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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

IRONBURG INVENTIONS LTD.,

Plaintiff,

v.

VALVE CORPORATION,

Defendant.

C17-1182 TSZ

ORDER

THIS MATTER comes before the Court on a motion, docket no. 467, brought by plaintiff Ironburg Inventions Ltd. (“Ironburg”) for attorney fees pursuant to 35 U.S.C. § 285 and prejudgment interest pursuant to 35 U.S.C. § 284. Having reviewed all papers filed in support of, and in opposition to, the motion, the Court enters the following order.

Background

After a virtual trial in this matter, a jury rendered a verdict in favor of Ironburg and against defendant Valve Corporation (“Valve”), finding that Valve had willfully infringed Claims 2, 4, 7, 9, 10, 11, and 18 of United States Patent No. 8,641,525 (the “525 Patent”), and awarding to Ironburg \$4,029,533.93 in damages. *See* Verdict (docket nos. 416 & 417). Ironburg now seeks a ruling that it is entitled to attorney fees in

1 connection with this litigation, as well as two inter partes review (“IPR”) proceedings
2 before the United States Patent and Trademark Office’s Patent Trial and Appeal Board
3 (“PTAB”) involving the ’525 Patent and a related appeal to the Federal Circuit. The
4 estimated amount of such attorney fees exceeds \$6.5 million. *See* Becker Decl. at ¶¶ 9 &
5 10 (docket no. 468).

6 Ironburg also requests prejudgment interest calculated **from June 1, 2015**, the
7 date on which Valve first sold the infringing device known as a Steam Controller, *see*
8 Instr. No. 5 at ¶¶ 7 & 11 (docket no. 413), **to July 19, 2021**, the date of the Partial
9 Judgment, docket no. 464. Ironburg asks the Court to apply the prime rate used by banks
10 in the United States, which varied between 3.25 and 5.50 percent per annum during the
11 more than six-year period at issue; Ironburg proposes an average rate of 4.08 percent,
12 compounded *monthly*, resulting in a prejudgment interest amount of \$1,133,011. *See*
13 Becker Decl. at ¶ 15 (docket no. 468).

14 Valve contends that Ironburg is not entitled to attorney fees because this case is
15 not “exceptional” within the meaning of 35 U.S.C. § 285. Valve further argues that, if
16 prejudgment interest is awarded, it should be calculated on the basis of the rate specified
17 in 28 U.S.C. § 1961(a) (“the weekly average 1-year constant maturity Treasury yield, as
18 published by the Board of Governors of the Federal Reserve System, for the calendar
19 week preceding the date of the judgment”). According to Valve, during the timeframe
20 in question, the rate set forth in § 1961(a) fluctuated between 0.04 and 2.74 percent, with
21 an average of 1.12 percent, and if compounded *annually*, the average rate would yield
22 prejudgment interest in the amount of \$282,465.14. Lujin Decl. at ¶ 7 (docket no. 476).

1 **Discussion**

2 **A. Attorney Fees**

3 The Patent Act authorizes the Court “in exceptional cases” to award “reasonable
4 attorney fees to the prevailing party.” 35 U.S.C. § 285. An “exceptional” case is one
5 that “stands out from others with respect to the substantive strength of a party’s litigating
6 position . . . or the unreasonable manner in which the case was litigated.” *Octane*
7 *Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). The Court has
8 discretion to determine on a case-by-case basis whether the “exceptional” threshold has
9 been crossed; the Court need not apply any “precise rule or formula,” but must consider
10 the “totality of the circumstances.” *Id.* Having reviewed the procedural history of this
11 case and being well-acquainted with the evidence presented at trial, the Court concludes
12 that neither the strength of Ironburg’s infringement claim nor the weaknesses in Valve’s
13 defenses “stand out” from the litigating positions of parties in other matters, and that
14 Valve did not conduct itself in an unreasonable manner in battling against Ironburg in this
15 action or related proceedings.

16 Ironburg suggests that this case is “exceptional” for eight reasons: (i) the jury
17 found that Valve’s infringement of the ’525 Patent was willful; (ii) Valve pursued
18 partially unsuccessful IPR proceedings; (iii) Valve proceeded to trial without any
19 invalidity defenses; (iv) at trial, Valve offered no direct evidence of a subjective belief
20 that the Steam Controller did not infringe the ’525 Patent; (v) Valve made no attempt to
21 design around the ’525 Patent; (vi) Valve engaged in a pattern of excessive litigation;
22 (vii) Valve exhibited “contempt” for the ’525 Patent; and (viii) Valve’s conduct was
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1 motivated by an intent to harm Ironburg. *See* Pl.’s Mot. at §§ III(B)-(I) (docket no. 467).
2 For the reasons set forth in the Order entered May 26, 2021, docket no. 458, in which the
3 Court declined to award enhanced or treble damages to Ironburg, the Court rejects
4 Ironburg’s first, fourth, fifth, and seventh grounds for seeking attorney fees. The Court
5 previously concluded that any willfulness in this matter was “garden-variety” and did not
6 warrant enhancing damages. *See* Order at 7-9 (docket no. 458). The uncontroverted
7 testimony of Valve’s lead designer was that he first saw the ’525 Patent at his deposition
8 in this litigation, which was after the development of several prototypes, as well as the
9 commercial version, of the Steam Controller. *See id.* at 8 (citing Tr. (Jan. 27, 2021) at
10 387:5-6, 451:17-19, 462:25-464:12, 481:23-24, & 492:22-493:6 (docket no. 424)). The
11 record does not support a theory that Valve copied, “pirated,” or manifested “contempt”
12 for Ironburg’s invention, and the jury’s finding of willfulness does not convert this case
13 into an “exceptional” one.

14 Ironburg’s eighth assertion that Valve behaved with an ill motive is unsupported
15 by any evidence. Ironburg cites for support only a juror’s statement during voir dire and
16 the timing of Valve’s sales of the Steam Controller. *See* Pl.’s Mot. at 11 nn.14 & 15
17 (docket no. 467). The former has no relevance to Valve’s intent and the latter establishes
18 only that Valve sought to purge its inventory of an unprofitable and discontinued product.
19 The Court is not persuaded that Valve acted with the type of malice imputed by Ironburg,
20 particularly given that Valve and Ironburg (and/or its affiliates) no longer compete in the
21 hand-held game-controller market.

1 Finally, Ironburg’s second, third, and sixth contentions concerning Valve’s tactics
2 do not fairly characterize the course of this and related proceedings. This matter has been
3 hard fought by **both** sides. The case began in the Northern District of Georgia on
4 December 3, 2015, *see* Compl. (docket no. 1), before the United States Supreme Court
5 decided *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017).
6 When, a little over two weeks after *TC Heartland* was decided, Valve moved for merely
7 *leave* to file a motion to transfer venue, *see* Def.’s Mot. (docket no. 107), Ironburg filed a
8 10-page objection, *see* Pl.’s Resp. (docket no. 108). When the Georgia Court gave Valve
9 an opportunity to seek a new forum, *see* Order (docket no. 109), Ironburg attempted to
10 persuade the then-presiding judge that *TC Heartland* did not constitute an intervening
11 change in the law and that Valve had waived its right to challenge venue, *see* Pl.’s Resp.
12 (docket no. 111). The Georgia Court rejected this view, ruling that *TC Heartland*
13 “undoubtedly changed the venue landscape,” and on August 3, 2017, after this matter had
14 been pending for 20 months, the case was transferred to this district. Order at 8 & 11
15 (docket no. 116). Ironburg would not be entitled pursuant to § 285 to any attorney fees
16 related to its failed efforts to remain in the Northern District of Georgia, and Valve’s
17 campaign to move the litigation to its place of residence was neither unreasonable nor
18 exceptional.

19 Shortly after the action arrived in this district, the PTAB issued final written
20 decisions in the IPR proceedings concerning two of the four patents-in-suit, namely the
21 ’525 Patent and U.S. Patent No. 9,089,770 (the “’770 Patent”), and as to the other two
22 patents-in-suit, U.S. Patent Nos. 9,289,688 (the “’688 Patent”) and 9,352,229 (the
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1 “’229 Patent”), IPRs had been instituted.¹ See Minute Order at ¶ 2 (docket no. 148).
2 Contrary to Ironburg’s apparent suggestion, Valve was the prevailing party in the IPRs
3 involving the ’525 and ’770 Patents, having persuaded the PTAB to invalidate all
4 independent claims and several dependent claims of both patents. See Exs. K & L to
5 Becker Decl. (docket nos. 262-11 & 262-12). These rulings were later affirmed by the
6 Federal Circuit. See Ex. A to Joint Status Report (docket no. 302-1). Moreover, as to the
7 ’770 Patent, Valve successfully sought a summary judgment of non-infringement with
8 respect to the only two dependent claims of the patent that remained viable and were
9 asserted in this action. See Minute Order at ¶ 1(g) (docket no. 301).

10 As a result of the IPRs, claim construction, and motion practice, see Order (docket
11 no. 189) (rejecting Valve’s indefiniteness challenges); Order (docket no. 320) (granting
12 Ironburg’s motion regarding IPR estoppel), no invalidity issues were presented to the
13 jury. Ironburg’s reliance on this fact as a basis for deeming the case “exceptional” is
14 misplaced. Valve’s victories before the PTAB and the Federal Circuit, which narrowed
15 the matters for the jury’s consideration, do not inure to Ironburg’s benefit in its quest for
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17 ¹ Since December 6, 2017, Ironburg’s infringement claims relating to the ’688 and ’229 Patents
18 have been stayed. See Minute Order at ¶ 2(b) (docket no. 148). Ironburg’s current motion for
19 attorney fees does not involve Valve’s litigation conduct with respect to those two patents-in-
20 suit. Nevertheless, the Court observes that the PTAB invalidated the two independent and
21 several of the dependent claims of the ’688 Patent and was affirmed on this ruling by the Federal
22 Circuit. See Ex. 1 to Lujin Decl. (docket no. 476-1). In addition, the Federal Circuit vacated a
23 portion of the PTAB’s decision that was adverse to Valve, reversing the evidentiary basis for the
PTAB’s conclusion that other dependent claims of the ’688 Patent and certain claims of the ’229
were not shown to be unpatentable, and the matter has been remanded to the PTAB for further
proceedings. See id. Thus, the Federal Circuit’s opinion on appeal was generally favorable to
Valve.

1 attorney fees. Moreover, although the Court's rulings also played a role in eliminating
2 invalidity as an issue for trial, Valve's positions with respect to indefiniteness and IPR
3 estoppel were not so lacking in merit that their assertion could be considered vexatious.
4 And, to Valve's credit, almost a year before trial, it stipulated to withdraw any defenses
5 asserted under 35 U.S.C. § 112 with respect to the '525 Patent. See Joint Stipulation
6 (docket no. 323); Minute Order (docket no. 325).

7 With respect to discovery disputes, this case had remarkably few, and they were
8 generally decided in Valve's, not Ironburg's, favor by the magistrate judge to whom they
9 were referred. See Minutes (docket no. 184) (denying Ironburg's motion to compel
10 responses to certain requests for production, but requiring the deposition of Jane Lo, who
11 is the equivalent of a comptroller for Valve); Ex. 5 to Wanger Decl. (docket no. 443-5)
12 (uncertified transcript of hearing); see also Order (docket no. 248) (granting Valve's
13 motion to compel materials related to Ironburg's knowledge and non-disclosure of certain
14 prior art). The magistrate judge who oversaw discovery did not award attorney fees to
15 either side in connection with motion practice or have occasion to issue warnings about
16 possible sanctions, which reflects the ordinariness of the discovery squabbles in this
17 matter. The record simply does not support Ironburg's accusation that Valve engaged in
18 "scorched earth" tactics during the discovery process.

19 Both parties expressed reluctance to proceed to trial via virtual means, but worked
20 cooperatively to do so after the Court made clear that waiting until an unforeseeable end
21 to the pandemic to hold the trial in person was not an option. Throughout the entire trial,
22 the attorneys, party representatives, and witnesses conducted themselves professionally
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1 and appeared to treat each other with due respect and cordiality. Valve's defenses to
2 Ironburg's infringement contentions were far from frivolous, as evidenced by Ironburg's
3 election not to seek partial summary judgment in advance of trial or judgment as a matter
4 of law on liability before the jury rendered its verdict, and nothing about Valve's decision
5 to fight Ironburg's claims at trial and in post-trial motions or its methods of doing so rose
6 to the level of "exceptional" for purposes of § 285. Ironburg's request for attorney fees is
7 DENIED.

8 **B. Prejudgment Interest**

9 Prior to 1946, the Patent Act contained no reference to interest, and under
10 common law standards, prejudgment interest was available in two circumstances:
11 (i) when damages were liquidated; and (ii) when damages were unliquidated, only if
12 "exceptional circumstances," like "bad faith" on the part of the infringer, existed. *See*
13 *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 651-52 (1983). As a result of
14 amendments adopted in 1946, the Patent Act now provides that

15 Upon finding for the claimant the court shall award the claimant damages
16 adequate to compensate for the infringement, but in no event less than a
17 reasonable royalty for the use made of the invention by the infringer, together
18 with interest and costs as fixed by the court.

19 35 U.S.C. § 284. The Supreme Court has held that this language did not adopt the
20 common law requirements for prejudgment interest and that courts have discretion to
21 award prejudgment interest as appropriate. *Devex*, 461 U.S. at 656-57. The Court is
22 "afforded wide latitude in the selection of interest rates," and may consider a variety of
23 factors, including any protracted nature of the litigation at issue and a patentee's need to

1 borrow money at the prime or higher rates to finance its operations while prosecuting its
2 infringement case. *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed. Cir.
3 1991); *see Apple, Inc. v. Samsung Elecs. Co.*, 67 F. Supp. 3d 1100, 1121-22 (N.D. Cal.
4 2014). The Court also has discretion concerning whether prejudgment interest is simple
5 or compound (and, if compounded, whether on a monthly, annual, or other basis). *See*
6 *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 557 (Fed. Cir. 1984). The
7 Court’s decision on these matters must be guided by the goal of adequately compensating
8 the patent owner for the infringement. 35 U.S.C. § 284; *Devex*, 461 U.S. at 655 (“In the
9 typical case an award of prejudgment interest is necessary to ensure that the patent owner
10 is placed in as good a position as he would have been in had the infringer entered into a
11 reasonable royalty agreement.”).

12 Although Ironburg seeks prejudgment interest from June 1, 2015, Ironburg has
13 also indicated, in the context of asking for attorney fees premised in part on Valve’s
14 “accelerated inventory purge,” that a “significant percentage” of Steam Controllers were
15 sold in November 2019. *See* Pl.’s Mot. at 11 & n.15 (docket no. 467). Given this sales
16 pattern, the 20 months from December 2015 through August 2017 spent litigating in
17 Ironburg’s inappropriate choice of forum, and the stay of this matter in effect from
18 November 15, 2018, through August 15, 2019, *see* Minute Orders (docket nos. 301 &
19 303), while awaiting the Federal Circuit’s decision on the IPR proceedings involving the
20 ’525 and ’770 Patents, the Court begins with the conclusion that prejudgment interest
21 from June 1, 2015, would constitute a windfall to Ironburg. The more appropriate date
22 from which prejudgment interest should be calculated is August 15, 2019, when the
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1 aforementioned stay was lifted. The Court further concludes that, given the totality of the
2 circumstances, prejudgment interest should be awarded at the average prime rate, as
3 computed by Ironburg (4.08%), rather than the rate set forth in § 1961(a), but that
4 compounding annually, rather than monthly, adequately compensates Ironburg for the
5 loss of use of the royalties that the jury found should have been paid by Valve. *See*
6 *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 823, 829 (Fed. Cir. 1989) (affirming an
7 award of prejudgment interest at the prime rate compounded annually).

8 **Conclusion**

9 For the foregoing reasons, the Court ORDERS:

10 (1) Ironburg’s motion, docket no. 467, for attorney fees pursuant to 35 U.S.C.
11 § 285 and prejudgment interest pursuant to 35 U.S.C. § 284, is DENIED in part and
12 GRANTED in part, as follows. The Court concludes that this case is not “exceptional”
13 within the meaning of § 285, and that Ironburg is not entitled to attorney fees. Under
14 § 284, the Court has discretion to and should award prejudgment interest absent some
15 justification for withholding such relief. *See Devex*, 461 U.S. at 657. The Court
16 concludes that prejudgment interest at the rate of four and eight-hundredths of one
17 percent (4.08%) per annum, compounded annually, from August 15, 2019, to July 19,
18 2021, is warranted and sufficient, resulting in prejudgment interest in the amount of
19 \$322,859.38,² which shall bear interest at the rate specified by 28 U.S.C. § 1961, from
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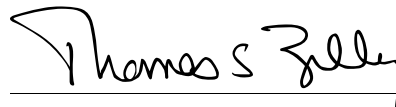
21 ² The amount of prejudgment interest for the period from August 15, 2019, to August 15, 2020,
22 is \$164,404.98; the amount of prejudgment interest for the period from August 15, 2020, to
23 July 19, 2021, is \$158,454.40 (calculated as \$468.80/day x 338 days).

1 the date of the partial judgment (July 19, 2021), until paid in full. See Bio-Rad Labs.,
2 Inc. v. Nicolet Instrument Corp., No. 88-1066, 1988 WL 33364, at *1 (Fed. Cir. Apr. 15,
3 1988) (rejecting the argument that prejudgment interest should be paid between the date
4 of the original judgment and the date on which the amount of prejudgment interest was
5 “reduced to judgment,” observing that post-judgment interest on the prejudgment interest
6 had been awarded).

7 (2) For the reasons set forth in the Partial Judgment, docket no. 464, as to
8 which the prejudgment interest herein awarded to Ironburg is related, the Court finds no
9 just reason for delay, see Fed. R. Civ. P. 54(b). The Clerk is therefore directed to enter a
10 supplemental partial judgment consistent with this Order and to send a copy of this Order
11 and the supplemental partial judgment to all counsel of record.

12 IT IS SO ORDERED.

13 Dated this 27th day of September, 2021.

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16 Thomas S. Zilly
17 United States District Judge
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