No. ______

IN THE

Supreme Court of the United States

MERIT MEDICAL SYSTEMS, INC.,

Cross-Petitioner,

v.

NAZIR KHAN, IFTIKHAR KHAN,

Cross-Respondents.

ON CROSS-PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CROSS-PETITION FOR A WRIT OF CERTIORARI

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March 25, 2021

QUESTION PRESENTED

In this patent infringement case, the district court found that Cross-Respondents violated Fed.R.Civ.P. 11 ("Rule 11") by repeatedly making frivolous arguments regarding venue and service of process. The court then awarded a portion of Cross-Petitioner's attorney fees as a sanction for the Rule 11 violation. At the end of the case, Cross-Petitioner moved under 35 U.S.C. § 285 ("Section 285") for an award of attorney fees for the entirety of the case, including a conditional award of the fees already awarded if the Rule 11 sanctions were disturbed on appeal. The court rejected the request to award additional fees under Section 285 on grounds that the fees already awarded as Rule 11 sanctions were sufficient. It also rejected the request to conditionally award fees under Section 285 because it did not want to rule on a set of "hypothetical circumstances." On appeal, the Federal Circuit affirmed the Rule 11 sanctions and the denial of additional fees under Section 285. The Federal Circuit did not reach Cross-Petitioner's argument that if the Rule 11 sanctions were disturbed on appeal, the denial of fees under Section 285 should be vacated. In Case No. 20-773, Cross-Respondents now ask this Court to reverse the Rule 11 sanctions. The question presented is:

> If this Court determines in Case No. 20-773 that the Federal Circuit erred in affirming the award of attorney fees as sanctions under Rule 11, should this Court also vacate the Federal Circuit's affirmance of the denial of the motion for attorney fees under Section 285 given the district court's reasons for denying that motion?

PARTIES TO THE PROCEEDING

Cross-Petitioner is Merit Medical Systems, Inc., who was a Defendant-Cross Appellant in the court below and moved for an award of attorney fees in the district court pursuant to 35 U.S.C. § 285.

Cross-Respondents are Nazir Khan and Iftikhar Khan, who were Plaintiffs-Appellants in the court below.

The Defendants-Appellees in the court below that were indemnified by (and represented by counsel for) Cross-Petitioner Merit Medical Systems, Inc. (but who are not petitioners here) were Mountain Medical Physician Specialists, P.C., Clinton Atkinson, Kourosh Baghelai, Yvon R. Baribeau, Randal Bast, Pankaj Bhatnagar, George Blessios, Matthew J. Borkon, Victor Bowers, Robert S. Brooks, Matthew G. Brown, Robert Brumberg, Jason Burgess, Jeffrey Cameron, James W. Campbell, Tuan-Hung Chu, Abilio A. Coello, Jason Dew, Hector Diaz-Luna, Ellen Dillavou, William Ducey, Ty Dunn, Amit Dwivedi, Todd Early, Luis G. Echeverri, Charles M. Eichler, Larry D. Flanagan, Lee Forestiere, Dennis Fry, Michael Gallichio, Eric Gardner, Joy Garg, Joseph Griffin, Brad Grimsley, Alok K. Gupta, Allen Hartsell, Thomas Hatsukami, Jon R. Henwood, Timothy C. Hodges, Stephen Hohmann, Robert Hoyne, Stephen Jensik, Blair Jordan, Fernando Kafie, Howard E. Katzman, John C. Kedora, Edward Kim, Michael Klychakin, Eric Ladenheim, Anne Lally, Chad Laurich, James D. Lawson, Damian Lebamoff, Heather LeBlanc, David B. Leeser, Gary Lemmon, Eddy Luh, Jeffrey Martinez, Jonathon R.

Molnar, Robert Molnar, Sheppard Mondy, Edward Morrison, Raghu L. Motagnahalli, Ruban Nirmalan, William Omlie, Paul Orland, Gerardo Ortega, Herbert Oye, Boris Paul, Jeffrey Pearce, Heidi A. Pearson, Thomas Reifsnyder, Walter Rizzoni, James R. Rooks, Carlos Rosales, Thomas Ross, Allan Roza, Ignacio Rua, Marius Saines, Albert Sam, Angelo Santos, Howard L. Saylor, Andres Schanzer, William Schroder, Stephen Settle, Murray L. Shames, Andrew Sherwood, Jeffrey Silver, Eugene Simoni, David Smith, Todd Smith, William Soper, Jeff Stanley, Gary Tannenbaum, William J. Tapscott, Chase Tattersall, W. Andrew Tierney, Gustavo Torres, Boulos Toursarkissian, Stephen Wise Unger, Alexander Uribe, Julio Vasquez, Jonathan Velasco, Benjamin Westbrook, Michael Willerth, Thomas Winek, Christopher Wixon, Peter Wong, and Virginia Wong. Cross-Petitioner believes that these parties have no interest in the outcome of this cross-petition because they did not move for attorney fees under 35 U.S.C. § 285 in the district court.

Other Defendants-Appellees in the court below that were not indemnified by Cross-Petitioner Merit Medical Systems, Inc. (and who were represented by separate counsel) were Hemosphere Inc., CryoLife Inc., Louis Elkins, Mark Grove, Javier Alvarez-Tostado, Siddarth Patel, Luis Sanchez, and Patrick Geraghty. Cross-Petitioner believes that these parties have no interest in the outcome of this cross-petition because they did not move for attorney fees under 35 U.S.C. § 285 in the district court.

CORPORATE DISCLOSURE STATEMENT

Cross-Petitioner Merit Medical Systems, Inc. has no parent corporation, and no other publicly held company owns more than 10% of its stock.

STATEMENT OF RELATED PROCEEDINGS

- *Khan et al. v. Hemosphere Inc. et al.*, No. 1:18-cv-05368, U.S. District Court for the Northern District of Illinois. Judgments entered May 16, 2019 and July 24, 2019.
- *Khan et al. v. Merit Medical Systems, Inc.*, No. 19-2471, U.S. Court of Appeals for the Seventh Circuit. Appeal dismissed under Fed. R. App. P. 42(b) on Sept. 16, 2019.
- *Khan et al. v. Hemosphere Inc. et al.*, Nos. 19-1952 and 19-2394, U.S. Court of Appeals for the Federal Circuit. Judgment entered Aug. 13, 2020.
- *Khan et al. v. Merit Medical Systems, Inc. et al.*, No. 20-773, Supreme Court of the United States. Case pending.

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CROSS-PETITION FOR A WRIT OF CERTIORARI

Merit Medical Systems, Inc. hereby respectfully petitions this Court to issue a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit if this Court issues a writ of certiorari to review the same judgment in Case No. 20-773.

OPINIONS BELOW

The Federal Circuit's opinion accompanying the judgment for which review is sought is reported at *Khan v. Hemosphere Inc.*, 825 Fed. Appx. 762 (Fed. Cir. 2020) and is reproduced at Appx. A (pp. 1a-22a), which affirms, *inter alia*, the district court's award of Rule 11 sanctions and the district court's denial of additional attorney fees under 35 U.S.C. § 285. The Federal Circuit's order denying rehearing may be found at Fed. Cir. Appeal Nos. 19-1952, 19-2394, Nov. 6, 2020, ECF No. 153, and is reproduced at Appx. I (pp. 56a-57a).

The district court's decisions and judgments are reported (or may be found) as follows:

- 2019 WL 10947304 (N.D. Ill. No. 1:18-cv-05368, Jan. 23, 2019, ECF No. 76) (decision dismissing claims against various defendants for lack of proper venue), reproduced at Appx. B (pp. 23a-27a)
- N.D. Ill. No. 1:18-cv-05368, Feb. 13, 2019, ECF No. 84) (decision denying request for

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- 2019 WL 2137378 (N.D. Ill. No. 1:18-cv-05368, May 16, 2019, ECF No. 135) (decision dismissing claims against remainder of defendants for lack of proper venue, for lack of proper service of process, for improper joinder, and for want of prosecution, and granting Rule 11 sanctions for frivolous venue and service arguments), reproduced at Appx. D (pp. 32a-44a)
- N.D. Ill. No. 1:18-cv-05368, May 16, 2019, ECF No. 136 (judgment in favor of defendants and against plaintiffs), reproduced at Appx. E (pp. 45a-46a)
- 2019 WL 10947306 (N.D. Ill. No. 1:18-cv-05368, July 15, 2019, ECF No. 175) (decision quantifying and awarding attorney fees as Rule 11 sanctions), reproduced at Appx. F (pp. 47a-51a)
- N.D. Ill. No. 1:18-cv-05368, July 24, 2019, ECF No. 182 (judgment awarding attorney fees as Rule 11 sanctions), reproduced at Appx. G (p. 62a)
- N.D. Ill. No. 1:18-cv-05368, Sept. 4, 2019, ECF No. 213 (decision denying motion for attorney fees under 35 U.S.C. § 285), reproduced at Appx. H (pp. 53a-55a)

An order dismissing an appeal to the U.S. Court of Appeals for the Seventh Circuit from the district court's order/judgment granting Rule 11 sanctions is

reported at 2019 WL 7811331 (7th Cir. No. 19-2471, Sep. 16, 2019).

JURISDICTIONAL STATEMENT

The United States Court of Appeals for the Federal Circuit entered its judgment and opinion on August 13, 2020 and denied the Cross-Respondents' timely filed combined petition for rehearing and rehearing *en banc* on November 6, 2020. By general order dated March 19, 2020, this Court extended the time to file a petition for a writ of certiorari in all cases to 150 days from the date of an order denying a timely petition for rehearing, *i.e.*, until April 5, 2021 in this case. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS

35 U.S.C. § 285, entitled "Attorney fees," provides:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

STATEMENT OF THE CASE

This is a case in which Petitioners ("the Khans"), acting *pro se*, filed suit in Illinois against three corporations and over 300 physicians from 43 states for patent infringement. The district court dismissed the Khans' complaint on multiple alternative grounds and sanctioned them under

Fed.R.Civ.P. 11 ("Rule 11") but denied a motion by Respondent Merit Medical Systems, Inc. ("Merit") for attorney fees under 35 U.S.C. § 285 ("Section 285").

As will become apparent from the facts set forth below, the Khans' lawsuit was the epitome of unreasonable litigation. They filed in an improper venue against a huge number of improperly joined defendants, litigated in an irrational manner, and presented frivolous arguments on venue, service, infringement, and other issues. They repeatedly refused to heed warnings from counsel and the court that their arguments were baseless, ignored procedural rules, and made preposterous personal attacks on Merit's counsel.

On appeal, the Federal Circuit affirmed the district court's decisions in all respects, including the court's decision to sanction the Khans under Rule 11 as well as the court's decision not to award additional attorney fees under Section 285. The Khans now seek certiorari to reverse the Federal Circuit's affirmance of the Rule 11 sanctions against them. This cross-petition simply asks this Court, in fairness, to grant certiorari and vacate the Federal Circuit's affirmance of the district court's denial of Merit's Section 285 motion if the Rule 11 sanctions against the Khans are disturbed.

A. *The Khans' Patents and the Accused HeRO® Graft*

The patent-in-suit in this case is U.S. Patent No. 8,747,344 ("the '344 patent"). The '344 patent traces its origins to U.S. Patent No. 8,282,591 ("the '591 patent"). The original application for the '591 patent required an "arteriovenous shunt" comprising

(1) an "arterial graft," (2) a "venous outflow catheter," and (3) a "cuff" that was merely ***"connected to"*** the graft and the catheter. (SAppx1386-1390.[1]) The Patent Office forced the Khans to narrow the application to require a cuff "***disposed about***" the ends of the graft and catheter, *i.e.*, encircling the ends of the graft and catheter, to obtain allowance of the '591 patent. (SAppx1391-1453; SAppx1589-1591.)

During prosecution of the application for the '344 patent, the Khans tried to broaden their patent coverage by replacing the "disposed about" requirement with language requiring only that the cuff be "connected to" the two ends. (SAppx1592-1601.) The Patent Office rejected that attempt and again required the Khans to narrow their application to require a cuff "disposed about" the two ends. (SAppx1602-1623.)

When the '344 patent issued in 2014, defendant Cryolife was selling "the HeRO® Graft," the product the Khans now accuse of infringement. (SAppx137.) In 2016, Merit acquired the HeRO® Graft from Cryolife and began selling it. (SAppx137.) Significantly, the Khans admit that the connector of the HeRO® Graft is "***disposed within"*** the ends of the graft and catheter, not ***"disposed about"*** them. (SAppx134; SAppx270; SAppx715.)

In 2014, the Khans filed a reissue application under 35 U.S.C. § 251, again attempting to remove the "disposed about" requirement from the '591

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[1] References to "SAppx" herein are references to the Fed.Cir.R. 30(e) Supplemental Appendix filed with the Federal Circuit on December 23, 2019 (Fed. Cir. Appeal No. 19-1952, ECF No. 67).

patent so it would cover the HeRO® Graft. (SAppx1630-1646.) During that process, the Khans repeatedly admitted the HeRO® Graft does not infringe and would not infringe unless the "disposed about" requirement were removed. For example, they stated: "***The patent owner can not sue the companies under literal infringement and doctrine of equivalence…because of cuff connector being disposed about the catheter and the graft….***" (Fed. Cir. No. 17-2207, ECF No. 37, p. 5; *accord* SAppx1652; SAppx1660-1661; SAppx1668-1669.) The Patent Office rejected the Khans' attempt to remove the "disposed about" requirement, and the Federal Circuit affirmed. 722 Fed. Appx. 1038 (Fed. Cir. 2018).

B. *The Khans' Complaint*

Despite the concessions the Khans made to the Patent Office to obtain their patents and despite their admissions that the HeRO® Graft does not meet the "disposed about" requirement, the Khans sued for infringement anyway. (SAppx91-155.) In August 2018, the Khans filed a complaint alleging infringement of the '344 patent against Merit, past manufacturers of the HeRO® Graft, and 300+ physicians from 43 states. They sued in Illinois, even though the face of the complaint demonstrated venue was improper there. (SAppx131; SAppx91-128.)

C. *Merit's Motion to Dismiss or Transfer for Improper Venue and the First of Merit's Warnings to the Khans*

Merit moved to dismiss the claims against it for improper venue. Merit's motion cited the patent venue statute, 28 U.S.C. § 1400(b), and this Court's

decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S.Ct. 1514 (2017). (SAppx160-174.) Not only did the complaint itself demonstrate that venue was improper under those authorities, but Merit also submitted evidence confirming it. (SAppx131; SAppx176-179.)

Merit then wrote the Khans, informing them that "[a] reasonable investigation would have demonstrated that Chicago is not a proper venue for litigation against Merit or most of the doctor defendants." (SAppx196.) Merit further told the Khans that their infringement claims were frivolous and warned them that if they did not dismiss the complaint, Merit would seek sanctions under Rule 11 and attorney fees under 35 U.S.C. § 285. (SAppx208.)

D. *The Khans' Frivolous Arguments on Venue and Merit's Further Warnings to Them*

Undeterred, the Khans filed an opposition to Merit's venue motion. Incredibly, the Khans relied on ***the Federal Circuit's*** decision in the *TC Heartland* case, even though that decision had been ***reversed*** by this Court over a year earlier and even though Merit had highlighted this Court's decision in its motion and its letter to the Khans. (SAppx180-182.) The Khans also asserted venue was proper under 28 U.S.C. § 1391(g), a venue statute for mass tort actions. *Id.*

Merit again wrote the Khans, explaining why their venue arguments were baseless and warning that if they did not withdraw their opposition, Merit would seek sanctions. (SAppx209-213.) The Khans responded by threatening to lodge a bar complaint

against Merit's counsel. (SAppx228-229.) Merit's counsel sent the Khans a copy of Rule 11, explained why their filings violated Rule 11, and again warned that Merit would seek sanctions and fees under Rule 11 and Section 285. (SAppx231-234.) The Khans did not withdraw their opposition. Merit's reply pointed out the baselessness of the Khans' venue arguments. (SAppx184-193.)

E. *The Khans' Attempt to Serve the Physicians and Further Notice to the Khans About Their Frivolous Arguments*

At about this same time, the Khans attempted to serve the 300+ physicians by mailing each of them a request for waiver of service under Fed.R.Civ.P. 4(d). The Khans' decision to sue 300+ defendants from 43 states required Merit to undertake a massive effort to determine which physicians had purchased the HeRo® Graft from it, contact those physicians, arrange for indemnification and representation, coordinate with the physicians' employers and independent outside counsel, investigate and gather facts relevant to venue and service, and keep the physicians informed as to developments in the case. Illustrative of the burden imposed by the Khans' litigation tactic is the fact that Merit's counsel exchanged over 2,000 emails or letters with the physicians during this case. (SAppx1122-1124, ¶35.)

In an attempt to mitigate the effects of the Khans' decision to sue 300+ physicians, Merit prepared and filed a motion to stay the case until the court's ruling on Merit's venue motion, which the court granted. (SAppx61-62 (ECF Nos. 26, 29).) Merit also prepared and filed a motion to stay the action

against the physicians based on the customer-suit exception until resolution of the Khans' dispute with the manufacturers. (SAppx62 (ECF No. 43).) The court granted that motion, but only for the pendency of Merit's venue motion and only after the Khans had opposed the motion and Merit had incurred the expense of briefing it. (SAppx62-63 (ECF Nos. 44, 46, 47, 48).)

At a hearing in November 2018, the Khans represented that they had completed service on the 300+ physicians "by U.S. mail." (SAppx944, 4:1-2; SAppx948, 8:5-8.) When Merit's counsel explained that service by mail was insufficient without a waiver, the Khans accused him of "lying." (SAppx948-949, 8:11-9:8; SAppx951, 11:14-18.) The court explained to the Khans that "[w]e don't accuse the other party of lying just because they're taking a legal position that the service was improper." (SAppx951, 11:23-25.) The court also explained to the Khans that "[y]ou are required to follow the procedures of the court." (SAppx954, 14:11-12; SAppx946, 6:9-11.) Despite these warnings, the Khans continued to argue that mailing a waiver request constituted sufficient service. (SAppx259; SAppx264; SAppx269-270.)

At the same hearing, the court also discussed venue. The court informed the Khans that "the Supreme Court of the United States just ruled in the past year about proper venue for patent cases, and so that is what we will be following when I review your motion." (SAppx952, 12:22-25.) Despite this warning, the Khans did not withdraw their opposition to Merit's venue motion.

F. *The District Court's January 23, 2019 Order Regarding Venue*

On January 23, 2019, the court granted Merit's motion to dismiss for improper venue for the reasons in Merit's moving papers and its letters to the Khans. 2019 WL 10947304 (N.D. Ill. No. 1:18-cv-05368, Jan. 23, 2019, ECF No. 76) (reproduced at Appx B). The court's order warned the Khans "to take heed of the potentially meritorious arguments raised by defendants." *Id.* at *2.

By that date, it had been about 170 days since the Khans had filed their complaint, and they had filed only one waiver of service executed by a defendant physician. (ECF No. 53.) At a hearing announcing its ruling, the court again warned the Khans about service and venue for the remaining 300+ physicians. (SAppx964, 10:10-16.) The Khans again insisted that mailing a waiver request was sufficient service. (SAppx966, 12:3-9.) The court explained that mailing a waiver request was plainly *insufficient.* (SAppx966, 12:10-21.) Despite these warnings, the Khans continued to argue that mailing a waiver request was sufficient. (SAppx310; SAppx329; SAppx699-701; SAppx743-745; SAppx983-984, 5:14-6:7; SAppx771.)

G. *The Khans' Motion for Reconsideration on Venue and Merit's Further Warnings to the Khans*

The Khans next filed a motion for reconsideration, advancing additional frivolous venue arguments, including an argument that venue was proper under 28 U.S.C. § 1404(a), a statute governing *transfer* of venue. (SAppx273-277; *see also*

SAppx269.) After reviewing the motion, Merit's counsel again wrote the Khans explaining why nothing in their motion changed the conclusion that venue was improper for Merit. (SAppx682-685.)

Merit's letter also addressed venue and service for the physicians. (SAppx684.) Specifically, Merit explained that the physician addresses listed in the complaint showed that venue was improper in Illinois for "the vast majority of the physician defendants." (SAppx684.) Merit also explained that the Khans had failed to properly serve nearly all the physicians and that the 90 days allotted for service in Fed.R.Civ.P. 4(m) had long since passed. (SAppx684.) At that point, the Khans had filed only three waivers of service (and that was all they would ever file). (ECF Nos. 53, 78.)

Merit proposed that the Khans dismiss their claims against the physicians and sue the manufacturers in a proper venue, explaining that this would allow them to litigate their claims "against two defendants in two locations, instead of…against hundreds of doctors in 43 states." (SAppx684-685.)

The Khans refused to withdraw their motion for reconsideration. Merit filed its opposition, and the court rejected the Khans' motion for the reasons in Merit's opposition and its letters to the Khans. (SAppx313-323; SAppx4-5.) The court "again caution[ed]" the Khans "that prosecuting a patent case of any size, much less one against three hundred defendants, is a complex endeavor" and that they "should carefully evaluate clearly established requirements set forth in governing statutes and other applicable authority so as not to unnecessarily

occupy the time and resources of the Court and other involved parties." (SAppx5 (reproduced at Appx C).)

H. *Merit's Further Warnings to the Khans on Behalf of the Merit Physicians*

Merit's counsel then wrote the Khans on behalf of the 100+ physicians Merit had indemnified ("the Merit physicians"). (SAppx686-689.) Counsel told the Khans they should heed the court's warnings and that if they continued making their frivolous venue and service arguments, the Merit physicians would seek sanctions. (SAppx687-688.) The letter again proposed that the Khans dismiss their claims against the physicians and sue the manufacturers in a proper venue. (SAppx687-688.)

The Khans initially indicated that they *would* dismiss all the non-Illinois Merit physicians (SAppx691), but then reneged and refused (SAppx693-698).

I. *The Physicians' Motions to Dismiss and Motion for Rule 11 Sanctions*

The 100+ Merit physicians therefore filed motions to dismiss. The Merit physicians residing outside Illinois moved for dismissal based on improper venue, insufficient service, and misjoinder under 35 U.S.C. § 299. (SAppx333-352.) Two Merit physicians residing in Illinois also moved for dismissal based on insufficient service and misjoinder. (SAppx405-416.)

The non-Illinois physicians' motion relied on the rules of venue that had already been briefed and ruled upon multiple times. (SAppx340-343.) Both sets of motions also relied on the rules governing service that the court and Merit's counsel had

repeatedly warned the Khans about. (SAppx347-350; SAppx413-415.)

Meanwhile, additional physicians accepted Merit's offer of indemnification. Merit's counsel therefore filed four additional motions to dismiss, all on the same grounds as previously urged. (SAppx558-575; SAppx587-603; SAppx780-799; SAppx543-554.) Six other physicians represented by other counsel filed five motions to dismiss on similar grounds. (ECF Nos. 93, 96, 99, 100, 102.)

The non-Illinois Merit physicians also filed (and served) a motion for Rule 11 sanctions. (SAppx615-634.) The motion demonstrated that the Khans had been warned multiple times about their frivolous arguments regarding venue and service, explained that the Khans had ignored those warnings, and asked the court to sanction the Khans. (SAppx615-634.) The motion pointed out that under Seventh Circuit precedent, the movants' warning letters were sufficient to satisfy the notice provisions of Fed.R.Civ.P. 11(c) and that the Khans had been adequately warned about their frivolous arguments more than 21 days before the motion was filed. (SAppx632-633.)

Incredibly, despite multiple warnings from the court and from Merit, the Khans responded to the motions to dismiss by arguing that the physicians had "a duty and obligation to return the waiver of service of summons form." (SAppx700-701.) The Khans also argued—in a *non sequitur*—that sending a waiver request constitutes sufficient service *because* Rule 4 requires a defendant who fails to return a waiver to pay the expenses of service. (SAppx699-701.)

The Khans next responded to the sanctions motion. Even though that motion was premised on the Khans' frivolous arguments on *venue* and *service*, the Khans argued that they should not be sanctioned because their position on *infringement* was not frivolous. (SAppx715-717.) As the history of the Khans' patents demonstrates, the Khans' position on infringement *was* frivolous, but that was not the basis of the sanctions motion. Significantly, the Khans did *not* object to the movants' failure to serve the sanctions motion on the Khans 21 days before filing it. (SAppx715-717.)

The court held a hearing in March 2019. There, the court explained to the Khans that the sanctions motion was "not alleging that your invention is frivolous," but instead was alleging that "you're abusing the process of the rules." (SAppx983, 5:6-10.) When asked to respond to that contention, the Khans argued that the physicians "have to respond to the waiver. That is what Rule 4 says." (SAppx984, 6:6-7.) The court again informed the Khans—twice—that they were misreading Rule 4 and that defendants are ***not*** required to accept a waiver request. (SAppx984, 6:4-5; SAppx985, 7:5-6.) The court also encouraged the Khans to hire an attorney "who knows the rules" and did so multiple times during the case (SAppx986, 8:15-24; *see also* SAppx946, 6:2-8; SAppx1079-1082, 6:20-9:16.) The Khans admitted that they had the means to do so, but chose to proceed *pro se*. (SAppx1082, 9:4-16.)

Venue was also discussed at the hearing. When the Khans insisted that "[t]his case has to go to the jury for trial to see if [our] case is valid," the court explained that they had "not been listening to my

rulings about where the case needs to be filed." (SAppx984, 6:12-15.) The Khans then backpedaled, telling the court that if the physicians had responded to their mailings by asserting that venue was improper, the Khans would have dismissed them from the case. (SAppx984, 6:20-22.) That assertion was clearly false, because Merit's counsel had done just that and yet the Khans had refused dismissal (after initially agreeing to it). (SAppx686-698.) The Khans' assertion was also contradicted by their continued opposition to the motions to dismiss for improper venue. (SAppx700.)

The court granted the Khans leave to file supplemental papers, which they did. On the motions to dismiss, the Khans again argued—despite the court's explicit and repeated instruction to the contrary—that Rule 4 "requires that 'Defendants cooperate.'" (SAppx744.)

The Khans also filed a supplemental response to the sanctions motion. Even though the motion was premised on the Khans' frivolous arguments on *venue* and *service*, and even though the court had explained this to the Khans just a few days earlier, the Khans again argued that their position on *infringement* was not frivolous. (SAppx757-760.) They also made a new argument: that because the defendants had not signed a waiver, the court had no jurisdiction over the physicians and therefore—again asserting a *non sequitur*—the physicians could not ask for sanctions. (SAppx758.) This was the Khan's second filing opposing sanctions in which they did not object to the movants' failure to serve the sanctions motion before filing it. (SAppx757-760.)

After the Merit physicians replied, the Khans filed another paper insisting that the physicians had been properly served and there should be no sanctions for the Khans' arguments about service. (SAppx719-726; SAppx764-767; SAppx771-773.) They also argued that they should not be sanctioned for their arguments on venue, because they had agreed to dismiss *one* of the physicians (SAppx772), even though they had refused to dismiss the 100+ *other* physicians moving for sanctions. This was the Khans' third filing opposing sanctions in which they did not object to the movants' failure to serve the sanctions motion before filing it. (SAppx771-773.)

J. *The Court's May 16, 2019 Order Dismissing the Remainder of the Khans' Claims and Awarding Sanctions*

On May 16, 2019, the court granted all the pending motions to dismiss, granted the motion for sanctions, and entered final judgment dismissing the Khans' complaint. 2019 WL 2137378 (N.D. Ill. No. 1:18-cv-05368, May 16, 2019, ECF No. 135) (reproduced at Appx D); SAppx19 (reproduced at Appx E).

The court's order began by reciting the court's many unheeded warnings to the Khans. *Id.* at *1. The court then addressed the issue of service, noting that the Khans had only filed three waivers of service and rejecting their claim that defendants are required to waive service. *Id.* at *2. The court further noted that the Khans had not even attempted to serve the physicians personally, instead "insist[ing] throughout the course of this litigation that they completed service by mailing the summons and complaint." *Id.* The court found that the Khans had

failed to comply with the 90-day service requirement of Fed.R.Civ.P. 4(m), explaining that after more than 250 days, "nearly all of the Defendants have still not been properly served." *Id.* at *3. The only justification the Khans offered for this "extreme delay" was "their tired refrain that service was completed by U.S. Mail." *Id.* The court concluded: "By maintaining this contention, in the face of directly contrary instruction from the Court, Plaintiffs have failed to comply with the necessary procedural rules for litigating their case" and therefore "due to insufficient and untimely service, Plaintiffs' Complaint is dismissed for want of prosecution." *Id.*

As an alternative ground of dismissal for the non-Illinois physicians, the court ruled that venue was improper. *Id.* The court observed that "nearly all of the Defendants are not residents of Illinois and are instead scattered throughout the country in dozens of different states." *Id.* The court also relied on improper joinder under 35 U.S.C. § 299 as an alternative ground for dismissal. *Id.*

The court's order also decided the sanctions motion. The court observed how the court and Merit had repeatedly cited this Court's *TC Heartland* decision and that, under that decision, "[t]he Plaintiffs' own Complaint undercuts any good faith basis for asserting venue is proper in this district." 2019 WL 2137378 at *4. Therefore, "[n]o reasonable person would have concluded that [the Khans' venue] argument had support in the law or in the facts of this case." *Id.*

The court then addressed why sanctions were appropriate based on the Khans' arguments about

service. *Id.* at *5. As the court explained, the Khans had maintained that service by mail was sufficient even though "the Court instructed Plaintiffs that waiver of service is merely optional…and in the absence of waiver, they must accomplish service through other means." *Id.* The court concluded: "Plaintiffs' stubborn assertions to the contrary are without any merit and no reasonable person would have believed otherwise." *Id.*

The court observed that "Rule 11(c) requires that a party seeking sanctions must wait 21 days after the offending party is put on notice of the possibly sanctionable offense." *Id.* The court held that the movants had put the Khans on notice of their intent to seek sanctions via multiple letters served more than 21 days before filing the sanctions motion and therefore had satisfied "the 21-day requirement." *Id.* Because the Khans had not raised the issue, the court did not address whether the movants were required to serve the motion rather than their warning letters. *Id.*

In its order, the court recognized that the Khans were acting *pro se* but explained that they "not only acted in direct contravention to clear procedural rules, statutes, and governing law, but continued to do so after being repeatedly warned at hearings by the Court, in written orders, and in correspondence with defense counsel." *Id.* Therefore, "Plaintiffs should have known their positions on venue and service were groundless." *Id.* The court awarded sanctions comprising the "fees and costs incurred by the non-resident Defendants in association with their Motion to Dismiss and Motion for Sanctions." *Id.*

Following the court's decision, Merit's counsel filed detailed documentation establishing that the reasonable attorney fees expended for the six motions to dismiss and the motion for sanctions amounted to $95,966.90. (SAppx808-815; SAppx819-829; SAppx833-873; SAppx877-883.)

K. *The Khans' Flurry of Additional Frivolous and Outrageous Filings*

The Khans then filed a notice of appeal challenging the court's judgment dismissing their complaint (SAppx807)[2] and began a flurry of additional frivolous filings while awaiting the court's ruling quantifying the sanctions.

The Khans first requested that "all actions of the court be kept in abeyance" until their appeal was decided (SAppx884-885) but did not even address the rules governing a stay pending appeal. Merit demonstrated a stay was inappropriate, and the court denied the motion. (SAppx886-893; ECF No. 150.)

The Khans next argued that the amount of fees sought was too high because "the reasonable cost [for preparing a motion to dismiss] is at most $1000-$2000, as Drs Khan have confirmed with their many attorney friends." (SAppx900.) The Khans offered no affidavits or other evidence to support this assertion

[2] The Khans later filed a notice of appeal to the Seventh Circuit challenging the court's Rule 11 decisions but dismissed that appeal. (SAppx1072-1073; SAppx1823 (reproduced at 2019 WL 7811331 (7th Cir. No. 19-2471, Sep. 16, 2019).) They never filed another notice of appeal, giving rise to questions about the Federal Circuit's jurisdiction over the Khans' challenge to the Rule 11 sanctions. *See* Federal Circuit Appeal No. 19-1952, ECF No. 85, pp. 6-7.

and made no specific objections to the fees sought, nor did they acknowledge that the fees were for the preparation of *six* motions to dismiss *and* a motion for sanctions. (SAppx899-901.) This was the Khans' fourth filing opposing sanctions in which they did not object to the movants' failure to serve the sanctions motion before filing it. (SAppx899-901.)

The Khans next sent Merit's counsel an email purporting to serve the 100+ Merit physicians with the complaint that the court had already dismissed. (SAppx902-903; SAppx907-910.) After Merit brought this to the court's attention, the Khans asserted that it had been sent "in error." (SAppx911.)

The Khans then filed another paper re-hashing arguments challenging the sanctions. (SAppx915-925.) The Khans again argued that because the physicians had not been served (admitting that there had been insufficient service), the court had no jurisdiction over the physicians and therefore—again arguing a *non sequitur*—the physicians could not ask for sanctions. (SAppx915-916; SAppx921.) Simultaneously (and inconsistently), the Khans argued that "under FRCP Rule 4, the Defendants have a duty and obligation to sign the [waiver] form and return it" and therefore service was "proper under FRCP rule 4." (SAppx915; SAppx920-921.)

Inexplicably, the Khans also asserted that they had "never stated that venue for non-Illinois resident[s] is proper in the Northern District of Illinois" (SAppx918), even though they had argued exactly that (SAppx260; SAppx269; SAppx273; SAppx277) and even though they had opposed the non-Illinois physicians' motions to dismiss for improper venue (SAppx699-701; SAppx743-745;

SAppx697). Indeed, the Khans then repeated their rejected arguments that venue was proper under 28 U.S.C. § 1391(g) and 28 U.S.C. § 1404(a). (SAppx918.) The Khans also added new baseless arguments, asserting that "venue, improper service, and misjoinder are not sanctionable issues" because they are "ancillary" to the issue of infringement. (SAppx922.) This was the Khans' fifth filing opposing sanctions in which they did not object to the movants' failure to serve the sanctions motion before filing it. (SAppx915-925.)

When Merit's counsel moved to strike the Khans' flurry of new filings, the Khans filed three more papers, again arguing that their infringement case was not frivolous and that "the ancillary issues of venue, service and misjoinder…are not sanctionable under the law." (SAppx989; SAppx990; SAppx991.) These papers were the Khans' sixth, seventh, and eighth filings opposing sanctions, and none of them contained an objection to the movants' failure to serve the sanctions motion before filing it. (SAppx989; SAppx990; SAppx991.)

The Khans then moved their antics to state court, filing petitions falsely alleging that Merit's counsel had perpetrated non-consensual sexual acts against them and that Merit's counsel had illegally stalked them. (SAppx992-993; SAppx997-1004; SAppx1008-1016; SAppx1020-1037; SAppx1052-1065.) After Merit's counsel demanded that the Khans retract the petitions and inform the state court that the allegations were false, the Khans admitted that the non-consensual sex act petition was improper and dismissed it. (SAppx1009-1014.) The state court denied the stalking petition *sua*

sponte because it did "not meet the standards provided by the statute." (SAppx1014, ¶26; SAppx1059.) Merit's counsel notified the district court of these filings to further demonstrate the Khans' "unlimited capacity to make preposterous allegations of fact and law." (SAppx993.)

Having failed in Illinois, the Khans filed a complaint with the Utah State Bar, alleging that the mere fact that Merit's counsel had sent written communications to them was improper and demanding that he be disbarred, even though the district court had pointed out that "as pro se Plaintiffs, Defendants' counsel had no choice but to correspond with them directly." (SAppx22; SAppx1692-1706; SAppx1757-1761; SAppx1764-1766.) The Utah State Bar dismissed the complaint a few weeks later. (SAppx1767-1769.)

L. *The District Court's July 15, 2019 Order and July 24, 2019 Judgment Quantifying Rule 11 Sanctions*

The district court issued an order awarding as sanctions the full amount of attorney fees expended by Merit on the six motions to dismiss and the motion for sanctions. 2019 WL 10947306 (N.D. Ill. No. 1:18-cv-05368, July 15, 2019, ECF No. 175) (reproduced at Appx F). The court explained that "[s]ince the filing of the Complaint in this matter, Plaintiffs have exhibited a complete disregard of the Court's procedures, Federal Rules, and controlling precedent" and that "[s]uch actions have not abated." *Id.* at *1. "Instead, Plaintiffs have continued to pepper the Court's docket with unsolicited filings while attempting to advance arguments that have long been deemed wholly irrelevant." *Id.*

The court then determined that Merit's counsel's fees were reasonable. *Id.* at *1-*2. The court explained that the Khans' assertion that "the reasonable cost…is at most $1000-$2000" was a "bald assertion" that did not take into account the complexity of patent cases generally nor the fact that the Khans had made this case more complex by "choosing to sue more than 300 defendants from across the country in a single venue all the while ignoring consistent warnings from the Court and opposing counsel." *Id.* at *2. The court concluded that "[t]he time spent by counsel on this case is a direct reflection of how Plaintiffs chose to conduct themselves throughout this litigation." *Id.*

The Khans filed a request for reconsideration, again arguing that "improper service, misjoinder, and improper venue are not related to the merit of the claims." (SAppx1066.) The Khans also argued that their claims for *infringement* were not frivolous. (SAppx1067.) This was the Khans' ninth filing opposing sanctions in which they did not object to the movants' failure to serve the sanctions motion before filing it. (SAppx1066-1068.)

The court then entered judgment in favor of Merit and against the Khans in the amount of the sanctions. (SAppx23) (reproduced at Appx G). It also held a hearing the next day on the Khans' request for reconsideration, where the Khans repeated the arguments made in their filing. (SAppx1075-1079, 2:25-6:19.) At the hearing, the Court denied the motion for reconsideration, explaining to the Khans: "[O]ver and over again my rulings have been telling you that there is a place where you must bring your case, and this is not the appropriate place under the

law…. We have procedures. We have rules. And I warned you over and over and over again, both orally and in my written rulings. …I sanctioned you for not listening to my court orders." (SAppx1079-1086, 6:20-10:15, 13:23-25; *see also* SAppx1071.)

M. *Merit's Motion for Attorney Fees Under 35 U.S.C. § 285*

Merit then filed a motion, on behalf of itself and as equitable subrogee for the physicians it had indemnified, for an award of its attorney fees under 35 U.S.C. § 285. (SAppx1088-1107.) Merit's motion was based on the weakness of the Khans' litigation positions and the unreasonable manner in which they had litigated the case. (SAppx1095-1104.) Merit did not seek a double recovery of the $95,966.90 already awarded as Rule 11 sanctions. Instead, it sought that amount only conditionally, *i.e.*, if the sanctions were disturbed on appeal. Merit also sought an additional $292,693 in fees expended on the remainder of the case. (SAppx1092; SAppx1104-1106.)

In response, the Khans first argued that Merit's attorney-fee motion should be denied because the Khans' appeal from the judgment dismissing the complaint was pending. (SAppx1771.) Merit cited basic case law holding that a court may award attorney fees after judgment has been entered and an appeal is pending. (SAppx1772-1776.) The Khans then reversed course, admitting that they "absolutely recognize the authority of the Hon. Court to award attorney fees after judgment has been entered." (SAppx1780.)

The Khans did not participate in the process established by the court's local rules allowing them to challenge the reasonableness of the fees sought by Merit, nor did their papers dispute the reasonableness of those fees. (SAppx1785-1790; SAppx1125-1126, ¶¶40-43; SAppx1223-1227; SAppx1295-1301.) Nor did the Khans provide *any* response regarding the unreasonable manner in which they had litigated the case, raising only the same (and some additional) frivolous arguments that confirmed the weakness of their litigation positions. (SAppx1785-1790; SAppx1799-1810.) For example, the Khans' response cited this Court's decision in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 572 U.S. 545 (2014) for the proposition ***reversed*** in that case. (SAppx1787; SAppx1806-1807.)

The district court, however, denied Merit's § 285 motion on grounds not argued by the Khans. (SAppx24) (reproduced as Appx H). The court denied Merit's request for a conditional award of the $95,966.90 in fees already awarded as sanctions because it did not want to rule on "a set of hypothetical circumstances." *Id*. The court also denied Merit's request for additional fees because it concluded the fees awarded as sanctions were sufficient. *Id*. Specifically, the court reasoned that Merit's motion "cites largely identical conduct that was previously before the Court on the…motion for sanctions" and that the court had "already extensively considered this conduct in determining whether sanctions were appropriate." *Id*. The court concluded that "[t]he previous sanctions amount…is appropriate and reasonable given Plaintiffs conduct in the case," but reasoned that the Khans' conduct did not "justify a more than three-fold increase in the

fees awarded." *Id*. It therefore concluded that "the extraordinary step of deeming the case 'exceptional' is not warranted." *Id*. Merit timely filed a notice of cross appeal from the district court's denial of its Section 285 motion. (SAppx1819.)

N. *Federal Circuit Appeal*

On appeal to the Federal Circuit, the Khans challenged the district court's dismissal of their complaint for insufficient service, improper venue, improper joinder, and/or want of prosecution. (Fed. Cir. Appeal No. 19-1952, ECF No. 38.) In their first opening brief, the Khans also challenged the court's award of sanctions but did not challenge the sanctions on the ground that the movants had failed to serve the sanctions motion before filing it. *Id*. The clerk's office rejected the Khan's first brief for failure to comply with the court's rules, and the Khans filed a second brief. In that brief, the Khans again failed to challenge the sanctions based on failure to serve the motion before filing it. (ECF No. 58.) The clerk's office again rejected the second brief. It was not until the Khans filed their third opening brief that they first challenged the sanctions on grounds that the movants had failed to serve the motion before filing it. (ECF No. 72, p. 20.)

In response, Merit pointed out that the Khans had not objected in the district court on that ground and had therefore forfeited the argument. (ECF No. 85, p. 66.) Merit also explained that under Seventh Circuit precedent, serving a letter containing the grounds for the sanctions motion constituted "substantial compliance" with the requirement to serve the motion and was sufficient. *Id*. Merit pointed out that the Khans had been served with

several such letters more than 21 days prior to filing the sanctions motion and therefore the Seventh Circuit's requirements had been satisfied. *Id*.

In support of its cross appeal, Merit argued that the district court had abused its discretion in failing to award additional fees under 35 U.S.C. § 285 by basing its conclusion on clearly erroneous factual findings and/or an erroneous legal view that Rule 11 sanctions and an award of fees under Section 285 are mutually exclusive. *Id*. at 78-85. Merit also argued that *if* the Rule 11 sanctions were reversed on appeal, the denial of the motion for fees under Section 285 must be vacated given the district court's reasons for rejecting that motion. *Id*. at 85. Specifically, Merit argued: "[T]he entire premise for the court's denial of Merit's attorney-fee motion was its grant of fees pursuant to the Rule 11 motion." *Id*. Therefore, "[i]f the Rule 11 award is disturbed on appeal, the denial of the award of fees under section 285 should be vacated as well so that the court can reconsider the attorney-fee motion in light of the absence…of the Rule 11 sanctions." *Id*.

The Federal Circuit affirmed the district court in all respects. *Khan v. Hemosphere Inc.*, 825 Fed. Appx. 762 (Fed. Cir. 2020) (reproduced at Appx. A). On the issue of sanctions, the Federal Circuit explained that it applies regional circuit law to non-patent issues, here the law of the Seventh Circuit, and concluded that the movants had provided adequate notice to the Khans under the Seventh Circuit's precedents. *Id*. at 770-71. The Federal Circuit did not address Merit's argument that the Khans had forfeited their challenge on that issue. *Id*.

On the issue of Merit's Section 285 motion, the Federal Circuit concluded that the court had not abused its discretion in denying additional attorney fees. *Id*. at 772-73. Because it affirmed the Rule 11 sanctions, the Federal Circuit did not reach Merit's conditional argument asking for vacatur of the denial of the Section 285 motion in the event the sanctions were disturbed on appeal. *Id*.

After the Federal Circuit's decision, the Khans filed a petition for rehearing again challenging the award of sanctions, which the Federal Circuit denied. (ECF Nos. 140, 153.)

The Khans have now petitioned for a writ of certiorari in Case No. 20-773, challenging the award of sanctions on grounds that they were not served with the sanctions motion before it was filed. If this Court grants the Khans' petition and reverses the award of sanctions, this cross-petition simply asks the Court, in fairness, to also vacate the Federal Circuit's affirmance of the district court's denial of Merit's Section 285 motion.

REASONS FOR GRANTING THE CROSS-PETITION

This Court "may affirm, modify, vacate, set aside or reverse any judgment, decree, or order of a court lawfully brought before it for review, and may remand the cause and direct the entry of such appropriate judgment, decree, or order, or require such further proceedings to be had as may be just under the circumstances." 28 U.S.C. § 2106. In determining what "may be just under the circumstances," this Court considers "the changes in

fact and in law which have supervened since [a] decree was entered below." *Watts, Watts & Co. v. Unione Austriaca Di Navigazione*, 248 U.S. 9, 21 (1918).

For example, this Court often issues a GVR order vacating the judgment of a court of appeals where there are "intervening developments, or recent developments that [there is] reason to believe the court below did not fully consider," where those developments "reveal a reasonable probability that the decision below rests upon a premise that the lower court would reject if given the opportunity for further consideration," and where "it appears that such a redetermination may determine the ultimate outcome of the litigation." *Lawrence v. Chater*, 516 U.S. 163, 167 (1996). The "intervening development" is often a decision of this Court. *Id*. at 166, 169-70; *accord id. at* 180-81 (Scalia, J., dissenting) (collecting cases).

A fortiori, if there is an intervening development—such as a decision of this Court—that the court below *did* not consider (because it could not have been considered), where the decision below clearly *does* rest upon a premise that this Court's intervening decision has rejected, and where a redetermination by the court of appeals may determine the ultimate outcome of the litigation, the outcome that is most "just under the circumstances" (as 28 U.S.C. § 2106 requires) is to vacate the judgment of the court below and remand for further consideration in light of this Court's intervening decision.

Here, fairness dictates that if this Court grants certiorari in Case No. 20-773 and issues a decision

vacating or reversing that portion of the Federal Circuit's judgment affirming the district court's grant of Rule 11 sanctions, it would only be "just under the circumstances" to also vacate that portion of the Federal Circuit's judgment affirming the district court's denial of Merit's motion for attorney fees under Section 285. This is because these two aspects of the Federal Circuit's judgment are intertwined.

These two aspects of the Federal Circuit's judgment are inextricably intertwined because the district court premised resolution of one on resolution of the other. At least one of the district court's premises for denying Merit's motion for attorney fees under Section 285—indeed, the main premise—was the fact that it had already granted an award of attorney fees as Rule 11 sanctions and considered that award to be sufficient. (SAppx24) (reproduced as Appx H). Specifically, the district court reasoned that Merit's Section 285 motion "cites largely identical conduct that was previously before the Court on the…motion for sanctions" and that the court had "already extensively considered this conduct in determining whether sanctions were appropriate." *Id.* The district court concluded that "[t]he previous sanctions amount…is appropriate and reasonable given Plaintiffs conduct in the case," but reasoned that the Khans' conduct did not "justify a more than three-fold increase in the fees awarded." *Id.* It therefore concluded that "the extraordinary step of deeming the case 'exceptional' is not warranted." *Id.* If this Court grants certiorari in Case No. 20-773 and reverses or vacates that portion of the Federal Circuit's judgment affirming the district court's grant of Rule 11 sanctions, then at

least one premise—and in fact, the main premise—of the district court's denial of Merit's Section 285 motion will no longer be applicable. In that scenario, the district court must be given the opportunity to decide whether to grant Merit's Section 285 motion in the *absence* of any Rule 11 sanctions.

The district court also denied Merit's request for a conditional award of the $95,966.90 in fees that the court had already awarded as sanctions because it did not want to rule on "a set of hypothetical circumstances." *Id*. If this Court grants certiorari in Case No. 20-773 and reverses or vacates that portion of the Federal Circuit's judgment affirming the district court's grant of Rule 11 sanctions, then the "hypothetical circumstances" to which the district court referred will no longer be hypothetical. In that scenario, the district court must in fairness be given the opportunity to decide whether to grant Merit's Section 285 motion under *those* circumstances.

In *Octane Fitness, LLC v. Icon Health & Fitness, Inc*., 572 U.S. 545 (2014), this Court explained that an "exceptional case," for purposes of Section 285, is one that is "'uncommon,' 'rare,' or 'not ordinary'" and "'not run-of-the-mill.'" *Id.* at 553-54. Explaining the concept further, this Court held that an "exceptional case" includes one "that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id*. at 554. Given the Khans' egregious behavior in this case as detailed above and given the district court's reasoning denying Merit's Section 285 motion, it is highly likely that in the absence of any Rule 11 sanctions, the

district court would determine that an award of attorney fees would be warranted under Section 285 because of the weakness of the Khans' "litigation position[s]" and "the unreasonable manner" in which they litigated the case. *Id*.

Thus, if this Court grants certiorari in Case No. 20-773 and reverses or vacates that portion of the Federal Circuit's judgment affirming the district court's grant of Rule 11 sanctions, the result that would be most "just under the circumstances" would be to also vacate that portion of the Federal Circuit's judgment affirming the district court's denial of Merit's motion for attorney fees under Section 285.

Merit preserved this argument before the Federal Circuit. Merit cross appealed from the district court's denial of Merit's Section 285 motion. (SAppx1819.) In support of its cross appeal, Merit argued that if the Rule 11 sanctions award were disturbed on appeal, the district court's denial of Merit's Section 285 motion should also be vacated. (Fed. Cir. Appeal No. 19-1952, ECF No. 85, p. 85.) The Federal Circuit did not reach that argument because it *affirmed* the award of Rule 11 sanctions. 825 Fed. Appx. at 770-71.

This Court frequently remands for the courts of appeals to consider issues that they did not reach. *E.g*., *Buzynski v. Luckenbach S.S. Co*., 277 U.S. 226, 228-29 (1928); *MedImmune, Inc. v. Genentech, Inc*., 549 U.S. 118, 136 (2007). If this Court grants certiorari in Case No. 20-773 and reverses or vacates that portion of the Federal Circuit's judgment affirming the district court's grant of Rule 11 sanctions, then that portion of the Federal Circuit's judgment affirming the district court's denial of

Merit's Section 285 motion should also be vacated so that, on remand, the Federal Circuit has the opportunity to reach Merit's argument.

CONCLUSION

For the reasons set forth above, if this Court grants certiorari in Case No. 20-773, the Court should also grant certiorari on this cross-petition. If the petition for certiorari in Case No. 20-773 is denied, this cross-petition should also be denied.

Respectfully submitted,

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March 25, 2021

APPENDIX

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APPENDIX A

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

NAZIR KHAN, IFTIKHAR KHAN,
Plaintiffs- Appellants

v.

HEMOSPHERE INC., ET AL.,
Defendants-Appellees

MERIT MEDICAL SYSTEMS INC.,
Defendant-Cross-Appellant

HOSPITALS AND DOCTORS IMPLANTING UNPATENTED HERO GRAFT TO DOCTORS, ET AL.,
Defendants

2019-1952, 2019-2394

Appeals from the United States District Court for the Northern District of Illinois in No. 1:18-cv-05368, Judge Virginia M. Kendall

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Before PROST, *Chief Judge*, MOORE and STOLL, *Circuit Judges*.

STOLL, *Circuit Judge*.

These appeals arise from an action for patent infringement. Drs. Nazir Khan and Iftikhar Khan accused Hemosphere Inc., CryoLife Inc., and Merit Medical Systems, Inc., along with over 300 hospitals and individual physicians, of infringing a claim of U.S. Patent No. 8,747,344, directed to an arteriovenous shunt. The Khans challenge the district court's decision dismissing the action with prejudice for want of prosecution due to the Khans' insufficient and untimely service of their complaint and, alternatively, for improper venue and misjoinder. The Khans also challenge the district court's decisions granting the defendants' motion for sanctions and denying the Khans' cross-motion for sanctions. Merit Medical cross-appeals the district court's decision denying its motion to declare the case exceptional and to award attorney fees under 35 U.S.C. § 285. Because the district court did not abuse its discretion in dismissing the action, granting the defendants' sanctions motion, denying the Khans' sanctions motion, or denying Merit Medical's motion for attorney fees under § 285, we affirm.

BACKGROUND

The Khans are Illinois physicians and have exclusive rights to the '344 patent. In their complaint filed on August 7, 2018, the Khans alleged that the defendant corporations, hospitals, and physicians directly and indirectly infringed claim 13 of the '344

patent by manufacturing or implanting into patients the accused HeRO® Graft shunt. The Khans sent a waiver of service of summons form and their complaint by mail to the over 300 defendants, the vast majority of whom resided and practiced outside of Illinois. With the exception of three physicians, none of the defendants returned a completed waiver form.

Following an initial status conference in November 2018, the district court dismissed without prejudice the Khans' claims against Merit Medical, CryoLife, and three physicians for improper venue. Order at 2–3, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. Jan. 23, 2019), ECF No. 76. According to the district court, the Khans had not contended that any of these defendants resided in the Northern District of Illinois, and the Khans had failed to plausibly allege that any of them infringed the asserted claim in the district and had a "regular and established place of business" in the district, as required under 28 U.S.C. § 1400(b). *Id.* at 2. The district court "caution[ed] plaintiffs to take heed of the potentially meritorious arguments raised by defendants thus far in considering the proper and most effective way to prosecute their case going forward." *Id.* at 3. The district court also held its second status conference that same day. While the Khans insisted at the conference that they had completed proper service for all defendants, by that date—more than 150 days after the filing of the complaint—they had filed proof of waiver for only one defendant. In response to the Khans' argument that placing the waiver request in the mail is equivalent to service, the district court informed the Khans that a request to waive service is merely a

request and that waiver by the defendants is not mandatory.

The district court subsequently denied the Khans' motion to reconsider the dismissal order because the motion "impermissibly rehash[ed] previously unsuccessful arguments." Order at 2, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. Feb. 13, 2019), ECF No. 84. The district court "again caution[ed] Plaintiffs that prosecuting a patent case of any size, much less one against three hundred defendants, is a complex endeavor," and that they "should carefully evaluate clearly established requirements set forth in governing statutes and other applicable authority so as not to unnecessarily occupy the time and resources of the Court and other involved parties." *Id.*

Thereafter, more than 100 of the remaining defendants filed 11 separate motions to dismiss on various grounds, including insufficient service, untimely service, improper venue, misjoinder, and lack of personal jurisdiction. A subset of the non-Illinois-resident defendants also moved for sanctions against the Khans pursuant to Rule 11 of the Federal Rules of Civil Procedure for the Khans' repeated assertions that venue was proper and that service was properly completed. The district court granted the motions and dismissed the claims against the defendants for want of prosecution. *Khan v. Hemosphere Inc.*, No. 18-cv-05368, 2019 WL 2137378, at *1 (N.D. Ill. May 16, 2019).

The district court held that dismissal of all remaining defendants was warranted due to the Khans' "insufficient and untimely attempts at service." *Id.* at *2. The district court rejected the

Khans' argument that they had complied with the requirements of Rule 4 of the Federal Rules of Civil Procedure by simply requesting waivers from the defendants. *Id.* The district court also found that the Khans had not attempted to personally serve any defendant. *Id.* Instead, the Khans asserted that they completed service by mailing the summons and complaint to the defendants, despite contrary instruction from the district court. The district court explained that Rule 4(e) does not permit personal service via mail and the Khans had not identified any state laws that would otherwise allow service by mail. *Id.* The district court further found that the Khans had failed to comply with the timeliness requirement of Rule 4(m). *Id.* at *3. In addition, the district court held that dismissal was warranted on the alternative grounds of improper venue under § 1400(b) and improper joinder under 35 U.S.C. § 299. *Id.*

Next, the district court granted the non-Illinois-resident defendants' motion for sanctions based on the Khans' assertions regarding venue and service, which they had maintained despite repeated warnings and guidance from the court. *Id.* at *4–5. The district court recognized that the Khans were proceeding pro se and thus were "entitled to some leniency before being assessed sanctions for frivolous litigation." *Id.* at *5 (quoting *Thomas v. Foster*, 138 F. App'x 822, 823 (7th Cir. 2005)). But the district court explained that the Khans "not only acted in direct contravention to clear procedural rules, statutes, and governing law, but continued to do so after being repeatedly warned at hearings by the Court, in written orders, and in correspondence with defense counsel." *Id.* The district court thus found

that it was "more than objectively reasonable to believe that the [Khans] should have known their positions on venue and service were groundless." *Id*. Accordingly, the district court ordered the Khans to pay attorney fees associated with the defendants' filing fees, motions to dismiss, and motion for sanctions in the amount of $95,966.90. Order at 1, *Khan v. Hemosphere Inc*., No. 18-cv-05368 (N.D. Ill. July 15, 2019), ECF No. 175.

For their part, the Khans moved for sanctions against the physician defendants and their attorneys for alleged violations of Rule 11(b). The district court denied the motion on the ground that the Khans failed to provide proper notice to the defendants of their motion under Rule 11(c) or properly present their motion to the court as required by the court's local rules. *Id*. at 3. The district court later denied the Khans' motion for reconsideration of the court's dismissal and sanctions orders.

Merit Medical thereafter moved the district court to declare the case exceptional and to award attorney fees under § 285 in the amount of $292,693. The district court denied the motion. Minute Entry, *Khan v. Hemosphere Inc*., No. 18-cv-05368 (N.D. Ill. Sept. 4, 2019), ECF No. 213. The district court found that the motion "cite[d] largely identical conduct that was previously before the Court on the initial motion for sanctions," and that "[t]he Court ha[d] already extensively considered this conduct in determining whether sanctions were appropriate and indeed ruled in Defendants['] favor on this matter." *Id*. The district court also found that, although the Khans had "litigated this case in an unorthodox manner," none of their conduct following the court's grant of

sanctions could be considered "exceptional." *Id*. The Khans and Merit Medical appeal. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

DISCUSSION

The Khans request that this court reverse the decisions of the district court dismissing their complaint, granting sanctions against the Khans, and denying the Khans' motion for sanctions. Merit Medical cross-appeals, seeking a reversal of the district court's order denying its motion for attorney fees under § 285. For the reasons discussed below, we discern no abuse of discretion in the district court's rulings and, accordingly, we affirm.

I

We first consider the Khans' challenge to the district court's dismissal of their complaint for failure to effectuate proper and timely service on the defendants as required under Rule 4 and, alternatively, for improper venue.

A

We apply the law of the regional circuit, here the Seventh Circuit, in resolving whether a district court properly dismissed a case for want of prosecution. *See Bowling v. Hasbro, Inc.*, 403 F.3d 1373, 1375 (Fed. Cir. 2005). The Seventh Circuit reviews a district court's dismissal for want of prosecution for an abuse of discretion. *Williams v. Illinois*, 737 F.3d 473, 476 (7th Cir. 2013); *see also Cardenas v. City of Chicago*, 646 F.3d 1001, 1005 (7th Cir. 2011) (a district court's dismissal based on untimely service of process is reviewed for an abuse of discretion).

"A district court may not exercise personal jurisdiction over a defendant unless the defendant has been properly served with process, and the service requirement is not satisfied merely because the defendant is aware that he has been named in a lawsuit or has received a copy of the summons and the complaint." *United States v. Ligas*, 549 F.3d 497, 500 (7th Cir. 2008) (citations omitted). Rule 4 specifies acceptable methods for service. For instance, a plaintiff may request a waiver of service from a defendant by mailing a copy of the complaint, two copies of the waiver form, and a prepaid means for returning the form. Fed. R. Civ. P. 4(d). "But if the defendant does not waive service and if no federal statute otherwise supplies a method for serving process, then Rule 4(e)'s list of methods is exclusive." *Ligas*, 549 F.3d at 501. Those methods consist of "following state law for serving a summons in an action brought in courts of general jurisdiction in the state where the district court is located or where service is made"; "delivering a copy of the summons and of the complaint to the individual personally"; "leaving a copy of each at the individual's dwelling or usual place of abode with someone of suitable age and discretion who resides there"; and "delivering a copy of each to an agent authorized by appointment or by law to receive service of process." Fed. R. Civ. P. 4(e). "Unless service is waived, proof of service must be made to the court." Fed. R. Civ. P. 4(*l*)(1).

Rule 4 also provides that "[i]f a defendant is not served within 90 days after the complaint is filed, the court—on motion or on its own after notice to the plaintiff—must dismiss the action without prejudice against that defendant or order that service be made

within a specified time." Fed. R. Civ. P. 4(m). "[I]f the plaintiff shows good cause for the failure," however, "the court must extend the time for service for an appropriate period." *Id*. A district court has the discretion to dismiss a complaint with prejudice "for want of prosecution if the plaintiff's delay in obtaining service is so long that it signifies failure to prosecute." *Williams*, 737 F.3d at 476 (citations omitted). A defendant may move to dismiss based on the court's lack of personal jurisdiction, the insufficiency of process, or the insufficiency of service of process. Fed. R. Civ. P. 12(b)(2), (4), (5).

Here, the district court properly exercised its discretion in dismissing the Khans' complaint due to their insufficient and untimely attempts at service. Although the Khans endeavored to obtain waivers from all of the defendants, with very few exceptions, the defendants did not return signed waiver forms. Thus, the Khans were required to serve the non-waiving defendants by the other methods set forth under Rule 4(e). *See Ligas*, 549 F.3d at 501. As the district court correctly observed, the Khans' mailing of the complaint and the summons does not constitute service under Rule 4(e).

The Khans argue that each defendant had a duty under Rule 4 to sign the waiver form and return it within 30 days or otherwise show good cause for not doing so. Appellants' Br. 13, 15. They contend that "service is complete when the signed waiver form is returned by the defendant and filed by the plaintiff for entry into the District Court." *Id*. at 13. In their view, the district court lacked jurisdiction to decide the motions to dismiss because the defendants did

not return the waiver forms back to the Khans. *Id.* at 15–16.

The Khans misinterpret the provisions of Rule 4. While Rule 4(d) obligates defendants "to avoid unnecessary expenses of serving the summons," it does not require defendants to waive formal service. Fed. R. Civ. P. 4(d)(1). Nor did the defendants' decisions to forgo waiving service in this case strip the district court of its authority to decide the motions to dismiss on the basis of insufficient service. The Khans cite subsection (e) of Illinois statute 735 ILCS 5/2-201, in conjunction with Rule 4(e)(1), as permitting service by mail, but subsection (e) of Illinois statute 735 ILCS 5/2-201 does not appear to exist. The Khans also cite subsection (e) of Illinois statute 735 ILCS 5/2-202, but this subsection concerns the housing authority police force's service of process for eviction actions and is thus inapplicable to this civil action. The Illinois statute that governs service of individuals in civil actions is 735 ILCS 5/2-203, which does not allow service by mail. Absent proof under Rule 4(*l*) that proper service was made on any of the nonwaiving defendants, the district court properly held that the Khans had failed to provide proper service.

The district court also correctly concluded that the Khans failed to comply with Rule 4(m)'s timeliness requirement. In the more than 250 days between the filing of the complaint and the district court's dismissal decision, nearly all of the over 300 defendants had not been properly served. The district court did not abuse its discretion in determining that the Khans did not show good cause to justify such "extreme delay"—nearly three-fold the

amount of time allotted to complete service. *Khan*, 2019 WL 2137378, at *3.

Accordingly, we conclude that the district court was well within its discretion to dismiss the complaint with prejudice for want of prosecution due to the Khans' insufficient and untimely service. B Turning to the issue of venue, the governing statute provides that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). A "regular and established place of business" requires a "place of business" in the district, i.e., "a physical, geographical location in the district from which the business of the defendant is carried out." *In re Cray Inc.*, 871 F.3d 1355, 1362 (Fed. Cir. 2017). The place of business must be the defendant's, "not solely a place of the defendant's employee." *Id.* at 1363. We review de novo the question of proper venue under § 1400(b). *Westech Aerosol Corp. v. 3M Co.*, 927 F.3d 1378, 1381 (Fed. Cir. 2019).

The district court correctly concluded that venue was improper under § 1400(b). As to Merit Medical, CryoLife, and the three physicians dismissed earlier in the action, the district court found that the Khans had not contended that any of these defendants resided in the district. The district court also found that the Khans had failed to plausibly allege that any of them infringed the asserted claim in the district or had a "regular and established place of business" in the district. As to the remaining defendants, the district court found that the

complaint and related filings were "devoid of any facts establishing that the infringing acts occurred in" the district or that the defendants "reside in the district." *Khan*, 2019 WL 2137378, at *3. The district court also found that the Khans instead "allege[d] that the acts of infringement took place in the states in which the Defendants reside," and that "nearly all of the Defendants are not residents of Illinois and are instead scattered throughout the country in dozens of different states." *Id.*

These findings remain largely unchallenged on appeal. Indeed, the Khans concede that their complaint names "more than 300 defendants residing in 43 states and two manufacturers who are on opposite sides of the country." Appellants' Br. 17. The Khans also admit that "the venue for non-Illinois defendant physicians is improper here." *Id.*; *see also id.* at 22 ("[T]he plaintiffs made it clear in our pleadings that the venue is improper for non-Illinois defendant physicians."); *id.* at 11 ("The totality of the record shows that the plaintiffs have never said that the venue is proper for the 106 non-Illinois defendant physicians."). The Khans instead focus their challenge on the district court's findings that Merit Medical and CryoLife each lack a "regular and established place of business" in the district. For instance, they contend that these corporations have sales representatives in the district that promote the accused HeRO® Graft shunt. *Id.* at 18. But the fact that certain *employees* live or conduct business in the district does not establish proper venue over *defendants* in the district. *See Cray*, 871 F.3d at 1363.

We are also unpersuaded by the Khans' contention that venue in the district is proper because it is the most convenient forum to all parties under 28 U.S.C. § 1404(a). Appellants' Br. 17. Section 1404(a) governs transfers of actions to other judicial districts for convenience; it does not set the standard for whether venue is proper. Section 1400(b) governs that issue, and the Khans have failed to convince us that the district court erred in determining that venue under that statute was improper.

We have considered the Khans' other arguments regarding service and venue, but do not find them persuasive. Accordingly, we conclude that the district court did not abuse its discretion in dismissing the action with prejudice.

II

We next consider the Khans' challenge to the district court's decision granting the non-Illinois-resident defendants' motion for Rule 11 sanctions. We apply the law of the regional circuit, here the Seventh Circuit, to review an award of Rule 11 sanctions. *See Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1328 (Fed. Cir. 2011) (citing *Power Mosfet Techs., L.L.C. v. Siemens AG*, 378 F.3d 1396, 1406–07 (Fed. Cir. 2004)). The Seventh Circuit reviews decisions regarding Rule 11 sanctions for an abuse of discretion. *Bell v. Vacuforce, LLC*, 908 F.3d 1075, 1079 (7th Cir. 2018) (citing *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 405 (1990)).

The district court properly exercised its discretion in sanctioning the Khans under Rule 11(b) for their frivolous arguments regarding venue and service of

process. The district court found that the Khans had repeatedly asserted throughout the litigation that venue was proper in the Northern District of Illinois. In support of this argument, the Khans relied on this court's decision in *In re TC Heartland LLC*, 821 F.3d 1338 (Fed. Cir. 2016), despite the fact that the Supreme Court had reversed that decision prior to the Khans' lawsuit, *see TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017). The district court also noted that it had cited the Supreme Court's *TC Heartland* decision both in its order granting Merit Medical's and CryoLife's motions to dismiss based on improper venue and in status hearings. Despite this guidance from the court, the Khans "again raised their baseless argument in their Motion to Reconsider." *Khan*, 2019 WL 2137378, at *4. The district court further found that the Khans' complaint "undercut[] any good faith basis for asserting venue is proper in th[e] district," since it alleged that the non-Illinois-resident defendants' infringing acts occurred "at their addresses in their respective states." *Id*. (quoting Complaint at 41, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. Aug. 7, 2018), ECF No. 1). Finally, the district court found that the Khans had maintained their baseless assertion that service by mail was sufficient under Rule 4, again despite contrary guidance from the court. *Id*. at *5.

The Khans do not challenge any of these factual findings on appeal. Instead, they contend that sanctions are inappropriate because the defendants violated Rule 11(c)(2), which prohibits the filing of a sanctions motion "if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service

or within another time the court sets." Fed. R. Civ. P. 11(c)(2). Specifically, they argue that the defendants did not serve them with the sanctions motion more than 21 days prior to filing it with the district court. But the district court found the opposite—namely, that the defendants put the Khans "on notice of their intent to seek sanctions as early as September 24, 2018"—more than five months before they filed their sanctions motion in March 2019. *See Khan*, 2019 WL 2137378, at *5. The district court also found that the Khans were notified on several more occasions before the defendants moved for sanctions. *Id*. The Khans offer no response to the district court's finding that the defendants' "'early and often' approach in corresponding with [the Khans] regarding their desire to pursue sanctions no doubt satisfies the 21-day requirement of Rule 11(c)." *Id.*; *see also Matrix IV, Inc. v. Am. Nat'l Bank & Tr. Co.*, 649 F.3d 539, 552–53 (7th Cir. 2011) (concluding that "a letter informing the opposing party of the intent to seek sanctions and the basis for the imposition of sanctions" sent more than two years before the motion was filed was "sufficient for Rule 11 purposes" (citations omitted)).

The Khans also argue that a sanctions award cannot be based on their assertions regarding service and venue because such assertions are "ancillary issues" that are "unrelated to the merits of the claim." Appellants' Br. 24. The Khans cite Rule 41(b) of the Federal Rules of Civil Procedure and *Moeck v. Pleasant Valley School District*, 844 F.3d 387 (3d Cir. 2016), to support their argument. *Id.* at 24– 25. Rule 41(b) provides that an involuntary dismissal or other dismissal except "for lack of jurisdiction, improper venue, or failure to join a party under Rule 19 . . .

operates as an adjudication on the merits," Fed. R. Civ. P. 41(b), but this rule does not preclude sanctions for frivolous venue and service assertions. The Khans' reliance on *Moeck* is similarly misplaced. In *Moeck*, the Third Circuit discerned no error in the district court's observations that the defendants' numerous sanctions motions were a "waste of judicial resources" and that discovery, motion practice, and trial were better vehicles than sanctions motions to determine the truth of a plaintiff's allegations. 844 F.3d at 389–92 & n.9. Nothing in *Moeck* suggests, however, that sanctions are precluded for frivolous venue and service assertions, even if those assertions are considered "ancillary" to the merits of a plaintiff's infringement claims.

We have considered the Khans' other arguments, but do not find them persuasive. Accordingly, we conclude that the district court did not abuse its discretion in granting the defendants' motion for sanctions.

III

We next consider the Khans' challenge to the district court's denial of their cross-motion for Rule 11 sanctions against the physician defendants and their attorneys. In their motion, the Khans sought $250,000 in damages based on the defendants' and their attorneys' alleged violations of Rule 11(b), including their "inadequate pre-filing investigation" preceding their sanctions motion and "prosecuti[on] [of] the case for [the] improper purpose of harass[ing]" the Khans and "for causing mental anguish." Request for Sanctions, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. June 13, 2019), ECF No. 155.

We conclude that the district court did not abuse its discretion in denying the Khans' cross-motion for sanctions. The district court denied the motion for failure to comply with the safe harbor provisions of Rule 11(c) and the requirement of the district court's Local Rule 5.3(b) to accompany a motion with "a notice of presentment specifying the date and time on which, and judge before whom, the motion or objection is to be presented." The Khans do not address either of these defects on appeal. Instead, they merely reiterate that the defendant physicians and their attorneys should be sanctioned for their assertions that the HeRO® Graft shunt does not infringe the asserted claim of the '344 patent and for filing a motion for sanctions against the Khans. Under these circumstances, we conclude that the district court was well within its discretion to deny the Khans' cross-motion for Rule 11 sanctions.

IV

Lastly, we turn to Merit Medical's cross-appeal from the district court's decision denying its motion to declare the case exceptional and to award attorney fees in the amount of $292,693. "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. "[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 governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). "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*. We review a district court's denial of a motion for attorney fees under § 285 for an abuse of discretion. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 561, 564 (2014).

We conclude that the district court did not abuse its discretion in denying Merit Medical's motion for attorney fees under § 285. The district court found that the conduct described in the motion was largely identical to the conduct already presented in the defendants' earlier sanctions motion and was already considered by the court in granting sanctions against the Khans. The district court also determined that, although the Khans' litigation strategy was "unorthodox," their conduct following the district court's grant of sanctions did not rise to the level of "exceptional." The district court further found that the previous sanctions amount of $95,966.90 was appropriate and reasonable given the Khans' conduct in the case, but that imposing a three-fold increase in those fees was not warranted. We are unpersuaded that the district court "based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence." *Highmark*, 572 U.S. at 563 n.2 (quoting *Cooter & Gell*, 496 U.S. at 405).

Merit Medical cites *Rothschild Connected Devices Innovations LLC v. Guardian Protection Services, Inc.*, 858 F.3d 1383 (Fed. Cir. 2017), to support its argument that the district court "improperly conflated" Rule 11 with § 285 rather than accounting for the totality of the circumstances. Cross-Appellant's Br. 80. In *Rothschild*, the district court denied a motion for fees under § 285 based on its finding that the patent owner's "decision to

voluntarily withdraw its complaint within [Rule 11's] safe harbor period [wa]s the type of reasonable conduct [that] Rule 11 is designed to encourage" and, thus, awarding fees under § 285 would "'contravene[] the aims of Rule 11['s]' safe-harbor provision." 858 F.3d at 1390 (latter three alterations in original) (quoting *Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., Inc.*, No. 15-cv-1431, 2016 WL 3883549, at *2 (E.D. Tex. July 18, 2016)). We held that the district court's decision was contrary to the Supreme Court's admonition that "[w]hether a party avoids or engages in sanctionable conduct under Rule 11(b) 'is not the appropriate benchmark'" for an award of fees under § 285. *Id.* (quoting *Octane Fitness*, 572 U.S. at 555).

By contrast, here, the district court considered the totality of the circumstances, including the Khans' litigation approach and the substantial overlap between the complained-of conduct in Merit Medical's motion and the earlier sanctions motion. Based on its assessment of the procedural history and parties' briefing, the district court determined that the Khans' conduct in this case—while sanctionable—was not so unreasonable so as to make this case one of the rare cases worthy of a three-fold increase in fees imposed against them. *Octane Fitness* gives district courts broad discretion in such exceptional-case determinations. We are not persuaded that the district court abused its discretion in determining that this case is not exceptional.

CONCLUSION

For the foregoing reasons, we affirm the district court's decisions dismissing the action with

prejudice, granting the defendants' motion for sanctions, denying the Khans' cross-motion for sanctions, and denying Merit Medical's motion for attorney fees under § 285. Because we have affirmed the district court's dismissal and award of sanctions based on the issues of insufficient service of the complaint under Rule 4 and improper venue, we need not reach the district court's determination of misjoinder.

AFFIRMED

COSTS

No costs.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

	)	
NAZIR KHAN and	)	
IFTIKHAR KHAN,	)	
Pro se *Plaintiff*,	)	
	)	No. 18 C 05368
v.	)	
	)	Judge Virginia M. Kendall
HEMOSPHERE, INC.,	)	
CRYOLIFE INC.,	)	
MERIT MEDICAL	)	
SYSTEMS, INC.,	)	
Hospitals and doctors	)	
implanting unpatented	)	
HeRo graft to Doctors,	)	
et al.,	)	
Defendants.	)	
	)	

ORDER

Plaintiffs Nazir Khan and Iftikhar Khan filed their complaint in the above captioned matter asserting patent infringement claims under 35 U.S.C. § 112. Plaintiffs bring their claim against more than three hundred defendants apparently scattered throughout the United States. To date, only eight of the defendants have filed an appearance with the Court. Multiple defendants have filed motions seeking this court to dismiss, transfer, or sever the claims. Currently pending before the Court

are: Defendant Merit Medical System, Inc.'s ("Merit") motion to transfer, or in the alternative to dismiss for improper venue; Defendant CryoLife Inc.'s ("CryoLife") motion to dismiss for insufficient service of process, improper venue, misjoinder, or in the alternative to sever and transfer; Defendants David Varnagy, M.D. ("Dr. Varnagy") and Mark Ranson's, M.D. ("Dr. Ranson") motion to dismiss for failure to state a claim; and Defendant Walter D. Blessing's, M.D. ("Dr. Blessing") motion to dismiss for lack of personal jurisdiction, improper venue, and insufficient service of process. An initial status hearing was held on November 15, 2018 where the Court informed the parties that it would first consider motions regarding the question of the Court's jurisdiction in this matter before addressing the merits of the case.

In patent matters, questions of venue are exclusively governed by 28 U.S.C. § 1400(b) which instructs: "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." It is plaintiff's burden to establish a selected venue is proper. *Grantham v. Challenge-Cook Bros., Inc.,* 420 F.2d 1182, 1184 (7th Cir. 1969); *see e.g., Niazi v. St. Jude Med. S.C., Inc.,* 2017 WL 5159784, at *2-3 (W.D. Wis. Nov. 7, 2017). "[A] domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute." *TC Heartland LLC v. Kraft Foods Group Brand LLC*, 137 S.Ct. 1514, 1517 (2017). To satisfy the alternative prong of this venue test, "(1) there must be a physical place in the district; (2) it must be a regular and established

place of business; and (3) it must be the place of the defendant." *In re Cray Inc.*, 871 F.3d 1355, 1360 (Fed. Cir. 2017). The Federal Circuit has emphasized the need for a physical location in a venue, noting that virtual spaces and electronic communications within a venue are insufficient for purposes of this analysis. *Id.* at 1361. "[T]he mere fact that a defendant has advertised that it has a place of business or has even set up on office is not sufficient; the defendant must actually engage in business from that location… A further consideration for this requirement might be the nature and activity of the alleged place of business of the defendant in the district in comparison with that of other places of business of the defendant in other venues. Such a comparison might reveal that the alleged place of business is not really a place of business at all." *Id.* at 1364 (emphasis in original). Where venue is improper, "[t]he district court of a district in which is filed a case laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought." 28 U.S.C. § 1406(a). As written, the statute directs that dismissing the case serves as the default option for the Court.

Plaintiffs' claims against defendants Merit, CryoLife, Dr. Varnagy, Dr. Ranson, and Dr. Blessing are dismissed for improper venue. Plaintiffs do not contend that any of these defendants reside in the Northern District of Illinois, nor can they, as they reside in, Utah, Georgia, Florida, Florida, and South Carolina, respectively. In the alternative, plaintiffs fail to carry their burden that any of these defendants infringed on the patent in the Northern

District of Illinois *and* have a "regular and established place of business" in the district. See 28 U.S.C. § 1400(b). Plaintiffs contend that the defendants targeted their infringing activities towards this district. However, Plaintiffs have not, and cannot, demonstrate that each defendant has a physical place in the district that is a regular and established place of business. *In re Cray Inc.*, 871 F.3d at 1360. Plaintiffs focus on the fact that Merit and CryoLife have conducted business in Illinois. The mere fact that certain companies may have conducted isolated business transactions in the State falls far from establishing a physical, regular, and established place of business. *See e.g., TC Heartland LLC*, 137 S.Ct., 1520-21; *In re Cray Inc.*, 871 F.3d at 1262 ("sporadic activity cannot create venue"). Such a reading of the statute would necessarily explode the scope of venue in patent cases. Next, Plaintiffs suggest that certain employees of Merit and CryoLife live and conduct business within the district. Again, this argument does little work for plaintiffs. The inquiry here is focused on whether the physical established place of business is that of defendants and not their employees. Plaintiffs put forward no evidence supporting this argument and Merit and CryoLife affirmatively demonstrate that the corporations do not own any place of business in Illinois or in any way contribute to the housing needs of their employees in Illinois. (Dkts. 18-1, 23-1). Therefore, venue is improper for Merit and CryoLife.

The same is true for Drs. Varnagy, Ranson, and Blessing. There is no dispute that Drs. Varnagy and Ranson reside in Florida and plaintiffs have not presented any evidence suggesting that either of them have a physical, regular, and established place

of business in the district. Similarly, Dr. Blessing's declaration states: "I have never practiced medicine in Illinois, performed any surgeries in Illinois, implanted any medical devices into patients in Illinois, directed any business or personal activities at Illinois, or advertised my services in Illinois." (Dkt. 40-1). Plaintiffs make no attempt whatsoever to counter such evidence and consequently fail to carry their burden as to why venue is proper for Drs. Varnagy, Ranson and Blessing.

It is noted that certain defendants sought transfer instead of dismissal. However, transfer is only the proper recourse if "it be in the interest of justice." 28 U.S.C. § 1406(a). Given that the case is essentially in its infancy with no discovery underway, dismissal without prejudice is the appropriate resolution here rather than determining appropriate venue for potentially three hundred defendants. Plaintiffs' claims against Merit, CryoLife, Dr. Varnagy, Dr. Ranson, and Dr. Blessing are dismissed without prejudice for improper venue.

In reaching its decision that venue is improper for the above-mentioned defendants, the Court does not consider the various other reasons as to why dismissal may be warranted in this matter. This Court would caution plaintiffs to take heed of the potentially meritorious arguments raised by defendants thus far in considering the proper and most effective way to prosecute their case going forward.

/s/ Virginia M. Kendall
Virginia M. Kendall
United States District Judge

Date: January 23, 2019

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

NAZIR KHAN and IFTIKHAR KHAN, Pro se *Plaintiff*,	)	No. 18 C 05368
v.	)	Judge Virginia M. Kendall
HEMOSPHERE, INC., CRYOLIFE INC., MERIT MEDICAL SYSTEMS, INC., Hospitals and doctors implanting unpatented HeRo graft to Doctors, et al., *Defendants*.	)	

ORDER

Presently before the Court is Plaintiffs' motion to reconsider (Dkt. 77) the Court's January 23, 2019 order granting five of the more than three hundred defendants' motions to dismiss. (Dkt. 76). Plaintiffs' motion is not clear on its face as to which Rule it attempts to seek relief under and the Federal Rules of Civil Procedure do not explicitly contemplate a motion to "reconsider." However, district courts generally consider such motions under Rule 59(e) or

Rule 60(b). *See Mares v. Busby*, 34 F.3d 533, 535 (7th Cir. 1994).

A motion for reconsideration is reserved solely for correcting manifest errors of law or fact or to present newly-discovered evidence. *See Caisse Nationale de Credit Agricole v. CBI Indus., Inc.*, 90 F.3d 1264, 1270 (7th Cir. 1996). Rule 60(b) provides relief in only the most "extraordinary situations where a judgment is the inadvertent product of special circumstances and not merely erroneous application of law." *Kennedy v. Schneider Elec.*, 893 F.3d 414, 419 (7th Cir. 2018) (internal citations omitted). Similarly, "[t]o prevail on a Rule 59(e) motion to amend judgment, a party must 'clearly establish' (1) that the court committed a manifest error of law or fact, or (2) that newly discovered evidence precluded entry of judgment." *Blue v. Hartford Life & Acc. Ins. Co.,* 698 F.3d 587, 598 (7th Cir. 2012). Plaintiffs must also carry the burden of demonstrating that any new evidence could not have been discovered prior to the Court's order with reasonable diligence. *See Caisse Nationale de Credit Agricole,* 90 F.3d at 1269.

Plaintiffs' motion fails under either Rule 59(e) or Rule 60(b) as they do not identify any manifest error of law or fact in the Court's order. Instead, Plaintiffs primary contention seems to be a mere disagreement with the Court's conclusion in favor of the Defendants. Plaintiffs, however, cannot use this motion as a tool to rehash issues and arguments that have previously been presented and disposed of. *Id*. at 1270. Plaintiffs are doing precisely that with the present motion by reiterating arguments that they raised in their briefing on the motion to dismiss.

Plaintiffs purport to bring new evidence to light in the form of LinkedIn profiles and documents from the Secretary of State's website identifying the agent for accepting service of process for Defendants Merit and Cryolife. (Dkt. 77). Such evidence does not move the needle or change the Court's calculus. As discussed in the Court's order on the motion to dismiss, the presence of Defendants' employees within the State is insufficient for venue to lie in the Northern District of Illinois. *In re Cray Inc*., 871 F.3d 1355, 1363 (Fed. Cir. 2017) ("As the statute indicates, it must be a place of *the defendant*, not solely a place of the defendant's employee.") (emphasis in original). Likewise, the fact that certain Defendants may have agents designated to accept service of process is of little consequence. The focus of the venue inquiry, as outlined by the Federal Circuit, is that there must be a "physical, geographical location in the district from which the business of the defendant is carried out." *Id*. at 1360. There is no indication that the address provided by Plaintiffs from the Secretary of State's website is a regular and established place where the Defendants, not the agent, conduct business. *Id*. at 1363. What is more, even assuming that any of this new evidence was persuasive, Plaintiffs have not carried their burden, and likely cannot do so, to establish that such evidence could not have been discovered at an earlier time. *Blue*, 698 F.3d at 598. A simple Google search would have yielded such information at any time throughout these proceedings.

Accordingly, the Court denies Plaintiffs' motion to reconsider as they have failed to carry their substantial burden under both Rule 59(e) and Rule 60(b). Plaintiffs have not identified a single error of

law or fact in the Court's order and instead have used this motion to impermissibly rehash previously unsuccessful arguments. They have further failed to demonstrate how any allegedly newly discovered evidence would have precluded the Court from entering the order dismissing certain defendants. *Id.* The Court again cautions Plaintiffs that prosecuting a patent case of any size, much less one against three hundred defendants, is a complex endeavor. In doing so, Plaintiffs should carefully evaluate clearly established requirements set forth in governing statutes and other applicable authority so as not to unnecessarily occupy the time and resources of the Court and other involved parties.

/s/ Virginia M. Kendall
Virginia M. Kendall
United States District Judge

Date: February 13, 2019

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

	)	
NAZIR KHAN and	)	
IFTIKHAR KHAN,	)	
Pro se *Plaintiff*,	)	
	)	No. 18 C 05368
v.	)	
	)	Judge Virginia M. Kendall
HEMOSPHERE, INC.,	)	
CRYOLIFE INC.,	)	
MERIT MEDICAL	)	
SYSTEMS, INC. at el,	)	
Defendants.	)	
	)	

MEMORANDUM OPINION AND ORDER

Plaintiffs Nazir Khan and Iftikhar Khan filed this action against more than 300 defendants alleging patent infringement under 35 U.S.C. § 112. Five of these Defendants were previously dismissed for improper venue. (Dkt. 76). As a byproduct of how the Plaintiffs have chosen to structure and litigate their case, the moving Defendants have presented the Court with a selection of paths the Court might take to dispose of this case. Currently pending before the Court are eleven separate Motions to Dismiss from 116 of the remaining Defendants. Defendants' Motions seek dismissal for lack of personal jurisdiction, improper venue, misjoinder, insufficient service, and untimely service. (Dkts. 88, 90, 93, 96,

99, 100, 102, 105, 107, 111, 131). Despite these eleven Motions brought by more than 100 Defendants, a significant number of named Defendants have not yet joined the Court and the parties on this adventure due to Plaintiffs' inability to effect service. Additionally, a selection of the non-resident Defendants seek sanctions against Plaintiffs for their repeated assertions that venue is proper in the Northern District of Illinois and that service was properly completed. (Dkt. 113). For the following reasons, Defendants' Motions to Dismiss are granted, the claims against all non-moving Defendants are dismissed for want of prosecution, and the non-resident Defendants' Motion for Sanctions is granted.

BACKGROUND

For purposes of evaluating a Motion to Dismiss, the Court takes all wellpleaded facts as true. *Calderon-Ramirez v. McCament*, 877 F.3d 272, 275 (7th Cir. 2017). Plaintiffs bring this action *pro se* and filed their Complaint on August 7, 2018. (Dkt. 1). Plaintiffs are Illinois surgeons who have the exclusive rights to Patent 8,747,344, "[a] Hybrid arteriovenous shunt that serves as a conduit connecting an artery to the right atrium of the heart whereby the impure arterial blood flows continuously to the right atrium." (*Id.* at 43). Defendants, a collection of corporations, hospitals, and individual physicians, allegedly infringed on the Patent by implanting the HeRO Graft into patients. (*Id.* at 40.) Defendants, almost exclusively, reside and practice outside the Northern District of Illinois and outside the State of Illinois entirely. (*Id.* at 1-38). Plaintiffs allege that the individual physicians are guilty of infringement by way of implanting the HeRO Graft

into patients after receiving it from Hemosphere Inc., Cryolife Inc., and Merit Medical Systems Inc.[1]

At the parties' initial status conference, the Court informed Plaintiffs that patent law is unique and requires a certain level of knowledge, they were encouraged to hire counsel, and warned that as pro se plaintiffs they will be held to the same level of knowledge with respect to court rules and proceedings. (Dkt. 48). The Court also informed Plaintiffs of the pro se Help Desk in the building and gave them a paper informing them how they could schedule an appointment. Id. At the following status hearing, more than 150 days after the filing of the Complaint, Plaintiffs insisted that proper service had been completed for all Defendants despite Plaintiffs having filed proof of waiver regarding just a single Defendant. (Dkt. 74, Dkt. 53). Plaintiffs maintained that they had requested a waiver of service from all Defendants by certified mail. Id. In an attempt to clarify apparent confusion by Plaintiffs that simply placing the waiver request in the mail is equivalent to service, the Court informed Plaintiffs that a request to waive service is only a request and waiver by Defendants is not mandatory. Id. At each status hearing and in the Court's written Orders (Dkts. 76, 84), Plaintiffs were instructed by the Court to think strategically about their litigation approach and that they would greatly benefit from hiring an attorney who understands the Federal Rules and the intricacies of patent law. (See e.g., Dkt. 120).

[1] Defendants Merit Medical and Cryolife were dismissed as a result of the Court's Order on January 23, 2019. (Dkt. 76). Defendant Hemosphere was never successfully served and never filed an appearance in this matter (Dkt. 13) and is part of the non-moving Defendants discussed within this Opinion.

Plaintiffs' continued disregard of this Court's warnings, binding Supreme Court precedent, and the Federal Rules has led them to the precarious position they now find themselves—facing dismissal of their Complaint and potential sanctions.

DISCUSSION

I. Motions to Dismiss

As listed above, the more than 100 moving Defendants seeking dismissal do so on a variety of grounds. Regardless of the path, this litigation yields the same, inevitable ending. Accordingly, the Court primarily addresses the issue of insufficient and untimely service, an issue universal to all Defendants.

A. Insufficient Service

"A district court may not exercise personal jurisdiction over a defendant unless the defendant has been properly served with process ..." *United States v. Ligas*, 549 F.3d 497, 500 (7th Cir. 2008). Rule 4 allows plaintiffs to obtain waiver of service from defendants, but defendants are not required to waive formal service. Fed. R. Civ. P. 4(d). To properly request waiver of service, plaintiffs must send a copy of the complaint, two copies of the waiver form, and a prepaid means to allow defendants to return the form. Id. When service is not waived, plaintiff must effect service by (1) delivering a copy of the summons and of the complaint to the defendant personally, (2) leaving a copy of the summons and complaint and the defendant's dwelling with someone who resides there, (3) delivering a copy of the summons and complaint to an agent authorized to receive service, or (4) by other means permissible by state law in the

state where the complaint was filed or where service is made. See Fed. R. Civ. P. 4(e); *see also Ligas,* 549 F.3d at 501. Rule 4 also requires that service be completed within 90 days after the filing of the complaint. Fed. R. Civ. P. 4(m). The Court "must dismiss" the complaint if plaintiff fails to do so. *Id.* Such a dismissal may be with prejudice "if the plaintiff's delay in obtaining service is so long that it signifies failure to prosecute." *Williams v. Illinois,* 737 F.3d 473, 476 (7th Cir. 2013).

Dismissal of all remaining Defendants is warranted due to Plaintiffs' insufficient and untimely attempts at service. Plaintiffs claim they sought waiver of service from the more than 300 Defendants and therefore they have complied with the conditions of Rule 4. It is Plaintiffs' position that Defendants are required to waive service. (Dkt. 127, at 2). This position is misplaced as waiver of service is merely offered as an alternative to litigating parties and defendants are by no means required to accept waiver. *Troxell v. Fedders of North America, Inc.,* 160 F.3d 381, 383 (7th Cir. 1998). With very limited exceptions, Defendants did not waive service in this matter[2]. In the absence of waiver, Plaintiffs

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[2] Plaintiffs filed executed waivers of service for three Defendants. Plaintiffs first filed a waiver of service executed by Dr. Mark Rosenbloom (Dkt. 53) and later voluntarily dismissed him. (Dkt. 98). Dr. Joseph Griffin waived service and seeks dismissal for improper venue, lack of personal jurisdiction, and improper joinder. (Dkt. 88). Finally, Plaintiffs filed the executed waiver of service for Dr. Robert Jubelirer. (Dkt. 78). Dr. Jubelirer has not yet filed an appearance on the docket and has not otherwise moved to dismiss. Nonetheless, the claims against Dr. Jubelirer are dismissed for improper service along with the other grounds mentioned in this Opinion and the Court's previous Order—improper venue and misjoinder. The

have not attempted to personally serve Defendants and instead have insisted throughout the course of this litigation that they completed service by mailing the summons and Complaint to Defendants. Rule 4(e)(2) does not permit personal service via mail and Plaintiffs have not identified any state laws which would otherwise allow service by mail.

Plaintiffs also failed to comply with the timeliness requirements of Rule 4(m). Still, more than 250 days after Plaintiffs filed their Complaint, nearly all of the Defendants have still not been properly served. The Plaintiffs provide no justification for this extreme delay besides their tired refrain that service was completed by U.S. Mail. By maintaining this contention, in the face of directly contrary instruction from the Court, Plaintiffs have failed to comply with the necessary procedural rules for litigating their case. Therefore, due to insufficient and untimely service, Plaintiffs' Complaint is dismissed for want of prosecution. *Williams,* 737 F.3d at 476.

B. Improper Venue

Alternatively, Plaintiffs' Complaint is dismissed for improper venue. The Court adopts its analysis pertaining to improper venue as laid out in its January 23, 2019 and February 13, 2019 Orders. (Dkts. 76, 84). In short, venue is proper only where the defendant resides or where the defendant committed the infringement and has a regular place of business. *See* 28 U.S.C. § 1400(b). The Complaint,

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executed waiver of service pertaining to Dr. Jubelirer was filed with the Court on January 28, 2019, well after the 90 days permitted by Rule 4(m) and without any indication as to when waiver was actually executed.

in conjunction with Plaintiffs' related filings, is devoid of any facts establishing that the infringing acts occurred in this judicial district or that Defendants reside in the district. To the contrary, the Complaint alleges that the acts of infringement took place in the states in which the Defendants reside. (Dkt. 1, at 41). Further, nearly all of the Defendants are not residents of Illinois and are instead scattered throughout the country in dozens of different states. *See e.g.,* (Dkt. 89-2).

C. Misjoinder

Relatedly, were the claims not dismissed on other grounds, they would be dropped pursuant to 35 U.S.C. § 299 which governs joinder of patent cases. Joinder in patent infringement matters is proper only when the alleged infringement arises:

> out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and questions of fact common to all defendants or counterclaim defendants will arise in the action.

35 U.S.C. §299; *see also* Fed. R. Civ. P. 20(a)(2). Further, the mere fact that multiple infringers each allegedly infringed on the patent is not sufficient for joining them as defendants in a single action. *Id.* The joinder statute "looks for a 'logical relationship' between the claims linking the underlying facts." *In re Apple Inc.,* 650 F.App'x 771, 775 (Fed. Cir. 2015) (quoting *In re EMC Corp.,* 677 F.3d 1351, 1358-59 (Fed. Cir. 2012)). Here, the Plaintiffs have cast as wide of a net as possible in attempt to capture all

potential infringers. This practice is plainly forbidden by § 299. The Complaint simply alleges that each of the individual Defendants infringed on the patent in their home state where they reside. There are no allegations that the Defendants' actions were performed in concert or connected in any way. Joinder is not suitable where a party completely fails to satisfy the "requirement of a common transaction or occurrence where unrelated defendants, based on different acts, are alleged to have infringed the same patent." *Rudd v. Lux Prod. Corp. Emerson Climate Techs. Braeburn Sys., LLC,* 2011 WL 148052, at *3 (N.D. Ill. Jan. 12, 2011). Without any "logical relationship" between the facts associated with the more than 300 Defendants, joinder is wholly inappropriate. *See In re Apple Inc.,* 650 App'x at 775. As a result, each of the remaining Defendants are dismissed for improper joinder under § 299.

II. Non-Resident Defendants' Motion for Sanctions

A subset of the non-resident Defendants in this case also move for sanctions under Rule 11(b)[3]. (Dkt. 113). The moving non-resident Defendants assert that Plaintiffs should be sanctioned for their arguments regarding venue and service of process. Federal Rule of Civil Procedure 11(b) entails that by presenting papers to the court, the party certifies that the filing is formed after a reasonable inquiry and:

> (1) it is not being presented for any improper purpose, such as to harass, cause unnecessary

[3] The list of non-resident Defendants seeking sanctions is attached as Exhibit A to Defendants' Motion. (Dkt. 113-1). Defendants Thomas Hatsukami, Todd Smith, Angelo Santos, and Thomas Winek also join this Motion. (Dkt. 113, at 1).

> delay, or needlessly increase the cost of litigation;
> (2) the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law;
> (3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery…

Fed. R. Civ. P. 11(b). A frivolous argument is one that is baseless or made without reasonable and competent inquiry and therefore subject to the consequences of Rule 11. *See Berwick Grain Co., Inc. v. Ill. Dep't of Agric.,* 217 F.3d 502, 504 (7th Cir. 2000). Rule 11 "plainly authorizes a district court to sanction a lawyer who without reasonable inquiry tenders a submission that includes legal contentions not warranted…" *Id.* at 504. While the Court does have the discretion to issue sanctions, such authority should be used sparingly in recognition of the impact sanctions can have beyond the merits of the case. *Hartmarx Corp. v. Abboud,* 326 F.3d 862, 867 (7th Cir. 2003). The Court reviews the allegedly sanctionable conduct under a standard of objective reasonableness and considers whether the offending party should have known his position was groundless. *Cuna Mut. Ins. Soc. v. Office and Prof'l Emp. Int'l Union, Local 39,* 443 F.3d 556, 560 (7th Cir. 2006).

A. Sanctions for assertions regarding venue

Throughout this litigation, Plaintiffs have repeatedly asserted that venue is proper in the Northern District of Illinois. Early on, Merit Medical and Cryolife moved to dismiss or sever based on improper venue. (Dkts. 17, 26). In their response, Plaintiffs relied on the Federal Circuit's decision in *TC Heartland.* (Dkt. 21). This reliance was sorely misplaced though as the Federal Circuit was clearly reversed by the Supreme Court in May 2017, well over a year before Plaintiffs filed their response. *TC Heartland LLC v. Kraft Foods Group Brans LLC,* 137 S. Ct. 1514, 1519 (2017). The Court specifically cited to the Supreme Court's decision in its Order granting dismissal and in status hearings. (Dkt. 76). Indeed, the Court "caution[ed] plaintiffs to take heed of the potentially meritorious arguments raised by defendants thus far in considering the proper and most effective way to prosecute their case going forward." *Id.*

Along with governing precedent, the relevant statute concerning venue in patent matters is clear. "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). The Plaintiffs' own Complaint undercuts any good faith basis for asserting venue is proper in this district. All of the Defendants seeking sanctions practice and reside outside of the state of Illinois and the Complaint claims that the alleged infringement, with respect to each doctor, occurred "at their addresses in their respective states." (Dkt. 1, at 41). Despite guidance

from this Court, Plaintiffs again raised their baseless argument in their Motion to Reconsider. (Dkt. 77). No reasonable person would have concluded that such an argument had support in the law or in the facts of this case and accordingly Plaintiffs actions are sanctionable.

B. Sanctions for assertions regarding service

Plaintiffs similarly made consistent representations in their filings and in hearings that they had complied with the requirements for perfecting service of process. Plaintiffs attempted to serve all Defendants by requesting a waiver of service as contemplated in Rule 4(d). However, Plaintiffs filed only three waivers of service with the Court out of the more than 300 purportedly sent. (Dkt. 53, 78). Plaintiffs asserted that service by certified mail was sufficient as early as October 2, 2018 (Dkt. 21) and maintained this position through their most recent filing with the Court on March 26, 2019. (Dkt. 130). *See also* (Dkt. 46, at 1; Dkt. 83, at 4). Throughout this time, the Court instructed Plaintiffs that waiver of service is merely optional for Defendants to comply with and in the absence of waiver, they must accomplish service through other means. (Dkt. 74). The Federal Rules do not permit service by mail and Plaintiffs have failed to identify any case law or procedural rules permitting service by mail in the dozens of different states where Defendants reside. Plaintiffs' stubborn assertions to the contrary are without any merit and no reasonable person would have believed otherwise.

Rule 11(c) requires that a party seeking sanctions must wait 21 days after the offending party is put on

notice of the possibly sanctionable offense. Fed. R. Civ. P. 11(c)(2). This 21-day window is intended to serve as a safe harbor to allow the challenged party to withdraw or correct offending activity. Defendants put Plaintiffs on notice of their intent to seek sanctions as early as September 24, 2018, then again on October 3, 2018, January 28, 2019, February 13, 2019, and February 15, 2019. *See* (Dkt. 114, Exhibits B, C, E, F, G, I). Defendants' "early and often" approach in corresponding with Plaintiffs regarding their desire to pursue sanctions no doubt satisfies the 21-day requirement of Rule 11(c).

As *pro se* plaintiffs, the Khan's are "entitled to some leniency before being assessed sanctions for frivolous litigation." *Thomas v. Foster,* 138 Fed.Appx. 822, 823 (7th Cir. 2005) (citing *Pryzina v. Ley,* 813 F.2d 821, 823-24 (7th Cir. 1987)). However, this leniency is not without limits. *See Bacon v. Am. Fed'n of State, Cty., & Mun. Emps. Council, No. 13,* 795 F.2d 33, 35 (7th Cir. 1986) ("[W]hen a layman persists in a hopeless cause long after it should have been clear to him, as a reasonable (though not law-trained) person, that his cause was indeed hopeless, sanctions should be imposed…."). The Court allowed Plaintiffs to respond to the Motion for Sanctions orally (Dkt. 120) and provided them with the opportunity to file multiple responses. (Dkts. 118, 118, 128, 130). Plaintiffs not only acted in direct contravention to clear procedural rules, statutes, and governing law, but continued to do so after being repeatedly warned at hearings by the Court, in written orders, and in correspondence with defense counsel. It is more than objectively reasonable to believe that the Plaintiffs should have known their positions on venue and service were groundless.

While patent law can no doubt be a thorny area of the law, Plaintiffs missteps came far short of the substantive merits of this dispute. Nor can it be said that these Plaintiffs are naïve; being both medical doctors and the alleged inventors of a complicated medical device. Governing authority regarding proper service of process and venue render Plaintiffs repetitive assertions and arguments nothing more than frivolous.

The non-resident Defendants' Motion for Sanctions is granted. (Dkt. 113). Sanctions shall include Pro Hac Vice filing fees and costs incurred by the non-resident Defendants in association with their Motion to Dismiss and Motion for Sanctions. The non-resident Defendants shall file a breakdown of the fees they intend to recover within 21 days.

CONCLUSION

For the reasons detailed above, Defendants' Motions to Dismiss are granted and Plaintiffs' Complaint is dismissed with prejudice for want of prosecution due to Plaintiffs' delay in obtaining proper service and alternatively for improper venue and misjoinder. (Dkts. 88, 90, 93, 96, 99, 100, 102, 105, 107, 111, 131). The non-resident Defendants' Motion for Sanctions is granted. (Dkt. 113). Plaintiffs shall pay reasonable fees associated with Defendants' filing fees, Motion to Dismiss, and Motion for Sanctions.

/s/ Virginia M. Kendall
Virginia M. Kendall
United States District Judge

Date: May 16, 2019

APPENDIX E

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Nazir Khan and Iftikhar Khan, Plaintiff(s), v. Hemosphere, Inc., et al, Defendant(s).	Case No. 18 C 5368 Judge Virginia M. Kendall

JUDGMENT IN A CIVIL CASE

Judgment is hereby entered (check appropriate box):

☐ in favor of plaintiff(s)
and against defendant(s)
in the amount of $,

which ☐ includes pre–judgment interest.

☐ does not include pre–judgment interest.

Post-judgment interest accrues on that amount at the rate provided by law from the date of this judgment.

Plaintiff(s) shall recover costs from defendant(s).

☒ in favor of defendant(s) Hemosphere Inc., et al and against plaintiff(s) Nazir Khan and Iftikhar Khan

Defendant(s) shall recover costs from plaintiff(s).

☐ other:

This action was *(check one)*:

☐ tried by a jury with Judge presiding, and the jury has rendered a verdict.

☐ tried by Judge without a jury and the above decision was reached.

☒ decided by Judge Virginia M. Kendall on Motions to Dismiss.

Date: 5/16/2019 Thomas G. Bruton, Clerk of Court

/s/ Lynn Kandziora, Deputy Clerk

APPENDIX F

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

	)	
NAZIR KHAN and	)	
IFTIKHAR KHAN,	)	
Pro se *Plaintiff*,	)	
	)	No. 18 C 05368
v.	)	
	)	Judge Virginia M. Kendall
HEMOSPHERE, INC.,	)	
CRYOLIFE INC.,	)	
MERIT MEDICAL	)	
SYSTEMS, INC. at el,	)	
Defendants.	)	
	)	

ORDER

Since the filing of the Complaint in this matter, Plaintiffs have exhibited a complete disregard of the Court's procedures, Federal Rules, and controlling precedent. This pattern of indifference has resulted in their Complaint being dismissed and sanctions being granted in favor of Defendants. Such actions have not abated since the granting of Defendants' Motions to Dismiss and Motion for Sanctions. Instead, Plaintiffs have continued to pepper the Court's docket with unsolicited filings while attempting to advance arguments that have long been deemed wholly irrelevant.

The Court granted Defendants' Motion for Sanctions and instructed Plaintiffs to pay

Defendants' fees associated with the filing of the Motions to Dismiss and Motion for Sanctions. Rather than challenge the fees that Defendants seek, Plaintiffs continue their misguided efforts in asserting the validity of their patent. *See e.g.,* Dkts. 151, 155, 156, 165, 167, 168. For the reasons stated within, Defendants' Motion for Attorney Fees is granted in the amount of $95,966.90.[1] (Dkt. 144).

The first step in determining the fees a prevailing party is entitled to is to calculate the lodestar amount or "the hours reasonably expended multiplied by the reasonable hourly rate." *Johnson v. GDF, Inc.,* 668 F.3d 927, 929 (7th Cir. 2012). Then, only in limited circumstances can the lodestar amount be adjusted. *Id.* "The best evidence of an attorney's market rate is his or her actual billing rate for similar work." *Id.* at 933. Once this lodestar amount is calculated, it is considered "presumptively reasonable" and it then becomes the opposing party's burden to convince the court that a lower rate is "*required.*" *Robinson v. City of Harvey,* 489 F.3d 864, 872 (7th Cir. 2007) (emphasis in original). General objections will not suffice. The opposing party must state its objections "with particularity and clarity." *Hutchison v. Amateur Elec. Supply, Inc.,* 42 F.3d 1037, 1048 (7th Cir. 1994) (quoting *Ohio-Sealy Mattress Mfg. Co. v. Sealy Inc.,* 776 F.2d 646, 664

[1] The Court notes that it did not consider Defendants' Supplemental Information (Dkt. 169) regarding Plaintiffs' litigation activity in Illinois state court while reaching the current decision. The Court declines to wade into state court waters and instead reaches this decision solely based on the issues properly before it. Therefore, Defendants' Motion to file Supplemental Information is denied as moot. (Dkt. 169).

(7th Cir. 1985)); *see also Farmer v. DirectSat USA,* 2015 WL 13699343, at *3 (N.D. Ill. Mar. 18, 2015).

Here, Defendants have submitted a detailed accounting of their work pertaining to the Motions to Dismiss and Motion for Sanctions. Such efforts amounted to 233.7 hours worked, generating $95,966.90 in fees. Brent Lorimer, lead counsel for the moving Defendants, is an attorney with 37 years of experience and billed at an hourly rate of $472.50. *See* Dkt. 144. Thomas Vuksinick and Vladimir Arezina are similarly experienced attorneys with hourly billing rates of $414.00 and $560.00/$480.00 an hour, respectively. *Id.* Facially, these rates are perfectly reasonable billing rates for attorneys of this caliber, as demonstrated in their respective supporting declarations and materials citing to comparable rates for similar attorneys. *See* Dkts. 145 and 146.

With Defendants demonstrating both a reasonable hourly rate and a reasonable amount of hours billed, the burden shifts to Plaintiffs to lodge specific objections. *See Hutchison,* 42 F.3d at 1048. Despite filing several briefs and responses to Defendants' Motion, Plaintiffs' managed to mount only general objections to Defendants' fee petition while instead devoting significant time to trying to litigate the merits of their patent—well after their case has been dismissed. Without citing to any authority, Plaintiffs make the general statement that "in any state, the reasonable cost for [a motion to dismiss] by any form is at most $1000-$2000, as Drs Khan have confirmed with their many attorney friends." (Dkt. 151, pg. 2). The bald assertion that the petitioned fees are too expensive falls well short

of the burden Plaintiffs have. *See e.g., Berg v. Culhane,* 2011 WL 589631, at *2 (N.D. Ill. Feb. 10, 2011). Plaintiffs assert that it is simply unreasonable for Defendants' counsel to have spent over 200 hours litigating the Motions to Dismiss and Motion for Sanctions. Even if generalized statements were a proper challenge to Defendants' fee petition, it falls flat in the context of this case. Patent infringement cases are inherently complex. Here, this litigation was made all the more complicated by the affirmative actions of Plaintiffs, namely, choosing to sue more than 300 defendants from across the country in a single venue all the while ignoring consistent warnings from the Court and opposing counsel. As a result, counsel briefed multiple Motions to Dismiss on behalf of dozens of individual Defendants. Plaintiffs' additional complaints regarding receiving "unsolicited" emails from counsel are similarly deficient. In raising this challenge, Plaintiffs ignore the inescapable fact that, as *pro se* Plaintiffs, Defendants' counsel had no choice but to correspond with them directly. These objections provide no specific justification as to why a downward departure from the calculated lodestar amount is *required.*

The unique burden placed on Defendants was of Plaintiffs' own creation as masters of their Complaint and they cannot now cry foul. The time spent by counsel on this case is a direct reflection of how Plaintiffs' chose to conduct themselves throughout this litigation. As such, the presumptively valid lodestar amount of $95,966.90 stands without valid objection from Plaintiffs and the Court grants the fee petition in its entirety in favor of Defendants, including Defendant Dr. Brooks. *Robinson,* 489 F.3d at 872.

Finally, the Court addresses Plaintiffs' Request for Sanctions against Defendants. Again, Plaintiffs seek to use this Request as an opportunity to litigate the merits of the underlying Patent. (Dkt. 155). The Court need not address the merits of this Request as it is brought improperly under both the Federal Rules of Civil Procedure and this Court's Local Rules. Rule 11 does not permit parties to freely seek sanctions whenever they please. Instead, parties must comply with the safe harbor provisions of the Rule by providing the opposing party timely notice of the alleged violation. Fed. R. Civ. P. 11(c). Plaintiffs' have not established their compliance with this provision and therefore the Request for Sanctions is denied. The Request similarly warrants dismissal for failure to be properly presented before the Court. Local Rule 5.3(b).

/s/ Virginia M. Kendall
Virginia M. Kendall
United States District Judge

Date: July 15, 2019

APPENDIX G

IN THE UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

NAZIR KHAN and IFTIKHAR KHAN, Plaintiffs, v. HEMOSPHERE INC., CRYOLIFE INC., MERIT MEDICAL SYSTEMS, INC. ET AL., Defendants.	Civil Action No. 1:18-cv-05368 Judge Virginia M. Kendall Magistrate Judge Maria Valdez **FINAL JUDGMENT AWARDING ATTORNEY'S FEES AS RULE 11 SANCTIONS**

Judgment is hereby entered in favor of Merit Medical Systems, Inc. ("Merit") as subrogee of the defendants who filed the motion for sanctions (DKT No. 113) and against Plaintiffs Iftikhar Khan and Nazir Khan, jointly and severally, in the amount of $95,966.90. Pursuant to 28 U.S.C. § 1961, post-judgment interest shall accrue on this judgment at the rate of 2.36% per annum, compounded annually.

Merit shall be entitled to enforce this judgment in its own name.

Dated: July 24, 2019.

BY THE COURT:
/s/ Virginia M. Kendall
VIRGINIA M. KENDALL
U.S. DISTRICT JUDGE

APPENDIX H

UNITED STATES DISTRICT COURT
FOR THE Northern District of Illinois − CM/ECF LIVE, Ver 6.3.1
Eastern Division

Nazir Khan, et al.
Plaintiff,
v.

Case No.: 1:18−cv−05368
Honorable Virginia M. Kendall

Hemosphere Inc., et al.
Defendant.

____

NOTIFICATION OF DOCKET ENTRY

This docket entry was made by the Clerk on Wednesday, September 4, 2019:

MINUTE entry before the Honorable Virginia M. Kendall: After the Court granted Defendants' request for sanctions on 5/16/2019 and approved its fee petition, Defendants now, three months later, seek to have this Court declare the case "exceptional" and award attorney fees under 35 U.S.C. § 285 in the amount of $292,693.00. (Dkt. 196). Defendants also ask the Court to "award Merit an additional $95,966.90 in fees in the event the Rule 11 sanctions already awarded are vacated or reversed on appeal." (Dkt. 197, pg. 15) (emphasis added). Starting with the latter request, the Court declines the invitation to prognosticate on what the Court of Appeals might do and rule under a set of hypothetical circumstances. The request for an additional

$95,966.90 is denied. Returning to the thrust of Defendants' Motion, that the case be deemed exceptional, the Motion is also denied. The ability to declare a case exceptional is left to this Courts discretion based on a case−by−case analysis. Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545, 554 (2014) ("District courts may determine whether a case is 'exceptional' in the case−by−case exercise of their discretionquot;). In conducting this analysis, "there is no precise rule or formula" to apply. Id. (quoting Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 (1994)). "[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 governing law and the facts of the case) or the unreasonable manner in which the case was litigated." Id. Defendants' supporting memorandum cites largely identical conduct that was previously before the Court on the initial motion for sanctions. The Court has already extensively considered this conduct in determining whether sanctions were appropriate and indeed ruled in Defendants favor on this matter. (Dkt. 135). Defendants were keenly aware of Plaintiffs' conduct and had the ability to seek relief under § 285 previously, but instead chose to file and litigate a motion for sanctions. Though Plaintiffs have litigated this case in an unorthodox manner, no conduct has occurred since the Court granted sanctions that could be considered "exceptional" and justify a more than three−fold increase in the fees awarded to Defendants. The previous sanctions amount of $95,966.90 is appropriate and reasonable given Plaintiffs conduct in the case, but the extraordinary step of deeming the case "exceptional" is not

warranted. Defendants' Motion for attorney fees under 35 U.S.C § 285 is denied. Motion hearing set for 9/5/2019 is stricken. Mailed notice (mw,)

ATTENTION: This notice is being sent pursuant to Rule 77(d) of the Federal Rules of Civil Procedure or Rule 49(c) of the Federal Rules of Criminal Procedure. It was generated by CM/ECF, the automated docketing system used to maintain the civil and criminal dockets of this District. If a minute order or other document is enclosed, please refer to it for additional information.

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APPENDIX I

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

NAZIR KHAN, IFTIKHAR KHAN,
Plaintiffs- Appellants

v.

HEMOSPHERE INC., ET AL.,
Defendants-Appellees

MERIT MEDICAL SYSTEMS INC.,
Defendant-Cross-Appellant

HOSPITALS AND DOCTORS IMPLANTING UNPATENTED HERO GRAFT TO DOCTORS, ET AL.,
Defendants

2019-1952, 2019-2394

Appeals from the United States District Court for the Northern District of Illinois in No. 1:18-cv-05368, Judge Virginia M. Kendall

ON PETITION FOR PANEL REHEARING AND REHEARING EN BANC

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, HUGHES, and STOLL, *Circuit Judges*.

PER CURIAM.

O R D E R

Appellants Iftikhar Khan and Nazir Khan filed a combined petition for panel rehearing and rehearing en banc. A response to the petition was invited by the court and filed by the Appellees and Cross-Appellant. The petition was referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on November 13, 2020.

FOR THE COURT

November 6, 2020 /s/ Peter R. Marksteiner
Date Peter R. Marksteiner
Clerk of Court