

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

HUNTER FAN COMPANY,)	
)	
Plaintiff,)	
)	
v.)	
)	No. 06-2108 M1/P
MINKA LIGHTING, INC.,)	
)	
Defendant.)	

REPORT AND RECOMMENDATION

Before the court by order of reference is defendant Minka Lighting, Inc.'s ("Minka") Motion for Attorneys' Fees and Expenses.¹ (D.E. 105.) Plaintiff Hunter Fan Company ("Hunter") filed a response in opposition to the motion, and Minka filed a reply.² For the reasons below, the court recommends that the Motion for Attorneys' Fees and Expenses be denied.

I. PROPOSED FINDINGS OF FACT

A. Hunter's Complaint

Hunter and Minka are companies engaged in the business of producing and selling ceiling fans and are direct competitors. On May 11, 2004, the United States Patent and Trademark Office ("PTO")

¹The motion was referred to the Magistrate Judge for a report and recommendation pursuant to 28 U.S.C. § 636(b)(1)(B) and (C).

²In its reply, Minka requests an oral hearing on the motion. The court finds that a hearing would not be helpful or necessary, given the extensive briefs and exhibits filed by the parties.

issued U.S. Patent No. 6,733,241 B2 ("`241 patent") to inventor Gregory Michael Bird for the invention titled "High Efficiency Ceiling Fan." Bird later assigned all rights in the `241 patent to Hunter. Hunter subsequently incorporated the `241 patent into its Oceana, Zoe, Scandia, and Modena brand ceiling fans.

On February 17, 2006, Hunter filed a patent infringement complaint against Minka under 35 U.S.C. §§ 271 and 281, alleging that a ceiling fan manufactured and distributed by Minka (the Artemis fan) infringed Hunter's `241 patent. On April 11, 2006, Minka filed an answer and counterclaim for declaratory judgment of non-infringement and attorney's fees. On December 13, 2006, Hunter filed an amended complaint alleging that it also owned U.S. Patent No. 7,131,819 B2 ("`819 patent"), which Hunter incorporated into its four brands of ceiling fans, and that Minka's Artemis ceiling fan infringed both the `241 and `819 patents.³ After the parties engaged in extensive litigation - including engaging in expensive discovery, filing dispositive motions, and briefing and arguing claim construction before the District Judge - the parties filed a Joint Stipulation of Dismissal with Prejudice on July 31, 2009. Minka, however, reserved the right to seek attorney's fees and filed the present motion seeking reimbursement of over \$500,000.00 in fees and expenses from Hunter.

³Bird was also the inventor of the `819 patent, which was issued on November 7, 2006, after the lawsuit was filed.

B. Hunter's Litigation Conduct

1. Pre-Litigation Examination of Artemis Fan Blade

Both the '241 and '819 patents have the same inventor and similar terms and claims. These patents claim that there is an airflow improvement by "decreasing continuously" the pitch (the angle of attack) of the fan blades from the root (the end closest to the fan's motor housing) to the tip (the end furthest away from the motor housing). Prior to filing the original complaint, Hunter examined Minka's Artemis fan blade and determined that the fan blade's pitch angle decreases over two-thirds of its length before increasing over the last one-third of the fan blade's length toward the tip. Similarly, Hunter's examination of the Artemis fan blade revealed that the pitch rate (the rate of change of the pitch angle) decreases over two-thirds of its length before increasing over the last one-third of the fan's length.⁴ Despite knowing that the Artemis fan blade's pitch angle and rate did not decrease continuously over the entire length of the blade, Hunter took the position that the Artemis fan blade infringed the '241 patent because the pitch decreases "in a progressive manner" and decreases for a "substantial portion" of the fan blade.⁵ (See D.E. 34, Pl.'s

⁴The Artemis fan blade's pitch rate actually increases initially at the root end, then decreases over approximately two-thirds of the fan blade, before increasing over the last one-third of the fan's length near the tip.

⁵As mentioned above, Hunter later amended its complaint to add the '819 patent.

Opening Claim Construction Brief at 7; D.E. 47, Pl.'s Resp. to Def.'s Claim Construction Brief at 2; D.E. 106, Def.'s Mem. in Supp. of Mot. for Att'ys' Fees & Expenses at 7 n.20; D.E. 110, Pl.'s Resp. & Objection to Def.'s Mot. for Att'ys' Fees & Expenses at 4.)

2. Failure to Produce Examination Results During Discovery

In June of 2006, Minka served Hunter with a set of requests for production of documents, including the following request:

Request for Production No. 24: All documents and things related to any comparisons made by Hunter or its agents between Hunter's products alleged to be covered by the '241 Patent and Minka's ARTEMIS ceiling fan, and every investigation, inspection, study, disassembly, examination and/or analysis of products made, used, offered for sale, sold and/or imported by Minka in connection with the '241 Patent.

(D.E. 106-9 at 2.) Hunter responded to this document request by objecting to the request "as it seeks information protected by the attorney/client privilege, attorney work-product doctrine and information prepared in anticipation of litigation and/or for trial. Subject to the foregoing objections, and without waiving same, Hunter is not in possession[,] custody or control of any responsive documents." (Id. at 3.) Hunter did not produce the Artemis fan blade examination results in response to Minka's document request, nor does the record indicate that Hunter provided Minka with a privilege log that listed the results. Based on Hunter's representation that it did not have any responsive documents and Hunter's failure to identify the examination on a

privilege log, Minka did not file a motion to compel production of the examination results. Hunter did not produce the results until sometime after July of 2009, when the court allowed discovery on Minka's motion for attorney's fees.

3. Reissue Application for the '819 Patent

On February 7, 2007, Hunter filed a reissue application with the PTO for the '819 patent in an attempt to expand the scope of its claims. Without notifying Minka or the court of this reissue application, Hunter appeared before the District Judge on February 9, 2007, for a Markman hearing on the disputed terms of the '241 and '819 patent. Following the hearing, on February 28, 2007, Hunter filed a motion to stay the case until the PTO determined whether the '819 Patent was entitled to reissuance. (D.E. 72, Pl.'s Mot. for Stay of Case & Administrative Closure.) Hunter stated in its motion to stay that "[t]he original claims were written too narrowly and the application for reissue seeks to correct this error by expanding the scope of the claims to cover the full invention disclosed by Gregory Bird" and that "the rewritten claims of the '819 Patent clarify or eliminate several terms that Defendant has found confusing in the '241 Patent." (Id. at 1-2.)

Minka strongly opposed Hunter's motion to stay, and on March 15, 2007, filed a response in opposition. Minka argued, among other things, that Hunter was using the reissue application in an

attempt to "improperly rewrite its claims to encourage a finding of infringement, as it is clear that Minka's accused product does not meet the '241 or '819 Patent claims." (D.E. 78, Def.'s Opp'n to Pl.'s Mot. for Stay at 4.) Minka also asserted that Hunter had "secretly filed" the reissue application and did not notify Minka or the court about the existence of this application until after the Markman hearing, suggesting that Hunter wanted to see how the hearing transpired before deciding whether to continue pursuing the reissue application.⁶ (Id. at 4-7.) On March 16, 2007, the District Judge held a hearing on the motion to stay, and on March 20, he entered an order granting the motion. (D.E. 81.) Ultimately, the PTO denied the reissue application.

4. Hunter's Offer to Dismiss the Complaint

While the case was stayed, Minka discovered several prior art patents that Minka believed merited re-examination of the '241 and '819 patents by the PTO. In May of 2008, the patent examiner rejected all claims of the original '819 patent, based on four prior art references that Minka submitted in support of its request for re-examination. (D.E. 97, Def.'s Resp. to Pl.'s Status Report at 2.) Regarding the '241 patent, the patent examiner rejected all but two claims of that patent. Based on the examiner's decisions

⁶As noted in Minka's response to Hunter's motion to stay, reissue applications are not available to be reviewed until they are published, and as of the date of Minka's response, the PTO had not published the '819 reissue application. (Id. at 5 n.5.)

on these patents, in June of 2008 Hunter proposed to Minka that they enter a joint dismissal with prejudice of all claims. Hunter's offer to dismiss included an agreement that Hunter would forego any claims it might have under another, unpled patent, U.S. Patent No. 7,413,410 ("410 patent"). The '410 patent called for a fan blade with a continuously *increasing* pitch. However, at no time did Hunter threaten Minka with legal action based on the '410 patent. The parties filed a Joint Stipulation of Dismissal with Prejudice on all claims on July 31, 2009, with leave to file for attorney's fees and costs. Now before the court is Minka's motion for attorney's fees, which seeks an award of attorney's fees based on 35 U.S.C. § 285 and the court's inherent powers.

II. PROPOSED CONCLUSIONS OF LAW

In a patent infringement case, a "court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. It is the burden of the party seeking attorney's fees to show by "clear and convincing evidence" that the conduct of the opposing party makes the case exceptional. Forest Labs., Inc. v. Abbott Labs., 339 F.3d 1324, 1327 (Fed. Cir. 2003).

In the context of fee awards to prevailing accused infringers, we have observed that § 285 is limited to circumstances in which it is necessary to prevent a gross injustice to the accused infringer, and have upheld findings of exceptionality to prevent such an injustice only when the patentee has procured its patent in bad faith (*i.e.* committed inequitable conduct before the Patent Office) or has litigated its claim of infringement in bad faith.

Id. at 1329 (internal quotation marks and citations omitted). "A case may be deemed exceptional when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or like infractions." Brooks Furniture Mfg., Inc. v. Dutailer Int'l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005) (internal citation omitted). The Federal Circuit has cautioned, however, that "it is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits." Forest Labs., 339 F.3d at 1329 (internal quotation marks and citations omitted).

Assuming, *arguendo*, that Minka is a "prevailing party," it has not shown by clear and convincing evidence that this is an exceptional case that warrants an award of attorney's fees.⁷ Minka argues that Hunter's original and amended complaints were frivolous

⁷The parties do not discuss Minka's status as a prevailing party in their briefs, perhaps because it is undisputed. See Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res., 532 U.S. 598, 604 (2001) (holding that only a party that has secured a judgment on the merits or a court-ordered consent decree is a prevailing party within the meaning of various federal fee-shifting statutes); Highway Equip. Co. v. FECO, Ltd., 469 F.3d 1027, 1035 (Fed. Cir. 2006) (concluding that "as a matter of patent law, the dismissal with prejudice . . . has the necessary judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties"). Because Minka has not shown by clear and convincing evidence that this is an exceptional case, the court will assume for purposes of this report and recommendation that Minka qualifies as a prevailing party.

because Hunter knew, based on its pre-litigation examination of the Artemis fan blade, that the pitch angle and rate did not continuously decrease over the entire length of the blade. While the court agrees that Hunter's argument - that a decrease in pitch over a "substantial" portion of the blade infringed the '241 and '819 patents - was viewed with skepticism by the District Judge at the Markman hearing, the fact remains that the District Judge never ruled on the parties' disputes over claim construction.⁸ Moreover, while it is certainly possible (and perhaps even probable) that Hunter's decision to dismiss the complaint was based in part on apparent weaknesses in its claim construction, ultimately Hunter decided to dismiss the complaint only after the patent examiner rejected all claims of the original '819 patent and rejected all but two claims of the '241 patent. Thus, Hunter dismissed the lawsuit not because its claims were frivolous, but because *after* the lawsuit was filed, the PTO essentially rendered invalid the '241 and '819 patents based on prior art patents discovered and submitted by Minka. Indeed, Hunter promptly offered to dismiss the complaint with prejudice after it learned of the PTO's adverse decision.

Minka also contends that Hunter "secretly filed" the reissue application and did not notify Minka or the court about the

⁸In preparing this report and recommendation, the undersigned Magistrate Judge reviewed the transcript of the Markman hearing.

existence of this application until after the Markman hearing because Hunter wanted to see how the hearing transpired before deciding whether to continue pursuing the reissue application. The District Judge considered these same arguments and rejected them in deciding to grant Hunter's motion to stay. The court finds that Hunter's actions did not amount to an abuse of the Markman process. The court further finds that Hunter did not engage in litigation misconduct by offering to forgo claims that it *might* have against Minka on the '410 patent. Hunter never took any legal action against Minka on the patent, nor did Hunter even threaten to take action on the patent.

The court, however, finds that Hunter improperly withheld from Minka the results of the Artemis fan blade examination. Minka's Request for Production No. 24 unambiguously asked for any examination or analysis conducted by Hunter on the Artemis fan. Hunter argues in conclusory fashion in its opposition brief to the motion for attorney's fees that the examination results are privileged.⁹ Hunter's argument is not supported by any detailed analysis of why such an examination would be covered by the attorney-client or work-product privilege. As for Hunter's argument that Minka never filed a motion to compel production of

⁹It is unclear why Hunter took the position that the examination results were privileged during fact discovery, but did not take that position in producing the results to Minka in connection with the motion for attorney's fees.

the examination results, this argument has no merit because Hunter stated that it had no responsive documents and Minka had no reason to know that the examination was ever conducted.

Despite Hunter's clear discovery violation, its conduct does not make this case "exceptional." While Minka may be correct that, had it known about the examination results sooner, it could have filed a motion to dismiss or motion for summary judgment earlier in the litigation, Minka was only nominally prejudiced by this delay. As discussed earlier, the District Judge never ruled on claim construction, nor did he rule on the merits of Minka's motion for summary judgment. In addition, although the court agrees with Minka that it did not have an obligation to conduct its own examination, it would have been reasonable for Minka to conduct such an examination in preparing its defense and Minka could have easily examined the fan blade to determine that the pitch did not continuously decrease over the entire length of the blade.

Finally, Minka argues in the alternative that the court should award attorney's fees through its inherent powers. See Chambers v. NASCO, Inc., 501 U.S. 32, 45 (1991). The power to award attorney's fees may be used when a party has "'acted in bad faith, vexatiously, wantonly, or for oppressive reasons.'" Alyeska Pipeline Serv. Co. v. Wilderness Soc'y, 421 U.S. 240, 258-59 (1975) (quoting F.D. Rich Co. v. United States ex rel. Indus. Lumber Co., 417 U.S. 116, 129 (1974)). For the same reasons discussed above,

the court does not find that the lawsuit was vexatious, unjustified, or otherwise brought in bad faith by Hunter. Therefore, the court finds that the facts presented in the instant case do not warrant an award of attorney's fees under the court's inherent powers.¹⁰

III. RECOMMENDATION

For the reasons above, the court recommends that the Motion for Attorneys' Fees and Expenses be denied.

Respectfully submitted,

s/ Tu M. Pham
TU M. PHAM
United States Magistrate Judge

July 7, 2010
Date

¹⁰Minka cites L.E.A. Dynatech Inc. v. Allina, 49 F.3d 1527 (Fed. Cir. 1995) in support of its argument for attorney's fees. In Dynatech, the defendants filed for a reissue application without informing Dynatech or the court. When Dynatech learned of the reissue application, it moved to stay the district court case. The defendants opposed the stay and the court denied the motion. The reissue application was subsequently rejected by the PTO and the defendants reversed their earlier position and sought a stay of the proceedings. The Court of Appeals found that the defendants had manipulated the timing of court proceedings to suit their own interests and upheld the award of attorney's fees for the defendants' misconduct. In this case, however, Hunter did not seek to prevent a stay, but instead moved for the stay shortly after filing the reissue application, which minimized the attorney's fees for Minka. Moreover, unlike in Dynatech, Hunter offered to dismiss the case shortly after the PTO denied the reissue application.

NOTICE

ANY OBJECTIONS OR EXCEPTIONS TO THIS REPORT MUST BE FILED WITHIN FOURTEEN (14) DAYS AFTER BEING SERVED WITH A COPY OF THE REPORT. 28 U.S.C. § 636(b)(1)(C). FAILURE TO FILE THEM WITHIN FOURTEEN (14) DAYS MAY CONSTITUTE A WAIVER OF OBJECTIONS, EXCEPTIONS, AND ANY FURTHER APPEAL.