Docket No. 2021-1024

In the

United States Court of Appeals

For the

Federal Circuit

SHURE INCORPORATED,

Plaintiff-Appellant,

v.

CLEARONE, INC.,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois in Case No. 1:17-cv-03078 · Edmond E. Chang, Judge.

MOTION OF DEFENDANT-APPELLEE CLEARONE, INC. FOR SANCTIONS

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STATEMENT OF OPPOSITION

Pursuant to Federal Circuit Rule 27(a)(2), counsel for Appellee has discussed the motion with counsel for Appellant, and counsel for Appellant objects to the motion and has indicated that he will be filing a response.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number 2021-1024/Originating Case No.: 1:17-cv-03078

Short Case Caption Shure Incorporated v. ClearOne, Inc.

Filing Party/Entity ClearOne, Inc.

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box**. Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 07/16/2021

Signature: 

Name: Christina Rayburn

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. ☑ None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. ☑ None/Not Applicable
ClearOne, Inc.		

☐ Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

☑ None/Not Applicable ☐ Additional pages attached

5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

☐ None/Not Applicable ☐ Additional pages attached

Shure Incorporated et. al. v. ClearOne, Inc., No. 19-cv-01343 (D.Del.)		

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

☑ None/Not Applicable ☐ Additional pages attached

TABLE OF CONTENTS

Page(s)

TABLE OF AUTHORITIES

Page(s)

Cases

Rules

I. INTRODUCTION

On September 1, 2020, the district court found Plaintiff-Appellant Shure Incorporated ("Shure") in contempt for violating the terms of a preliminary injunction ("Contempt Order"). The district court found that Shure had marketed and sold a redesigned product that infringed a ClearOne, Inc. ("ClearOne") patent in the same way as Shure's previously enjoined product. Appx32. The district court did not modify the underlying preliminary injunction or impose sanctions. Instead, the district court granted ClearOne the ability to take discovery into, and submit further briefing on, "what would be the appropriate relief arising from the violation." Appx34-35.

Notably, while the Contempt Order made clear that Shure could not market or sell its redesigned product, the MXA910-A, Shure had already removed that product from the market. *See* Appx2469. The Contempt Order thus had no immediate impact on Shure. Even so, Shure appealed the Contempt Order. It did so without any legitimate basis for thinking or arguing that this Court would have jurisdiction over that appeal. Shure's appeal is frivolous under Fed. R. App. P. 38 both as filed and as argued.

Shure is a much larger company than ClearOne. The district court has already found that Shure and ClearOne are direct competitors in the market relevant here, Appx110, that ClearOne has lost market share—including specific

identified sales—to Shure's accused product, Appx109, and that lost sales are "particularly devastating" in this market. Appx107. It is for these reasons, among others, that the district judge: (1) found that ClearOne was being irreparably harmed by Shure's sales of its competing MXA910 product, Appx105-118; and (2) entered a preliminary injunction.

Through its conduct below and this baseless appeal, Shure has magnified ClearOne's harm. Shure rushed to release a redesigned competing product, regardless of the infringement implications. And it rushed to appeal the Contempt Order, regardless of the merits of its arguments. At every turn, Shure is harming ClearOne in the market and draining ClearOne's limited resources. Pursuant to Fed. R. App. P. 38, ClearOne respectfully moves this Court to grant sanctions of double costs and attorneys' fees associated with this appeal, including the fees incurred in filing this motion for sanctions, and any other relief this Court deems appropriate.[1]

[1] This motion is timely. *See* Oral Arg. at 19:31-19:49 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3 ("C.J. Moore: Did you file a motion asking us to contemplate whether this brief as written was frivolous as argued given the clear inconsistencies in this brief with their statements to the district court? Rayburn: We seriously considered it, Your Honor, but we chose not to. C.J. Moore: Well, you can always do it after argument."); *see also Gallegos v. Jicarilla Apach Nation*, 97 F. App'x 806, 814 (10th Cir. 2003) (finding sanctions motion under Rule 38 filed before decision on the merits was timely). Defendant-Appellants respectfully request the opportunity to submit an accounting of fees and costs, under oath, as required by Rule 47.7(b)(2), after this motion is granted.

II. FACTUAL BACKGROUND

ClearOne's Statement of the Case provides the full history of the proceedings before the district court related to this appeal. *See* Appellee's Br. at 5-31. The following background relates to this motion in particular.

On August 5, 2019, the district court issued a preliminary injunction enjoining Shure from "marketing and selling the MXA910 in a way that encourages or allows integrators to install it in a drop ceiling mounting configuration." Appx56-120 ("PI Order") at Appx119.

In response, as of the effective date of the PI Order, Shure ceased selling its then-current U.S. version of the MXA910: the 24-inch version. *See* Appx2409 ("Since the PI Order went into effect, Shure ceased sales of the MXA910."). Shure explained why it did so in its briefing to the district court as to the appropriate bond amount: Shure told the court that it "does not control which configuration is used, and presently, an integrator may use the same MXA910 model in each of the four configurations." Appx6353. Shure stated that it would "design[] and develop[] a new model that accomplishes the objectives (*i.e.*, prevents mounting flush in a drop ceiling while allowing other mounting configurations)." *Id.* As an immediate replacement for the 24-inch MXA910, Shure told the court it would sell a different, smaller MXA910-60CM version, which Shure represented to the district court "does not allow for installation in North American drop ceilings

because it will fall through the grid." Appx6354. The district court approved Shure's plan to sell the smaller "version of the MXA910 as a non-infringing option for four months," but only with certain conditions that would ensure that it would not be mounted flush in a drop-ceiling mounting configuration. Appx128.

In late 2019, Shure released a redesigned version of the MXA910, called the MXA910-A. ClearOne discovered that that version could easily be mounted flush in a drop-ceiling mounting configuration, just like the original 24-inch MXA910, and moved for contempt. *See* Appellee's Br. at 13-16, 21-24.

On September 1, 2020, the district court evaluated the MXA910-A, concluded that it was not colorably different from the "enjoined" 24-inch MXA910, and "granted [ClearOne's motion] in part and entered and continued [it] in part to determine the scope of the violation and the potential relief." Appx27, Appx34. The court enjoined sales of the MXA910-A, which Shure had already stopped selling. *Id.* The court ordered no other sanction, and instead granted ClearOne the ability "to take discovery, including from integrators and end users, into how widespread the violation is and what would be the appropriate relief arising from the violation." Appx34-35.

On September 15, 2020, Shure filed a Notice of Appeal, indicating its intent to appeal the Contempt Order. Doc. 1. The next day, counsel for ClearOne sent a letter to counsel for Shure. *See* Exhibit A to Declaration of Christina V. Rayburn

("Rayburn Decl."), filed herewith. In that letter, counsel for ClearOne demanded that Shure promptly withdraw its Notice of Appeal. *Id.* Counsel for ClearOne explained that, under *Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*, 759 F.3d 1333, 1340 (Fed. Cir. 2014), this Court did not have jurisdiction over any appeal from the Contempt Order. *Id.* ClearOne informed Shure that an appeal would be "frivolous," and informed Shure that if it did not withdraw its Notice of Appeal, ClearOne would seek all available sanctions. *Id.* Finally, ClearOne stated that time was "of the essence so that our client does not incur any additional costs associated with this frivolous appeal." *Id.*

In response, counsel for Shure sent a letter reprimanding ClearOne's "needlessly aggressive letter," "baseless threats," and "threat of sanction." *See* Exhibit B to Rayburn Decl. Shure claimed that this Court has jurisdiction over its appeal because "the order on appeal for the first time imposes on Shure additional obligations and prohibits Shure from engaging in different acts, thus at least 'modifying' the original injunction, an enumerated interlocutory ground under § 1292(a)(1)." *Id.* Shure's letter did not specify the purported "additional obligations" or new prohibitions. *Id.* This appeal followed.

III. ARGUMENT

Rule 38 of the Federal Rules of Appellate Procedure provides that "if a court of appeals determines that an appeal is frivolous, it may … award just damages and

single or double costs to the appellee." Rule 38 sanctions "perform two vital functions: They compensate the prevailing party for the expense of having to defend a wholly meritless appeal, and by deterring frivolity, they preserve the appellate calendar for cases truly worthy of consideration." *Finch v. Hughes Aircraft Co.*, 926 F.2d 1574, 1578 (Fed. Cir. 1991).

The Federal Circuit has "recognized two distinct (though in practice often related) senses in which an appeal may be frivolous." *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 948 F.2d 1573, 1578 (Fed. Cir. 1991). First, an appeal is "frivolous as filed" when "no basis for reversal in law or fact can be or is even arguably shown." *State*, 948 F.2d at 1578 (quoting *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1554 (Fed. Cir. 1983)). Second, an appeal is "frivolous as argued when the appellant's misconduct in arguing the appeal justifies such a holding." *Pirri v. Cheek*, --- Fed. Appx. ----, 2021 WL 1081780, at *4 (Fed. Cir. 2021) (quoting *Walker v. Health Int'l Corp.*, 845 F.3d 1148, 1156 (Fed. Cir. 2017)). "Such misconduct can include manufacturing arguments by distorting the record, by disregarding or mischaracterizing the clear authority against its position, and by attempting to draw illogical deductions from the facts and the law." *Id.* (quoting *Walker*, 845 F.3d at 1156).

Shure's appeal is frivolous as filed and frivolous as argued. Shure's argument that this Court has jurisdiction over this appeal, as filed and as argued,

relied on mischaracterizations and misapplications of both the facts and the law.

A. Shure's Appeal Ignored the Applicable Law.

This Court has jurisdiction over a contempt order that modifies an injunction, but not over one that simply interprets an injunction. *Arlington*, 759 F.3d at 1336. *Arlington*, citing *Entegris, Inc. v. Pall Corp.*, 490 F.3d 1340, 1342 (Fed. Cir. 2007) and *Aevoe Corp. v. AE Tech Co.*, 727 F.3d 1375, 1382-83 (Fed. Cir. 2013), makes clear that an application of the "colorable differences" analysis to a redesigned product does not constitute a modification of an injunction. *Arlington*, 759 F.3d at 1337-38. By the clear application of this case law, this appeal should never have been filed. *See State*, 948 F.2d at 1578 (appeal with no basis for reversal in law or fact "unnecessarily wastes the limited resources of the court as well as those of the appellee, and therefore should never have been filed at all.").

Despite the fact that ClearOne had written a letter to Shure, explaining that this Court did not have jurisdiction over this appeal, and identifying *Arlington*, Shure's Opening Brief did not address *Arlington*, *Entegris*, or *Aevoe*. Instead, Shure relied for its jurisdiction argument on Federal Circuit cases addressing contempt orders unrelated to the colorable differences analysis. *See* Appellant's Corrected Op. Br. (Doc. 19) at 21 (citing *Eli Lilly & Co. v. Medtronic, Inc.*, 915 F.2d 670 (Fed. Cir. 1990) and *Energy Recovery, Inc. v. Hauge*, 745 F.3d 1353

(Fed. Cir. 2014)). On reply, after ClearOne identified *Arlington* again, Shure could not distinguish it. *See* Appellant's Reply Br. (Doc. 36) at 11-12. Instead, Shure raised for the first time, in a footnote, the idea that the question of this Court's jurisdiction should be governed by Seventh Circuit law instead of Federal Circuit law. *Id.* at 12 n.5. This idea was contrary to Shure's own prior briefing on this point, which relied on two Federal Circuit cases. *See* Appellant's Corrected Op. Br. at 21. Shure's footnote further suggested that *Central States* accurately represents Seventh Circuit law as to the interpretation-or-modification analysis, which is plainly incorrect. *Compare Cent. States, Se. & Sw. Areas Health & Welfare Fund v. Lewis*, 745 F.3d 283, 285-86 (7th Cir. 2014) *with Gautreax v. Chicago Housing Authority*, 178 F.3d 951, 956 (7th Cir. 1999); *Teledyne Techs. v. Shekar*, 831 F.3d 936, 939, 940 n.3 (7th Cir. 2016) (distinguishing *Central States*).

Shure's application of case law to the question of this Court's jurisdiction over this appeal has been jumbled and inconsistent, and has ignored the directly relevant Federal Circuit case law that ClearOne identified to Shure at the outset. For this reason, Shure's appeal is frivolous.

B. Shure's Appeal Misstated the Facts.

1. Shure's Argument that the PI Order Did Not Enjoin a Product is Contrary to Shure's Prior Statements and Actions Relating to the Scope of the PI Order.

Factually, the centerpiece of Shure's jurisdictional argument has been that the Contempt Order modified the PI Order because the Contempt Order enjoined sales of a product altogether, while the PI Order did *not* enjoin sales of a product altogether. *See, e.g.*, Appellant's Corrected Op. Br. at 28-31; Appellant's Reply Br. at 1-3; *see* Oral Arg. at 14:57-15:14 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3 ("Your honor, we understood the injunction at that time to only include one mounting configuration. If our products were being sold for the pole mount, or the hard mount, or the wire mount, they could still go out from that point on even before the bond, even after the bond."). Shure's argument that the PI Order did not enjoin sales of a product has no basis. The PI Order, by its clear terms, enjoined sales of the 24-inch version of the MXA910, because marketing and sales of that product "allow[ed] integrators to install it in a [flush] drop-ceiling mounting configuration." Appx119; *see also* Appellee's Br. at 35-37.

This is made abundantly clear by Shure's own response to the PI Order: Shure removed the 24-inch MXA910 from the market, explained to the district court why it had to do so under the PI Order, and asked the district court's

permission to sell two alternative products instead. *See supra* Section II; Appx6353-6354, Appx2409.

Shure's argument on appeal ultimately turned on the idea that Shure removed the 24-inch MXA910 from the market, not because it "felt enjoined" by the PI Order, *see* Oral Arg. at 4:39-4:45 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3, but because it made a "business decision" to voluntarily remove that product from the market. *Id.* at 13:44-14:00; *see also* Appellant's Reply Br. at 6 ("Removing the MXA910 voluntarily from the market for a short redevelopment period does not mean the 2019 Injunction *required* it."). There is absolutely no support in the record for this brand-new assertion, manufactured for appeal. To the contrary, the facts of record—including Shure's own prior statements about the PI Order—soundly reject this proposition.

For example, Shure's Motion for Modification of the PI Order acknowledged that that Order enjoined the 24-inch version of the MXA910. Shure's request in that Motion was that the PI Order be modified to make clear that, even though it enjoined the 24-inch version of the MXA910, it did *not* enjoin the newly redesigned MXA910-A: "Shure is simply seeking to confirm that the present injunction is limited to the design presented to the Court already." Appx2480. Shure then explained that it had removed the 24-inch MXA910 from

the market to comply with the PI Order:

> Shure has always held a good faith belief of non-infringement, and still believes it will ultimately prevail in this case on the issue of alleged infringement of the MXA910, the original product. Nevertheless, as soon as the PI Order was entered, Shure took proactive steps to cease marketing ***the enjoined products***, sought clarification during the Bond briefing to ensure Shure's other (60cm MXA910) product would not be prohibited, and developed a new product [the MXA910-A] that would comply with the Court's findings in the PI Order by positioning the microphone array entirely below the drop space. By filing this Motion, Shure seeks to ensure that it does not run afoul of the Court's existing PI Order by marketing that [MXA910-A] product in the United States.

Appx2480 (emphasis added). Shure argued that the MXA910-A "is more than colorably different tha[n] the ***enjoined product***." Appx2484 (emphasis added); *see also* Appx2356 (asking the district court to "modify the PI Order to state that ***the enjoined products*** do not include Shure's recently designed MXA910-A product.") (emphasis added).

Shure's briefing in opposition to ClearOne's Motion for Contempt is the same. It refers to the "enjoined MXA910" and the "enjoined product." *See* Appx2411, Appx2420. It argues that "Shure has significantly changed the ***enjoined product*** to comply with the PI Order," and that the MXA910-A is "more than colorably different from the ***enjoined MXA910***." Appx2411 (emphasis added), Appx2420 (emphasis added). There is simply no way to reconcile this language with Shure's argument on appeal that Shure's removal of the 24-inch

MXA910 from the market was a voluntary business decision.

Other documents confirm the understanding in Shure's briefing. For example, when counsel for Shure first emailed counsel for ClearOne to notify ClearOne of the new MXA910-A design, counsel for Shure wrote: "Shure is finalizing its MXA910-A product, which will be introduced into the market to replace ***the currently enjoined MXA910***, as we have previously advised ClearOne and the Court." Appx6372 (emphasis added). Similarly, Shure's revised User Guide for MXA910 products included a "NOTICE" that "Due to a preliminary finding by a federal court in the United States, Shure is authorized to ship the ***MXA910-60CM***." Appx6438 (emphasis added). In other words, due to that same finding, Shure was *not* authorized to ship the 24-inch version. *Id.* And in a public notice about the PI Order, Shure wrote: "Shure is committed to ensuring that our best-in-class MXA910 product remains available to our customers and we are prepared to modify and supply the product in a way that is compliant with the Court's order, as needed." Appx5149. There is simply nothing in the record supporting the idea that Shure removed the 24-inch version of the MXA910 from the market voluntarily.

As another example, between August 5, 2019, when the PI Order issued, and August 23, 2019, when it became effective, Shure engaged in a significant push to sell as many 24-inch MXA910s as possible. *See* Appx30. There would have been

no reason for Shure to do this, if it had not believed the PI Order enjoined the sales of those products. When questioned on this point during oral argument, counsel for Shure was unable to meaningfully respond. *See* Oral Arg. at 14:35-15:55 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3.

In sum, Shure understood in the below proceedings, just as the district court judge did, and just as ClearOne did, that the PI Order enjoined the 24-inch version of the MXA910. Only after this appeal was taken, and after this Court's jurisdiction over this appeal was in question, did Shure change its mind. For this reason, Shure's appeal is frivolous.

2. Shure's Argument that the PI Order Did Not Enjoin a Product is Not Supported By Any Statements By ClearOne or the District Court.

Attempting to detract from its own statements and actions relating to the scope of the PI Order, Shure argued on appeal that ClearOne and the district court had made statements confirming Shure's position. Not so.

First, Shure argued that ClearOne had acknowledged that the PI Order did not enjoin an MXA910 product. *See* Appellant's Reply Br. at 3-4 (chart of ClearOne's so-called "shifting statements"); *see also* Oral Arg. at 5:41-6:00 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3 ("Your honor, we recognized that there was only one

enjoined configuration at that time, as did ClearOne. They very clearly said … on the face of the bond papers, that they only thought that the MXA910 was precluded in one mounting configuration. They said, quote, the MXA910 could continue to be sold in its other three mounting configurations."). This argument is a misrepresentation of ClearOne's position during the bond briefing.

ClearOne's clearly stated position during the bond briefing was that "[t]o comply with the Preliminary Injunction Order, Shure will have to modify its existing MXA910 product in a way that makes it impossible for a customer to install the product flush in a drop-ceiling grid." Appx2303. ClearOne was explicit that the 24-inch MXA910 could no longer be sold as-is, and proposed modifications that Shure could make to the product to comply with the PI Order. *Id.* With this context, it is clear that the quotation from ClearOne's bond brief upon which Shure relied refers to the fact that versions of the MXA910 product, *as modified to prohibit flush-mounting*, could continue to be sold for the other mounting configurations:

> As the Court noted in its Preliminary Injunction Order, Shure's MXA910 has multiple mounting options…. (1) 4-point wire suspension, (2) VESA pole mounting, (3) flush mounted in a drop ceiling grid, and (4) hard mounting on a wall or ceiling. Accordingly, even if Shure is unable to manufacture or sell the MXA910 in a way that allows it to be installed in a drop ceiling mounting configuration, Shure will be able to continue to sell MXA910s for use in other configurations. Accordingly, Shure will not suffer a complete loss of sales of MXA910s.

Appx2301. Shure's reliance on this selective quote, without the appropriate context, in both its Reply Brief and at oral argument, emphasizes the frivolous nature of this appeal. *See Pirri*, 2021 WL 1081780, at *4 (appeals that "distort[] the record" are frivolous).

Shure also pointed to the district court's order denying Shure's motion for modification as somehow supporting Shure's position. It does not. Specifically, Shure argued at the hearing that "[t]he court in its clarification order wrote 'the opinion granting the preliminary injunction explained that Shure's MXA910 conference system clearly infringes on ClearOne's patent when used in its drop space mounting configuration.'" Oral Arg. at 24:36-25:01 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3. That is true. And *because* Shure's original MXA910 infringes on ClearOne's patent in that way, the PI Order enjoined the product altogether, because sales of that product "allow[ed] integrators to install it [flush] in a drop-ceiling mounting configuration." Appx119. There is simply no basis for Shure's argument on appeal that the PI Order did not enjoin the 24-inch version of the MXA910.

3. Shure's Other Arguments Regarding Jurisdiction Were Equally Frivolous.

Shure's other arguments for jurisdiction were equally frivolous. For example, Shure argued that the Contempt Order expanded the application of the PI Order to end users: "The 2020 Order imposes an expanded obligation on Shure to

police installations of *both* 'integrators *and* end users.'" Appellant's Corrected Op. Br. at 32 (citing Appx34-35, emphasis in Shure's brief). The quoted portion of the Contempt Order imposes no such obligation. Instead, it allows ClearOne to "take discovery, including from integrators and end users," into flush-mounts of the MXA910-A. Appx34-35. The district court authorized that discovery because discovery from end users would show how *integrators* had installed MXA910-As at end user sites. There is no way to read the quoted "integrators and end users" language in the Contempt Order as imposing an expanded obligation on Shure. Indeed, after ClearOne explained this in its Response Brief, *see* Appellee's Br. at 40-41, Shure's only reply, hidden in a footnote, was to argue that the new obligation on end users was "implicit[]." Appellant's Reply Br. at 9 n.4. Of course, if the district court had meant to modify the scope of the PI Order, he would not have done so implicitly.

As another example, Shure argued that the Contempt Order "for the first time applied [an] after-arising [claim] construction," arguing that the Contempt Order "relies on the 'configured for use' construction of Limitation 4 without ever saying as much." Appellant's Corrected Op. Br. at 33-35. There is simply no support for this assertion. The word "configured" never appears in the Contempt Order. *See* Appx1-35. The language in the Contempt Order, which addresses whether the MXA910-A is "capable of" being used in a flush configuration, *see*

Appx24, is a direct application of the language of the injunction order, which prohibited Shure from selling a product that "allow[ed]" integrators to mount it flush, Appx119. Indeed, the language of the infringement finding in the PI Order almost exactly mirrors the language of the infringement finding in the Contempt Order. *Compare* Appx 32 *with* Appx88.

4. Shure's Appeal Includes Numerous Baseless Attacks on the District Court Judge.

The district court's Contempt Order summarized the PI Order in a way that is consistent with ClearOne's argument in this appeal: "Shure is no longer allowed to make, market, or sell any beamforming microphone array designed to sit either fully or partially in the drop space of a drop-ceiling grid." Appx5. Shure's Reply Brief brushes off the district court's summary of its own order, arguing that "by the time of the [Contempt Order], the court was already steeped in the after-arising 'configured for' claim construction that focused on the apparatus more than actual use. Appellant's Reply Br. at 10. In other words, Shure argued that the district court did not understand the scope of its own PI Order. But, as explained above in Section III.B.3, there is no basis for Shure's argument that the after-arising 'configured for' claim construction had any impact on the Contempt Order whatsoever. Instead, the district court accurately described the PI Order in the Contempt Order.

At oral argument, Shure's counsel went even further, arguing that the word

allows—which appears in the PI Order itself, *see* Appx119—somehow did not enter into the proceedings until later. Oral Arg. at 12:46-13:17 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3. ("The initial injunction is limited to marketing and selling in a way that encourages and allows. That word 'allows' is what came into the proceedings with an after-arising claim construction. That 'configured for,' the notion that this is a product that, as long as it can perform it, is within the claim, that is entirely from a rewriting of the claim post-injunction …."). This position is illogical. In response, Judge O'Malley asked: "Shouldn't we believe that the district court who entered the injunction is the one who understands best what the scope of the injunction is?" *Id.* at 13:17-13:26. Counsel for Shure responded, not by addressing this Court's question, but by pointing to the district court's order denying Shure's motion for modification. *Id.* at 13:26-13:43. As discussed above in Section III.B.2, nothing in that order supports Shure's position.

More generally, Shure's appeal briefing included numerous hotly worded attacks on the district court's treatment of this case. *See, e.g.*, Appellant's Corrected Op. Br. at 2 (referencing "a series of erroneous court decisions since the preliminary injunction—including an after-arising claim construction, a refusal to clarify the injunction, and, most recently, a contempt determination…."); *id.* at 3 (district court "abused its discretion"); *id.* at 5 (district court erred by "improperly

initiating contempt proceedings, expanding Shure's affirmative duties, shifting burdens of proof onto Shure, misapplying the 'colorable differences' test, and failing to perform a limitation-by-limitation analysis to assess the redesigned product"); *id.* at 49 (district court "misweigh[ed] and misappl[ied] the facts"); *id.* at 56 (district court "'entrapp[ed]'" Shure).

None of these attacks were warranted. As just one example, Shure criticized the district court's purported finding that "in most MXA910-A installations, Shure's customers are ignoring the flanges." Appellant's Corrected Op. Br. at 61 (citing Appx23). But the quoted language is the district court's summary of *ClearOne's* position, not its own finding.

As described in ClearOne's Response Brief, the district court has been measured, fair, sensitive to Shure and Shure's customers, and well within its discretion in its evaluation of Shure's contempt. *See, e.g.*, Appellant's Response Br. at 4, 23, 26-28, 32. As noted by this Court, "[h]e did a lot of fact-finding in a very clear, cohesive opinion…." Oral Arg. at 8:00-8:05 (July 6, 2021), http://oralarguments.cafc.uscourts.gov/default.aspx?fl=21-1024_07062021.mp3. Shure's inflammatory language against the district court, in an appeal for which *Shure* had no basis, is an additional reason to enter sanctions in this case. *See Pirri*, 2021 WL 1081780, at *4-6 (awarding sanctions against litigant who

"mischaracterize[d] the district court's actions in an effort to make frivolous arguments for reversal").

5. Shure's Appeal Includes Numerous Additional Mischaracterizations of the Record.

This brief largely focuses on selective quotes and misrepresentations of the record that Shure made in its Reply Brief and at oral argument relating to this Court's jurisdiction, to which ClearOne has not had an opportunity to respond in writing. ClearOne's Response Brief notes many other instances of Shure engaging in this practice. *See, e.g.*, Appellant's Response Br. at 29-30 (Shure argued on appeal that no flush installations by integrators "were ever uncovered," despite knowing that some had been); *id.* at 63-64 (Shure's argument that its motion for modification was made in "good faith" ignores the fact that Shure did not tell the district court that the MXA910-A could be mounted flush); *id.* at 35 (selective quote); *id.* at 38-39 (same); *id.* at 60-61 (Shure's citations do not support the proposition). These mischaracterizations additionally support an award of sanctions in this matter.

IV. CONCLUSION

Shure is a much larger company, doing everything it can to squeeze a much smaller company out of the market by infringing the smaller company's patent and increasing the smaller company's costs in this litigation. Shure has already had a preliminary injunction entered against it, and has been held in contempt for selling

a product in violation of that preliminary injunction. At every step of the way, Shure has pushed the limits of propriety. The district court has already held that: (1) "the record suggests that Shure's intentions with the MXA910-A were not fully in the spirit of a good-faith design-around," Appx28; (2) "Shure either gave dishonest information to counsel or was negligent in the extreme in providing that information," Appx28 n.9; and (3) "Shure at the least pushed the bounds of the public-interest exemption" that the court had included in the PI Order by "quick-selling its existing inventory of the original MXA910s," Appx29, Appx31. The district court made those findings at an intermediate point in the contempt proceedings, before ClearOne had access to fulsome discovery. Even more of Shure's wrongdoing has been uncovered since. *See* Appx6788-6830.

The baseless arguments, misleading quotes, and misrepresentations of the record described in this brief and in ClearOne's Response Brief are a mere extension of Shure's long-standing pattern: it will do anything to keep competing unfairly against ClearOne, regardless of (and likely because of) the burden that imposes on ClearOne, the courts, and third parties. In light of the foregoing, ClearOne respectfully requests sanctions under Rule 38 of the Federal Rules of Appellate Procedure and any other relief this Court deems just.

July 16, 2021

Respectfully submitted,

/s/ Christina Rayburn
Douglas J. Dixon
Christina Rayburn
Sourabh Mishra
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Los Angeles, CA 90014

Counsel for ClearOne, Inc.

DECLARATION OF CHRISTINA RAYBURN

1. I am an attorney duly admitted to practice law in the State of California and I am a partner at Hueston Hennigan, LLP, counsel to Defendant-Appellee ClearOne, Inc.

2. I have personal knowledge of the facts set forth in this declaration.

3. Attached hereto as Exhibit A is a true and correct copy of a letter that Douglas Dixon of my law firm sent to Vladimir Arezina, counsel for Shure, Inc., on September 16, 2020.

4. Attached hereto as Exhibit B is a true and correct copy of a letter that Derek McCorquindale, counsel for Shure, Inc., sent to Mr. Dixon on September 18, 2020.

5. I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Executed on July 16, 2021

/s/ Christina Rayburn
Christina Rayburn

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATIONS

Case Number: 2021-1024/Originating Case No.: 1:17-cv-03078

Short Case Caption: Shure Incorporated v. ClearOne, Inc.

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Date: 07/16/2021

Signature: /s/ Christina Rayburn

Name: Christina Rayburn

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EXHIBIT - A

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HUESTON HENNIGAN LLP

September 16, 2020

VIA E-MAIL

Vladimir I. Arezina
VIA Legal, LLC
1237 W. Madison
Chicago, IL 60607
vladimir@arezina.com

Attorney for Plaintiff

Re: *Shure Incorporated v. ClearOne, Inc.*, No. 17-cv-03078 (N.D. Ill.)

Dear Mr. Arezina:

I write regarding the "Notice of Appeal to the United States Court of Appeals for the Federal Circuit" ("Notice of Appeal") that you filed on behalf of Plaintiff Shure Incorporated ("Shure") regarding the September 1, 2020, Memorandum Opinion and Order ("Contempt Order") and August 5, 2019, Memorandum Opinion and Order ("PI Order") in the above-listed case. Defendant ClearOne, Inc. ("ClearOne") demands that Shure promptly withdraw its Notice of Appeal.

The Federal Circuit is clear that "a contempt order interpreting or enforcing an injunction is generally not appealable until final judgment. This is particularly so where no sanction has yet been imposed for that contempt and proceedings with respect to that question remained ongoing at the time the appeal before [the Federal Circuit] is filed." *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 759 F.3d 1333, 1340 (Fed. Cir. 2014) (internal citations omitted) (cleaned up).

Here, the facts indicate that the Federal Circuit does not have jurisdiction over Shure's appeal. No final judgment has been issued. Nor has Judge Chang imposed any sanction for contempt—indeed, the parties just this week agreed to a discovery schedule that will be following by briefing on the question of what sanctions are proper.

Shure's decision to nevertheless file this appeal is frivolous. If Shure does not withdraw this Notice of Appeal by Friday, September 18, 2020, at 5 pm CT, ClearOne will seek all available sanctions, including double costs pursuant to Federal Rule of Appellate Procedure 38. Time is of the essence so that our client does not incur any additional costs associated with this frivolous appeal.

EX-2

This letter is not an exhaustive list of the deficiencies relating to Shure's Notice of Appeal. ClearOne reserves all rights.

Regards,

Douglas J. Dixon

cc: Other counsel

EXHIBIT - B

J. DEREK MCCORQUINDALE
571.203.2768
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September 18, 2020

Douglas J. Dixon
HUESTON HENNIGAN LLP
620 Newport Center Dr.
Suite 1300
Newport Beach, CA 92660

Via E-mail

Re: *Shure Incorporated v. ClearOne, Inc.*, No. 17-cv-03078 (N.D. Ill.)

Dear Mr. Dixon,

In addition to Mr. Arezina, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP will be representing Shure Incorporated on appeal at the United States Court of Appeals for the Federal Circuit. We were surprised by your needlessly aggressive letter demanding that Shure withdraw its Notice of Appeal on threat of sanction. (Letter from D. Dixon to V. Arezina (Sept. 16, 2020) ("Letter") ("If Shure does not withdraw this Notice of Appeal by Friday, September 18, 2020, at 5 pm CT, ClearOne will seek all available sanctions, including double costs pursuant to Federal Rule of Appellate Procedure 38.").)

Despite baseless threats, this appeal is grounded in applicable case law and the statute's plain language permitting immediate appeal to the Federal Circuit. *See* 28 U.S.C. §§ 1292(a)(1), (c)(1) (permitting appeal of "[i]nterlocutory orders of the district courts of the United States . . . , or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions"); *accord Eli Lilly & Co. v. Medtronic, Inc.*, 915 F.2d 670, 673 (Fed. Cir. 1990) ("the order from which appeal has been taken not only found Medtronic in contempt but also put into place injunctive relief supplementary to the injunction found to have been violated and, therefore, constitutes an order within the scope of section 1292(a)(1)"); *see also Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 759 F.3d 1333, 1337 (Fed. Cir. 2014) (noting that "even when an order does not on its face modify an injunction, we still have jurisdiction over an appeal of that order if it effectively amounts to a modification"). Among other grounds, the order on appeal for the first time imposes on Shure additional obligations and prohibits Shure from engaging in different acts, thus at least "modifying" the original injunction, an enumerated interlocutory ground under § 1292(a)(1). *Compare* Memorandum Opinion and Order (Sept. 1, 2020) *with* Memorandum Opinion and Order (Aug. 5, 2019).

EX-5

The Letter's argument that the appeal is premature because "Judge Chang [has not] imposed any sanction for contempt" is inapplicable here. (Letter at 1.) For example, in *Energy Recovery, Inc. v. Hauge*, 745 F.3d 1353 (Fed. Cir. 2014), the Federal Circuit stated that:

> *Even though no final disposition has been made regarding the amount of contempt damages and attorneys' fees, the district court's Contempt Order is appealable under § 1292(c)(1) because it modified the scope of the 2001 Order.* . . . [T]he Contempt Order for the first time prohibits Mr. Hauge from engaging in certain acts, and therefore modifies the 2001 Order. . . . Accordingly, because it modifies the substance of the 2001 Order, the Contempt Order is appealable.

Id. at 1356 (emphasis added). If your quotation from *Arlington* is meant to suggest that there can never be appellate jurisdiction "where no sanction has yet been imposed for that contempt and proceedings with respect to that question remain[] ongoing," this proposition fails because it would contradict the earlier, controlling precedent in *Energy Recovery*. (*Compare id*. (decided March 20, 2014) *with* Letter at 1 (quoting *Arlington Indus., Inc.*, 759 F.3d at 1340 (decided July 17, 2014)); *see S. Corp. v. United States*, 690 F.2d 1368, 1370 n.2 (Fed. Cir. 1982) (the Federal Circuit applies the rule that its earlier decision prevails unless overruled *en banc*).) Such constitutes not only fair, but meritorious grounds of litigation under the facts of this case. For these reasons, among others, Shure intends to exercise its right of appeal.

Regards,

/s/ J. Derek McCorquindale
J. Derek McCorquindale

Attorney for Shure Incorporated

cc: Counsel of Record

EX-6

CERTIFICATE OF SERVICE

I hereby certify that on July 16, 2021, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system

/s/ Christina Rayburn
Christina Rayburn