

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

SHURE INCORPORATED and)	
SHURE ACQUISITION HOLDINGS,)	
INC.,)	
)	
Plaintiffs,)	
)	
v.)	Civil Action No. 19-1343-RGA-CJB
)	
CLEARONE, INC.,)	
)	
Defendant.)	

REPORT AND RECOMMENDATION

Presently pending in this action filed by Plaintiffs Shure Incorporated and Shure Acquisition Holdings, Inc. (“Plaintiffs” or “Shure”) against Defendant ClearOne, Inc. (“Defendant” or “ClearOne”) is Shure’s “Motion for Summary Judgment for Defendant’s Business Tort Counterclaims and Affirmative Defense of Unclean Hands[,]” filed pursuant to Federal Rule of Civil Procedure 56 (“Motion”). (D.I. 433) For the reasons that follow, the Court recommends that Shure’s Motion be GRANTED-IN-PART and DENIED-IN-PART.

I. BACKGROUND

A. Factual Background

Shure and ClearOne are competitors in the installed audio-conferencing market. (D.I. 64 at ¶¶ 14-15; D.I. 232 at ¶ 15) In February 2016, Shure launched the MXA910, a ceiling array microphone that can be mounted from the ceiling or act as a replacement for a ceiling tile. (D.I. 434, ex. 1; *id.* ex. 5; *id.*, ex. 6 at ¶¶ 85, 87) In February 2019, ClearOne launched a beamforming microphone product designed to be installed into a ceiling grid: the BMA CT. (*Id.*, ex. 6 at ¶

96) In 2020, ClearOne launched additional variations of the BMA CT—the BMA CTH and the BMA 360 (collectively, the “BMA products”). (*Id.* at ¶¶ 99-100) Shure’s MXA910 product and ClearOne’s BMA products compete in the market. (D.I. 479, ex. 76 at ¶ 56)

The parties have a history of litigation, some of which is relevant to Shure’s Motion. (*See* D.I. 434 at 1-3; D.I. 474 at 2-5) The Court will therefore summarize the parties’ relevant litigation history, beginning with litigation between the parties in the United States District Court for the Northern District of Illinois (“Northern District of Illinois”) that pre-dated the instant action.

1. The Northern District of Illinois Action

In 2017, Shure filed a lawsuit against ClearOne in the Northern District of Illinois seeking, *inter alia*, a declaratory judgment of non-infringement of ClearOne’s United States Patent No. 9,635,186 (the “’186 patent”) (the “Northern District of Illinois Action”). (*Shure Inc. v. ClearOne, Inc.*, Civil Action Number 17-3078 (“2017 IL Case”), D.I. 1 (N.D. Ill. Apr. 24, 2017))¹ ClearOne counterclaimed and ultimately accused Shure’s MXA910 product of infringing its ’186 patent and its United States Patent No. 9,813,806 (the “’806 patent”). (2017 IL Case, D.I. 430 (Oct. 30, 2018)) ClearOne also sought a preliminary injunction as to its respective patent infringement claims, seeking to prevent Shure from selling Shure’s allegedly-

¹ In July 2017, Shure filed a petition for *inter partes* review (“IPR”) of ClearOne’s United States Patent No. 9,264,553 (the “’553 patent”), which is related to the ’186 patent. (*See ClearOne, Inc. v. Shure, Inc.*, Civil Action Number 19-2421 (“2019 IL Case”), D.I. 1 at ¶ 49 (N.D. Ill. Apr. 10, 2019)) The United States Patent and Trademark Office’s Patent Trial and Appeal Board instituted IPR on the ’553 patent, but issued a Final Written Decision in January 2019 upholding the claims of the patent. (*Id.* at ¶ 51)

infringing MXA910 product. (D.I. 452, ex. 56 at 1-2) On August 5, 2019, the Northern District of Illinois Court ruled in ClearOne’s favor on the preliminary injunction motion regarding the '806 patent, and enjoined Shure from manufacturing, selling and marketing its MXA910 product to be used “in its drop-ceiling mounting configuration, including marketing and selling the MXA910 in a way that encourages or allows integrators to install it in a drop-ceiling mounting configuration” (the “PI Order”). (*Id.* at 63-64)²

Subsequently, Shure developed a new design, the MXA910-A, in an attempt to avoid the enjoined installation configuration. (D.I. 434, ex. 44 at 4)³ In October 2019, Shure filed a motion requesting that the Northern District of Illinois Court “modify the PI Order to state that the enjoined products do not include” the MXA910-A products. (D.I. 480, ex. 103 at 3) On November 3, 2019, the Northern District of Illinois Court denied Shure’s motion, explaining that a ruling on that issue in the absence of concrete evidence regarding “what the MXA910-A actually comprises” would amount to an advisory opinion as to whether the product infringes the '806 patent. (*Id.*, ex. 105)

Nevertheless, Shure proceeded with the launch of the MXA910-A. (*Id.*, ex. 108 at SHURE939272; *id.*, ex. 109 at 168) On November 5, 2019, Shure announced the MXA910-A as being available for shipment in December 2019, and explained that it was “confident [the

² In April 2019, ClearOne filed a separate action in the Northern District of Illinois against Shure, alleging that Shure’s MXA910 product infringed ClearOne’s '553 patent and that Shure misappropriated ClearOne’s trade secrets. (2019 IL Case, D.I. 1 (N.D. Ill. Apr. 10, 2019))

³ A variant of the MXA910-A is the MXA910W-A, which is a white version of the MXA910-A. (D.I. 434 at 11 n.3) Below, the Court will at times refer to both products together as Shure’s “MXA910-A products.”

product] is compliant for use in drop ceiling mounting configurations.” (*Id.*, ex. 107 at SHRUE940718-19) In addition, between September 2019 and February 2020, Shure issued certain public statements (the “Shure statements”) about the MXA910 and MXA910-A products and the PI Order, which ClearOne contends are false and misleading. (D.I. 295 at 10-15, at ¶¶ 9-19; D.I. 434, ex. 52 at ¶ 49) These statements will be discussed more fully in Section III below.

In the Northern District of Illinois Action, ClearOne moved to hold Shure in contempt, asserting that Shure’s release of the MXA910-A products violated the PI Order. (*See* D.I. 452, ex. 29 at 1-2) In September 2020, the Northern District of Illinois Court concluded that “Shure has violated the preliminary injunction order and is found in contempt because it designed the MXA910-A in such a way that allows it to be easily installed flush in most ceiling grids.” (*Id.* at 34) Shure later filed an interlocutory appeal of that contempt decision, (D.I. 479, ex. 89), which the United States Court of Appeals for the Federal Circuit ultimately dismissed, (D.I. 528, ex. A).

2. The Instant Lawsuit

On July 18, 2019, Shure filed the instant action against ClearOne in this Court. (D.I. 1) Shure asserts, *inter alia*, that ClearOne’s BMA products infringe United States Design Patent No. D865,723 (the “723 patent”). (D.I. 64) The '723 patent is entitled “Array Microphone Assembly” and it issued on November 5, 2019. (*Id.* at ¶ 16; *see also* D.I. 451, ex. 1) It is a

continuation of a parent application filed on April 30, 2015, which matured into United States Patent No. 9,565,493 (the “493 patent”). (*Id.* at 1-2; *id.*, ex. 2 at 1 (hereinafter, “493 patent”))⁴

In addition to its claims of patent infringement, Shure further alleges in this case that ClearOne made various false or misleading statements to customers, installers and integrators—including statements made by ClearOne’s Regional Sales Manager John Schnibbe, and statements made in an August 29, 2019 letter written by ClearOne’s Senior Vice President of Finance, Narsi Narayanan (the “Narayanan Letter”). (D.I. 64 at ¶¶ 20-25) These statements relate to the status of the litigations between the two parties, including the impact of the preliminary injunction that was entered by the Northern District of Illinois Court in the 2017 IL Case. (*Id.*) The statements provide the basis for Shure’s affirmative claims of false advertising under the Lanham Act, for violation of the Delaware Deceptive Trade Practices Act (“DTPA”), for tortious interference with business relations and for unfair competition. (*Id.* at ¶¶ 42-70)

ClearOne has filed counterclaims for, *inter alia*, violation of the DTPA (First Counterclaim), tortious interference with business relations (Second Counterclaim) and unfair competition (Third Counterclaim); all of these counterclaims relate to the Shure statements. (D.I. 295 at 9-15, 29-32) ClearOne also raises an “unclean hands” defense to Shure’s non-patent claims. (*Id.* at 8; D.I. 434, ex. 37 at 2-5)

Additional relevant facts will be set out as necessary in Section III below.

⁴ Shure also asserts infringement of the '493 patent in this case. (D.I. 64 at ¶¶ 26-41) The '493 patent, a utility patent, is entitled “Array Microphone System and Method of Assembling the Same.” ('493 patent) However, the case as to the '493 patent is currently stayed, pending completion of an *inter partes* review proceeding involving that patent. (D.I. 53; D.I. 326; D.I. 391)

B. Procedural Background

The Motion was filed on April 16, 2021, (D.I. 433), and briefing was completed on June 2, 2021, (D.I. 499). The Court held oral argument on the Motion (as well as other summary judgment and *Daubert* motions) on June 9, 2021. (D.I. 527 (“Tr.”)) A 5-day trial is set to begin on November 1, 2021. (D.I. 62 at ¶ 16)⁵

II. STANDARD OF REVIEW

The Court incorporates by reference its discussion of the legal standards regarding summary judgment set out in its August 23, 2021 Report and Recommendation. (D.I. 535 at 3-4)

III. DISCUSSION

Shure argues that summary judgment is appropriate regarding ClearOne’s counterclaims and unclean hands defense because: (1) ClearOne seeks double recovery on its claims in the Northern District of Illinois Action under the guise of its counterclaims here; (2) ClearOne has failed to make out a *prima facie* showing of its counterclaims; and (3) no jury could conclude that Shure has unclean hands. (D.I. 434 at 1-2) The Court takes up these arguments in turn.

A. Double Recovery

Shure argues that ClearOne’s Second and Third Counterclaims (for tortious interference with business relations and unfair competition) must fail as a matter of law because ClearOne seeks the same damages here that it seeks in the Northern District of Illinois Action. (*Id.* at 1, 17-18; D.I. 499 at 1-3) According to Shure, if ClearOne prevails in the Northern District of

⁵ The Court has been referred the instant case for all purposes, up through the case dispositive motions deadline, by United States District Judge Richard G. Andrews. (D.I. 9)

Illinois Action, it will recover everything that it seeks here as to these counterclaims, and conversely, if ClearOne loses in the Northern District of Illinois Action, ClearOne will have no basis to assert damages here. (D.I. 434 at 1, 17-18; D.I. 499 at 1 (“There is no relief this court can provide as ClearOne’s damages are always zero.”)) Thus, Shure contends that summary judgment for ClearOne’s Second and Third Counterclaims should be granted because “double recovery of damages is impermissible.” *Aero Prods. Int’l, Inc. v. Intex Recreation Corp.*, 466 F.3d 1000, 1017, 1019 (Fed. Cir. 2006) (vacating the jury’s damages award where the plaintiff “based both its patent and trademark damages solely on sales of the [infringing] mattresses” such that “all of the damages awarded to [plaintiff] flowed from the same operative facts: sales of the infringing [] mattresses”; thus the plaintiff “was fully compensated for defendants’ patent infringement when it was awarded a reasonable royalty for patent infringement based on sales of the infringing Intex mattresses [and] could not also be awarded defendants’ profits for trademark infringement based on the same sales of the same accused devices”) (*quoted in* D.I. 434 at 17).

In the Northern District of Illinois Action, ClearOne accuses Shure’s MXA910-A product of patent infringement. (D.I. 434, ex. 55 at 1) And in that action, following the Northern District of Illinois Court’s finding that Shure was in contempt for designing the MXA910-A in such a way that allows it to be installed flush in most ceiling grids with ease, ClearOne requested, *inter alia*, disgorgement of Shure’s profits for 50% of MXA910-A sales. (*Id.*, ex. 46 at 2) ClearOne’s damages expert in the Northern District of Illinois Action is Julia R. Rowe, (*see* D.I. 499, ex. 58), who is also its damages expert in this action, (D.I. 434, ex. 50).

In this action, in calculating damages for ClearOne’s relevant counterclaims, Ms. Rowe focuses on the “December 2019 to June 2020 timeframe, when the MXA910-A was sold.” (*Id.*,

ex. 50 at ¶ 85) Ms. Rowe bases ClearOne’s damages on sales of the MXA910-A products in the relevant period; ClearOne asserts that these sales were influenced by Shure’s conduct at issue in the Second and Third Counterclaims. (*Id.* at ¶¶ 12-13, 60, 99; *id.*, ex. 51 at 157-58) Ms. Rowe’s damages analysis includes an analysis of Shure’s “unjust enrichment” due to its actions (which she says could include all or certain of Shure’s “gross profits” or “incremental profits”). (*See, e.g., id.*, ex. 50 at ¶¶ 119-24)

ClearOne made a number of different arguments as to why the Court should recommend denial of this portion of the Motion. The Court need only address one of those in order to do so.

In that regard, the Court agrees with ClearOne that the issue of double recovery is premature at the summary judgment stage. (D.I. 474 at 6-8) ClearOne has not yet received any award in the Illinois case, (D.I. 479 at ¶ 3), and it is surely entitled to at least *pursue* its different claims in these different fora, *cf. Aero Prods. Int’l, Inc.*, 466 F.3d at 1017 (“[t]he law is clear that the jury may award separate damages for each claim, leaving it to the judge to make appropriate adjustments to avoid double recovery”) (internal quotation marks and citations omitted). Absent evidence (at a minimum) that ClearOne has actually been granted a damages award in the Northern District of Illinois Action—and evidence that the award is clearly duplicative of the damages that ClearOne seeks here—the Court cannot now conclude that ClearOne would certainly obtain double recovery here for the same product sales. *See, e.g., Kolcraft Enters., Inc. v. Artsana USA, Inc.*, No. 13 C 4863, 2020 WL 1491142, at *7 (N.D. Ill. Mar. 27, 2020) (declining to preclude the plaintiff from seeking to recover damages for infringement of a patent (the “’501 patent”) in that case, where the plaintiff acknowledged that it could not obtain a double recovery for infringement of the ’501 patent and for infringement of another patent (the

'993 patent) based on the same sales of the same accused products, and doing so even where the plaintiff had already obtained a judgment of infringement against the defendant in another case regarding the '993 patent, in light of the fact that the plaintiff had not yet collected on the judgment in the '993 patent case); *Cot'n Wash, Inc. v. Henkel Corp.*, 56 F. Supp. 3d 626, 638-39 (D. Del. 2014) (denying defendant's motion for summary judgment regarding double recovery, because that issue is proper for consideration at the damages phase and "at this stage, plaintiffs may pursue multiple claims under any applicable legal theory").

B. Failure of Proof

Shure next argues that ClearOne cannot make out a *prima facie* case with respect to all three of the business tort counterclaims at issue in this Motion (i.e., the First, Second and Third Counterclaims). (D.I. 434 at 19-25; D.I. 499 at 3-14) The Court will first address the Second Counterclaim (alleging tortious interference with business relations), which undisputedly rises and falls with the Third Counterclaim (alleging unfair competition).⁶ Then it will turn to the First Counterclaim (alleging a violation of the DTPA).

1. Tortious Interference With Business Relations

To establish a claim for tortious interference with business relations ("tortious interference") under Delaware law,⁷ a plaintiff must demonstrate: "(1) the existence of a valid business relationship or expectancy; (2) knowledge of the relationship or expectancy on the part

⁶ Both parties agree that the Second and Third Counterclaims rise and fall together. (D.I. 434 at 23; D.I. 474 at 18-19; Tr. at 24); *Presidio, Inc. v. Semler*, C.A. No. 20-965-LPS, 2020 WL 8619101, at *8 n.19 (D. Del. Sept. 28, 2020) (explaining that unfair competition "is essentially the same tort [as] tortious interference with prospective business relations").

⁷ The Second and Third Counterclaims are brought pursuant to Delaware law.

of the interferer; (3) intentional interference which induces or causes a breach or termination of the relationship or expectancy; and (4) resulting damages to the party whose relationship or expectancy has been disrupted.” *Truinject Corp. v. Nestle Skin Health, S.A.*, C.A. No. 19-592-LPS-JLH, 2020 WL 70981, at *16 (D. Del. Jan. 7, 2020) (internal quotation marks and citation omitted); *see also CPM Indus., Inc. v. Fayda Chems. & Mins., Inc.*, No. 15996, 1997 WL 762650, at *7 (Del. Ch. Dec. 1, 1997).⁸ These elements “must be considered in light of [a party’s] privilege to compete or protect his business interests in a fair and lawful manner.” *Lipson v. Anesthesia Servs., P.A.*, 790 A.2d 1261, 1285 (Del. Super. Ct. 2001) (internal quotation marks and citation omitted).

Shure argues that summary judgment must be granted with respect to ClearOne’s tortious interference claim because no facts support establishment of any of the four required elements of the tort. (D.I. 434 at 2, 19-23; D.I. 499 at 3-10) Below, then, the Court will address the counterclaim on an element-by-element basis.

a. Valid Business Relationship or Expectancy

With regard to the first element, at issue here is whether there is sufficient evidence that ClearOne had a valid expectancy of a future business relationship with certain entities. (D.I. 474

⁸ It is true that, as ClearOne points out, (D.I. 474 at 9 n.7, 12 n.9; Tr. at 50-51), some courts in Delaware have not expressly recited “knowledge of the relationship or expectancy on the part of the interferer” as an element of this tort. *See, e.g., Preston Hollow Cap. LLC v. Nuveen LLC*, C.A. No. 2019-0169-SG, 2020 WL 1814756, at *12 (Del. Ch. Apr. 9, 2020); *see also You Map, Inc. v. Snap Inc.*, C.A. No. CV 20-00162-CFC, 2021 WL 106498, at *8 (D. Del. Jan. 12, 2021). However, the Court will assume *arguendo* herein that knowledge is a requirement. It does so because a number of Delaware courts *have* so held, and because the United States Court of Appeals for the Third Circuit has also cited this as a requirement under Delaware law, *see Com. Nat’l Ins. Servs., Inc. v. Buchler*, 120 F. App’x 414, 418-19 (3d Cir. 2004). And it does so because, in light of the outcome of the Court’s decision below, such an assumption does not prejudice the non-moving party (i.e., ClearOne).

at 10) Tortious interference with a prospective business relationship requires that there be a “bona fide” business expectancy with a third party—something more than “a mere hope [or] the innate optimism of the salesman” or a “mere perception of a prospective business relationship.” *DG BF, LLC v. Ray*, C.A. No. 2020-0459-MTZ, 2021 WL 776742, at *19 (Del. Ch. Mar. 1, 2021) (internal quotation marks and citations omitted) (emphasis omitted). The business opportunity cannot be too speculative, but there is no requirement that an existing contract be in place. *Id.* “[W]hether a business opportunity creates a bona fide expectancy is a factual inquiry evaluating the reasonableness of the expectation.” *Preston Hollow Cap. LLC v. Nuveen LLC*, C.A. No. 2019-0169-SG, 2020 WL 1814756, at *13 (Del. Ch. Apr. 9, 2020).

ClearOne contends that this element “should go to a jury” in light of the evidence of record relating to 19 specific companies (the “19 customers”) identified in the report of its expert, Ms. Rowe. (D.I. 474 at 9-12; Tr. at 47-49) Each of these 19 customers purchased one or more of the MXA910-A product from Shure in the December 2019 to June 2020 timeframe. (D.I. 479, ex. 76 at ¶¶ 94-95) To demonstrate that ClearOne had a valid expectation of having a future business relationship with these 19 customers in or around the time period when the Shure statements were made (i.e., late 2019 through February 2020), *see Malpiede v. Townson*, 780 A.2d 1075, 1099 (Del. 2001), ClearOne points to the following evidence (via Ms. Rowe’s report):

- All 19 customers purchased BMA products from ClearOne in 2019 and/or 2020 (and some did in 2018 as well). (D.I. 479, ex. 76 at ¶¶ 94, 95, 97)
- ClearOne recorded site visits with all of these 19 companies in the January 2019 through March 2020 timeframe (including over 80 visits to ██████████, over 60 visits to ██████████, over

40 visits to [REDACTED] and over 20 visits to [REDACTED]. (*Id.* at ¶¶ 95, 97)

- Some of these ClearOne site visits involved discussions regarding the Northern District of Illinois Action, Shure’s MXA910 products and ClearOne’s competing BMA products. (*Id.* at ¶ 97)

Shure counters that the above evidence reveals only ClearOne’s *hope or desire* for future sales from these 19 customers, which is insufficient to establish a bona fide business relation or expectancy. (D.I. 434 at 19-20; D.I. 499 at 5-8; Tr. at 9) In support of its position, Shure points to Ms. Rowe’s deposition testimony in which Ms. Rowe acknowledged that: (1) it is possible that some of the ClearOne site visits were “friendly hellos” as opposed to sales pitches, and that a site visit does not guarantee a sale, (D.I. 434, ex. 51 at 143-45, 156-157); (2) she was not aware that any of the 19 customers had an obligation to purchase ClearOne products in the future, (*id.* at 157); (3) some of the site visits may have involved discussions relating to products other than ClearOne’s BMA products, (*id.* at 145-46); (4) she was not aware of any specific purchase order or contract for a BMA product that was canceled, withdrawn, delayed, or changed in the December 2019-June 2020 time period, (*id.* at 151-53); and (5) she was not aware of any returned BMA product during the December 2019-June 2020 time period, (*id.* at 153). (D.I. 434 at 20; D.I. 499 at 6-7; Tr. at 9-10)

To be sure, ClearOne does not have direct testimony from a representative for one or more of these 19 customers who said: “I was prepared to buy another ClearOne BMA product in the relevant time period, and I had signed a contract to do so.” If it did, that would be great evidence for ClearOne and we would not be litigating this element at summary judgment. But a claim for tortious interference does not require that an existing contract for sale must be in place.

DG BF, LLC, 2021 WL 776742, at *19. And surely ClearOne can rely on circumstantial evidence (i.e., not just direct evidence) to try to establish the requisite prospective business relationship.

Here, the circumstantial evidence that ClearOne puts forward is sufficient to avoid summary judgment. There is plenty of record evidence supporting the notion that in the installed audio-conferencing market, integrators and end users “are incentivized to stick with one vendor or product for as long as is feasible.” (D.I. 452, ex. 56 at 53; *see also* D.I. 480, ex. 114 at ¶¶ 13-15; *id.*, ex. 115 at 20-22; *id.*, ex. 118 at 280)⁹ We know that all 19 customers purchased ClearOne BMA products in 2018-2020, so they are the type of customers who thus might naturally have been expected to “stick” with ClearOne for other similar purchases in and around that period. Moreover, ClearOne had clearly not abandoned these customers; to the contrary, it was actively visiting them (in some cases, many, many times) in the January 2019 to March 2020 time period. This is thus evidence that ClearOne had a reasonable probability or expectancy of obtaining future business opportunities from at least some of, if not all of, these 19 customers. It is enough to create a genuine issue of material fact as to this element. *See, e.g., Preston Hollow Cap. LLC*, 2020 WL 1814756, at *13 (finding in a post-trial opinion that, with respect to certain former customers with whom plaintiff had completed several past deals, the plaintiff had a

⁹ Shure suggests, to the contrary, that customers in the relevant market regularly purchase products from a number of vendors (such as Sennheiser and Biamp, among others, in addition to Shure and ClearOne) and “freely move” between vendors. (D.I. 499 at 7 (citing *id.*, ex. 50 at ¶ 97; *id.*, ex. 53 at ¶¶ 92-98; *id.*, ex. 54 at ¶¶ 23-28); Tr. at 15-16) Indeed, the fact that these 19 customers bought products from both Shure and ClearOne in 2019/2020 could support Shure’s point. But there is other evidence of record to the contrary, cited above. And the competing evidence on this front constitutes a dispute of fact that should be assessed by the factfinder.

reasonable expectation of prospective business opportunities with those customers; this was due to the “strength and consistency of the [prior business] relationships [with the customers,]” even though the plaintiff had not identified specific “named [future] deals” on which it expected to work with the customers); *Beard Research, Inc. v. Kates*, 8 A.3d 573, 611 (Del. Ch. 2010) (finding in a post-trial opinion that this element was satisfied, where plaintiffs reasonably could have expected to obtain repeat business from its one-off and catalog customers, in light of evidence that the plaintiffs had substantial prior sales with these customers and that the customers had been generally satisfied with plaintiffs’ work).

b. Knowledge of Any Business Relationship or Expectancy

Shure next argues that ClearOne identifies no evidence that demonstrates Shure’s *knowledge* of ClearOne’s business expectancy as to any of the 19 customers. (D.I. 434 at 21; D.I. 499 at 3-5; Tr. at 18)

Again, here ClearOne did not put forward direct evidence regarding this element. That is, ClearOne does not have testimony from a Shure employee who says that Shure in fact knew that ClearOne expected to get business in the future from one or more of these 19 companies. But there is indirect or circumstantial evidence to support ClearOne’s claim. (D.I. 474 at 12 n.9) More specifically, there is evidence that:

- Shure and ClearOne were in direct competition with one another for the 19 customers.
- Shure communicated in 2019 and 2020 with many of these customers regarding the Northern District of Illinois Action, the impact of the injunction and the availability of the MXA910-A product.; and
- Shure sold the MXA910-A product to these customers in 2019 and/or 2020.

(D.I. 479, ex. 76 at ¶¶ 94-96; D.I. 480, ex. 96 at ¶¶ 82-106; *see also* D.I. 479, ex. 78 at ¶ 22) It seems like a fair inference that: (1) if Shure is one of ClearOne’s few direct competitors in a very small market; and (2) Shure knew these 19 customers well enough to have made MXA910 product sales to them in 2019 or 2020; and (3) Shure was having conversations with at least some of these customers about ClearOne and about the Northern District of Illinois Action in 2019 or 2020; then (4) as to at least one or more of these customers, Shure would also have had knowledge that ClearOne had sold its BMA products to the customer in the past and that ClearOne reasonably expected to do so in the future. (Tr. at 52); *cf. Cryovac Inc. v. Pechiney Plastic Packaging, Inc.*, 430 F. Supp. 2d 346, 360-61 (D. Del. 2006) (finding that the evidence created a genuine dispute of fact with respect to this element, even where the defendant asserted that he was never told by a third party (“National Beef”) that it had a contract with the plaintiff and where the defendant’s employees all testified they had no knowledge of this contract, because there was also evidence that the defendant knew that the plaintiff supplied all of National Beef’s packaging products, that the plaintiff’s pricing was contingent on this relationship, and that National Beef was intending to award a contract in the near term for 100% of its packaging needs).

c. Intentional Interference Which Induces or Causes a Breach or Termination of the Relationship or Expectancy

A claim of tortious interference requires intentional, wrongful interference which induces or causes a breach or termination of the relationship or expectancy. *Com. Nat’l Ins. Servs. Inc. v. Buchler*, 120 F. App’x 414, 418-19 (3d Cir. 2004) (applying Delaware law). In circumstances like this, where a plaintiff alleges tortious interference by a competitor, “the competitor is only

liable if the plaintiff shows that the competitor used ‘wrongful means’ to compete.” *Id.* at 419; *see also Int’l Bus. Machs. Corp. v. Comdisco, Inc.*, 1993 WL 259102, at *21 (Del. Super. Ct. June 30, 1993) (“Only wrongful interferences will satisfy the tort, as some interferences are seen as justified or privileged under the aegis of competition.”). “‘Wrongful means’ are tactics which are sufficiently ‘predatory’ that they form an independent basis for liability on the part of the defendant.” *Commerce Nat’l Ins. Servs.*, 120 F. App’x at 419.

Shure’s opening brief quickly addressed this element, arguing without much elaboration that ClearOne: (1) cannot establish “wrongful” conduct on Shure’s part; and (2) cannot show that Shure’s conduct proximately caused any loss of business opportunity. (D.I. 434 at 21-22) The Court will address these (brief) challenges in turn.

(1) Wrongful Means

With regard to the “wrongful means” issue, ClearOne’s core allegation here is that Shure made the false or misleading Shure statements between September 2019 through February 2020 to ClearOne’s customers and other consumers. More specifically, the Shure statements include the following:

- A September 4, 2019 message to market participants about the Narayanan Letter, in which Shure is alleged to have falsely or misleadingly asserted that the Narayanan Letter contained “‘false statements’” about the MXA910 product and whether their installation in a drop ceiling mounting configuration would violate the PI Order.;
- The publication of a November 5, 2019 article on Shure’s website, which purported to provide clarifications about Shure’s new MXA910W-A product. The article allegedly falsely or misleadingly suggested that the product complied with the PI Order and that the product was “‘not subject to’” that order.; and

- A February 25, 2020 Shure press statement, in which Shure allegedly misled customers into believing that its MXA910W-A product was specifically designed to comply with the PI Order, when in fact it permitted installation in a prohibited manner.

(D.I. 295 at 10-15, at ¶¶ 9-19) Shure is alleged to have made these statements in order to bias the customers/consumers against ClearOne, to wrongly assert that its MXA910W-A products were compliant with the PI Order and to get those consumers to buy Shure’s products instead of ClearOne’s products. (*Id.* at 10-15, at ¶¶ 9-21; *id.* at 30-31, at ¶¶ 55-64)

The issue of whether Shure’s alleged conduct could be considered “wrongful means” is easy to dispose of. That is because, as ClearOne noted, (D.I. 474 at 15; *see also id.* at 12), in Shure’s opening brief, Shure did not *actually argue* that ClearOne’s allegations of false or misleading statements were factually insufficient to survive summary judgment. Shure now claims that it *did* make this argument in its opening brief, but in support, it cites only to the content of the “Statement of Facts” section of that brief (and not to the “Argument” section). (D.I. 499 at 8 (citing D.I. 434 at 8-13); Tr. at 54-55) For reasons it has previously explained in prior opinions, the Court will not consider arguments for relief that were entirely made outside of the “Argument” section of a movant’s opening brief. *See Bos. Sci. Corp. v. Micro-Tech Endoscopy USA Inc.*, Civil Action No. 18-1869-CFC-CJB, 2020 WL 229993, at *8 n.6 (D. Del. Jan. 15, 2020) (“The ‘Argument’ section of a party’s opening brief . . . is the place where legal arguments supporting a motion are supposed to be located [and] the place where a[n opposing party] is supposed to look to [] know what it absolutely has to respond to in its answering brief.”), *report and recommendation adopted*, 2020 WL 564935 (D. Del. Feb. 5, 2020); *see also In re Horsehead Holding Corp. Sec. Litig.*, Civil Action No. 16-292-LPS-CJB, 2018 WL

4838234, at *17 (D. Del. Oct. 4, 2018) (same) (citing cases), *report and recommendation adopted*, 2019 WL 1409454 (D. Del. Mar. 28, 2019). Nor will the Court consider arguments made for the first time in Shure’s reply brief. *See Acceleration Bay LLC v. Activision Blizzard, Inc.*, Civil Action No. 16-453-RGA, Civil Action No. 16-454-RGA, Civil Action No. 16-455-RGA, 2017 WL 3738468, at *4 (D. Del. Aug. 29, 2017).

Generally, false statements that are independently actionable under state or federal law constitute “wrongful means” for purposes of a tortious interference claim. *See* Restatement (Second) of Torts § 768 cmt. f. (1979). Here, ClearOne argues that the allegedly false Shure statements (including Shure’s misrepresentation of its product’s compliance with a court order) are actionable under, *inter alia*, the Lanham Act. (D.I. 474 at 16-17) That Act imposes liability on any person “who ‘uses in commerce any word, term, name, symbol or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities.’” *POM Wonderful LLC v. Coca-Cola Co.*, 573 U.S. 102, 107-08 (2014) (quoting 15 U.S.C. § 1125(a)(1)).¹⁰ The Court is therefore not persuaded that summary judgment must be granted with respect to this aspect of ClearOne’s tortious interference claim.

(2) Proximate Cause

Turning next to proximate cause, the Delaware Supreme Court “has consistently held that the issue of proximate cause is ordinarily a question of fact to be determined by the trier of fact.”

¹⁰ In its reply brief, Shure contended that ClearOne’s argument regarding the establishment of “wrongful means” is “undeveloped and lacks any supporting evidence[,]” (D.I. 499 at 9), but it said nothing more about *why* that was so.

Duphily v. Del. Elec. Co-op., Inc., 662 A.2d 821, 830 (Del. 1995); *see also English v. Cole*, C.A. No. K16C-08-019 WLW, 2018 WL 4062131, at *2 (Del. Super. Ct. Aug. 24, 2018) (noting that “questions of proximate cause except in rare cases are questions of fact ordinarily to be submitted to the jury for decision”) (internal quotation marks and citations omitted). That is indeed the case here.

There is plenty of evidence that in August 2019, after the Northern District of Illinois Court issued the preliminary injunction against Shure’s microphone array product (as to the flush mounting of the product in a drop-ceiling mounting configuration), ClearOne was well positioned to make sales to customers who wanted just such a product. (D.I. 480, ex. 113 at 83-85 (Shure employee James Shantz testifying that after the order, Shure “didn’t have a product to sell for a couple months” that would fit in U.S. standard-size drop-ceiling configurations); *id.*, ex. 96 at ¶¶ 82-106 (Shure’s marketplace expert explaining that only “[r]elatively few microphone products” can be flush mounted to the ceiling, including Shure’s MXA910 products and ClearOne’s BMA products); D.I. 440, ex. 3 at ¶ 33 (ClearOne’s marketplace expert, concluding the same); *id.* at 15 n.24 (evidence that prospective Shure customers sought flush-mounted microphone array products during the time period, which Shure could not provide to them)) There is also record evidence that—at the time of and after the August 2019 preliminary injunction—at least certain of the above-referenced 19 customers (such as [REDACTED] [REDACTED] [REDACTED]) were expressing interest in buying ClearOne’s BMA products and/or expressing skepticism about purchasing Shure’s MXA910 products due to the injunction. (D.I. 479, ex. 76 at ¶ 97) But Shure is then alleged to have made

the false and misleading Shure statements (which, *inter alia*, allegedly wrongfully suggested that its MXA910W-A product was in compliance with the PI Order, or that ClearOne had made false statements about Shure’s compliance with that order) in the September 2019 to February 2020 time period. And then there is record evidence that those 19 customers—again, all customers who might otherwise have been expected to strongly consider buying ClearOne’s product in this timeframe—ended up purchasing Shure’s MXA910-A products from December 2019 through June 2020. (*Id.*, ex. 76 at ¶¶ 95, 97)¹¹ Putting all of the above evidence together, it is sufficient to allow the inference that, with respect to at least one or more of these 19 customers, the Shure statements “had an [] impact, drawing customers who were otherwise inclined to purchase ClearOne’s BMA products back to Shure[,]” (D.I. 474 at 14), and that that “but-for Shure’s false statements, [these] customers would have gone to ClearOne for a much *larger* number of products” in the relevant time period, (*id.* at 14-15 (emphasis in original)). Thus, the issue of proximate causation should go to the jury.

d. Resulting Damages to the Party Whose Relationship or Expectancy Has Been Disrupted

Shure contends that ClearOne’s showing as to the last element—sufficiently establishing resulting damages, or harm, from the interference—is wanting. (D.I. 434 at 22-23; D.I. 499 at 10-11) Ms. Rowe explained that her damages analysis provides an “allowance for sales of the MXA910-A that were installed in drop ceilings with 9/16-inch T-bars to the extent those

¹¹ For example, with regard to ██████████, there is evidence that after receiving the Narayanan Letter and hearing of the PI Order, the company initially determined not to buy any MXA910 products. (D.I. 479, ex. 76 at ¶ 97) But then ██████████ “later purchased ██████████ units of the MXA910-A from Shure.” (*Id.*)

installations are found not to infringe the '806 patent.” (D.I. 434, ex. 50 at ¶ 99)¹² Ms. Rowe noted that “Shure estimated that up to 50% of drop ceilings have 9/16-inch T-bars.” (*Id.*)

According to Shure, Ms. Rowe assumes that all remaining ceiling installations are mounted in an infringing manner, without any evidence to back up this assumption. (D.I. 434 at 22-23; D.I. 499 at 10-11; *see also* Tr. at 111-12)

Shure makes this same argument in its pending motion to exclude Ms. Rowe’s damages opinions. (D.I. 438 at 7-10; *see also* D.I. 474 at 17) The Court will assess this issue when it adjudicates that motion.

In the meantime, however, the Court finds a triable issue of fact exists with respect to this fourth “harm” element. This is because, as ClearOne notes, Ms. Rowe *also* calculates damages based on an *alternative* theory regarding what Shure would have done in a but-for world where it did not make the Shure statements. This alternative theory assumes that Shure, knowing that the product did not comply with the PI Order when it was installed in a certain configuration, would simply not have sold the MXA910-A *at all*. (D.I. 474 at 17)

In its briefing, Shure did not take issue with this alternative damages approach. Then at oral argument, Shure contended that Ms. Rowe’s damages report does not actually include such an alternative theory. (Tr. at 132-33) That is not correct, however. Ms. Rowe’s reports include the following information:

- The Northern District of Illinois Court found, in determining that Shure had violated the PI Order, that “if Shure were truly willing to give up some sales instead of

¹² ClearOne’s position is that any of the MXA910-A products that were utilized in ceilings with 15/16-inch ceiling grids would likely be installed in a manner that violated the PI Order, while those used in ceilings with 9/16-inch ceiling grids would not have done so. (D.I. 474 at 3-4; *see also* D.I. 479, ex. 76 at ¶ 99)

taking the risk of allowing customers to improperly flush-mount the MXA910-A, then Shure would not have released the MXA910-A at all and instead marketed and waited for the MXA910-US [an alternative, later-released Shure microphone array assembly product] (which would have avoided all of these problems) to come out.” (D.I. 434, ex. 50 at ¶ 43);

- If ClearOne’s expert Mr. Paul Waadevig is correct that customers in the industry would not have purchased the MXA910-A if Shure had not made false statements, Shure would not have sold the MXA910-A for use in a drop ceiling mounting configuration at all. (D.I. 438, ex. 4 at ¶ 22; *see also* D.I. 479, ex. 84 at ¶ 57); and
- Ms. Rowe spelled out what unjust enrichment damages would be for ClearOne’s counterclaims, and explained how those damages could include all of Shure’s profits for all sales of the MXA910-A in the given period. She also noted that “[t]o the extent that an adjustment should be made for sales of the MXA910-A that were installed in drop ceilings with 9/16-inch T-bars, Shure estimated that up to 50% of drop ceilings have 9/16 inch T-bars.” (D.I. 434, ex. 50 at ¶¶ 120-24)

Thus, Ms. Rowe did posit this alternative damages approach, which is not challenged by Shure’s Motion, and advances to trial.

e. Conclusion

For the above reasons, the Court finds that ClearOne has marshaled sufficient evidence with respect to the elements of its tortious interference counterclaim. Thus, it recommends that Shure’s Motion be denied with respect to that counterclaim (as well as to its unfair competition counterclaim, which undisputedly rises or falls with tortious interference).

2. DTPA

The Court next turns to the First Counterclaim, which alleges a violation of the DTPA. The DTPA prohibits “disparage[ment] of the goods, services or business of another by false or

misleading representations of fact,” committed “in the course of a business, vocation, or occupation.” *Agilent Techs., Inc. v. Kirkland*, C.A. No. 3512-VCS, 2009 WL 119865, at *10 (Del. Ch. Jan. 20, 2009) (internal quotation marks and citation omitted); *Wright v. Portfolio Recovery Affiliates*, Civ. Action No. 09-612-GMS, 2011 WL 1226115, at *5 (D. Del. Mar. 30, 2011). A DTPA claim is intended to address “patterns of deceptive conduct” rather than isolated incidents, and therefore relief under the DTPA is dependent on the party’s entitlement to injunctive relief. *Agilent Techs., Inc.*, 2009 WL 119865, at *10 (internal quotation marks and citation omitted); *see also State ex rel. Brady v. Pettinaro Enters.*, 870 A.2d 513, 537 (Del. Ch. 2005) (“[The DTPA] is not a vehicle for damages long after the immediacy of the grievance dissipates.”) (citation omitted). A claim for injunctive relief under the DTPA must be supported by facts that create a reasonable apprehension of a future wrong. *Agilent Techs., Inc.*, 2009 WL 119865, at *10.

Shure contends that summary judgment is appropriate with respect to ClearOne’s DTPA counterclaim because at the time of its operative pleading (and now), ClearOne had no basis for injunctive relief. Shure argues that this is so both because ClearOne failed to seek injunctive relief in its relevant pleading and because ClearOne has otherwise failed to show that Shure’s statements are causing ongoing harm. (D.I. 434 at 24-25; D.I. 499 at 11-14; Tr. at 25-27)

ClearOne counters by arguing that it did seek an injunction in its operative pleading, because: (1) the First Counterclaim expressly states that “ClearOne will continue suffering irreparable harm due to Shure’s statements without appropriate relief[.]” (D.I. 295 at 30, at ¶ 54); and (2) its pleading concludes by praying for “such other and further relief as the Court may deem just, proper, and equitable under the circumstances[.]” (*id.* at 36), which (according to

ClearOne) includes a request for injunctive relief. (D.I. 474 at 19 (citing *Newdow v. Lefevre*, 598 F.3d 638, 642 n.7 (9th Cir. 2010)) And even though the Shure statements were last made in February 2020, and Shure stopped selling its MXA910-A or MXA910W-A products in June 2020, ClearOne argues it has sufficiently shown that harm from the Shure statements remains ongoing. To that end, ClearOne notes that: (1) Shure has not issued a retraction of the Shure statements; (2) certain allegedly false statements remained on Shure’s website as of at least May 2021; and (3) although Shure has stopped selling the MXA910 and MXA910-A products, many of those devices still remain in stock with resellers who probably wrongly believe (thanks to Shure) that the Illinois court has blessed the MXA910-A as compliant with the injunction. (D.I. 479 at ¶ 4; *id.*, ex. 79 at WPSIL_000122; *id.*, ex. 80; *id.*, ex. 81 at ¶¶ 5-6; D.I. 480, ex. 119; *see also* D.I. 474 at 20-21; Tr. at 57)¹³

The Court agrees with Shure that summary judgment should be granted regarding the First Counterclaim. Even assuming *arguendo* that ClearOne’s operative pleading sought injunctive relief as to this counterclaim, the record does not show that ClearOne actually has a basis for such relief. The Court so concludes for three reasons.

¹³ ClearOne also argues that Shure’s challenge to ClearOne’s DTPA claim is untimely and therefore waived, since it is based on an alleged pleading deficiency (i.e., the failure to seek injunctive relief in the operative pleading). (D.I. 474 at 19-20) The Court is not persuaded by this particular argument, however, because Shure’s argument is not *just* that ClearOne’s pleading failed to request injunctive relief, but also that ClearOne “has no basis for injunctive relief now, and had none when it filed its counterclaim.” (D.I. 499 at 11; *see also id.* at 12; D.I. 434 at 25) Thus, Shure’s challenge is appropriate at the summary judgment stage. *See, e.g., Lipson*, 790 A.2d at 1290 (granting summary judgment with respect to plaintiffs’ unfair trade practices claim where plaintiffs “wisely” declined to seek injunctive relief as “[t]he incidents of which they complain occurred more than one year before the complaint was filed and more than two years from the time of this writing”); *see also Lynch v. Coinmaster USA, Inc.*, 614 F. Supp. 2d 494, 505 (D. Del. 2009).

First, ClearOne’s experts confined their opinions to damages periods (periods lasting through June 2020, the last month when the MXA910-A or MXA910W-A were sold) that predate the filing of the First Counterclaim (which was filed on July 27, 2020). (D.I. 434, ex. 52 at ¶ 49; *id.*, ex. 50 at ¶¶ 11-15, 45, 78; *see also* D.I. 295) The Court is thus not aware of any portion of ClearOne’s experts’ reports that explain how or why it is likely that the Shure statements at issue will cause ongoing harm beyond mid-2020. (*See* D.I. 499 at 12-13)

Second, although ClearOne referred (as noted above) to some allegedly false statements that still remain on Shure’s website, those are statements from August 23, 2019, June 1, 2020 and September 4, 2020, respectively. (D.I. 480, ex. 119) None of these statements are the allegedly false or misleading statements (i.e., the Shure statements) that ClearOne cited in its operative pleading. (D.I. 295 at 10-15, at ¶¶ 9-21) And ClearOne does not point to any record evidence stating how or why these August 2019-September 2020 statements are actually false or misleading. (D.I. 434, ex. 52 at ¶ 49; *see also* D.I. 474 at 2-3; D.I. 499 at 13; Tr. at 27)

Third, ClearOne speculates that it is “entirely possible” that Shure may attempt to sell the MXA910-A or MXA910W-A again in the future (and thus that the Shure statements could potentially cause future harm manifested by certain of those sales). (D.I. 474 at 21) But “an inference based upon a speculation or conjecture does not create a material factual dispute sufficient to defeat entry of summary judgment[.]” *Robertson v. Allied Signal, Inc.*, 914 F.2d 360, 382 n.12 (3d Cir. 1990).

Without more, ClearOne’s arguments fail to create a triable issue of fact with respect to ongoing harm. The Court therefore recommends that summary judgment be granted with respect to ClearOne’s First Counterclaim. *See, e.g., Wilo USA, LLC v. RST Thermal, Inc.*, No. 13 C

4041, 2013 WL 6577291, at *3 (N.D. Ill. Dec. 13, 2013) (granting a motion to strike a DTPA claim where the defendant “does not seek injunctive relief, as there is no behavior on [plaintiff’s] part to enjoin at this point”); *Grand Ventures, Inc. v. Whaley*, 622 A.2d 655, 662 (Del. Super Ct. 1992) (concluding, in a post-trial opinion, that a DTPA claim must be rejected because the “[a]ny deception to [the plaintiff] occurred in the past; plaintiff could not claim any prospective ‘likelihood of damage’ based on the deception alleged [because] [t]he damage [] already occurred”) (internal quotation marks and citation omitted).

C. Unclean Hands

Shure lastly moves for summary judgment regarding ClearOne’s unclean hands defense. With that defense, ClearOne requested that “Shure . . . be prevented . . . from asserting its claims relating to false advertising because [Shure] made similar comments about ClearOne’s products and the parties’ litigation.” (D.I. 295 at 8; *see also* D.I. 434, ex. 37 at 2-5)

Application of the unclean hands defense is a question of fact; it is therefore generally reserved for a jury. *Bd. of Trs. for Laborers Health & Welfare Trust Fund for N. Cal. v. Turner Grp. Constr.*, Case No. 20-cv-01244-DMR, 2021 WL 516039, at *5 (N.D. Cal. Feb. 11, 2021); *TIG Ins. Co. v. United Nat’l Ins. Co.*, CASE NO. 05-60672-CIV-DIMITROULEAS, 2006 WL 8431542, at *6 (S.D. Fla. July 19, 2006). To establish the defense, ClearOne must demonstrate that five elements are satisfied: “(1) a party seeking affirmative relief (2) is guilty of conduct involving fraud, deceit, unconscionability, or bad faith (3) directly related to the matter in issue (4) that injures the other party (5) and affects the balance of equities between the litigants.” *Sprint Commc’ns Co. L.P. v. Charter Commc’ns, Inc.*, Civil Action No. 17-1734-RGA, 2021 WL 982726, at *12 (D. Del. Mar. 16, 2021) (internal quotation marks and citations omitted).

Additionally, “courts require clear, convincing evidence of ‘egregious’ misconduct before invoking the doctrine of unclean hands.” *Citizens Fin. Grp., Inc. v. Citizens Nat. Bank of Evans City*, 383 F.3d 110, 129 (3d Cir. 2004); *see also Connelly Constr. Corp. v. Travelers Cas. & Sur. Co. of Am.*, CIVIL ACTION No. 16-555, 2018 WL 263316, at *12 (E.D. Pa. Jan. 2, 2018). Shure argues that ClearOne cannot prove that the Shure statements at issue meet elements two, three and four. (D.I. 434 at 25-27; D.I. 499 at 14-16)

With respect to element two (i.e., is Shure guilty of conduct involving “fraud, deceit, unconscionability, or bad faith”) the United States of Appeals for the Third Circuit has explained that a plaintiff’s misconduct “need not necessarily have been of such a nature as to be punishable as a crime or as to justify legal proceedings of any character” and that “[a]ny willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient[.]” *Scherer Design Grp., LLC v. Ahead Eng’g LLC*, 764 F. App’x 147, 150 n.6 (3d Cir. 2019). Shure asserts that ClearOne cannot satisfy this element, since the Shure statements merely clarified the availability of Shure’s own MXA910-A product in the midst of customer confusion, which was created by ClearOne’s own prior alleged campaign of misinformation. (D.I. 434 at 26; D.I. 499 at 14-15)

The Court agrees with ClearOne that there is a material dispute of fact with respect to whether the Shure statements were false and misleading (and thus, could amount to acts of “deceit” or “bad faith,” for example). For instance, ClearOne points to Shure’s November 5, 2019 statement that the Northern District of Illinois Court had ruled that the MXA910W-A product was “not included” under its PI Order. (D.I. 295 at 13, at ¶ 16; D.I. 434, ex. 37 at 3-4) ClearOne notes that on November 3, 2019, the Northern District of Illinois Court had issued an

order specifically declining to rule on whether the product was or was not covered by the PI Order (and that the Court ultimately later ruled that Shure had in fact violated the PI Order in designing the product). (D.I. 434, ex. 37 at 3-4; D.I. 452, ex. 29 at 32) A jury might reasonably think that when Shure communicated that the product was “not included” under the PI Order, this was a false statement—i.e., that Shure was suggesting to prospective customers that the Northern District of Illinois Court had ruled that installing the product would not violate the PI Order (when the Court had done no such thing). (D.I. 474 at 23) And transmitting false information to the marketplace has been found to be sufficient to invoke the unclean hands defense. *See, e.g., Emco, Inc. v. Obst*, No. CV03-6432-R (RZX), 2004 WL 1737355, at *4-5 (C.D. Cal. May 7, 2004) (granting a motion for summary judgment barring defendant Diamond Blade Warehouse, Inc. (“DBW”) from relief under the Lanham Act, in light of its unclean hands, where DBW’s use of the name “Americut” to market blades that were not manufactured in the United States constituted “a false statement of fact about the geographic origin of DBW’s goods”); *see also Grasshopper House, LLC v. Clean & Sober Media LLC*, 394 F. Supp. 3d 1073, 1102 (C.D. Cal. 2019) (finding that certain parties had unclean hands with respect to their Lanham Act claim, where these parties created purportedly independent and unbiased websites that advocated on behalf of their addiction treatment facilities, without disclosing that the websites were also owned by or affiliated with those parties), *vacated in part on other grounds*, 2021 WL 3702243 (9th Cir. Aug. 20, 2021).

As for the third element (i.e., whether the statements are “directly related to the matter in issue”), the unclean hands doctrine is not applicable just because a plaintiff has engaged in *some* inequitable conduct. *Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*,

292 F. Supp. 2d 594, 610 (D.N.J. 2003). Rather, the nexus between the plaintiff’s misconduct and the activities sought to be enjoined “must be close.” *Highmark, Inc. v. UPMC Health Plan, Inc.*, 276 F.3d 160, 174 (3d Cir. 2001) (internal quotation marks and citation omitted); *see also Scherer Design Grp., LLC*, 764 F. App’x at 151 (explaining that unclean hands “only applies when there is a direct nexus between the bad conduct and the activities sought to be enjoined”) (internal quotation marks and citations omitted). Shure contends that as a matter of law, there is no close nexus between (1) the Shure statements, made to Shure’s customers regarding its *own products*; and (2) ClearOne’s allegedly false statements, which were made about its *competitor’s products* (i.e., Shure’s products). (D.I. 434 at 27; D.I. 499 at 15-16; Tr. at 31-32) According to Shure, the parties’ statements at issue are not “directly related,” since it is not as if both parties made statements about their *own products* (i.e., Shure about the MXA-910 products and ClearOne about the BMA CT products). (D.I. 499 at 16)

ClearOne disagrees. It notes that both the Shure statements, as well the ClearOne statements that are the subject of Shure’s false advertising claims, all concern the meaning and effect of the preliminary injunction issued in the Northern District of Illinois Action. (D.I. 474 at 24; Tr. at 61-62) Moreover, ClearOne notes that one of the Shure statements at issue (i.e., Shure’s September 4, 2019 statement), (*see* D.I. 295 at 12, at ¶ 11), was issued *in response* to the Narayanan Letter—the very letter that is targeted in Shure’s false advertising claims, (*see* D.I. 64 at ¶¶ 21-22). (D.I. 474 at 24-25)

The Court finds there to be a material dispute of fact with respect to this third element. The Court is aware of no case requiring that, as to this element, the parties’ respective statements must be an exact mirror image of each other. And a reasonable juror could find that the Shure

statements directly relate to ClearOne’s challenged conduct. For example, in that September 4, 2019 statement, Shure characterized the Narayanan Letter to market participants as being misleading and false, (D.I. 434 at 6-7); Shure stated that in the Narayanan Letter, ClearOne “again tries to misinform, mislead, and seemingly intimidate and threaten customers in the marketplace, by both making false statements and omitting important facts about the scope and impact of the recent preliminary injunction granted by a federal court in Chicago on Shure’s ability to supply and support MXA910 products[,]” (*see* D.I. 434, ex. 37 at 2-3 (internal quotation marks and citation omitted)). With its affirmative defense, ClearOne asserts that Shure’s statement “was itself false and clearly incorrect because none of the statements *in the Narayanan Letter* are incorrect.” (*Id.* at 3 (emphasis added))¹⁴ When a party responds to another party’s alleged improper conduct “with the same or substantially similar conduct[,]” such conduct is sufficient to satisfy the third element. *Grasshopper House, LLC*, 394 F. Supp. 3d at 1102-03; *FLIR Sys., Inc. v. Sierra Media, Inc.*, 965 F. Supp. 2d 1184, 1196 (D. Or. 2013) (finding this third element satisfied where “[the plaintiff’s] advertisement [at issue in the unclean hands defense] was in response to the advantage [it] perceived [the defendant] to have in ruggedness, and which it expected [the defendant] to try and capitalize on[,]” and where the defendant had attempted to capitalize on that advantage in the video that was the subject of the

¹⁴ To this, Shure contends that its September 4, 2019 statement in response to the Narayanan Letter is not a statement that ClearOne sufficiently challenges as being false. (D.I. 499 at 15; *see also* Tr. at 64 (Shure asserting that “ClearOne doesn’t make any allegations with respect to” Shure’s September 4, 2019 statement)) But this statement is described as a false statement in ClearOne’s pleading, (D.I. 295 at 10-12, at ¶¶ 9-13), and is also described as a communication supporting ClearOne’s unclean hands defense in ClearOne’s relevant interrogatory response, (D.I. 434, ex. 37 at 2-3).

plaintiff's false advertising claim); *see also, e.g., Stokely-Van Camp, Inc. v. Coca-Cola Co.*, 646 F. Supp. 2d 510, 533 (S.D.N.Y. 2009) ("Courts . . . have routinely found that a plaintiff's misconduct relates to the subject matter of its claims where, as here, the plaintiff has engaged in the same kind of behavior that it challenges.").¹⁵

As for the fourth "harm" element, ClearOne has identified evidence indicating that Shure's statements regarding the availability of its products caused ClearOne harm. (D.I. 474 at 13-15; D.I. 480, ex. 76 at ¶ 97; D.I. 479, ex. 96 at ¶ 82); *see also supra* pps. 20-22. This evidence is sufficient to raise a triable issue of fact with respect to this element of unclean hands.

IV. CONCLUSION

¹⁵ In asserting that there is no close nexus between the parties' claims here as a matter of law, Shure relies on *Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 594 (D.N.J. 2003), claiming that the case involved similar facts. (D.I. 434 at 26-27; D.I. 499 at 15-16; Tr. at 63) In that case, which involved a motion for a preliminary injunction, the Court found that the defendant (who was asserting the unclean hands defense) had failed to allege sufficient injury (i.e., the fourth element). *Pharmacia*, 292 F. Supp. 2d at 610. But the *Pharmacia* Court also ruled that the defendant had failed to establish the third "nexus" element, because the nexus between the parties' respective statements at issue was "too remote." *Id.* at 611. The Court explained that the plaintiff's alleged false statement—made in an October 2002 press release regarding its own product—did not disparage the defendant's product. *Id.* at 610-11. Meanwhile, the defendant's alleged false statement directly attacked the plaintiff's product and was made in a "recurring television commercial aimed at influencing millions of consumers." *Id.* at 597, 610-11.

In the Court's view, the facts of *Pharmacia* are distinguishable. For one thing, the plaintiff's false statement in *Pharmacia* was not made *in response* to the defendant's statement at issue. And the respective statements there did not neatly align in terms of their subject matter, in that the plaintiff's single statement solely addressed its own product while the defendant's recurring commercial compared the parties' two products. *Id.* at 597, 610. In this case, however, the statements at issue concern the same basic subject matter—the impact of the parties' litigation on the availability of Shure's MXA910 or MXA910-A products. (D.I. 474 at 24-25; Tr. at 59-60, 62)

For the foregoing reasons, the Court recommends that Shure's Motion be DENIED with respect to ClearOne's Second and Third Counterclaims and unclean hands defense, and GRANTED with respect to ClearOne's First Counterclaim.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and D. Del. LR 72.1. Any objections to this Report and Recommendation should be filed by **September 23, 2021**; any responses should be filed by **September 30, 2021**. The failure of a party to object to legal conclusions may result in the loss of the right to *de novo* review in the district court. *See Sincavage v. Barnhart*, 171 F. App'x 924, 925 n.1 (3d Cir. 2006); *Henderson v. Carlson*, 812 F.2d 874, 878-79 (3d Cir. 1987).

The parties are directed to the Court's Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court's website, located at <http://www.ded.uscourts.gov>.

Because this Report and Recommendation may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version (if necessary) of the Report and Recommendation. Any such redacted version shall be submitted no later than **September 21, 2021** for review by the Court. It should be accompanied by a motion for redaction that shows that the presumption of public access to judicial records has been rebutted with respect to the proposed redacted material, by including a factually-detailed explanation as to how that material is the "kind of information that courts will protect and that disclosure will work a clearly defined and serious injury to the party seeking closure." *In re Avandia Mktg., Sales Pracs. & Prods. Liab. Litig.*, 924 F.3d 662, 672 (3d

Cir. 2019) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Report and Recommendation.

Dated: September 16, 2021



Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE