

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

AMERICAN INFERTILITY OF NEW YORK,
P.C.,

Plaintiff,

-against-

DEEP BLUE HEALTH NEW ZEALAND LTD.,

Defendant.

USDC SDNY
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17-CV-5666 (PGG) (BCM)

**REPORT AND RECOMMENDATION
TO THE HON. PAUL G. GARDEPHE**

BARBARA MOSES, United States Magistrate Judge.

Plaintiff American Infertility of New York, P.C. (American Infertility) owns all rights to U.S. Patent No. 8,067,400 (the '400 Patent), directed to a method for improving the quality of embryos, increasing pregnancy rates, and decreasing miscarriage rates by administering the androgen dehydroepiandrosterone (DHEA) for at least two months at a dosage of 50 to 100 mg per day. Compl. (Dkt. No. 1) ¶¶ 10, 12-13, 19-22. In this action, American Infertility alleges that defendant Deep Blue Health New Zealand Ltd. (Deep Blue Health) infringed the '400 Patent through its promotion and sale of a 60 day supply of DHEA, to be taken as one or two 25 mg capsules daily, to "support female fertility." *Id.* ¶¶ 5, 17, 23-26, 30-31.

On October 10, 2018, the Hon. Paul G. Gardephe, United States District Judge, issued an Order of Default against Deep Blue Health and referred the action to me for a damages inquest. (Dkt. Nos. 51, 52.) Plaintiff seeks compensatory damages in the nominal amount of \$10,000, attorneys' fees in the amount of \$24,250, consulting expenses in the amount of \$19,250, and costs in the amount of \$4,272.60. *See* Prop. Findings (Dkt. No. 57) ¶¶ 10-13. For the reasons that follow, I respectfully recommend that plaintiff be awarded a total of \$4,273.60, comprising compensatory damages in the nominal amount of \$1 and costs in the amount of \$4,272.60. In addition, I recommend entry of a permanent injunction against Deep Blue Health.

I. BACKGROUND

A. Factual Allegations

On or about November 29, 2011, the U.S. Patent and Trademark Office issued the '400 Patent, titled "Androgen Treatment in Females." Compl. ¶ 10; *see also id.* Ex. 1 (the '400 Patent). Claim 1 of the '400 Patent is a "method of decreasing aneuploidy rates in human embryos comprising administering androgen to a female for at least two months." *Id.* ¶ 19. Claim 3 is a "method according to claim 1, wherein said androgen is . . . [DHEA]." *Id.* ¶ 20. Claim 4 is a "method according to claim 3, wherein said [DHEA] administration comprises between 50 and 100 mg per day." *Id.* ¶ 21. Claim 6 is a method of decreasing time to pregnancy and increasing pregnancy rates by administering the androgen for at least two months. *Id.* ¶ 22. American Infertility, a New York professional corporation, "is the assignee and owner of all right, title and interest in and to the '400 patent, including the right to assert all causes of action arising under said patent and the right to seek and recover remedies for infringement." *Id.* ¶ 13.

Deep Blue Health is a New Zealand corporation "conducting business in the United States." Compl. ¶ 2. According to plaintiff:

Deep Blue Health directly infringed, continues to directly infringe, induced others to infringe, continues to induce others to infringe, contributed to infringement and continues to contribute to infringement of [the '400 Patent], by manufacturing, promoting, marketing, making, having made, using, importing, offering for sale, advertising, selling or otherwise making available, within the State of New York and elsewhere throughout the United States, products, including but not limited to DHEA 25mg (the Infringing Product), that contains dehydroepiandrosterone (DHEA) and are administered in accordance with the limitations of at least one claim of the '400 patent.

Id. ¶ 5. Deep Blue Health "markets, advertises, sells and/or offers" the Infringing Product on an "interactive website," available at www.deepbluehealth.co.nz, which is "used, and/or accessible,

in the State of New York." *Id.* ¶ 7. *See also id.* Ex. 2 (screenshot of Deep Blue's website dated July 24, 2017, advertising the Infringing Product for sale and quoting the price in U.S. Dollars).

Prior to filing suit, American Infertility retained investigative consultant Cobra Consulting Group, LLC (Cobra Consulting) to communicate with Deep Blue Health regarding its sale of the Infringing Product and to perform a claims analysis. Compl. ¶ 27. "In a February 14, 2017 email, Deep Blue Health, by its Director Tony Lawton responded that Deep Blue Health was not selling or distributing the DHEA 25mg product in the United States." *Id.* ¶ 28. However, as of July 26, 2017 – the day on which plaintiff filed this lawsuit – Blue Health continued to sell and "offer for sale its DHEA 25mg product in the United States." *Id.*

B. Procedural History

Plaintiff did not immediately effect service of process on Deep Blue Health. By Order dated September 29, 2017, the Hon. Katherine B. Forrest, United States District Judge, reminded plaintiff that under Fed. R. Civ. P. 4(f)(2)(A) "service may be made on a foreign corporation in accordance with the rules of the corporation's jurisdiction," and directed plaintiff to submit a letter, no later than October 4, 2017, "that explains New Zealand's rules on service, and how it plans to comply with them." (Dkt. No. 14.)

On October 3, 2017, at plaintiff's request, an electronic summons was issued as to Deep Blue Health. (Dkt. No. 18.) The following day, plaintiff advised the Court by letter that, in order to maximize the chance that a judgment issued by this Court would be enforceable against defendant's assets in New Zealand, it intended "to serve Defendant using the letter rogatory process under Rule 4(f)(2)(B)," and to that end had "identified and [was] ready to retain a process server experienced in international service of process" in order to do so. (Dkt. No. 19.)

On March 28, 2018, Judge Forrest ordered plaintiff to "file a letter on the docket with the status update not later than March 30, 2018, or this matter may be dismissed for failure to prosecute." (Dkt. No. 22.) By letter dated March 30, 2018, plaintiff advised the Court that it expected to complete service by the end of April 2018. (Dkt. No. 23.) On June 4, 2018, plaintiff filed a Proof of Service executed by process server Daniel John Rodgers on April 21, 2018, stating that on March 9, 2018, Rodgers served the summons and complaint on "Margaret Gilvroy (Person in charge)," who was "designated by law to accept service of process on behalf of" Deep Blue Health. (Dkt. No. 26.)¹

On June 11, 2018, Judge Forrest issued an Order noting that the Court had received a document "via email," which "appears to be from defendant's counsel," but refused to "accept this document as properly filed because there has been no appearance on the docket for the defendant. Companies may not appear pro se in Court and the Court will not accept filings without an appearance." (Dkt. No. 28.)²

On July 16, 2018, at plaintiff's request, the Clerk issued a Certificate of Default as to Deep Blue Health. (Dkt. No. 41.) On August 20, 2018, plaintiff moved for a default judgment. (Dkt. No. 45.) By Order dated August 24, 2018, Judge Forrest directed defendant to show cause, at a hearing scheduled for September 27, 2018, why a default judgment should not be entered. (Dkt. No. 46.) That same day, plaintiff served a copy of its motion papers, as well as Judge

¹ Notwithstanding plaintiff's plan to serve defendant "using the letter rogatory process under Rule 4(f)(2)(B)," its counsel, Steven M. Lester, later attested that it effected service in accordance with Rule 4(f)(2)(A) ("as prescribed by the foreign country's law for service in that country in an action in its courts of general jurisdiction") by delivering the summons and complaint to "an employee of the company at the company's head office or principal place of business" as permitted by § 387(1)(b) of New Zealand's Companies Act of 1993. Lester Decl. filed June 25, 2018 (Dkt. No. 32), ¶ 7; *see also* Lester Decl. filed Aug. 20, 2018 (Dkt. No. 45-1), ¶¶ 5-7.

² The emailed document was not attached to the June 11 Order, does not otherwise appear on the docket of this action, and has not been reviewed by the undersigned magistrate judge.

Forrest's show-cause order, by email, on Deep Blue Director Lawton and New Zealand barrister and solicitor Peter Kite of Grey Street Legal Limited. (Dkt. Nos. 47, 48.)

By Order dated October 5, 2018, Judge Gardephe (to whom this case had been reassigned) scheduled an October 10, 2018 hearing on plaintiff's application for a default judgment. (Dkt. No. 49.) That same day, plaintiff served a copy of the October 5 Order, by email, on Lawton and Kite. (Dkt. No. 50.)

Deep Blue Health did not appear at the October 10, 2018 hearing. Nor did any attorney enter (or attempt to enter) an appearance on defendant's behalf in this Court, or file any documents on the docket of this action. However, as Judge Gardephe explained on the record, he received a "submission" on behalf of Deep Blue Health, entitled "Defendant's Submissions on the Application of Law" (Submission), signed by Lawton and Kite. Tr. of Oct. 10, 2018 H'rg (Oct. 10 Tr.) (Dkt. No. 55) at 2:18-3:6, 4:13-16. Judge Gardephe concluded that he could not consider the Submission (nor the previous missive emailed to Judge Forrest), "because the defendant has not appeared in the matter in any way, shape, or form." *Id.* at 2:24-3:8. He noted, however, that in light of the Submission "[t]here is no question" but that "effective service was made" and that "the defendant was on notice of these proceedings and has chosen not to appear." *Id.* at 4:12-20.³ Plaintiff's counsel agreed, adding, "I have had some frequent and numerous contact with the defendant's attorney from New Zealand." *Id.* at 5:5-6.

³ The Submission was not docketed, but – as Judge Gardephe noted – is relevant to the question of notice. The Submission is signed by Lawton and Kite, and acknowledges, among other things, that Deep Blue Health received Judge Gardephe's October 5, 2018 Order at 12:53 p.m. New Zealand time on October 6, 2018 – which was 6:53 p.m. on October 5, 2018, in New York.

At the conclusion of the hearing, Judge Gardephe granted plaintiff's motion. Oct. 10 Tr. at 5:12-15. As noted above, the Court issued its Order of Default, and referred the case to me for an inquest into damages, that same day.

On October 12, 2018, I issued a Scheduling Order (Dkt. No. 54) to govern the damages inquest. The Scheduling Order "notifie[d] the parties" that the Court might "conduct the inquest based solely upon the written submissions of the parties," unless one of the parties submitted a request for an evidentiary hearing. (*Id.* at 4-5.)

On December 11, 2018, plaintiff filed its Proposed Findings of Fact and Conclusions of Law, which it served on defendant, along with a copy of the Court's Scheduling Order, via email to Lawton and Kite. (Dkt. No. 58.) Defendant did not file any responding papers. Neither party requested an evidentiary hearing.

II. JURISDICTION AND VENUE

I am satisfied that this Court has subject matter jurisdiction over plaintiff's claims. Because plaintiff sues under the Patent Act, 35 U.S.C. § 101, *et seq.*, subject matter jurisdiction is properly based on 28 U.S.C. § 1331.

I am also satisfied as to personal jurisdiction over Deep Blue Health, which is "a necessary prerequisite to entry of a default judgment." *Reilly v. Plot Commerce*, 2016 WL 6837895, at *2 (S.D.N.Y. Oct. 31, 2016) (Moses, M.J.) (quoting *Sheldon v. Plot Commerce*, 2016 WL 5107072, at *6 (E.D.N.Y. Aug. 26, 2016), *report and recommendation adopted*, 2016 WL 5107058 (E.D.N.Y. Sept. 19, 2016)). For a federal district court to exercise personal jurisdiction over a defendant, three requirements must be met: "First, the plaintiff's service of process upon the defendant must have been procedurally proper." *Licci ex rel. Licci v. Lebanese Canadian Bank, SAL*, 673 F.3d 50, 59 (2d Cir. 2012) (subsequent history omitted). "Second,

there must be a statutory basis for personal jurisdiction that renders such service of process effective," *id.*; and "[t]hird, the exercise of personal jurisdiction must comport with constitutional due process principles." *Id.*⁴ It would be a "rare" case where an entity's conduct satisfied a statutory basis for the exercise of long-arm jurisdiction under New York law but did not comport with constitutional due process principles. *Licci ex rel. Licci v. Lebanese Canadian Bank, SAL*, 732 F.3d 161, 170 (2d Cir. 2013).

Plaintiff's service upon defendant was procedurally proper. As attested by attorney Lester, plaintiff served Deep Blue Health, under § 387(1)(b) of New Zealand's Companies Act of 1933, by delivering a copy of the summons and complaint to Margaret Gilvroy, the "employee in charge of Defendant's office and who was designated by law to accept service of process for Defendant." Lester Decl. filed Aug. 20, 2018, ¶¶ 6-7 & Ex. 1 (copy of Companies Act § 387). *See also* Lester Decl. filed June 25, 2018, ¶ 7; Proof of Service at 1.⁵ Such service comported with the federal rules. *See* Fed. R. Civ. P. 4(h)(2) (a foreign corporation may be served "at a place not within any judicial district of the United States, in any manner prescribed by Rule 4(f) for serving an individual . . ."); Fed. R. Civ. P. 4(f)(2)(A) (permitting service to be effected on an individual "as prescribed by the foreign country's law for service in that country in an action in its courts of general jurisdiction"). Moreover, as Judge Gardephe noted, there is "no question" in

⁴ "In patent law cases such as this, 'the existence of personal jurisdiction is, under Federal Circuit law, determined in accordance with the law of the Court of Appeals for the Federal Circuit.'" *RegenLab USA LLC v. Estar Techs. Ltd.*, 335 F. Supp. 3d 526, 535-36 (S.D.N.Y. 2018) (quoting *JetBlue Airways Corp. v. Helferich Patent Licensing, LLC*, 960 F. Supp. 2d 383, 390 (E.D.N.Y. 2013)). However, the Federal Circuit's test for personal jurisdiction mirrors that of the Second Circuit. *RegenLab*, 335 F. Supp. 3d at 535-36 (citations omitted).

⁵ The U.S. Department of State agrees that "[s]ervice of process can be accomplished in New Zealand . . . via personal service by a process server or attorney in New Zealand." *Judicial Assistance Country Information – New Zealand Judicial Assistance Information*, U.S. Dep't of State – Bureau of Consular Affairs, <https://travel.state.gov/content/travel/en/legal/Judicial-Assistance-Country-Information/NewZealand0.html> (last visited Dec. 30, 2019).

this case "that effective service was made," Oct. 10 Tr. at 4:12-18, because Deep Blue Health had actual notice of this lawsuit. *Romandette v. Weetabix Co.*, 807 F.2d 309, 311 (2d Cir. 1986) ("Rule 4 of the Federal Rules is to be construed liberally to further the purpose of finding personal jurisdiction in cases in which the party has received actual notice.") (citation and internal quotation marks omitted).

There is also a statutory basis for exercising personal jurisdiction under New York law. N.Y. C.P.L.R. (CPLR) § 302(a) provides that a court "may exercise personal jurisdiction over any non-domiciliary" who: (1) "transacts any business within the state or contracts anywhere to supply goods or services in the state"; or (2) "commits a tortious act within the state" Plaintiff alleges that Deep Blue Health offered the Infringing Product for sale, through an interactive website, in the United States and in New York in particular. Compl. ¶¶ 5-7, 23, 25, 28-29. Further, in its motion papers, plaintiff submitted a copy of a receipt dated May 25, 2017, confirming that Deep Blue Health sold the Infringing Product to a buyer in Wantagh, New York, promising shipment by DHL Global Mail in 10-14 days. Lester Decl. filed Aug. 20, 2018, Ex. 2. This evidence, together with plaintiff's allegations, satisfies the requirements of CPLR §§ 302(a)(1) and (a)(2). *See Multiwave Sensor Inc. v. Sunlight Instruments, LLC*, 2017 WL 1498058, at *5 (S.D.N.Y. Apr. 26, 2017) ("courts in this district have held that a tortious act of patent infringement occurs, for the purposes of CPLR § 302(a)(2), where products are distributed and infringing sales are made . . . because patent infringement occurs upon an offer to sell infringing products, the Court finds that Plaintiff has shown that the Court has personal jurisdiction over Sunlight Instruments under section 302(a)(2) of the New York long-arm statute") (internal citations and quotation marks omitted); *Basquiat v. Kemper Snowboards*, 1997 WL 527891, at *3 (S.D.N.Y. Aug. 25, 1997) ("Plaintiff contends that personal jurisdiction over

Gardner may be predicated on either § 302(a)(1) because defendants have contracted to supply goods – namely, the infringing snowboards – within New York, or, alternatively, on § 302(a)(2) because defendants have committed a tortious act within the state." Here too, jurisdiction may be predicated on either § 302(a)(1) or § 302(a)(2).⁶

I also conclude that exercising personal jurisdiction over Deep Blue Health will not offend due process. The due process inquiry requires the court to analyze two "related components": first, whether the defendant has sufficient "minimum contacts" with New York, and second, whether exercising personal jurisdiction is reasonable and comports with "traditional notions of fair play and substantial justice." *Multiwave Sensor Inc.*, 2017 WL 1498058, at *4 (internal citations and quotation marks omitted). Deep Blue Health's contacts with New York – including its offer to ship products to New Yorkers and its actual sale of the Infringing Product into New York – meet the constitutional minimum. *Id.* ("Plaintiff's claim for patent infringement against Sunlight Instruments directly relates to Sunlight Instruments' offer to sell the allegedly infringing product in New York State."). Because this case arises from those contacts, and in light of New York State's "interest in adjudicating potential patent infringement that occurs

⁶ Plaintiff's evidence of an actual sale to a New York buyer distinguishes this case from *Scottevest, Inc. v. AyeGear Glasgow Ltd.*, 2012 WL 1372166 (S.D.N.Y. Apr. 17, 2012), where the court held that the "bare assertion" that a defendant owns an "interactive web site" that sells goods "in to the United States and New York" is insufficient to confer personal jurisdiction over that defendant. *Id.* at *4 (denying motion for default judgment in patent and trade dress infringement action). In *Scottevest*, plaintiff did not "identify any transaction that was directed to New York," and both the complaint and record in support of default were "silent as to any New York commerce that arose through the defendant's web site." *Id.* I also note that although Deep Blue Health's website no longer appears to offer the Infringing Product for sale, it continues to offer free delivery to the United States (for orders over \$170). See *Delivery Information*, Deep Blue Health, <https://www.deepbluehealth.co.nz/pages/delivery-information> (last visited Dec. 30, 2019).

within this forum," *id.*, at *6, I conclude that exercising personal jurisdiction in this case is consonant with traditional notions of fair play and substantial justice.

Finally, I conclude that venue is proper in this Court. "[T]he United States Supreme Court held long ago that the patent venue statute," 28 U.S.C. § 1400, "did not control the question of venue over an alien corporation." *Sharp Corp. v. Hisense Elec., Co.*, 2017 WL 9325873, at *3 (S.D.N.Y. Dec. 22, 2017) (citing *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 714 (1972)). *See also In re HTC Corp.*, 889 F.3d 1349, 1357 (Fed. Cir. 2018) (reaffirming that "the patent venue statute was not intended to supplant the longstanding rule that the venue laws do not protect alien defendants"), *cert. denied sub nom. HTC Corp. v. 3G Licensing, S.A.*, 139 S. Ct. 1271 (2019). Instead, "[v]enue against an alien corporation is a function of whether the court has personal jurisdiction over that corporation." *Sharp*, 2017 WL 9325873, at *3. *See also* 28 U.S.C. § 1391(b)(3) ("A civil action may be brought in . . . if there is no district in which an action may otherwise be brought as provided in this section, any judicial district in which any defendant is subject to the court's personal jurisdiction with respect to such action."); *id.* § 1391(c)(3) ("a defendant not resident in the United States may be sued in any judicial district"). Because this Court has personal jurisdiction over Deep Blue Health, a New Zealand corporation, venue is proper here.

III. LIABILITY

Following a default, the district court must accept as true all of the well-pleaded factual allegations in the complaint, except those relating to damages. *See Finkel v. Romanowicz*, 577 F.3d 79, 84 (2d Cir. 2009); *Cotton v. Slone*, 4 F.3d 176, 181 (2d Cir. 1993); *Greyhound Exhibitgroup, Inc. v. E.L.U.L. Realty Corp.*, 973 F.2d 155, 158 (2d Cir. 1992). However, before

entering a default judgment, the Court is required to determine whether those factual allegations, taken as true, establish a defendant's liability as a matter of law. *Finkel*, 577 F.3d at 84.

In this case, plaintiff asserts a single claim of patent infringement under 35 U.S.C. §§ 271(a) and (b). Section 271(a), which concerns patent infringement, requires a pleading to: "(i) allege ownership of the patent, (ii) name each defendant, (iii) cite the patent that is allegedly infringed, (iv) state the means by which the defendant allegedly infringes, and (v) point to the sections of the patent law invoked." *Bobcar Media, LLC v. Aardvark Event Logistics, Inc.*, 2017 WL 74729, at *3 (S.D.N.Y. Jan. 4, 2017) (quoting *Hall v. Bed Bath & Beyond, Inc.*, 705 F.3d 1357, 1362 (Fed. Cir. 2013)). Section 271(b), in turn, provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer."

Plaintiff alleges that it owns the '400 Patent; that Deep Blue Health infringed that patent by offering the Infringing Product for sale on its website and by "advertising and instructing others to purchase, use and/or administer the infringing product in a manner that infringes" the '400 Patent; and that this conduct violates 35 U.S.C §§ 271(a) and (b). Compl. ¶¶ 5, 7, 10-37. These allegations, taken as true, establish Deep Blue Health's liability as a matter of law.

IV. DAMAGES

A. Legal Standards

Although the Court must accept all of the well-pleaded facts in the complaint as true when determining liability, it need not – and indeed cannot – rely on the plaintiff's unsupported allegations to establish its damages. *Greyhound Exhibitgroup*, 973 F.2d at 158. Rather, "[t]here must be an evidentiary basis for the damages sought by plaintiff, and a district court may determine there is sufficient evidence either based upon evidence presented at a hearing or upon a review of detailed affidavits and documentary evidence." *Cement & Concrete Workers Dist.*

Council Welfare Fund, Pension Fund, Annuity Fund, Educ. & Training Fund & Other Funds v. Metro Found. Contractors Inc., 699 F.3d 230, 234 (2d Cir. 2012).

Regardless of the evidence submitted, a default judgment "must not differ in kind from, or exceed in amount, what is demanded in the pleadings." Fed. R. Civ. P. 54(c); *see also Silge v. Merz*, 510 F.3d 157, 160 (2d Cir. 2007) ("By limiting damages to what is specified in the 'demand for judgment,' [Rule 54(c)] ensures that a defendant who is considering default can look at the damages clause, satisfy himself that he is willing to suffer judgment in that amount, and then default without the need to hire a lawyer."); *Joint Stock Co. Channel One Russia Worldwide v. Infomir LLC*, 2018 WL 4760345, at *1 (S.D.N.Y. Sept. 28, 2018) (Moses, M.J.) ("a plaintiff cannot recover damages against a defaulted defendant for claims never alleged in its pleading").

Plaintiff's pleading sought patent infringement damages and attorneys' fees under 35 U.S.C. §§ 284 and 285, respectively. Compl. at 8. Under 35 U.S.C. § 284, "[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court." The Court may "increase the damages up to three times the amount found," *id.*, upon a finding of "willful infringement." *Olaf Sööt Design, LLC v. Daktronics, Inc.*, 325 F. Supp. 3d 456, 461 (S.D.N.Y. 2018), *reconsideration denied*, 2018 WL 6181360 (S.D.N.Y. Nov. 27, 2018). Under 35 U.S.C. § 285, courts may also award "reasonable attorney fees to the prevailing party," though only in "exceptional cases." In every case, "[t]he patent owner bears the burden of proving the amount of damages." *ALAN Sportartikel GmbH v. Ultra Fitness Equip., Inc.*, 2011 WL 13305254, at *2 (E.D.N.Y. Feb. 10, 2011) (quoting *Rates Tech. Inc. v. Redfish Telematrix, Inc., T-2000*, 2001 WL

1825854, at *3 (E.D.N.Y. Dec. 20, 2001)), *report and recommendation adopted*, 2011 WL 13305255 (E.D.N.Y. Mar. 29, 2011).

As noted above, plaintiff seeks four types of damages: (1) nominal damages in the amount of \$10,000; (2) attorneys' fees in the amount of \$24,250; (3) consultant fees in the amount of \$19,250; and (4) costs in the amount of \$4,272.60. Prop. Findings ¶¶ 10-13. Plaintiff also seeks a permanent injunction against defendant. *Id.* ¶ 14. I address each request in turn.

B. Nominal Damages

The statute authorizing patent infringement damages provides only that "the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court." 35 U.S.C. § 284. "A reasonable royalty 'can be calculated from an established royalty, the infringer's profit projections for infringing sales, or a hypothetical negotiation between the patentee and infringer[.]'" *Small v. Nobel Biocare USA, LLC*, 808 F. Supp. 2d 584, 587 (S.D.N.Y. 2011) (citation omitted). Plaintiff presents none of these calculations, nor any information from which such calculations could be derived. *See* Prop. Findings ¶ 8 ("Since Deep Blue Health defaulted in response to the Complaint, American Infertility has not had an opportunity to take discovery on the extent of Deep Blue Health's sales of the infringing product."). Instead, plaintiff seeks compensatory damages in "the nominal amount of \$10,000." *Id.* ¶ 9.

There is limited authority, much of it quite old, providing that nominal damages may be awarded in patent infringement actions. *See, e.g., Black v. Thorne*, 111 U.S. 122, 124 (1884) ("In the absence of" a criterion for measuring the damage to the claimant, "the damages must necessarily be nominal."); *Mayor, Aldermen & Commonalty of City of New York v. Ransom*, 64

U.S. 487, 488 (1859) ("If he rest his case, after merely proving an infringement of his patent, [plaintiff] may be entitled to nominal damages, but no more."). *See also Am. Can Co. v. Goldee Mfg. Co.*, 31 F.2d 492, 493 (E.D.N.Y. 1927) ("There was no evidence presented before the master to show that damages or profits were not susceptible of calculation and determination with reasonable certainty, nor was any expert testimony offered to establish the damages or profits. It therefore follows that no damages in excess of nominal damages can be awarded."), *aff'd*, 31 F.2d 494 (2d Cir. 1929). However, plaintiff presents no authority – and the Court has found none – for the proposition that nominal damages can be awarded under 35 U.S.C. § 284 in a non-nominal amount, such as the \$10,000 requested here.

Indeed, modern cases authorizing nominal damages under the Patent Act generally award significantly smaller amounts. *See, e.g., Synthes USA, LLC v. Syntec Sci. (USA) Corp.*, 2012 WL 13014729, at *4 (C.D. Cal. Mar. 20, 2012) (awarding \$100 in nominal damages for a defaulted defendant's patent infringement); *Adair v. Advanced Metal Fabrication, Inc.*, 2011 WL 13323633, at *2 (N.D. Ga. May 3, 2011) ("Based on the defendant's infringement of the '972 patent, the court finds that nominal damages in the amount of \$800.00 are appropriate in this case."); *Trustees of Columbia Univ. in City of New York v. Roche Diagnostics GmbH*, 272 F. Supp. 2d 90, 120 (D. Mass. 2002) ("I find that this infringement entitles Columbia to only one dollar of nominal damages."). *See also Kransco Mfg., Inc. v. Hayes Specialties Corp.*, 77 F.3d 503, 1996 WL 30787, at *4 (Fed. Cir. 1996) (Table) (affirming as unchallenged an award of patent infringement damages where "the district court found that Kransco presented no evidence

on the issue of damages for patent infringement and awarded nominal damages which it trebled to \$100").⁷

Moreover, there is some authority (albeit outside the context of patent law) for the proposition that damages exceeding \$1 cannot be considered truly "nominal." *Carey v. Piphus*, 435 U.S. 247, 267 (1978) (directing the district court on remand that plaintiffs in a 42 U.S.C. § 1983 action may be entitled to recover nominal damages "not to exceed one dollar"); *Birnbaum v. United States*, 588 F.2d 319, 333 (2d Cir. 1978) ("The question is whether the testimony of the plaintiffs sustains a finding of mental anguish under New York law, in which event the judgment for \$1,000 each would not be excessive, or whether there was no actual damage, in which case only nominal damages of one dollar would have been proper."); *Magnett v. Pelletier*, 488 F.2d 33, 35 (1st Cir. 1973) (explaining that an award of \$500 "cannot be properly regarded as nominal damages" and reducing an award of nominal damages to \$1).

Consistent with the case law summarized above – and in the absence of any factual or legal support for the \$10,000 compensatory damages award requested by American Infertility – I respectfully recommend that plaintiff be awarded nominal damages in the amount of \$1.

C. Attorneys' Fees

Section 285 limits the award of attorneys' fees in patent infringement litigation to "exceptional cases." As the Supreme Court recently explained:

[A]n "exceptional" case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the

⁷ In *Lindemann Maschinenfabrik GmbH v. Am. Hoist & Derrick Co., Harris Press & Shear Div.*, the Federal Circuit affirmed an award of \$10,000 in damages that the district court referred to as "nominal." 895 F.2d 1403, 1407 (Fed. Cir. 1990). However, the Federal Circuit explained that the district court's use of the term nominal "may have been inapt" since the claimant in that action did present some evidence of its reasonable royalty under § 284, and "in context it [was] clear that the magistrate used" the term nominal "to indicate merely that on the evidence it presented Lindemann was entitled to far less than the amount it demanded."

governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is "exceptional" in the case-by-case exercise of their discretion, considering the totality of the circumstances.

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545, 554 (2014). "In making this determination, 'there is no precise rule or formula' to be followed, 'but instead equitable discretion should be exercised,'" *KX Techs., LLC v. Zuma Water Filters, Inc.*, 2018 WL 3302589, at *2 (D. Conn. July 5, 2018) (quoting *Octane Fitness*, 572 U.S. at 554), considering all relevant factors, including "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Octane Fitness*, 572 U.S. at 554 n.6 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994)). "[T]he determination whether a case is 'exceptional' under § 285 is a matter of discretion." *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 563 (2014).

In this case, plaintiff American Infertility seeks an award of fees, *see* Compl. at 8; Prop. Findings ¶ 10, based primarily on the fact that Deep Blue Health defaulted. According to plaintiff, the default permits an inference that defendant's conduct was willful, and that inference, in turn, is enough to support the conclusion that this case is exceptional, warranting a fee award. Lester Decl. filed Aug. 20, 2018, ¶¶ 27, 33. Plaintiff is mistaken.

Plaintiff cites four cases for the proposition that Deep Blue Health's default, standing alone, entitles it to a fee award. Lester Decl. filed Aug. 20, 2018, ¶ 33. The first decision, *KX Techs.*, involved defendants who not only defaulted but "deliberately hid their identities, requiring third-party discovery to obtain their addresses for service." 2018 WL 3302589, at *4. Moreover, the plaintiff in that action presented "evidence that Defendants continue[d] to make" the infringing products available for sale even after the Court permanently enjoined them from

doing so, thereby violating a court order. *Id.* The *KX Techs.* court held that those factors (none of which is present here), when coupled with defendants' default, supported a finding that the case should be classified as "exceptional" pursuant to 35 U.S.C. § 285. *Id.* at *5.

The other three cases cited by plaintiff did not involve claims under the Patent Act. *See Chloe v. Zarafshan*, 2009 WL 2956827 (S.D.N.Y. Sept. 15, 2009) (Lanham Act); *Malletier v. Carducci Leather Fashions, Inc.*, 648 F. Supp. 2d 501 (S.D.N.Y. 2009) (Copyright Act); *Fallaci v. New Gazette Literary Corp.*, 568 F. Supp. 1172, 1174 (S.D.N.Y. 1983) (Lanham Act). Moreover, both *Chloe* and *Fallaci* involved misconduct above and beyond the mere fact of the defendant's default. In *Chloe*, the defaulted defendant refused to produce documents and inexplicably denied knowledge of key issues in the trademark litigation. 2009 WL 2956827, at *3, *6. In *Fallaci*, the court found that the defaulted defendant, "as the publisher of a copyrighted newspaper," "was or should have been aware that its unauthorized republication of a Washington Post article constituted copyright infringement." 568 F. Supp. at 1173.

In *Malletier*, to be sure, the court appeared to accept that because the defendant's default permitted an inference of willfulness, that same default automatically rendered the case "exceptional" within the meaning of § 35(c) of the Lanham Act, 15 U.S.C. § 1117(c), and thereby warranted an attorneys' fee award. *See Malletier*, 648 F. Supp. 2d at 505 (quoting *Bambu Sales, Inc. v. Ozak Trading Inc.*, 58 F.3d 849, 854 (2d Cir. 1995)) (for purposes of the Lanham Act, "[t]he finding of willfulness determines the right to attorney's fees"). However, *Bambu Sales*, upon which *Malletier* principally relied, is no longer good law on this point. *See 4 Pillar Dynasty LLC v. New York & Co., Inc.*, 933 F.3d 202, 215-17 (2d Cir. 2019) (abrogating *Bambu Sales*, holding that "*Octane Fitness's* flexible definition of the 'exceptional case applies to the attorney's fees provision in the Lanham Act," and remanding to permit the district court to

consider the "totality of the circumstances" and determine whether the case "stands out from others" before awarding attorneys' fees).

Even before *4 Pillar Dynasty* was decided, recent decisions in this Circuit, relying on *Octane Fitness*, concluded that the mere fact of a defendant's default does not automatically render a case exceptional under 35 U.S.C. § 285. *See, e.g., Eagle Trading USA, LLC v. Crownwell, LLC*, 2019 WL 1323993, at *3 (S.D.N.Y. Mar. 25, 2019) (concluding that the plaintiff failed to "demonstrate[] that this is an 'exceptional case' that warrants attorneys' fees under section 285 of the Patent Act," notwithstanding the defendant's default); *IPVX Patent Holdings, Inc. v. Taridium, LLC*, 2014 WL 4437294, at *6 (E.D.N.Y. Aug. 6, 2014) ("Plaintiff has not proffered any argument, nor can the Court anticipate any reasonable argument, as to why this case should be designated an 'exceptional case' for the purposes of awarding attorney's fees."), *report and recommendation adopted*, 2014 WL 4437307 (E.D.N.Y. Sept. 9, 2014). *See also Hockeyline, Inc. v. STATS LLC*, 2017 WL 1743022, at *3, 5 (S.D.N.Y. Apr. 27, 2017) (noting that "[e]xceptionalness is itself supposed to be the exception," and denying attorneys' fees where the losing party's position was not "frivolous" and the prevailing party "presented no evidence that Hockeyline has engaged in any litigation misconduct").

In the case at bar, plaintiff has not identified any factors – beyond the simple fact of defendant's default – that would qualify this case as "exceptional." Although plaintiff is the prevailing party by virtue of that default, it has made no showing as to the strength of its case, much less established that defendant acted out of malice.⁸ Moreover, since defendant did not

⁸ According to the Complaint, Deep Blue Health continued to offer the Infringing Product for sale in the United States after Lawton claimed, in a pre-suit email, that it was not doing so. Compl. ¶ 28. However, unlike in *Chloe*, plaintiff American Infertility has not introduced any evidence, nor even claimed, that sales continued after this lawsuit commenced.

litigate the case at all, it cannot be accused of maintaining a frivolous or objectively unreasonable litigation position. Nor did it engage in any significant litigation misconduct or violate any orders issued by this Court.⁹ I therefore conclude, applying the *Octane Fitness* factors, 572 U.S. at 554 n.6, and considering the totality of the circumstances, that this case is not "exceptional," and therefore that an award of attorneys' fees should not issue.

D. Consultant Fees

In addition to attorneys' fees, plaintiff seeks an additional \$19,250 pursuant to 35 U.S.C. § 285, reflecting the consulting fees charged by Cobra Consulting, which "perform[ed] the initial investigatory work and claims analysis regarding Deep Blue Health's patent infringement." Prop. Findings ¶ 12; *see also* Lester Aff. dated December 11, 2018 (Dkt. No. 57-1), ¶¶ 8-9 & Ex. 2 (Cobra Consulting invoices).¹⁰

For the reasons explained above, I have concluded that plaintiff is not entitled to any award pursuant to § 285, because it has not established that this case is "exceptional" as that term is used in the Patent Act. Even if attorneys' fees were warranted, however, "[e]xpert witness fees are not available under § 285," and may only be awarded "under the Court's inherent power to sanction fraud or abuse of the judicial process." *Funai Elec. Co. v. Daewoo Elecs. Corp.*, 593 F. Supp. 2d 1088, 1118 (N.D. Cal. 2009) (citing *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 23 F.3d 374, 377-78 (Fed. Cir. 1994)), *aff'd*, 616 F.3d 1357 (Fed. Cir. 2010); *see also Takeda*

⁹ Defendant's efforts to present written submissions to the Court without appearing through counsel or filing its papers on the docket of this action were procedurally improper. However, that conduct does not appear to have delayed the resolution of this action or prejudiced plaintiff in any other way. If anything, defendant's submissions aided plaintiff in obtaining a default judgment by putting to rest any lingering questions as to service or notice.

¹⁰ In addition to its pre-filing work, Cobra Consulting appears to have assisted plaintiff's counsel with, *inter alia*, post-filing email correspondence with defendant, research regarding service of process, and "strategy." *See* Lester Aff. Ex. 2, at ECF page 9.

Chem. Indus., Ltd. v. Mylan Labs., Inc., 549 F.3d 1381, 1391 (Fed. Cir. 2008) (quoting *Amsted*, 23 F.3d at 378) ("The use of this inherent power is reserved for cases with 'a finding of fraud or abuse of the judicial process.>"). This is a separate and higher burden than establishing that a case is "exceptional" for purposes of § 285. See, e.g., *Source Search Techs., LLC v. Kayak Software Corp.*, 2016 WL 1259961, at *8 (D.N.J. Mar. 31, 2016) (awarding attorneys' fees but not expert witness fees). Having already concluded that this case is not "exceptional," I cannot conclude that it is "very exceptional," *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 898 F. Supp. 116, 122 (E.D.N.Y. 1995), so as to justify an award of consulting fees under § 285.

E. Costs

Plaintiff next requests an award of costs, in the amount of \$4,272.60, pursuant to 35 U.S.C. § 284. Prop. Findings ¶¶ 7, 11. These costs consist of \$3,750 for effecting service of process in New Zealand, \$400 for the filing fee in this Court, and \$122.60 in miscellaneous postage, transportation, and transcript charges. Lester Aff. Ex. 1, at ECF pages 7-8. Plaintiff's costs are both reasonable and authorized by § 284, which requires that the Court award costs "[u]pon finding for the claimant." See also *IPVX Patent Holdings*, 2014 WL 4437294, at *6 ("The costs requested are for long distance telephone usage, process service and other information services, as well as electronic database research charges. . . . This amount is reasonable and compensable, and I recommend that it be awarded."). I therefore recommend that plaintiff be awarded costs in the requested amount of \$4,272.60.

F. Permanent Injunction

Finally, plaintiff also requests "that this Court permanently enjoin Deep Blue Health and its . . . officers, directors, agents, affiliates, subsidiaries, parents, employees, and those persons

and entities in active concert therewith, from committing further acts of direct infringement and/or inducement of infringement" of the '400 Patent. Prop. Findings ¶ 14.

This Court has statutory authority to issue injunctions in patent infringement actions. 35 U.S.C. § 283 ("The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.") According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). The decision to grant or deny a permanent injunction is left to the discretion of the district court. *Id.*

I conclude that all four *eBay* factors favor entering a permanent injunction against Deep Blue Health. "[B]ecause the principal value of a patent is its statutory right to exclude,' courts have concluded that monetary damages are an inadequate remedy against future infringement." *ALAN Sportartikel*, 2011 WL 13305254, at *5 (quoting *Honeywell Int'l Inc. v. Universal Avionics Sys. Corp.*, 397 F. Supp. 2d 537, 546 (D. Del. 2005)). Moreover, since plaintiff has been unable to quantify his actual damages, and since "there is serious doubt that [plaintiff] will be successful in collecting any monetary award" the Court does issue in this case, plaintiff's injuries are "likely irreparable." *Acticon Techs. v. Heisei Elecs. Co.*, 2008 WL 356872, at *5 (S.D.N.Y. Aug. 1, 2007), *report and recommendation adopted*, 2008 WL 356872, at *1

(S.D.N.Y. Feb. 5, 2008). "The only hardships involved inure in favor of" plaintiff, and "the public interest in the enforcement of intellectual property rights warrants the issuance of injunctive relief as the only enforceable remedy." *Id. See also ALAN Sportartikel*, 2011 WL 13305254, at *5 (recommending entry of a permanent injunction against a defaulted defendant in a patent infringement action). I therefore recommend entry of a permanent injunction against Deep Blue Health, together with its officers, directors, agents, affiliates, subsidiaries, parents, employees, and any other persons and entities acting in concert with them, forbidding them from infringing or inducing the infringement of the '400 Patent.

V. CONCLUSION

For the reasons set forth above, I respectfully recommend that plaintiff be awarded damages in the total amount of \$4,273.60 (\$1 in nominal compensatory damages and \$4,272.60 in costs), and that Deep Blue Health New Zealand Ltd., its officers, directors, agents, affiliates, subsidiaries, parents, employees, and any other persons and entities acting in concert with them, be permanently enjoined from infringing or inducing the infringement of the '400 Patent.

Dated: New York, New York
December 30, 2019



BARBARA MOSES
United States Magistrate Judge

**NOTICE OF PROCEDURE FOR FILING OF OBJECTIONS
TO THIS REPORT AND RECOMMENDATION**

The parties shall have fourteen days from the service of this report and recommendation to file written objections pursuant to 28 U.S.C. § 636(b)(1) and Rule 72(b) of the Federal Rules of Civil Procedure. *See also* Fed. R. Civ. P. 6(a), (d). A party may respond to another party's objections within fourteen days after being served with a copy. Fed. R. Civ. P. 72(b)(2). Any such objections shall be filed with the Clerk of the Court, with courtesy copies delivered to the Hon. Paul G. Gardephe at the Thurgood Marshall United States Courthouse, 40 Foley Square, New York, New York 10007, and to the chambers of the undersigned Magistrate Judge. Any request for an extension of time to file objections must be directed to Judge Gardephe. **Failure to file timely objections will result in a waiver of such objections and will preclude appellate review.** *See Thomas v. Arn*, 474 U.S. 140, 155 (1985); *Frydman v. Experian Info. Sols., Inc.*, 743 F. App'x 486, 487 (2d Cir. 2018); *Wagner & Wagner, LLP v. Atkinson, Haskins, Nellis, Brittingham, Gladd & Carwile, P.C.*, 596 F.3d 84, 92 (2d Cir. 2010)

General Information

Topic(s)	Damages & Remedies; Health Law; Patent Law
Industries	Health & Medical
Parties	AMERICAN INFERTILITY OF NEW YORK, P.C., Plaintiff, against- DEEP BLUE HEALTH NEW ZEALAND LTD., Defendant.
Court	United States District Court for the Southern District of New York