

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
LUBBOCK DIVISION

SOAR TOOLS, LLC,

Plaintiff,

v.

MESQUITE OIL TOOLS, INC.,

Defendant.

No. 5:19-CV-243-H

**ORDER PARTIALLY GRANTING
MESQUITE'S MOTION FOR ATTORNEYS' FEES**

Before the Court is Defendant Mesquite Oil Tools, Inc.'s Motion for Attorneys' Fees Under Section 285, which asserts that Soar Tools, LLC's conduct during the litigation makes this an "exceptional case" justifying an award of reasonable attorneys' fees under 35 U.S.C. § 285. Dkt. No. 27 at 4. Despite repeated warnings by Mesquite, both before and after suit, that Soar had appended the wrong photographs of the allegedly infringing product in its demand letter and complaint, Soar refused to correct this important error until the first motion to dismiss was filed and granted—wasting the parties' resources for ten months in the process. *See* Dkt. Nos. 1–19. Soar also made several misrepresentations to the Court, including that Diamond D was a disinterested third party and that Mesquite never denied making the accused product before the filing of the complaint. Dkt. No. 17 at 3. Based on the totality of circumstances, the Court finds that Soar's litigation conduct prior to the Court's first order of dismissal was exceptionally unreasonable and that Mesquite's requested fees for the same time period are reasonable. Thus, the Court partially grants Mesquite's motion for attorneys' fees (Dkt. No. 27) and awards Mesquite \$107,616.50 in fees—the amount incurred by Mesquite prior to the Court's first order of dismissal.

1. Jurisdiction Pending Appeal

As a preliminary matter, the Court notes that it retains jurisdiction to resolve Mesquite's motion for attorneys' fees under Section 285 (Dkt. No. 27) despite Soar's pending appeal of the Court's judgment (Dkt. No. 25) and two orders of dismissal (Dkt. Nos. 19; 24). Dkt. No. 30 (notice of appeal); *see also Kira, Inc. v. All Star Maint., Inc.*, 294 F. App'x 139, 141 (5th Cir. 2008) ("Notice of Appeal did not divest the district court of jurisdiction because defendants' fee motion constituted a collateral matter that was unrelated to the appeal's underlying claims.") (citing *Creations Unlimited, Inc. v. McCain*, 112 F.3d 814, 816–17 (5th Cir. 1997)); *Lugus IP, LLC v. Volvo Car Corp.*, No. 1:12-CV-2906, 2015 WL 1399175, at *1 (D.N.J. Mar. 26, 2015) ("An appeal does not deprive this Court of jurisdiction to hear Defendants' motion for attorneys' fees [under Section 285].").

Courts have discretion to defer the determination of fees under Section 285 while an appeal is pending. *Pers. Web Techs., LLC v. EMC Corp.*, No. 5:13-CV-01358-EJD, 2020 WL 1557441, at *1 (N.D. Cal. Apr. 1, 2020); *see also My Health, Inc. v. ALR Techs., Inc.*, No. 2:16-CV-535-RWS-RSP, 2019 WL 2395409, at *1 (E.D. Tex. June 5, 2019), *aff'd*, No. 2:16-CV-535-RWS-RSP, 2020 WL 122933 (E.D. Tex. Jan. 10, 2020); Robert A. Matthews, Jr., *Annotated Patent Digest*, § 33:8.50 (2021) ("While a district court has discretion to hold off on deciding an issue of attorneys [sic] fees [under Section 285] while other rulings in the case are appealed, it is not required to do so."); 15B Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 3915.6 (2d ed. 2021) ("The rule that appeal can and must be taken upon final disposition of all matters other than attorney fees leaves the district court free to continue proceedings on the fee request pending appeal.").

Although some courts stay motions for attorneys' fees pending appeal on other rulings, "the weight of authority is that the usual course is for the Court to consider attorneys' fees promptly after the merits decision rather than stay a motion for attorneys' fees until resolution of the appeal." *Sport Dimension, Inc. v. Coleman Co., Inc.*, No. 2:14-CV-00438, 2015 WL 10013784, at *3 & n.1 (C.D. Cal. June 4, 2015) (citing *Glaxo Grp. Ltd. v. Apotex, Inc.*, 272 F. Supp. 2d 772, 779 (N.D. Ill. 2003) and quoting *Lugus*, 2015 WL 1399175, at *3). Seeing that neither party has filed a motion to stay decision upon Mesquite's motion for attorneys' fees pending appeal and finding no good reason to do so, the Court proceeds in resolving the motion.

2. Factual and Procedural Background

Mesquite sets forth two primary grievances as the basis for its claim for attorneys' fees under Section 285.

A. Soar's Inadequate Pre-Suit Investigation and Prolonged Maintenance of Suit on Photos of Its Own Product Despite Warnings

First, Mesquite alleges that Soar maintained infringement allegations based on photographs of its own product for over a year despite Mesquite's extensive pre- and post-suit efforts to notify Soar of this error. Dkt. No. 27 at 4. Mesquite's efforts began in June 2019 when Soar sent Mesquite a demand letter alleging various patent violations. Dkt. No. 11-1. After correspondences between the parties' counsel, in September 2019, Soar's counsel sent Mesquite's counsel a letter with "photographic evidence of [Mesquite's] infringing product" alleging that "the product in the attached photos is a product offered by [Mesquite]." Dkt. No. 11-3. Mesquite promptly informed Soar that the two pictures Soar had attached in its September 2019 letter were "pictures of someone else's product . . . that was never made or sold by Mesquite" and that one of the pictures shows an invoice bearing

the name “Carr Energy,” a company owned by Soar’s owner, Dee Carr. Dkt. No. 11-5 (unbolded text). Mesquite also alleges that, over the course of two months following these correspondences, Mesquite’s counsel “constantly offered [Soar] a declaration that the pictured product was not a Mesquite product and even offered to jointly investigate the issue.” Dkt. No. 27 at 6.

Ignoring Mesquite’s efforts, Soar filed its first complaint in November 2019 and attached the same two photos it offered Mesquite before suit—with the Carr Energy invoice noticeably cropped out—as exhibits. Dkt. Nos. 1-3; 1-4. Soar alleged that the photos were a “true and correct depiction of the Infringing Well Control Tool’s tubular body” and “seal stem.” Dkt. No. 1 at 4. Soar also included a third picture of “the Infringing Well Control Tool’s apparatus,” which bore the patent serial number of Soar’s asserted patent. Dkt. Nos. 1 at 3; 1-2. In response, Mesquite’s counsel sent Soar a series of emails and conducted several phone calls asking for additional information that Mesquite had manufactured the pictured tools. Dkt. Nos. 11-7; 11-8. Counsel explained that the pictured product was not a Mesquite product, that Soar had no basis under Federal Rule of Civil Procedure 11 to maintain its lawsuit against Mesquite, and that if Soar persisted in its claim, Mesquite would be forced to spend unnecessary time and money preparing a responsive pleading. Dkt. Nos. 11-8; 11-10. One of the emails sent by Mesquite’s counsel contained a sworn declaration affirming that Mesquite did not make the pictured product and requested a response prior to the complaint-service deadline to avoid unnecessary litigation. Dkt. No. 11-10.

Soar’s counsel ignored this request and emailed a response to the prior requests for additional information by alleging that Diamond D Slickline Services, LLC, an oil-well

servicer, had removed the pictured tool from a well and that a Diamond D representative told Dee Carr that the tool was sold by Mesquite. Dkt. No. 11-11. Soar's counsel also attached a Diamond D invoice allegedly charging its customer for the removal of the pictured tool. *Id.* Per Mesquite, Diamond D is another company founded by Soar's president Dee Carr (Dkt. No. 27 at 10)—a fact Soar did not disclose in either the email (*see* Dkt. No. 11-1) or subsequent filings and which the Court noted in its order granting Mesquite's motion to dismiss the original complaint (Dkt. No. 19 at 13).

Following these correspondences, Mesquite's counsel served Soar with a draft motion for sanctions and a motion to dismiss for failure to state a claim pursuant to Federal Rules of Civil Procedure 11 and 12(b)(6), respectively. Dkt. Nos. 28-1; 9. The draft Rule 11 motion reiterated that Mesquite had not made the pictured product, indicated that one of the pictures showed a stamp of Soar's patent number on the tool, and pointed out the invoice to Carr Energy LLC, among other things. Dkt. No. 28-1 at 5–12. Even though Mesquite took no further action upon the draft Rule 11 motion, Soar filed a response to an unfiled Rule 11 motion, which the court duly struck. Dkt. No. 14.

Soar's response to Mesquite's first motion to dismiss made several misrepresentations, including that Diamond D was a disinterested third party and that Mesquite never denied making the accused product before the filing of the complaint. Dkt. No. 17 at 3. Over and above these misrepresentations, Soar maintained that it had “conducted a thorough pre-suit investigation” and attached a declaration by its counsel alleging that “over more than six months” he “complet[ed] a thorough review of the available information” to “conclude that the manufacturer and seller of the Accused Product was Mesquite.” *Id.* at 9; Dkt. No. 17-2 at 3.

The Court granted Mesquite’s motion to dismiss based on numerous pleading deficiencies, gave Soar leave to amend its complaint, and denied Mesquite’s request for fees under Rule 11 without prejudice. Dkt. No. 19 at 1. At long last—months after Mesquite’s notice—Soar’s first amended complaint corrected its prior error by attaching proper pictures of the infringing product allegedly manufactured by Mesquite and not of its own product. Dkt. No. 20 ¶ 25; *see also* Dkt. No. 27 at 12–13.

B. Soar’s Repeated Failure to Remedy Pleading Deficiencies

Second, Mesquite points to Soar’s repeated failure to remedy pleading deficiencies highlighted by Mesquite and the Court. Dkt. No. 27 at 11–12. The Court, in its order granting Mesquite’s first motion to dismiss, highlighted that Soar alleged at least three infringing similarities: (1) a tubular body, (2) with orientation sleeves coupled to it, and (3) having one or more guide slopes. Dkt. No. 19 at 2–3. The Court granted Mesquite’s second motion to dismiss because Soar “fail[ed] to make more than mere conclusory allegations regarding the tubular body” and had not remedied other pleading deficiencies in its amended complaint. Dkt. No. 24 at 9–14. The Court also noted that Soar’s persistent denial that the prior pictures did not depict a Mesquite product had “prejudiced Mesquite” by requiring “Mesquite to fully brief a motion to dismiss and wait for an order from the Court before [Soar] admitt[ed] that it had improperly attributed a product to Mesquite and amend[ed] its complaint to remove that improper assertion.” *Id.* at 20. Likewise, the Court explained that Soar’s continued assertion that it had pled sufficient facts in its first amended complaint and refusal to amend pleading deficiencies noted in Mesquite’s second motion to dismiss “also prejudiced Mesquite.” *Id.* Consequently, the Court found that Soar had “pled its best case and, therefore, that any amendment would be futile.” *Id.* at 21.

C. Mesquite’s Post-Judgment Motion for Attorneys’ Fees or Sanctions

After the Court granted Mesquite’s second motion to dismiss all claims against it with prejudice (Dkt. No. 24), Mesquite moved for attorneys’ fees under 35 U.S.C. § 285, claiming that Soar’s litigation behavior made this an “exceptional case” justifying an award of reasonable attorneys’ fees. Dkt. No. 27 at 4. In the alternative, Mesquite suggests that the Court use its inherent powers to sanction Soar for bad faith conduct that constituted a fraud on the Court or an abuse of judicial process. *Id.* at 17. During the pendency of Mesquite’s motion, Soar filed its notice of appeal of the Court’s dismissal. Dkt. No. 30.

Soar filed a response arguing that: (1) “although [Soar] mistakenly attached the wrong pictures to its Original Complaint, [Soar]’s litigation position was not manifestly meritless as Defendant ultimately conceded to manufacturing the product-at-issue both before the lawsuit was filed and in response to [Soar]’s First Amended Complaint,” and (2) Soar “did not prosecute its claims in a manner that warrants fees.” Dkt. No. 31 at 1. Mesquite replied. Dkt. No. 32. Therefore, the motion is ripe for resolution.

3. Legal Standards

A. Choice of Law—Section 285 and Reasonableness of Attorneys’ Fees

In patent cases, issues that are unique to patent law are governed by Federal Circuit law. *See Woods v. DeAngelo Marine Exhaust, Inc.*, 692 F.3d 1272, 1279 (Fed. Cir. 2012). And an award of attorneys’ fees in patent-infringement cases pursuant to 35 U.S.C. § 285 is one such issue. *See Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1343 (Fed. Cir. 2001); *H-W Tech., Inc. v. Overstock.com, Inc.*, No. 3:12-CV-0636-G BH, 2014 WL 4378750, at *3 (N.D. Tex. Sept. 3, 2014). Likewise, the reasonableness of requested attorneys’ fees under Section

285 is governed by Federal Circuit law. *See Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 483 (Fed. Cir. 2016).

B. Exceptional Case Under Section 285

Under 35 U.S.C. § 285, a “court in exceptional cases may award reasonable attorney fees to the prevailing party.” An award of attorneys’ fees under Section 285 is “compensatory, not punitive.” *In re Rembrandt Techs. LP Pat. Litig.*, 899 F.3d 1254, 1278 (Fed. Cir. 2018). “When a federal court exercises its inherent authority to sanction bad-faith conduct by ordering a litigant to pay the other side’s legal fees, the award must be limited to the fees the innocent party incurred solely due to the misconduct. In the context of a patent case and an award of fees under § 285, this rule dictates that the court only award attorneys’ fees ‘caused by the conduct that renders the case exceptional.’” *Indus. Print Techs., LLC v. Cenveo, Inc.*, No. 3:15-CV-00165-M, 2020 WL 5057738, at *1 (N.D. Tex. Aug. 26, 2020) (citing *Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1186–90 (2017) and quoting *Effective Expl., LLC v. BlueStone Nat. Res. II, LLC*, 2018 WL 466246, at *3 (E.D. Tex. Jan. 18, 2018)) (citations omitted). Therefore, a Section 285 “fee award may go no further than to redress the wronged party for losses sustained; it may not impose an additional amount as punishment for the sanctioned party’s misbehavior.” *In re Rembrandt*, 899 F.3d at 1278 (quoting *Goodyear*, 137 S. Ct. at 1186 & n.5) (internal quotations marks omitted).

A case is “exceptional” if the movant shows by a “preponderance of the evidence” that it “stands out from others with respect to [(1)] the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or [(2)] the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554, 557–58 (2014). “District courts may determine whether a

case is ‘exceptional’ in the case-by-case 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.” *Id.* (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)) (internal quotation marks omitted).

In *Octane Fitness*, the Supreme Court abrogated as “unduly rigid” the previous test for exceptional cases stated in *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381–82 (Fed. Cir. 2005), which required proving by “clear and convincing evidence” that the litigation was both “brought in subjective bad faith” and “objectively baseless.” 572 U.S. at 553–54; *see also Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 563 (2014). However, in doing so, the Supreme Court recognized that “either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award.” *Octane Fitness*, 572 U.S. at 554. Hence, the Supreme Court preserved much of the pre-*Octane Fitness* Section 285 caselaw, *see SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1349 (Fed. Cir. 2015), but liberalized the standard by allowing either prong or a combination of both to suffice for exceptionality. Notably, the Supreme Court explicitly stated that it is not necessary that litigation conduct be “independently sanctionable” under existing rules for a case to merit an award under Section 285. *Id.* at 555; *see also Optis Wireless Tech., LLC v. Huawei Device USA, Inc.*, 421 F. Supp. 3d 410, 412–413 (E.D. Tex. 2019), *vacated on other grounds*, No. 2:17-CV-00123-JRG, 2020 WL 5034154 (E.D. Tex. Apr. 3, 2020).

i. Lack of Substantive Strength in a Party’s Litigation Position

As to the first prong, “*Octane Fitness* . . . made clear that it is the ‘substantive strength of the party’s litigating position’ that is relevant to an exceptional case determination, not the correctness or eventual success of that position.” *SFA*, 793 F.3d at 1348 (quoting *Octane Fitness*, 572 U.S. at 554). Hence, “[a] party’s position on issues of law ultimately need not be correct for them to not ‘stand[] out,’ or be found reasonable.” *Id.* (quoting *Octane Fitness*, 572 U.S. at 554). In addition, a party also has the duty to “continually assess the soundness of pending infringement claims.” *Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306, 1328 (Fed. Cir. 2013).

Courts consider a variety of factors to determine whether a party’s litigation position stands out for lack of substantive strength including, among others: (1) the closeness of the case and the issues involved, *Barry v. Medtronic, Inc.*, 250 F. Supp. 3d 107, 122 (E.D. Tex. 2017); (2) the weakness of the patent at issue, *Iris Connex, LLC v. Dell, Inc.*, 235 F. Supp. 3d 826, 850 (E.D. Tex. 2017) (citing *Edekka LLC v. 3balls.com, Inc.*, No. 2:15-CV-541 JRG, 2015 WL 9225038, at *2 (E.D. Tex. Dec. 17, 2015)); (3) the extent to which the patentee bringing an action knows, or upon reasonable investigation should have known, that the claim is baseless, *Printeron, Inc. v. BreezyPrint Corp.*, No. H-13-3025, 2015 WL 7149442, at *3 (S.D. Tex. Nov. 10, 2015) and *Eltech Sys. Corp. v. PG Indus., Inc.*, 903 F.2d 805, 810 (Fed. Cir. 1990); (4) the strength of the evidence supporting the claim of infringement, see *Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., Inc.*, 858 F.3d 1383, 1389 (Fed. Cir. 2017); (5) the extent to which the plaintiff “initiated the litigation to extract settlements from defendants to avoid costly litigation,” *TechRadium, Inc., v. FirstCall Network, Inc.*, No. 13-2641, 2015 WL 862326, at *6 (S.D. Tex. Feb. 27, 2015) and *Rothschild*, 858 F.3d at 1389;

(6) the relitigation of arguments the court has previously rejected, *TechRadium*, 2015 WL 862326, at *6; and (7) the failure of the movants to bring a challenge at the motion-to-dismiss or summary-judgment stage, *Plastronics Socket Partners, Ltd. v. Dong Weon Hwang*, No. 2:18-CV-00014-JRG, 2020 WL 1324733, at *10 (E.D. Tex. Mar. 20, 2020). Thus, the caselaw indicates that courts consider both the intrinsic merits of the case and extrinsic circumstances that imply a lack of substantive strength.

ii. **Unreasonable Manner of Litigation**

Prior to *Octane Fitness*, the Federal Circuit had “observed that a district court may declare a case exceptional based on unreasonable and vexatious litigation tactics, even where it finds the legal theories advanced not objectively baseless.” *SFA*, 793 F.3d at 1349. However, these cases generally found exceptionality in litigation conduct only where there was egregious litigation misconduct and/or clear, subjective bad faith. *See, e.g., Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1320 (Fed. Cir. 2011) (failure to perform a reasonable pre-filing investigation, destruction of evidence, lodging incomplete and misleading evidence, and improper purpose in bringing suit to obtain a nuisance-value settlement); *MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 916, 920–21 (Fed. Cir. 2012) (misrepresentation of applicable law, frivolous arguments, and proffering unreliable expert testimony); *Monolithic Power Sys., Inc. v. O2 Micro Int’l Ltd.*, 726 F.3d 1359, 1367 (Fed. Cir. 2013) (misrepresentation of evidence, filing of baseless motions, and overall vexatious litigation strategy by suing defendant’s customers multiple times only to withdraw claims before substantial litigation had taken place).

Even after *Octane Fitness* liberalized the application of Section 285, courts typically find an unreasonable manner of litigation to stand out only where there is some obvious

litigation misconduct. *See, e.g., Ranieri v. Microsoft Corp.*, No. 3:15-CV-0540-M, 2016 WL 4626584, at *5 (N.D. Tex. Sept. 2, 2016) (plaintiff's repeated failure to correct standing defect, false statements of fact, and misleading representations to the defendants and the court), *aff'd*, 887 F.3d 1298 (Fed. Cir. 2018); *Digital Empire Ltd. v. Compal Elecs. Inc. Grp.*, No. 14CV1688 DMS (KSC), 2015 WL 11570939, at *6–7 (S.D. Cal. Dec. 11, 2015) (plaintiff's inadequate pre-suit investigation, failure to put forth any admissible evidence that defendants were involved with the accused products, and failure to dismiss its claims despite defendants' evidence that they were not involved with the accused products); *Energy Heating, LLC v. Heat On-The-Fly, LLC*, No. 4:13-CV-10, 2019 WL 12345573, at *6–7, 15 (D.N.D. July 2, 2019) (plaintiff concealing evidence, stalling discovery, acting as counsel for third-party witnesses, withholding critical information from experts, and persisting in litigation upon a patent it knew was invalid), *report and recommendation adopted*, No. 4:13-CV-10, 2019 WL 12345605 (D.N.D. Oct. 2, 2019), *aff'd*, 15 F.4th 1378 (Fed. Cir. 2021); *Indus. Print Techs., LLC v. Cenveo, Inc.*, No. 3:15-CV-00165-M, 2019 WL 13079152, at *4 (N.D. Tex. July 10, 2019) (plaintiff provided no evidence that defendants performed processes within the scope of the alleged infringement and persisted in litigation despite defendants' definitive evidence that it did not perform the alleged infringing processes), *aff'd sub nom. In re Indus. Print Techs., LLC Pat. Litig.*, No. 2019-2275, 2021 WL 4785945 (Fed. Cir. Oct. 14, 2021). In sum, these cases indicate that the bar for an exceptionally unreasonable manner of litigation remains high.

C. Reasonableness of Attorneys' Fees Under Section 285

The determination of reasonable attorney fees under Section 285 is “‘a matter that is committed to the sound discretion’ of a district court judge.” *Lumen View Tech. LLC v.*

Findthebest.com, Inc., 811 F.3d 479, 483 (Fed. Cir. 2016) (quoting *Perdue v. Kenny A. ex rel. Winn*, 559 U.S. 542, 558 (2010)). “In calculating an attorney fee award, a district court usually applies the lodestar method, which provides a presumptively reasonable fee amount, by multiplying a reasonable hourly rate by the reasonable number of hours required to litigate a comparable case.” *Id.* (internal citation omitted) (citing *Perdue*, 559 U.S. at 554, 551). “[A]lthough the amount the client paid the attorney is one factor for the court to consider in determining a reasonable fee, it does not establish an absolute ceiling.” *Junker v. Eddings*, 396 F.3d 1359, 1365 (Fed. Cir. 2005).

A court determining the proper reasonable hourly rate may consider, among other factors, the relevant market rate in the forum community, invoices, billing records, the amount in controversy, the type of work performed by counsel, and the results obtained. *See Bywaters v. United States*, 670 F.3d 1221, 1228–33 (Fed. Cir. 2012); *Raniere*, 887 F.3d at 1309. In addition, the lodestar method “focuses on the counsel retained by the prevailing party: higher standing attorneys are theoretically reflected by higher rates charged, and more complex issues are reflected by more hours worked.” *Lumen View*, 811 F.3d at 485. The lodestar calculation is accorded a “strong presumption” that it is reasonable. *Bywaters*, 670 F.3d at 1229 (citing *City of Burlington v. Dague*, 505 U.S. 557, 562 (1992)). “In ‘rare’ and ‘exceptional’ cases, a district court may enhance the lodestar amount based on various factors, provided they are not adequately taken into account by the lodestar calculation.” *Lumen View*, 811 F.3d at 483 (quoting *Bywaters*, 670 F.3d at 1229).

4. Analysis

As a preliminary matter, Mesquite unquestionably meets the prerequisite of being a “prevailing party” for purposes of 35 U.S.C. § 285 because the Court granted its second

motion to dismiss with prejudice, awarding Mesquite a full judgment on the merits as to all claims against it. Dkt. No. 24 at 23; *see Raniere*, 887 F.3d at 1304 (reiterating that a “prevailing party,” for purposes of Section 285, is a party that “receive[s] at least some relief on the merits, which alters . . . the legal relationship of the parties”) (quoting *Inland Steel Co. v. LTV Steel Co.*, 364 F.3d 1318, 1320 (Fed. Cir. 2004)).

A. The case does not stand out in terms of the substantive weakness of Soar’s litigation position.

i. Soar appended the wrong pictures of the accused product in its original complaint, but it had separate bases for filing an infringement claim.

Mesquite’s motion for attorneys’ fees first focuses on the fact that Soar appended the wrong pictures of the allegedly infringing tool in its demand letter and original complaint and persisted in litigation despite Mesquite’s warnings. *See* Dkt. No. 27 at 18–19. And indeed, Soar’s counsel repeatedly ignored Mesquite’s pre- and post-suit efforts to inform Soar that the photos were incorrect. Dkt. Nos. 11-5; 11-7; 11-8; 11-10. However, this does not necessarily mean that Soar’s litigation position was fundamentally weak. Unlike the *Edekka* plaintiffs, Soar has a valid patent with defined and specific limitations entitled to intellectual-property protections. *Compare* Dkt. No. 20-1 *with Edekka*, 2015 WL 9225038, at *2–3 (noting plaintiff’s patent was “demonstrably weak” and provided no meaningful limitations).

In *Compal*—on which defendant relies (*see* Dkt. No. 27 at 23–25)—the district court found that plaintiff’s inadequate pre-suit investigation, failure to put forth any admissible evidence that defendants were involved with the accused products, and failure to dismiss its claims despite defendants’ evidence that they were not involved with the accused products were sufficient for a finding of exceptionality under Section 285. *Compal*, 2015 WL

11570939, at *6–7. And while many of these cited factors relate to the unreasonable manner of litigation rather than substantive strength—as plaintiff notes (*see* Dkt. No. 31 at 13–14)—*Compal* shows that a *complete* failure to tie the defendants to the accused product merits a finding of exceptionality. *See* 2015 WL 11570939, at *6.

Soar’s original complaint alleges that Mesquite sells a product that infringes upon Soar’s patent. *See* Dkt. No. 1 ¶¶ 10–13, 25. In addition to these allegations, Soar also attached to its original complaint its patent registration and a wrong picture of the allegedly infringing tool. Dkt. Nos. 1-1, 1-2. While these bare allegations combined with the wrong pictures are admittedly shaky grounds for an infringement suit, further litigation revealed additional bases for Soar’s claim.

First, Soar’s response to the first motion to dismiss, amended complaint, and response to the second motion to dismiss allege that Mr. Pechacek, Mesquite’s current owner, had admitted making “40 or 50” of the allegedly infringing tool. Dkt. Nos. 17 at 4; 20 at 13–14; 22 at 13; *see also* 31 at 5, 6, 13, 18. Soar argues that though its initial photos were wrong, Soar’s litigation position was not so manifestly meritless as to render this case exceptional given that it had a separate and adequate pre-suit basis for a meritorious claim. *See* Dkt. No. 31 at 5. Soar’s argument is somewhat undercut by the fact that its original complaint omits this alleged statement by Pechacek. *See* Dkt. No. 1. However, the point is that Soar had a basis for an infringement suit beyond the wrong photos.

Second, Soar’s amended complaint also alleges that Mesquite had a client who purchased an allegedly infringing tool directly from Mesquite despite Mesquite only being licensed to produce component parts for Diamond D, a company owned by Carr that is licensed to produce Soar’s patented tool. *See* Dkt. No. 20 at 2–3. Early in the litigation,

Soar's counsel provided Mesquite's counsel with a Diamond D invoice charging its customer for removal of the allegedly infringing tool. Dkt. No. 11-11. Although Soar did not initially disclose the fact that Diamond D was another Carr-owned company (Dkt. Nos. 27 at 10; 19 at 13) and even misrepresented to the Court that Diamond D was a "disinterested third-party" (Dkt. No. 17 at 3), Soar's amended complaint corrects these errors (*see* Dkt. No. 20 at 2–3). And in any case, this alleged transaction in which Mesquite sold an infringing tool without permission is yet another datapoint indicating that Soar had a separate basis for an infringement suit beyond its initial photographs.

Third, Soar notes that Mesquite, in its second motion to dismiss, conceded that "the newly accused product [in the amended complaint] looks to be a Mesquite product." Dkt. Nos. 21 at 11 n.6 (Mesquite's second motion to dismiss); 31 at 9 (Soar's response). This further demonstrates that Soar's error in appending the wrong photos and persistence in using them do not overshadow the fact that Soar had a Mesquite tool—albeit a different one from its original photographs—that Soar believed infringed upon its patent. While Soar's repeated failure to correct its photographic error is perplexing and inexplicable, Soar had separate bases to file its infringement claim.

ii. Soar's failure to cure pleading deficiencies and the ultimate dismissal of its infringement claim do not make this case stand out in terms of substantive weakness.

Mesquite's motion for attorneys' fees next focuses on the fact that Soar failed to cure pleading deficiencies in its amended complaint, which was ultimately dismissed. *See* Dkt. No. 27 at 19–22. First of all, "*Octane Fitness* . . . made clear that it is the 'substantive strength of the party's litigating position' that is relevant to an exceptional case determination, not the correctness or eventual success of that position." *SFA*, 793 F.3d at

1348 (quoting *Octane Fitness*, 572 U.S. at 554). “A party’s position on issues of law ultimately need not be correct for them to not ‘stand[] out,’ or be found reasonable.” *Id.* (quoting *Octane Fitness*, 572 U.S. at 554). Therefore, the Court does not consider the fact that Soar’s infringement claim was ultimately dismissed in weighing substantive strength in its Section-285 analysis.

As for Soar’s failure to cure pleading deficiencies, Mesquite primarily cites *Raniere*. Dkt. No. 27 at 20–21. In *Raniere*, the Federal Circuit found that plaintiff’s “repeated failures to correct the [standing] defect”—despite “multiple opportunities to cure”—warranted dismissal with prejudice as well as fees and costs under Section 285. 887 F.3d at 1301, 1307, 1309. Similarly, a plaintiff’s persistence in setting forth pleadings and arguments that a court has definitively rejected as deficient can weigh in favor a finding of exceptionality. *See Pirri v. Cheek*, 851 F. App’x 183, 188 (Fed. Cir. 2021).

But Mesquite ignores the fact that the district court in *Raniere* did not solely rely on the plaintiff’s repeated failure to cure pleading deficiencies. *See* 2016 WL 4626584, at *5. The district court found that plaintiff’s repeated failure to correct a standing defect, false statements of fact regarding standing prerequisites, and misleading representations to the defendants and the court caused a vexatious multiplication in proceedings. *Id.* And based on this “totality of circumstances” the court found the case was exceptional. *Id.* Hence, *Raniere* focused as much—if not more—on the unreasonable-manner-of-litigation prong as substantive strength in its finding of exceptionality. Likewise, the *Pirri* court noted that plaintiff repeatedly made frivolous arguments not supported in fact or law even after the court had definitely rejected them. 851 F. App’x at 188. In addition, the court noted that

the plaintiff repeatedly used statements misleadingly removed from their context to support his arguments. *Id.*

In the present case, the Court granted Mesquite’s first motion to dismiss based on numerous pleading deficiencies and gave Soar leave to amend its complaint. Dkt. No. 19 at 1. The Court highlighted that Soar alleged at least three infringing similarities: (1) a tubular body, (2) with orientation sleeves coupled to it, and (3) having one or more guide slopes. *Id.* at 2–3. Further, the Court found that “the photographs [were] central to Soar Tool’s infringement claim” and found it implausible that Mesquite sold and distributed the pictured tool. *Id.* at 13–14. Soar’s first amended complaint attached proper pictures of the allegedly infringing product but failed to remedy other pleading deficiencies regarding the similarities. Dkt. Nos. 20 ¶ 25; 24 at 9–14.

The Court granted Mesquite’s second motion to dismiss because Soar “fail[ed] to make more than mere conclusory allegations regarding the tubular body” and had not remedied other pleading deficiencies in its amended complaint. Dkt. No. 24 at 9–14. But unlike the *Raniere* plaintiff, Soar did not make the same level of egregious misrepresentations of material fact that would terminate the proceedings entirely. The *Raniere* plaintiff submitted false statements of fact regarding his ownership of a company that was a prerequisite to standing. 2016 WL 4626584, at *5. And while Soar appended the wrong photos of its accused product (Dkt. No. 1-2), misrepresented that Diamond D is a “disinterested third-party” (Dkt. No. 17 at 3), and claimed falsely that Mesquite never denied making the accused product before the filing of the complaint (Dkt. No. 17 at 3), none of these representations are a *substantive sine qua non* of Soar’s infringement claim (*see supra* Section 4.A.i). Rather, they relate to the unreasonable-manner-of-litigation prong. *See*

infra Section 4.B. And in any case, these errors were corrected in Soar's amended complaint. Dkt. No. 20 at 2–3, 7–10.

And unlike *Pirri*, Soar did not repeatedly pursue frivolous arguments ungrounded in fact or law. Soar had a valid patent that it alleged was infringed by Mesquite. *See* Dkt. No. 20. The specific pleading deficiencies that Soar failed to correct in its amended complaint are related to defined limitations within Soar's patent that establish the requisite elements for infringement. *See* Dkt. No. 24 at 9–13 (discussing Soar's failure to establish the tubular-body element). And Mesquite fails to show otherwise that Soar knew, or upon reasonable investigation should have known, that its infringement claim was baseless. *See Printeron*, 2015 WL 7149442, at *3. In short, Soar thought the accused tool met the prima facie elements of infringement but was wrong. And losing on the merits does not automatically render a case exceptional under Section 285. *See SFA*, 793 F.3d at 1348.

Therefore, the Court finds that the substantive weakness of Soar's litigation position does not stand out from the mine-run case in which the plaintiff thought he had a meritorious claim but suffered dismissal. *See generally Octane Fitness*, 572 U.S. at 554.

B. Soar's litigation conduct stands out based on its misrepresentations, unforthcoming conduct, and repeated failures to correct the photographic error despite numerous warnings.

The Court finds, by a preponderance of evidence, that Soar's repeated refusal to correct the wrong photos and its misrepresentations regarding Diamond D's ownership, among others, rose to the level of unreasonable conduct warranting a finding of exceptionality. Soar's pre-amended complaint litigation conduct was negligent beyond excusable attorney error and displayed a degree of obfuscation and bad faith beyond mere attorney incompetence.

i. Soar conducted inadequate pre-suit investigations and proceeded to file its original complaint despite ample notice of the faulty photos and pleading deficiencies.

First, Soar created ten months of unnecessary litigation through its inadequate pre-suit due diligence and by persisting in its original pleadings despite numerous warnings by Mesquite—before suit (Dkt. No. 11-5), after suit, and before the first motion to dismiss (Dkt. Nos. 11-7; 11-8; 11-9; 11-10), by a draft Rule 11 motion for sanctions (Dkt. No. 28-1), and, ultimately, by the first motion to dismiss (Dkt. Nos. 9; 10)—that it had attached the wrong photos of the allegedly infringing product in its demand letter (Dkt. No. 11-3) and first complaint (Dkt. No. 1). *See* Dkt. Nos. 1–19. On remand from *Octane Fitness*, the district court found that plaintiff’s counsel had “produced no documentary evidence of any written communications relating to the substantial investigation and pre-suit analysis” regarding the accused product and plaintiff’s patents. *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 112 F. Supp. 3d 888, 897 (D. Minn. 2015). Here, apart from the two clearly wrong photos and Soar counsel’s repeated representations that he performed extensive pre-suit infringement due diligence (Dkt. Nos. 17 at 9; 17-2 at 3), Soar fails to present credible evidence of their pre-suit infringement investigations. To no avail, Mesquite repeatedly warned Soar regarding the wrongness of the photos and the lack of documentary evidence connecting the pictured product to Mesquite. *See* Dkt. Nos. 11-5; 11-7; 11-8; 11-9; 11-10.

Following Soar’s demand letter and follow-up letter with photos in 2019, Mesquite’s counsel provided at least four different written warnings and a sworn declaration, all stating that Mesquite never manufactured Soar’s pictured product. Dkt. Nos. 11-5; 11-7; 11-8; 11-9; 11-10. And this is not including the numerous phone conferences in which Mesquite’s counsel reiterated Soar’s lack of a good faith basis linking the allegedly infringing product

and Mesquite. Dkt. No. 27 at 4, 9. Mesquite’s counsel asked for additional information connecting the infringing product to Mesquite and even noted that one of the pictures displayed an invoice bearing the name “Carr Energy LLC,” a company owned by Soar’s owner, Dee Carr. Dkt. Nos. 11-5; 11-8. Soar replied to these requests by alleging that Diamond D—another Carr-owned company, a fact Soar did not disclose and later misrepresented to the Court that it was a “disinterested third-party” (Dkt. No. 17 at 3)—had removed the tool from the well of a Mesquite customer, who alleged the tool was sold by Mesquite. Dkt. No. 11-11.

By March 2020, Mesquite’s counsel had repeatedly asked Soar to voluntarily dismiss suit without prejudice before the complaint-service deadline. Dkt. No. 11-9. Soar ignored the red flags; the complaint was served. Dkt. No. 11-8. And, despite Mesquite’s last-ditch attempt to defuse the matter by providing Soar with a sworn declaration denying that Mesquite made the pictured product (Dkt. No. 11-10), Soar charged on and did not correct its error until its first amended complaint (*see* Dkt. No. 20 ¶ 25). Due to this conduct, Mesquite had to file an unnecessary motion to dismiss and served Soar with a draft Rule 11 motion for sanctions. Dkt. Nos. 9; 28-1. The carelessness of Soar’s counsel is further shown by its initial response addressing an unfiled Rule 11 motion, which the Court duly struck. Dkt. No. 14.

If the wrong photos were not important to Soar’s infringement claim, the Court might dismiss the error as merely clerical or due to attorney negligence. However, as previously mentioned, the Court found that these “the photographs [were] central to Soar Tool’s infringement claim” and found it implausible that Mesquite sold and distributed the pictured tool given that one of the photos contained a Soar patent number. Dkt. No. 19 at

13–14. Moreover, in dismissing Soar’s amended complaint, the Court noted that Soar’s persistent denial that the prior pictures did not depict a Mesquite product had “prejudiced Mesquite” by requiring “Mesquite to fully brief a motion to dismiss and wait for an order from the Court before [Soar] admit[ed] that it had improperly attributed a product to Mesquite and amend[ed] its complaint to remove that improper assertion.” Dkt. No. 24 at 20. This finding further demonstrates that Soar’s litigation conduct prior to the first order of the dismissal was exceptionally unreasonable.

Therefore, the Court finds that Soar’s litigation conduct prior to the Court’s first order of dismissal was an exceptionally unreasonable manner of litigation that stood out for purposes of Section 285.

ii. Soar made material misrepresentations to the Court at several junctures before filing its amended complaint.

But Soar’s litigation conduct went beyond mere negligence into obfuscation and disingenuity, both factors warranting a finding of exceptionality. *See Raniere*, 2016 WL 4626584, at *5 (finding exceptionality in untruthful testimony at motion-to-dismiss hearing and a pattern of obfuscation and bad faith). In alleging that a Diamond D representative had told Dee Carr that Mesquite had sold the accused product, Soar conveniently failed to mention that Diamond D was a Carr-owned company. Dkt. No. 11-11. The obfuscation burgeoned into misrepresentation when—in its response to the first motion to dismiss—Soar flatly lied to the Court that Diamond D was a “disinterested third-party” and that Mesquite never denied making the accused product before the filing of the complaint. Dkt. No. 17 at 3. In granting the first motion to dismiss, the Court took judicial notice that “Diamond D’s website states that the firm was established by—and is managed by—Dee Carr” and found “it implausible that Diamond D, a company founded by Carr, is a disinterested third party.”

Dkt. No. 19 at 13. Additionally, the Court noted that one of the pictures contained a Soar patent number making it equally implausible that Mesquite manufactured the accused product. *Id.* Mesquite did, in fact, deny making the accused product before Soar filed suit. *See* Dkt. No. 11-5. And Soar finally admitted that Diamond D was an interested, Carr-owned enterprise, in its amended complaint. Dkt. No. 20 at 2.

Over and above these errors and misrepresentations, Soar unabashedly maintained that it had “conducted a thorough pre-suit investigation” and attached a declaration by its counsel alleging that “over more than six months” he “complet[ed] a thorough review of the available information” to “conclude that the manufacturer and seller of the Accused Product was Mesquite.” Dkt. Nos. 17 at 9; 17-2 at 3. The Court finds that Soar was dishonest and less than forthcoming to both counsel and the Court at several stages prior to the first order of dismissal.

In many ways, Soar’s litigation conduct is comparable to that of the plaintiffs in *Raniere* and *Compal*. Like the plaintiff in *Raniere*, Soar failed—despite numerous warnings and opportunities—to cure a central piece of evidence in its original complaint: the photographs. *See* 2016 WL 4626584, at *5 (highlighting plaintiffs repeated failures to cure a standing defect that the court and defendants had identified). And like the plaintiff in *Raniere*, Soar made several misrepresentations to the Court. *See id.* (focusing on plaintiff’s false statements of fact and misrepresentations). Moreover, similar to the plaintiff in *Compal*, Soar failed to conduct adequate pre-suit investigations, did not present enough evidence connecting Mesquite to the accused product in its original complaint, and persisted in maintaining its original complaint. *See Compal*, 2015 WL 11570939, at *6–7 (emphasizing plaintiff’s inadequate pre-suit investigation, failure to put forth any admissible

evidence that defendants were involved with the accused products, and failure to dismiss its claims despite defendants' evidence that they were not involved with the accused products).

Therefore, the Court finds that Mesquite has demonstrated by a preponderance of evidence that Soar was unreasonable in its manner of litigation until the Court's first order of dismissal and that its litigation conduct stood out for purposes of Section 285. *Octane Fitness* makes clear that an award of attorneys' fees under Section 285 may rest on either a lack of substantive strength or an unreasonable manner of litigation. *See* 572 U.S. at 554. Because Mesquite has demonstrated that Soar's manner of litigation was unreasonable and stands out for purposes of Section 285, the Court awards Mesquite attorneys' fees.

C. The Court limits the award to fees incurred by Mesquite in the period before the Court granted the first motion to dismiss.

Based on Soar's unreasonable litigation conduct prior to the first dismissal, the Court tailors the fee award to only include fees incurred by Mesquite prior to the first order of dismissal (Dkt. No. 19). In "an award of fees under § 285," a court must "only award attorneys' fees 'caused by the conduct that renders the case exceptional.'" *Industrial Print*, 2020 WL 5057738, at *1 (citing *Goodyear*, 137 S. Ct. at 1186–90 and quoting *Effective Exploration*, 2018 WL 466246, at *3). Therefore, a Section 285 "fee award may go no further than to redress the wronged party for losses sustained; it may not impose an additional amount as punishment for the sanctioned party's misbehavior." *In re Rembrandt*, 899 F.3d at 1278 (quoting *Goodyear*, 137 S. Ct. at 1186 & n.5) (internal quotations marks omitted).

Soar's unreasonable manner of litigation was limited to its intransigent conduct with regards to the wrong photos and misrepresentations prior to the Court's dismissal of Soar's original complaint (Dkt. No. 19). *See supra* Section 4.B. Therefore, the Court limits the

award of attorneys' fees to that incurred by Mesquite prior to the first order of dismissal in order to render the award "compensatory, not punitive." *In re Rembrandt*, 899 F.3d at 1278. Such fees encompass, among other things, Mesquite's efforts to dissuade Soar against filing and, later, to persuade Soar to voluntarily dismiss the original complaint as pled with the wrong photos attached (Dkt. Nos. 11-5; 11-7; 11-8; 11-10), work done on the first motion to dismiss (Dkt. Nos. 9; 10; 11; 18), and preparation of the draft Rule 11 motion (Dkt. No. 28-1)—all work that could have been avoided had Soar heeded the writing on the wall earlier.

D. The Court finds that Mesquite has demonstrated that its requested attorneys' fees are reasonable and awards Mesquite fees it incurred prior to the first order of dismissal.

In its response brief, Soar objected that Mesquite had failed to produce satisfactory evidence supporting its request for attorneys' fees. Dkt. No. 31 at 19–20. At the time of Soar's response, Mesquite had provided a declaration by its counsel claiming that the charged fees were reasonable in light of the time-consuming briefing and other work necessitated by Soar's litigation conduct, the skill levels of the attorneys involved, the complexity of the case, and the customary fees charged for patent litigation in the Northern District of Texas. Dkt. No. 29-1 at 2–3. Since then, Mesquite has filed under seal its counsel's rates alongside itemized invoices charging Mesquite for fees incurred in defending this suit (Dkt. No. 35) and biographies of its counsel highlighting their skill and experience (Dkt. No. 36). To date, and following the new filings under seal, Soar has not submitted a supplement to its response contesting the fees charged, though it implied it would in its response (Dkt. No. 31 at 20). Therefore, given the ample evidence documenting the requested attorneys' fees, the Court finds that Mesquite's requested attorneys' fees are

reasonable—to the extent it requests fees incurred prior to the Court’s first order of dismissal— under *Lumen View* and other applicable law. *Lumen View*, 811 F.3d at 483–85.

Per the declaration of Thomas H. Reger II, Mesquite’s counsel, Mesquite incurred \$151,803.50 in attorneys’ fees related to the case, which can be broken down as:

a. \$36,751.00 from receipt of SOAR’s first demand letter on June 28, 2019 to when SOAR filed suit on November 8, 2019.

b. \$70,865.50 from when SOAR filed suit to when this Court granted Mesquite’s first Motion to Dismiss on September 11, 2020.

c. \$44,187.50 from when SOAR filed its First Amended Complaint to when this Court granted Mesquite’s second Motion to Dismiss on July 2, 2021.

Dkt. No. 29-1 at 3. Thus, the fees incurred prior to the order of order of dismissal total \$107,616.50—the sum of a and b. This is the proper award amount given Soar’s exceptionally unreasonable manner of litigation prior to the first order of dismissal. *See supra* Section 4.B.

Because neither party has requested a hearing and the record, supporting declarations, and invoices are sufficiently detailed to provide an adequate basis for calculating the award, the Court resolves Mesquite’s motion for attorneys’ fees without a hearing. *See Assoc. Builders & Contractors of La., Inc. v. Orleans Par. Sch. Bd.*, 919 F.2d 374, 378–79 (5th Cir. 1990). Accordingly, the Court orders that attorneys’ fees in the amount of \$107,616.50 shall be awarded to Mesquite.

5. Conclusion

For the reasons stated above, the Court partially grants Mesquite’s motion for attorneys’ fees and awards Mesquite fees in the amount of \$107,616.50. The Court will issue a separate and amended final judgment reflecting this award.

So ordered on February 9, 2022.



JAMES WESLEY HENDRIX
UNITED STATES DISTRICT JUDGE