

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 19-6359-GW-JCx Date September 21, 2020
Title *Realtime Adaptive Streaming LLC v. Netflix, Inc., et al.*

Present: The Honorable GEORGE H. WU, UNITED STATES DISTRICT JUDGE

Javier Gonzalez

Terri A. Hourigan

Deputy Clerk

Court Reporter / Recorder

Tape No.

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Reza Mirzaie

Todd R. Gregorian

PROCEEDINGS: TELEPHONIC HEARING ON DEFENDANTS NETFLIX, INC. AND NETFLIX STREAMING SERVICES, INC.'S MOTION FOR AWARD OF ATTORNEY FEES [35]

Court and counsel confer. The Tentative circulated and attached, is adopted as the Court's Final Ruling. The Court GRANTS the motion, subject to Defendant's supplemental brief due by close of business today. Plaintiff's objections are to be filed by September 22, 2020. Court will thereafter issue its final ruling.

Initials of Preparer JG : 08

I. Background

Defendants Netflix, Inc. and Netflix Stream Services, Inc. (collectively, “Netflix”) seek an award of attorney’s fees in these cases (collectively, the “California actions”) brought by Plaintiff Realtime Adaptive Streaming LLC (“Realtime”).¹ See Case No. 2:19-cv-06361-GW-(JCx), Docket No. 34; Case No. 2:19-cv-06359-GW-(JCx), Docket No. 35.

A. The Delaware Action

In November 2017, Realtime filed a patent infringement suit against Netflix in the District of Delaware (the “Delaware action”) concerning six patents relating to data compression: U.S. Patent Nos. 7,386,046 (“the ‘046 Patent”), 8,634,462 (“the ‘462 Patent”), 8,934,535 (“the ‘535 Patent”), 9,578,298 (“the ‘298 Patent”), 9,762,907 (“the ‘907 Patent”), and 9,769,477 (“the ‘477 Patent”). See Docket No. 34-3. Realtime sought to consolidate pretrial proceedings in the Delaware action with eleven other patent infringement actions it had filed spanning five districts, but the Judicial Panel on Multidistrict Litigation denied its request. Docket No. 34-4. Netflix, for its part, sought to transfer the Delaware action to the Northern District of California, but Realtime opposed and the Delaware court denied the transfer. Docket Nos. 34-6, 8, 9. As part of its defense, Netflix sought *inter partes* review (“IPR”) of the six patents, which the Patent Trial and Appeal Board (“PTAB”) instituted. Mot. at 5.

In February 2018, Netflix moved to dismiss the Delaware action on the bases that: (1) the ‘046, ‘477, ‘535, and ‘907 Patents (the “Fallon Patents”) were invalid because they claimed ineligible subject matter; and (2) Realtime failed to state a claim for infringement of the other two patents (the ‘298 and ‘462 Patents). The Magistrate Judge issued a report and recommendation in December 2018 advising the district court to grant the motion as to the Fallon Patents, but deny it as to the ‘298 and ‘462 Patents. See Docket No. 34-10. While Realtime’s motion for leave to

¹ The same motion for attorney fees and accompanying briefing was filed in both cases. All citations in this ruling are to Case No. 2:19-cv-06361-GW-(JCx) unless otherwise noted. The following abbreviations are used for the parties’ filings: (1) Defendants’ Motion for Award of Attorney Fees (“Mot.”), Docket No. 34; (2) Declaration of J. David Hadden (“Hadden Decl.”), Docket No. 34-1; (3) Declaration of Isaac Peterson (“Peterson Decl.”), ECF No. 34-39; (4) Realtime’s Opposition to Netflix’s Motion for Attorney Fees (“Opp.”), Docket No. 39; (5) Defendants’ Reply in Support of Motion for Attorney Fees (“Reply”), Docket No. 42; (6) Defendants’ Supplement (“Supp.”), ECF No. 59; (6) Plaintiff’s Response to Supplement (“Resp.”), ECF No. 60.

amend its complaint in light of the Magistrate Judge’s report and recommendation was pending, the same district court judge (*i.e.* Judge Colm F. Connolly) ruled on July 19, 2019 in a parallel case that five related patents owned by Realtime’s parent company were invalid. Docket No. 34-15. Realtime had relied on those patents to argue for the validity of the Fallon Patents asserted against Netflix. On July 23, 2019, Realtime filed a notice of voluntary dismissal without prejudice pursuant to Rule 41(a)(1)(A)(i). Docket No. 34-17.

B. The California Actions

The same day that Realtime voluntarily dismissed the Delaware action, it simultaneously filed the present two patent actions in California, claiming infringement of the Fallon Patents in one action and infringement of the ‘298 Patent and U.S. Patent No. RE46,777 (the “‘777 Patent” – which is an April 2018 reissue of the ‘462 Patent with minor changes) in the second action. Netflix notified Realtime that it would request transfer of those two cases back to Delaware and reimbursement of its costs under Rule 41(d). Realtime subsequently amended both complaints by replacing the ‘907 patent (one of the Fallon Patents) with another patent from the same family – *i.e.* U.S. Patent No. 8,054,879 (“the ‘879 Patent”) – in one action, and dropping the ‘298 Patent from the other action. Netflix did not file an answer to Realtime’s complaints but rather moved for transfer of the lawsuits and for an award of costs and attorney’s fees. *See* Docket Nos. 15-16. On November 14, 2019, after the parties had almost completed briefing on Netflix’s motions, Realtime voluntarily dismissed both California actions. *See* Docket No. 30. Netflix now seeks reimbursement for the attorney’s fees it incurred in the California actions, the Delaware action, and the IPR proceedings, either under 35 U.S.C. § 285 or through Court’s exercise of its equitable power. Mot. at 3.

II. Discussion

In patent suits, Section 285 provides that “[t]he court in exceptional cases may award attorney’s fees to the prevailing party.” 35 U.S.C. § 285. By its terms, the statute sets out two requirements: the party must have prevailed in the action and the case must have been an exceptional one. Realtime argues that Netflix has not met either of these requirements.

A. Whether Netflix Is a Prevailing Party

Whether a litigant is a prevailing party in a patent action is a question of Federal Circuit law. *SSL Servs., LLC v. Citrix Sys., Inc.*, 769 F.3d 1073, 1086 (Fed. Cir. 2014) (“In a patent case, Federal Circuit law governs the determination of which party has prevailed.”). A voluntary

dismissal without prejudice typically does not make the defendant the prevailing party. Fed. R. Civ. P. 41(a)(1)(B);² *see, e.g., RFR Indus., Inc. v. Century Steps, Inc.*, 477 F.3d 1348, 1353 (Fed. Cir. 2007) (“We hold that a plaintiff’s voluntary dismissal without prejudice pursuant to Rule 41(a)(1)(i)[³] does not bestow ‘prevailing party’ status upon the defendant.”). This is because such a dismissal “does not constitute a change in the legal relationship of the parties because the plaintiff is free to refile its action.” *RFR Indus.*, 477 F.3d at 1353.

Whether Netflix is a prevailing party depends, in part, on whether Realtime’s voluntary dismissal of the California actions effectively amounted to a dismissal with prejudice. Realtime insists that it “voluntarily dismissed this case without prejudice pursuant to Rule 41(a)(1)(i).”⁴ Opp. at 8. Although Realtime purports to have dismissed this action without prejudice, its position does not take into account the full requirements of Rule 41(a)(1)(B). That rule states, *inter alia*, “if the plaintiff previously dismissed any federal- or state-court action based on or including the same claim, a notice of dismissal ***operates as an adjudication on the merits.***” Fed. R. Civ. P. 41(a)(1)(B) (emphasis added). Realtime notes some minor differences between these California actions and the Delaware action due to the replacement of the ‘907 Patent with the ‘879 Patent. However, even after Realtime amended its complaints in the California action, the California and Delaware lawsuits still included identical infringement claims with respect to at least four out of a total of six patents. Therefore, under Rule 41(a)(1)(B), Realtime’s voluntary dismissal of the California actions was “an adjudication on the merits” as to a majority of its claims, such that it effectively operated as a dismissal with prejudice.

In *Buckhannon Bd. & Care Home, Inc. v. W.V. Dep’t of Health & Human Resources*, 532 U.S. 598 (2001), the Supreme Court held that for there to be a prevailing party, there must be: (1) a

² The Federal Rules of Civil Procedure provide that for voluntary dismissals under Fed. R. Civ. P. 41(a)(1):

- (A) . . . the plaintiff may dismiss an action without a court order by filing:
 - i. a notice of dismissal before the opposing party serves either an answer or a motion for summary judgment; or
 - ii. a stipulation of dismissal signed by all parties who have appeared.
- (B) Unless the notice or stipulation states otherwise, the dismissal is without prejudice. But if the plaintiff previously dismissed any federal- or state-court action based on or including the same claim, a notice of dismissal operates as an adjudication on the merits.

³ Rule 41 was amended to make stylistic changes in 2007. The provision in the old Rule 41(a)(1)(i) is now located at Rule 41(a)(1)(A)(i).

⁴ Realtime’s reference to Rule 41(a)(1)(i) is outdated. As noted above, the correct citation is to Rule 41(a)(1)(A)(i).

change in the parties' legal relationship, and (2) the change must be judicially sanctioned or otherwise carry sufficient judicial imprimatur. *Id.* at 605. As with the overall question of determining a prevailing party, "[t]he question of the effect of a dismissal with prejudice on 35 U.S.C. § 285 is a matter of Federal Circuit law." *Highway Equip. Co., Inc. v. FECO, Ltd.*, 469 F.3d 1027 (Fed. Cir. 2006). However, to correctly apply the law in this area, one must understand its development.

1. *Buckhannon and Its Progeny*

In *Buckhannon*, plaintiffs brought an action against certain state agencies for declaratory relief under the Fair Housing Amendments Act and the Americans with Disabilities Act challenging cease-and-desist orders which were based upon state "self-preservation" statutes. *See* 532 U.S. at 600-02. The defendants agreed to stay the enforcement of the orders pending the litigation. During that pendency, the state legislature eliminated the contested statutes and the defendants subsequently moved to dismiss the action as moot, which was granted by the district court. Plaintiffs thereafter applied for attorney's fees under the "catalyst theory" – which had been by that time adopted by most circuit courts – which held that the plaintiff is a "prevailing party" if it achieves a desired result because the lawsuit brings about a voluntary change in the defendant's conduct even though the plaintiff does not secure a judgment or a court-ordered consent decree. *Id.* The Supreme Court rejected the catalyst theory finding that: (1) to "prevail," there must be an "alteration in the legal relationship of the parties" (*i.e.* "a plaintiff receive at least some relief on the merits of his claim," and (2) that alteration must have the "necessary judicial *imprimatur* on the change" (*e.g.* "a judgment on the merits . . . or . . . a court-ordered consent decree").⁵ *Id.* at

⁵ In referencing the necessity for "*judicial* relief [emphasis in original]," the Court in *Buckhannon* cited to *Hewitt v. Helms*, 482 U.S. 755 (1987), which states:

In order to be eligible for attorney's fees under § 1988, a litigant must be a "prevailing party." Whatever the outer boundaries of that term may be, *Helms* does not fit within them. Respect for ordinary language requires that a plaintiff receive at least some relief on the merits of his claim before he can be said to prevail. *See Hanrahan v. Hampton*, 446 U.S. 754, 757 (1980). *Helms* obtained no relief. Because of the defendants' official immunity he received no damages award. No injunction or declaratory judgment was entered in his favor. Nor did *Helms* obtain relief without benefit of a formal judgment – for example, through a consent decree or settlement. *See Maher v. Gagne*, 448 U.S. 122, 129 (1980). The most that he obtained was an interlocutory ruling that his complaint should not have been dismissed for failure to state a constitutional claim. That is not the stuff of which legal victories are made. *Cf. Hanrahan, supra*, at 758-759.

Id. at 759-60. While the Court in *Hewitt* specifically noted that it "need not decide the circumstances, if any, under which th[e] 'catalyst' theory could justify a fee award under § 1988," it did make the following observation that is somewhat inconsistent with the notion of the necessity of some judicial imprimatur for the finding of prevailing party status:

604-05.

2. *Determining Prevailing Party in This Case*

This Court has not found any binding authority directly addressing whether a voluntary dismissal under Rule 41(a)(1)(A)(i) – that is deemed to be a dismissal with prejudice due to its being an “adjudication on the merits” pursuant to the operation of Rule 41(a)(1)(B) – can permit the defendant in that situation to be considered a prevailing party under Section 285. In other contexts, including a dismissal *with prejudice* entered by a court under Rule 41(a)(2), the Federal Circuit has found it proper to deem the defendant to be a prevailing party. *See Highway Equip.*, 469 F.3d at 1035-36. In *Highway Equip.*, the Federal Circuit held that:

as a matter of patent law, the dismissal with prejudice, based on the covenant and granted pursuant to the district court’s discretion under Rule 41(a)(2), has the necessary judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties, such that the district court properly could entertain [the defendant’s] fee claim under 35 U.S.C. § 285 [The defendant’s] prevailing party status is not predicated on whether [plaintiff] filed a Rule 41(a)(2) motion to dismiss with prejudice at the outset but is ***sufficiently based on its having filed a covenant not to sue with the court to end the litigation***, resulting in a dismissal with prejudice.

Id. (emphasis added).

In comparison, in *O.F. Mossberg & Sons, Inc. v. Timney Triggers*, 955 F.3d 990, 993 (Fed. Cir. 2020), the Federal Circuit found that a voluntary dismissal *without prejudice* by a plaintiff under Rule 41(a)(1)(A)(i) lacked the “judicial *imprimatur* required for a litigant to emerge as the prevailing party under § 285.” *Id.* In reaching this decision, the Federal Circuit observed,

[a] properly filed Rule 41(a)(1)(A)(i) voluntary dismissal becomes effective immediately upon plaintiff’s filing of the notice of dismissal. *See* Fed. R. Civ. P. 41(a)(1)(A) (for voluntary dismissals by the plaintiff “Without a Court Order,” the plaintiff may “dismiss an action *without a court order*” (emphasis added)). Although the district court in this case entered a dismissal order after Timney filed its notice of voluntary dismissal, that dismissal order had no legal effect. That leaves only the stay, which cannot “change . . . the legal relationship of the parties,” because it remained in place while the parties determined the patent’s validity in a separate venue – the Patent Office. And

It is settled law, of course, that relief need not be judicially decreed in order to justify a fee award under § 1988. A lawsuit sometimes produces voluntary action by the defendant that affords the plaintiff all or some of the relief he sought through a judgment – e. g., a monetary settlement or a change in conduct that redresses the plaintiff’s grievances. When that occurs, the plaintiff is deemed to have prevailed despite the absence of a formal judgment in his favor.

Id. at 760-61 (emphasis added).

the stay did not change the legal relationship between the parties; the Board’s invalidity decision and Mossberg’s voluntary Rule 41(a)(1)(A)(i) dismissal did. A stay, standing alone, is simply not a final court decision capable of establishing the judicial *imprimatur* required for a litigant to emerge as the prevailing party under § 285.

Id. (citation omitted); *see also RFR Indus.*, 477 F.3d at 1353 (“A plaintiff’s voluntary dismissal without prejudice pursuant to Rule 41(a)(1)(i), however, does not constitute a change in the legal relationship of the parties because the plaintiff is free to refile its action.”).

Neither *RFR Indus.* nor the Federal Circuit’s decision in *O.F. Mossberg* held – as Realtime suggests – that voluntary dismissal under Rule 41 can never confer prevailing party status. Both of those cases addressed voluntary dismissals *without* prejudice under Rule 41(a)(1)(A)(i), which fail *Buckhannon*’s requirements that there be a change in the legal relationship between the parties and that change be either judicially sanctioned or otherwise carry sufficient judicial *imprimatur*. Such plaintiffs in those cases, unlike Realtime herein, were free to refile their actions.

Realtime argues that its voluntary dismissal did not require a court order and therefore lacks sufficient judicial *imprimatur*. A voluntary dismissal under Rule 41(a)(1)(A)(i) with prejudice falls right on the boundary of what has been found to satisfy the second prong of *Buckhannon*’s test. It is not granted by court order, like a dismissal with prejudice under Rule 41(a)(2). *See, e.g., Highway Equip.*, 469 F.3d at 1035. But neither is it the same as a stipulated voluntary dismissal with prejudice under Rule 41(a)(1)(A)(ii), which arises from the parties’ agreement. *See Uniloc 2017 LLC v. Microsoft Corp.*, No. 18-cv-02053-JLS-(JDEx), Docket No. 101 (C.D. Cal. Sept. 9, 2019) (Guilford, J.) (stipulated voluntary dismissal under Rule 41(a)(1)(A)(ii) is not judicially sanctioned and thus does not convey prevailing party status). The few cases where a court has been confronted with a voluntary dismissal with prejudice under Rule 41(a)(1)(A)(i) (though under different fee-shifting statutes⁶) have arrived at different conclusions. In one, the court found that there was sufficient judicial *imprimatur* wherever “the result is achieved through litigation,” as opposed to outside of it as in *Buckhannon*. *See NEXUS Servs., Inc. v. Moran*, No. 5:16-cv-00035, 2018 WL 1461, at *14 (W.D. Va. Mar. 23, 2018). In another, however, the court read *Buckhannon* as requiring active court involvement and found it lacking in

⁶ Realtime argues that the authorities Netflix relies on, including *NEXUS Services*, are not attorney fees cases under Section 285 and are therefore of limited relevance. However, “Congress has included the term ‘prevailing party’ in various fee-shifting statutes, and it has been the Court’s approach to interpret the term in a consistent manner.” *CRST Van Expedited, Inc. v. EEOC*, 136 S.Ct. 1642, 1646 (2016).

Rule 41(a)(1)(A)(i) dismissals where the dismissal is deemed to be with prejudice due to Rule 41(a)(1)(B). *First Time Videos, LLC v. Oppold*, No. 6:12-cv-1493-ORL-36-KRS, 2013 WL 12094410, at *5 (M.D. Fla. Sept. 16, 2013), *aff'd*, 559 F. App'x 931 (11th Cir. 2014) (“The Court concludes that because there is no court action involved in the dismissal of a case under the two dismissal rule pursuant to Rule 41(a)(1)(B), an ‘adjudication on the merits’ under that rule does not constitute a ‘judicially sanctioned change in the legal relationship of the parties’ as required by *Buckhannon*.”). *See also Keith Mfg. Co. v. Butterfield*, 256 F.Supp.3d 1123, 1135 (D. Or. 2017), *rev'd on other grounds*, 955 F.3d 936 (Fed. Cir. 2020) (holding that a voluntary dismissal made via a stipulation of dismissal *with prejudice* pursuant to Rule 41(a)(1)(A)(ii) lacked judicial imprimatur and hence the defendant could not be a prevailing party under Section 285).

The Court finds the argument for prevailing party status herein is more persuasive. Of note, the second prong of *Buckhannon's* test requires that “the change must be judicially sanctioned or otherwise carry sufficient judicial imprimatur.” *Buckhannon*, 532 U.S. at 605 (emphasis added). In *Buckhannon*, the Supreme Court understandably emphasized that there be “judicially sanctioned” relief because the plaintiff in that case was trying to claim prevailing party status based solely on the fact that the defendant voluntarily adjusted its conduct outside of the context of the litigation. Here, where the judicially created Fed. R. Civ. P. 41(a)(1)(B) specifically states that filing for the dismissal of previously-voluntarily-dismissed claims operates as an “*adjudication on the merits*,” the Federal Rule itself requires the conclusion that such a dismissal carries a sufficient judicial imprimatur for a defendant to be awarded prevailing party status (*i.e.* the lawsuit has ended with an adjudication on the merits).⁷ To require greater court involvement here would place too much emphasis on form over substance.

Therefore, the Court finds that Netflix is a prevailing party under Section 285.

B. Whether This Is an Exceptional Case

Attorney’s fees may be awarded only in “exceptional cases.” 35 U.S.C. § 285. An “exceptional case” is:

[O]ne that stands out from others with respect to the substantive strength of a

⁷ In *RFR Indus.*, the Federal Circuit held that: “A plaintiff’s voluntary dismissal without prejudice pursuant to Rule 41(a)(1)(i) [now Rule 41(a)(1)(A)(i)], however, does not constitute a change in the legal relationship of the parties *because the plaintiff is free to refile its action.*” *RFR Indus.*, 477 F.3d at 1353 (emphasis added). However, a dismissal under Rule 41(a)(1)(B) operates as an adjudication of the merits if the plaintiff previously dismissed any federal action based on or including the same claim. Since Realtime did previously dismiss a federal action including certain of the same claims as involved in this lawsuit, that dismissal operates as an adjudication on the merits and, hence, the dismissal is with prejudice.

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., 572 U.S. 545, 554 (2014). Whether a case is “exceptional” is determined by district courts on a case-by-case basis in an exercise of their discretion, “considering the totality of the circumstances.” *Id.* “There is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised in light of the considerations [identified above].” *Id.* (quotations omitted) (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)).

Netflix contends that this case is exceptional for a number of reasons. First, Netflix argues that the nearly identical complaints in the Delaware and California actions consist of claims that Realtime initially knew or should have known were so weak that they never should have been brought in the first instance, let alone in multiple actions. Second, Netflix argues Realtime’s voluntary dismissal of the Delaware action and simultaneous filing of these actions in California reveals a clear attempt to avoid an adverse final judgment ruling and is impermissible forum-shopping. Third, Netflix argues Realtime’s opposition to Netflix’s attempt to transfer the California actions to Delaware was not credible and, moreover, was unreasonable given that Realtime had opposed Netflix’s motion to transfer the Delaware action to the Northern District of California.

Netflix believes that Realtime knew or should have known about the weakness of its claims when it initially filed its claims in Delaware in 2017 and most certainly when it filed the California actions in July 2019. The Court disagrees with Netflix in regards to the initial filing in Delaware. Netflix has not pointed to any specific fact that establishes that the 2017 filing was clearly untenable. The subsequent and multiple adverse rulings as to the relevant Fallon Patents⁸ had not yet occurred. Indeed, on October 25, 2018, this Court in another lawsuit between Realtime and Google LLC denied granting Google’s Rule 12(b)(6) motion to dismiss Realtime’s infringement claims for two of the Fallon Patents⁹ on the grounds that they were invalid. *See* Opp. at 11-12; *see also Realtime Adaptive Streaming LLC v. Google LLC*, No. 2:18-cv-03629-GW-(JCx) (C.D. Cal.) (the “Google action”), Docket No. 36. For a third Fallon Patent (*i.e.* the ‘535 Patent), the Court granted Google’s motion as to claims 15-30, leaving claims 1-14 in place. *Id.*

⁸ The Fallon Patents are the ‘046, ‘477, ‘535, and ‘907 Patents.

⁹ The ‘046 and ‘477 Patents.

Nevertheless, by July of 2019 when it filed the present actions in California after dismissing its Delaware action, Realtime had: (1) the Magistrate Judge's December 2018 report recommending that the district court in the Delaware matter find the Fallon Patents – which all were also asserted in the California actions – invalid because they claimed ineligible subject matter;¹⁰ (2) the Delaware district court's ruling in a parallel case that five patents owned by Realtime's parent company (on which it had in part based its validity arguments as to the Fallon patents) were invalid; and (3) the granting of *inter partes* review as to many of the patent claims involved in this action showing that the Patent Trial and Appeal Board of the United States Patent and Trademark Office ("PTAB") concluded that Netflix had "demonstrated a reasonable likelihood of success in proving that at least [one claim of the contested] patent is unpatentable."¹¹ Whether Realtime knew or should have known that its claims were baseless when it filed the California actions is in the end a close call; but one which this Court would be inclined to find tips over into the baseless range. However, as discussed below, what is not a close call is Realtime's awareness that its lawsuit in Delaware was undeniably tanking and its decision to run off to another jurisdiction in hopes of getting a more favorable forum was totally unjustified.

Realtime's decision to voluntarily dismiss the Delaware action and then bring these two actions in California was exceptional and improper. Realtime's decision came after: (1) the Magistrate Judge in the Delaware action entered a report and recommendation finding the Fallon Patents invalid under 35 U.S.C. § 101; and (2) the District Judge (presiding over the Delaware action) ruled in another action brought by Realtime that similar patents owned by Realtime's parent company were invalid. Further, as Realtime notes (albeit in a different context), its decision came after this Court reached a more favorable ruling to Realtime regarding the patent eligibility of the Fallon Patents in another case which it had brought against Google LLC. These circumstances strongly support the conclusion that Realtime was impermissibly forum-shopping.

Realtime attempts to justify its decision to dismiss the Delaware action and refile here by arguing that: (1) a June 2019 Federal Circuit decision supported the patent eligibility of the Fallon

¹⁰ Realtime argues that this Court's partial denial of the motion to dismiss in the *Google* action shows that, among the Fallon Patents, it still had strong claims as to the '046 and '477 Patents and claims 1-14 of the '535 Patent. Netflix responds that "[s]urviving the pleading stage does not mean the claims were strong, only that they implicate questions of fact." Mot. at 9. The Court agrees that the ruling does not demonstrate that the claims were strong, and it does not preclude a finding that this case is exceptional for purposes of Section 285.

¹¹ The Court notes the PTAB's recent decision upholding Realtime's '046 Patent against Netflix's challenges. *See* Docket No. 57.

Patents, contrary to the Magistrate Judge’s findings, and (2) the delay in the Delaware proceedings supported its decision to refile these cases in this District. These arguments are not persuasive. As to the first contention, the June 2019 Federal Circuit decision would not provide any reason for Realtime’s *dismissing* its Delaware action and then *refiling* in California. As to the second rationale, Realtime chose to maintain the Delaware action during the sixteen-plus months after the Magistrate Judge’s report and recommendation was filed, before dropping the case immediately after the Delaware District Judge invalidated five of its related patents. It is abundantly clear that Realtime had been holding out for a favorable decision from the District Judge after the Magistrate Judge’s recommendation but realized the writing was on the wall for the Fallon Patents after the District Judge’s decision in the other case. And conversely, Realtime realized that this Court’s rulings in other actions made this District a much more favorable forum to argue infringement of the Fallon Patents.¹²

Although the Court finds this issue alone supports a finding of exceptionality, it further agrees with Netflix that it was also exceptional for Realtime to oppose Netflix’s motion to transfer these actions back to the District of Delaware for resolution in the forum where they were initially brought. As Netflix notes, in Realtime’s opposition to an earlier motion to transfer in the Delaware action, Realtime had argued that litigation in the Northern District of California would be less convenient with regard to witnesses and evidence compared to Delaware. That Realtime subsequently brought the case here in the Central District of California, and then opposed its transfer back to Delaware, is further support for the determination that Realtime was engaged in impermissible forum-shopping.

C. Whether the Requested Attorney’s Fees and Costs Are Reasonable

Netflix asks the Court to award it attorney’s fees and costs covering: (1) the California actions; (2) the Delaware action; and (3) the IPR proceedings.

a. *The Delaware action and IPR proceedings*

Whether the Court has the power to award attorney’s fees and costs for the Delaware action

¹² As for its selection of the Central District of California as the place where it could get a supposed speedier decision, that choice was nonsensical given: (1) Judge Connolly in the Delaware District Court had just rendered a decision in a related case which foreshadowed a dispositive ruling on the pending matters; (2) the fact – that the judges in the new forum would have to get up to speed in familiarizing themselves with the cases – would cause inevitable delays plus the reconsideration of matters that had already been litigated in the Delaware action, and (3) Realtime chose a district court which was severely understaffed, in that for several years there were eight unfilled vacancies out of 28 positions.

and IPR proceedings is questionable. Netflix offers two separate grounds for the Court’s power to award fees and costs for these separate proceedings. First, it argues that the fee-shifting statute (Section 285) itself authorizes a court to award fees and costs “for work performed in related litigation” and “for work incurred in related administrative proceedings.” Mot. at 11. Alternatively, Netflix argues that Federal Rule of Civil Procedure 41(d) provides the necessary authorization. Rule 41(d) authorizes courts to award fees and costs for a previously dismissed action based on the same claims against the same defendant. *Id.*

The Court has not found any binding authority authorizing it to award attorney’s fees and costs for the Delaware action and IPR proceedings under Section 285. Netflix cites to a case where, on a motion for attorney’s fees under Section 285, a district court in Pennsylvania found it would have been appropriate to award the prevailing plaintiff attorney’s fees for a separate litigation matter in state court as well as IPR proceedings if those fees were “reasonably and necessarily attributable to [the present litigation].” *Drone Tech., Inc. v. Parrot S.A.*, 14-cv-00111, 2015 WL 4545291, at *9-10 (W.D. Pa. July 21, 2015). However, that decision does not delineate the source of its authority from or where the “reasonably and necessarily attributable” standard came from. In another case Netflix cites to a decision from a court in this district which held that a prevailing party could recover attorney’s fees under Section 285 for related IPR proceedings. There, the court reasoned that a “but for” causation standard applied “in adjudicating attorneys’ fees under federal statutes” and that because the IPR proceedings would not have been instituted but for the patent infringement suit, attorney’s fees for the IPR proceedings were recoverable. *See Munchkin, Inc. v. Luv N’ Care, Ltd.*, 13-cv-06787-JEM, 2018 WL 7504404, at *7 (C.D. Cal. Dec. 27, 2018). The Court is not fully persuaded for two reasons. First, it is not clear to the Court that the “but for” standard applies to *all* federal fee-shifting statutes, as the *Munchkin* district court assumed.¹³ Second, Netflix fails to note that the district court’s decision in *Munchkin* was reversed and that, in doing so, the Federal Circuit wrote:

We recognize that the district granted [defendant] its attorney’s fees attributable to both the district court proceedings and the related IPR proceeding, but in light of reversing the award of fees, we do not reach this issue of whether in the circumstances of this case § 285 permits recovery of attorney’s fees for parallel USPTO proceedings.

¹³ In the case relied on by the *Munchkin* court – *i.e.* *Fox v. Vice*, 563 U.S. 826 (2011), the Supreme Court was addressing the fee-shifting scheme in 42 U.S.C. § 1988. There is no indication that the Supreme Court in *Fox* meant to generalize its “but for” standard to all federal fee-shifting statutes.

Munchkin, Inc. v. Luv N' Care, Ltd., 960 F.3d 1368, 1380, n. 2 (Fed. Cir. 2020). Given that the Federal Circuit has left this an open issue, the Court finds that Netflix's reliance on Section 285 is on shaky ground.

As importantly and as noted above, this Court has not found that Realtime knew or should have known about the weakness of its claims when it initially filed its claims in Delaware in 2017. Likewise, this Court does not have sufficient basis to determine whether the PTAB's granting of the IPRs by itself should have served to apprise Realtime of the futility of its litigation efforts.¹⁴ Therefore, this Court concludes that, under *Munchkin*, it would be error for it to award attorney's fees for the litigation that occurred in the Delaware action or in the IPR litigation. See *Munchkin*, 960 F.3d at 1378-80. However, those problems do not arise in regards to the proceedings before this Court.

Netflix's other asserted ground for the Court's power to award the fees and costs, Rule 41, is similarly uncertain. That rule provides that "[i]f a plaintiff who previously dismissed an action in any court files an action based on or including the same claim against the same defendant, the court . . . may order the plaintiff to pay all or part of the *costs* of that previous action." Fed. R. Civ. P. 41(d) (emphasis added). The Delaware action clearly falls within Rule 41(d)'s scope. However, that is not the end of the analysis. The text specifically refers to "costs" and not "attorney's fees," and courts have split over whether attorney's fees may be awarded under Rule 41. While some circuits have addressed the question, they have reached different conclusions: (1) "attorneys' fees may always be awarded," (2) attorneys' fees may never be awarded," or (3) "attorneys' fees may be awarded . . . only where the underlying substantive statute defines 'costs' to include attorneys' fees." See *Garza v. Citigroup, Inc.*, 881 F.3d 227, 281 (3rd Cir. 2018) (summarizing holdings of the Fourth, Sixth, Seventh, and Eighth Circuits). The Ninth Circuit has not addressed the issue, and district courts in the Ninth Circuit have been divided. See, e.g., *Saunders v. Sunrun, Inc.*, 19-cv-04548, 2020 WL 4601636, at *7 (N.D. Cal. Aug. 11, 2020) (documenting cases in the Northern District of California that reached different decisions). Even within this district, courts are divided. See, e.g., *Esquivel v. Arau*, 913 F. Supp. 1382, 1388-92 (C.D. Cal. 1996) (finding that attorney's fees could be awarded); *Pereira v. 3072541 Canada Inc.*,

¹⁴ Realtime has filed a copy of a May 26, 2020 final PTAB decision finding that Netflix had failed to show by a preponderance of the evidence that certain claims within the '046 Patent were unpatentable as being obvious under 35 U.S.C. § 103. See Exhibit A to Realtime's Third Notice of Supplemental Authority (Docket No. 57), which is a copy of the May 26, 2020 PTAB decision in *Netflix, Inc. v. Realtime Adaptive Streaming LLC*, IPR2019-00209.

18-cv-02622-RGK-(JCx), 2018 WL 5824889, at *2 (C.D. Cal. July 5, 2018) (holding that attorney's fees could not be awarded).

Ultimately, the Court does not need to decide whether it is authorized (either under Section 285 or Rule 41(d)) to award attorney's fees and costs for the Delaware action and the IPR proceedings. Even assuming that it is within the Court's discretion, the Court finds that such an award is not warranted here. As the Court noted earlier, it does not find Realtime's decision to file the Delaware action an untenable one. The conduct the Court found exceptional was Realtime's decision to voluntarily dismiss the Delaware action only to simultaneously file the California actions with most of the same claims. For these reasons, the Court declines to award attorney's fees or costs for the Delaware action or the IPR proceedings which were instituted in a response to it.

b. The appropriate award for the California actions

Netflix asks for approximately \$405,779 in attorney fees and costs for the California actions based on what its counsel, Fenwick & West, effectively argues is an appropriate lodestar figure. The amount is broken down as follows:¹⁵

1. Motion for fees under Rule 41(d): \$89,706 (160.3 hours)
2. Motion to transfer: \$95,789.50 (153.3 hours)
3. Case management: \$14,614.50 (24.9 hours)
4. Motion for fees under Section 285: \$94,226.50 (163.6 hours)
5. Reply in support of the motion for Section 285 fees: \$64,046 (107.9 hours)
6. Hearing preparation and case management: \$42,741 (75.4 hours)
7. Providing supplemental information asked for by the Court: \$6,655 (12.1 hours)

See Hadden Decl. at 18-22; Supp. at 2-4.

Realtime argues that the requested amount is unreasonable for two reasons: (1) it includes time spent on tasks that were not justifiably part of Netflix's defense (tasks 1 and 6); and (2) the hours quoted are extremely inflated. Resp. at 2.

As to the first ground, Realtime contends that time Netflix spent on its Rule 41(d) motion (task 1) and time spent after the close of briefing (task 6) should not be compensated. Realtime argues that the Rule 41(d) motion was meritless because "it misapplied Rule 41(d)'s language

¹⁵ This number includes Netflix's estimate that it will incur an additional \$8,000 in fees preparing for and attending the hearing on this motion.

about ‘costs’ to include attorney’s fees. . . . [and] it incorrectly argued that Netflix is entitled to attorney’s fees from the Delaware action.” *Id.* The Court disagrees. Netflix’s position was a defensible one, and though the Court declined to decide the issue of whether Rule 41(d) could include attorney fees, it observed that courts in the Ninth Circuit and even within this district have split on the issue, with some taking Netflix’s position that the answer is “yes.” On the time spent after the close of briefing, Realtime objects to the inclusion of time spent on, among other things, “preparing for the previously scheduled hearings and dealing with associated continuances” and “analyzing developments in the *inter partes* review proceedings” as not “reasonably necessary to support [Netflix’s motion for attorney fees].” Resp. at 3. The Court does not agree. For example, the developments in the IPR proceedings played a role in the Court’s finding that Realtime’s decision to abandon the Delaware action and file this one was unjustifiable. Keeping an eye out on any further developments in the IPR proceedings, even after the close of briefing, was reasonable and in fact prudent. Defendants are entitled to prepare a comprehensive defense, and the Court does not see anything here that was not part of such a defense.¹⁶

For the second ground, Realtime contends that the hours Netflix’s attorneys spent on the three motions (fees under Rule 41(d), to transfer, and fees under Section 285) are extremely inflated. However, in making their arguments, Realtime’s attorneys engage in the very exaggeration that they accuse Netflix’s attorneys of. They note that “Netflix spen[t] only 2 hours on its motion to transfer in the Delaware action” and argue that the 153.3 hours quoted for this action’s motion to transfer is therefore unreasonable because there is “no reason to think it should be orders of magnitude more complex and time-consuming.” Resp. at 4. This is not an apples-to-apples comparison. Realtime’s attorneys leave out the fact that before Netflix retained Fenwick in the Delaware action, Netflix was represented by another law firm, Winston & Strawn. It was Winston & Strawn that prepared and filed the motion to transfer back in May 2018 and the accompanying briefs. *See* Hadden Decl., Exh. D. Fenwick took over from Winston & Strawn in September 2018. Hadden Decl. ¶ 20. The two hours Realtime refers to is the time Fenwick spent preparing for an October 2018 hearing on Netflix’s motion to transfer based on briefing that had

¹⁶ The Court agrees that Realtime may have been unlucky in the timing of the hearing on this motion. Realtime notes that it agreed to Netflix’s request for a continuance of the hearing back in February 2020. Between that and several other continuances (one caused in part due to the onset of the COVID-19 pandemic), the hearing is now occurring in September. While it is true that Netflix’s attorneys would not have been able to bill as much had the hearing been held as originally scheduled back in February, the Court does not see anything Netflix’s attorneys have done since then that was not part of a justifiable effort to prepare Netflix’s defense.

already prepared by Winston & Strawn. The two hours do not include the time spent preparing those briefs, which Winston and Strawn billed 75.94 hours for. Peterson Decl. at 6. Realtime’s suggestion that two hours is sufficient to brief a motion to transfer “because motions to transfer are routine in patent litigation” is frankly very misleading. While Fenwick’s quote of 153.3 hours is twice what Winston & Strawn billed, the motion to transfer in these California actions was more involved than the one in Delaware. While both motions contained an analysis of which forum was more convenient, the motion to transfer in the California actions was more involved given the litigation history that had accumulated by that point and included a new angle that Realtime was engaged in forum shopping.¹⁷ Realtime’s challenges to the hours quoted for the other two motions are essentially that they were “far less complex than average.” Resp. at 5. However, the Court disagrees. For example, the Section 285 motion involved an open issue of whether Netflix was a prevailing party, which was the focus of most of the briefing.

The Court does not find any of Realtime’s objections persuasive and finds that the award requested by Netflix’s counsel represents an appropriate lodestar amount.

D. The Court’s Equitable Power to Award Attorney’s Fees

“Federal courts, in the exercise of their equitable powers, may award attorneys’ fees when the interests of justice so require.” *Hall v. Cole*, 412 U.S. 1, 4-5 (1973). Netflix asks that should the Court decline to award attorney’s fees under Section 285, that it should do so in an exercise of its equitable powers. The Court finds that, even if Netflix cannot be deemed a prevailing party in this case due to the circumstances of its dismissal, Realtime’s conduct in forum shopping its dispute supports invocation of the Court’s equitable power to award attorneys’ fees is the requested amount. *See, e.g., John Akridge Co. v. Travelers Cos.*, 944 F. Supp. 33, 34 (D.D.C. 1996), *aff’d* 1997 WL 411654 (D.C. Cir. June 30, 1997) (plaintiffs’ blatant forum-shopping in filing a lawsuit in the federal court for the District of Maryland after losing on the case in District of Columbia and in their opposition to having the new action transferred back to the District of Columbia constituted “bad faith” warranting the imposition of sanctions including the payment of attorney’s fees). For this independent reason, an award of fees is appropriate.

III. Conclusion

Based on the foregoing discussion, the Court **GRANTS** the motion, subject to a final

¹⁷ In several places Realtime points to the page counts of briefs prepared by Netflix as a proxy for how much time could reasonably have been spent on it. While the Court agrees that it can often be a useful proxy, it does not assign as much weight to it here.

confirmation of the fees Netflix occurs in preparing for the hearing on this motion.¹⁸

¹⁸ Netflix estimates that it will cost about \$8,000.