IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF FLORIDA

WEST PALM BEACH DIVISION

Civil Action No.: 9:16-cv-80980

Honorable Robin L. Rosenberg
Honorable Dave Lee Brannon (Mag.)

Shipping and Transit, LLC,

Plaintiff,

LensDiscounters.com, A Division of LD Vision Group, Inc.

Defendant.

DEFENDANT'S MOTION FOR ATTORNEYS' FEES

Defendant LensDiscounters.com moves this Court for an order awarding costs and attorneys' fees against Plaintiff Shipping and Transit, LLC (S&T) for bringing this exceptional case under 35 U.S.C. § 285.

S&T never intended to litigate this case on the merits. Instead, it hoped to use invalid patents and the pressure of litigation costs to extract a quick settlement from LensDiscounters.com. But LensDiscounters.com did not roll over and take it; instead, it decided to call S&T's bluff. When S&T realized that LensDiscounters.com would litigate its claims and expose it for the patent troll it is, it filed—as it has in other cases where defendants have stood against them—a unilateral "covenant" not to sue for the sole purpose of avoiding a justiciable controversy that would officially invalid its bogus patents and end its scheme.

S&T's actions make clear that it never conducted a reasonable pre-filing investigation into this case, and even if it had, its claims are substantively infirm. This, and other factors, make this an exceptional case under 35 U.S.C. § 285. S&T's patents are worthless except as a tool for its long-running nuisance-litigation campaign. Lensdiscounters.com respectfully requests that this Court impose a fee award that discourages S&T from targeting other victims.

PROCEDURAL AND FACTUAL BACKGROUND

S&T sent a demand letter to LensDiscounters.com dated March 24, 2016. *See* Exhibit A to the Affidavit of Shaneef Mitha, attached as Exhibit 1 to this motion (falsely stating that S&T "has been very successful in enforcing its patent rights"). LensDiscounters.com saw S&T as a patent troll and ignored the letter. S&T then filed its complaint alleging four claims for patent infringement June 13, 2016. Thereafter, LensDiscounters.com sent a letter to counsel for S&T outlining why the complaint was frivolous and requesting dismissal. *See* Ex. A to the Declaration of Geoffrey M. ("Cahen Decl."), attached hereto as Exhibit 3. S&T did not respond before LensDiscounters.com's answer was due. LensDiscounters.com responded with an answer and counterclaims seeking a declaration of non-infringement and invalidity August 3, 2016. S&T answered the counterclaims August 29, 2016.

At this Court's initial case management conference on August 22, 2016, S&T responded to this Court's questions by admitting that FedEx and UPS have licenses to use the sued-upon patents and that USPS had licenses for all relevant patents except the '207 patent. It also admitted that linking to licensed shippers' tracking information is not patent infringement. In light of this revelation, the Court ordered

LensDiscounters.com to disclose the shippers it uses and ordered S&T to identify which shippers are allegedly not licensed and to produce copies of licensing agreements for those that are partially licensed. The Court also gave the parties until September 15, 2016 to issue their first set of discovery requests.

The parties exchanged information as ordered by the Court and, as expected, S&T dropped all its claims except its claim for infringement of the '207 patent, stating "[t]he only assertion is based on your client's use of USPS and the '207 patent that is not part of the USPS settlement . . . . So the case is down from four patents to one." Cahen Decl., ¶ 2, Ex. B. Mr. Schneider sought a stipulation to drop the claims, affirmative defenses, and counterclaims for the other three patents. Mr. Cahen responded by asking Mr. Schneider to "articulate a good faith basis to have sued our clients in the first place for the 3 patents that you now wish to dismiss." Cahen Decl., ¶ 3, Ex. C. Mr. Schneider referred Mr. Cahen to the complaint and stated that "your client's website does not indicate which shippers are used." *Id*.

Without discussion, while LensDiscounters.com was in the midst of drafting the discovery requests ordered by this Court, S&T unilaterally filed a "covenant not to sue." Dkt. 22. LensDiscounters.com served its first set of discovery requests September 15, 2016 as ordered by the Court. S&T filed its motion to dismiss September 16, 2016 to avoid a determination on its bogus patents and financial responsibility for its frivolous and exceptional conduct. Dkt. 23. LensDiscounters.com opposed the motion to the extent it sought an order that each party would bear its

own fees and costs. Dkt. 28. This Court ordered S&T to re-file its motion without reference to fees and costs, and subsequently granted the motion. Dkt. 30.

LensDiscounters.com then sought to re-open the case for the limited purpose of compelling S&T to respond to LensDiscounters.com's targeted discovery requests concerning S&T's failure to conduct a prefiling investigation and other matters relating to its bad-faith litigation tactics. Dkt. 34. This Court denied the motion, but instructed LensDiscounters.com to note any unobtained evidence that would support the motion. Dkt. 38.

ARGUMENT

This case is exceptional. S&T brought this lawsuit solely to obtain a nuisance settlement. It never intended to litigate the case on its merits, as that would end its scheme. This is not an isolated occurrence: S&T has used this same strategy against countless other online businesses and, despite filing over 150 cases in this district alone, has avoided any determination on the merits of its patents. *Cf.* Mitha Aff at Exh. A (falsely stating that S&T "has been very successful in enforcing its patent rights").

Indeed, this is not simply an exceptional case—it is an exceptional campaign. S&T's business model allows them to threaten and then file lawsuits regardless of the merits. It does not conduct a pre-filing investigation; it's a numbers game—if it extracts an early settlement, it makes a profit. If a victim fights or attempts to limit the future value of its business model by challenging the merits of the patents, S&T dismisses the lawsuit with a covenant not to sue to eliminate the risk of a hearing on its faulty patents and limits its litigation costs.

This model has deprived innocent U.S. businesses of over $4 billion over the last six years and has prompted the Federal Trade Commission to urge vigilance by the courts and Congress.[1] The model will continue to lead to frivolous litigation all over the country unless it becomes unprofitable; this will only occur if courts recognize these deplorable, abusive tactics and swiftly and decisively impose sanctions for it. This Court should award LensDiscounters.com its costs and attorneys' fees under 35 U.S.C. § 285.

S&T Failed to Conduct an Adequate Pre-Filing Investigation and Brought Legally Frivolous Claims.

Although the patents claimed to be infringed in this litigation concern technology for monitoring and reporting the status of a vehicle and notifying users when an arrival of a particular vehicle at a predefined destination is imminent, LensDiscounters.com, along with the other companies S&T has targeted, sells products and services that have nothing to do with the technology of these patents.

S&T's pre- and post-filing conduct shows that it made no effort to investigate whether LensDiscounters.com infringed the patents, even on the untenable theory that the act of linking to shippers' tracking websites constitutes infringement. Indeed, S&T admitted that the only reason it sued LensDiscounters.com for patents that it knew were licensed to all the major shippers in the United States is that LensDiscounters.com's "website does not indicate which shippers are used." Other

[1] *See* Michael Macagnone, *FTC Head Calls Out Possible Nuisance Patent Settlements*, Law360 (Oct. 6, 2016), *available at* http://www.law360.com/competition/articles/847433/ftc-head-calls-out-possible-nuisance-patent-settlements?nl_pk=dcddebd8-65de-43ad-92e8-2b5bf4378c58&utm_source=newsletter&utm_medium=email&utm_campaign=competition.

than this, S&T has refused to respond to LensDiscounters.com's requests to provide any basis for its complaint, including its document requests and interrogatories. That's because it didn't have a basis—S&T did not perform ***any*** substantive pre-filing investigation.[2]

In a patent lawsuit, the patentee's attorney must, "at a bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to the accused device and conclude that there is a reasonable basis for a finding of infringement of at least one claim of each patent so asserted." *Tse v. Apple Inc.*, No. No. 06-06573 SBA (EDL), 2008 WL2415254, at *2 (N.D. Cal. June 12, 2008) (internal citations and quotations omitted). The two-step pre-filing analysis in patent cases is thus (1) an investigation into the legal basis of the claim of patent infringement (*i.e.*, claim interpretation analysis) and (2) a fact-intensive comparison of the accused product and the asserted claims. *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1300–01 (Fed. Cir. 2004). Where—as here—the accused products and services are easily available, a pre-filing investigation that does not include an examination of the accused products and services, a construction of the asserted claims, and a comparison of the construed claims to the accused products and services is *per se* unreasonable and violates Rule 11 as a matter of law. *See Eon-Net LP v. Flagstar*

[2] LensDiscounters.com was unable to obtain discovery from S&T due to its dismissal tactics, but it became clear that S&T was unaware of even the most basic facts publicly available on LensDiscounters.com's website when it was forced to admit that the shipping companies that LensDiscounters.com use are all licensees of S&T's patents, with one exception: the U.S. Postal Service's license does not expressly cover the '207 patent.

Bancorp, 653 F.3d 1314, 1329 (Fed. Cir. 2011). LensDiscounters.com has no record of any S&T affiliate ordering any product from its website.

Neither Plaintiff nor its attorneys performed ***any*** substantive pre-filing investigation as to infringement of any of the patents by LensDiscounters.com. Indeed, counsel for S&T all but admitted this when he claimed in writing that "your client's website does not indicate which shippers are used." Cahen Decl., ¶ 3, Ex. C. A cursory review of Defendant's website is an insufficient investigation as a matter of law. *Eon-Net*, 653 F.3d at 1328–29.

The Patents Are Invalid.

S&T knowingly asserted patent claims against LensDiscounters.com when it knew or should have known that LensDiscounters.com used USPS, UPS, and FedEx for customer deliveries.

All of these patents have at least one commonality that is missing from LensDiscounters.com's activities: the monitoring and notification of information concerning ***vehicles***. LensDiscounters.com does not offer any products or services that provide the ability to monitor, identify, or receive notifications regarding vehicles. LensDiscounters.com doesn't even track packages—it merely provides links to entities that do (*e.g.*, the United States Postal Service). For this reason alone, S&T has wrongfully sued LensDiscounters.com.

The complaint also lacks a legal basis. All of the patents allegedly infringed in S&T's complaint—including the only patent not subject to licensing and settlement

agreements—are invalid because they do not constitute patentable subject matter and because they are anticipated and obvious under 35 U.S.C. §§ 101–103.

First, "abstract ideas are not patentable." *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012) (internal quotations omitted). In *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the U.S. Supreme Court held invalid "several patents that disclose schemes to manage certain forms of financial risk" because "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Id.* at 2352, 2358. The abstract idea—the concept of intermediated settlement—did not become patentable simply by applying it with "electronic recordkeeping—one of the most basic functions of a computer." *Id.* at 2359. Thus, a patent that applies basic computer functions, such as obtaining data and automating instructions that are "well-understood, routine, conventional activit[ies]" to an abstract idea is invalid. *Id.* (internal quotations omitted). Instead they must do "significantly more," such as improve upon the technology of the computer or the field itself. *Id.* at 2360 (internal quotations omitted). Nothing about any of the patents alleged in S&T's complaint, while couched in fancy technical language, does anything more than describe steps to applying an abstract idea—the tracking and notification of vehicle status information—by performing a series of basic computer functions such as receiving data and communicating it according to configured rules or user-stored preferences.

Second, S&T's patents are far from novel—they are anticipated and obvious. Significant prior art has been collected and maintained by the Electronic Frontier

Foundation.[3] As other would-be victims of S&T have pointed out, the '359 patent was anticipated or rendered obvious by U.S. Patent Nos. 5,938,721; 5,504,491; 6,006,159, and by numerous publications by authors that include the U.S. Department of Transportation.

The Claims Were Barred Under the Doctrine of Patent Exhaustion.

S&T asserted claims against LensDiscounters.com for four patents. At the outset of this case, the Court ordered LensDiscounters.com to provide initial disclosures of all carriers used; S&T was ordered to provide a list of all shipping companies that are not licensed or only partially licensed. S&T agreed to drop three of four of its claims because all patents but the '207 patent were licensed to all the shipping companies (S&T's covenant not to sue USPS did not expressly mention the '207 patent). S&T knew or should have known that LensDiscounters.com was immune to suit under—at the very least—the three patents other than the '207 patent. *See Transcore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1278–79 (Fed. Cir. 2009); *see also In re TR Labs Patent Litig.*, MDL No. 2396, 2014 WL 3501050, at **1, 4 (D.N.J. July 14, 2014) (patent owner's claims against customer exhausted by covenant not to sue supplier). Those three claims were thus pled in bad faith.

This Is an Exceptional Case Under 35 U.S.C. § 285.

This case is exceptional because it was brought by a patent troll in an attempt to extract a nuisance settlement from a business it did not think had the will or

[3] *See* ELECTRONIC FRONTIER FOUNDATION, *ArrivalStar Prior Art Database*, https://www.eff.org/document/arrivalstar-prior-art-database (last visited July 26, 2016).

resources to fight back. When faced with the unexpected challenge to the validity of the bogus patents it uses to extract these nuisance settlements, along with the exposure of its licensing agreements, S&T quickly filed a "covenant not to sue" and has now moved to dismiss the entire action.

The fee-shifting provision applicable to patent cases, 35 U.S.C. § 285, states "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1751–52 (2014), the U.S. Supreme Court held that an exceptional case warranting attorneys' fees is "simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) ***or*** the unreasonable manner in which the case was litigated." (Emphasis added.) District courts must "determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id.* The Court may consider "factors such as '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.'" *Lugus IP, LLC v. Volvo Car Corp.*, No. 12-2906 (JEI/JS), 2015 WL 1399175, at *4 (D.N.J. Mar. 26, 2015) (quoting *Octane Fitness*, 134 S. Ct. at 1756, n.6).

This case is exceptional for the same reasons it is frivolous. It is also an exceptional case for other reasons—an exceptional case does not require both

objective baseless and subjective bad faith. *Octane Fitness*, 134 S. Ct. at 1758. In any case, this lawsuit was both.

S&T's motion to dismiss makes clear that its "covenant not to sue" is simply an effort to avoid a determination that its patents are invalid. Such a determination would jeopardize its only revenue stream. This alone is sufficient for an exceptional case filing. *See Bayer Cropscience AG v. Dow Agrosciences LLC*, No. CV-12-256 (RMB/JS), 2015 WL 1197436, at *4 (D. Del. Mar. 13, 2015). Moreover, this Court should consider the need for deterrence—without it, S&T will continue to attempt to shake down other innocent parties.

S&T may claim that because it has offered to dismiss its claims, no fees should be awarded. LensDiscounters.com has incurred substantial fees in defending against this baseless litigation. S&T only dismissed its claims when it realized that LensDiscounters.com would take aggressive defensive and offensive positions to put this patent troll to bed. The motion to dismiss shows that S&T never intended to litigate the merits of this case. This Court should award LensDiscounters.com its fees both to make it whole and to deter this patent troll from future attempts to extract nuisance settlements. *See Eon-Net*, 653 F.3d at 1326–27 (patent owner's "history of filing nearly identical patent infringement complaints against a plethora of diverse defendants, . . . followed each filing with a demand for a quick settlement at a price far lower than the cost to defend the litigation" has "indicia of extortion" showing bad faith).

The Fees Are Reasonable.

The foregoing demonstrates this case is exceptional and therefore, LensDiscounters.com is entitled to reasonable attorneys' fees under 35 U.S.C. § 285. *Octane Fitness*, 134 S. Ct. 1749. The hourly rates charged by LensDiscounters.com's counsel while defending this action were reasonable because of the expertise of the attorneys, the novelty of the issues, and the results obtained. The number of hours LensDiscounters.com's counsel spent defending this action were also reasonable. LensDiscounters.com's fee expert, C. Cory Mauro, Esq., has reviewed the record and also finds the fees to be reasonable. Mr. Mauro's Declaration as to Attorneys' Fees and Costs is attached hereto as Exhibit 2.

For defending LensDiscounters.com against this frivolous lawsuit, the total amount sought in this motion is $24,505.00 for Bona Law PC, $11,813.60 for Geoffrey Cahen (Cahen Decl., Ex. D), and $1000.00 for its fee expert C. Cory Mauro, plus any additional amounts incurred after the filing of this motion, such as negotiating with S&T's counsel and arguing at hearing.[4] For Bona Law PC, Jarod Bona, Aaron Gott, Matthew Riley, Luis Blanquez, and Gabriela Hamilton were timekeepers performing work on behalf of LensDiscounters.com's defense. The description of and invoices for the work done is detailed below and fully extrapolated in Exhibit A to the Declaration of Aaron R. Gott ("Gott. Decl."), attached hereto as Exhibit 4.

[4] LensDiscounters.com's draft motion only included entries prior to service on counsel for S&T, and the entries have been updated accordingly for Bona Law PC entries occurring between service of the draft motion and filing of this motion. Bona Law PC's fees were stated as $20,925.50 in the draft motion. Additionally, Mr. Mauro's $1000.00 fee was not incurred until after service of the draft.

Jarod Bona is the founder and principal attorney at Bona Law PC. He has over 15 years of legal experience, focusing on antitrust litigation, is admitted to practice law in California, and has defended and prosecuted a number of cases in state and federal courts. LensDiscounters.com agreed to pay Jarod Bona $350.00/hour of work expended on its defense against S&T, which is heavily discounted from Mr. Bona's current standard rate of $575.00/hour. Mr. Bona spent 19.8 hours performing work on this case.

Aaron Gott is an attorney at Bona Law PC with over three years of experience in managing litigation, focusing on antitrust litigation. He is admitted to practice law in Minnesota, the U.S. District Court for the District of Minnesota, and four U.S. Courts of Appeal, and has defended and prosecuted a number of cases in federal and state courts. LensDiscounters.com agreed to pay Aaron Gott $170.00/hour of work expended on its defense against S&T, which is heavily discounted from Mr. Gott's current standard rate of $270.00/hour. Mr. Gott spent 59.4 hours performing work on this case.

Matthew Riley is an attorney at Bona Law PC, with over three years of legal experience. He is admitted to practice law in Illinois, and has defended and prosecuted cases in state and federal court. LensDiscounters.com agreed to pay Matthew Riley $170.00/hour of work expended on its defense against S&T. Mr. Riley spent 31.9 hours performing work on this case.

Luis Blanquez is an attorney at Bona Law PC, with over ten years of legal experience in European law. He has assisted in the defense and prosecution of a

number of cases in state and federal courts. His admission to the California bar is currently pending. LensDiscounters.com agreed to pay Luis Blanquez $170.00/per hour of work expended on its defense against S&T. Mr. Blanquez spent 2.5 hours performing work on this case.

Gabriela Hamilton is a legal assistant at Bona Law PC with over 16 years of experience. She received her paralegal certificate from an ABA-approved program and previously worked for a large nationwide firm. LensDiscounters.com agreed to pay Gabriela Hamilton $135.00/hour of work expended on its defense against S&T from July 17, 2016 to July 28, 2016; thereafter, Bona Law PC, agreed to reduce this rate to $90.00/hour to accommodate LensDiscounters.com. Ms. Hamilton spent 4.7 hours performing work on this case between July 17, 2016 and July 28, 2016; and spent 11.05 hours performing work on this case thereafter.

Counsel for LensDiscounters.com certifies that a good faith effort to resolve issues by agreement occurred pursuant to Local Rule 7.3(b). LensDiscounters.com served the motion on counsel for Shipping & Transit by email October 31, 2016. Shipping & Transit did not serve particularized objections on entitlement or amount within 21 days (or thereafter), despite a specific request from counsel for LensDiscounters.com to do so, and has therefore waived its objections. Gott Decl., Ex. B; *see* S.D. Fla. Local Rule 7.3(b) ("The respondent shall describe in writing and with reasonable particularity each time entry or nontaxable expense to which it objects, both as to issues of entitlement and as to amount, and shall provide supporting legal authority.").

CONCLUSION

S&T never wanted to litigate this case. Once it became clear that LensDiscounters.com would not ever consider settling with a patent troll and would instead defend itself and attack the patents that S&T uses to extract nuisance settlements, it unilaterally sought to dismiss its own case. This Court should put S&T's abusive litigation campaign to an end. That will only happen if there are consequences.

Respectfully submitted,

DATED: November 28, 2016

s/ Geoffrey M. Cahen
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on November 28, 2016 a true and correct copy of the foregoing has been filed via CM/ECF to the parties on the below service list.

s/ Geoffrey M. Cahen
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