IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

INTELLECTUAL VENTURES I LLC, *et al.*,	*	
Plaintiffs/Counter-Defendants,	*	**Case No. DLB-14-111**
v.	*	
CAPITAL ONE FINANCIAL CORP., *et al.*,	*	
Defendants/Counterclaimants/ Third-Party Plaintiffs,	*	
v.	*	
INTELLECTUAL VENTURES MANAGEMENT, LLC, *et al.*,	*	
Third-Party Defendants/ Joined Counter-Defendants.	*	

MEMORANDUM OPINION AND ORDER

This end-of-litigation dispute requires the Court to determine which among the plaintiffs, the defendants, and the third-party defendants—each of which prevailed on claims—is "the prevailing party" for purposes of awarding litigation costs under Rule 54(d) of the Federal Rules of Civil Procedure. For the reasons stated below, the Court finds the defendants are "the prevailing party." The Clerk's order taxing costs, ECF 722, is affirmed, and the plaintiffs and the third-party defendants' joint request for $289,006.39 in costs incurred in the district court is denied.

I. Procedural History

A. The Claims

This case began in 2014 when the plaintiffs Intellectual Ventures I, LLC and Intellectual Ventures II, LLC (together, "IV") filed a patent infringement action against Capital One Financial

Corporation and related entities (collectively, "Capital One"). IV alleged that Capital One's banking practices infringed five patents in IV's extensive patent portfolio. After IV voluntarily dismissed one of its patent infringement claims, four remained. Before IV filed this lawsuit, IV had filed a nearly identical lawsuit against Capital One in the Eastern District of Virginia asserting infringement claims based on five other patents. *Intell. Ventures I LLC v. Capital One Fin. Corp.*, No. 1:13-cv-00740 (AJT/TCB) (E.D. Va.).[1]

Here and in Virginia, Capital One filed antitrust counterclaims against IV and a third-party complaint against three IV-related entities, Intellectual Ventures Management, LLC, Invention Investment Fund I, L.P., and Invention Investment Fund II, LLC ("IV third-party defendants") (collectively with IV, "the IV companies"), for monopolization and attempted monopolization in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2, and unlawful asset acquisition in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18. Capital One claimed that the IV companies are "patent trolls"—companies that acquire patents that are not used to protect an invention but to obtain a license fee from, or judgment against, an alleged patent infringer. Capital One asserted that IV's business practice was to acquire thousands of patents that purportedly deal with

[1] In that case, IV voluntarily dismissed its claims under two patents with prejudice, conceding as to one patent that "proving Defendants' liability [would be] problematic." *Intell. Ventures I LLC v. Cap. One Fin. Corp.*, No. 1:13CV0740 (AJT/TCB), 2015 WL 7283108, at *1–2 (E.D. Va. Nov. 17, 2015). The parties stipulated to non-infringement of a third patent, and the court dismissed the plaintiffs' claims under that patent and entered a judgment of non-infringement in Capital One's favor. *Intell. Ventures I LLC v. Cap. One Bank (USA)*, 792 F.3d 1363, 1365 (Fed. Cir. 2015). As for infringement claims based on the last two patents, the parties stipulated to the dismissal with prejudice of some of them and the dismissal without prejudice of Capital One's non-infringement and invalidity counterclaims. *Intell. Ventures I*, 2015 WL 7283108, at *1–2. The court entered judgment in Capital One's favor on the remaining infringement claims because the asserted claims of the two patents at issue were invalid. *Intell. Ventures I*, 792 F.3d at 1365–66. The Federal Circuit affirmed the judgments in Capital One's favor. *Id.*

technology essential to the commercial banking industry (such as ATMs, mobile banking, and credit card transactions). Armed with this extensive patent portfolio, IV then made "offers" for banks to license its entire portfolio for a period of years at extremely high prices. Capital One alleged that when banks would ask IV for details about the patents covered in the portfolio to determine whether their services infringe them, IV refused to disclose information that would allow banks to make an intelligent decision about whether they should agree to the license. If the banks did not agree to license the portfolio at IV's offering price, IV then threatened to file a patent infringement claim against the bank based on a handful of patents. According to Capital One, IV informs banks that if IV loses the patent infringement case, it will file another case based on a different set of its patents, until the prospect of endless high-cost litigation forces the bank to capitulate and to license the entire portfolio. Capital One alleged that the IV companies pursued this approach with it, first offering to license their patent portfolio, then filing the patent infringement action in the Eastern District of Virginia, and then filing this action.[2]

B. Disposition of the Patent Infringement Claims

Capital One defended the patent infringement claims on the ground that the patents were invalid. The parties engaged in extensive discovery and agreed to refer the matter to a Special Master experienced in patent law. The Special Master oversaw discovery, and after the parties extensively briefed the patent infringement claims, he issued two reports and recommendations, in which he ruled in favor of IV with respect to the '081 and '002 patents and in favor of Capital One with respect to the '409 and '084 patents. Both parties challenged the Special Master's rulings adverse to them, and further briefing ensued. The Court ultimately overruled the

[2] This summary of Capital One's allegations is taken largely from the Court's opinion on the antitrust claims, *Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 280 F. Supp. 3d 691, 696–97 (D. Md. 2017).

Special Master with respect to the '081 and '002 patents and found that they were invalid under 35 U.S.C. § 101. The Court further ruled that IV was collaterally estopped from bringing the infringement claims regarding the '409 and '084 patents because the United States District Court for the Southern District of New York, in *Intellectual Ventures v. JPMC*, Case No. 13-3777-AKH, 2015 WL 1941331 (S.D.N.Y. Apr. 28, 2015), previously concluded those patents, too, were invalid under 35 U.S.C. § 101. Without any valid patents, IV's infringement claims against Capital One failed as a matter of law. The Court entered summary judgment in Capital One's favor on all of IV's claims. *Intell. Ventures I LLC v. Capital One Fin. Corp.*, No. PWG-14-111, 2015 WL 5201356 (D. Md. Sept. 4, 2015). The Federal Circuit affirmed. *Intell. Ventures I LLC v. Capital One Fin. Corp.*, 850 F.3d 1332 (Fed. Cir. 2017).

C. Disposition of the Antitrust Claims

IV defended Capital One's antitrust claims on the ground that it legitimately purchases valid and enforceable patents and then offers to license its patent portfolio to banks, beginning with an opening offer and expecting the bank to counteroffer and the parties eventually to agree on a licensing fee. When Capital One and IV did not come to an agreement, IV filed suit against the bank, which IV characterizes as an "efficient infringer"—an entity that engages in its business without regard for whether it infringes on patents held by others, knowing that a patent infringement case is expensive and many patent holders do not have the resources to protect their rights. The IV companies unsuccessfully opposed Capital One's motion for leave to amend to add

the counterclaims and unsuccessfully twice moved to dismiss the counterclaims and the third-party complaint for failure to state a claim.[3]

After another round of extensive discovery and the appointment of a technical advisor, the Court granted summary judgment in favor of the IV companies on the antitrust claims. The Court found that the IV companies were immune from antitrust liability by the *Noerr–Pennington* doctrine, which protects private parties from antitrust liability based on unsuccessful litigation attempts to enforce laws with potentially anti-competitive effects. The Court also found that Capital One was collaterally estopped from asserting the antitrust claims because the Virginia court previously dismissed Capital One's identical antitrust claims for failure to adequately allege a relevant market. This Court found that the definition of the alleged market in the Virginia case was materially the same as the market alleged in this case. Capital One, therefore, was collaterally estopped from asserting antitrust claims against IV based on the market definition the Virginia court found legally inadequate. *Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 280 F. Supp. 3d 691, 696–97 (D. Md. 2017). The Federal Circuit affirmed on collateral estoppel grounds. *Intell. Ventures I LLC v. Capital One Fin. Corp.*, 937 F.3d 1359, 1378 (Fed. Cir. 2019).

The IV companies filed a bill of costs seeking $289,006.39 in costs incurred in defending the antitrust claims and $266.33 in appellate costs. ECF 711. The Clerk concluded that Capital One was the "prevailing party," denied the IV companies' request for $289,006.39 in costs, and

[3] The IV companies' efforts in Virginia to dismiss Capital One's antitrust counterclaims on a Rule 12(b)(6) motion were successful. The Virginia court dismissed the antitrust counterclaims because Capital One did not allege a relevant market. *Intell. Ventures I LLC v. Cap. One Fin. Corp.*, No. 1:13-CV-00740 AJT, 2013 WL 6682981, at *1 (E.D. Va. Dec. 18, 2013). The legally insufficient market for antitrust purposes consisted "of the '3,500 or more patents that [the IV companies] allege[] cover widely used financial and retail banking services in the United States.'" *Intell. Ventures I LLC v. Capital One Fin. Corp.*, 937 F.3d 1359, 1378 (Fed. Cir. 2019) (discussing *Intell. Ventures I*, 2013 WL 6682981).

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