

1 JAMES C. OTTESON, State Bar No. 157781
jim@agilityiplaw.com
 2 THOMAS T. CARMACK, State Bar No. 229324
tom@agilityiplaw.com
 3 PHILIP W. MARSH, State Bar No. 276383
phil@agilityiplaw.com
 4 DAVID L. LANSKY, STATE BAR NO. 199952
DLansky@AgilityIPLaw.com
 5 AGILITY IP LAW, LLP
 149 Commonwealth Drive
 6 Menlo Park, CA 94025
 Telephone: (650) 227-4800
 7 Facsimile: (650) 318-3483

8 Attorneys for Defendants
 TECHNOLOGY PROPERTIES LIMITED and
 9 ALLIACENSE LIMITED

10 CHARLES T. HOGE, State Bar No. 110696
choge@knlh.com
 11 KIRBY NOONAN LANCE & HOGE
 35 Tenth Avenue
 12 San Diego, CA 92101
 Telephone: (619) 231-8666
 13 Facsimile: (619) 231-9593
 Attorneys for Defendant
 14 PATRIOT SCIENTIFIC CORPORATION

15 UNITED STATES DISTRICT COURT
 16 NORTHERN DISTRICT OF CALIFORNIA
 17 SAN JOSE DIVISION

19 HTC CORPORATION, HTC AMERICA,
 20 INC.,

21 Plaintiffs,

22 v.

23 TECHNOLOGY PROPERTIES
 24 LIMITED, PATRIOT SCIENTIFIC
 CORPORATION, and ALLIACENSE
 25 LIMITED,

26 Defendants.

Case No. 5:08-cv-00882 PSG

**DEFENDANTS' OPPOSITION TO HTC'S
 MOTION TO FIND PLAINTIFFS AS
 PREVAILING PARTIES AND TO TAX
 COSTS AGAINST DEFENDANTS**

Complaint Filed: February 8, 2008
 Trial Date: September 23, 2013

Date: March 18, 2014
 Time: 10:00 a.m.
 Place: Courtroom 5, 4th Floor
 Judge: Hon. Paul S. Grewal

INTRODUCTION

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2 Following a unanimous jury verdict against plaintiffs HTC Corporation and HTC America,
3 Inc. (collectively, “HTC”), awarding defendants Technology Properties Ltd., Alliacense Ltd.,
4 (collectively, “TPL”) and Patriot Scientific Corporation (collectively, “Defendants”) nearly \$1
5 million in damages for patent infringement by HTC, the Court entered final judgment in favor of
6 TPL. *See* Dkt. No. 655. HTC, however, now claims that *it* is really the prevailing party in this
7 litigation. It is not.

8 HTC argues that the parties’ streamlining of the litigation by voluntarily dismissing their
9 claims relating to certain patents somehow equates to an “adjudication of the merits” in favor of
10 HTC. But HTC, the plaintiff in this action, never got the declaratory relief it sought: a finding that
11 the patents were invalid and that HTC’s products did not infringe them. The Court never reached
12 the merits of those the claims and, while HTC did get *partial* summary judgment as to U.S. Patent
13 No. 5,530,890 (the “’890 patent”), it did not get its sought-after findings of non-infringement or
14 invalidity. The parties voluntarily dismissed the remaining claims regarding the ’890 patent and,
15 as the Court has already recognized, the resolution cannot be characterized as a complete victory
16 for HTC. Dkt. No. 708 at 2. Accordingly, HTC is not the prevailing party as to any claims and its
17 motion should thus be denied.

BACKGROUND

18
19 HTC initiated this litigation in 2008, seeking a declaratory judgment that it did not infringe
20 any valid and enforceable claims of four patents: U.S. Patent Nos. 5,784,584 (the “’584 patent”),
21 5,440,749 (the “’749 patent”), 6,598,148 (the “’148 patent”), and 5,809,336 (the “’336 patent”).
22 Dkt. No. 1. HTC amended its complaint in July 2008 to include the ’890 patent. Dkt. No. 34.

23 TPL answered HTC’s complaint and asserted counter-claims against HTC alleging
24 infringement and seeking injunctive relief as to all but the ’584 patent. Dkt. No. 60. In March
25 2010, TPL provided HTC with a covenant-not-to-sue on the ’584 patent and the parties stipulated
26 to dismissal of all claims relating to that patent. Dkt. Nos. 151, 152. Because the only claims in
27 this litigation relating to the ’584 patent were HTC’s claims (TPL did not assert counter-claims

1 regarding the '584 patent), the claims were dismissed for lack of subject matter jurisdiction. *Id.*
2 The merits of HTC's claims were not addressed. *Id.*

3 The number of patents at issue in the litigation again decreased in July 2013, when the
4 parties stipulated to dismiss all claims and counterclaims based on the '749 and '148 patents. Dkt.
5 Nos. 461, 462. The parties further agreed that, while HTC could still be sued on the '749 and '148
6 patents, none of the products at issue in this case would be accused. *Id.* The merits of the parties'
7 claims based on the '749 and '148 patents were not addressed.

8 On September 17, 2013, the Court granted HTC's motion for partial summary judgment
9 with respect to the '890 patent, holding that Defendants could not recover for any alleged
10 infringement of the '890 patent prior to the issuance of its reexamination certificate in March,
11 2011. Dkt. No. 585 (the "Partial Summary Judgment Order"). The Partial Summary Judgment
12 Order was just that – it only *partially* disposed of the claims relating to the '890 patent. *Id.* The
13 Partial Summary Judgment Order did not preclude a finding of infringement of the '890 patent
14 after March 2011, and HTC did not obtain the complete relief sought in its declaratory judgment
15 Complaint: an order declaring that HTC did not infringe any claims of the '890 patent. *Id.* Nor
16 did HTC obtain a ruling that the '890 patent was invalid. *Id.* Likewise, the Partial Summary
17 Judgment Order did not dispose of Defendants' counterclaims seeking an injunction prohibiting
18 HTC from engaging in further acts infringing the '890 patent. *Id.* But, because no potential
19 damages were associated with infringement of the '890 patent subsequent to the March 2011
20 reexamination certificate, the parties agreed to dismiss their claims and counterclaims relating to
21 the '890 patent. Dkt. No. 594.

22 Accordingly, at the time of trial, the only remaining patent was the '336 patent, which was
23 described at trial as being the most valuable patent in the MMP portfolio. *See* Trial Tr. at 588:2-5.
24 *See also id.* at 922:25-923:14 ('336 patent was critical patent in the MMP portfolio; was lead
25 patent in licensing negotiations); Trial Tr. at 924:15-24, 1234:4-10 (dropping the '890 patent only
26 reduced damage estimates by 5%).

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1 On October 3, 2013, following a unanimous jury verdict finding that HTC's products
2 infringed the '336 patent and awarding Defendants nearly \$1 million in damages, the Court
3 entered final judgment in Defendants' favor. *See* Dkt. No. 655. The Court subsequently modified
4 the judgment to include language from the parties' stipulation dismissing the '890 patent but
5 refused to include language indicating that the judgment was in HTC's favor. Dkt. Nos. 708, 709.

6 LEGAL STANDARD

7 A prevailing party is defined as a party in whose favor a judgment is rendered and some
8 form of relief is granted. *Buckhannon Bd. & Care Home, Inc. v. West Virginia Dept. of Health &*
9 *Human Res.*, 532 U.S. 598, 603, 121 S. Ct. 1835, 149 L.Ed.2d 855 (2001). A party may be
10 considered a prevailing party when there "is a court-ordered change in the legal relationship
11 between the plaintiff and the defendant", such as a settlement agreement enforced through a
12 consent decree. *Id.* at 604 (internal quotation omitted). However, "[a] defendant's voluntary
13 change in conduct, although perhaps accomplishing what the plaintiff sought to achieve by the
14 lawsuit, lacks the necessary judicial *imprimatur* on the change." *Id.* at 605. In *Buckhannon*, the
15 Supreme Court rejected an interpretation of the term "prevailing party" that would authorize
16 "federal courts to award attorney's fees to a plaintiff who, by simply filing a nonfrivolous but
17 nonetheless potentially meritless lawsuit (it will never be determined), has reached the 'sought-
18 after destination' without obtaining any judicial relief." *Id.* at 606.

19 ARGUMENT

20 HTC is not the prevailing party here. Just as HTC's agreement to dismiss its claims
21 against Defendants does not render Defendants prevailing parties, Defendants' voluntary dismissal
22 of their counterclaims does not render HTC the prevailing party. Defendants' agreement not to
23 reinstate their claims against HTC does not change the analysis. *Buckhannon Bd. & Care Home,*
24 *Inc.*, 532 U.S. at 604-5.

25 Indeed, courts routinely hold that a voluntary dismissal coupled with a covenant not to sue
26 does not confer prevailing party status. For example, in *In re Columbia University Patent*
27 *Litigation*, 343 F. Supp. 2d 35, 49 (D. Mass. 2004), the court held that a patentee's issuance of
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1 covenant not to sue in response to an action for a declaration of a patent's invalidity and/or
2 unenforceability did not constitute relief from the court on the merits of the declaratory plaintiffs'
3 claims and thus did not qualify them as prevailing parties for the purpose of obtaining an award of
4 attorney fees. It reasoned:

5 While Columbia's covenant not to sue is a form of voluntary conduct that accomplishes
6 the major part of what the plaintiffs sought to achieve in these lawsuits, they have received
7 no relief from the court on the merits of their claims. They are, therefore, not prevailing
8 parties for the purposes of § 285.

9 *Id. See, also, U.S. Rubber Recycling, Inc. v. Encore Int'l, Inc.*, No. CV 09-09516 SJO (OPx),
10 2011 WL 311014, at *7 n.5 (C.D. Cal. Jan. 7, 2011) ("Defendant's voluntary covenants not to sue
11 do not have the necessary judicial sanctioned imprimatur for Plaintiff to be a 'prevailing' party for
12 the infringement claim.").

13 In *Siskiyou Regional Educ. Project v. U.S. Forest Serv.*, No. 98-3094-CO, 2004 WL
14 2110695, at *1 (D. Or. Sept. 22, 2004), the parties entered into a stipulation to voluntarily dismiss
15 the action with prejudice and to require the defendant to comply with the provisions of the
16 National Environmental Policy Act. *Id.* The court held that "[t]his is not an enforceable judgment
17 on the merits or a settlement agreement enforceable through a court-ordered consent decree, and it
18 does not change the legal relationship of the parties. Therefore, plaintiffs are not the 'prevailing
19 parties.'" *Id.* (citing cases).

20 Similarly, in *Jacobsen v. Katzer*, 609 F. Supp. 2d 925, 931 (N.D. Cal. 2009), the
21 defendants voluntarily disclaimed the patents at issue. Plaintiff argued that he was the prevailing
22 party because the disclaimer was purportedly the result of the settlement conference magistrate
23 judge's order requiring the parties to proffer their positions on the patent, but the court disagreed,
24 noting that the defendants were never ordered to disclaim the patents, but rather did so voluntarily.
25 *Id.* Accordingly, "[b]ecause, as the patent at issue was voluntarily disclaimed, the Court cannot
26 find that Jacobsen is the prevailing party in this matter." *Id. See, also, Perez-Arellano v. Smith*,
27 279 F.3d 791, 795 (9th Cir. 2002) (plaintiff not prevailing party following voluntary dismissal
28 despite obtaining goal of lawsuit, where result was not compelled by court and no enforceable

1 judgment on merits or settlement agreement); *King Pharms., Inc. v. Eon Labs, Inc.*, No. 04–CV–
2 5540 (DGT), 2010 WL 3924685, at *5 (E.D. N.Y. Sept. 28, 2010) (voluntary mooted of claim by
3 one party insufficient to qualify other party as prevailing party).

4 HTC’s argument is especially deficient with respect to the ’584 patent, which was never
5 covered by Defendants’ claims in this litigation and was subsequently dismissed for lack of
6 subject matter jurisdiction. Dkt. Nos. 151, 152. “[I]n the Ninth Circuit, dismissals for lack of
7 subject matter jurisdiction do not create prevailing parties.” *Lang v. Morris*, No. C–11–1366
8 EMC, 2011 WL 6055513, at *2 (N.D. Cal. Dec. 6, 2011). See *Elwood v. Drescher*, 456 F.3d 943,
9 948 (9th Cir. 2006) (“Where a claim is dismissed for lack of subject matter jurisdiction, the
10 defendant is not a prevailing party.”); *Branson v. Nott*, 62 F.3d 287, 293 (9th Cir. 1995) (“Where,
11 as here, dismissal is mandated by a lack of subject matter jurisdiction, a defendant is not a
12 ‘prevailing’ party).¹

13 Nor does the court’s grant of partial summary judgment on the ’890 patent, followed by a
14 voluntary dismissal of the remaining claims relating to that patent, entitle HTC to prevailing party
15 status. HTC’s emphasis of the word “prevailed” in a quote from the Court’s Order modifying the
16 judgment (Dkt. No. 708) does not support its claim that HTC “prevailed on this patent.” Motion
17 at 4. Defendants would emphasize the language of that quote differently: “HTC prevailed on its
18 *motion* for *partial* summary judgment [Dkt. No. 585] and was able to avoid a *portion* of TPL’s
19 infringement claims and the potential for money damages.” Dkt. No. 708 (emphasis added). In
20 other words, HTC prevailed on its *motion*, not on the entire claim, because summary judgment
21 was only *partial*, allowing HTC to avoid only a *portion* of the claims pending against it. *Id.*
22 Moreover, had HTC gone on to quote the rest of that paragraph, the Court would be reminded that
23 if the claim had proceeded to trial, broader relief to HTC was available. In particular, HTC
24 may have invalidated the patent altogether. Under such circumstances, language

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26 ¹ See, also *Keene Corp. v. Cass*, 908 F.2d 293, 298 (8th Cir. 1990) (“Where a
27 complaint has been dismissed for lack of subject matter jurisdiction, the ‘defendant has not
28 “prevailed” over the plaintiff on any issue central to the merits of the litigation.”) (citation
omitted).

1 characterizing the dismissal of the '890 patent as a complete victory in favor of HTC is not warranted.

2 *Id.* The Court got it right: it is unwarranted to characterize the dismissal of the '890 patent as a
3 complete victory in favor of HTC. *Id.* It was unwarranted then, and it is unwarranted now. The
4 parties each agreed to voluntarily dismiss their claims relating to all but the '336 patent, and no
5 party should be considered a prevailing party with respect to those voluntarily dismissed patents.

6 **CONCLUSION**

7 For the foregoing reasons, HTC is not a prevailing party and its motion should be denied.

8 Dated: February 18, 2014

9 AGILITY IP LAW, LLP

10 By: /s/ David L. Lansky
11 James C. Otteson, State Bar No. 157781
jim@agilityiplaw.com
12 Thomas T. Carmack, State Bar No. 229324
tom@agilityiplaw.com
13 Philip W. Marsh, State Bar No. 276383
phil@agilityiplaw.com
14 David L. Lansky, State Bar No. 199952
DLansky@AgilityIPLaw.com

15 Attorneys for Defendants
16 TECHNOLOGY PROPERTIES LIMITED
and ALLIACENSE LIMITED

17 KIRBY NOONAN LANCE & HOGE

18
19 By: /s/ Charles T. Hoge
Charles T. Hoge

20 Attorneys for Defendant
21 PATRIOT SCIENTIFIC CORPORATION
22
23
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25
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