU" with respect to the asserted patents are "dismissed with prejudice." Docket Nos. 78 at 1, 87 at 2. The language in the dismissal orders include a stipulation that there is no infringement case against Intel, and that Intel's counterclaims would also be dismissed. *Id.* The dismissal orders are sufficient relief on the merits and a sufficient change in the parties' legal relationship to consider Intel the prevailing party.

NCKU Did Not Litigate The Case Unreasonably

Intel contends NCKU acted unreasonably in how it litigated this case by filing a complaint accusing technology that NCKU knew was not covered by the asserted patents. Docket No. 86 at 11–14. Intel argues that NCKU's 30(b)(6) witness on infringement and validity issues—Dr. Jar-Ferr Yang, lead inventor on the asserted patents—testified at his deposition that the asserted patents do not cover the row-column decomposition. *Id.* at 11–12. Intel asserts that NCKU continued to litigate the case despite the fact that Intel's source code confirmed that the accused technology included the row-column decomposition. *Id.* at 12. Furthermore, Intel contends that NCKU unreasonably litigated the asserted patents even though it knew of invalidating prior art. *Id.* at 13. Finally, Intel claims that NCKU should have inquired about whether the former co-owner of the '152 Patent—United Microelectronics Corporation ("UMC")—would participate in the litigation before filing suit. *Id.* at 13–14.

NCKU responds that it did not conduct the litigation in bad faith, nor did it pursue a meritless case. Docket No. 88 at 9. NCKU asserts that it "conducted an adequate pre-suit investigation of the accused Intel products." *Id.* Furthermore, NCKU states that it "hired an additional expert who confirmed that each element of the asserted claims were met by the accused Intel products." *Id.* at 9–10. In response to Intel's invalidity argument, NCKU argues

that absent a ruling from the Court or the USPTO, the asserted patents remain valid. *Id.* at 10. Moreover, NCKU asserts that Intel's claim on the existence of invalidating prior art relies solely on Dr. Yang's testimony over a reference that he only briefly reviewed. *Id.* Finally, NCKU contends that it could not have known that UMC would decline to participate in this litigation "because UMC had a contractual obligation to the contrary." *Id.* at 11 (referencing the assignment agreement between NCKU and UMC).

Here, Intel supports its contentions with facts and issues that ultimately led NCKU to timely dismiss the case. With regard to the '152 Patent, NCKU and UMC entered into an assignment agreement transferring ownership of, and rights to, the '152 Patent from UMC to NCKU. *See* Docket No. 88-3 at 6–10. The '152 Patent assignment states that UMC and NCKU agreed to provide any facts and testimony on the '152 Patent. Docket Nos. 88-3 at 9, 88 at 11–12. One of NCKU's 30(b)(6) witnesses, Guan Chang Chin, testified at his deposition on September 23, 2014 that UMC may have relevant knowledge on the prosecution of the '152 Patent that had not yet been produced. Docket No. 86-12 at 221:6–14; *see* Docket No. 86 at 7. On the same day, NCKU informed Intel that UMC had declined to participate in the litigation. Docket Nos. 86 at 7, Hr'g Tr. 30:17–21; *see* Docket No. 88 at 11–12. The following day, the parties filed a joint motion to dismiss, which was granted on September 29, 2014. Docket Nos. 75, 78. NCKU reasonably relied on its agreement with UMC before filing the case. Docket No. 88 at 11–12; Hr'g Tr. at 30:4–21. Moreover, Intel admitted that it was reasonable for NCKU to rely on its assignment agreement with UMC. Hr'g Tr. at 12:21–24, 14:8–9. Intel qualified that position by stating that NCKU acted unreasonably in not reaching out to UMC before commencing suit to determine what documents it had. *Id.* at 12:24–13:5 14:9–12. Based on the

circumstances present here, the Court does not find that it was unreasonable for NCKU not to reach out to UMC pre-suit.

With respect to the ’420 Patent, NCKU did not act unreasonably by taking two months to review Intel’s source code before dismissing its claims against Intel. Two experts and the lead inventor confirmed NCKU’s infringement theories against Intel’s accused products before reviewing Intel’s source code on August 6, 2014. Docket Nos. 86 at 3, 88 at 9–10. On September 24, 2014, Dr. Yang testified “that the patents do not cover row-column decomposition,” as was noted above. *Id.* at 11–12. After Dr. Yang’s testimony, NCKU promptly moved to dismiss the claims on October 7, 2014 after it determined the veracity of Intel’s non-infringement position. Docket No. 83. Taking two weeks to evaluate a case in light of unfavorable deposition testimony does not seem unreasonable or “exceptional.” Furthermore, it is not “exceptional” to place more value on a consulting expert, rather than a named inventor, to institute a lawsuit. NCKU’s timely action provided an almost immediate benefit to Intel by mitigating the costs of litigating the case further.

Finally, with respect to invalidity, Intel clarified that it does not seek an adjudication of invalidity with respect to the asserted patents. Hr’g Tr. at 10:5–8. As such, the Court declines to address that portion of Intel’s argument.

NCKU’s Discovery Conduct Was Not Egregious

Intel asserts that NCKU “committed numerous instances of discovery misconduct in this case.” Docket No. 86 at 14. Intel states that NCKU denied that it or UMC had documentation relating to the invention’s conception of the ’152 Patent, even though NCKU’s witness testified that there were documents in UMC’s possession. *Id.* Intel further contends that it was “inexcusable” not to instruct Dr. Yang about how to properly preserve documents or how to

retrieve electronic documents. *Id.* NCKU responds that Intel mischaracterizes the evidence, Docket No. 88 at 12–13, asserting that it was unaware of the requested documents and made good-faith attempts to retrieve them from UMC. *Id.* at 12. Moreover, NCKU explains that over the years Dr. Yang "had several computers, cleaned his office several times and even moved offices" well before the litigation was initiated and that documents were never purged. *Id.* at 13. Additionally, Dr. Yang testified there were no emails to search. *Id.* NCKU argues that these circumstances do not make this case exceptional. *Id.* Dr. Yang testified that items were thrown away after moving offices because files were old. *Id.* at 13 (citing Docket No. 88-9 at 44:1–14). Dr. Yang further testified that he did not recall communicating electronically in the early 1990s. *Id.* It is not unreasonable for an inventor to have thrown away 20-year-old written documents or not to have any electronic files from the early 1990s. In sum, NCKU's conduct throughout this litigation was not exceptional. NCKU's representations to Intel were not intentionally misleading and it acted reasonably and cooperatively in order to resolve disputes.

CONCLUSION

Considering the totality of the circumstances, the Court does not believe this to be an exceptional case. Accordingly, for the reasons stated above, Intel's Motion for Attorneys' Fees (Docket No. 86) is **DENIED**.

So ORDERED and SIGNED this 26th day of September, 2016.

Robert W Schroeder III

ROBERT W. SCHROEDER III
UNITED STATES DISTRICT JUDGE