



The Court held a jury trial between May 14, 2018 and May 18, 2018, at the conclusion thereof the jury returned a verdict finding each Asserted Claim of each Asserted Patent to not be infringed, that each Asserted Claim of the '581, '586, and '356 Patents was invalid, but that each Asserted Claim of the '715 Patent was not invalid. Following the verdict, the Court entered Final Judgment on May 21, 2018, ordering that Plaintiff take nothing from Defendants. Defendants subsequently brought this Motion seeking an award of attorneys' fees.

## **II. LEGAL STANDARD**

Pursuant to the Patent Act, in “exceptional cases,” a district court “may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. An “exceptional case” is “simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014); *see also Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1748 (2014) (noting that “the word ‘exceptional’ in § 285 should be interpreted in accordance with its ordinary meaning” (citing *Octane Fitness*, 134 S. Ct. at 1755)).

District courts must determine whether any particular case is “exceptional” in a “case-by-case exercise of their discretion, considering the totality of the circumstances.” *Octane Fitness*, 134 S. Ct. at 1756. Whether a case is “exceptional” or not “is a factual determination,” *Forcillo v. Lemond Fitness, Inc.*, 168 F. App’x 429, 430 (Fed. Cir. 2006), and the court must make its determination by a “preponderance of the evidence,” *Octane Fitness*, 134 S. Ct. at 1758 (rejecting the prior requirement that a patent litigant establish its entitlement to fees under § 285 by “clear and convincing” evidence).

In assessing the “totality of the circumstances,” courts may consider factors such as “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.” *Octane Fitness*, 134 S. Ct. at 1756 n.6 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.9 (1994) (addressing a similar fee-shifting provision in the Copyright Act). The Court should further consider the conduct of the prevailing party in determining whether fees are appropriate. *Romag Fasteners, Inc. v. Fossil, Inc.*, 866 F.3d 1330, 1340 (Fed. Cir. 2017). A party’s conduct need not be independently sanctionable to warrant an award of fees under § 285; however, fee awards should not be used “as a penalty for failure to win a patent infringement suit.” *Id.* at 1753, 1756-57; *see also Checkpoint Sys., Inc.*, 858 F.3d at 1376.

### **III. DISCUSSION**

FedEx argues that “IV made this case exceptional by pursuing unreasonable positions throughout the litigation.” (Dkt. No. 569 at 4.) In response, the Court now turns its attention to the conduct of both IV and FedEx.

#### **A. IV’s Infringement Positions Were Viable**

First, FedEx asserts that IV maintained “theories of infringement for the ’356 patent clearly contravening the court’s claim constructions.” (Dkt. No. 569 at 4.) The basis of FedEx’s argument is that the Court construed “entity” to mean “an individual, an automated device, or a robot.” The Court reasoned that an entity could not merely be a passive device, as “[t]he claims require the ‘entity’ to enter the controlled space, which requires more than a ‘passive’ device that is ‘connect with’ the movement of goods.” (*Id.* at 5, 5 n.4 (quoting Claim Construction Order, Dkt. No. 165 at 36).) Accordingly, FedEx asserts that IV’s failure to drop its infringement contentions against the SenseAware product rendered this case exceptional.

IV responds that, although the Court struck Dr. Engel’s testimony regarding “entity,” the Court did not consider whether the SenseAware product was an entity. (Dkt. No. 576 at 10–11.)

IV asserts that SenseAware's multiple sensors and advanced monitoring over communications systems provided an infringement read that was not objectively baseless.

The Court finds that while it struck Dr. Engels' report for failing to properly apply the Court's claim construction, such position was not so far afield as to be objectively baseless. Further, following the Court's *Daubert* ruling, IV immediately stipulated to noninfringement of the SenseAware product. The Court finds that such actions run counter to FedEx's allegations of intentional delay and undue cost, and instead properly fall under the heading of zealous advocacy while aggressively litigating the case.

**B. IV did not Engage in Nuisance Litigation**

FedEx next asserts that IV engages in nuisance litigation because the damages model for the GENCO accused product was for only \$533,447. (Dkt. No. 569 at 6–7.) FedEx further asserts that the only reason the GENCO accused product was introduced was to “introduce the ’715 patent into the case and exert greater costs on the Defendants.” (*Id.* at 7.)

IV responds that it presented a reasonable claim for patent infringement against the GENCO accused product. It further argues that FedEx presented no basis for the damages to be judged a nuisance. Also, it points out that FedEx presents no evidence that IV knew what the costs of litigation were as regards this specific patent, as opposed to the other patents that were asserted. (Dkt. No. 576 at 11.)

The Court finds that there “is no minimum damages requirement to file a patent infringement case.” *AdjustaCam, LLC v. NewEgg, Inc.*, 861 F.3d 1353, 1361 (Fed. Cir. 2017). The Court also finds that here the costs of litigation were spread over several patents, minimizing the costs associated with the GENCO accused product, when viewed in isolation.

Finally, the Court notes that the courts of our nation are open to all who reasonably believe they have been wronged, and not only those deep pockets. If FedEx chose to spend excessive

amounts of money on its attorneys, such should not curtail the access of IV or any other litigant. The Court concludes that IV's damages model was reasonable given the facts at issue, and did not amount to nuisance litigation with respect to the GENCO accused product.

**C. IV's Willfulness Position was not Untenable**

Similarly, FedEx asserts that IV's position as to willfulness concerning the '715 Patent was intended "merely to drive up expenses, confuse the jury, and attempt to tarnish Defendants at trial by asserting willful infringement." (Dkt. No. 569 at 8.) FedEx asserts that it was objectively unreasonable to assert infringement against Freight 2020 because it was only the research and development phase, rather than fully implemented. (*Id.* at 8–9.)

IV responds that FedEx's "hyperbolic arguments about IV's willfulness claims do not mask the close call the jury made on infringement by the Freight 2020 RFID systems." (Dkt. No. 576 at 12.) As regards its implementation, IV asserts that FedEx employee Melissa Wagner and expert Dr. Rhyne "admitted on cross-examination that the Freight 2020 systems were used to ship FedEx Freight shipments to paying FedEx Freight customers." (*Id.* at 12 (citing May 17, 2018 Morning Session, Dkt. No. 548 at 34:14–37:10, 103:19–104:1).)

The Court notes that infringement requires only a single infringing act, such as could be performed during testing. *See SRI Int'l Inc. v. Internet Sec. Sys.*, 647 F. Supp. 2d 323, 338 n.10 (D. Del. 2009). Further, post-complaint knowledge is sufficient under *Halo* to support a finding of willfulness. *See, e.g., T-Rex Prop. AB v. Regal Entm't Grp.*, 2017 U.S. Dist. LEXIS 156859, at \*20 (E.D. Tex. August 31, 2017). Accordingly, the Court finds that FedEx's post-complaint actions, including the rolling out of the Freight 2020 initiative, were sufficient to support the assertion of IV's ultimately unsuccessful willfulness claims.

#### **D. Litigation Tactics**

FedEx argues that “IV approached this entire litigation in a manner designed to needlessly drive up the cost of defense” by “assert[ing] five unrelated patents—having no common inventor, original assignee, or claimed technology—as broadly as possible against seven distinct defendants, accusing (at one time) over thirty different instrumentalities of infringing fifty-one claims.” (Dkt. No. 569 at 9.)

FedEx’s arguments are little more than a complaint that they were sued in the first place. Notwithstanding the frustration presented by FedEx, plaintiffs are permitted to file suit on multiple patents without a requirement that such center around a common inventor or patent family. Whether IV made a tactical choice to bring such claims in one suit rather than bringing five suits has no impact on its right to do so. The Court suspects that if IV had filed five separate suits against FedEx, rather than one suit covering five patents, that the Court would now be hearing complaints that such conduct was intended to multiply the costs of defending five suits as opposed to one.

FedEx also complains IV asserted acts of infringement against “seven distinct entities.” This is not substantively true. Each entity is wholly contained within the broader FedEx corporate structure. Prior to filing suit, IV could not actually know which entities were practicing particular claim elements, and which were practicing such at the behest of other entities. The Court finds FedEx’s protestations that IV refused to name specific entities even during expert discovery (*see* Dkt. No. 569 at 11,) to be disingenuous. The Court finds that any assertion that FedEx was either unfamiliar with or could not understand which FedEx entities were at issue to be disingenuous at best.

#### **E. Source Code**

Each Party accuses the other of misconduct with relation to FedEx’s source code. FedEx asserts that “IV repeatedly asked Defendants for irrelevant and overbroad source code production”

that “forced [FedEx] to keep nearly three terabytes of source code under lock and key, even though only a vanishingly small percentage of that code was relevant to IV’s contentions.” (Dkt. No. 569 at 15.) As support for its assertion that IV’s conduct was egregious, FedEx notes that “IV’s technical expert discussed only a single source code file” and that Plaintiff’s technical experts “spent a trivial amount of time reviewing the produced material.” (*Id.*)

On the other hand, IV asserts that the source code production:

far exceeded the bounds of what IV requested. Instead of producing the source code relevant to the claim limitations IV identified, FedEx produced approximately 2.5 terabytes of data on a single external hard drive in 14 unnamed directories on a laptop computer in Reston, VA. Most of those 2.5 terabytes was not actually source code—rather, it was irrelevant, unreadable data that IV never requested.

(Dkt. No. 576 at 4.) Plaintiff also asserts that when it informed FedEx that “the size and format of the production coupled with the unreasonable 75,000-page (virtually unusable) manifest severely hindered IV’s ability to review the tiny fraction of data that actually contained relevant source code,” FedEx “refused to cull the drive to only the relevant source code files or make reasonable accommodations for IV to meet its discovery obligations.” (*Id.*) IV contends that it spent “hundreds of hours sorting through the unwieldy production,” only to find that such production was incomplete. (*Id.*) Further, IV asserts that FedEx delayed producing the necessary files until nine months after the source code deadline. (*Id.* at 4–5.)

This portion of FedEx’s motion brings to mind a paraphrase of Shakespeare’s well-known line from Hamlet, “*FedEx doth protest too much.*”<sup>1</sup> FedEx does not dispute that it chose to produce 2.5 TB of data, including archived files, compiled code, installed sets, and development binaries that were unreviewable. In so doing, FedEx failed to follow the basic tenets of discovery that it should only produce relevant materials. Given FedEx’s actions in this case, the Court can

---

<sup>1</sup> See WILLIAM SHAKESPEARE, THE TRAGEDY OF HAMLET, PRINCE OF DENMARK act III, sc. 2.

understand why IV complains that the production of such a massive library of source code, coupled with FedEx's failures to adequately supplement it, were done to gain a tactical litigation advantage. Such actions fall outside the bounds of typical advocacy or even aggressive litigation, and cross into the realm of misconduct.

**F. FedEx Affirmatively Misrepresented Facts to the Court**

IV asserts that FedEx "made several false representations," including that "there are no relevant witnesses, documents, or information located in the Eastern District of Texas" and that "nobody in the FedEx Office retail locations or in FedEx Office corporate headquarters has technical knowledge of the operation of those systems." (Dkt. No. 576 at 1 (citing Dkt. No. 34 at 1).) IV asserts that FedEx then listed "eleven witnesses for deposition either in or just outside the District (in Plano, Dallas, and Irving), including from the FedEx Office, with technical knowledge of the accused systems." (*Id.*) Finally, IV says that FedEx represented that all but one of its knowledgeable witness were located in Memphis, Tennessee, yet it offered 27 of its 40 fact witnesses for deposition who were from outside Memphis and also outside the state of Tennessee. (*Id.*)

FedEx asserts that IV's initial contentions led FedEx to believe that there were no relevant witnesses, documents, or information present in the Eastern District of Texas, instead, such witnesses became relevant only with the addition of accused instrumentalities later in the case. (Dkt. No. 581.) FedEx further asserts that Mr. Hari Thapa was based in Memphis as the start of the case and moved to Irving, Texas in November 2017. (*Id.*)

These competing arguments illustrate real-world difficulties that arise in venue discovery. Plaintiffs frequently assert that they have relevant witnesses in the district where suit is filed, then fail to call them. Similarly, defendants frequently assert that they have no presence where they are sued, only for the court to later discover that relevant personnel or documents were there all along.

While the Court could understand that Mr. Thapa changed locations, it is inconceivable that 25% of persons with relevant knowledge relocated from Memphis to the Eastern District of Texas over the course of these proceedings. It is equally odd that 65% of the people who were deposed came from outside of Tennessee. FedEx had a duty of candor to ensure that its representations regarding venue were accurate. FedEx failed in that duty.

### **G. The GENCO Facility**

FedEx asserts that IV “demanded to inspect Defendants’ facilities—including GENCO’s pharmaceutical returns facility and the Freight 2020 testing facility—but then failed to visit them.” (Dkt. No. 569 at 2.)

IV responds that FedEx’s counsel “told IV it would be impossible [to tour GENCO’s facility] due to ambiguous ‘confidentiality obligations’ and ‘FDA requirements,’ and that FedEx suggested that IV join a public tour of the facility . . . [that] would not allow IV to access the relevant parts of the facility.” (Dkt. No. 576 at 7.) IV moved to compel such an inspection by saying “[i]t was only after fact and expert discovery were closed (and after IV learned that FedEx paraded Dr. Rhyne through the facility in lieu of sitting for a timely deposition) that FedEx ultimately agree[d] to provide that inspection.” (*Id.*)

FedEx does not dispute IV’s statement of the facts but instead merely states that it refused to visit the facility. Regardless of the difficulty in addressing FedEx’s confidentiality obligations and FDA requirements, it is clear that FedEx was able to overcome those hurdles so that its expert, Dr. Rhyne, could inspect GENCO’s facilities. FedEx failed to meaningfully address IV’s need to inspect the facility while simultaneously fulfilling a similar need faced by its own expert. Accordingly, the Court finds that FedEx, not IV, is the originator of the excessive costs about which FedEx now complains.

## **H. FedEx's Deposition Gamesmanship**

IV asserts that FedEx conducted extensive deposition gamesmanship throughout these proceedings. (Dkt. No. 576 at 5.) IV notes that while FedEx initially disclosed 18 FedEx employees having knowledge relating to the claims, FedEx designed 37 witnesses in response to IV's 41 topics requested under 30(b)(6). (*Id.* at 5–6.) IV also notes that even after FedEx supplemented its disclosures to include an additional 31 knowledgeable FedEx employees, such disclosures failed to include Tracy Bailey, FedEx's "lead-off witness at trial and the only witness FedEx brought to testify about key prior art references." (*Id.* at 6.) "In most cases, FedEx designated two or more witnesses to testify about each instrumentality[, a]nd each witness was prepared to testify only about extremely limited aspects of that one instrumentality." (*Id.*) IV further argues that such gamesmanship continued into expert discovery, where FedEx sent "Dr. Rhyne on tours of FedEx facilities in Milwaukee, WI and Memphis, TN" in order to prevent Dr. Rhyne from being deposed at any time or place other than a single Saturday in Austin, Texas, after the deadline for expert depositions and the cutoff date for filing summary judgment motions had passed. (*Id.*)

FedEx responds that the 37 witnesses covered over 1000 topics, rather than the asserted 41, and that Plaintiff's decision to litigate five unrelated patents against seven FedEx entities resulted in uncontrolled discovery, leading to excessive depositions. (Dkt. No. 581 at 4–5.)

The Court previously addressed this issue from the bench, finding that FedEx's actions necessitated an additional 16 hours of deposition time, but recognizing the difficulty Defendants faced in "putting up witnesses that have full knowledge of what they're designated on and not putting up people that don't know what they're going to be asked about but also finding people that are not one issue people and can be run through in a long list when it doesn't need to be that way." (December 19, 2018 Motion Hearing, Dkt. No. 215 at 42:21–43:11.)

However, the Court finds the situation involving Dr. Rhyne more concerning. The operative docket control order required that expert discovery be completed by January 26, 2018. (Dkt. No. 135.) FedEx refused to produce Dr. Rhyne for deposition until February 6, as he had “several of his cases . . . scheduled for trial in January.” (Dkt. No. 576-33.) It is further apparent from the emails between the parties that FedEx failed to disclose the existence of such other cases to IV prior to suggesting that they rendered Dr. Rhyne unavailable. (Dkt. No. 576-34 at 3.) While it is true that Dr. Rhyne’s trial schedule in January 2018 was active before both this Court and the ITC, it is apparent that Dr. Rhyne’s schedule was sufficiently flexible to allow him to tour the GENCO facility in Milwaukee on January 17, 2018, after the submission of his expert reports. (Rhyne Deposition, Dkt. No. 576-8 at 59:1–19.) While such tour may have been beneficial to Dr. Rhyne’s knowledge of the technology, it is odd, to say the least, that his schedule could permit such a tour but was too busy to allow his deposition by IV in the ordinary course of things.

**I. FedEx Inappropriately Threatened to File for Sanctions Against IV**

IV asserts, and FedEx does not dispute, that FedEx threatened to file a motion for sanctions under Rule 11 in late 2016. (*See* Dkt. No. 576 at 11.) While the Court does not have Mr. Berkowitz’s letters in evidence,<sup>2</sup> IV’s responsive letters provide sufficient clarity to warrant inquiry by this Court. (*See* Dkt. Nos. 576-47, 576-48.)

It appears that this sanctions threat arose out of a dispute regarding the sufficiency of the evidence related to IV’s contentions concerning the ’715 Patent, specifically with regard to an article that was found on FedEx’s website. (*See* Letter from Lauren M. Nowierski, November 30, 2016, Dkt. No. 576-47.) After receiving IV’s response to his letter, it appears that Mr. Berkowitz sent an additional letter regarding Rule 11 sanctions. (Dkt. No. 576-48.)

---

<sup>2</sup> Jeffrey A. Berkowitz was lead counsel for Defendants during the relevant time period.

Ms. Nowierski's December 9, 2016 response sheds light on Defendants' actions.<sup>3</sup> There, she notes that:

[FedEx's] Rule 11 motion and subsequent correspondence incorrectly assumes—without basis—that the scope of Intellectual Ventures' pre-suit investigation is commensurate with the contents of its pre-suit notice letter. Likewise, they inherently (incorrectly) advocate that Intellectual Ventures was required to send a notice letter and was required to divulge all of its legal theories and pre-suit evidence in that letter. . . .

Nor have you articulated what provides you with a reasonable basis to leverage the serious allegations that our firm and our client did not comport with our Rule 11 obligations.

(*Id.* at 1.)

“[A] Rule 11 violation is a serious thing, and an accusation of such wrongdoing is equally serious.” *Draper & Kramer, Inc. v. Baskin-Robbins, Inc.*, 690 F. Supp. 728, 732 (N.D. Ill. 1988). “Rule 11 should not be used to test the legal or factual sufficiency of a party's claims.” *Castro & Co., LLC v. Diamond Offshore Servs.*, 2018 U.S. Dist. LEXIS 198645, at \*37 (N.D. Tex. Oct. 29, 2018) (citing Fed. R. Civ. P. 11 advisory committee's note (1993 Amendments)). Further,

Rule 11 motions should not be made or threatened for minor, inconsequential violations of the standards prescribed by subdivision (b). They should not be employed as a discovery device or to test the legal sufficiency or efficacy of allegations in the pleadings; other motions are available for those purposes. Nor should Rule 11 motions be prepared to emphasize the merits of a party's position, to exact an unjust settlement, to intimidate an adversary into withdrawing contentions that are fairly debatable, to increase the costs of litigation, to create a conflict of interest between attorney and client, or to seek disclosure of matters otherwise protected by the attorney-client privilege or the work-product doctrine.

*Adhikari v. Daoud & Partners*, 2017 U.S. Dist. LEXIS 196702, at \*9–10 (S.D. Tex. Nov. 30, 2017) (citing Fed. R. Civ. P. 11 advisory committee's note (1993 Amendments)).

Notably, FedEx does not dispute these allegations in its reply brief. As such, the Court must presume that IV's assertions, including those in Ms. Nowierski's letter, are true. Given the

---

<sup>3</sup> Lauren M. Nowierski was senior associate counsel for IV during the relevant time period.

clear inferences in Ms. Nowierski's December 9 letter, it is apparent that Mr. Berkowitz's letter and accompanying Rule 11 motion for sanctions were sent for the purpose of either intimidating IV into withdrawing its contentions or to seek the premature disclosure its trial theories. (*See* Dkt. No. 576-48 at 1–2.) The fact that FedEx never filed a motion for sanctions with the Court does not excuse the behavior of its counsel in using the overt threat of sanctions for strategic or tactical purposes.

#### IV. CONCLUSION

Having considered the totality of the circumstances, the Court finds that Defendants' own bad acts and excessive conduct prevent any award to it of attorneys' fees under § 285. FedEx's own conduct, in several instances, went well beyond the bounds of zealous advocacy in ways this Court has, thankfully, rarely seen. Accordingly, and although they were the prevailing party in this case, the Court must decline to reward Defendants' misguided behavior with an award of attorneys' fees. Like equity, he who seeks attorneys' fees under § 285 must have clean hands. In this case, FedEx does not.

**So Ordered this**

**Mar 28, 2019**

  
\_\_\_\_\_  
RODNEY GILSTRAP  
UNITED STATES DISTRICT JUDGE