

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

OPTOLUM, INC.)
)
 Plaintiff,)
)
 v.) 1:17CV687
)
 CREE, INC.,)
)
 Defendant.)

MEMORANDUM OPINION AND ORDER

OSTEEN, JR., District Judge

Before this court is a Motion for Attorneys' Fees filed by Defendant Cree, Inc. (Doc. 368.) For the reasons that follow, this court will deny Defendant's motion.

I. BACKGROUND

After a jury returned a verdict in favor of Defendant, (see Docs. 342, 367), Defendant moved for attorneys' fees, (Doc. 368), and filed a brief in support, (Def.'s Br. in Supp. of its Mot. for Attorneys' Fees ("Def.'s Br.") (Doc. 369)). Plaintiff OptoLum, Inc. responded in opposition, (Pl.'s Opp'n to Def.'s Mot. for Attorneys' Fees ("Pl.'s Br.") (Doc. 373)), and Defendant replied, (Doc. 374).

Defendant argues that this is an exceptional case warranting attorneys' fees because Plaintiff "pursued legal

theories regarding brand value and willfulness having no basis in law or fact.” (Def.’s Br. (Doc. 369) at 3.)

II. STANDARD OF REVIEW

Under the Patent Act, “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. “[A]n ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating positions (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545, 554 (2014). The Supreme Court in Octane Fitness overruled the Federal Circuit’s previous test for when to award attorneys’ fees, which required finding “that the litigation was both ‘brought in subjective bad faith’ and ‘objectively baseless’” because that test was “overly rigid.” Id. (quoting Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005)). The Octane Fitness court explained that “a case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award.” Id. at 555 (emphasis added).

“[A] ‘nonexclusive list’ of ‘factors’” a court could consider in determining whether to award fees “includ[es]

'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." Id. at 554 n.6 (quoting Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 n.19 (1994)). "There is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised in light of the considerations . . . identified." Fogerty, 510 U.S. at 534 (internal quotation marks omitted) (quoting Hensley v. Eckerhart, 461 U.S. 424, 436-37 (1983)). The prevailing party must establish entitlement to attorneys' fees by a preponderance of the evidence. Octane Fitness, 572 U.S. at 557-58.

III. ANALYSIS

Neither party disputes that Defendant is the prevailing party in this case. (Compare Def.'s Br. (Doc. 369) at 15, with Pl.'s Br. (Doc. 373) at 1.) What the parties do dispute is whether this is an "exceptional case[]" such that this court should award Defendant "reasonable attorney fees." § 285.

"[A] central aim of § 285 . . . is to prevent an alleged infringer from suffering a 'gross injustice.'" Kilopass Tech., Inc. v. Sidense Corp., 738 F.3d 1302, 1313 (Fed. Cir. 2013). The aim is not to punish a plaintiff for bringing claims, but "to

compensate a defendant for attorneys' fees it should not have been forced to incur." Id.

Defendant argues Plaintiff asserted objectively unreasonable theories related to brand value and willfulness. (Def.'s Br. (Doc. 369) at 16.) Regarding brand value, Defendant argues Plaintiff's brand value allegations "were based on . . . assertions that Cree misled consumers and thus misappropriated reputation or brand value that otherwise belonged to OptoLum," and "[t]hose claims were dismissed as a matter of law." (Id.) Essentially, Defendant argues Plaintiff's brand value allegations were tied to Plaintiff's Lanham Act and unjust enrichment claims which were dismissed at the motion to dismiss stage, so Plaintiff should not have continued to pursue damages for brand value after those claims were dismissed. (Id. at 5.) Defendant points to this court striking portions of Plaintiff's expert report concerning an additional five percent royalty for brand value as further evidence of the unreasonableness of Plaintiff's claim. (Id. at 6-9.) Regarding willfulness, Defendant argues Plaintiff unreasonably maintained its willful infringement claim "[d]espite lacking any basis to support willful infringement." (Id. at 18.) According to Defendant, because the only evidence offered that could potentially suggest willful infringement was testimony that the inventor of

Plaintiff's asserted patents may have mentioned he had a patent to one of Cree's founders, it was unreasonable for Plaintiff to pursue a willful infringement claim. (Id. at 12.)

Plaintiff, on the other hand, contends its introduction of brand value evidence and willfulness evidence was not unreasonable. (Pl.'s Br. (Doc. 373) at 10-14.) Regarding brand value, Plaintiff argues that the Lanham Act and unjust enrichment claims were related to allegations of "false statements in Cree's advertising campaigns," whereas the "evidence concerning Cree's desire to use the accused products to build its brand and the effect of that strategy on Cree's state of mind" were related to the hypothetical negotiation analysis conducted to determine a reasonable royalty. (Id. at 10-11.) Regarding willfulness, Plaintiff argues the fact that Defendant did not move to dismiss or for summary judgment on Plaintiff's willful infringement claim supports Plaintiff's argument that its claim was not unreasonable. (Id. at 13.)

A. Brand Value

Plaintiff's First Amended Complaint brought a claim for a violation of Section 43(a) of the Lanham Act for false advertising and an unjust enrichment claim. (Compl. (Doc. 32) ¶¶ 171-97.) Those claims were dismissed at the motion to dismiss stage. (Doc. 49 at 9, 13.) Plaintiff maintained, including

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