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

SASCO, a California Corporation,

Plaintiff,

v.

**WEBER ELECTRIC
MANUFACTURING COMPANY, a
Michigan Corporation,**

Defendant.

Case No.: SACV 13-0022-CJC(JPRx)

**ORDER DENYING DEFENDANT’S
MOTION FOR AN EXCEPTIONAL
CASE DETERMINATION AND
ATTORNEYS’ FEES [80]**

I. INTRODUCTION

Plaintiff SASCO brought this patent infringement action against Defendant Weber Electric Manufacturing Company (“WEMCO”). Before the Court is WEMCO’s motion

1 for an exceptional case determination and for attorneys' fees. (Dkt. 80.) For the
2 following reasons, the motion is DENIED.¹

3 4 **II. BACKGROUND**

5
6 SASCO is an electrical contracting services provider who owns U.S. Patent No.
7 6,435,450 ("the '450 Patent"). The '450 Patent, which is entitled "Multi-Compartment
8 Paralleling Reel Having Independent Compartments," claims an apparatus and method
9 for reeling different sets of wire from a multi-compartment device (the "Multi-Reel").
10 (Dkt. 30-1 ["Patent"].) As the Patent explains, the Multi-Reel is composed of independent
11 compartments, each aligned on a central shaft and capable of holding a reel of wire. (*Id.*
12 at 1:66–2:20.) Because the compartments are not attached to one another, they can rotate
13 independently, thereby allowing the operator of the Multi-Reel to unspool wires having
14 different diameter sizes in unison. (*Id.*) The Multi-Reel also discloses a reel-securing
15 bar, which can be inserted through each of the independent compartments, thereby
16 causing them to rotate in unison. (*Id.*) The device is meant to increase efficiency in
17 contracting jobs by allowing different-sized wires to be unreeled at the same rate of
18 speed. (*Id.* at 2:39–41.)

19
20 SASCO believed that two of WEMCO's products—the MCR-PTS-2 and MCR-
21 PTS-3 payout/transport stands (the "Accused Products")—infringed on the '450 Patent.
22 It filed a complaint against WEMCO for patent infringement in this Court in January
23 2013, and an amended complaint in April 2013. (Dkt. 1; Dkt. 15.) Shortly after SASCO
24 served WEMCO with its original complaint, WEMCO began research into the prior art to
25 determine whether or not the '450 Patent was anticipated by a prior patent. That research
26

27
28 ¹ Having read and considered the papers presented by the parties, the Court finds this matter appropriate
for disposition without a hearing. *See* Fed. R. Civ. P. 78; Local Rule 7-15. Accordingly, the hearing set
for January 4, 2016 at 1:30 p.m. is hereby vacated and off calendar.

1 revealed U.S. Patent No. 4,741,493 (“the ‘493 Patent”). The ‘493 Patent is a design
2 patent for a locking system for spools holding display jewelry chains. (Dkt. 30-5 [“the
3 ‘493 Patent”].) It provides for a mechanism that can lock individual spools together so as
4 to prevent the chains held on them from being unspooled. (See Dkt. 38-1 ¶ 4.) Believing
5 that the ‘493 Patent anticipated the ‘450 Patent, WEMCO moved for summary judgment
6 of invalidity in August 2013. The Court denied WEMCO’s motion, explaining that
7 WEMCO had “fail[ed] to show by clear and convincing evidence” that the ‘493 Patent
8 contained every limitation of the ‘450 Patent, and that SASCO had “present[ed] evidence
9 of structural differences between the two devices that at the very least create[d] a triable
10 issue as to whether the jewelry display in the ‘493 Patent [anticipated] the ‘450 Patent.”
11 (Dkt. 45 at 13.)

12
13 Litigation proceeded. In July 2014, after the parties had engaged in significant
14 discovery and additional motion practice, the Patent and Trademark Office (“PTO”)
15 granted a request for reexamination of the ‘450 Patent. The parties filed a stipulation to
16 stay the case pending reexamination, and the Court entered a stay on July 16.

17
18 On December 17, 2014, the PTO issued a Final Patent Office Action rejecting
19 Claims 1-11 and 13-15 of the ‘450 Patent (based on anticipation by the ‘493 Patent) and
20 confirming the patentability of Claim 12 of the ‘450 Patent. Since the PTO’s
21 determination meant that SASCO could no longer plausibly allege infringement against
22 WEMCO, the parties stipulated to dismiss the case with prejudice, and SASCO
23 covenanted not to sue WEMCO under the ‘450 Patent. (Dkt. 78.) WEMCO
24 subsequently filed its motion for attorneys’ fees.

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1 **III. LEGAL STANDARD**

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3 Congress has provided, in 35 U.S.C. § 285, that in patent infringement disputes
4 “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing
5 party.” “As the statutory language suggests, the award of attorneys’ fees is discretionary,
6 and a district court may decide not to award fees even in an exceptional case.” *Kilopass*
7 *Tech., Inc. v. Sidense Corp.*, 82 F. Supp. 3d 1154, 1165 (N.D. Cal. 2015) (citing *Modine*
8 *Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990) (“The decision whether
9 or not to award fees is still committed to the discretion of the trial judge, and even an
10 exceptional case does not require in all circumstances the award of attorney fees.”)).
11

12 The Supreme Court has recently considered the scope of § 285. In *Octane Fitness,*
13 *LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014), it rejected the Federal
14 Circuit’s rule that a case was only “exceptional” under the meaning of § 285 “when there
15 has been some material inappropriate conduct related to the matter in litigation” or when
16 “(1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively
17 baseless,” see *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381
18 (Fed. Cir. 2005). Noting that this formulation was “overly rigid,” the Supreme Court
19 instead held that “an ‘exceptional’ case is simply one that stands out from others with
20 respect to the substantive strength of a party’s litigating position (considering both the
21 governing law and the facts of the case) or the unreasonable manner in which the case
22 was litigated.” *Octane Fitness*, 134 S. Ct. at 1756. The Court also confirmed that
23 “[d]istrict courts may determine whether a case is ‘exceptional’ in the case-by-case
24 exercise of their discretion, considering the totality of the circumstances.” *Id.* In that
25 exercise, courts may consider such factors as “frivolousness, motivation, objective
26 unreasonableness (both in the factual and legal components of the case) and the need in
27 particular circumstances to advance considerations of compensation and deterrence.” *Id.*
28 at 1756 n.6.

1 *Octane Fitness* was handed down less than two years ago, and lower courts are still
2 coalescing around a uniform approach to motions for an exceptional case determination
3 under § 285. The Federal Circuit has, consistent with *Octane Fitness*, undertaken a two-
4 pronged approach that considers the substantive strength—not ultimate success—of a
5 party’s litigation position, and whether a party litigated a case in an unreasonable manner.
6 *See, e.g., SFA Systems, LLC v. Newegg Inc.*, 793 F.3d 1344, 1347–1352 (Fed. Cir. 2015).
7 The Federal Circuit noted that although courts ultimately undertake a “totality of the
8 circumstances” analysis, it is useful to “parse” a party’s arguments by categorizing them
9 into either the “substantive strength” bucket or the “litigation conduct” bucket. *Id.*

11 **IV. ANALYSIS**

13 WEMCO essentially makes four arguments as to why this case qualifies as
14 “exceptional.” First, it argues, SASCO should have realized that the ‘493 Patent
15 anticipated the ‘450 Patent and called off the lawsuit when WEMCO alerted it to the ‘493
16 Patent. Second, SASCO’s claims were barred by evidence of “on-sale invalidity”—*i.e.*,
17 the Multi-Reel was unpatentable because it had already been sold more than one year
18 before the filing date of the patent application. Both of these arguments go to the
19 substantive strength of SASCO’s litigation position.

21 Third, WEMCO argues that SASCO engaged in bad faith litigation conduct,
22 including instructing deponents not to respond to questions for which WEMCO believes
23 there was no basis for a non-response, and editing deposition transcripts before
24 submitting them to the Court. Finally, WEMCO claims that SASCO has engaged in
25 inappropriate litigation conduct in unrelated, non-patent cases, and that the Court should
26 deem this case exceptional in order to deter further bad faith litigation conduct by
27 SASCO. Both of these arguments go to the reasonableness of SASCO’s litigation
28 conduct.

1 **A. Substantive Strength**

2
3 **1. The ‘493 Patent**

4
5 As explained above, WEMCO successfully persuaded the PTO examiner that the
6 ‘493 Patent anticipated the ‘450 Patent, and that most of the ‘450 Patent’s claims were
7 therefore invalid. WEMCO argues that SASCO’s litigation position on this issue was so
8 weak that a fee award is merited. The Court disagrees. As an initial matter, WEMCO
9 *lost* its summary judgment motion on whether the ‘493 Patent anticipated the ‘450 Patent,
10 raising significant doubt as to whether SASCO’s litigation position was so weak as to
11 merit an exceptional case determination. “In the pre-*Octane Fitness* patent law
12 jurisprudence, ‘a lawsuit which survives a motion for summary judgment is not
13 objectively baseless’” so as to justify an exceptional case finding under § 285. *Apple,*
14 *Inc. v. Samsung Elec. Co., Ltd.*, Case No. 11-CV-01846-LHK, 2014 WL 4145499, at *9
15 (N.D. Cal. Aug. 20, 2014) (citing *Synthes USA, LLC v. Spinal Kinetics, Inc.*, No. 09-cv-
16 01201 RMW, 2012 WL 4483158, at *13 (N.D. Cal. Sept. 27, 2012), *aff’d*, 734 F.3d 1332,
17 1345 (Fed. Cir. 2013)). And even post-*Octane Fitness*, a denial of a defendant’s
18 summary judgment motion bears significant weight in the determination whether a case is
19 exceptional. *See Apple*, 2014 WL 4145499, at *9 (noting that the fact that a claim
20 survived summary judgment “strongly suggests that [a case] is not[] ‘exceptional’” under
21 § 285); *see also Angioscore, Inc. v. Trireme Medical, Inc.*, Case No. 12-cv-03393-YGR,
22 2015 WL 8293455, at *2 (N.D. Cal. Dec. 9, 2015) (the fact that plaintiff’s claims
23 survived summary judgment “evidenced” that they were not “exceptionally weak”).
24

25 Indeed, SASCO raised a number of good faith arguments before this Court as to
26 why the ‘493 Patent did not anticipate the ‘450 Patent. It pointed out that the “locking
27 rod” at issue in the ‘493 Patent actually locks the compartments together to prevent them
28 from rotating at all, whereas the ‘450 Patent’s “reel-securing bar” ensures that the

1 compartments in the Multi-Reel can all rotate *together, in unison*—that is, SASCO points
2 out, the whole point of the reel-securing bar. Additionally, SASCO argued that the ‘493
3 Patent discloses a jewelry chain display case that cannot be said to relate in any
4 meaningful way to the electrical wiring application of the Multi-Reel. The device
5 described in the ‘493 Patent is much smaller than the Multi-Reel, and SASCO pointed
6 out that the dimensions of heavy-duty electrical wire would in fact preclude a device like
7 the one in the ‘493 Patent from being used to spool that wire—the spools are simply too
8 small. Finally, SASCO specifically argued that the ‘450 Patent contains the limitation
9 “different sets of wire,” which does not appear in the ‘493 Patent.

10
11 To be sure, the PTO ended up not buying any of these arguments when it found
12 that most of the ‘450 Patent’s claims were anticipated by the ‘493 Patent. But “the
13 Supreme Court made clear that it is the substantive *strength* of the party’s litigating
14 position that is relevant to an exceptional case determination, not the *correctness* or
15 eventual success of that position.” *SFA Systems*, 793 F.3d at 1348 (emphasis in original).
16 Although SASCO did not ultimately succeed in persuading the PTO examiner that its
17 position was correct, it is quite clear that that position was not an “exceptionally meritless
18 claim[],” *Octane Fitness*, 134 S. Ct. at 1757. As a result, SASCO’s litigation position
19 with regard to the ‘493 Patent is not grounds for an exceptional case determination.

20 21 **2. On-Sale Bar**

22
23 WEMCO’s other argument as to the substantive strength of SASCO’s position
24 concerns the on-sale bar. A patent is invalid under 35 U.S.C. §102(b) if the patented
25 invention was “(1) the subject of a commercial offer for sale before the critical date (of
26 one year prior to the filing of the patent application); and (2) ready for patenting before
27 the critical date.” *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 66–67 (1998). WEMCO
28 argues that deposition testimony from a Mr. Manthey demonstrates that the Multi-Reel

1 was on sale more than one year before SASCO filed its patent application. But in fact,
2 the deposition testimony WEMCO references is deliberately equivocal: when presented
3 with alleged invoices, Mr. Manthey repeatedly testified that he didn't know or remember
4 when particular reels were sold, and that he did not know if particular reels he was shown
5 were sold before a particular date or if they were even the reels that SASCO ultimately
6 patented. (See Dkt. 87-1 Exh. 9 at 97–101.) WEMCO attempts to stretch this scant
7 deposition testimony to argue that SASCO knew its claims were barred by the on-sale bar
8 before it even filed its patent application. This argument is without merit. Application of
9 the on-sale bar must be proved by “clear and convincing evidence.” *Abbott Laboratories*
10 *v. Geneva Pharmaceuticals, Inc.*, 182 F. 3d 1315, 1318 (Fed. Cir. 1999). WEMCO's
11 evidence does not meet this standard, much less show that SASCO's arguments
12 concerning the on-sale bar were so weak that the Court should deem this case
13 “exceptional” under § 285.

14 **B. Reasonableness of SASCO's Litigation Conduct**

15 **1. Specific Examples of Bad Faith Conduct**

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17
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19 Next, WEMCO argues that SASCO engaged in bad faith litigation conduct. It
20 offers two examples. The first is that an attorney for SASCO repeatedly instructed a
21 deponent not to answer questions from WEMCO about whether a multi-compartment reel
22 *without* a reel-securing bar (like the one specified in the '450 Patent) would infringe the
23 '450 Patent. SASCO objected to the questions on the basis that they required a legal
24 conclusion. WEMCO argues that this objection was improper, that the questions were
25 calling for a factual, not legal, conclusion, and the objections were “representative of the
26 bad faith in which SASCO and its counsel have litigated this case.” (Dkt. 81 at 14.)
27 SASCO, for its part, points out that it was perfectly clear, in its briefing on summary
28 judgment and in responses to interrogatories, that it was not contending that products

1 without a reel-securing bar were infringing the '450 Patent. The Court is not persuaded
2 that SASCO's objections to the deposition questions were improper and in any event, a
3 dispute over a single set of deposition objections is not the sort of thing that justifies a
4 several hundred thousand dollar fee award under § 285. Both parties alleged discovery
5 violations in this case, and in fact SASCO successfully managed to compel production of
6 certain documents WEMCO refused to even look for. (*See* Dkt. 62 (granting motion to
7 compel production of ESI material)). There is no reason to find this case exceptional
8 simply on the basis of SASCO's objections to the deposition questions.

9
10 WEMCO's second example concerns changes made to a deposition transcript
11 attached to SASCO's briefing on this motion. This too is unremarkable and not grounds
12 for an exceptional case determination. Deponents regularly make changes to their
13 deposition testimony after the fact. Although WEMCO insists that SASCO did not
14 follow the proper procedures in making changes to the transcript, there is no reason to
15 believe that any failure on SASCO's part materially prejudiced WEMCO in any way.
16 Even were the Court to disregard the changes, which pertain to the parties' dispute over
17 the application of the on-sale bar, it would not come to a different conclusion as to the
18 strength of SASCO's position on that issue. Accordingly, the deposition changes are not
19 grounds for an exceptional case determination.

20 21 **2. Deterrence**

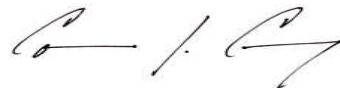
22
23 Finally, WEMCO asserts that SASCO is a repeat bad-faith actor, pointing to
24 sanctions against SASCO in unrelated cases. It argues that SASCO need be deterred
25 from future litigation misconduct. The Court disagrees. It would be one thing if SASCO
26 were bringing multiple frivolous actions based on the patent at issue in this case. But
27 instead, WEMCO attempts to aggregate any litigation misconduct SASCO has ever
28 engaged in, in cases of widely varying subject matter, in an effort to have *this particular*

1 *case* declared exceptional. This Court refuses to go down that road. Nothing that SASCO
2 did in those other cases occurred before this Court and this Court has no intention of
3 spending countless hours reviewing and critiquing sanction orders issued by other courts.
4

5 **IV. CONCLUSION**

6

7 The Court recognizes that since the Supreme Court broadened the standard for fee
8 awards under § 285, prevailing parties in patent actions have little to lose by bringing
9 motions like this one. Nonetheless, here it appears that WEMCO has simply cobbled
10 together any argument it could possibly think of as to why SASCO's litigation positions
11 were weak or its litigation conduct unsavory. The Court questions the utility of this
12 exercise. From the Court's review of the record, SASCO brought a colorable, though
13 ultimately unsuccessful, patent infringement case, and litigated it appropriately and in
14 good faith. WEMCO has neither shown that SASCO advanced exceptionally weak
15 litigation positions nor that it engaged in unreasonable litigation conduct. This is not an
16 exceptional case under 35 U.S.C. § 285, and WEMCO's motion is DENIED.

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19 CORMAC J. CARNEY
20 UNITED STATES DISTRICT JUDGE

21 Dated: December 23, 2015
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