

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

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COLOR KINETICS, INC.)	
Plaintiff,)	
)	
v.)	02-CV-11137-MEL
)	
SUPER VISION INTERNATIONAL,)	
INC.)	
Defendants.)	
)	
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MEMORANDUM AND ORDER

LASKER, D. J.

Color Kinetics, Inc. ("Color Kinetics"), which was granted summary judgment on August 22, 2005 against Super Vision International, Inc. ("Super Vision") in this case involving issues of infringement, patent validity, and inequitable conduct, moves for attorneys' fees under 35 U.S.C. §285, which provides:

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Color Kinetics moves for attorneys' fees on the unusual condition that it waive its claims as to damages and willful infringement.

I. Background

In June 2002, Color Kinetics requested product samples from Super Vision to determine whether Super Vision's products infringed Color Kinetics' patents. In response, Super Vision brought a declaratory judgment action, as well as "bad-mouthing"

claims, in the U.S. District Court for the Middle District of Florida. Color Kinetics then brought the current action in Massachusetts in June 2002 after obtaining samples independently. After a three year discovery period, which included an exceptional number of motions to compel and motions for sanctions, summary judgment was granted in favor of Color Kinetics based on findings that: (1) the patents-in-suit were valid; (2) the accused products infringed upon the five patents-in-suit; and (3) Color Kinetics did not engage in inequitable conduct before the U.S. Patent and Trademark Office.

II. 35 U.S.C. §285

In determining whether a case is "exceptional" under 35 U.S.C. §285 so as to justify an award of attorneys' fees, the decisive factors are: (1) whether there is clear and convincing evidence that the case was "exceptional;" and (2) if so, whether an award of attorneys' fees is warranted. Evident Corp. v. Church & Dwight Co., 399 F.3d 1310, 1315 (Fed. Cir. 2005). The trial court, as a witness to the litigation, is in the best position to make findings of fact as to whether the case is "exceptional." Rolls-Royce, Ltd. v. GTE Valeron Corp., 800 F.2d 1101, 1110-11 (Fed. Cir. 1986) (finding that the district court is "in the best position to view and adjudge the conduct of the parties, and the most injured by misconduct at the pretrial and trial stages"); Evident Corp., 399 F.3d at 1315 ("The decision to

award attorney fees is one committed to the discretion of the trial court.").

Conduct that may constitute the basis for a finding that a case is "exceptional" includes willful infringement, misconduct during the litigation, vexatious or unjustified litigation, and frivolousness. Beckman Instruments, Inc. v. LKB Produkter AB, et al., 892 F.2d 1547, 1551 (Fed. Cir. 1989); Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005) (finding that an "exceptional" characterization can be based on "misconduct during litigation, vexatious or unjustified litigation...or like infractions"); Haynes Int'l, Inc. v. Jessop Steel Co., 8 F.3d 1573, 1579 (Fed. Cir. 1993) (making a claim which the patentee knew, or should have known, was baseless is frivolous litigation); Aptix Corp. v. Quickturn Design Sys., Inc., 269 F.3d 1369, 1375 (Fed. Cir. 2001) (finding the case to be "exceptional" based on bad faith, fraud, or misconduct in litigation).

III. Super Vision's "Exceptional" Behavior

The list of Super Vision's misconduct described below clearly fulfills the requirements for a finding that this case is "exceptional" within the meaning of the statute. This memorandum deals with the most egregious instances of such behavior.

Litigation as to Venue

Super Vision repeatedly litigated the settled issue of

venue in this case despite determinations in both Massachusetts and Florida that venue in Massachusetts was proper. After the September 2002 decision by this Court that Super Vision's initial action in Florida was an abuse of the Declaratory Judgment Act because Color Kinetics had not made any threat toward Super Vision at the time Super Vision filed its action, and that venue in Massachusetts was proper, Super Vision, in addition to filing a motion to reconsider which was subsequently denied, also filed a motion in Florida to enjoin Color Kinetics from proceeding in Massachusetts. Super Vision raised the issue yet again in its July 12, 2004 motion to vacate which again sought to transfer the case to Florida. Super Vision defends its actions merely by its *ipse dixit* that it acted in good faith when it filed its initial declaratory judgment action in Florida. Super Vision's persistence with this line of reasoning despite the September 2002 ruling, and its repeated motions urging Florida as the proper venue, was wasteful and without merit, and typified the vexatious nature of its litigation strategy. A good faith belief at the outset of the litigation did not justify repetitive litigation once that matter had been conclusively determined by the Court.

Meritless Motions

Super Vision filed an assortment of no less than six motions for sanctions, to compel, or to quash, none of which was

granted. Super Vision justifies its litigious action by a repetition of its argument that it was proper to request sanctions, an assertion not merited by the consistent denial of its numerous motions. Super Vision's motions were denied because they were almost entirely without merit. The frivolous motion practice was a tactical maneuver not only to avoid complying with its own discovery obligations, but also to consume Color Kinetics' focus and energy.

Abuse of Discovery Process

Super Vision engaged in egregious stalling and vexatious behavior which resulted in an exceedingly protracted discovery period riddled with sanctions and motions to compel. Over the course of discovery, two motions to compel and a motion for sanctions were granted against Super Vision for its failure to produce documents and cooperate in the discovery process. The motions to compel were granted due to Super Vision's incredible delay in producing a 30(b)(6) witness, failure to produce documents (such as circuit diagrams of products accused of infringement) which were known or even acknowledged to exist, and failure to answer even basic interrogatories posed at the very beginning of litigation. Despite the motions to compel, Super Vision continually failed to comply with its discovery obligations with the result that a motion for sanctions was eventually granted.

Super Vision also attempted on numerous occasions to extend or reopen discovery, despite repeated rulings on the same grounds denying any such extension. Super Vision even filed a motion to reopen discovery after summary judgment had been granted. Although Super Vision contends that in making these motions it was merely reacting to Color Kinetics' "discovery fraud," in fact Super Vision's own misbehavior led to its inability to gather the information it sought during the lengthy discovery period. In this connection, Super Vision repeatedly served deposition notices at the last minute (discussed further below), which rendered compliance by Color Kinetics' witnesses impossible. Super Vision did not appear genuinely interested in deposing the witnesses; rather, Super Vision's conduct in continually delaying and then repeatedly seeking to reopen discovery appeared to constitute a calculated strategy of prolongation.

Obstructive Behavior

The docket further reflects the fact that every proceeding during the discovery period met with an enormous amount of paperwork and delay due to Super Vision's persistent failure to cooperate. For example, Super Vision's filing of several hundred pages of documents on the eve of the summary judgment hearing on May 4, 2005, though legally permissible, was clearly obstructive and without justification as to its timing.

Although Rule 56 allows filing at any time "prior to the day of hearing," it is nevertheless impossible not to conclude that the reasons Super Vision adopted this plan of action was to befuddle the Court and the opposition in connection with the summary judgment hearing. If filing these voluminous documents was illuminating as to the merits of the motion, which it was not, Super Vision could have, and should have, requested an adjournment of the scheduled argument on the motion. I cannot recall ever witnessing such an egregious stretching of the judicial system or its rules. Nor was this the only instance when Super Vision filed last minute documentation on the eve of a hearing: Super Vision made it a habit to file motions and lengthy supporting materials on the eve of motion hearings. Such behavior is unique in my experience of years on the bench.

Abusive Issuance of Subpoenas

Super Vision also engaged in dubious behavior surrounding Color Kinetics' Initial Public Offering ("IPO") when it issued subpoenas to the underwriters and their counsel prior to the offering. The subpoenas were quashed and Super Vision, although it was informed it could notice the depositions later, never reissued the subpoenas. Super Vision's argument that it was within its rights to obtain evidence does not excuse its actions, which appear to have been committed in bad faith and without a legitimate legal purpose.

Abuse of Deposition Process

Super Vision's conduct with regard to depositions also reflects the vexatious nature of its litigation strategy. In seeking to depose Color Kinetics' Chairman and CEO, CTO, President and COO, and VP of Strategic Technologies, Super Vision twice served notice on Color Kinetics with only a day's notice, forcing objections based on insufficient notice. After the close of discovery, Super Vision continued its attempt to depose Color Kinetics' witnesses by serving notice on them in a related case - which resulted in the granting of a motion for a protective order and a denial of Super Vision's motion to compel. As if that was not enough, Super Vision then re-served deposition notices in this case. Super Vision's actions constituted a clear effort to complicate and prolong the process.

Super Vision also failed to make its expert witness, Dr. David Kennedy, available between November 17, 2004 and the close of discovery near the end of January 2005. Although Super Vision contends that Kennedy's personal schedule and commitments prevented him from being available for deposition, Super Vision made the process of scheduling more difficult by its repeated tardy notifications of conflicts and by its lack of cooperation in identifying Kennedy's Canadian lawyer through whom Color Kinetics was supposed to contact Kennedy.

Abuse of Appeal Procedure

Super Vision filed an untimely appeal to the Federal Circuit on July 1, 2005, although no final judgment had been issued by this Court. The filing of the ineffective appeal was consistent with Super Vision's prolongation of the litigation process which required more time, paperwork, and expense at each step.

Attempts to Pressure Opposing Counsel

Super Vision engaged in threats or behavior which appear to have been intended to intimidate Color Kinetics. Its repeated motions for sanctions, which particularly targeted lead counsel Matthew Lowrie, and which were all denied as being without merit, constitute only part of Super Vision's threatening demeanor. Super Vision also sent a letter to Color Kinetics on August 17, 2005 in which it stated its intention to file a motion to reopen discovery. The letter was timed, perhaps not coincidentally, with Color Kinetics' motion to dismiss in a related case, and required issuance of a temporary restraining order on August 19, 2005 to prevent Super Vision from filing the motion to reopen. Super Vision's contention that the letter was merely a draft motion to reopen discovery is altogether unpersuasive given the timing several months after the close of discovery and just prior to the summary judgment decision.

Abuse of Sanctions Process

Super Vision's record of engaging in questionable

tactics to intimidate Color Kinetics culminated most recently in its motion for Rule 11 sanctions against the law firm representing Color Kinetics, as well as several of its members individually. In the motion for sanctions, Super Vision labeled almost all of Color Kinetics' arguments in support of its motion for attorneys' fees as "deceptive," "misleading," "legally untenable," or "frivolous." Super Vision fails to provide any evidence as to the truth of its accusations, and the motion can only be described as a further instance of vexatious litigation.

Lastly, Super Vision engaged in what can best be termed questionable conduct when it utilized the declaration of Jerry Laidman in its February 18, 2005 motion for summary judgment. An agreement dated May 12, 2004 shows that Laidman was in fact paid \$1,000.00 and a "contingent royalty" in the amount of:

[F]ive per cent (5%) of any of Super Vision's "Net Receipts" of royalties or other net damages paid by Color Kinetics, Incorporated to Super Vision that may result from Super Vision prevailing in any existing litigation with Color Kinetics, or from any settlement or other compromise by agreement of such litigation between Super Vision and Color Kinetics.

This was part of what was ostensibly a "Technology Acquisition and License Agreement" for Laidman's rights relating to the "Saturn" lighting device. Given this arrangement and the contingency arrangement relating directly to the present case, Super Vision's use of Laidman's declaration constituted

inappropriate and seriously questionable conduct.

In sum, Super Vision's conduct in this case, by clear and convincing evidence, constitutes vexatious or frivolous litigation at a minimum, and bad faith litigation and misconduct at worst. The record firmly establishes that Super Vision unnecessarily multiplied proceedings and engaged in a strategy of vexatious and frivolous conduct which impeded the progress of litigation to an excessive degree. One or two instances of such misconduct would not render this case "exceptional," but taking into account the totality of Super Vision's actions and its unsatisfactory explanations for its behavior, I conclude that this case clearly falls within the definition of "exceptional" under 35 U.S.C. §285.

IV. Award of Attorneys' Fees

Once a case has been deemed "exceptional" under 35 U.S.C. §285, the award of attorneys' fees is discretionary. Evident Corp., 399 F.3d at 1315. In deciding whether or not to award fees, it is important to remember the purpose of 35 U.S.C. §285: "[O]ne, it discourages infringement by penalizing the infringer; and two, it prevents 'gross injustice' when the accused infringer has litigated in bad faith." Beckman Instruments, 892 F.2d at 1552. Although attorneys' fees are generally awarded pursuant to a finding that the infringing party engaged in willful infringement, fees can be awarded based solely

on the second goal of preventing "gross injustice." Id. at 1552-53; Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp., 267 F.3d 1370, 1380 (Fed. Cir. 2001) ("A district court may award reasonable attorney fees...where the conduct of a party is deemed to be 'exceptional.'...Litigation misconduct and unprofessional behavior are relevant to the award of attorney fees and may suffice, by themselves, to make a case exceptional."); Serrano v. Telular Corp., 111 F.3d 1578, 1585 (Fed. Cir. 1997) (granting attorneys' fees when conduct resulted in needless litigation expenses).

Although Super Vision continues to proclaim its exercise of good faith in "defending" itself and to argue that Color Kinetics has failed to provide clear and convincing evidence that this case is "exceptional," I conclude without hesitation that this case is "exceptional," and that Super Vision has perpetrated a "gross injustice" by its egregious abuses of the discovery process and vexatious litigation strategy. An award of attorneys' fees is appropriate to remedy the "gross injustice" Color Kinetics has suffered at the hands of Super Vision's vexatious and bad faith litigation.

V. Timing of Attorneys' Fees Award

Motions for attorneys' fees are usually not made until the conclusion of litigation. Larchmont Engineering, Inc. v. Toggenburg Ski Center, Inc., 44 F.2d 490, 491 (2d Cir. 1971). In

this unusual case, however, Color Kinetics moves for attorneys' fees on the condition that it waive its further claims as to damages and willfulness.

Given the fact that Super Vision's behavior has already rendered the case "exceptional," Color Kinetics' desire to avoid further costly litigation is not unreasonable. Since this case is already "exceptional" at this stage, proceeding with a trial will only cause Super Vision to further attorneys' fees. Super Vision does not stand to gain anything by proceeding with this litigation on the remaining issues of damages and willful infringement. Accordingly, it is in the best interests of both parties to award attorneys' fees at this point once Color Kinetics waives its damages and willfulness claims.

* * *

Accordingly, Color Kinetics' motion for an exceptional case finding and for an award of costs and attorneys' fees is GRANTED, on the condition that Color Kinetics waives its claims as to damages and willful infringement. In light of this order, Color Kinetics should submit further documentation as to attorneys' fees and costs.

It is so ordered.

Dated: May 11, 2006
Boston, Massachusetts

/s/ Morris E. Lasker
U.S.D.J.