

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

TYGER MANUFACTURING, LLC.,

Plaintiff,

V.

MIKE'S WORLDWIDE LLC.; MIKE'S NOVELTIES, INC.; AND MANISH CHANDER, A/K/A MANISCH CHANDRA, AND A/K/A MIKE CHANDER D/B/A MWI,

Defendants.

C.A. NO.: 4:19-CV-02856

Honorable Judge Nancy F. Atlas

NOTICE OF APPEAL

Louis F. Teran (*Admitted Pro Hac Vice*)
SLC LAW GROUP
1055 E. Colorado Blvd., Suite #500
Pasadena, CA 91106
(818) 484-3217 x200
(866) 665-8877 (fax)
lteran@slclg.com

NOTICE IS HEREBY GIVEN that Defendants MIKE’S WORLDWIDE LLC,; MIKE’S NOVELTIES, INC.; AND MANISH CHANDER, A/K/A MANISCH CHANDRA, AND A/K/A MIKE CHANDER D/B/A MWI, hereby appeal to the United States Court of Appeals for the Federal Circuit from the Order denying Defendants’ Motion for Attorneys’ Fees Pursuant 35 U.S.C. §285, docket number 65, entered in this action on December 14, 2020. A true and correct copy of the Order is attached hereto as Exhibit A.

DATED: December 14, 2020



Louis F. Teran (Admitted *Pro Hac Vice*)
California Bar No. 249494
SLC Law Group
1055 E. Colorado Blvd., Suite 500
Pasadena, CA 91106
Phone: 818-484-3217 x200
Email: lteran@slclg.com

ATTORNEYS FOR DEFENDANTS

CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served this 14th day of December 2020, with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3). Any other counsel of record will be served by, electronic mail, facsimile transmission and/or first-class mail on this same date.

A handwritten signature in black ink, appearing to read 'L. Teran', is written over a horizontal line.

By: _____

Louis F. Teran

EXHIBIT A

ENTERED

December 14, 2020

David J. Bradley, Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

TYGER MANUFACTURING, LLC,	§	
Plaintiff,	§	
	§	
v.	§	CIVIL ACTION NO. H-19-2856
	§	
MIKE’S WORLDWIDE LLC, <i>et al.</i> ,	§	
Defendants.	§	

MEMORANDUM AND ORDER

This patent case is before the Court on the Motion for Attorneys’ Fees Pursuant to 35 U.S.C. § 285 (“Motion for Fees”) [Doc. # 59] filed by Defendants Mike’s Worldwide LLC, Mike’s Novelties, Inc., and Manish Chander (collectively, “Mike’s”). Plaintiff Tyger Manufacturing LLC (“Tyger”) filed its Opposition [Doc. # 60], and Mike’s filed a Reply [Doc. # 61]. With leave of Court, Tyger filed a Sur-Reply [Doc. # 64].

The Court has carefully reviewed the record and the relevant legal authorities, both binding and persuasive. Based on that review, Court **denies** the Motion for Fees.

I. BACKGROUND

Tyger is the sole owner of United States Patent No. 10,314,333 (“the ’333 Patent”), a utility patent entitled “Smoking Device.” Tyger is also the sole owner of United States Patent No. D761,487 (“the ’487 Patent”), a design patent entitled

“Smoking Device.” Unlike companies that own patents but do not market the patented device, Tyger makes and sells smoking pipes covered by its patents.

On September 26, 2018, Tyger’s attorney, Steven N. Fox, sent a letter to counsel for Defendants, Louis Teran, regarding alleged infringement of the ’487 Patent, the design patent. *See* Sept. 26, 2018 Letter, Exh. A [Doc. # 60-2] to Fox Declaration [Doc. # 60-1]. Fox asked that Defendants stop marketing infringing pipes, provide a written accounting of sales, and pay damages based on that accounting. *See id.* Fox requested a reply by October 1, 2018. *See id.* In an email that same day, Fox requested that infringing products be “taken down” by 5:00 p.m. on September 28, 2018. *See* Sept. 26, 2018 Email String, Exh. A to Fox Declaration. Teran responded that he would “get back to” Fox by October 5, 2018. *See id.* Fox responded that October 5, 2018 was an unacceptable response date. *See id.* Fox requested that Defendants “take down (and discontinue sale) by Friday of at least the products that are IDENTICAL to the claimed design of the design patent.” *Id.* On September 28, 2018, Teran responded, “As a sign of good faith, my client has decided to take down the item you allege to be infringing as you request in your email below.” Sept. 28 Email, Exh. B [Doc. # 60-3] to Fox Declaration. Teran stated also that he would provide more information by October 5, 2018. *See id.*

Teran did not provide additional information by October 5, 2018. Plaintiff, however, received information that Defendants had not taken down the accused pipes from the website. Therefore, on October 10, 2018, Fox sent an email to Teran inquiring about any response from Defendants, and stating “I see that your client is still selling all versions of the infringing pipes.” *See* Oct. 10, 2018 Email, Exh. C [Doc. # 60-4] to Fox Declaration. Teran did not respond.

On June 12, 2019, Fox sent Teran an email forwarding a second cease and desist letter with the newly-issued ’333 Patent. *See* June 12, 2019 Email, Exh. D [Doc. # 60-5] to Fox Declaration. Again, Fox insisted that Defendants stop selling infringing pipes. *See id.* On June 18, 2019, Teran responded, stating that it was his understanding that Defendants “ceased selling all infringing items several months ago” and asked that Fox let him know if this was not correct. *See* June 18, 2019 Email, Exh. E [Doc. # 60-6] to Fox Declaration. Fox responded the next day, referring to web site pictures attached to his letter that showed Defendants continued “to offer for sale the infringing pipes.” *See* June 19, 2019 Email, Exh. F [Doc. # 60-7] to Fox Declaration.

In the June 19, 2019 Email, Fox presented a settlement offer under which Defendants would stop selling the infringing pipes, and would provide an accounting and payment of a reasonable royalty based on gross sales. *See id.* On July 19, 2019,

Teran responded stating that “before any information is provided, we need to have a signed settlement agreement.” *See* July 19, 2019 Email, Exh. G [Doc. # 60-8] to Fox Declaration. Teran asked Fox to provide him with a proposed settlement agreement. *See id.* On July 23, 2019, Fox sent Teran a draft settlement agreement that required an accounting that Defendants would provide by filling in blanks for sales figures and a royalty of 8%. *See* July 23, 2019 Email, Exh. H [Doc. # 60-9] to Fox Declaration. Tyger would provide Defendants with a release as to past sales of accused products. *See id.*

On August 1, 2019, Tyger filed this lawsuit. As of that date, there was no final settlement agreement, and Defendants had refused to provide a verified accounting of gross sales of allegedly infringing pipes. In the Complaint, and later in the First Amended Complaint, Tyger alleged that Defendants sold smoking pipes that infringed Claim 1 and Claim 2 of the ’333 Patent, and the single claim of the ’487 Patent. Tyger requested injunctive and monetary relief.

On August 2, 2019, Fox sent Teran a second draft settlement agreement. *See* August 2, 2019 Email, Exh. I [Doc. # 60-10] to Fox Declaration. This draft was substantially the same as the original draft, with the addition of a demand for Defendants to pay Tyger \$3,500.00 for attorneys’ fees incurred in filing the Complaint. *See id.* On August 7, 2019, Teran telephoned Fox and told him that the

sales were small and that Defendants were willing to pay \$2,000.00 in damages. *See* Fox Declaration [Doc. # 60-1], ¶ 10. Fox asked “Teran if he would simply fill in the blanks of the settlement agreement and send that to [Fox] for review.” *Id.* Teran responded that Defendants would not provide documentation to verify their sales. *See id.* On August 15, 2019, Fox sent Teran an email rejecting the \$2,000.00 offer, and counter-offered to settle for a payment of \$23,000 which represented \$18,000 for damages and \$5,000 for attorneys’ fees. *See* Aug. 15, 2019 Email, Exh. F to Teran Declaration [Doc. # 56-1]. On September 3, 2019, Fox sent an email to Teran expressing his belief that the case should settle, but stating that Tyger did not believe Defendants’ unsupported representation regarding sales. *See* Sept. 3, 2019, Email, Exh. J [Doc. # 60-11] to Fox Declaration.

In the Joint Case Management Plan, filed prior to the initial scheduling conference, Defendants argued that general discovery, including damages discovery, should be stayed until after the Claim Construction phase was completed. *See* Joint Case Management Plan [Doc. # 21], p. 2. Plaintiff stated that if discovery were to reveal that “defendants only sold a small number of the alleged infringing products and that gross sales were small, the plaintiff submits that the parties should engage in further settlement discussions in order to conserve the Court’s and the parties’ resources.” *See id.* at 6.

At the initial conference on December 6, 2019, Teran represented to the Court that Defendants had not sold the accused products “for let’s say, at least a year.” *See* Transcript of Dec. 6, 2019 Conference [Doc. # 27], p. 8. The Court rejected Defendants’ request to stay discovery, and directed Defendants to “respond to what sales were made and whatever is reasonable from the standpoint of getting a handle on scope of damages and the amount of potential damages.” *See id.* at 9. The Court advised counsel that “[w]e’re going to find out exactly what this case is worth.” *Id.*

On January 10, 2020, Defendants provided sales information for the accused products listed in the Complaint. The information revealed that, contrary to Defendants’ representation that it stopped selling infringing products in September 2018, Defendants had sales of accused pipes after June 11, 2019. *See* Inventory Sales and Profit Summary Report, Exh. P [Doc. # 60-17] to Fox Declaration.

On February 8, 2020, Fox sent an email to Teran with an offer of settlement under which Defendants agreed, *inter alia*, not to sell accused pipes, and to pay Tyger \$4,500.00 in damages. *See* Feb. 8, 2020 Email, Exh. K [Doc. # 60-12] to Fox Declaration. On February 10, 2020, Teran responded with an email rejecting the settlement offer and advising that “Defendants will not be prepared to discuss settlement until after the Markman Hearing in this case.” *See* Feb. 10, 2020 Email, Exh. L [Doc. # 60-13] to Fox Declaration.

On March 7, 2020, Fox sent another offer of settlement and a draft Motion for Voluntary Dismissal. *See* March 7, 2020 Email, Exh. M [Doc. # 60-14] to Fox Declaration. In the same email, Fox rejected Defendants’ “counteroffer of settlement, namely, a royalty free unrestricted license under the patents and payment by [Tyger] to [Defendants] of \$75,000.” *Id.*

On June 15, 2020, Defendants filed a Motion for Judgment on the Pleadings (“Motion for Judgment”) in which they argued that “as a matter of law, the ‘487 Patent is a design patent that is invalid.” *See* Motion for Judgment [Doc. # 32], p. 1. By Memorandum and Order [Doc. # 38] entered July 17, 2020, the Court denied Defendant’s Motion for Judgment.

On August 11, 2020, following claim construction briefing and a hearing pursuant to *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996), the Court issued its Memorandum and Order on Claim Construction [Doc. # 46]. As to most disputed claim terms, the Court’s Claim Construction was the same as or similar to the construction proposed by Tyger. On August 17, 2020, Defendants filed a Motion for Reconsideration seeking reconsideration of several claim construction rulings.

On September 8, 2020, Plaintiff filed its Motion for Voluntary Dismissal, seeking “dismissal of the case with prejudice as to the sale of any accused product

prior to the date of dismissal and without prejudice as to any sale of accused product after the date of dismissal.” Defendants opposed Plaintiff’s request to dismiss its case on the proposed terms. *See* Defendants’ Opposition to Plaintiff’s Motion for Voluntary Dismissal [Doc. # 55]. By Memorandum and Order [Doc. # 57] entered October 15, 2020, the Court granted Plaintiff’s Motion for Voluntary Dismissal. On the issue of future sales, the Court stated:

Because Plaintiff agrees to dismissal with prejudice of its claims based on past infringement, there can be no future lawsuit based on those claims – the only claims that are asserted in this lawsuit. Even if the case were to proceed to trial and final judgment, the potential for a future lawsuit based on claims alleging future acts of infringement would not be foreclosed. *See Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*, 672 F.3d 1335, 1343 (Fed. Cir. 2012) (“this court and others have characterized the ‘claim’ that gives rise to preclusion as encompassing only the particular infringing acts or products that are accused in the first action or could have been made subject to that action”).

Memorandum and Order, p. 4. That same date, the Court entered a Final Order [Doc. # 58], dismissing with prejudice all claims asserted in this lawsuit.

On October 29, 2020, Defendants filed the pending Motion for Fees. Defendants assert that they are entitled to recover attorneys’ fees pursuant to § 285 because of “Plaintiff’s weak litigating position and Plaintiff’s filing of this suit in bad faith for no other purpose than to extract a few dollars from Defendants without ever being genuinely interested in adjudicating the case on the merits.” Motion for Fees, p. 2. The Motion for Fees has been fully briefed and is now ripe for decision.

II. STANDARD FOR AWARD OF FEES UNDER 35 U.S.C. § 285

Title 35, section 285, provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. Section 285 does not define “exceptional,” so the Court gives the term its ordinary meaning. *See Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553 (2014). The Supreme Court has held that “an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Id.* at 554. “District courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* The Supreme Court held that “there is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised in light of the considerations we have identified.” *Id.* (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)). In *Fogerty*, in the copyright infringement context, the Supreme Court listed factors for the Court to consider when determining whether fees should be awarded: “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *See Fogerty*, 510 U.S. at 534, n.19.

The Court “may award fees in the rare case in which a party’s unreasonable conduct – while not necessarily independently sanctionable – is nonetheless so ‘exceptional’ as to justify an award of fees.” *Octane Fitness*, 572 U.S. at 555. Indeed, a “case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award.” *Id.*

The standard of proof for purposes of § 285 is the preponderance of the evidence standard applicable to other aspects of patent-infringement litigation. *See id.* at 557-58.

III. ANALYSIS

Defendants have failed to demonstrate that this is an exceptional case under § 285. Plaintiff’s litigation position was not frivolous and, indeed, its arguments were strong. The Court agreed with Plaintiff that discovery should not be stayed until after the claim construction phase, and required Defendants to provide the sales information it had previously refused to provide. The Court found Plaintiff’s claim construction arguments persuasive, and the Court’s claim construction rulings were identical or similar to those Plaintiff suggested. The Court rejected Defendants’ Motion for Judgment on the Pleadings, in which Defendants argued that the ‘487 Patent was invalid.

There is no evidence that Plaintiff's motivation for filing, and later dismissing, this lawsuit was improper. Plaintiff, as a patent holder that manufactures and sells the patented smoking devices, had a legitimate interest in stopping Defendants' alleged infringement and in obtaining damages for past infringement. At the time the lawsuit was filed, Defendants were refusing to provide documentation to support their stated sales figures. Later, after the Court ordered Defendants to provide damages discovery, it became apparent that the monetary damages were likely to be small. At that point, after Defendants had represented to the Court that they were no longer selling the accused pipes, Plaintiff made the rational decision to dismiss the lawsuit rather than incur additional expenses. There is nothing in the record to suggest that Plaintiff's motivation was improper in any way.

There is no evidence that Plaintiff litigated this lawsuit in an objectively unreasonable manner. Prior to and throughout the litigation, Plaintiff attempted repeatedly to obtain sales information from Defendants that would permit it to value the case. Plaintiff repeatedly sought to negotiate a reasonable settlement with Defendants. Although Defendants state that Plaintiff's \$23,000.00 settlement demand was unreasonable, it was made on August 19, 2019, at a time when Defendants were still refusing to provide documented sales figures. Plaintiff made numerous other settlement offers which ranged from a pre-lawsuit offer to settle for an amount to be

determined based on verified gross sales, to the \$23,000.00 demand made before service of the Complaint, to an offer to settle for \$4,500.00 in February 8, 2020. Defendants' characterization of these offers as unreasonable rings hollow in light of Defendants' settlement demand of a royalty-free, unrestricted license under the patents and payment *by Tyger to Defendants* of \$75,000.00.¹

There is no basis, legal or factual, in this record for the Court to compensate Defendants or to deter Plaintiff. Indeed, the Court finds that Plaintiff's conduct has been ethical throughout this case.

Fundamentally, Defendants' argument is that this case is exceptional because Plaintiff should not have filed a lawsuit where damages are potentially less than the attorneys' fees. The Federal Circuit has rejected this argument, stating that there "is no per se rule that a case is exceptional if litigation costs exceed the potential damages." *ATEN Int'l Co. v. Uniclass Tech. Co.*, 932 F.3d 1371, 1373 (Fed. Cir. 2019). The Federal Circuit stated that it was unaware of any "*de minimis* exception for infringement. It cannot be the case that a plaintiff may be subjected to monetary sanctions for failing to drop a case against a defendant if the cost of litigation exceeds

¹ Defendants in their Reply state repeatedly that they offered to settle for "an agreed injunction and \$2,000 in damages." See, e.g., Reply [Doc. # 61], pp. 1, 5, 6, 8, 9. There is no evidence in the record that Defendants offered "an agreed injunction" as part of any settlement offer.

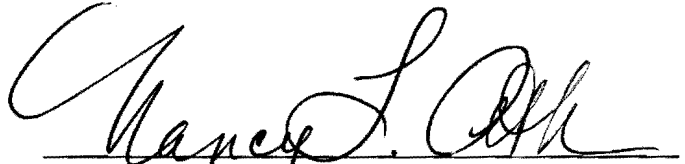
the potential recovery.” *Id.* (quoting *EON Corp. IP Holdings, LLC v. FLO TV Inc.*, 2014 WL 2196418, *2 (D. Del. May 27, 2014)). Here, unlike the case in *EON*, Plaintiff voluntarily dismissed the case when it became apparent that the cost of litigation (which were increased by Defendants’ conduct) would likely exceed any potential recovery. Clearly, if *failure to dismiss* a case in which damages are likely smaller than attorneys’ fees is not a basis for an award of fees under § 285, *dismissing* such a case voluntarily cannot support a finding that the case is exceptional.

IV. CONCLUSION AND ORDER

Defendants have failed to demonstrate by a preponderance of the evidence that this is an exceptional case under § 285. Plaintiff asserted facially-valid patent infringement claims, it successfully defended against a Motion for Judgment on the Pleadings in which Defendants asserted that the design patent was invalid, and it obtained favorable claim construction rulings. Plaintiff abandoned its claims after Defendants were ordered to produce discovery that revealed that the cost of this lawsuit could exceed the recoverable monetary relief. The Court finds that Plaintiff’s conduct was not frivolous, motivated by bad faith, objectively unreasonable either factually or legally, or otherwise suggesting a need for deterrence. Indeed, Plaintiff acted ethically by abandoning legitimate claims once it became apparent that it would not be cost-effective to pursue those claims. Accordingly, it is hereby

ORDERED that Defendants' Motion for Fees [Doc. # 59] is **DENIED**.

SIGNED at Houston, Texas, this 14th day of **December, 2020**.



NANCY F. ATLAS
SENIOR UNITED STATES DISTRICT JUDGE