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6 **IN THE UNITED STATES DISTRICT COURT**
7 **FOR THE DISTRICT OF ARIZONA**
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9 Ron Kramer, et al.,

10 Plaintiffs,

11 v.

12 Creative Compounds LLC,

13 Defendant.

No. CV-11-01965-PHX-JAT

ORDER

14 Pending before the Court are Plaintiffs' "Amended Motion for Award of
15 Attorneys' Fees and Non-Taxable Expenses" (Doc. 98) and Plaintiffs' "Supplementary
16 Motion for Award of Attorneys' Fees and Non-Taxable Expenses Incurred during
17 [Defendant]'s Appeal." (Doc. 113). The Court now rules on the motions.

18 Plaintiffs seek an award of \$81,508.00 in its motion for attorneys' fees (Doc. 98 at
19 2) as well as an additional award of \$28,563.00 incurred in defending against
20 Defendant's appeal. (Doc. 113 at 2). The parties dispute whether the case is
21 "exceptional" under 35 U.S.C. § 285 ("§ 285"), whether Plaintiffs are the prevailing party
22 under § 285, whether Plaintiffs' motion is defective because it does not comply with the
23 Local Rules, whether the attorneys' fees claimed are reasonable, and whether Plaintiffs
24 are entitled to attorneys' fees and expenses on appeal. (Doc. 98 at 8, 9, 13; Doc. 113).

25 **I. Background**

26 Assuming familiarity with the factual and procedural history of this action, the
27 Court will recount only those aspects of this litigation that are relevant to the pending
28 issue of attorneys' fees and costs. *See Kramer v. Creative Compounds LLC*, 2013 WL

1 6048804, at *1–8 (D. Ariz. 2013).

2 At issue in this case is Plaintiffs’ U.S. Patent No. 7,919,533 (“‘533 Patent”).
3 Defendant initially filed a complaint seeking a declaratory judgment that Defendant did
4 not infringe the ‘533 Patent and that the ‘533 Patent is invalid. *Id.* at *1. In response to
5 Defendant’s claim, Plaintiffs filed claims of direct, contributory, and induced
6 infringement of the ‘533 Patent, and that Defendant falsely advertised its product. *Id.* On
7 Defendant’s claim, the Court found that the patent was not invalid. *Id.* at *6–7. The
8 Court dismissed Plaintiffs’ claims of direct and contributory patent infringement without
9 prejudice for lack of ripeness, *id.* at *2–4, and the Court dismissed Plaintiffs’ claim of
10 induced patent infringement with prejudice due to lack of evidence of another direct
11 infringer. *Id.* at *5. The Court also dismissed Plaintiffs’ final claim, that Defendant
12 falsely advertised its product in violation of 15 U.S.C. § 1125(a)(1)(B), without prejudice
13 with both sides to bear their own attorneys’ fees and costs pursuant to Federal Rule of
14 Civil Procedure (“Rule”) 41(a)(1)(A)(ii). (Doc. 79).

15 Plaintiffs now move for an award of attorneys’ fees and non-taxable expenses.
16 (Doc. 98). Plaintiffs further move for an award of attorneys’ fees and non-taxable
17 expenses incurred during Defendant’s appeal (Doc. 113) after the Federal Circuit Court
18 of Appeals affirmed this Court’s judgment dismissing Defendant’s claim that the ‘533
19 Patent is invalid. (Doc. 112 at 3; Doc. 81).

20 **II. Plaintiffs’ Motion for Award of Attorneys’ Fees and Non-Taxable Expenses**

21 Plaintiffs request a total award of \$110,071.00 in attorneys’ fees and non-taxable
22 expenses. (Doc. 98 at 2; Doc. 113 at 2). Defendant argues that the case is not
23 “exceptional” under § 285, that Plaintiffs are not the prevailing party under § 285, that
24 Plaintiffs’ motion is defective because it does not comply with the Local Rules, and that
25 the fees requested are unreasonable. (Doc. 109 at 10, 15, 17).

26 Both parties filed their claims within the Patent Act. Within the Act, § 285
27 provides in relevant part that “[t]he court in exceptional cases may award reasonable
28 attorney fees to the *prevailing party*.” 35 U.S.C. § 285 (emphasis added). Thus, whether

1 a party is a prevailing party is a threshold issue. *See Manildra Milling Corp. v. Ogilvie*
2 *Mills, Inc.*, 76 F.3d 1178, 1182 (Fed. Cir. 1996). “A plaintiff ‘prevails’ when actual relief
3 on the merits of his claim materially alters the legal relationship between the parties by
4 modifying the defendant’s behavior in a way that directly benefits the plaintiff.” *Farrar*
5 *v. Hobby*, 506 U.S. 103, 111–12 (1992) (defining who the prevailing party was in the
6 context of a civil rights case); *see also Manildra Milling Corp.*, 76 F.3d at 1182–83
7 (taking the Supreme Court’s definition of prevailing party in *Farrar* and applying it to
8 patent cases). A party does not have to prevail on all its claims to be considered a
9 prevailing party, *Shum v. Intel Corp.*, 629 F.3d 1360, 1367–68 (Fed. Cir. 2010), and there
10 does not have to be a prevailing party, *Silicon Graphics, Inc. v. ATI Techs., Inc.*, 569 F.
11 Supp. 2d 819, 833 (W.D. Wis. 2008) (finding neither party to be the prevailing party on
12 the merits).

13 Although the facts in the present case are somewhat different than the facts in
14 *Manildra*, the Court finds *Manildra* clarifying for the present case. In *Manildra*, the
15 Federal Circuit Court of Appeals found that a party who successfully challenged several
16 patents and won a declaration of invalidity was the prevailing party. *Manildra Milling*
17 *Corp.*, 76 F.3d at 1183; *see also Shum*, 629 F.3d at 1370 (“[A] party that obtains an
18 injunction, declaration of patent invalidity, or judgment of infringement gains ‘significant
19 latitude’ and frequently a ‘competitive edge’ vis-à-vis the opposing party.”). This is
20 because a patent gives the right to exclude others from “making, using, or selling the
21 patented invention.” *Manildra Milling Corp.*, 76 F.3d at 1183. By invalidating the
22 patents, the prevailing party was free to “practice an invention without fear of suit by the
23 patentee,” which “is a valuable commercial benefit.” *Id.* “By removing the potential
24 threat of the patentee instituting an infringement action, the competitor necessarily alters
25 the patentee’s subsequent behavior to his benefit.” *Id.*

26 Here, neither party obtained an injunction, declaration of patent invalidity, or
27 judgment of infringement. Plaintiffs successfully defended their patent against
28 Defendant, but this defense did not alter the relationship between the parties. While

1 Plaintiffs' patent has now been tested by the Court, both parties are in the same position
2 they were before the claims were brought. Plaintiffs still have a valid patent that can be
3 used to exclude others, and Defendant may still be prosecuted for later infringement of
4 the '533 Patent. Defendant's successful defense of Plaintiffs' claim for induced
5 infringement of the '533 Patent further fortifies the point that neither party's behavior has
6 been modified in any way that benefits the opposing party; the parties have returned to
7 the status quo.

8 Furthermore, one side does not have to be a prevailing party. In *Silicon Graphics,*
9 *Inc. v. ATI Technologies, Inc.*, the court held that neither side prevailed and neither side
10 lost. *Silicon Graphics, Inc.*, 569 F. Supp. 2d at, 833. The plaintiff in *Silicon* lost its claim
11 for infringement, but found the patent valid. *Id.* Although the defendant in *Silicon*
12 learned that its product did not infringe the patent, the defendant was not able to prove
13 the invalidity of the patent. *Id.* The present case is similar to *Silicon* in that Plaintiffs'
14 patent is valid, and Defendant did not induce infringement of the patent. Therefore, like
15 *Silicon*, neither side is the prevailing party under § 285.

16 Plaintiffs contend that the present case is similar to *Kellogg v. Nike, Inc.*, 74 Fed.
17 R. Serv. 3d 1028 (D. Neb. 2009). (Doc. 98 at 9). The Court disagrees. In *Kellogg*, the
18 court found that Nike continuously pursued frivolous claims; Nike's claims were without
19 merit; and "Nike engaged in litigation misconduct during the trial." *Kellogg*, 74 Fed. R.
20 Serv. 3d at *12. The court in *Kellogg* further found that "[i]n light of Nike's unjustified
21 prosecution of the invalidity claim, its litigation misconduct and borderline abusive
22 advocacy, costs cannot justly be assessed against Kellogg. Although Nike is the
23 prevailing party with respect to infringement, Kellogg is the equivalent of a prevailing
24 party with respect to the invalidity claim." *Id.* at *13. However, here, none of *Kellogg's*
25 facts are similar to the present case. The Court finds for only the purpose of determining
26 a prevailing party that there has been no litigation misconduct nor abusive advocacy,
27 Plaintiffs did not succeed with respect to their infringement claim, and Defendant did not
28 succeed with respect to his invalidity claim. The Court does not find the facts of *Kellogg*

1 to be similar to the present case. Thus, the Court finds that Plaintiffs are not a prevailing
2 party under § 285.

3 As stated above, whether Plaintiffs are the prevailing party is a threshold issue.
4 *See Manildra Milling Corp.*, 76 F.3d at 1182. Therefore, because Plaintiffs are not a
5 prevailing party, Court does not need to address whether Plaintiffs’ claimed attorneys’
6 fees are reasonable, whether this is an exceptional case, and whether Plaintiffs’ motion is
7 defective.

8 **III. Supplementary Motion for Attorneys’ Fees During Defendant’s Appeal**

9 Plaintiffs also filed a “Supplementary Motion for Award of Attorneys’ Fees and
10 Non-taxable Expenses Incurred During [Defendant’s] Appeal.” (Doc. 113). This motion
11 adds \$28,563.00 to the fees and expenses already compiled. (Doc. 113 at 2).

12 As Plaintiffs state in their supplementary motion, “a case should be viewed more
13 as an ‘inclusive whole’ rather than a piecemeal process when analyzing fee shifting under
14 § 285.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 745 F.3d 513, 516 (Fed. Cir. 2014)
15 (internal citation omitted). “Indeed, § 285 does not bar the trial court from awarding fees
16 for the entire case, including any subsequent appeals.” *Id.* at 516–17.

17 Taking the case as a whole, the denial of Defendant’s appeal by the Federal
18 Circuit Court of Appeals does not affect who prevails. Therefore, Plaintiffs’
19 supplementary motion is also denied on the same grounds as Plaintiffs’ initial motion for
20 attorneys’ fees and expenses.

21 **IV. Conclusion**

22 Based on the foregoing,


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IT IS ORDERED that Plaintiffs’ “Amended Motion for Award of Attorneys’ Fees and Non-Taxable Expenses” (Doc. 98) is denied.

IT IS FURTHER ORDERED that Plaintiffs’ “Supplementary Motion for Award of Attorneys’ Fees and Non-Taxable Expenses Incurred during [Defendant]’s Appeal” (Doc. 113) is denied.

Dated this 19th day of March, 2015.



James A. Teilborg
Senior United States District Judge