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Judge Scheindlin finds that numerous acts of litigation misconduct constitute an "exceptional case."

TNS Media Research, LLC, et al. v. Tivo Research and Analytics, Inc.

November 4, 2014

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Case Number: 1:11-cv-04039-SAS

Plaintiff Kantar Media ("Kantar") brought a suit against defendant Tivo Research and Analytics, Inc. ("TRA") seeking a declaratory judgment that it did not infringe U.S. Patent No. 7,729,940. TRA asserted counterclaims that included infringement of the '940 patent, misappropriation of trade secrets, aiding and abetting, breach of fiduciary duty and breach of contract.

At the close of discovery, Kantar moved for summary judgment on TRA's patent infringement and trade secret misappropriation claims, and sought a finding of no damages in relation to TRA's fiduciary duty, trade secret and breach of contract counterclaims. Judge Scheindlin granted summary judgment in favor of Kantar with respect to the non-infringement, trade secret and non-patent damages claims. The parties also stipulated to $1 in nominal damages related to TRA's breach of contract and fiduciary duty counterclaims. The court entered a final judgment, which TRA appealed.

While the appeal was pending, Kantar filed a motion seeking attorneys' fees and non-taxable expenses pursuant to Fed. R. Civ. P. R. 54(b), 35 U.S.C. § 285, and the court's inherent power. In its papers, Kantar cited a litany of alleged instances of litigation misconduct.

Judge Scheindlin agreed with Kantar and found that while some instances of TRA's conduct were more egregious than others, a "totality of the circumstances" analysis strongly favored a finding that TRA acted in an "exceptional" manner through the course of the litigation.

Judge Scheindlin first took issue with TRA's construction of the term "matched and stored," finding that it "d[id] violence to the ordinary grammatical understanding of the past tense." She also determined that TRA's construction of the term "cleansing and editing algorithm" was completely implausible, noting that TRA's proposed construction "render[ed] meaningless the amendments TRA added after the [Patent and Trademark Office] rejected the original versions of the claim language." Additionally, the court found that TRA intentionally disregarded the court's adopted construction of the term "false positive" despite a warning from the court that doing so could subject TRA to sanctions. TRA attempted to minimize the relevance of these examples by arguing

that the claim constructions were not ultimately dispositive, and that TRA later adopted more reasonable positions. Judge Scheindlin was incredulous, noting that "belated reasonable arguments do not compensate for earlier frivolous ones" and that "length and placement of an argument should not dictate its level of frivolity."

Next, Judge Scheindlin directed her attention to a baseless assertion of judicial estoppel and TRA's assertion of the doctrine of equivalents. She found TRA's doctrine of equivalents argument was frivolous because the issue was not raised on a timely basis, and when the issue was first raised by TRA, it consisted of nothing more than a page of conclusory statements. TRA did not add any substance to its theory until the summary judgment stage, where the court concluded that it was "untimely and of no added value."

The court also addressed TRA's attack on the credibility of testimony provided by Kantar's president regarding the functioning of certain accused products. The court determined that TRA's attack was entirely unwarranted, because the contract that allegedly contradicted his testimony did not show that it was erroneous in any way, and thus TRA's assertion constituted nothing more than a broad, conclusory attack. Additionally, Kantar made it clear that its president had personal knowledge of the manner in which the accused products functioned.

With respect to TRA's trade secret claims, the court was disturbed by the fact that TRA originally asserted twenty-four trade secret claims and eventually reduced the number to five. Even after nineteen trade secret claims were dismissed from the case, the court found that the remaining five claims lacked any colorable basis because TRA failed to show either non-disclosure of the trade secret or use of the trade secret by the misappropriating party. In fact, the court criticized TRA's gamesmanship with respect to the trade secret claims, stating that "[i]t was apparently TRA's intention to wait until it was before a jury to define the precise contours of its trade secret claim." Judge Scheindlin also rejected TRA's argument that the appeal of the case deprived the district court of jurisdiction to award attorneys' fees under the court's inherent power. "District courts retain jurisdiction to decide motions for attorneys' fees even if the underlying merits decision has been appealed," she concluded.

Finally, the court directed Kantar to demonstrate that it incurred attorneys' fees and expenses as a direct result of the litigation misconduct described in relation to the patent-related claims. Additionally, the court also asked Kantar to demonstrate the fees that it sought in relation to defending against the five trade secret claims under the court's inherent power.

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