IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF OKLAHOMA

ALZHEIMER'S INSTITUTE OF AMERICA,	)	
Plaintiff,	)	
-vs-	)	Case No. CIV-09-1366-F
COMENTIS, INC. and OKLAHOMA MEDICAL RESEARCH FOUNDATION,	)	
Defendants.	)	

ORDER

Before the court is Defendant CoMentis, Inc.'s Motion for Attorneys' Fees Under 35 U.S.C. § 285 and Defendant Oklahoma Medical Research Foundation's Motion for Attorneys' Fees Under 35 U.S.C. § 285. Doc. nos. 222 and 226. Plaintiff, Alzheimer's Institute of America, has responded to the motions and defendants have replied. Upon due consideration of all of the parties' submissions, the court makes its determination.

I.

Plaintiff, Alzheimer's Institute of America ("AIA"), originally commenced this patent infringement action in the Northern District of California. AIA alleged that defendants, CoMentis, Inc. ("CoMentis") and Oklahoma Medical Research Foundation ("OMRF"), infringed certain patents for technology related to Alzheimer's disease. The action, upon motion of OMRF, was transferred to this court. In addition to this action, AIA filed other patent infringement actions, including Alzheimer's Institute of America v. Avid Radiopharmaceuticals, Inc., No.

10-cv-6908-TLS (E.D. Pa.) ("Pennsylvania case") and Alzheimer's Institute of America v. Eli Lilly & Company, 10-cv-482-EDL (N.D. Cal.) ("California case").

During the course of the proceedings, the court was advised that the defendants in the Pennsylvania case had challenged AIA's standing to sue for patent infringement. The court, after discussion with counsel, stayed this action pending the resolution of the standing issue in the Pennsylvania case. After an eight-day trial, the jury in the Pennsylvania case rendered a verdict that amounted to a decision that AIA lacked standing. Based upon the jury's findings, the court in the Pennsylvania case entered a final judgment in favor of the defendants. Thereafter, the court denied AIA's motion for judgment as a matter of law. Alzheimer's Institute of America, Inc. v. Avid Radiopharmaceuticals, 952 F. Supp. 2d 740 (E.D. Pa. 2013). On appeal, the Federal Circuit summarily affirmed. Alzheimers Institute of America, Inc. v. Avid Radiopharmaceuticals, 560 Fed. Appx. 996 (Fed. Cir. 2014).

After entry of the final judgment in the Pennsylvania case, CoMentis and OMRF filed motions for summary judgment. Defendants argued that the final judgment in the Pennsylvania case should be afforded preclusive effect on the issue of standing in this case. Although AIA challenged the application of the collateral estoppel doctrine in light of its filing of a post-trial motion in the Pennsylvania case and the possibility of filing a direct appeal, the court, applying Tenth Circuit law, found that application of the doctrine was appropriate. The court therefore entered a judgment dismissing the action for lack of standing.

Upon stipulation of the parties, the court stayed the deadline for CoMentis and OMRF to file motions for attorneys' fees until 14 days after the entry of an order in the Pennsylvania case disposing of the motions for attorneys' fees filed in that case. Thereafter, the court, at the parties' request, extended the time for defendants to file motions for attorneys' fees to no later than 60 days after entry of a final judgment on the motions for attorneys' fees in the Pennsylvania case. Defendants timely filed their motions.

In the Pennsylvania case, the court granted the motions for attorneys' fees, finding the case as "exceptional" under 35 U.S.C. § 285. The court, in its Memorandum Opinion, stated:

> The evidence at trial amply showed that Ronald Sexton, AIA's principal, had conspired with John Hardy and Michael Mullan to defraud [the University of South Florida ("USF")] and Imperial College in London of their ownership rights in the invention. They agreed not to list Hardy as a co-inventor on the patent application. Thus, Mullan was listed as the sole inventor on the patent application and assigned the patent rights to AIA.
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> AIA knew, when it brought this action, that it was not the legal owner of the patent. It devised the scheme to avoid the agreements Hardy and Mullan had with Imperial College and USF. It knew that Hardy was a co-inventor who should have been disclosed to the [U.S. Patent and Trademark Office ("PTO")]. Despite this knowledge, it asserted that it was the rightful owner of the patent and brought this infringement action. This conduct undoubtedly constitutes bad faith.
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> On both factual and legal grounds, this action was objectively unreasonable. The deception, the planning, the execution of the scheme and the motivation of AIA, Sexton, Mullan and Hardy were hardly common or ordinary. Indeed, their conduct was rare and beyond common decency. They were motivated by ego and greed. Bringing this action was nothing more than a perpetuation of the conspiracy.
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> Certainly, there is a need to consider deterrence in a case like this one. Litigants must be discouraged from bringing an infringement action based upon a patent they know or should have known they do not rightfully own, especially

> where they defrauded the PTO and the rightful owner of the patent. Such conduct should not be rewarded and without consequences.

Alzheimer's Institute of America, Inc. v. Avid Radiopharmaceuticals, 2015 WL 1422337, at *1, *3 (E.D. Pa. March 30, 2015).[1]

III.

CoMentis and OMRF likewise seek to recover attorneys' fees pursuant to 35 U.S.C. § 285.[2] Section 285 specifies that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. An award of attorney's fees under § 285 requires a two-step inquiry. First, the court must determine whether the case is exceptional. Second, if the court finds the case exceptional, it must calculate the amount of the attorney's fees award. *See*, Large Audience Display Systems, LLC v. Tennman Productions, LLC, 660 Fed. Appx. 966, 970 (Fed. Cir. 2016).

In Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S.Ct. 1749 (2014), the Supreme Court held that "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id*. at 1756. The Supreme Court instructed that "[d]istrict courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id*. For example, the Supreme Court noted that district courts could consider factors including "'frivolousness, motivation, objective unreasonableness (both in the

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[1] The court appointed a special master to determine the amount of attorney's fees to be awarded. The special master issued a ruling to which AIA objected. The court overruled the objections and accepted the special master's ruling. That decision is currently on appeal to the Federal Circuit.

[2] OMRF also seeks to recover non-taxable expenses.

factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.'" *Id.* at 1756, n. 6 (quoting Fogerty v. Fantasy, Inc., 510 U.S. 517, 534, n. 19 (1994)).

Defendants, in their papers, argue that collateral estoppel may be employed on the issue of whether this case is "exceptional" for purposes of § 285. They point out that the court in the California case applied collateral estoppel to the exceptional case issue. Alzheimer's Institute of America, Inc. v. Eli Lilly & Company, 128 F. Supp. 3d 1249 (N.D. Cal. 2015). In so doing, the court relied upon the following reasoning from Convergence Corporation v. Videomedia, 1982 WL 677588 (N.D. Cal. May 6, 1982):

> [T]here are substantial reasons militating in favor of the conclusion that the doctrine of collateral estoppel by prior judgment should be available to a defendant on the exceptional case issue. Initially, where the patent's validity has already been decided on the basis of the collateral estoppel effect of a prior judgment, de novo litigation of the exceptional case issue would plunge the trial court anew into many of the same complex issues which had already been adjudicated in the validity phase of the earlier infringement action. Cf. *Maurice A. Garbell, Inc. v. Boeing Cop.*, 546 F.2d 297, 300, 192 USPQ 481, 483 (9th Cir. 1976) (undisclosed knowledge of prior art relevant to both validity and exceptional case issues). Such a course of action would generate duplicative costs in terms of time and financial resources for both the courts and the parties. Likewise, relitigation of the exceptional case issue without good cause would give plaintiffs more than one bite at a "full and fair opportunity" for judicial resolution of that issue. The parties would be gambling that different courts would arrive at divergent resolutions of that question.
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> The most persuasive reason, however, springs out of the Supreme Court's recognition of the leverage that a patent plaintiff gains for inducing nuisance settlements and licensing agreements simply by filing, or threatening to

> file, an infringement action. The availability of the doctrine of collateral estoppel on the validity issue alone does little to relieve defendants faced with unmeritorious actions of the financial burden of going forward on the validity claims, nor does it relieve them of the additional cost burden of establishing the right to recover costs in exceptional cases. Malicious plaintiffs could exercise leverage by filing multiple infringement actions and forcing a defense when they know that each defendant must still incur extensive litigation costs even to attempt to prevail on the exceptional case issue and to recover their initial outlays. The application of the doctrine of collateral estoppel by prior judgment to the exceptional case issue provides a salubrious corollary to the holding in *Blonder-Tongue [Labs, Inc. v. Univ. of Illinois Found.*, 402 U.S. 313 (1971)] for effectuating the policies expressed in that decision.

Convergence Corporation, 1982 WL 677588, at *3-4. Defendants point out that other courts have similarly followed the reasoning of Convergence Corporation and applied collateral estoppel to the exceptional case issue. *See,* Nilssen v. General Elec. Co., 2008 WL 4921354, at *3-5 (N.D. Ill. Nov. 12, 2008); Medical Designs, Inc. v. Donjoy, Inc., 812 F. Supp. 1080, 1082 (S.D. Cal. 1992); Scripps Clinic and Resources Foundation v. Baxter Travenol Laboratories, Inc., 729 F. Supp. 1473, 1474-78 (D. Del. 1990). Defendants assert that they have satisfied the Tenth Circuit's four-part test for applying the collateral estoppel doctrine, and thus, they argue that the exceptional case finding by the court in the Pennsylvania case should be given preclusive effect.

In response, AIA does not challenge the use of the collateral estoppel doctrine for deciding the exceptional case issue. Rather, AIA argues that the prerequisites for applying the doctrine have not been satisfied. AIA asserts that the doctrine requires that the party against whom collateral estoppel is alleged must have had a full and fair opportunity to litigate the issue in the prior action. According to AIA, it did not have a full and fair opportunity to litigate the exceptional case issue in the Pennsylvania case. Specifically, AIA contends that the district court did not hold an adversary hearing prior to issuing its exceptional case ruling. It asserts it had no notice that the court would utilize the evidence presented at the trial on the standing issue to assess whether the case was exceptional. AIA complains that the court excluded multiple pieces of evidence from the trial that demonstrated USF voluntarily and knowingly waived any rights it had to the subject inventions. It also argues that the jury never made any finding that AIA intentionally misled either the PTO or USF. AIA asserts that had the issue actually been tried, it would have presented evidence that showed Dr. Mullan and AIA acted on the advice of counsel with respect to the inventorship on the patents. AIA also points out that because of the bifurcated proceedings, its allegations of infringement were never litigated. Further, AIA argues that the cases relied upon by defendants for application of collateral estoppel doctrine for the exceptional case issue are distinguishable from the case at bar. Finally, while acknowledging the collateral estoppel doctrine is applicable even though the prior decision is on appeal, AIA urges the court to decline application of the doctrine at this time. AIA maintains that it is would be more prudent for this court to await the Federal Circuit's decision on the exceptional case issue before applying the doctrine in this case.[3]

In reply, CoMentis and OMRF argue that it was proper for the district court, rather than the jury, to make a factual finding that AIA intentionally misled the PTO and USF. Defendants contend that § 285 authorizes the district court, not the jury, to make the determination of whether a case is exceptional. In addition, defendants maintain that AIA had a full and fair opportunity to present all of its evidence to the

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[3] In addition to appealing the decision to grant attorney's fees under §285 in the Pennsylvania case, AIA appealed the decision of the court in the California case granting attorney's fees based upon application of the collateral estoppel doctrine.

district court prior to its ruling. Defendants point out that AIA submitted a 17-page brief along with a declaration attaching evidentiary material. They also argue that the district court did, in fact, hold a hearing on the attorneys' fees motions and AIA had ample opportunity during that hearing to make any additional arguments or to submit any supporting evidence in opposition to the motions. Defendants contend that AIA actually presented the arguments and most of the evidence it now complains was not before the Pennsylvania case. Lastly, defendants argue that AIA has cited no authority for the court to await rulings from the Federal Circuit on the appeals in the Pennsylvania case and the California case before ruling on their motions.

IV.

The Federal Circuit looks to the law of the relevant circuit in analyzing collateral estoppel. Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc., 617 F.3d. 1296, 1311 (Fed. Cir. 2010). In the Tenth Circuit, collateral estoppel applies if the party invoking the doctrine establishes: "(1) the issue previously decided is identical with the one presented in the action in question, (2) the prior action has been finally adjudicated on the merits, (3) the party against whom doctrine is invoked was a party or in privity with a party to the prior adjudication, and (4) the party against whom the doctrine is raised had a full and fair opportunity to litigate the issue in the prior action." Stan Lee Media, Inc. v. Walt Disney Co., 774 F.3d 1292, 1297 (10th Cir. 2014) (emphasis omitted) (citing Murdock v. Ute Indian Tribe of Uintah & Ouray Reservation, 975 F.2d 683, 687 (10th Cir. 1992)).

Upon review, the court concludes that defendants have satisfied their burden of establishing all four of the above-cited elements. It is undisputed that the exceptional case issue decided by the court in the Pennsylvania case is the identical issue raised by defendants. It is also undisputed that the adjudication in the

Pennsylvania case is final and that AIA was a party to that adjudication. As to the fourth element—full and fair opportunity to litigate the issue—the court concludes that the record demonstrates that AIA had a full and fair opportunity to litigate the exceptional case issue in the Pennsylvania case. AIA presented to the district court, or argued to it about, three of the four items of excluded evidence supporting AIA's view that USF voluntarily and knowingly waived its rights to the subject inventions. Nothing before the court indicates that the court prevented AIA from presenting or arguing about all four items of excluded evidence. In addition, AIA pointed out to the court that the jury had made no finding that it intentionally misled either the PTO or USF and that had the issue actually been tried, it would have presented evidence that it and Dr. Mullan acted on the advice of counsel with respect to inventorship of the patents. AIA also argued in briefing to the court that attorneys' fees should not be awarded to defendants in light of their infringement of the patents. Despite the fact that the court did not hold an evidentiary hearing on the attorney fee motions,[4] the record shows that AIA had a full and fair opportunity to litigate the exceptional case issue in the Pennsylvania case. AIA has not cited any persuasive authority that the court was not authorized to make the findings it did in support of its exceptional case ruling. Further, it appears to this court that the district court in the Pennsylvania case considered the totality of the circumstances in finding the case to be exceptional. Thus, the court concludes that application of the collateral estoppel doctrine is appropriate on the exceptional case issue with respect to defendants' motions.[5]

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[4] The court notes that according to the Advisory Committee Notes for Rule 54, Fed. R. Civ. P., an evidentiary hearing is not required in every case. *See*, Rule 54, Fed. R. Civ. P., Advisory Committee Notes – 1993 Amendment. Moreover, the court notes that AIA did not specifically request an evidentiary hearing in the Pennsylvania case.

[5] In so finding, the court rejects AIA's request to delay the court's ruling on defendants' motions pending the resolution of the appeals to the Federal Circuit.

V.

As collateral estoppel applies to the exceptional case issue, the court must calculate the amount of a reasonable attorneys' fees award. "In calculating an attorney fee award, a district court usually applies the lodestar method, which provides a presumptively reasonable fee amount . . . by multiplying a reasonable hourly rate by the reasonable number of hours required to litigate a comparable case." Lumen View Technology LLC v. Findthebest.com, Inc., 811 F.3d 479, 483 (Fed. Cir. 2016) (citing Perdue v. Kenny A. ex rel. Winn, 559 U.S. 542, 551, 554 (2010)). The reasonable hourly rate is "the prevailing market rate in the relevant community" for similar services by lawyers of comparable skill, experience, and reputation. Blum v. Stenson, 465 U.S. 886, 895 (1984)); *see also*, Large Audience Display Systems, LLC. v. Tennman Productions, LLC, 660 Fed. Appx. at 970.

In the case at bar, CoMentis utilizes the hourly rates (discounted in some instances) charged by California counsel, patent agents, paralegals and other litigation support personnel. Although the case was originally commenced in Northern District of California, it was transferred to this court on December 16, 2009. *See*, doc. no. 59. The court concludes that the hourly rate for work performed before December 16, 2009 should be based upon the prevailing market rate in San Francisco for similar services by lawyers (and paralegals and other litigation support personnel) of comparable skill, experience, and reputation. The court concludes that the hourly rate for work performed on or after December 16, 2009 should be based upon the prevailing market rates in Oklahoma City for similar services by lawyers (and paralegals and other litigation support personnel) of comparable skill, experience, and reputation. The record does not adequately reflect this information.[6] The court will permit CoMentis to supplement its motion to provide the information.

OMRF has utilized a $350 cap for its partners and associates. It appears from the record that only partners utilized this rate before December 16, 2009. The court will also utilize this cap for work performed by the partners before December 16, 2009. As to all other individuals who performed work before December 16, 2009, OMRF will be permitted to supplement its motion to provide the prevailing market rates in San Francisco for similar services by individuals of comparable skill, experience, and reputation. If the prevailing market rates are more than charged by these individuals, the court will utilize the lower rates charged.[7] The court does not envision that the prevailing market rate in Oklahoma City for the work performed

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[6] The court notes that AIA has submitted (with its exhibits) the American Intellectual Property Law Association ("AIPLA") Report of the Economic Survey for 2011 setting forth the average hourly billing rate in 2010 for partners and associates in a private firm. The survey includes the average hourly billing rate for partners and associates in San Francisco. It appears the court in the California case utilized the same AIPLA survey in assessing reasonable hourly rates for partners and associates in San Francisco. Alzheimer's Institute of America v. Eli Lilly & Company, 2016 WL 7732621, *3 (April 14, 2016). The court recognizes that the California case was filed in 2010. However, if CoMentis is agreeable with the court utilizing the survey for assessing reasonable hourly rates for the partners and associates for the work performed before December 16, 2009, CoMentis shall so advise in its supplement. Otherwise, CoMentis shall present evidence to substantiate the prevailing market rates in San Francisco for the partners and associates for the work performed before December 16, 2009. The court has not yet decided whether CoMentis may recover for work performed by those individuals with the titles of eDiscovery Manager and Research Librarian. Nonetheless, CoMentis shall present evidence to substantiate the prevailing market rates in San Francisco and in Oklahoma City for these individuals. CoMentis shall also provide the prevailing market rates in San Francisco and Oklahoma City for all other individuals for which they seek to recover fees.

[7] The court has not yet decided whether OMRF may recover for work performed by those individuals with the title of Trial Technology Specialists, E-Discovery Support and Library Staff. However, as with CoMentis, OMRF shall present evidence to substantiate the prevailing market rates in San Francisco and in Oklahoma City for these individuals. If any of these individuals only performed work on or after December 16, 2009, OMRF need only provide the prevailing market rates in Oklahoma City.

by Ms. Susan Cahoon, Mr. John Pratt or Mr. Patrick Ryan on or after December 16, 2009 will be less than the $350 cap, but it may be. The court will permit OMRF to supplement its motion to provide information as to the prevailing market rates in Oklahoma City on or after December 16, 2009 for similar services by lawyers (and paralegals and other litigation support personnel) of comparable skill, experience and reputation.[8]

In its papers, AIA has requested an evidentiary hearing as to the quantum of fees sought by defendants. As previously noted, according to the Advisory Committee Notes to Rule 54, Fed. R. Civ. P., an evidentiary hearing is not required in every case. *See*, Rule 54, Fed. R. Civ. P., Advisory Committee Notes- 1993 Amendment. Upon review, the court concludes that an evidentiary hearing is not warranted in this case. In its response, AIA has presented numerous objections to the fees and nontaxable expenses sought. Nonetheless, AIA requests an opportunity to present additional specific objections to defendants' time entries. Because the court will not conduct an evidentiary hearing on the quantum of fees sought by defendants, the court will permit AIA to supplement its response to present any additional objections it has to defendants' motions. The court will also permit AIA to respond to the supplement to defendants' motions containing the information as to the prevailing market rates for San Francisco and Oklahoma City. Defendants will be permitted to file a reply to AIA's supplement to its response and to file a reply to AIA's response to their supplement.

As part of its attorneys' fees motion, OMRF requests fees of its counsel for work performed in connection with the motion. Fees incurred in preparing and litigating the motion for attorneys' fees are recoverable under § 285. *See*, Microstrategy, Inc. v. Crystal Decisions, Inc., 586 F. Supp. 2d 256, 262 (D. Del.

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[8] OMRF may submit the prevailing market rates information jointly with CoMentis.

2008). The court will permit OMRF to recover for attorneys' fees expended in connection with its attorneys' fees motion OMRF shall file a supplement to its attorneys' fees motion seeking recovery of the attorneys' fees expended in connection with its attorneys' fees motion. The supplement shall comply with Rule 54(d) and LCvR 54.2. AIA will be permitted to file a response to the supplement and defendant will be permitted to file a reply.

VI.

Accordingly, Defendant CoMentis, Inc.'s Motion for Attorneys' Fees Under 35 U.S.C. § 285 (doc. no. 222) and Defendant Oklahoma Medical Research Foundation's Motion for Attorneys' Fees Under 35 U.S.C. § 285 (doc. no. 226) are **GRANTED** as stated herein. Defendants are entitled to an award of reasonable attorneys' fees from plaintiff, Alzheimer's Institute of America.

Within 30 days from the date of this order, defendants shall file separately or jointly a supplement which sets forth the prevailing market rates in San Francisco before December 16, 2009 and the prevailing market rates in Oklahoma City on or after December 16, 2009 for similar services by lawyers, paralegals and other litigation support personnel with comparable skill, experience and reputation. Plaintiff may file a response to the supplement within 14 days of the filing of the supplement or supplements. Defendants may file any reply within 7 days of the filing of plaintiffs' response.

Within 30 days from the date of this order, plaintiff may file a supplement to its response to defendants' attorneys' fees motions setting forth any additional objections it has to the motions. Defendants may file a response to the supplement within 14 days of the filing of the supplement. Plaintiff may file any reply within 7 days of the filing of a response.

Within 30 days from the date of this order, defendant, Oklahoma Medical Research Foundation, shall file a supplement to its attorneys' fees motion seeking recovery of the attorneys' fees expended in connection with its attorneys' fees motion. AIA may file a response to the supplement within 14 days of the filing of the supplement. Defendant may file any reply within 7 days of the filing of a response.

IT IS SO ORDERED this 24th day of April, 2017.

STEPHEN P. FRIOT
UNITED STATES DISTRICT JUDGE

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