

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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NPF, LTD.,

Plaintiff,

v.

SMART PARTS, INC.,

Defendant.

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MEMORANDUM AND ORDER  
04-C-221-S

Plaintiff NPF Ltd. commenced this patent infringement action alleging that paintball guns manufactured and sold by defendant Smart Parts, Inc. infringe plaintiff's United States Patents Nos. 6,311,682 and 6,615,814. The Court granted plaintiff's summary judgment motion, finding infringement as a matter of law as to three of the claims in suit - claim 10 of the '682 patent and claims 21 and 39 of the '814 patent. The obviousness defense to infringement of these claims was tried to a jury which returned a verdict finding claim 10 obvious but rejecting the defense as to claims 21 and 39. Subsequently the Court granted defendant's renewed motion for judgment as a matter of law, determining that claims 21 and 39 were obvious and amending judgment accordingly. Presently before the Court is defendant's motion for an exceptional case finding and an award of attorney's fees pursuant to 35 U.S.C. § 285.

MEMORANDUM

Defendant bases its exceptional case motion on allegations of litigation misconduct and inequitable conduct before the patent office. Whether a case is exceptional is a factual question defendants must prove by clear and convincing evidence. See Interspiro USA, Inc. v. Figgie Intern., Inc., 18 F.3d 927, 933 (Fed. Cir. 1994). Among the grounds appropriate for finding a case exceptional are litigation misconduct and vexations, unjustified, and otherwise bad faith litigation. Epcon Gas Systems, Inc. v. Bauer Compressors, Inc., 279 F.3d 1022, 1034 (Fed. Cir. 2002). Inequitable conduct before the patent office is also a basis for an exceptional case determination. Stephens v. Tech Intern., Inc., 393 F.3d 1269, 1273 (Fed. Cir. 2004); Enzo Biochem, Inc. v. Calgene, Inc., 188 F.3d 1362, 1380-81 (Fed. Cir. 1999) (finding that trial court erred by not making inequitable conduct determination prior to denying exceptional case motion).

Defendant argues that plaintiff engaged in inequitable conduct before the patent office by failing to disclose the Cyber 9000 paintball gun and by failing to disclose other prior art teaching the use of reprogrammable microprocessors in consumer products. The Court has previously addressed plaintiff's failure to disclose the Cyber 9000 and found it incapable of supporting a finding that it was withheld in an attempt to deceive the patent office. Rather, the evidence supported the conclusion that plaintiff never

perceived the Cyber 9000 to be prior art and did not believe that it had been reduced to practice based on the limited information in the unsolicited sales proposal and therefore did not consider its disclosure as prior art.

As far as the alleged withholding of prior art relating to reprogrammable microprocessors there was ample evidence in the record that the patent examiner was well aware of them and their use in other products. The prior art at trial which led to the Court's finding of obviousness concerned teachings to use reprogrammable microprocessors in developmental products. This prior art, coupled with the consistent testimony of witnesses engaged in product development that they knew to use reprogrammable microprocessors in developmental products, including paintball guns, rendered the invention obvious.

There is no suggestion that plaintiff was aware of and intentionally withheld this prior art in an attempt to deceive the patent examiner. In fact, the inventor Rice testified at trial that he was unaware that others were using reprogrammable processors in developmental paintball guns. While it is true that Rice was aware that reprogrammable microprocessors were widely available this fact was revealed by the prior art before the examiner. The focus of patent prosecution was prior art consumer paintball guns and related patents. The evidence did not establish that plaintiff was aware of the scope of the prior art as used in

developmental work or that plaintiff intentionally withheld such information from the patent examiner. Accordingly, there is no basis to find plaintiff engaged in inequitable conduct in the patent office or to make an exceptional case finding on that basis.

Defendant's assertion that the case is exceptional based on litigation misconduct is even less persuasive. Defendant alleges as litigation misconduct commencement of a baseless suit and the naming of defendant Smart Parts' suppliers as additional defendants. Defendant also argues that plaintiff's actions surrounding the discovery of its accountant Jarvis's nefarious behavior and the accompanying false financial records constituted misconduct.

A frivolous patent suit justifying an exceptional case finding is one where the plaintiff knew or should have known was baseless. Stephens, 393 F.3d at 1273-74. The fact that plaintiff's case both survived summary judgment and a jury trial is powerful evidence that it was not baseless. The record does not bear out the argument that plaintiff should have known from the outset that its patents were invalid. That being true, the naming of additional distributor defendants cannot render the case exceptional. There was no dispute that the distributor defendants were selling the accused devices and were therefore proper defendants if plaintiff could establish infringement. Regardless of plaintiff's motivation in naming them, where the underlying suit was not frivolous, their joinder could not render the case exceptional.

Finally, the Court previously issued a written opinion rejecting discovery sanctions for the Jarvis investigation finding no basis to conclude that plaintiff intentionally covered up Jarvis's theft and distortion of financial records. In fact, Jarvis's conduct and the resulting tainted financial records proved disastrous to plaintiff's damages case and compelled it to abandon its lost profits claim. It is illogical to argue that his conduct be attributed to plaintiff or that plaintiff conspired in his activities or intentionally hindered discovery of the activities.

Accordingly, the Court finds that the case is not exceptional and denies defendant's motions.

ORDER

IT IS ORDERED that defendant's motion to amend judgment to find inequitable conduct in the prosecution of the patents in suit is DENIED.

IT IS FURTHER ORDERED that defendant's motion for an exceptional case finding and an award of attorney's fees pursuant to 35 U.S.C. §285 is DENIED.

Entered this 2nd day of June, 2005.

BY THE COURT:

/s/

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JOHN C. SHABAZ  
District Judge