

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE NORTHERN DISTRICT OF CALIFORNIA

3
4 BRILLIANT INSTRUMENTS, INC.,

No. C 09-5517 CW

5 Plaintiff,

ORDER DENYING
BRILLIANT'S MOTION
FOR ATTORNEYS'
FEES AND NON-
TAXABLE COSTS

6 v.

7 GUIDETECH, INC.,

8 Defendant.

9
10 _____
AND ALL RELATED COUNTERCLAIMS
11 _____/

12 Plaintiff and Counterclaim-Defendant Brilliant Instruments,
13 Inc. moves for an award of attorneys' fees pursuant to 28 U.S.C.
14 § 285, and an award of expert witness fees pursuant to the Court's
15 inherent authority. Defendant and Counter-Claimant GuideTech LLC,
16 formerly GuideTech Inc., opposes the motion. For the reasons set
17 forth below, Brilliant's motion is denied.

18 BACKGROUND

19 In 1998, Shalom Kattan founded Guide Technology, Inc., the
20 predecessor entity to GuideTech. Kattan invented the technology
21 claimed by the patents-in-suit, which he assigned to Guide
22 Technology. In 2004, Kattan left his employment with Guide
23 Technology, but remained on its board of directors. That same
24 year, Kattan established Brilliant. In 2005, Kattan left his
25 position on Guide Technology's board. On May 23, 2008, Guide
26 Technology sold its assets, which included the patents-in-suit, to
27 Ronen Sigura, who founded GuideTech.
28

1 Brilliant filed this declaratory relief action on November
2 20, 2009, alleging that its accused products, such as the BI200
3 and BI220, do not infringe GuideTech's U.S. Patent Nos. 6,091,671
4 ('671 patent); 6,181,649 ('649 patent); 6,226,231 ('231 patent);
5 6,456,959; 6,621,767; 6,999,382; and 7,203,610. The patents-in-
6 suit concern time interval analyzers, which are testing
7 instruments used in the semiconductor industry to detect timing
8 errors in integrated circuits. On December 14, 2009, GuideTech
9 filed its answer and counterclaim, asserting that Brilliant's
10 products infringe the '671, '649 and '231 patents. Brilliant
11 filed a motion to strike the background section of GuideTech's
12 counterclaim, which the Court denied by order entered March 24,
13 2010. On April 7, 2010, Brilliant filed an answer to GuideTech's
14 counterclaim and a counterclaim for a declaratory judgment of
15 invalidity of the asserted patents. On June 3, 2010, Brilliant
16 amended its complaint to add GuideTech's president, Ronen Sigura,
17 as a Defendant, charging him with intentional interference with
18 prospective economic advantage, intentional interference with
19 contractual relations and violation of California's Unfair
20 Competition Law, Cal. Bus. Code §§ 17200, et seq.

21 On November 12, 2010, GuideTech filed a complaint in Santa
22 Clara County Superior Court alleging claims for tortious
23 interference with prospective economic advantage and slander
24 against Brilliant and Kattan and breach of contract against
25 Kattan. GuideTech filed an amended complaint on December 8, 2010.
26 On December 13, 2010, Brilliant removed the state court action,
27 and it was related to the instant action by order entered January
28 18, 2011. See GuideTech LLC v. Brilliant Instruments, Inc., et

1 al., Case No. C10-5669 CW. GuideTech filed a motion to remand,
2 which the Court granted by order entered March 14, 2011. The
3 Court also granted GuideTech's motion for attorneys' fees incurred
4 as a result of the improper removal.

5 The Court referred the case to a Magistrate Judge for
6 resolution of all discovery disputes. The Magistrate Judge held
7 discovery hearings on January 11, 2011, to resolve Brilliant's
8 motion to compel production of documents, and on January 13, 2011,
9 to resolve the parties' dispute over GuideTech's objections to
10 questions posed by Brilliant at the deposition of Oren Rajuan,
11 GuideTech's president. On the last day to file discovery motions,
12 January 28, 2011, Brilliant filed a motion to compel concerning
13 the parties' dispute over GuideTech's privilege-based objections,
14 then withdrew the motion on February 25, 2011.

15 On December 30, 2010, GuideTech filed a motion for leave to
16 amend its infringement contentions, which the Court granted by
17 order entered January 3, 2011. On February 10, 2011, GuideTech
18 moved to strike prior art references from Brilliant's expert
19 report on the ground that they were not disclosed in Brilliant's
20 invalidity contentions. On March 15, 2011, the Court granted
21 GuideTech's motion to strike references from Dr. Kaliski's report
22 to the extent that they were relied upon as prior art that
23 allegedly anticipated the claims asserted in this action or
24 rendered such claims obvious. Docket no. 85.

25 On March 16, 2011, Brilliant filed a motion to amend its
26 preliminary invalidity contentions to add a prior art reference.
27 Brilliant also filed a motion for leave to file a Daubert motion
28 to exclude the reports and testimony of GuideTech's expert

1 witness, Dr. West, on April 16, 2011, fifteen days after the
2 deadline adopted by the Court. The Court denied both motions by
3 order entered April 29, 2011.

4 The parties sought the Court's construction of the disputed
5 claim terms used in the '671, '649 and '231 patents. Brilliant
6 also moved for summary judgment of non-infringement of the
7 patents-in-suit. GuideTech filed a motion for summary
8 adjudication on the equitable issue of assignor estoppel.

9 By order entered August 11, 2011, the Court construed the
10 disputed claim terms, granted Brilliant's motion for summary
11 judgment of non-infringement, and denied as moot GuideTech's
12 motion for summary adjudication on the issue of assignor estoppel.
13 Docket no. 137.

14 On August 16, 2011, the parties stipulated to dismissal of
15 Brilliant's state law claims in this action without prejudice and
16 agreed to consolidate their state law claims in the action in
17 Santa Clara County Superior Court. Docket no. 139.

18 On September 20, 2011, Brilliant filed the instant motion for
19 attorneys' fees. GuideTech opposes the motion, which is fully
20 briefed and submitted on the papers. On October 4, 2011,
21 GuideTech filed an appeal to the Federal Circuit from the order
22 and judgment entered by the Court in favor of Brilliant. The
23 appeal is currently pending.

24 DISCUSSION

25 I. Brilliant's Motion for Award of Attorneys' Fees for
26 Exceptional Case

27 In patent infringement actions, courts "may award reasonable
28 attorney fees to the prevailing party" in "exceptional cases." 35

1 U.S.C. § 285. GuideTech does not dispute that Brilliant was the
2 prevailing party on its non-infringement claims in this action,
3 but contends that Brilliant is not entitled to fees related to
4 claims on which it did not prevail. Brilliant seeks an award of
5 all attorneys' fees incurred in this proceeding, not only fees
6 related to non-infringement, in the amount of \$834,678.60.
7 Brilliant's fee request thus includes fees incurred in the removal
8 of GuideTech's state court action, which the Court remanded, and
9 in litigating its own business interference claims which have been
10 dismissed from this action and consolidated in the state court
11 action. Reply at 2-3 and n.1. Because the Court determines that
12 the record does not support an exceptional case finding, it is not
13 necessary to determine whether to award fees incurred for the
14 entire litigation or only for part of it. Cf. Beckman
15 Instruments, Inc. v. LKB Produkter AB, 892 F.2d 1547, 1553 (Fed.
16 Cir. 1989) (recognizing that the litigation misconduct would not
17 justify an award of attorney fees for the entire litigation and
18 remanding § 285 award of fees to consider extent to which party
19 actually prevailed).

20 To determine whether attorneys' fees are warranted, a court
21 undertakes a two-step process: (1) the court considers whether
22 clear and convincing evidence supports a finding that a case is
23 exceptional and, if so, (2) the court then decides whether it
24 should exercise its discretion to award attorneys' fees.
25 Wedgetail Ltd. v. Huddleston Deluxe, Inc., 576 F.3d 1302, 1304
26 (Fed. Cir. 2009). In evaluating whether a case is exceptional, a
27 court must consider "the totality of the circumstances."
28

1 Yamanouchi Pharm. Co. Ltd. v. Danbury Pharmacal, Inc., 231 F.3d
2 1339, 1347 (Fed. Cir. 2000).

3 A. Exceptionality

4 "A case may be deemed exceptional when there has been some
5 material inappropriate conduct related to the matter in
6 litigation, such as willful infringement, fraud or inequitable
7 conduct in procuring the patent, misconduct during litigation,
8 vexatious or unjustified litigation, conduct that violates Fed. R.
9 Civ. P. 11, or like infractions." Brooks Furniture Mfg., Inc. v.
10 Dutailier Int'l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005).

11 "Absent misconduct in conduct of the litigation or in securing the
12 patent, sanctions may be imposed against the patentee only if both
13 (1) the litigation is brought in subjective bad faith, and (2) the
14 litigation is objectively baseless." Id. (citing Professional
15 Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.,
16 508 U.S. 49, 60-61 (1993); Forest Labs., Inc. v. Abbott Labs., 339
17 F.3d 1324, 1329-31 (Fed. Cir. 2003)).

18 There is a presumption that the assertion of infringement of
19 a duly granted patent is made in good faith. Id. (citing Springs
20 Window Fashions LP v. Novo Industries, L.P., 323 F.3d 989, 999
21 (Fed. Cir. 2003)). "An infringement action 'does not become
22 unreasonable in terms of § 285 if the infringement can reasonably
23 be disputed. Infringement is often difficult to determine, and a
24 patentee's ultimately incorrect view of how a court will find does
25 not of itself establish bad faith.'" iLOR, LLC v. Google, Inc.,
26 631 F.3d 1372, 1377 (Fed. Cir. 2011) (quoting Brooks Furniture,
27 393 F.3d at 1384). "Under this exacting standard, the
28 [patentee's] case must have no objective foundation, and the

1 [patentee] must actually know this. Both the objective and
2 subjective prongs of Brooks Furniture 'must be established by
3 clear and convincing evidence.'" Id. (citing Wedgetail, 576 F.3d
4 at 1304).

5 Here, Brilliant seeks an award of attorneys' fees for an
6 exceptional case on the grounds that GuideTech failed to perform a
7 reasonable pre-filing investigation before filing its infringement
8 counterclaim and engaged in other litigation misconduct. As
9 discussed below, the Court finds that Brilliant has not
10 established by clear and convincing evidence that this case is
11 exceptional under § 285 so as to warrant an award of attorneys'
12 fees.

13 B. Objective Baselessness and Subjective Bad Faith
14 Requirements

15 Before making a discretionary determination whether to award
16 fees pursuant to § 285, the Court must find subjective bad faith
17 and objective baselessness to find this case exceptional. Brooks
18 Furniture, 393 F.3d at 1381. The Federal Circuit has articulated
19 that "[t]he objective baselessness standard for enhanced damages
20 and attorneys' fees against a non-prevailing plaintiff under
21 Brooks Furniture is identical to the objective recklessness
22 standard for enhanced damages and attorneys' fees against an
23 accused infringer for § 284 willful infringement actions under In
24 re Seagate Technology, LLC, 497 F.3d 1360 (Fed. Cir. 2007) (en
25 banc)." iLOR, 631 F.3d at 1377. In Seagate, the court held that
26 "'to establish willful infringement, a patentee must show by clear
27 and convincing evidence that the infringer acted despite an
28 objectively high likelihood that its actions constituted

1 infringement of a valid patent. . . . The state of mind of the
2 accused infringer is not relevant to this objective inquiry.’”

3 Id. (quoting Seagate, 497 F.3d at 1371) (emphasis added in
4 original)). The court in iLOR stated,

5 Under both Brooks Furniture and Seagate, objective
6 baselessness “does not depend on the plaintiff's
7 state of mind at the time the action was commenced,
8 but rather requires an objective assessment of the
9 merits.” [Citation omitted.] State of mind is
10 irrelevant to the objective baselessness inquiry.
11 [Citations omitted.]

12 iLOR, 631 F.3d at 1377-78 (citing Brooks Furniture, 393 F.3d at
13 1382; Seagate, 497 F.3d at 1371). A finding of objective
14 baselessness is to be determined by the record made in the
15 infringement proceedings. Id. at 1380.

16 Applying the objective baselessness test to GuideTech’s
17 unsuccessful infringement claims, the Court determines that
18 GuideTech’s position on claim construction was not “so
19 unreasonable that no reasonable litigant could believe it would
20 succeed.” iLOR, 631 F.3d at 1378 (citing Dominant Semiconductors
21 Sdn. Bhd. v. OSRAM GmbH, 524 F.3d 1254, 1260 (Fed. Cir. 2008)).

22 Having construed the disputed claim terms and decided Brilliant’s
23 motion for summary judgment of non-infringement, after holding a
24 hearing on the matters, and being familiar with the record, the
25 Court finds that this action presented a “routine question of
26 claim construction in which the issues are often complex and the
27 resolutions not always predictable.” Id. at 1379. The Court
28 undertook construction of five disputed claim terms and phrases,
in particular, the phrase “defined within a signal channel” from
the abstract of the ’231 patent. See Aug. 11, 2011 Order on Claim
Construction, Granting Brilliant’s Motion for Summary Judgment at

1 6-8. The Court found that Brilliant's proposed construction was
2 more accurate because it captured the notion that measurement
3 circuits are contained within a particular signal channel, whereas
4 GuideTech's proposed construction was too broad and would capture
5 an embodiment that has a measurement circuit that was present in
6 more than one channel, which the Court determined was not
7 supported by the claim language or specification. Id. at 7-8.
8 The Court therefore construed the phrase to mean "contained within
9 a signal channel." Id. at 8. Having so construed the disputed
10 phrase, the Court found that the accused products did not infringe
11 the '231 patent. Id. at 15-17. The Court also construed claim
12 terms of the '671 and '649 patents and granted Brilliant's motion
13 for summary judgment of non-infringement as to those patents.

14 Although the Court rejected GuideTech's proposed
15 construction, GuideTech's infringement claims were grounded in a
16 reasonable interpretation of the patents and are not deemed
17 baseless in hindsight. The Federal Circuit has recognized that
18 where patent disputes present difficult issues of claim
19 construction, "simply being wrong about claim construction should
20 not subject a party to sanctions where the construction is not
21 objectively baseless." iLOR, 631 F.3d at 1380.

22 Claim interpretation is not always an exact
23 science, and it is not unusual for parties to offer
24 competing definitions of even the simplest claim
25 language. In this case, however, it is not for us
26 to determine whether [plaintiff's] pre-filing
27 interpretation of the asserted claims was correct,
28 but only whether it was frivolous. We conclude that
it was not, for [plaintiff's] claim interpretation,
while broad, followed the standard canons of claim
construction and was reasonably supported by the
intrinsic record.

1 Q-Pharma, Inc. v. Andrew Jergens Co., 360 F.3d 1295, 1301 (Fed.
2 Cir. 2004) (affirming denial of Rule 11 sanctions where pre-filing
3 infringement analysis was supported by a sufficient evidentiary
4 basis). Because the Court concludes that GuideTech's infringement
5 claims were not objectively baseless, it is not necessary to reach
6 the issue of subjective bad faith. See iLOR, 631 F.3d at 1378.

7 Brilliant does not address the question of whether
8 GuideTech's infringement claims were objectively baseless, based
9 on the record made in the infringement proceedings. Rather,
10 Brilliant's exceptional case motion focuses on the reasonableness
11 of GuideTech investigation before filing its infringement claims.
12 "A claim is brought in subjective bad faith if the objective
13 unreasonableness of the claim 'was either known or so obvious that
14 it should have been known' by the patentee." Highmark, Inc. v.
15 Allcare Health Mgmt. Sys., Inc., 687 F.3d 1300, 1312 (Fed. Cir.
16 2012) (citing Seagate, 497 F.3d at 1371). "Rule 11 sanctions
17 against an attorney may form a basis for an exceptional case
18 finding[, b]ut the absence of Rule 11 sanctions does not mandate
19 the opposite conclusion." Id. at 1313 (citing Brooks Furniture,
20 393 F.3d at 1381).

21 Although Brilliant has not brought a Rule 11 motion, it
22 contends that the Court should determine whether GuideTech's pre-
23 filing infringement investigation was inadequate under Rule 11
24 standards to find this to be an exceptional case. Mot. at 5-6,
25 citing Judin v. United States, 110 F.3d 780, 784-85 (Fed. Cir.
26 1997) (Rule 11 requires a patentee and its attorney to compare the
27 accused devices with the patent claim prior to filing the
28 infringement claims). As the Federal Circuit has made clear,

1 however, where the Court has determined that the infringement
2 claims were not objectively baseless, the Court need not reach the
3 subjective question whether GuideTech acted in bad faith.

4 Highmark, 687 F.3d at 1315.

5 C. Litigation Misconduct

6 As a separate ground for seeking an award of fees pursuant to
7 § 285, Brilliant contends that this case is exceptional because
8 GuideTech engaged in litigation efforts to complicate the case
9 through motion practice and discovery tactics. "Litigation
10 misconduct and unprofessional behavior are relevant to the award
11 of attorney fees, and may suffice to make a case exceptional."
12 Taltech Ltd. v. Esquel Enters. Ltd., 604 F.3d 1324, 1329 (Fed.
13 Cir. 2010) (citation and internal quotation marks omitted).

14 Having reviewed the litigation history of this action, including
15 the discovery disputes raised before the Magistrate Judge, the
16 Court concludes that both parties aggressively litigated this
17 patent dispute. Brilliant has not demonstrated by clear and
18 convincing evidence that GuideTech engaged in abusive litigation
19 tactics.

20 Brilliant further contends that GuideTech intimidated
21 Brilliant's customers into refusing to buy Brilliant's competing
22 products, and that this misconduct supports an award of fees
23 pursuant to § 285. Mot. at 20-21. As Brilliant acknowledges,
24 these allegations are the subject of business tort claims being
25 litigated in state court. Reply at 14. The merits of Brilliant's
26 allegations of tortious interference are properly before the state
27 court and are not relevant to a finding of misconduct in this
28 proceeding.

1 On this record, Brilliant has not met its burden to show by
2 clear and convincing evidence that GuideTech pursued objectively
3 baseless infringement counterclaims against Brilliant or engaged
4 in abusive litigation tactics. Brilliant's motion for an award of
5 attorneys' fees pursuant to § 285 is therefore denied.

6 II. Motion for Expert Fees

7 Brilliant also seeks an award of its expert witness fees in
8 the amount of \$69,552.86, pursuant to the Court's inherent
9 sanction authority. Because § 285 does not authorize an award of
10 expert witness fees, reimbursement of expert witness fees is
11 governed by the general cost statute, 28 U.S.C. § 1920, and is
12 limited by § 1821(b) governing witness attendance fees. Amsted
13 Industries Inc. v. Buckeye Steel Castings Co., 23 F.3d 374, 376-77
14 (Fed. Cir. 1994). Federal courts have the inherent power to
15 impose sanctions in the form of a reasonable expert fee award when
16 a party has "acted in bad faith, vexatiously, wantonly, or for
17 oppressive reasons." Id. at 378 (citing Chambers v. NASCO, Inc.,
18 501 U.S. 32, 45-46 (1991)). See also iLOR, 631 F.3d at 1380. A
19 trial court must make a finding of fraud or abuse of the judicial
20 process before invoking its inherent sanctioning power to impose
21 expert witness fees in excess of the § 1821(b) cap. Amsted, 23
22 F.3d at 378. Because Brilliant has not demonstrated that
23 GuideTech has engaged in fraud or abusive litigation conduct,
24 sanctions are not warranted against GuideTech. Brilliant's motion
25 for award of expert fees is therefore denied.

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CONCLUSION

For the foregoing reasons, the Court DENIES Brilliant's motion for an award of attorneys' fees and expert fees, Docket No. 147.

IT IS SO ORDERED.

Dated: September 28, 2012



CLAUDIA WILKEN
United States District Judge