IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

SAMSUNG ELECTRONICS CO., LTD.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	C.A. No. 15-1059-MAK
	)	
IMPERIUM IP HOLDINGS (CAYMAN), LTD.,	)	
	)	
Defendant.	)	

PLAINTIFF SAMSUNG ELECTRONICS CO., LTD.'S ANSWERING BRIEF IN OPPOSITION TO DEFENDANT IMPERIUM'S MOTION FOR ATTORNEYS' FEES

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I. PRELIMINARY STATEMENT

The "American Rule" is that each party to a lawsuit bears its own attorneys' fees so that "one should not be penalized for merely defending or prosecuting a lawsuit." *Ford v. Temple Hosp.*, 790 F.2d 342, 346 (3d Cir. 1986) (citing *F.D. Rich Co. v. Industrial Lumber Co.*, 417 U.S. 116, 129 (1974)). Imperium in its motion—which should be dismissed without prejudice until after the appeal in this case—fails to meet its burden of showing that the Court should deviate from this general rule. Accordingly, in the event the Court reviews Imperium's motion prior to decision on the appeal, Samsung respectfully requests that the Court deny Imperium's motion.

II. THE NATURE AND STAGE OF THE PROCEEDING

Samsung filed this action on November 16, 2015. D.I. 1. The case was stayed on December 4, 2015. D.I. 18. On August 16, 2017, the stay was lifted and the Court granted Samsung leave to file an amended Complaint, which it did on August 28, 2017. D.I. 31. Imperium filed its Motion to Dismiss on September 11th and Samsung opposed on September 25th. On October 10, 2017, the Court dismissed this action without prejudice. D.I. 45. Samsung filed its notice of appeal on November 7, 2017.

III. SUMMARY OF ARGUMENT

Because the Third Circuit's decision may moot this motion, or at least clarify issues relating to it, Samsung respectfully suggests that the Court either defer its ruling pending appeal or deny Imperium's motion without prejudice to re-file after the appeal. But even if the Court addresses the merits now, Imperium's motion should be denied. First, § 285 does not apply and, even if it does, Imperium is not a prevailing party and this case is not "exceptional." Second, Imperium fails to prove "bad faith" for sanctions under § 1927 or this Court's inherent authority.

IV. BACKGROUND

The parties' briefings relating to Imperium's motion to dismiss set forth in detail the

factual background relating to this case. D.I. 36, 37. In summary, these facts are:

A. The Imperium/Sony License Agreement

In May 2013, Imperium entered into an agreement (the "Agreement") with Sony. D.I. 31 at ¶¶ 1-3, 21-23. Sony, on behalf of itself and its customers (like Samsung), paid for a broad license, release, and covenant not to sue relating to Imperium's patent portfolio. *Id.* ¶¶ 24-34. These protections extended to third-party products using Sony components. *Id.* ¶¶ 4, 24. Imperium also covenanted to take steps "immediately" to cure any breach (*Id.* ¶¶ 30, 32) and further agreed that the waiver of any breach would not waive any subsequent breach. D.I. 10, Ex. A § 6.12. The Agreement (D.I. 10, Ex. A) also includes a broad forum selection clause specifying that Delaware has "***exclusive*** jurisdiction" over "***all*** disputes and litigation."

B. The Texas Litigation and Imperium's First Breach of the Agreement[1]

On June 9, 2014, Imperium sued Samsung in the Eastern District of Texas ("Texas action") asserting infringement of three patents licensed under the Agreement. Ten months after filing suit, on April 2, 2015, Imperium produced the Agreement to Samsung. *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 203 F. Supp. 3d 755, 757 (E.D. Tex. 2016). As detailed in Samsung's opposition to Imperium's motion to dismiss, Imperium took numerous steps to obscure the fact that it was accusing Samsung products with Sony image sensors protected under the Agreement ("Samsung-Sony Products"). D.I. 37 at 3-4. Samsung eventually determined that Imperium was, in fact, relying on Sony sensors in Samsung products in breach of the Agreement. Samsung promptly notified Imperium of its breach, by letter dated September 24, 2015. *Imperium*, 203 F. Supp. 3d at 760. Even though Imperium denied relying on Sony

[1] Imperium's "Background" is replete with strident and irrelevant rhetoric concerning the Texas action. While Samsung does not address those statements in this Opposition, Samsung disputes Imperium's characterizations.

image sensors for proof of infringement, Samsung confirmed this was the case through expert depositions in October 2015. *See* D.I. 37 at 3-4.

C. Samsung's Actions in Response to Imperium's Breach, Including this Delaware Complaint Based on the Forum Selection Clause

Promptly after confirming Imperium's breach, Samsung took numerous curative actions. In November 2015, Samsung filed this lawsuit ("Delaware action") in reliance on the Agreement's forum selection clause, demanding that Imperium cure its breaches and seeking damages for the breaches. Samsung also promptly raised the Agreement in Texas as part of its affirmative license defense, and then sought leave to file a motion for partial summary judgment that the accused Samsung-Sony products are licensed. Imperium opposed, arguing that it had not relied upon Sony image sensors in Samsung products for its infringement case. Texas action, D.I. 169. However, two days after filing its opposition, Imperium dropped two asserted claims that had, as explicit limitations, inclusion of "an image sensor." *Id.*, D.I. 170. Samsung also moved to stay the Texas case pending this Court's resolution of the breach claims and moved to expedite this case to streamline the issues in the Texas case. Judge Robinson held a telephone conference on December 1, 2015 regarding Samsung's motion to expedite. Judge Robinson ultimately stayed this case to allow the Texas court to "resolve the initial (if not dispositive) issue, that is, has Imperium asserted infringement [in] the Texas litigation against products covered by the Sony Agreement." D.I. 18 at 2. To date, no court has addressed this issue.

D. Imperium's Waiver Argument in Texas

While this Action was stayed, the Texas court ruled Samsung had waived its license defense by not raising this issue soon after the September 9 expert reports alerted Samsung to the issue. *Imperium*, 203 F. Supp. at 760-61. Samsung timely filed its amended notice of appeal for this issue, among others, in the United States Court of Appeals for the Federal Circuit.

Samsung's opening brief is due on November 20, 2017.

E. Dismissal of the Delaware Case

On August 16, 2017, the Court set a status conference to discuss the case. As a result of that conference, the Court lifted the stay and granted Samsung leave to file an amended complaint. Samsung filed its Amended Complaint on August 28, 2017. D.I. 31. Imperium filed a motion to dismiss on September 11, 2017. D.I. 35, 36. On October 10, 2017, this Court granted Imperium's motion to dismiss Samsung's Amended Complaint without prejudice. D.I. 44. Samsung filed its notice of appeal on November 7, 2017. D.I. 53.

V. THE COURT SHOULD DEFER ITS RULING ON IMPERIUM'S MOTION

"If an appeal on the merits of the case is taken, the court may rule on the claim for fees, may defer its ruling on the motion, or may deny the motion without prejudice." Fed. R. Civ. P. 54 advisory committee's note on 1993 amendment. Because the Third Circuit's decision on Samsung's impending appeal may moot this motion or at least clarify some, if not all, issues relating to Imperium's request for fees, Samsung respectfully suggests that to conserve the Court's resources and time, this Court either defer its ruling pending appeal or deny Imperium's motion without prejudice and set a new period for filing after the appeal has been resolved.

Courts in this Circuit, including this Court, have adopted the approach suggested by Samsung. *See Sprint Commc'ns. Co. L.P. v. Comcast Cable Commc'ns, LLC*, 201 F. Supp. 3d 564, 567 (D. Del. 2016) (dismissing a motion for attorneys' fees without prejudice to its being renewed within thirty days of the issuance of the mandate); *Schering Corp. v. Amgen, Inc.*, 35 F. Supp. 2d 375, 378 (D. Del 1999); *Roche Diagnostics Operations, Inc. v. Abbott Diabetes Care*, C.A. No. 07-753-LPS, 2011 WL 810003, at *1 (D. Del. Mar. 3, 2011) ("judicial efficiency and economy will be promoted by deferring a ruling…"); *see also Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, C.A. No. 09-290, 2013 WL 3245199, at *2 (W.D. Pa. June 26, 2013) (holding

that "the appropriate course of action for 'economy of time and effort for itself, for counsel and for litigants' is to deny the instant motion [for fees], without prejudice, to be renewed after the case is fully adjudicated before the Federal Circuit and/or further proceeding at the trial level").

Even if the Court now decides Imperium's motion on the merits, Imperium's arguments fail on each of the three grounds on which it relies.

VI. APPLICABLE LAW

A. The Exceptional Case Standard Under 35 U.S.C. § 285.

Section 285 of the patent statute (Title 35) permits a court to "award reasonable attorney fees to the prevailing party." Accordingly, a prerequisite to an award of reasonable attorneys' fees under 35 U.S.C. § 285 in a patent case is that there must be a "prevailing party." *See Inland Steel Co. v. LTV Steel Co.*, 364 F.3d 1318, 1319-20 (Fed. Cir. 2004). Further, as the Supreme Court recently held, there must be a finding that the case is "exceptional" or that the case "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." *Octane Fitness LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755-56 (2014). The "prevailing party" bears the burden of preponderance of the evidence to establish that the case is exceptional. *Id.* at 1758.

B. Attorneys' Fees as a Sanction Under § 1927

Section 1927 of Title 28 allows sanctions where an attorney has: "(1) multiplied proceedings; (2) unreasonably and vexatiously; (3) thereby increasing the cost of the proceedings; (4) with bad faith or with intentional misconduct." *LaSalle Nat. Bank v. First Connecticut Holding Grp., LLC*, 287 F.3d 279, 288 (3d Cir. 2002). Such sanctions are "intended to deter an attorney from intentionally and unnecessarily delaying judicial proceedings…" *Id.* "[S]anctions may not be imposed under § 1927 absent a finding that counsel's conduct resulted

from bad faith, rather than misunderstanding, bad judgment, or well-intentioned zeal." *Energy Transp. Grp., Inc. v. Sonic Innovations, Inc.*, No. 05-422, 2011 WL 2222066, at *17 (D. Del. June 7, 2011). Indeed, this sanctioning power should be exercised "only in instance of a serious and studied disregard for the orderly process of justice." *LaSalle*, 287 F.3d at 288.

C. This Court's Inherent Authority to Impose Sanctions

Though federal courts have the inherent power to impose a sanction to achieve the orderly and expeditious disposition of cases, exercise of those powers requires a finding of bad faith. *See Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1182, 1186 (2017); *Martin v. Brown*, 63 F.3d 1252, 1265 (3d Cir. 1995). Those powers allow federal courts to "assess attorney's fees when a party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons." *Princeton Digital Image Corp. v. Office Depot Inc.*, C.A. Nos. 13-239, -287, -288, -289, -326, -331-, -404, -408, 2016 WL 1533697, at *5 (D. Del. Mar. 28, 2016). Because of its potency, the Third Circuit has suggested care in exercising this power. *See id.* at *18.

VII. ARGUMENT

Section 285 is inapplicable because this is not a patent action and, even if it was, Imperium is not a "prevailing party" because this case was dismissed ***without prejudice***. And attorney fees are not appropriate under § 1927 or this Court's inherent authority because Samsung did not act in "bad faith." Nevertheless, Imperium relies on three sets of facts to support its alleged entitlement to attorneys' fees: (1) Samsung's filing its complaint of this action; (2) Samsung's continued prosecution of this action; and (3) Samsung's conduct in the Texas action. *See generally* D.I. 47. None of these supports granting attorneys' fees.

A. Section 285 Is Inapplicable

This Action Is Not A Patent Action. "Under 35 U.S.C. § 285, '[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party' in patent infringement

litigation." *Hoffmann-La Roche Inc. v. Invamed Inc.*, 213 F.3d 1359, 1365 (Fed. Cir. 2000). However, this action is a breach of contract action, not a patent action. *See Gjerlov v. Schuyler Labs., Inc.*, 131 F.3d 1016, 1023-25 (Fed. Cir. 1997) (finding § 285 inapplicable in a breach of settlement agreement action relating to the settlement of a patent infringement action).[2] Accordingly, §285 does not apply.

Even if the Court finds that this action involves patent issues (and it does not), "[w]hen an action embraces both patent and non-patent claims, ***no fee*** under section 285 can be awarded for ***time incurred in litigation of the non patent issues***." *Id.* at 1025 (citing *Machinery Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 475 (Fed. Cir. 1985). As Imperium's submitted records demonstrate, Imperium attorneys spent zero hours on patent-related issues. Indeed, the vast majority of hours were spent on Imperium's motions to dismiss and motion for attorneys' fees, none of which involved any issue of patent law. D.I. 52 at Ex. A, B; *see also* D.I. 16, 36, 47. Imperium is not entitled to any attorneys' fees for these non-patent issues under § 285.

Imperium Is Not a Prevailing Party. Even if the Court decides § 285 does apply, Imperium is not a "prevailing party" because this case was dismissed without prejudice. As the Supreme Court has made clear in the context of another attorney fee statute, a "prevailing party" does not include those who "failed to secure a judgment ***on the merits*** or a court-ordered consent decree." *Buckhannon Bd. and Care Home v. West Virginia Dep't of Health and Human Res.*,

[2] In *Gjerlov*, the Federal Circuit found § 285 not applicable and emphasized that the district court, just like Imperium in its motion (D.I. 47 at 10), improperly relied on *Interspiro USA v. Figgie Int'l*, 18 F.3d 927, 931 (Fed. Cir. 1994) in its § 285 analysis. *Id.* According to the Federal Circuit, while "finding breach of the settlement agreement was dependent upon finding infringement of the patent" and this intertwinement made § 285 applicable in *Interspiro*, *Gjerlov* did not require any infringement analysis to find a breach of the Agreement. *Id.* The same rationale applies here–Imperium breached the Agreement by merely ***asserting*** that Samsung-Sony products infringe and maintaining its demand for damages on products containing Sony image sensors that were found to infringe.

532 U.S. 598, 600 (2001). And the Supreme Court has observed that an adjudication on the merits is "the opposite of a 'dismissal without prejudice.'" *Semtek Int'l Inc. v. Lockheed Martin Corp.*, 531 U.S. 497, 505-06 (2001).

Consistent with the Supreme Court's observation in *Semtek*, courts have held that defendants obtaining a dismissal without prejudice cannot be prevailing parties under § 285.[3] *See, e.g., RFR Indus., Inc. v. Century Steps, Inc.*, 477 F.3d 1348, 1353 (Fed. Cir. 2007) (finding that a voluntary dismissal ***without prejudice*** does not constitute a "sufficient judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties"); *HomeSafe Inspection, Inc. v. Hayes*, No. 3:14-CV-209-SSA, 2016 WL 867008, at *2 (N.D. Miss. Mar. 2, 2016) (dismissal ***without prejudice*** does not give a party "prevailing party" status under § 285) (citing *Semtek Int'l Inc.*, 531 U.S. at 503-06); *Mars Inc. v. JCM American Corp.*, C.A. No. 05-3165, 2009 WL 2356834, at *6 (D.N.J. Jul. 30, 2009) (finding that defendants are not prevailing parties because the claims were dismissed ***without prejudice*** for lack of standing); *see also Inland Steel*, 364 F.3d at 1319-1320 (finding that a party is a "prevailing party" for the purposes of § 285, not because the district court dismissed the case pending reexamination, but because it ruled on the issue of infringement subsequent to reopening of the case).

Further, Judge Mazzant's finding that Imperium is a prevailing party in the Texas case was limited to the patent infringement issues included in that case. Texas action, D.I. 401. Nothing in that decision changes the fact that Imperium only secured (and was not entitled to anything other than) a dismissal without prejudice in the Delaware action. Accordingly, Imperium is not a "prevailing party" in the Delaware action.

[3] *Highway Equip. Co. v. FECO, Ltd.*, 469 F.3d 1027, 1035 (Fed. Cir. 2006), on which Imperium relies, is inapposite as it involved a dismissal ***with prejudice***.

B. Even If § 285 Were Applicable, This Action Is Far From Exceptional

Notwithstanding the foregoing, Imperium has still failed to establish that this case is exceptional. Samsung's initiation and prosecution of the Delaware action in good-faith reliance on the Agreement's express forum selection clause does not make this action "stand out" from others. *See Octane Fitness LLC*, 134 S. Ct. at 1755-56. Indeed, finding this case exceptional will be against the observations of many courts that § 285 is "not intended to be an 'ordinary thing in patent cases,' and that it should be limited to circumstances in which it is necessary to prevent 'a gross injustice' or bad faith litigation." *Microsoft Corp. v. WebXchange Inc.*, 715 F. Supp. 2d 598, 603 (D. Del. 2010) (citing *Forest Labs., Inc. v. Abbott Labs.*, 339 F.3d 1324, 1329 (Fed. Cir. 2003) (listing the factors that may prove existence of an exceptional case)).

Samsung and Imperium have been engaged in hard-fought litigation for over three years, and Samsung's filing and prosecution of this action in good-faith reliance on the forum selection clause is nothing more than vigorous advocacy. *See, e.g.*, *Energy Transp. Grp., Inc.*, 2011 WL 2222066, at *17 ("'hard-fought' litigation does not necessarily constitute 'vexatious or bad faith litigation'"). Awarding attorneys' fees under these circumstances will only serve to promote what courts strive to avoid: a chilling effect on an attorney's legitimate ethical obligation to represent clients zealously. *See Ford*, 790 F.2d at 349; *Colida v. Sanyo N.Am. Corp.*, No. 04-1287, 2004 WL 2853034, at *1 (Fed. Cir. Dec. 2, 2004) (declining to award fees even after granting sanctions because of potential "chilling effect on the behavior of later litigants").

1. Samsung's Initiation and Prosecution of the Delaware Action Was Reasonable and Well-Intentioned

Far from being a bad-faith litigation tactic, Samsung's initiation of the Delaware action was based on the Agreement's uncompromising forum selection clause and was a bona fide effort to resolve issues relating to the Agreement that were required to be heard in this Court.

See D.I. 37 at 2-6.[4]

Once Samsung confirmed Imperium's breach, it promptly initiated this action.[5] *See id*. In doing so, Samsung had a rational basis to file its claims in Delaware based on the Agreement. Indeed, the Agreement's forum selection clause, which "should be 'given controlling weight in all but the most exceptional cases,'" ***mandated*** that Samsung file its claims in Delaware. *See Atl. Marine Constr. Co. v. U.S. Dist. Ct. for W.D. Tex.*, 134 S. Ct. 568, 579 (2013); D.I. 31 at ¶ 19. Becuase of the forum selection clause, Fifth Circuit case law ***also*** required Samsung to file here. *See Innovative Display Techs. LLC v. Microsoft Corp.*, C.A. No. 2:13-cv-00783, 2014 WL 2757541, at *5, n.6 (E.D. Tex. June 17, 2014); *see also Bancroft Life & Cas. ICC, Ltd. v. FFD Res. II, LLC*, 884 F. Supp. 2d 535, 560 (S.D. Tex. 2012) ("[f]orum selection clauses ***preclude*** a party from asserting a claim, even as a compulsory counterclaim, in another jurisdiction.").

Samsung's continued prosecution of this action was also reasonable based on the

[4] The cases cited by Imperium involve egregious conduct and meritless claims and, accordingly, are inapposite. *See Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1324-26 (Fed. Cir. 2011) (relying on extensive litigation misconduct, including Eon-Net's destruction of relevant documents prior to the initiation of its lawsuit and "history of filing nearly identical patent infringement complaints against a plethora of diverse defendants"); *Reedhycalog UK, Ltd. v. Diamond Innovations Inc.*, No. 6:08-CV-325, 2010 WL 3238312, *5-9 (E.D. Tex. Aug. 12, 2010) (relying on egregious conduct, including motions that "restated" the same arguments, attempt to "constantly circumvent the Local Rules" and failure to participate in Court-ordered mediation); *Z4 Tech., Inc. v. Microsoft Corp.*, No. 6:06-CV-142, 2006 WL 2401099, at *25-26 (E.D. Tex. Aug. 18, 2006) (relying on litigation misconduct, including the marking of 3,449 exhibits while admitting only 107 of them to bury the 107 exhibits); *Pact XPP Techs., AG v. Xilinx, Inc.*, 2:07-CV-563-RSP, 2013 WL 4735047, at *1-2 (E.D. Tex. Sept. 3, 2013) (finding the case exceptional based on "a knowing and calculated plan to acquire PACT's patented technology without compensation," such as discouraging a venture capitalist from investing in PACT so that Xilinx could buy PACT's patents at a discount, together with willful infringement).

[5] As discussed in Samsung's opposition to Imperium's motion to dismiss (D.I. 37 at 3-5) and contrary to Imperium's assertion (D.I. 47 at 13-14), Samsung's initiation of this action was mandated by the forum selection clause and controlling precedent. Further, Samsung's zealous advocacy with respect to the license defense in the Texas action was a response to Imperium's attempt to prevent Samsung from being heard on the issues relating to the Agreement both in this action and the Texas action.

governing law and related facts. *See generally* D.I. 37. Samsung respectfully submits that Judge Mazzant's finding on procedural grounds that Samsung waived its reliance on the Sony Agreement as an affirmative license defense was not a decision on the merits. Furthermore, Imperium's continued and further breach of the Agreement had no overlap with the issues that the Texas court addressed. D.I. 31 at ¶¶ 42, 65-68. While this Court's decision found otherwise, Samsung's position was not unreasonable. *See* D.I. 37 at 14-20. In view of the governing law and relevant facts, Samsung's continued prosecution of this action does not make this case exceptional. *See, e.g.*, *Octane Fitness,* 134 S. Ct. at 1755-56.

Indeed, contrary to Imperium's assertion, filing a second action with similar issues or facts to a first action does not necessarily warrant a shift of attorneys' fees under § 285. *See Microsoft Corp.*, 715 F. Supp. 2d at 603 (declining to impose attorney sanctions under § 285 even though the litigation at issue was similar to the previously dismissed action in another court); *Clouding IP, LLC v. EMC Corp.*, C.A. No. 13-1455-LPS, 2015 WL 5766872, at *1-3 (D. Del. Sept. 30, 2015) (declining to find case exceptional because plaintiff had good-faith belief in the merits of its claims even when plaintiff continued litigating after complaint was dismissed).

Neither was Samsung's conduct during the Delaware action unreasonable. Indeed, Imperium fails to argue any unreasonableness in the Delaware action, other than filing the complaint itself and Samsung's draft Rule 26(f) report proposing an "extended discovery schedule." As already discussed above, initiating the Delaware action in good faith cannot be a basis to deem this case exceptional. Further, Samsung's draft Rule 26(f) report was done at the direction of the Court (*see* D.I. 27 at 2) and merely reflects Samsung's diligence.[6] *See Parallel*

[6] Samsung's draft Rule 26(f) report proposed discovery plans, including depositions in Korea. It was a proposal that Samsung shared before the Rule 26(f) conference to discuss with Imperium. One of the purposes of Rule 26(f) conference is to discuss discovery plans, and

Iron LLC v. NetApp, Inc., 84 F. Supp. 3d 352, 359 (D. Del. 2015) ("responsible attorneys would not stand around and wait for months once [the case begins.]").

In short, this case does not "stand[] out from others with respect to the substantive strength of Samsung's litigating position (considering both the governing law and the facts of the case) or the [manner] in which the case was litigated." *Octane Fitness*, 134 S. Ct. at 1755-56.

2. The Texas Action Is Not Relevant to Whether This Action Is "Exceptional"

Imperium's attempt to borrow facts from the Texas action also fails. *See* D.I. 47 at 15-16. None of the borrowed facts shows or even hints anything about the strength of Samsung's litigation position or the manner in which Samsung litigated this case.[7] *Compare* D.I. 31 (Samsung's Amended Complaint), *with* D.I. 47 at 15-16; *see also Octane Fitness*, 134 S. Ct. at 1755-56. Further, Judge Mazzant's findings in the Texas action relate only to the issues of infringement and related discovery in that action, and fail to show any "vexatious litigation strategy" in this breach-of-contract action. *See generally* Texas action, D.I. 329, 401. Notably, in arguing that this case is "exceptional" based on Judge Mazzant's findings, Imperium fails to recite a single fact relating to the Agreement. *See* D.I. 47 at 14-16. A set of facts in a different proceeding cannot support a finding of an exceptional case here, even if the two proceedings are related. *See Serio-US Indus., Inc. v. Plastic Recovery Techs. Corp.*, 459 F.3d 1311, 1321 (Fed. Cir. 2006) ("Exceptional cases usually feature some material, inappropriate conduct ***related to the matter in litigation***…").

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providing a blueprint for this very purpose cannot be a basis for finding a bad faith.

[7] Contrary to Imperium's assertion, willfulness alone "does not [establish] a finding of an exceptional case." *See Judkins v. HT Window Fashions Corp.*, 704 F. Supp. 2d 470 (W.D. Pa. 2010); *see also Stryker Corp. v. Zimmer, Inc.*, 837 F.3d 1268, 1279 (Fed. Cir. 2016) ("it does not necessarily follow that the case is exceptional" from a willful determination).

According to Imperium's "noteworthy" exemplary case, courts find "vexatious litigation strategy" when there are "several instances" of litigation against multiple parties and when such instances of litigation are not bona fide efforts to protect its legal rights. *See Monolithic Power Sys., Inc. v. Asustek Computer, Inc.*, 726 F.3d 1359, 1367 (Fed. Cir. 2013) (affirming the lower court's finding of "vexatious litigation strategy" based on O2 Micro's "several instances" of litigation against a party only to prompt a third-party market competitor to file a declaratory judgment action.). This case is distinct from *Monolithic*. Unlike *Monolithic*, this action was a well-intentioned effort to protect Samsung's legal rights under the Agreement, while also streamlining the Texas action. Furthermore, here there are not "several instances" of lawsuits filed by Samsung—instead, it was Imperium that filed the infringement suit in Texas, and Samsung, as required by the forum selection clause, filed a single breach-of-contract action in Delaware.

C. Samsung's Conduct Does Not Warrant an Award of Fees Under § 1927

Imperium is similarly not entitled to an award of attorneys' fees under 28 U.S.C. § 1927. Section 1927 requires a finding of bad faith. *See LaSalle,* 287 F.3d at 288. "An action is brought in bad faith when the claim is ***entirely without color*** and has been ***asserted wantonly***, for purposes of ***harassment and delay***, or for ***otherwise improper reasons***." *Lightning Lube, Inc. v. Witco Corp.*, 144 F.R.D. 662, 669 (D.N.J. 1992) (citing *Ford,* 790 F.2d at 347) (other citations omitted). None of these scenarios applies here.

1. Samsung's Actions in the Texas Action are Not Relevant

As an initial matter, having overlap with the Texas action alone provides no basis to find bad faith in the Delaware action. *See Microsoft Corp.,* 715 F. Supp. 2d at 602 (declining to impose sanctions under § 1927 even when a similar case was previously dismissed in another court). As it did under § 285, Imperium once again tries to import facts from the Texas action in

its search for Samsung's alleged bad faith. *See* D.I. 47 at 15-16. But under the § 1927 framework, these facts have no bearing here. *See Dashner v. Riedy*, 197 F. App'x 127 (3d Cir. 2006) (declining to express opinion on the attorneys' conduct in other litigation and stating that "sanctions under § 1927 must only impose costs and expenses that result ***from the particular misconduct in the litigation at issue***"); *see also Martin*, 63 F.3d at 1265 (stating the requirements to impose sanctions under section 1927).[8]

Even if Imperium were permitted to import facts from another litigation to show bad faith in this litigation, the borrowed facts from Texas do not have any relation to Samsung's initiation and prosecution of, and cannot support an allegation of bad faith in, the Delaware action. *See supra* Section VII(B)(2). In fact, other than the fact that Samsung brought this action and raised the license defense in the Texas action, which is insufficient to be a basis for sanction, *Microsoft Corp.*, 715 F. Supp. 2d at 602, Imperium's allegation of Samsung's bad faith fails to recite any instance of conduct relating to the Agreement in the Texas action. *See generally* D.I. 47. There is none.

2. Samsung's Conduct Throughout the Delaware Action Similarly Does Not Suggest Bad Faith.

And Samsung did not file the complaint in Delaware in bad faith. Rather, as discussed above, Samsung initiated the Delaware action pursuant to the forum selection clause as a bona fide effort to protect its rights and streamline the Texas action. *See LaSalle*, 287 F.3d at 288 (sanctions under § 1927 are "intended to deter an attorney from intentionally and unnecessarily delaying judicial proceedings…"). In doing so, Samsung carefully analyzed its claims based on:

[8] *Lewis* is inapposite. D.I. 47 at 14. The plaintiff in *Lewis* filed a second complaint after three motions to dismiss had been granted in the first action and the Third Circuit had already granted attorneys' fees for frivolous appeal. *See Lewis v. Smith*, 480 F. App'x 696, 698-99 (3d Cir. 2012). The Delaware action was Samsung's first request to resolve claims that were not (and could not have been) raised in Texas—it was not a frivolous litigation. *See supra* Section IV.

(1) the forum selection clause of the Agreement and controlling precedent; and (2) thorough analyses of facts to confirm that Imperium was in breach. *See generally* D.I. 37. Further, Samsung's Amended Complaint pleading additional claims was a response to Imperium's continued and further breach. *See* D.I. 37 at 5-6. Regardless of how the Court views Samsung's positions, Samsung pled its claims in good faith. *See Energy Transp. Grp., Inc.*, 2011 WL 2222066, at *17.

Moreover, Samsung prepared a draft Rule 26(f) report and served discovery requests to comply with this Court's Order and policies. *See* D.I. 27 ("The parties shall engage in early, ongoing and meaningful discovery planning…"); *see also* the Honorable Mark A. Kearney's Policies and Procedures For District of Delaware (October 2017) at 6 ("parties are required to commence core party written discovery upon Court Order and Immediately upon receipt of notice of the date of the Rule 16 conference…"). This does not provide a basis to impose sanctions. *See LaSalle*, 287 F.3d at 288 (stating that sanctions are for *intentional* and unnecessary delays). Samsung, moreover, offered (and Imperium agreed) to allow cross-use of materials produced by either party in the Texas litigation, in order to reduce the burden and expense of discovery in Delaware for *both* parties.

D. The Court's Inherent Powers Do Not Warrant an Award of Attorneys' Fees

Finally, Imperium is not entitled to fees under the Court's exercise of its inherent powers. Although federal courts possess certain inherent powers to impose a sanction to achieve the orderly and expeditious disposition of cases, exercise of those powers requires a showing of bad faith. *See Goodyear Tire & Rubber Co.*, 137 S. Ct. at 1186; *see also Martin*, 63 F.3d at 1265 (vacating the lower court's order imposing sanctions for refiling motions addressing issues already decided). Here, in an attempt to show "bad faith," Imperium relies upon exactly the same arguments for attorneys' fees under the Court's inherent authority as it did for attorneys'

fees under § 1927 and, thus, this attempt fails for the same reasons as discussed above. *See, e.g.*, *Microsoft Corp.*, 715 F. Supp. 2d at 603, n.3 (declining to exercise its inherent authority to impose sanctions because the court already found lack of bad faith in its analysis under § 1927); *see also Energy Transp. Grp., Inc.*, 2011 WL 2222066, at *17.

The Third Circuit has suggested that courts take care in exercising their inherent powers, given their potency. *Id.* Based on the lack of bad faith, as discussed *supra* (Section VII(C)), and the Third Circuit's caution, the Court should not exercise its inherent authority to impose a sanction against Samsung for suing in a forum that was mandated by a forum selection clause. *Princeton Digital Image Corp.*, 2016 WL 1533697, at *18 (declining to impose sanctions under the Court's inherent power based on its finding of lack of bad faith under § 1927 analysis). [9]

Indeed, this Court has declined to exercise its inherent authority to impose sanctions (based on lack of bad faith) even where parties have engaged in egregious litigation misconduct, including misrepresentations to the Court (which is not the case here). *See, e.g., id.* (declining to

[9] The cases on which Imperium relies to assert bad faith involved serious litigation misconduct and are inapposite. *See Home Indem. Co. v. Arapahoe Drilling Co.*, 5 F.3d 546, 1993 WL 336078, at *1-3 (10th Cir. 1993) (simultaneously pursuing duplicative and meritless litigation in district court, state administrative tribunal, the corporation commission, the New Mexico district court and court of appeals); *Limerick v. Greenwald*, 749 F.2d 97, 100-102 (1st Cir. 1984) (raising "fundamentally the same issues" for the fourth time despite warning of sanctions and a prior sanction of attorney fees); *Pentagen Techs. Int'l Ltd. v. United States*, 172 F. Supp. 2d 464, 468, 471-72 (S.D.N.Y. 2001), *aff'd*, 63 F. App'x 548 (2d Cir. 2003) (bringing ninth litigation on the same set of facts and third *qui tam* action against the government despite court's prior warning); *Healey v. Labgold*, 231 F. Supp. 2d 64, 69-70 (D.D.C. 2002) (making deceptive statement in the complaint that plaintiff had the right to bring the cause of action, "convey[ing] . . . nearly the exact opposite of what the Bankruptcy Court held"); *John Akridge Co. v. Travelers Companies*, 944 F. Supp. 33, 34 (D.D.C. 1996), *aff'd*, No. 95-7237, 1997 WL 411654 (D.C. Cir. June 30, 1997) (engaging in forum shopping by filing first in state court and opposing removal and transfer to district court where the previous action had been dismissed); *Zdrok v. V Secret Catalogue, Inc.*, 215 F. Supp. 2d 510, 515, 518 (D.N.J. 2002), *vacated*, 108 F. App'x 692 (3d Cir. 2004) (filing third district court action with an "almost identical" complaint, while violating prior district court order); *Clemmons v. Wells Fargo Bank, N.A.*, 680 F. App'x 754, 761 (10th Cir. 2017) (refiling case in a state court, despite the district court's warning that "future attempts to relitigate issues already decided" will result in sanctions).

impose sanctions even with, among others, PDIC's inconsistent representation to the court, PDIC's litigation against parties with which PIDC had license agreement, and engagement in dilatory litigation conduct). Accordingly, Samsung's conduct, which does not even come close to the litigation misconduct in *Princeton Digital Image Corp.*, is not a basis to find bad faith.

VIII. CONCLUSION

Samsung respectfully requests that the Court either defer its ruling pending appeal or deny Imperium's Motion without prejudice and direct a new period for filing after the appeal has been resolved. However, if this Court decides to review the merits of Imperium's motion, Samsung respectfully requests that Imperium's motion be denied.

Respectfully submitted,

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