Durie Tangri

Fee Shifting & Ethics

Clement S. Roberts
Durie Tangri LLP
December 11, 2015

Overview

- A brief history of fee shifting & the law after *Octane Fitness*
- Early empirical findings
- Is this the right rule from an ethical perspective?
- Pre-filing investigation
- Relationship to ABA Model Rules
  - > 1.2, 1.4, 3.1, & 3.2
- Cautionary Tails …

History of Fee Shifting

- Pre-1946: no fee shifting provision.
- In1946 Congress added §70: “may in its discretion award reasonable attorney’s fees to the prevailing party upon the entry of judgment in any patent case.”
- In 1952 Congress rewrote as §285: “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.”

Brooks Furniture Mfg. v. Dutailier Int'l, 393 F.3d 1378 (Fed. Cir. 2005)

"Absent misconduct in conduct of the litigation or in securing the patent, sanctions may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless."

Required *clear and convincing* evidence.

How the rule was applied:

216 fee awards, 71% to plaintiff 2003-2013

Vishnubhakat, Duke Law Journal, Vol 63, (2014)

208 fee awards, 68% to plaintiff, 2003-2013

Liang & Berliner, Va. J.L. & Tech. 59, (2013)

194 fee awards, 57% to plaintiff, 2005-2011

Colleen V. Chien, *Reforming Software Patents*, 50 HOU L. REV. 323, 380 n.330 (2012)

Octane Fitness, LLC v. ICON Health & Fitness Inc., 134 S. Ct. 1749 (2014)

- Framed *pre-Brooks* law as involving a "totality of the circumstance" test.

- Holding: "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances.

- Also: "Because § 285 commits the determination whether a case is "exceptional" to the discretion of the district court, that decision is to be reviewed on appeal for abuse of discretion." *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1748 (2014)

Early Empirical Analysis:

April 29, 2014 to March 1, 2015, district courts awarded fees under §285 in 27 cases based on 63 motions (43%).

Jiam, *Fee-Shifting and Octane: An Empirical Approach Toward Understanding 'Exceptional'*, Berkeley Tech L, Journal, *Forthcoming* (April 21, 2015)

April 29, 2014 to December 31, 2014 Defendants won 20 out of 42 motions (48%) Plaintiffs won 6 out of 13 motions (46%)

Jones, A SHIFTING LANDSCAPE FOR SHIFTING FEES, Washington Law Review, Vol. 90 (March, 2015)

Plaintiff's went from 36% chance of receiving fees in the 9 months prior to *Octane cert* to 27% in the nine months post *Octane* decision, while accused infringers went from 27% to 49%.

Flanz, Octane Fitness: The Shifting of Patent Attorneys' Fees Moves into High Gear, Stanford Technology Law Review, Forthcoming (June 26, 2015) NB: pre Octane data set n=39, post Octane data set n=59

Is this a good rule?

- Even out the awards to plaintiffs and defendants?
- Increase in judge dependent outcomes and implications for venue?
  - NB: Opportunity for reducing variability will be decreased by the ruling in *Highmark*
- Should we be judging conduct by what *is* exceptional rather than what *should be* exceptional?

Pre-filing Investigation

- Having a Rule 11 basis is not enough!
- Must have claim construction positions and infringement theories that are *reasonable* (not merely arguable).
- A pre-filing investigation cannot cure inherent weakness in a case.

See Segan v. Zynga, 3:14-cv-01315-VC (N.D. Cal., Sept. 10, 2015) ("This case was objectively baseless from the start, and no amount of lawyer activity prior to filing suit could have changed that…")

ABA Model Rules 1.2 & 3.1

"[A] lawyer shall abide by a client's decisions concerning the objectives of representation and… shall consult with the client as to the means by which they are to be pursued."

"A lawyer shall not bring or defend a proceeding, or assert or controvert an issue therein, unless there is a basis in law and fact for doing so that is not frivolous…"

Should you represent a client in pursuing a claim which satisfies Rule 11 but has risk of being found exceptional? How much risk is okay? Does it matter if the potential problems are within the lawyer's domain rather than the client's?

ABA Model Rule 1.4

"A lawyer shall ...keep the client reasonably informed about the status of the matter ... A lawyer shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation."

Should inform the client about the risk as the case progresses and the law evolves.

Should keep in mind that it is difficult for a client to understand this risk b/c it is relative to a data set (other cases) to which the client does not normally have access.

ABA Model Rule 3.2

"A lawyer shall make reasonable efforts to expedite litigation consistent with the interests of the client."

Under Octane, the exceptional case doctrine acts as a backstop to this principle – litigation conduct can factor into a fee award.

Cautionary Tails …

Segan v. Zynga, 3:14-cv-01315-VC (N.D. Cal., Sept. 10, 2015)

Lucas IP, LLC v. Volvo Car Corp., No. 12-2906, 2015 WL 1399175 (D.N.J. Mar. 26, 2015)

Kilopass Tech. Inc. v. Sidense Corp., No. C 10-02066 SI, 2014 WL 3956703 (N.D. Cal. Aug. 12, 2014)

Lumen View Tech., LLC v. Findthebest.com, Inc., No. 13 CIV 3599 DLC, 2014 WL 244867 (S.D.N.Y. May 30, 2014)

Durie Tangri

Thank You!

Clement S. Roberts

Durie Tangri LLP