

Name Laura A. Wytsma (SBN 189527) / LOEB & LOEB LLP
 Address 10100 Santa Monica Blvd., Suite 2200
 City, State, Zip Los Angeles, CA 90067
 Phone (310) 282-2000
 Fax (310) 282-2200
 E-Mail lwysma@loeb.com

☐ FPD ☐ Appointed ☐ CJA ☐ Pro Per ☒ Retained

Filed
 2011 MAR 11 A 11:32
 FILED
 RICHARD H. WIEKING
 CLERK, U.S. DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

**UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA**

MARK L. McHUGH

PLAINTIFF(S),

v.

HILLERICH & BRADSBY CO.

DEFENDANT(S).

CASE NUMBER:
 C-07-03677 JSW

NOTICE OF APPEAL

NOTICE IS HEREBY GIVEN that HILLERICH & BRADSBY CO. hereby appeals to
Name of Appellant
 the United States Court of Appeals for the Federal Circuit from:

Criminal Matter

- ☐ Conviction only [F.R.Cr.P. 32(j)(1)(A)]
☐ Conviction and Sentence
☐ Sentence Only (18 U.S.C. 3742)
☐ Pursuant to F.R.Cr.P. 32(j)(2)
☐ Interlocutory Appeals
☐ Sentence imposed:

☐ Bail status:

Civil Matter

- ☒ Order (specify):
 Order Adopting Report and Recommendation;
 [Docket Nos. 176 and 157]
☐ Judgment (specify):
☐ Other (specify):

Imposed or Filed on 11/8/10. Entered on the docket in this action on 11/8/10.

A copy of said judgment or order is attached hereto.

March 10, 2011

Date

Laura A. Wytsma
 Signature

☐ Appellant/ProSe ☒ Counsel for Appellant ☐ Deputy Clerk
 HILLERICH & BRADSBY CO.

Note: The Notice of Appeal shall contain the names of all parties to the judgment or order and the names and addresses of the attorneys for each party. Also, if not electronically filed in a criminal case, the Clerk shall be furnished a sufficient number of copies of the Notice of Appeal to permit prompt compliance with the service requirements of FRAP 3(d).

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

MARK L. MCHUGH,

Plaintiff,

No. C 07-03677 JSW

v.

HILLERICH & BRADSBY CO.,

Defendant.

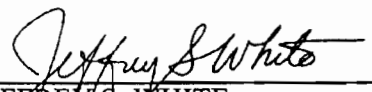
**ORDER ADOPTING REPORT AND
RECOMMENDATION AND
DENYING *DE NOVO* MOTION
FOR ATTORNEYS' FEES AND
COSTS**

This matter comes before the Court upon consideration of the Report and Recommendation ("Report") issued by Magistrate Judge Joseph C. Spero, in which he recommends that the Court deny Defendant's motion for attorneys' fees. On September 30, 2010, Defendant filed objections to the Report and a motion for *de novo* determination of fees.

Pursuant to Civil Local Rule 7-1(b), the Court finds that the motion noticed for hearing on Friday, November 12, 2010 at 9:00 a.m., is appropriate for decision without oral argument. Accordingly, the hearing date is hereby VACATED. Having considered the Report, the parties' papers, relevant legal authority, the record in this case, and having reviewed the matter *de novo*, the Court finds the Report thorough and well-reasoned and adopts it in every respect. Accordingly, Defendant's motion for attorneys' fees is DENIED.

IT IS SO ORDERED.

Dated: November 8, 2010


JEFFREY S. WHITE
UNITED STATES DISTRICT JUDGE

Case3:07-cv-03677-JSW Document157 Filed09/02/10 Page1 of 29

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

MARK L. McHUGH,

No. C-07-03677 JSW (JCS)

Plaintiff,

v.

HILLERICH & BRADSBY COMPANY,

**REPORT AND RECOMMENDATION RE
HILLERICH & BRADSBY CO.'S
MOTION FOR AN AWARD OF
ATTORNEYS' FEES AND NON-
TAXABLE COSTS [Docket No. 134]**

Defendant.

I. INTRODUCTION

In this action, Plaintiff Mark McHugh sued Defendant Hillerich & Bradsby Co. ("H&B") for alleged infringement of U.S. Patent No. 5,806,091 ("the '091 Patent"). On February 24, 2010, the Court entered judgment in favor of H&B. H&B now brings a Motion for an Award of Attorneys' Fees and Non-Taxable Costs ("Attorneys' Fees Motion" or "Motion"), seeking an award of attorneys' fees and non-taxable costs against McHugh under 35 U.S.C. § 285, which allows courts to award reasonable attorneys' fees to the prevailing party in a patent infringement action in "exceptional cases." In addition, H&B asks the Court to award attorneys' fees and costs incurred after the Court issued its claim construction order against Plaintiff's counsel, Carr & Ferrell, pursuant to 28 U.S.C. § 1927. A hearing on the Motion was held on Friday, August 27, 2010 at 9:30 a.m. For the reasons stated below, it is recommended that the Motion be DENIED.

II. BACKGROUND**A. Factual Background**

Mark McHugh conceived of the invention disclosed in the '091 Patent in 1995. Declaration of Mark L. McHugh in Support of Plaintiff Mark L. McHugh's Opposition to Defendant Hillerich & Bradsby Co.'s Motion for an Award of Attorneys' Fees and Non-Taxable Costs ("McHugh Decl.") ¶

1 2. He tested a prototype of the invention at the San Francisco Giants spring training and filed a
2 patent application for the invention in July 1995. *Id.* The '091 Patent, entitled "Hand Grip Aid,"
3 issued on September 15, 1998. *Id.*; *see also* Declaration of Laura A. Wytsma in Support of Hillerich
4 & Bradsby's Motion for Attorneys' Fees and Costs ("Wytsma Decl."), Ex. 1 ('091 Patent). McHugh
5 manufactured products that embodied the invention, which he called "Getta Grip" or "Grip-Rite."
6 McHugh Decl. ¶ 3. His marketing efforts included displaying his Getta Grip product at the Atlanta
7 Super Show trade show in 1997. *Id.* ¶ 20. According to McHugh, he met H&B employees at that
8 trade show, "including possibly Jack Hillerich (H&B CEO and President) and Bill Clark (H&B
9 Bionic division President)." *Id.* His marketing efforts were unsuccessful, however, and "ultimately
10 resulted in the filing of a bankruptcy petition in 1999." *Id.* ¶ 3. In his bankruptcy petition, McHugh
11 valued the '091 Patent at \$5,000.00. Wytsma Decl., Ex. 27.

12 According to McHugh, he had very limited involvement with the glove industry between
13 2000 and 2002. McHugh Decl. ¶ 5. In 2002, however, he began working on a new adjustable
14 tension glove product. *Id.* ¶ 6. McHugh retained the law firm of Dorsey & Whitney to assist him
15 with a provisional patent application in connection with that product, which he filed in December
16 2004. *Id.* ¶¶ 7, 13.

17 In the meantime, in 2000, H&B began selling TPX batting gloves featuring Bionic
18 technology, a technology developed by H&B using "anatomical features to improve comfort,
19 flexibility and function." Wytsma Decl., Ex. 2 (Confidential Declaration of Bill Clark Filed in
20 Support of Hillerich & Bradsby Co.'s Cross-Motion for Summary Judgment of Non-Infringement
21 or, in the Alternative, Summary Adjudication of Laches and Willfulness ("Clark Decl.,")) ¶¶ 5, 8.
22 An email from McHugh indicates that McHugh was aware of H&B's TPX batting glove, which
23 McHugh described as "to [sic] soft," no later than February 12, 2003. *Id.*, Ex. 3.

24 Based on the positive feedback H&B received in connection with the TPX batting glove, it
25 launched a new Bionic Glove Technology Division ("the Bionic Division") in July 2002. *Id.*, Ex. 2
26 (Clark Decl.) ¶ 16. The first glove that was introduced by the Bionic Division was the Bionic
27 Gardening Glove, which H&B began offering for sale in October 2002. *Id.* ¶¶ 17-18.

1 According to McHugh, he became aware of the Bionic Gardening Glove in January 2004,
2 when he was conducting internet research in connection with his new adjustable tension glove
3 product. McHugh Decl. ¶ 8. He ordered a Bionic Gardening Glove from H&B's website but was
4 not able to determine whether it infringed his '091 Patent. *Id.* ¶ 9. In March 2004, he retained Carr
5 & Ferrell LLP "for the limited purpose of reviewing the Bionic Gardening Glove to determine
6 whether it might have applicability to [his] patent." *Id.* ¶ 10. According to McHugh, in July 2004
7 he "received guidance from Carr & Ferrell about how [his] patent might relate to the Bionic
8 [G]ardening [G]love" but he could not "disclose the substance of that opinion without waiving
9 attorney-client privilege, and [he] elected not to do so." *Id.* ¶ 11. McHugh goes on to state, "I can
10 say that while no firm conclusion was reached, these meetings gave me my first belief that H&B
11 might be using the invention claimed in my patent." *Id.*; *see also* Wytsma Decl., Ex. 7 (McHugh
12 Depo. excerpts) at 312-314 (testimony that Carr & Ferrell reached no conclusion at that time as to
13 whether H&B's Bionic Gardening Glove infringed the '091 Patent).

14 Subsequently, McHugh "put the issue of H&B's potential infringement of [the '091 Patent]
15 to the side because, [he] was still working on developing [his] new adjustable tension glove
16 product," as well as pursuing licensing discussions with other companies. *Id.* ¶ 13. In addition, in
17 an email dated November 9, 2005, he explained that "another company [was] infringing on [his]
18 patent, making great sales" but that "it would be much better for [him] to wait a year or two before
19 pursuing as the infringing company's sales need to go even higher." Wytsma Decl., Ex. 10. He
20 continued, "I am waiting to hit my lottery with everything on the line and possible heartbreak around
21 the corner." *Id.* McHugh's notes and declaration indicate that he was tracking H&B's sales
22 throughout 2005 and into 2006. *See* Wytsma Decl., Exs. 12-15; McHugh Decl. ¶ 16.

23 In early 2005, McHugh consulted with Carr & Ferrell to discuss licensing opportunities
24 related to the '091 Patent "and the possibility of filing another provisional patent application."
25 McHugh Decl., ¶ 14; *see also* Wytsma Decl., Ex. 8 (Privilege Log) at 1 (listing January 21, 2005
26 communication between John Ferrell and McHugh regarding "provisional patent prosecution").
27 That provisional patent application was filed on December 30, 2005 (hereinafter, "the 2005
28

1 Provisional Patent Application"). Wytsma Decl., Ex. 9. The 2005 Provisional Patent Application
2 was directed to a glove with "rubber foam" padding or "[f]inger base pads" positioned in the "A2
3 pulley" region. *Id.* at MM001358. Although McHugh testified at his deposition that the 2005
4 Provisional Patent Application was not an attempt to write a provisional patent that read directly
5 onto the Bionic glove products, *see id.*, Ex. 7 at 468, he also testified that he did not recall the reason
6 for filing the application, whether he engaged counsel to prepare the application, or what invention
7 he was seeking to protect. *Id.*, Ex. 7 at 462-465.

8 In November 2005, McHugh was laid off from his job at Deutsche Bank. Wytsma Decl., Ex.
9 7 (McHugh Depo.) at 332.

10 According to McHugh, in January 2006 he was engaged in licensing negotiations with
11 Acushnet/Footjoy regarding the potential licensing of the '091 Patent and in February he was in
12 "discussions" with Nike relating to the submission and review of his provisional patent application.
13 McHugh Decl., ¶ 15.

14 In the spring of 2006, McHugh asked the law firm of Dergosits & Noah to assess whether
15 H&B's Bionic glove line infringed the '091 Patent and to review the financial information McHugh
16 had collected regarding H&B "to determine whether it was willing to pursue a claim against H&B."
17 *Id.* ¶ 16. Subsequently, McHugh retained Dergosits & Noah to represent him in connection with the
18 Bionic glove products. *Id.*

19 On June 16, 2006, McHugh sent Bill Clark, president of H&B's Bionics Division, a letter
20 notifying H&B that McHugh was the owner of the '091 Patent and that the technology used in the
21 Bionic products might be similar to that disclosed in McHugh's patent. Wytsma Decl., Ex. 16.
22 McHugh continued, "[s]pecifically, I believe that the base of fingers padding used in the Bionic
23 products may be similar to claims made in" the '091 Patent. *Id.* McHugh further stated,

24 [a]ssuming your review and analysis of your products and my patent technology results in
25 the conclusion that they may be similar, I would very much welcome the opportunity to
26 discuss with [H&B] the possibility of entering into a licensing agreement. I believe the use
27 of my intellectual property with your existing IP and products could enhance your market
28 position and potential.

1 *Id.*

2 On July 13, 2006, McHugh sent a follow-up letter to Bill Clark, as well as the President of
3 H&B, John Hillerich, in which he sought to provide "additional information and . . . documentation
4 regarding the similarities between [his] patent and the Bionic glove technology." *Id.*, Ex. 17. He
5 stated as follows:

6 As you will see from the enclosed copy of my patent, I have a patent for a "Hand Grip Aid"
7 that includes **claims** for:

- 8 1. A hand grip configured to fit in a user's hand and for use with a handled
9 instrument, comprising:
10 an elongated resilient member . . . configured to fit at a **base of the user's**
11 **fingers in a gap** between a palm of the user's hand and the base of the
12 user's fingers; and
13 a **retainer** connected to the member and configured to extend around the
14 backside of at least one of the user's fingers to retain the member in the
15 user's hand adjacent to the base of the user's fingers.

16 * * *

- 17 5. A hand grip as in claim 1, wherein:
18 **the retainer is a glove . . .**

19 As I mentioned in my previous letter to you, I believe that the base of the fingers padding
20 used in the Bionic glove products may be similar to claims made in my patent # 5,806,091.

21 *Id.* (emphasis in original).

22 On July 19, 2006, H&B's general counsel, Steven Lyverse, responded to McHugh stating, in
23 part, as follows:

24 Hillerich & Bradsby Co. believes it is manufacturing its Bionic Glove products consistent
25 with patent rights owned by Hillerich & Bradsby Co., prior art in the public domain, and
26 does not see any involvement with the claims of your '091 patent.

27 Finally, and subject to the above positions, we appreciate your offer to possibly discuss
28 entering into a licensing agreement and request that you would set forth an outline of your
position with respect to any such proposed license. Your submission of an outline or
proposal is no indication that subsequent discussions will follow.

Id., Ex. 18.

On August 31, 2006, McHugh responded – this time through his counsel, Dergosits & Noah
LLP, with a licensing proposal offering an "exclusive, limited Field of Use license under the '091

1 patent in return for a royalty payment of 5.5% of gross sales of H&B's Bionic™ glove products
 2 having padding at the base of the fingers." *Id.*, Ex. 19. McHugh explained that "[t]he Field of Use
 3 would include glove products having padding at the base of the fingers, but would not include a
 4 handgrip secured at the base of an individual's fingers that is not secured within a glove." *Id.* He
 5 continued, "[t]he license would also include a lump sum royalty payment of 5.5% of gross sales for
 6 H&B's past sales of such Bionic glove products dating back to June 2000." *Id.*

7 On September 25, 2006, Lyverse wrote back to Dergosits & Noah that "a clarification of
 8 your client's claims are needed," asserting that "the previous correspondence from Mr. McHugh,
 9 including his June 16, [2006] letter, did not make clear what Mr. McHugh was seeking." *Id.*, Ex.

10 20. Lyverse continued,

11 In fact, his initial letters appeared to suggest some type of collaborative license agreement
 12 integrating his intellectual property with H&B's existing intellectual property.

13 Therefore, to clarify this matter, if you or your client are suggesting in your August 31, 2006
 14 letter that H&B's glove products infringe claims within the '091 patent, that needs to be
 specifically set out so that H&B can evaluate these claims.

15 A cursory review of the '091 patent suggests the '091 idea is an improvement over "glove"
 16 products (see column 1, line 21-31 of the '091 patent). Moreover, all claims are directed to a
 17 "hand grip configured to fit in a human hand . . ." clearly distinguishing McHugh's claimed
 intellectual property over a glove. Therefore, any claim that a glove violates the '091 patent
 is puzzling.

18 *Id.* Lyverse also requested additional time to review the '091 Patent. *Id.*

19 On October 9, 2006, McHugh's counsel sent a letter stating, "[r]egarding your questions
 20 about the H&B's need for a license, we believe that the '091 patent specification and claims are
 21 clear." *Id.*, Ex. 21. The letter continues, "[w]e are confident that your patent counsel will reach the
 22 same conclusion that we did regarding H&B's need for a license under the '091 patent for all of its
 23 Bionic™ glove products having padding at the base of the fingers." *Id.*

24 In response to that letter, H&B's counsel sent McHugh's counsel a letter dated October 18,
 25 2006 asking them to explain how H&B's products infringed the '091 Patent, stating as follows:

26 . . . if the point that you are trying to make is that somehow a glove with "padding at the base
 27 of the fingers" infringes your patent, then it occurs to me that all gloves have padding at the
 base of the fingers and, therefore, your patent is subject to an invalidity action, as gloves

1 have always had padding at the base of the fingers and such art is clearly in the public
2 domain.

3 Accordingly, for H&B to make any serious consideration of how you interpret your claims,
4 you will need to present the analysis that I requested in my September 25, 2006
5 correspondence, and that is, your client should undertake an analysis of specific H&B
6 products and explain in a manner clear enough for a person skilled in the art to understand
7 how the claims of the '091 patent allegedly relate to any of H&B's products and avoid the
8 prior art.

9 *Id.*, Ex. 22. McHugh's counsel did not respond to this letter. According to McHugh, however, he
10 spoke to H&B representatives, including Bill Clark, about licensing his '091 Patent at a January
11 2007 trade show. McHugh Decl. ¶ 17.

12 McHugh states that he talked to the designer of the Bionic gloves, Dr. Kleinert, at an April
13 2007 lunch presentation. *Id.* According to McHugh, he spoke to Dr. Kleinert about his "2006
14 licensing communications, [his] grip products and [his] '091 patent." *Id.* McHugh further states
15 that the "shocked look on Dr. Kleinert's face when I showed him my grip products [lead] me to
16 believe that my grip design may have been copied." *Id.* ¶ 20.

17 In early 2007, McHugh had his attorneys at Dargosits & Noah prepare another provisional
18 patent application, entitled Apparatus for Improved Grip ("the 2007 Provisional Patent
19 Application"). Wytsma Decl., Ex. 23 (application), Ex. 25 (time sheets). The application was
20 directed at a hand grip configured to fit in a user's hand for use with a handled instrument. *Id.*, Ex.
21 23 at 2. The Summary of Invention describes the device, in part, as follows:

22 The inventive hand grip can be an independent apparatus or a component that is incorporated
23 into another device such as a glove. The hand grip includes an elongated member that is
24 held against the base of one or more fingers on the inner of the user's hand. The inventive
25 grip includes a single or a plurality of elongated member pieces that are positioned under the
26 user's finger(s) and work together to improve the user's grip. The one or more elongated
27 members may or may not be coupled to each other. Each of the elongate members has an
28 inner side that faces the inner surface or palm side of the user's hand. The member or
members that form the grip can each have one or more concave surfaces that accommodate
the inner surfaces of one or more of the user's fingers. The outer side of the grip has one or
more outer surfaces that are compressed against the handle or structure being grasped by the
user.

Id. at 3. There is no evidence in the record that this application was filed. Dargosits and Noah
billing records reflect time spent preparing the 2007 Provisional Patent Application in the months of

1 May, June and July 2007, with the last time entry dated July 16, 2007. *Id.*, Ex. 25. McHugh
2 initiated this action the next day, on July 17, 2007.

3 The parties conducted a settlement conference before Magistrate Judge Laporte on March 21,
4 2008, but the case did not settle. Wytsma Decl. ¶ 29. On September 29, 2008, McHugh met with
5 Bill Clark to discuss settlement. *Id.* ¶ 36. On September 30, McHugh, his parents, and Carr &
6 Ferrell attorney Robert Yorio met with Bill Clark, Steven Lyverse and H&B's outside counsel,
7 Laura Wytsma, at the offices of Carr & Ferrell to discuss a potential settlement. *Id.* Prior to those
8 meetings, Wytsma confirmed with Yorio that both meetings would be considered settlement
9 meetings "conducted pursuant to the provisions of Fed. R. Evid. 408 [and thus] [s]tatements made
10 by any party at the meetings on [those dates] will be covered by the settlement privilege." Wytsma
11 Decl., Ex. 33 (September 26, 2008 email from Laura Wytsma to Robert Yorio).

12 Wytsma states that H&B proposed a reasonable monetary settlement at the September 30,
13 2008 meeting. *Id.* McHugh rejected that offer. Similarly, McHugh's counsel states that McHugh
14 made a reasonable settlement offer at the September 30 meeting, which H&B rejected. Declaration
15 of Robert Yorio in Opposition to Defendant Hillerich & Bradsby Co.'s Motion for an Award of
16 Attorneys' Fees and Non-Taxable Costs ("Yorio Decl.") ¶ 7. Yorio further states that McHugh
17 lowered his settlement demand after H&B informed him that it was considering discontinuing the
18 Bionic line of gloves and that McHugh was willing to consider a structured payout to lower the
19 financial burden on H&B. *Id.* ¶ 6. According to H&B, as of September 30, 2010, it had incurred
20 \$258,303.00 in attorneys fees. *Id.*, Ex. 47.

21 The next day, on October 1, 2010, McHugh sent an email to a friend, James Sullivan,
22 describing the meetings on September 29 and 30. Wytsma Decl., Ex. 34. According to McHugh,
23 Sullivan is a highly successful businessman and a friend who has loaned him money to pay for the
24 cost of the litigation against H&B. McHugh Decl. ¶ 21. In the email, McHugh stated, in part, as
25 follows:

26 My meeting [with Bill Clark on September 29] went well. . . . I said [I want] a 5% royalty
27 going forward and I will give up some back money, because I like him. (It was my original
28 plan anyway). So we should not have the meeting tomorrow morning with the lawyers? I

1 said no. But it is ok Bill, we can let this play out all through trial. That is okay with me now.
2 He said he has been paying legal fees that are over \$200K so far, and they can't do that,
while I don't have to pay legal fees. . . .

3 Forward to my lawyer saying we should have the meeting anyway. . . . Their in house doofus
4 lawyer is adamant about fighting and even said we will defend this vigorously. It didn't even
phase me. . . .

5 Next we go to claim construction on October 21 and 28 and see what the judge says.
6 [Redacted by Plaintiff]. The judge will rule how broad my patent covers. . . . Obviously a
good ruling for me and they are in a tougher position. . . .

7 I wish I had mentioned a few things with the lawyers their [sic] yesterday. All these things I
8 mentioned with Bill though:

9 Credit tightens for business (hard to get \$)
They cannot pursue big deals with a pending lawsuit.
10 Take this all the way to court and I can still lose the case and they are out \$\$\$ and I just lost.
The morale of the employee's [sic] wondering what is going to happen and who invented this
11 product.
The jury could award extra damages if it is considered they stole my idea.
12 Jury's [sic] view large companies poorly in these patent cases against an individual inventor.

13 *Id.*

14 McHugh was deposed on May 1, 2008. Wytsma Decl., Ex. 5. The transcript reflects that
15 McHugh frequently answered that he did not know or could not recall – according to Defendant's
16 count, to over 260 questions in a seven-hour deposition. *Id.*; see also Motion at 6.

17 The Court issued its claim construction order on March 31, 2009 ("Claim Construction
18 Order"). See Wytsma Decl., Ex. 35. In the Claim Construction Order, the Court construed, *inter*
19 *alia*, the claim term "base of the user's finger" as used in claim 1 of the '091 Patent.¹ McHugh
20 proposed the construction, "over the proximal phalanx A2 pulley region of the user's fingers," while

21 _____
22 ¹Claim 1 of the '091 Patent provides as follows:

- 23 1. A hand grip configured to fit in a user's hand and for use with a handled instrument, comprising:
24 an elongated resilient member having an average width of approximately 4-15 mm and an
25 average thickness of approximately 1-10 mm and configured to fit at a base of the user's fingers
in a gap between a palm of the user's hand and the base of the user's fingers; and
26 a retainer connected to the member and configured to extend around to the backside of at least
27 one of the user's fingers to retain the member in the user's hand adjacent to the base of the user's
fingers.

1 H&B argued for a narrower construction, asserting the term meant “the location where the palm
2 joins the fingers.” The Court adopted H&B’s proposed construction, citing the claim language and
3 written description and reasoning as follows:

4
5 As always, the Court begins its analysis with the language of the claim itself. The claim
6 states that the elongated resilient member is supposed to fit “at the base of the user’s fingers
7 ... in a gap between a palm of the user’s hand and the base of the user’s fingers.” (5:15-17.)
8 Here, the claim language indicates that the gap is not a separate location apart from the base
9 of the user’s fingers or the palm of the user’s hand. Instead, the gap is formed by an
10 interaction of the fingers and the palm. This conclusion is further supported by the written
11 description. The written description states that when users grip any equipment with a handle,
12 the superficial transverse “metacarpal along with associated muscle and skin tissue, [is]
13 forced over the fingers.” (1:50-51.) When the skin above the superficial transverse
14 metacarpal ligament rubs the skin near the base of the fingers, the skin “often becomes
15 blistered or callused with repetitive use of hand-held equipment.” (2:40-41.) The invention is
16 designed to fill this gap and prevent the ligament and associated muscle and skin tissue from
17 being forced over the fingers.

18 The Court finds that H&B’s construction is more persuasive, as its construction is
19 supported by the written description. The written description indicates that the patented
20 invention “fits in the user’s hand near where the palm joins the fingers.” (1:43-44.) As the
21 claim states that the elongated member is configured to fit at the base of the user’s fingers,
22 this is clear evidence that the base of the fingers is where the palm joins the fingers.
23 McHugh’s proposed construction also provides for this placement because the location at
24 which the palm joins the fingers is contained within the proximal phalanx A2 pulley region.
25 However, McHugh’s construction is too broad because the proximal phalanx A2 pulley
26 region encompasses not only the location where the gap is formed, but the part of the finger
27 above that location as well. If the member were above both the palm and the base of the
28 fingers, it would not be able to separate the superficial transverse metacarpal ligament from
the fingers. Thus, the claim language and the written description indicate that the base of the
user’s fingers is not a region, but rather a specific location on the hand. Most importantly,
McHugh’s construction is not supported by the patent claims or the intrinsic evidence of the
patent.

20 *Id.* at 10-11.

21 After the Court issued its Claim Construction Order, Wytsma spoke with Yorio conveying
22 H&B’s position that McHugh could not prove infringement under the Court’s claim construction
23 because the finger pads on the Bionic line of gloves do not fit in the gap or proximal digital crease of
24 a user’s hand but rather, are located *above* that area. Wytsma Decl. ¶ 39. Wytsma stated that H&B
25 intended to seek summary judgment of non-infringement. *Id.* Yorio responded that McHugh would
26 be filing a cross-motion for summary judgment of infringement and that he needed certain party
27 depositions before filing the motion. *Id.* Subsequently, McHugh’s counsel deposed Bill Clark, Dr.

1 Kleinert and H&B employee Vicki Boisseau, and requested the inspection of “the vast majority of
2 Bionic development and marketing records.” *Id.* ¶ 40. McHugh’s counsel also requested copies of
3 many of these records. *Id.*

4 On August 3, 2009, the parties filed their cross-motions for summary judgment. H&B
5 sought summary judgment of non-infringement or, in the alternative, summary adjudication that: 1)
6 H&B had not acted wilfully; and 2) McHugh was barred from receiving an award of damages under
7 the doctrine of laches due to his delay of over 6 years in bringing his infringement action against
8 H&B. McHugh, in turn, sought summary judgment of infringement, asserting that the undisputed
9 evidence established that H&B’s Bionic gloves met all the claim elements of claim 1 of the ‘091
10 Patent, as well as several claims that depend from claim 1. In McHugh’s summary judgment
11 motion, he asserted that H&B only disputed infringement as to the “elongated” limitation of the
12 claim term “elongated resilient member limitation.” H&B, however, challenged this assertion,
13 citing to its supplemental interrogatory responses, in which it contended that its product also did not
14 meet the “resilient” limitation of that claim term. In an effort to avoid the Court’s construction of
15 the member limitation, which limited the location of the pads under the ‘091 Patent, McHugh argued
16 that the location of the pads was defined instead by the retainer limitation in claim 1, which calls for
17 a “retainer connected to the member and configured to extend around to the backside of at least one
18 of the user’s fingers to retain the member in the user’s hand adjacent to the base of the user’s
19 fingers.”

20 On February 24, 2010, the Court issued an order granting summary judgment in favor H&B
21 on the basis of non-infringement and denying McHugh’s summary judgment motion (“the Summary
22 Judgment Order”). *Id.*, Ex. 37. In reaching the conclusion that the Bionic gloves did not infringe,
23 the Court found that the location of the member was specified by the member limitation, not the
24 retainer limitation. Summary Judgment Order at 8. The Court therefore addressed only whether
25 H&B’s Bionic gloves met the limitation requiring a member “configured to fit at a base of the user’s
26 fingers in a gap between a palm of the user’s hand and the base of the user’s fingers.” *Id.* at 2. The
27 Court found that the pads in H&B’s Bionic gloves are *above* the proximal digital crease and
28

1 therefore are not located *in* the proximal digital crease, as required under claim 1. *Id.* at 7. The
2 Court further found that because the pads are located above the base of the fingers, they do not
3 achieve the function of this limitation, that is, to separate the superficial transverse metacarpal
4 ligament from the fingers, therefore precluding a finding of infringement under the doctrine of
5 equivalents. *Id.* at 12. Because the Court found that H&B's gloves did not infringe the '091 Patent,
6 it did not reach H&B's request for summary adjudication with respect to willfulness and laches.

7 The Court entered judgment in favor of H&B on February 24, 2010, the same day it issued
8 its Summary Judgment Order. According to H&B, between July 2007, when the action was filed,
9 and the date judgment was entered, H&B incurred \$667,534.25 in attorneys' fees and \$52,307.91 in
10 costs.

11 **B. The Motion for Attorneys' Fees**

12 In the Motion, H&B requests an award of attorneys' fees against McHugh under 35 U.S.C. §
13 285, as well as an award requiring Carr & Ferrell to pay attorneys' fees and costs incurred after
14 claim construction under 28 U.S.C. § 1927. H&B stipulates that if the Court awards attorneys' fees
15 and costs under § 1927, the award under § 285 should be reduced accordingly.

16 In support of its position that this case is "exceptional" under § 285, H&B makes several
17 arguments. First, H&B asserts that McHugh acted in bad faith in filing and continuing to pursue an
18 infringement action that he knew to be baseless, citing: 1) the refusal of McHugh's counsel to
19 respond to H&B's request for an explanation of how H&B's products infringed the '091 Patent; 2)
20 the 2005 and 2007 Provisional Patent Applications, which H&B contends reflect an awareness on
21 McHugh's part that the '091 Patent did not infringe; and 3) McHugh's failure to stipulate to
22 infringement after claim construction and his unreasonable attempt to avoid the Court's claim
23 construction by relying on the retainer limitation in support of his summary judgment motion.
24 Second, H&B asserts that the case is exceptional because he asserted a claim of willful infringement
25 against H&B without any basis, despite the high threshold for establishing willful infringement.
26 Third, H&B argues that in light of its strong laches defense, McHugh's prosecution of the action
27 was reckless, rendering the case exceptional. Fourth, H&B asserts that McHugh's litigation conduct
28

1 makes the case exceptional, citing his refusal to answer questions at his deposition, his disclosure to
2 Jim Sullivan of confidential settlement negotiations, and the fact that he "mock[ed] H&B's good
3 faith attempts to settle the case."

4 With respect to H&B's request that Carr & Ferrell be required to pay fees and costs incurred
5 after claim construction, H&B argues that Carr & Ferrell's litigation tactics reflect subjective bad
6 faith because it was clear after the Court issued its claim construction order that McHugh's
7 infringement claim was groundless. In support of this position, H&B points to both the Court's
8 construction of the member limitation and the fact that McHugh's summary judgment motion failed
9 to address the "resilient" claim limitation, even though H&B had stated in its supplemental
10 interrogatory responses that this claim limitation was not met by the Bionic gloves.

11 In support of the amounts sought for fees and costs, H&B argues that both the amounts
12 sought and the rates charged are reasonable.

13 In his Opposition, McHugh argues that H&B has not met the high threshold of showing by
14 clear and convincing evidence that the case is exceptional under § 285. Even if H&B has met that
15 burden, McHugh asserts, the Court has discretion to decline an award of fees and should exercise
16 that discretion in this case. In particular, McHugh argues that: 1) his case was not baseless at the
17 outset; 2) his position on summary judgment was reasonable; 3) his claim of willfulness was not
18 frivolous; 4) his pursuit of damages was reasonable, notwithstanding H&B's laches defense because
19 any delay in filing the action was excusable; 5) H&B's assertion that McHugh engaged in litigation
20 misconduct is "hyperbole."

21 McHugh further asserts that an award of fees and costs against his counsel under § 1927 is
22 unwarranted because H&B is required to show not only that McHugh's claims lack merit but also,
23 that Carr & Ferrell acted in subjective bad faith when they chose to file a cross-motion for summary
24 judgment rather than stipulating to infringement, filing a motion for reconsideration or seeking an
25 interlocutory appeal of the Court's claim construction. McHugh asserts that H&B has failed to
26 establish that Carr & Ferrell acted with subjective bad faith.

1 McHugh does not object to the specific amounts requested by H&B in the Motion or assert
2 that any particular time entry or cost is unreasonable.

3 In its Reply, H&B notes that McHugh's Opposition fails to address – except in a brief
4 footnote – why he filed the provisional patent applications. Under these circumstances, H&B
5 asserts, the Court may draw an adverse inference, namely, that McHugh was aware that the Bionic
6 gloves do not infringe the '091 Patent.

7 III. ANALYSIS

8 A. Whether the Court Should Award Fees and Costs Against McHugh Pursuant to 9 35 U.S.C. § 285

10 1. Legal Standard

11 Under 35 U.S.C. § 285, the district court may award attorneys' fees to a prevailing party in a
12 copyright infringement action in "exceptional cases." "A case may be deemed exceptional when
13 there has been some material inappropriate conduct related to the matter in litigation, such as willful
14 infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation,
15 vexatious or unjustified litigation, conduct that violates Fed.R.Civ.P. 11, or like infractions." *Brooks*
16 *Furniture Mfg., Inc. v. Dutailier Intern., Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005). A finding that a
17 case is "exceptional" is a finding of fact reviewable under the "clearly erroneous standard."
18 *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1552 (Fed. Cir. 1989). A strategy
19 of vexatious litigation may support a finding of bad faith even if the individual examples, viewed in
20 isolation, might not support such a finding. *Id.*

21 When there has been no misconduct in the litigation or in securing the patent, attorneys' fees
22 may be awarded under § 285 "only if both (1) the litigation is brought in subjective bad faith, and
23 (2) the litigation is objectively baseless." *Id.*; *McNeil-PPC, Inc. v. L. Perrigo Co.*, 337 F.3d 1362,
24 1372 (Fed. Cir. 2003) ("bad faith litigation, where a patentee initiates litigation on a patent he knows
25 is invalid or is not infringed, is conduct offensive to public policy . . . and can provide a basis for
26 granting attorney fees"). It is not enough merely to show that the plaintiff's arguments were
27 ultimately rejected by the court. *See DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d
28

1 1314, 1339 (Fed. Cir. 2009) (reversing district court's award of sanctions under § 285 because
2 although district court found that defense lacked merit, there was no finding that the defendant's
3 arguments were "baseless, frivolous or intended primarily to mislead the jury"). However, "[w]here .
4 . . the patentee is manifestly unreasonable in assessing infringement, while continuing to assert
5 infringement in court, an inference is proper of bad faith, whether grounded in or denominated
6 wrongful intent, recklessness, or gross negligence." *Eltech Systems Corp. v. PPG Industries, Inc.*,
7 903 F.2d 805, 811 (Fed. Cir. 1990).

8 According to the Federal Circuit, the purpose of § 285 is "in a proper case and in the
9 discretion of the trial court, to compensate the prevailing party for its monetary outlays in the
10 prosecution or defense of the suit." *Central Soya Co., Inc. v. Geo. A. Hormel & Co.*, 723 F.2d 1573,
11 1578 (Fed. Cir. 1983). Section § 285 is also intended as a deterrent to both "blatant, blind, willful
12 infringement of valid patents [and] . . . the equally improper bringing of clearly unwarranted [patent
13 infringement] suits" *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988). Courts are cautioned,
14 however, that "attorneys' fees are not to be routinely assessed against a losing party in litigation in
15 order to avoid penalizing a party for merely defending or prosecuting a lawsuit." *McNeill-PPC*, 337
16 F.3d at 1332.

17 Because there is a presumption that the assertion of infringement of a duly granted patent is
18 made in good faith, a party seeking attorneys' fees under § 285 must establish that the case is
19 "exceptional," under the totality of the circumstances, by clear and convincing evidence. *Brooks*,
20 393 F.3d at 1382; *see also Yamanouchi Pharmaceutical Co., Ltd. v. Danbury Pharmacal, Inc.*,
21 231 F.3d 1339, 1347 Fed. Cir. 2000) ("In assessing whether a case qualifies as exceptional, the
22 district court must look at the totality of the circumstances"). This standard is applied even-
23 handedly, whether the party against whom an award is sought is a patentee or an alleged infringer.
24 *Eltech*, 903 F.2d at 810-811 (Fed. Cir. 1990).

25 Even where a case is found to be exceptional, the court has discretion in deciding whether an
26 award of attorneys' fees is warranted. *Brooks*, 393 F.3d at 1382. In exercising that discretion, the
27 judge "weigh[s] intangible as well as tangible factors: the degree of culpability of the infringer, the
28

1 closeness of the question, litigation behavior, and any other factors whereby fee shifting may serve
 2 as an instrument of justice.” *Superior Fireplace Co. v. Majestic Products Co.*, 270 F.3d 1358, 1378
 3 (Fed. Cir. 2001). Further, the Federal Circuit has instructed that “the amount of the award remains
 4 within the discretion of the trial court, since it is the trial judge who is in the best position to know
 5 how severely the [party’s] misconduct has affected the litigation.” *Beckman Instruments, Inc. v.*
 6 *LKB Produkter AB*, 892 F.2d 1547, 1553 (Fed. Cir. 1989) (affirming district court finding that case
 7 was exceptional based on party’s vexatious litigation tactics but holding that district court abused its
 8 discretion in awarding *all* of the plaintiff’s attorneys’ fees because only some of those fees were the
 9 result of the defendant’s vexatious litigation tactics).

10 **2. Whether this Case is “Exceptional”**

11 H&B asserts that this case is exceptional because McHugh filed and pursued frivolous claims
 12 and then engaged in improper conduct while pursuing those claims. The Court has carefully
 13 reviewed the record and finds this question to be a close call. However, given the high threshold for
 14 establishing that a case is exceptional, the Court concludes that this case not exceptional and
 15 therefore, H&B’s request for attorneys’ fees and non-taxable costs under § 285 should be denied.

16 **a. Whether the Case is Exceptional Due to Litigation Misconduct**

17 “Litigation misconduct may in itself make a case exceptional.” *Read Corp. v. Portec, Inc.*,
 18 970 F.2d 816, 831 (Fed. Cir. 1992). H&B cites decisions in which courts have found the case to be
 19 exceptional based on litigation misconduct, arguing that McHugh’s misconduct is equally serious.
 20 *See* Motion at 21 (citing *Molins PLC v. Textron, Inc.*, 48 F.3d 1172 (Fed. Cir. 1995) (Nies, J.,
 21 dissenting); *Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1566 (Fed. Cir. 1996)). The Court,
 22 however, finds the conduct at issue in those cases to be more egregious than the conduct here.
 23 Because of the fact-specific nature of the inquiry as to whether litigation misconduct renders a case
 24 exceptional, a review of the facts of these cases is instructive.

25 In *Molins*, plaintiffs Molins PLC (the patent holder) and Smith (a patent attorney who was
 26 formerly employed by Molins and who had an interest in the royalty income generated by the
 27 patents) sued several defendants for infringement of a parent patent and a continuation patent. 821

1 F. Supp. 1551 (D.Del. 1992). The trial court found that Molins' in-house patent counsel, Hirsch,
2 had engaged in inequitable conduct in prosecuting the parent patent by intentionally failing to
3 disclose material prior art to the Patent and Trade Office ("PTO"). *Id.* at 1573. On this basis, the
4 court concluded that the parent patent was unenforceable, as was the continuation patent that relied
5 on it. *Id.* at 1581. The court further found that the case was exceptional because, in addition to the
6 plaintiffs' inequitable conduct in prosecuting the patent, Smith and Hirsch had intentionally
7 destroyed important documents relating to the prosecution of the patents. *Id.* at 1581. The court
8 stated:

9 Hirsh and Smith systematically reviewed all of Molins' files relating to the prosecution of
10 the . . . invention. Hirsh selected out some records, and eventually destroyed the remainder.
11 The files were destroyed after Molins began contemplating litigation. At a minimum, Hirsh's
12 destruction of the files is evidence of "unfairness". The destruction precluded any potential
13 Defendant from conducting full and fair discovery. When Hirsh's actions are considered in
14 light of the other evidence of inequitable conduct on the part of Molins, the destruction of the
15 files constitutes bad faith. It is this evidence of unfairness and bad faith on the part of Molins
16 that convinces the Court that this is an exceptional case.

14 *Id.* In a separate order, the court held that an exercise of discretion to award attorneys' fees was
15 appropriate, making additional findings that the plaintiffs had engaged in obstruction of discovery
16 and that Smith's testimony throughout the case was "at best, less than truthful." *Id.* at 312.

17 On appeal, the Federal Circuit held that although Smith and Molins had engaged in
18 inequitable conduct, the district court's findings were erroneous as to certain specific acts that the
19 district court found constituted inequitable conduct. 48 F.3d 1172, 1186-87 (D. Del. 1995).
20 Because the district court had relied, in part, on these specific acts to find bad faith, the court of
21 appeals vacated the district court's award of attorneys' fees and remanded for further consideration.
22 *Id.* at 1196. The court of appeals noted, however, that it found no clear error in the trial court's
23 findings of litigation misconduct and further, that the "district court judge is in the best position to
24 monitor parties' litigation conduct." *Id.* at 1186. In dissent, Judge Nies wrote that he would have
25 affirmed the award of attorneys' fees under § 285 because, even in the absence of inequitable
26 conduct before the PTO, the evidence of litigation misconduct cited by the district court, namely, the
27 destruction of important documents, offered a sufficient basis for finding the case exceptional. *Id.* at
28

1 1191.

2 In *Sensonics*, the Federal Circuit affirmed the district court's finding of infringement but
3 reversed the district court's denial of attorneys' fees under § 285 where the district court had made
4 no specific findings as to whether misconduct on the part of the defendant prior to and during
5 litigation amounted to bad faith. 81 F.3d 1566 (Fed. Cir. 1996). The court of appeals cited to
6 evidence that: 1) the defendant's president had lied to plaintiffs prior to litigation, telling the
7 plaintiffs that the devices that were alleged to infringed had been purchased from another company
8 even though he later admitted that he had ordered the copying and manufacturing of the devices –
9 and the plaintiffs had, as a result, initially sued the wrong defendant; 2) when one of the defendants'
10 employees began to testify at his deposition that the defendant had copied the devices, counsel for
11 the defendant passed him a note saying "DID NOT COPY"; 3) the defendant falsely represented to
12 the court in connection with its opposition to the plaintiff's motion to lift the stay for reexamination
13 that the reexamination certificate had not issued when in fact, it had; 4) important records relevant to
14 the litigation appeared to have been destroyed– or at least, were not preserved – while the litigation
15 was under way. *Id.* at 1575. The court remanded to the district court for specific findings as to
16 whether there was bad faith or vexatious behavior, noting that "[i]t is the judicial duty to refuse to
17 condone behavior that exceeds reasonable litigation tactics." *Id.*

18 Here, H&B argues that McHugh "ma[d]e a mockery of the litigation process . . . [by]
19 refusing to answer questions at his deposition, . . . repeatedly disclosing confidential settlement
20 discussions and offers [and] mocking H&B's good faith attempts to settle the case." Motion at 20.
21 While the Court does not condone the conduct of which H&B complains, it does not rise to the level
22 of the conduct in *Molins* and *Sensonics*. First, while McHugh may have engaged in some
23 stonewalling at his deposition, H&B has not pointed to clear and convincing evidence that McHugh
24 affirmatively lied or concealed material evidence. Nor has H&B cited authority that persuades the
25 Court that McHugh's disclosure of the content of his settlement discussions with H&B to a friend
26 with a financial stake in the litigation is sufficient to render the case exceptional, especially as H&B
27 has not pointed to any prejudice arising from these disclosures. Similarly, McHugh's unflattering
28

1 references to H&B and its counsel in an email to a friend, while unfortunate, did not prejudice H&B
2 in a material way and therefore do not render the case exceptional.

3 H&B also cites to *Park-in-Theaters v. Perkins*, 190 F.2d 137 (9th Cir. 1951) and *Epcon Gas*
4 *Systems, Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022 (Fed. Cir. 2002) in support of its assertion
5 that McHugh's litigation conduct justifies an award of attorneys' fees. Those cases do not lend
6 strong support to H&B's position. In *Park-in-Theaters*, the court of appeals reversed the trial
7 court's award of attorneys' fees under § 285, finding that the district court had failed to make a
8 finding of bad faith. *Id.* at 142. The court further found that the only basis for the award were
9 findings that "the action was brought upon surmise and suspicion and [the] plaintiff repeatedly
10 delayed proceedings," both of which the court of appeals found to be incorrect. *Id.* In *Epcon Gas*,
11 the court of appeals acknowledged that litigation misconduct and unprofessional behavior may
12 suffice to make a case exceptional but affirmed the district court's finding that the case was *not*
13 exceptional, in part because there was no allegation of litigation misconduct or unprofessional
14 behavior. 279 F.3d at 1034.

15 Therefore, the Court concludes that H&B is not entitled to an award of fees on the basis of
16 litigation misconduct.

17 **b. Whether the Case is Exceptional Because McHugh Acted in Bad Faith in**
18 **Bringing the Action**

19 As noted above, in the absence of litigation misconduct, a patent case may be exceptional
20 where the litigation was brought in bad faith and the claims were baseless. This is the primary
21 ground on which H&B seeks an award of sanctions. Having carefully reviewed the relevant case
22 law, the Court concludes that H&B has not established by clear and convincing evidence that
23 McHugh's initiation of this action reflects bad faith.

24 In support of its contention that McHugh knew from the outset that his claims were baseless,
25 H&B cites to the long delay between the initial consultation with Carr & Ferrell in 2004 and the
26 initiation of this action (reflecting, H&B asserts, an awareness that any conclusion of infringement
27 was not reasonable), the provisional patent applications filed by McHugh in the two years before he
28

sued H&B (reflecting, H&B asserts, an awareness that the '091 Patent did not cover the Bionic gloves), and various statements made by McHugh indicating that prevailing against H&B in this action was akin to winning the lottery and suggesting that H&B should enter into a settlement with him for reasons other than the strength of his infringement claim. H&B also cites to *Eltech Systems Corp. v. PPG Industries, Inc.*, 903 F.2d 805 (Fed. Cir. 1990) and *ICU Med., Inc. v. Alaris Med. Sys., Inc.*, 2007 WL 6137003 (C.D. Cal. Apr. 16, 2007), *aff'd* 558 F.3d 1368 (Fed. Cir. 2009).

In *Eltech*, the Federal Circuit affirmed the district court's finding that the infringement claims asserted by plaintiff OxyTech against defendant PPG were brought in bad faith, citing the "overwhelming evidence" detailed by the district court showing that the defendant's "studied ignorance" constituted bad faith. 903 F.2d at 810. The court described the evidence of bad faith as follows:

Here, the district court considered all the circumstances and cited: PPG's demonstration of its process and provision of its diaphragms to OxyTech; OxyTech's total failure to employ that process or test those diaphragms although possessed of "a battery of laboratory cells available in the same building in which they were conducting the tests they do rely on"; . . . ; OxyTech's earlier tests establishing that Halar® does not melt or fuse below its published melting point; OxyTech's tests that verified caustic reaction, . . . ; Dr. Fenn's assumption, having conducted no supporting tests, that dimensional stability under cell conditions was achieved at 425°F; OxyTech's failure to submit any evidence that it attempted to evaluate any diaphragms under operating cell conditions, even though its experts said that was the only way to test for dimensional stability; the uncertainties respecting "adherence" admitted by OxyTech's scientists; the total insufficiency of OxyTech's tests to establish whether there was infringement; OxyTech's withholding of Dr. Fenn's report over PPG's objections; and the inference therefrom that Dr. Fenn's report of his evaluation of PPG's low bake procedures was unfavorable to OxyTech's case. Those findings and that inference, none of which has been shown to be clearly erroneous, are more than sufficient to establish OxyTech's bad faith and thereby to render this an exceptional case.

Id.

In *ICU Medical*, the district court found bad faith on the part of the plaintiff based on two grounds. First, the court found that the plaintiff's filing of a motion for a TRO and preliminary injunction based on certain patent claims was grossly negligent where even a "cursory review of the . . . prosecution history" would have revealed the patents were invalid. 2007 WL 6137003 at *5. The court further found that the plaintiff "compounded this egregious 'oversight' by failing to acknowledge or correct these claims' deficiencies or to withdraw them in an expeditious manner,"

1 which the court found amounted to vexatious litigation. *Id.* Second, the court found that the
 2 plaintiff's subsequent assertion that defendant infringed certain other claims requiring a "spike"
 3 (referred to as "the spike claims") showed bad faith where the plaintiff's proposed construction of
 4 the claims was "frivolous" and there was evidence that the plaintiff knew that defendant's device did
 5 not meet this limitation before it asserted those claims. 2007 WL 6137003 at *8, 11.

6 The court in *ICU* described the evidence that the plaintiff *knew* its assertion of the spike
 7 claims was baseless as follows:

8 The unreasonableness of ICU's asserting the "spike" claims against the SmartSite is further
 9 borne out by the litigation history of this case. ICU admits that it did not originally sue on its
 10 '862 and '866 "spike" Patents, which issued several years earlier in 1997 and 1999 because of
 11 the "substantial difficulty" it would face in asserting the "spike" claims against Alaris'
 12 products, which were "spikeless." Even though ICU stated that Alaris was a competitive
 13 threat to its medical valve business as early as 2001, ICU clearly stated to the Court in the
 14 TRO/PI proceedings that it needed to wait for the prosecution of the '509 Patent and its
 15 "spike less" claims to combat the SmartSite Valve. All the while, ICU's "spike" claims in the
 16 '866 and '862 Patents were not asserted. In June 2003, ICU further expanded this untapped
 17 reserve of "spike" claims with the issuance of '592 Patent and its mix of "spike" and
 18 "spikeless" claims. Still ICU did not sue on the "spike" claims, which by then were the
 19 subject of three separate patents. This is likely because ICU's ultimate addition of the "spike"
 20 claims in December 2004 from these three earlier patents, including one that contained the
 21 very same "spikeless" claims that were asserted in the '509 Patent, fundamentally
 22 undermined its representation in the TRO/PI hearing that it could not have sued earlier than
 23 it did. However, once the TRO/PI Denial raised critical questions about the validity of the
 24 "spikeless" claims in the '509 and '592 Patents, for both double-patenting and a probable lack
 25 of a sufficient written description, ICU unreasonably turned to its "spike" claims to buttress,
 26 if not rescue, its case.

18 Furthermore, Alaris points to evidence showing that, prior to filing this case, ICU did not
 19 believe that the SmartSite Valves infringed its "spike" claims. This evidence includes
 20 statements by ICU's inventor and internal personnel separately indicating their views that the
 21 Alaris SmartSite Valve had no "spike" element and that the SmartSite Valve was an
 22 appreciably different device from any of ICU's valves. Alaris also cites a 1996 patent
 23 application for a "spikeless" medical valve device that ICU filed after the SmartSite was
 24 commercially released; Alaris argues the claimed device bore a striking resemblance to
 25 certain aspects of the SmartSite Valve. Notably, the claimed device omitted any "spike"
 26 element and ICU described its design with an internal short, stubby tube as "spikeless." This
 27 application did not claim priority to the 1991 and 1992 applications common to all of the
 28 patents asserted in this case, and it was later abandoned. Though not dispositive on the issue
 of ICU's bad faith, this evidence weighs against ICU's current contention that its assertion of
 the "spike" claims in late 2004 was supported by a long-standing, widely-held or genuine
 belief that Alaris' SmartSite Valves always infringed those claims. However, when viewed
 together with ICU's objectively baseless construction of a "spike," its unreasonable
 argument that the SmartSite Valves infringed the "spike" claims, and its need to hedge
 against the questioned validity of the asserted "spikeless" claims in this case, ICU's assertion
 of the "spike" claims served only to improperly expand and prolong the litigation in bad
 faith.