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For the District of Columbia

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FILED

SEP 6 - 2001

HAKAN LANS,

Plaintiff

v.

GATEWAY 2000, INC.,
DELL COMPUTER CORP.,
ACER AMERICA CORP.,
AST RESEARCH, INC.,

Defendants

Civil Action No. 97-2523 (JGP) ✓
Civil Action No. 97-2526 (JGP)
Civil Action No. 97-2528 (JGP)
Civil Action No. 97-2529 (JGP)

UNIBOARD AKTIEBOLAG,

Plaintiff,

v.

ACER AMERICA CORP., et al.,

Defendants

Civil Action No. 99-3153 (JGP)

MEMORANDUM

This memorandum address several separate but related motions for attorneys fees arising out of the actions captioned above. Although the Court shall issue separate orders in each action, this memorandum applies fully to each case.

Currently before the Court in the Lans cases¹ are defendant Gateway 2000, Inc.'s Motion for

¹ Collectively referred to as the Lans cases, these related matters are Lans v. Gateway 2000, Inc., No. 97-2523 (D.D.C. filed Oct. 24, 1997), Lans v. Dell Computer Corp., No. 97-2526 (D.D.C. filed Oct. 24, 1997), Lans v. Acer America Corp., No. 97-2528 (D.D.C. filed Oct. 24, 1997), and Lans v. AST Research, Inc., No. 97-2529 (D.D.C. filed Oct. 24, 1997). Four other related matters, Lans v. Digital Equipment Corp., No. 97-2493 (D.D.C. filed Oct. 24, 1997), Lans v. Hewlett-Packard Co., No. 97-2524 (D.D.C. filed Oct. 24, 1997), Lans v. Packard Bell NEC, Inc., No. 97-2525 (D.D.C. filed Oct. 24, 1997), and Lans v. Compaq Computer Corp., No. 97-2527 (D.D.C. filed Oct. 24, 1997), were recently dismissed pursuant to stipulations of dismissal entered into between the parties. Two other related matters, Lans v. Olsy North America, No. 97-2530 (D.D.C. filed Oct. 24, 1997), and Lans v. Siemens Nixdorf Info., No. 98-

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Attorney Fees [#92], defendant Dell Computer Corp.'s **Motion for Attorneys Fees and Related Nontaxable Expenses** [#65], defendant Acer America Corp.'s **Motion for Attorney Fees** [#67], and defendant AST Research, Inc.'s **Motion for Attorney Fees** [#86]. Defendant Acer America Corp. has also filed a separate **Motion for Costs** [#68].

Currently before the Court in Uniboard are defendant Gateway 2000, Inc.'s **Motion for Attorney Fees** [#86], defendant AST Research, Inc.'s **Motion for Attorney Fees** [#86], defendant Acer America Corp.'s **Motion for Attorney Fees** [#86], and defendant Dell Computer Corp.'s **Motion for Attorneys Fees and Related Nontaxable Expenses** [#87].² AST Research, Inc. ("AST"), Acer America Corp. ("Acer"), and Dell Computer Corp. ("Dell") have all adopted Gateway 2000, Inc.'s ("Gateway") motion for attorneys fees with regards to Uniboard Aktiebolag ("Uniboard").

For the reasons contained in this memorandum, the various motions for attorneys fees shall be granted as to Lans, granted as to Uniboard, and denied as to Adduci, Mastriani and Schaumberg. Acer America Corp.'s separate motion for costs against Lans is denied in part and granted in part.

BACKGROUND

The pertinent background of this case is largely uncontested. Hakan Lans ("Lans") filed United States Patent No. 4,303,986 ("986 patent"), entitled "Data Processing System and Apparatus for Color Graphics Display," on January 9, 1979. The '986 patent was issued on December 1, 1981,

0050 (D.D.C. filed Jan. 9, 1998), had been previously dismissed.

² Defendants Compaq Computer Corp., Hewlett-Packard Co. and Packard Bell NEC have withdrawn their motions for attorneys fees in Uniboard pursuant to stipulations of dismissal filed by the parties. Defendant Digital Equipment Corp., which joined Compaq Computer Corp.'s motion for attorneys fees, also withdrew its motion for attorneys fees pursuant to a stipulation of dismissal filed by the parties.

by the United States Patent and Trademark Office. Among other things, the inventions covered by this patent optimize and accelerate the performance of color graphics subsystems in contemporary computers. According to Uniboard's complaint, the '986 patent expired on January 9, 1999. Uniboard Complaint at ¶¶ 15, 16, 18.

By letter dated September 27, 1996, Lans advised defendants of alleged infringements of the '986 patent. Uniboard Complaint at ¶ 21. When defendants failed to refrain from the alleged infringement, or seek a settlement of the dispute, Lans filed suit against the defendants in his own name on October 24, 1997. During the normal course of discovery, Gateway discovered that, on October 19, 1989, Lans assigned and transferred his rights in the patent to Uniboard, a company of which he is the sole officer and shareholder. *Id.* at ¶ 17.

On November 23, 1999, this Court granted summary judgment to the defendants and dismissed the Lans cases for patent infringement. Lans's cases were dismissed since he conceded that, although he was the original inventor-patentee, he no longer owned the patent due to the assignment to Uniboard. See Lans v. Gateway 2000, Inc., 84 F. Supp. 2d 112, 114 (D.D.C. 1999) ("Lans I"). As such, the Court concluded that Lans lacked standing to sue for the patent's infringement. *Id.*, at 123. The Court also denied Lans's motion to amend the complaint in order to substitute Uniboard as plaintiff. See *Id.*, at 115-22.

Upon dismissal of the Lans cases, Lans and Uniboard embarked on two separate tracks, although they both continued to be represented by the same counsel. Lans filed an appeal of the Court's dismissal of his infringement suits with the United States Court of Appeals for the Federal Circuit ("Federal Circuit") on December 22, 1999. Furthermore, on January 24, 1999, Lans filed motions under Federal Rule of Civil Procedure 60(b)(2) ("Rule 60(b)(2)"), requesting relief from

judgment due to the discovery of new evidence.³ Finding that the new evidence submitted by Lans did not satisfy the requirements of Rule 60(b)(2), the Court denied those motions. See Lans v. Gateway 2000, Inc., 110 F.Supp.2d 1 (D.D.C. 2000)(“Lans II”). Lans subsequently appealed those decisions to the Federal Circuit as well.

Uniboard filed its own patent infringement action against the original Lans defendants on November 29, 1999.⁴ The defendants filed a motion to dismiss for failure to state a claim on which relief may be granted. The defendants argued that damages were precluded since Uniboard had not properly notified the defendants of infringement before the patent expired on January 9, 1999. The Court held that any notice Lans gave to the defendants in his personal capacity was insufficient because 35 U.S.C. § 287(a) requires that the patentee give notice. Accordingly, the Court dismissed Uniboard’s action. See Uniboard Aktiebolag v. Acer America Corp., et al., 118 F.Supp.2d 19 (D.D.C. 2000)(“Uniboard”). Uniboard appealed this decision to the Federal Circuit.

The Federal Circuit consolidated the appeals of the Court’s dismissal of the Lans cases, the denial of Lans’s motions for reconsideration, and the dismissal of the Uniboard case. The Federal Circuit affirmed this Court with regards to each appeal. See Lans v. Digital Equipment Corp., 252 F.3d 1320 (Fed. Cir. 2001)(“Lans III”). With regard to the Lans cases, the Federal Circuit affirmed the dismissal due to Lans’s lack of standing. 252 F.3d at 1324. The Federal Circuit affirmed the denial of Lans’s motions for reconsideration, holding that the Court was within its discretion. 252

³ This new evidence consisted of a “Clarification-Contract,” which attempted to clarify that Lans had retained certain rights over the patent. The Clarification-Contract was supposedly executed on October 27, 1989, by Lans, both in his personal capacity and in his capacity as Uniboard’s representative.

⁴ The case was originally assigned to Hon. Thomas Penfield Jackson. As Uniboard’s suit was related to the Lans cases, it was transferred to this Court on February 14, 2000.

F.3d at 1324. Finally, the Federal Circuit affirmed the dismissal of Uniboard “[b]ecause § 287(a) prevented Uniboard from recovering any damages from the [defendants] during the patent term[.]” 252 F.3d at 1324. The mandate from the Federal Circuit issued on July 18, 2001.

During the pendency of the appeals, the defendants filed various motions for attorneys fees against Lans and Uniboard. A hearing on the motions for attorneys fees was held on July 26, 2001. Gateway argued the fee motions on behalf of the defendants in both the Lans cases and Uniboard. Having considered the briefs, the oral arguments, and the entire record in these matters, the Court is ready to rule on defendants’ motions for attorneys fees.

DISCUSSION

In the Lans cases, Gateway, Acer, AST, and Dell (hereinafter “the Computer Companies” or “the defendants”) seek attorneys fees from Lans under 35 U.S.C. § 285. Gateway also seeks to hold Lans’s attorneys, the law firm of Adduci, Mastriani and Schaumberg (“Adduci”), jointly and severally liable for attorney fees under 28 U.S.C. § 1927. In Uniboard, the defendants seek to hold Uniboard and Adduci jointly and severally liable for attorneys fees under 35 U.S.C. § 285 and 28 U.S.C. § 1927. Acer has also filed separate motions for costs against Lans, under Fed. R. Civ. P. 11, 54(d); 28 U.S.C. §§ 1919, 1920; Local Civil Rule 54.1; and the Court’s inherent authority.

This memorandum first discusses the general standard for liability for attorneys fees under 35 U.S.C. § 285 and 28 U.S.C. § 1927. These standards will then be applied to Lans and Adduci with regards to the Lans cases, and then to Uniboard and Adduci with regards to Uniboard. The Court will also address Acer’s separate motion for costs.

I. General standards for awarding attorneys fees

Federal courts have generally refused to adopt the “English rule” requiring the assessment of attorneys fees against a losing party. Under the “American rule,” the prevailing litigant is

ordinarily not entitled to attorneys fees, absent statutory authority. Alyeska Pipeline Services Co. v. Wilderness Society, 421 U.S. 240, 247, 95 S.Ct. 1612, 1616 (1975). A rationale for this rule is that one should not be penalized for merely defending or prosecuting a lawsuit. Machinery Corp. of America v. Gullfiber AB, 774 F.2d 467, 471 (Fed. Cir. 1985)(discussing Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 718, 87 S.Ct. 1404, 1407 (1967)).

Defendants seek their attorneys fees under two such statutory authorities. First, defendants seek fees from Lans and Uniboard under 35 U.S.C. § 285, a section of the patent law which provides, in relevant part, that “in exceptional cases [the Court] may award reasonable attorney fees to the prevailing party.” The Federal Circuit has held that to qualify for attorneys fees, “(1) the case must be exceptional; (2) the district court may exercise its discretion; (3) the fees must be reasonable; and (4) the fees may be awarded only to the prevailing party.” Machinery Corp. of America v. Gullfiber AB, 774 F.2d 467, 470 (Fed. Cir. 1985).

The first step in the analysis is to determine whether the prevailing party can establish the exceptional nature of the case by clear and convincing evidence. Id. The exceptional nature of a case can be demonstrated by showing “proof of actual wrongful intent ... or of gross negligence,” which requires “willful, wanton, or reckless misconduct, or evidence of ‘utter lack of all care.’” Id. at 473. Additionally, exceptional circumstances can be demonstrated by showing “inequitable conduct during prosecution of a patent, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit.” Bayer Aktiengesellschaft v. Duphar Int’l Research B.V., 738 F.2d 1237, 1242 (Fed. Cir. 1984). A suit is frivolous “where the patentee knew, or should have known by reasonable investigation, that the suit was groundless.” Enpat, Inc. v. Microsoft Corp., 26 F.Supp.2d 811, 813 (E.D.Va. 1998); see also Haynes Int’l, Inc. v. Jessop Steel Co., 8 F.3d 1573, 1579 (Fed. Cir. 1993).

Even if a court determines that there is an exceptional circumstance, a district court is not required to award attorneys fees to a prevailing party. As the Federal Circuit has noted, the “trial judge is in the best position to weigh considerations such as the closeness of the case, the tactics of counsel, the conduct of the parties, and any other factors that may contribute to a fair allocation of the burdens of litigation as between winner and loser.” S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc., 781 F.2d 198, 201 (Fed. Cir. 1986); see also J.P. Stevens Co., Inc. v. Lex Tex Ltd., Inc., 822 F.2d 1047, 1052 (Fed. Cir. 1987).

The defendants also seek to have Adduci, counsel for Lans and Uniboard, held liable for attorneys fees under 28 U.S.C. § 1927, which provides, in relevant part, that

[a]ny attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys’ fees reasonably incurred because of such conduct.

Although this standard is somewhat broad, and the various courts of appeals are not in agreement on its precise meaning, the D.C. Circuit has stated that it includes some element of “bad faith.” As the court held, “[a]lthough the standard under 28 U.S.C. § 1927 is somewhat unsettled, attorney behavior must be at least “reckless” to be sanctionable under that section and must constitute ‘bad faith’ to justify invoking the court’s inherent powers.” United States v. Wallace, 296 U.S.App.D.C. 93, 96, 964 F.2d 1214, 1217 (1992). The court explained that “[w]here courts have employed section 1927, the attorney’s behavior has been repeated or singularly egregious.” 296 U.S.App.D.C. at 99, 964 F.2d at 1220. One circuit has held that the plain language of the statute “envisions a sanction against an attorney only when that attorney both (1) multiplies the proceedings, and (2) does so in a vexatious and unreasonable fashion.” Overnite Transp. Co. v. Chicago Indus. Tire Co., 697 F.2d 789, 794 (7th Cir. 1983).

II. Attorneys fees in the Lans cases

A. Liability of Lans

With regards to the Lans cases, defendants argue that the cases are frivolous as Lans knew or should have known that he did not own the patent at the time of filing. Gateway's Lans Mot. at 4. Furthermore, defendants contend that Lans behaved improperly by concealing all information on the assignment to Uniboard, and that he misrepresented that he had not made an assignment Gateway's Lans Mot. at 4-5. Defendants also argue that Lans impeded discovery by refusing to comply with the Court's Joint Discovery Order. Gateway's Lans Mot. at 6-7. Finally, defendants argue that Lans behaved impermissibly once evidence of the assignment was discovered. As defendants argue, Lans proceeded by asking the Court to believe that he made the assignment as part of a substantial financial transaction, thought the assignment was invalid even as he was writing to IBM to proceed with payment based on the assignment, and then forgot all about it. Gateway's Lans Mot. at 9. Considering all this, defendants argue that Lans's behavior with regards to disclosure of the assignment renders this an exceptional case worthy of a fee award.

Lans's opposition centers around the theme that Lans made a mistake with regards to ownership of the patent, and that there is nothing exceptional about the case. Lans further argues that once Gateway presented evidence of the assignment, he moved to cure the defect with the motion to substitute Uniboard as the plaintiff. Lans Opp. at 6. Furthermore, although the Court held that Lans's failure to sue in Uniboard's name was not an "honest and understandable mistake" justifying relief under Rule 17, that is not the same as finding Lans's conduct grossly negligent or in bad faith. Lans Opp. at 8 (note 8). As for discovery misconduct, Lans claims that defendants cannot demonstrate a "pattern of bad faith conduct by clear and convincing evidence." Lans Opp. at 9. Lans also argues that even if the Court finds there are exceptional circumstances, the Court

should still use its discretion and decline to award fees since there is no evidence of bad faith on Lans's part, and indeed he has already suffered by not being allowed to vindicate the alleged patent infringement.

The Court has given very careful consideration to whether the Lans cases can fairly be considered exceptional, recognizing that defendants must establish "misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit." Bayer, 738 F.2d at 1242. Of course, the Court has already had occasion to evaluate Lans's behavior in this litigation, and concluded that his failure to sue in Uniboard's name was not an "honest and understandable mistake." Lans I, 84 F.Supp.2d at 122.

In Lans I, the Court considered the litany of excuses Lans offered to explain his failure to sue in the name of the proper party. First, Lans claimed he forgot that he made the assignment to Uniboard. The Court rejected this excuse, holding that the "information concerning the assignment was solely in the control of Lans and Uniboard. The Court assume[d] that any inventor would keep a record of the assignment of such a valuable patent." Lans I, 84 F.Supp.2d at 120. The Court concluded that Lans had constructive, if not actual, possession of the assignment since he executed it, benefitted from it, and entrusted it to his attorney. Id. (n. 7). The Court further rejected Lans's claim that he forgot about the assignment because

the transaction underlying the assignment of the patent from Lans to Uniboard was not an inconsequential one. According to the licensing agreement between Uniboard and IBM, the licensing of the patent was worth at least \$1,500,000. The lawyer who handled the licensing negotiations for IBM ... stated that the decision to license the patent through Uniboard instead of Lans was a carefully considered one.

Lans I, 84 F.Supp.2d at 121 (citation omitted).⁵

⁵ The lawyer stated that the reason for licensing through Uniboard was to minimize the tax burden. Lans I, 84 F.Supp.2d at 121.

Second, Lans claimed that he thought the assignment was invalid, stating that “[a]fter I signed [the] Assignment and Declaration, it became my understanding that the assignment was invalid because of pending litigation in Germany with respect to the [patent].” *Id.* (citation omitted) The Court dismissed this assertion, noting that Lans wrote to IBM demanding an additional payment of \$500,000 upon completion of the assignment. *Id.* The Court could “not understand why Lans informed IBM that the condition for payment was satisfied if he thought that the German litigation has invalidated the patent.” *Id.* The Court noted that Lans “offer[ed] no contemporaneous evidence that he believed the assignment was invalid [before he submitted a declaration as such in support of his motion to substitute]. For example, there is no record that either Uniboard or Lans ever informed IBM of any doubts as to the assignment’s validity.” *Lans I*, 84 F.Supp.2d at 121-22. Considering all of this, the Court firmly concluded that Lans’s failure to sue in the name of Uniboard was not an “honest and understandable mistake,” and his motion to substitute plaintiffs was denied. The Court found that the excuses offered by Lans were untenable, as he “argue[d] simultaneously that he both forgot that he had made the assignment and that he thought the assignment was invalid.” *Lans I*, 84 F.Supp.2d at 122.

In summary, the Court concluded that

Lans was in control of all the information regarding the assignment since it was executed. ... Lans was able to inform his attorneys of the license to IBM, but then ... conveniently forgot[...] the assignment to Uniboard, which was a vital aspect of that transaction. Prior to the declaration in support of his motion to amend, Lans never expressed any doubts as to the assignment’s validity. In any event it was entirely within Lans’s ability to verify the validity of the assignment, establish ownership of the patent, and sue in the name of the proper plaintiff. When Lans’s attorneys inquired as to whether he had made any assignments of the patent, Lans should have told them about the assignment to IBM and his belief that the assignment was invalid. If he had done that, counsel might have proceeded differently, and avoided this present situation. The Court cannot escape the conclusion that Lans chose to conceal all information about the assignment, possibly even from his attorneys, until confronted with irrefutable evidence that the assignment had occurred.

Lans I, 84 F.Supp.2d at 122.

Furthermore, the Court is not moved by Lans's argument that he has suffered enough already by not being allowed to prosecute the alleged patent infringements. As this Court never reached the merits of the alleged infringements, this Court cannot speculate as to what Lans might have recovered. Second, as the Court already concluded, Lans has only himself to blame for the situation in which he finds himself. If he had been more thorough with his recordkeeping and more forthcoming with his attorneys, then perhaps he would be pursuing his infringement claim today, rather than defending against the present attorneys fees motions.

Considering the history of this case, and the conclusions reached by the Court in Lans I, the Court has no alternative but to conclude that this case is exceptional. As has been mentioned, the Court can only hold Lans liable for attorneys fees if it finds evidence of bad faith litigation, namely "misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit." The Court concludes that Lans's patent infringement was clearly unjustified and frivolous, since Lans knew or should have known that he no longer owned the '986 patent. As he did not own the patent, he had no standing to sue for its infringement.

This result is consistent with Eltech Systems Corp. v. PPG Industries, Inc., 903 F.2d 805, 810 (Fed. Cir. 1990). In Eltech, the Federal Circuit affirmed an award of attorneys fees against a plaintiff where the District Court found that the plaintiff should have known its suit was baseless. As the Court concluded,

[t]hough the court did not expressly find that [plaintiff] *knew* its suit was baseless, many of its findings are compatible with and only with that view. The "should know" rubric obviously applies when a party attempts to escape the consequences of its conduct with the bare statement, "I didn't know." A party confronted with the difficulty of proving what is in an adversary's mind must be at liberty to prove facts establishing that the adversary should have known, i.e. to prove facts that render the "I didn't know" excuse unacceptable.

Eltech, 903 F.2d at 810 (emphasis original).

In this case, Lans's "I didn't know" excuse is undermined by his conduct surrounding the licensing agreement with IBM, his execution of the assignment to Uniboard, and his failure to indicate any doubts about that assignment until it threatened his litigation. With all that has been discussed, the Court finds this case to be exceptional. Therefore, the Court will not penalize the defendants by making them bear their reasonable attorneys fees for this frivolous and unjustified litigation. The Court shall entertain petitions from the defendants as to what might be an appropriate fee award.

B. Liability of Adduci

With regards to the Lans cases, defendants argue that Adduci acted as Lans's licensing counsel, and should have been aware of the assignment. Gateway's Lans Mot. at 9. Furthermore, Adduci argued that Lans was the licensor to IBM, when in fact the licensor was Uniboard. Gateway's Lans Mot. at 10. Even if this omission was unintentional, it was certainly within Adduci's ability to control by reviewing Uniboard's corporate records. Gateway's Lans Mot. at 11. Defendants argue that Adduci's failure to properly investigate prior to filing suit needlessly prolonged this litigation. Additionally, defendants allege that "Lans' counsel also refused to properly respond to a number of discovery requests that would have led much earlier to the discovery of the assignment to Uniboard." Gateway's Lans Mot. at 16. Finally, defendants argue that after discovering the assignment, Adduci failed to comply with additional discovery requests on the matter, claiming attorney-client privilege. Defendants argue that the privilege was waived once Adduci made the statement about Lans's failure to disclose information. Gateway's Lans Mot. at 17-18.

In response, Adduci argues that it was not Lans's licensing counsel for the deal with IBM.

As the Court found in its original memorandum, Lans had different counsel at the time. See Lans I, 84 F.Supp.2d at 120 (n.7). Considering this, Adduci argues that its claim that it had no knowledge of the assignment is credible, and there is no evidence of bad faith. With regards to discovery disputes, Adduci argued in court that these disputes were presently before the Court at the time the Lans cases were dismissed.⁶ Furthermore, Adduci argues that any of its conduct can hardly be said to have multiplied the proceedings, causing defendants to incur extra costs, since a motion to substitute Uniboard for Lans as the plaintiff was filed as soon as evidence of the assignment came to light.

Although the Court's first reaction is that Adduci should not be held liable for attorneys fees arising out of the Lans cases, the firm's conduct is troubling to the Court in several regards. First, the Court is concerned that Adduci failed to properly investigate ownership of the patent **prior** to filing the Lans cases. Second, the Court is concerned that Adduci did not adequately investigate the issue of a potential assignment when the issue was raised by the defendants. Third, while the Court recognizes that there were discovery disputes under consideration after the assignment became known, it took an order from this Court to force Lans and his counsel to make a clear statement as to the ownership of the patent. See Lans I, 84 F.Supp.2d at 114 (n.5). Fourth, Adduci filed a motion for reconsideration based on new evidence demonstrating that Lans owned the patent at the same time it was maintaining a suit on Uniboard's behalf. Surely representation of both Lans and Uniboard, when both were claiming ownership of the '986 patent, should have raised ethical

⁶ For example, when the Court granted Gateway's motion to dismiss, the Court also denied several discovery-related motions as moot, including defendant's Motion for Sanctions Against Plaintiff for Refusal to Comply with the Court's Joint Discovery Order [#51], defendant's Motion to Stay Certain Obligations under the Court's April 20, 1999 Order [#52], and plaintiff's Motion for Recommendation to Modify the Joint Discovery Order [#75].

considerations for the firm. However, despite these concerns, the Court is unable to conclude that Adduci's conduct was vexatious and unreasonable. For these reasons, the firm shall not be liable for attorneys fees arising out of the Lans cases.

C. Acer's separate motion for costs

Acer has filed a separate motion for costs under Fed. R. Civ. P. 11, 54(d); 28 U.S.C. §§ 1919, 1920; Local Civil Rule 54.1; and the Court's inherent authority.⁷ Rule 54(d)(1) provides that a prevailing party is entitled to costs as a matter of course, unless the Court otherwise directs. 28 U.S.C. § 1919 provides that when any matter is dismissed for want of jurisdiction, the court may award costs. Thus the Court must decide whether to use its discretion to award costs under Rule 54 and section 1919.

The Court begins by noting the costs that Acer is seeking reimbursement for. Acer asks for reimbursement of costs associated with "the general administration of the case, including telephone, facsimile, postage, messenger services, Federal Express, Express Mail, and copying charges," "costs associated with traveling, including airfare, hotel expenses, cab fare, mileage, parking and meals," "[c]onsultation fees with experts," and "[l]egal fees and expenses, including paralegal fees, document retrieval, file histories, and online research fees." Acer Motion for Costs at 7.

It should be noted that 29 U.S.C. § 1920, as well as Local Civil Rule 54.1, specifies which costs are taxable. Under section 1920, the only costs which are taxable include fees of the clerk and marshal, fees of the court reporter for transcripts necessarily obtained for use in the case, fees for

⁷ The Court declines at the start to award Acer costs as a sanction under Rule 11, which Acer claims is appropriate due to Lans's filing of an unwarranted patent complaint. The Court finds this argument somewhat redundant to the discussion of whether defendants are entitled to an award of attorneys fees from Lans. Since Acer only devotes a paragraph in its motion for costs to Rule 11, and declined to present oral arguments on the matter, the Court will deny costs on the basis of Rule 11.

printing and witnesses, fees for exemplification and copies of papers necessarily obtained for use in the case, docket fees, and compensation for court appointed experts and interpreters. Local Civil Rule 54.1 basically follows these parameters, with slight variations.

Under section 1920 and LCvR 54.1, it appears that many of the costs claimed by Acer are not taxable. There is no statutory authority for the Court to award Acer "legal expenses" and "costs of general administration." Neither section 1920 nor LCvR 54.1 contemplate an award of the everyday costs of engaging in litigation and maintaining a law practice. Furthermore, as for the expenses of document retrieval, Acer has not established what "exemplification" of the documents occurred, and that the documents that were exemplified were necessarily obtained for use in the case. For example, in its reply brief, Acer claims it is entitled to \$340.20 in "expenses incurred by [Acer] in preparing actual exhibits for various briefs filed with this Court." Acer Reply at 4. Acer then challenges Lans's assertion that Acer failed to establish these exhibits were necessarily obtained for use in the case by suggesting that he failed to read Acer's bill of costs. *Id.* The Court has reviewed Exhibits C and E of Acer's motion for costs, and also found it unclear which exhibits were necessarily obtained for use in the case, and which costs are associated with those exhibits. As such, the Court declines to award these copying fees. However, the Court agrees with Acer that it is entitled to general copying expenses of \$300. See LCvR 54.1(9). Acer has claimed \$77.40 for the court reporter's transcript of a hearing before the Court held on March 16, 1998. The Court shall award this cost under section 1920(2).

As for the travel-related expenses claimed by Acer, they do not appear to be related to the travel of witnesses. The Court examined Exhibit F of Acer's motion, and it appears that all the travel expenses claimed are for Roger Cook, Acer's attorney. Section 1920 and LCvR 54.1 clearly allow the taxation of the travel costs of *witnesses, not attorneys.*

Finally, Acer's claim for expert and interpreting services must also be denied. Not only does section 1920 limit costs to "court appointed experts," but LCvR 54.1 further limits those costs to the "fees of court-appointed experts, fees of interpreters used at a trial or hearing, and fees and expenses for special interpretation services under 28 U.S.C. § 1828." Acer has made no argument that the expert costs it seeks meet any of these qualifications. The expert was not court-appointed. Any interpretation services were not used at a trial or hearing.⁸ The special interpretation services provision does not apply to this case. For these reasons, the Court declines to award costs of consultation with experts.

Since most of the costs claimed by Acer are not taxable under section 1920 and LCvR 54.1, Acer is not entitled to an award of the fees claimed under section 1919 and Fed. R. Civ. P. 54(d), except for \$377.40 for general copying and reproduction of the court reporter's transcript.

III. Attorneys fees in Uniboard

A. Liability of Uniboard

Defendants argue that Uniboard should be held liable for fees because the filing of the Uniboard suit was frivolous. The Court dismissed the Uniboard cases for failure to state a claim. Since Uniboard failed to give the defendants notice of the alleged infringement before the expiration of the patent, there was no period during which damages were recoverable.

Defendants argue that the filing of this suit forced them to defend duplicative infringement suits on the same patent. Although the Lans cases were dismissed prior to the filing of Uniboard, Lans filed a motion for reconsideration based on new evidence that he really owned the patent. The Uniboard suit assumed that Uniboard owned the patent. Defendants argue that these contradicting

⁸ Although section 1920 provides for "compensation of interpreters," LCvR 54.1 clearly limits that to "interpreters used at a trial or hearing."

there was no impending time limitation forcing Uniboard to take action. The '986 patent had already expired. If Uniboard wanted to bring suit, and attempt to use Lans's previous notice as its own, it could have waited until after the Lans appeals were resolved. As the case was frivolous, the Court concludes that this case is exceptional, and an award of attorneys fees is justified. See Bayer, 738 F.2d at 1242; citing CTS Corp. v. Piher Int'l Corp., 727 F.2d 1550, 1558 (Fed. Cir. 1984); Oetiker v. Jurid Werke GmbH, 671 F.2d 596, 602 (D.C. Cir. 1982).⁹

The Court concludes that the Uniboard case was exceptional for the purposes of 35 U.S.C. § 285. As such, in its discretion, the Court awards the defendants reasonable attorneys fees. The Court shall entertain petitions from the defendants as to what might be an appropriate fee award.

B. Liability of Adduci

Defendants' basic argument as to why Adduci should be held liable for fees in the Uniboard litigation is that the attorneys should have known the claim was frivolous. Defendants apply the same arguments as for Uniboard's liability - namely that Adduci ignored the clear provisions of the patent notice statute and sued for infringement of the patent after its period of exclusivity expired.

Adduci responds that it did nothing which multiplied the proceedings. Adduci argues that it filed what it deemed an appropriate suit, given the Court's holding that only Uniboard could sue to recover on the patent, and its argument that Lans's notice would satisfy the notice requirements. Furthermore, Adduci claims that defendants have failed to demonstrate any vexatious or

⁹ Furthermore, the Court considers that Lans, the self-proclaimed sole stockholder and officer of Uniboard, also presented evidence that he owned the patent in a motion for reconsideration of the dismissal of the Lans cases. Uniboard's awareness of other evidence which cast doubt on its ownership of the patent, especially in light of the entire history of the Lans/Uniboard litigation, further makes the Uniboard case exceptional.

unreasonable conduct on the part of Adduci which prolonged the proceedings. Indeed, the Court was able to take up the motion to dismiss in a timely fashion.

The Court recognizes that the conduct must be vexatious or unreasonable in order to justify the imposition of fees. In this case, Adduci engaged in conduct which the Court finds disturbing. For example, Adduci presented this Court with two, mutually exclusive, theories as to the true ownership of the '986 patent. As has already been discussed, on November 29, 1999, Adduci filed the Uniboard suit, claiming that Uniboard was the owner of the patent. Less than two months later, on January 24, 1999, Adduci filed a motion for reconsideration in the Lans cases based on new evidence establishing Lans's ownership of the patent. Given the Court's previous holding that only the actual owner could sue for infringement, Adduci knew that maintaining both of these theories of ownership was untenable. The Court agrees with defendants that once Adduci put forth the new evidence in the Lans cases, it was under an obligation to withdraw the Uniboard case. By maintaining both the Lans motions for reconsideration and the Uniboard case, Adduci put defendants in the situation of having to defend duplicative litigation. The Court is not unaware that Uniboard, through Adduci, filed a motion to stay proceedings in Uniboard pending this Court's decision on the motions for reconsideration. However, defendants argue that this should not be considered an attempt to cure the situation, since the only matter pending in Uniboard was the motion to dismiss. Judge Jackson had previously extended to time for the parties to meet and confer.

As the defendants point out, the Court granted the motion to dismiss for failure to state a claim, which brings the Court to the issue of whether Adduci knew that Uniboard had no claim for infringement. Adduci argues, as did Uniboard, that this Court previously held that Uniboard was free to bring an "appropriate suit against any parties it believes violated the '986 patent." Lans I, 84 F.Supp.2d at 117. Of course, this was not meant to give Uniboard *carte blanche* to file any suit it

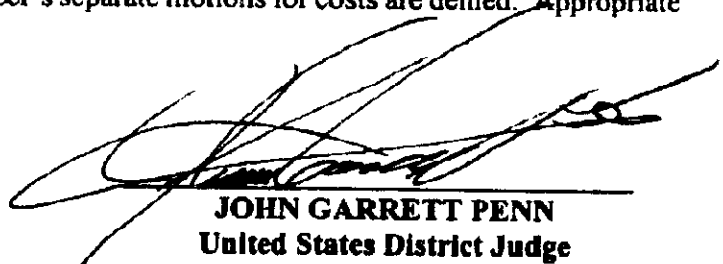
chose, the ability to file suit was specifically limited to those suits that were "appropriate." Since Adduci was aware that the '986 patent had expired when it filed the Uniboard suit, defendants argue that Adduci knew or should have known that the Uniboard suit was frivolous, and not appropriate. Adduci argues that its suit was not frivolous because it challenged the scope of the patent marking statute so that Lans's previous notices could be attributed to Uniboard.

All this having been said, the Court is not able to conclude that Adduci's conduct with regards to the Uniboard case was so vexatious and unreasonable as to justify an award of attorneys fees. While the attorneys appeared to be arguing two contradictory theories of patent ownership by proceeding simultaneously with Lans's motions for reconsideration and the Uniboard suit, they did ask the Court to stay proceedings in Uniboard pending resolution of Lans's reconsideration request. Furthermore, the Court is unable to conclude that the theory of attributing Lans's notice to Uniboard was so unreasonable as to justify an award of attorneys fees. Even the Federal Circuit concluded "the present case present[ed] a ... difficult question." Lans III, 252 F.3d at 1327. In short, the defendants have failed to convince the Court by clear and convincing evidence that Adduci engaged in vexatious and unreasonable conduct that multiplied the proceedings with regards to the Uniboard case. Therefore, the motion to hold the attorneys liable for fees arising out of the Uniboard case must be denied.

CONCLUSION

For the reasons in this memorandum, the motions for attorneys fees are granted as to Lans and Uniboard, and denied as to Adduci. Acer's separate motions for costs are denied. Appropriate orders accompany this memorandum.

Date: **SFP 6 2001**



JOHN GARRETT PENN
United States District Judge