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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

I-FLOW CORPORATION, a Delaware corporation,

Plaintiff,

vs.

APEX MEDICAL TECHNOLOGIES, INC., a California corporation, et al.,

Defendants.

AND ALL RELATED COUNTERCLAIMS.

CASE NO. 07cv1200 DMS (NLS)

ORDER GRANTING PLAINTIFF’S MOTION FOR ENHANCED DAMAGES, EXCEPTIONAL CASE, AND ATTORNEYS FEES

[Docket No. 451]

This case comes before the Court on Plaintiff’s motion for enhanced damages, exceptional case and attorneys’ fees. Defendants filed an opposition to the motion. Reply briefs were not permitted. For the reasons set out below, the Court grants the motion.

**I.
ENHANCED DAMAGES**

Plaintiff requests that the Court treble the patent damages in light of the jury’s finding of willful infringement. Although a finding of willful infringement is a prerequisite to an award of enhanced damages, it does not automatically entitle a patentee to such an award. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992), *abrogated on other grounds by Markman v.*

1 *Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995)), (citing *Modine Mfg. Co. v. Allen Group,*
2 *Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990)). Rather, “[t]he paramount determination in deciding to grant
3 enhancement and the amount thereof is the egregiousness of the defendant’s conduct based on all the
4 facts and circumstances.” *Id.* Courts “must consider factors that render defendant’s conduct more
5 culpable, as well as factors that are mitigating or ameliorating.” *Id.* These factors include: (1)
6 whether the infringer deliberately copied the ideas or design of another, (2) whether the infringer,
7 when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-
8 faith belief that it was invalid or that it was not infringed, (3) the infringer’s behavior as a party to the
9 litigation, (4) the infringer’s size and financial condition, (5) closeness of the case, (6) duration of the
10 infringer’s misconduct, (7) remedial action by the infringer, (8) the infringer’s motivation for harm,
11 and (9) whether the infringer attempted to conceal its misconduct. *Id.* at 827. The Court addresses
12 these factors below.

13 Plaintiff argues it presented substantial evidence that Defendants copied its On-Q pump. That
14 evidence consists primarily of Defendants’ e-mails, interoffice memoranda and handwritten notes.
15 Defendants state that evidence was taken out of context. They also assert they developed their Solace
16 pump independent of Plaintiff, and the Solace pump incorporated different materials and had a
17 different shape than Plaintiff’s On-Q pump. In support of this assertion, Defendants cite the testimony
18 of their employees, including Mr. McGlothlin, and the inventor of the ‘481 Patent, Emil Soika. All
19 of this evidence demonstrates that Defendants were aware of Plaintiff’s On-Q pump during the design,
20 construction and manufacture of the Solace pump, but it does not warrant a finding that Defendants
21 deliberately copied Plaintiff’s product. Rather, it appears Defendants attempted to design around the
22 On-Q pump. Accordingly, this factor weighs against an award of enhanced damages.

23 The second factor asks whether Defendants investigated the scope of Plaintiff’s patent and
24 formed a good-faith belief that it was invalid or not infringed. Plaintiff argues Defendants did not do
25 so, and points to their failure to obtain an opinion of counsel until after this case was filed. Plaintiff
26 also states Defendants did not read or rely on the opinion of counsel, and that the opinion was flawed.

27 Defendants do not dispute that they did not obtain an opinion of counsel until after the case
28 was filed, but argue they were under no obligation to do so. Although Defendants are correct, *see id.*

1 at 828 (stating absence of opinion does not mandate finding of willfulness), their failure to obtain an
2 opinion until after this case was filed speaks to the adequacy of their investigation, which apparently
3 consisted of Defendants' employees reviewing the patent and determining that the Solace pump would
4 not infringe. Based solely thereon, Defendants proceeded with their Solace pump. Only after Plaintiff
5 filed this case did Defendants obtain an opinion of counsel, but counsel failed to construe the patent
6 claims and failed to analyze whether the patent was invalid or unenforceable due to inequitable
7 conduct. Defendants assert the timing and substance of the opinion letter is irrelevant to their good-
8 faith belief that they were not infringing the patent, but that assertion is contradicted by the case law.
9 *See SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1467 (Fed. Cir. 1997) ("To serve as
10 exculpatory legal advice the opinion of counsel is viewed objectively, to determine whether it was
11 obtained in a timely manner, whether counsel analyzed the relevant facts and explained the
12 conclusions in light of the applicable law, and whether the opinion warranted a reasonable degree of
13 certainty that the infringer had the legal right to conduct the infringing activity.") On the whole, this
14 factor weighs in favor of an award of enhanced damages.

15 The third factor looks at the infringer's behavior as a party to the litigation. Plaintiff asserts
16 Defendants drove up the costs by litigating various issues, including their false advertising
17 counterclaim, but the Court disagrees. Defendants' conduct in this case was on par, if not slightly
18 more restrained, with other defendants in patent cases. Accordingly, this factor weighs against an
19 award of enhanced damages.

20 The fourth factors looks at the infringer's size and financial condition. Plaintiff does not
21 address Defendants' size, but asserts they are financially viable companies, particularly Apex, which
22 has seen annual revenues of \$2 million since 2004. Defendants do not dispute Apex's annual revenue
23 figures, but they assert Zone has yet to see a profit. They also contend they are small companies. The
24 evidence supports Defendants' contention that they are small companies, and it also supports
25 Plaintiff's contention that Apex is financially viable. Zone, however, is not in good financial
26 condition. Indeed, the financial condition of both Defendants is tenuous in light of the damages
27 awarded in this case. Accordingly, this factor weighs against an award of enhanced damages.

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1 The fifth factor is the closeness of the case. Plaintiff argues this factor weighs heavily in its
2 favor, and the Court agrees. The jury found for Plaintiff on each of its claims, including findings of
3 willfulness, and also found for Plaintiff on Defendants' counterclaims. It awarded Plaintiff more than
4 \$6 million in compensatory damages against Apex, nearly \$5 million in compensatory damages
5 against McGlothlin, and nearly \$100,000 in compensatory damages against Zone. It also awarded
6 Plaintiff punitive damages against McGlothlin of \$1.5 million. In light of these verdicts, this was not
7 a close case. This factor therefore weighs in favor of an award of enhanced damages.

8 The sixth factor looks at the duration of the infringer's misconduct. Plaintiff asserts
9 Defendants' misconduct began in 2003 and continued through 2009. Defendants do not address this
10 factor, but the evidence supports Plaintiff's assertion. Six years of misconduct is substantial, and thus
11 this factor weighs in favor of an award of enhanced damages.

12 The seventh factor looks to any remedial action by the infringer. Here, Plaintiff asserts
13 Defendants did not take any remedial action until after this case was filed. Defendants do not dispute
14 this fact, but point out that they did take remedial action in the form of modifying the Solace pump.
15 Based on the timing of Defendants' remedial action, this factor weighs slightly in favor of an award
16 of enhanced damages.

17 The eighth factor looks to the infringer's motivation for harm. Plaintiff asserts Defendants'
18 here were motivated by greed, while Defendants argue they were motivated to provide a latex-free
19 product. Both arguments are plausible, but neither demonstrates that Defendants were motivated to
20 harm Plaintiff as opposed to advancing their own interests. Accordingly, this factor weighs against
21 an award of enhanced damages.

22 The final factor asks whether the infringer attempted to conceal its misconduct. Plaintiff
23 asserts Defendants did exactly that, and it cites several pieces of evidence in support, including e-mails
24 from McGlothlin, Defendants' request for non-publication of its patent application, and testimony
25 from Defendants' employees that they did not inform Plaintiff of their plans to develop the Solace
26 pump despite the opportunity to do so. Defendants dispute that they concealed their conduct, and
27 downplay their request for non-publication of their patent application. However, the evidence and the
28 jury's verdict support Plaintiff's position that Defendants attempted to conceal their misconduct, and

1 were successful in doing so for a considerable amount of time. Accordingly, this factor supports an
2 award of enhanced damages.

3 After consideration of these factors, the Court finds it appropriate to enhance the damages
4 awarded in this case. However, the Court declines to treble the damages, as Plaintiff requests. Rather,
5 the Court finds an enhancement of \$1 million is appropriate as to Defendant Apex, and an
6 enhancement of \$32,000 is appropriate as to Defendant Zone.

7 II.

8 ATTORNEYS' FEES

9 The next issue is whether Plaintiff is entitled to recover its attorneys fees. Plaintiff argues it
10 is entitled to such recovery in light of the jury's finding of willful infringement and willful trade secret
11 misappropriation. Defendants do not address the willful infringement finding, but argue Plaintiff is
12 not entitled to attorneys' fees based on the jury's finding of willful trade secret misappropriation.

13 Title 35 U.S.C. § 285 states: "The court in exceptional cases may award reasonable attorney
14 fees to the prevailing party." 35 U.S.C. § 285.

15 A case may be deemed exceptional when there has been some material inappropriate
16 conduct related to the matter in litigation, such as willful infringement, fraud or
17 inequitable conduct in procuring the patent, misconduct during litigation, vexatious or
unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or like infractions.

18 *Brooks Furniture Manufacturing, Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005).
19 This case qualifies as exceptional in light of the jury's finding of willful infringement. Accordingly,
20 Plaintiff is entitled to recover its attorneys' fees under 35 U.S.C. § 285.¹

21 III.

22 PREJUDGMENT INTEREST

23 The final issue in this motion is whether Plaintiff is entitled to prejudgment interest. The
24 Supreme Court has held "that prejudgment interest should be awarded under [35 U.S.C.] § 284 absent
25 some justification for withholding such an award." *General Motors Corp. v. Devex Corp.*, 461 U.S.
26 648, 657 (1983). The Court did not provide an exhaustive list of reasons for refusing to award
27

28 ¹ In light of this finding, the Court does not address whether Plaintiff is entitled to recover its
attorneys' fees under California Civil Code § 3426.4.

1 prejudgment interest, but did state that prejudgment interest could be refused “where the patent owner
2 has been responsible for undue delay in prosecuting the lawsuit.” *Id.* Courts have cited that
3 justification in refusing to award prejudgment interest, *see e.g., Crystal Semiconductor Corp. v.*
4 *TriTech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1362 (Fed. Cir. 2001) (upholding district court’s
5 refusal to award prejudgment interest based on plaintiff’s delay in initiating suit), and have cited other
6 reasons, as well. *See, e.g., Group One, Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1308 (Fed. Cir.
7 2005) (upholding denial of prejudgment interest while patent was expired); *Uniroyal, Inc. v. Rudkin-*
8 *Wiley Corp.*, 939 F.2d 1540, 1546 (Fed. Cir. 1991) (upholding denial of prejudgment interest while
9 case was stayed). However, the Federal Circuit has not adopted the four-factor test cited by
10 Defendants in support of its argument against an award of prejudgment interest. This Court therefore
11 declines to address those factors here. Even if this Court were to consider those factors, they would
12 not be sufficient to depart from the general rule of awarding prejudgment interest. Accordingly, the
13 Court finds Plaintiff is entitled to prejudgment interest on the compensatory damage awards in this
14 case. *See Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1066 (Fed. Cir. 1983) (stating
15 “prejudgment interest cannot be assessed on the increased or punitive portion of the damage award.”)
16 The Court declines to award Plaintiff prejudgment interest on any attorneys’ fees award.

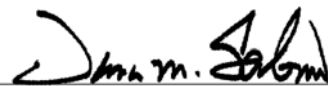
17 **IV.**

18 **CONCLUSION**

19 In sum, the Court grants Plaintiff’s motion for enhanced damages. In addition to the
20 compensatory damages awarded by the jury, the Court awards Plaintiff enhanced damages of \$1
21 million against Apex and \$32,000 against Zone for their willful patent infringement. In light of the
22 finding of willful infringement, the Court also grants Plaintiff’s request for attorneys’ fees. Plaintiff
23 shall also recover prejudgment interest on the compensatory damages awarded by the jury.

24 **IT IS SO ORDERED.**

25 DATED: January 6, 2010

26 

27 HON. DANA M. SABRAW
28 United States District Judge