

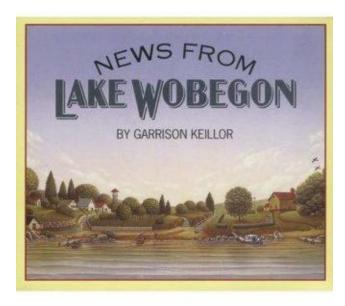
## FOR SERVICES RENDERED: SEEKING FEES FOR EXCEPTIONALITY

Rich Hung

December 8, 2016



## The court in *exceptional cases* may award attorney's fees to the prevailing party.



#### Old Law: Brooks Furniture

- Large company
- Multiple infringement opinions: "Reasonable, comprehensive & competent"- at first glance
- "Harsh" cease & desist letters to multiple companies, large & small
- Opinion & litigation firm same

| n   | [11] Patent Number: Des. 417,983   |  |  |
|---|--|--|--|
| Desnoyers   | [45] Date of Patent: ** Dec. 28, 1999  |  |  |
| [54] ROCKING CHAIR TRIM   | D. 211,786 7/1968 Granger  |  |  |
| [75] Inventor: Charles Desnoyers, St. Pic, Canada   | 2,346,629 4/1944 Travers   |  |  |
| [73] Assignce: Dutailier International Inc., St. Pic,<br>Canada   | Primary Examiner—James Gandy<br>Assistant Examiner—Mimosa De<br>Attorney, Agent, or Firm—Ladas & Parry                   |  |  |
| [**] Term: 14 Years   | [57] CLAIM   |  |  |
| [21] Appl. No.: 29/093,058  | The ornamental design for rocking chair trim, as shown and<br>described.   |  |  |
| [22] Filed: Sep. 2, 1998  | DESCRIPTION  |  |  |
| Related U.S. Application Data   | FIG. 1 is a front perspective view of rocking chair trin   |  |  |
| [62] Division of application No. 29/077,037, Sep. 24, 1997, Pat<br>No. Des. 401,425.  | embodying the design;<br>FIG. 2 is a left side elevational view of the rocking chair trin<br>of FIG. 1;                  |  |  |
| [30] Foreign Application Priority Data  | FIG. 3 is a front elevational view of the rocking chair trin   |  |  |
| Aug. 25, 1997 [CA] Canada   | FIG. 4 is a top plan view of the rocking chair trim of FIG   |  |  |
| [51] LOC (6) Cl   |  |  |  |
| [58] Field of Search D6(334, 335, 336, D6(344, 347, 369, 371, 491, 500, 501, FIG. 1; and, D6(344, 347, 369, 371, 491, 500, 501, FIG. 6 is a right side elevational view of the rocking 502; 297/273, 281, 282 |  |  |  |
| [56] References Cited   | The portions of the rocking chair shown in broken lines in<br>the drawing are for illustrative purposes only and form no |  |  |
| U.S. PATENT DOCUMENTS   | part of the claimed design.  |  |  |
| D. 211,632 7/1968 Granger D6/500  | 0 1 Claim, 2 Drawing Sheets  |  |  |
|   |  |  |  |

#### Brooks Furniture: Procedural History

- Brooks filed Tenn. DJ action
- Won MSJ of non-infringement
- Reliance on opinion's "unreasonable" conclusions = bad faith
- So exceptional case

|               | 03-1379   |
|---------------|---|
|               |   |
|               | BROOKS FURNITURE MANUFACTURING, INC.,   |
|               | Plaintiff-Appellee,   |
|               | · v.  |
|               | DUTAILIER INTERNATIONAL, INC. AND DUTAILIER, INC.,  |
|               | Defendants-Appellants.  |
| Before NEWM   | IAN, LOURIE, and DYK, <u>Circuit Judges</u> .   |
|               | er International, Inc. and Dutailier, Inc. (together "Dutailier"), appeal the             |
|               | e United States District Court for the Eastern District of Tennessee <sup>1</sup> holding |
| that Brooks'  | action for declaratory judgment that Dutailier's patent is invalid and not                |
| infringed con | stitutes an exceptional case and awarding attorney fees. The award is                     |
| vacated.      |   |

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*.

Brooks Furniture, Mfg. Inc. v. Dutailier Int'l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005) (citing Prof. Real Estate Investors v. Columbia Pictures Indus., 508 U.S. 49, 60-61 (1993)) There is a presumption that the assertion of infringement of a duly granted patent is made in good faith.... Thus, the underlying improper conduct and the characterization of the case as exceptional must be established by *clear and convincing evidence*.

Brooks Furniture, Mfg. Inc. v. Dutailier Int'l, Inc., 393 F.3d 1378, 1382 (Fed. Cir. 2005)

#### Aftermath of Brooks Furniture

• Objective prong:

The question is whether iLOR's broader claim construction was so unreasonable that **no** *reasonable litigant could believe it would succeed*.

• Subjective prong:

[T]he plaintiff's case must have no objective foundation, and the *plaintiff must actually know this*.

*iLOR, LLC v. Google, Inc.,* 631 F.3d 1372, 1377-78 (Fed. Cir. 2011)

#### New Law: Octane

- ICON non-practicing patentee
- Octane makes competing elliptical machines

| Ur           | nited  | Sta  | tes Patent [19]  | [11]  | Pat  | tent N   | umber:   | 6,019,710               |
|--------------|--|--|--|---|--|--|--|-------------------------|
| Dal          | ebout e  | t al.  |  | [45]  | Da   | te of  | Patent:  | Feb. 1, 200             |
| [54]         | EXERCI<br>MOVEN  |  | DEVICE WITH ELLIPTICAL   | 5,611<br>5,611<br>5,611   | ,757   | 3/1997<br>3/1997<br>3/1997   | Rodgers, Jr  |                         |
| [75]         | Inventors  |  | a <b>m T. Dalebout</b> , Logan; Steven<br>t, Clinton, both of Utah   | 5,63<br>5,65<br>5,68  | ,058<br>,662<br>,333                                       | 6/1997<br>8/1997<br>11/1997  | Rodgers, Jr<br>Rodgers, Jr<br>Rodgers, Jr                                | 482/5<br>482/5<br>482/5 |
| [73]         | Assignee   | ICO<br>Utah  | N Health & Fitness, Inc., Logan,   | 5,685<br>5,690<br>5,742<br>5,788  | ,589<br>,834   | 11/1997<br>11/1997<br>4/1998<br>8/1998                             | Rodgers, Jr<br>Rodgers, Jr   | al                      |
| [21]         | Appl. No   | .: 09/0  | 03,322   | 5,919   |  |  |  | 482/5                   |
| [22]         | Filed:   | Jan.   | 6, 1998  |   | FO   | REIGN  | PATENT DOG   | UMENTS                  |
| [51]<br>[52] |  |  | A63B 22/04; A63B 69/16<br>482/70; 482/51   |   | 4 A1   | 11/1980  | Germany .  |                         |
| [58]         |  |  | 482/51-53, 57,<br>482/70, 79, 80, 71   | Primary   |  |  |  | , Nydegger & Seeley     |
| [56]         |  | R  | eferences Cited  | [57]  | 5  |  | ABSTRACT   |                         |
| 1            | 5,540,637<br>5,549,526<br>5,562,574 1<br>5,573,480 1<br>5,577,985 1<br>5,591,107<br>5,593,371<br>5,593,372 | 6/1996<br>7/1996<br>8/1996<br>0/1996<br>1/1996<br>1/1997<br>1/1997<br>1/1997<br>1/1997 | Rodgen, Jr. 402,57<br>Rodgen, Jr. 402,57<br>Rodgen, Jr. 402,57<br>Rodgen, Jr. 402,57<br>Rodgen, Jr. 402,51<br>Rodgen, Jr. 402,51<br>Rodgen, Jr. 402,52<br>Rodgen, Jr. 402,52<br>Rodgen, Jr. 402,52 | is hinged<br>a crank i<br>crank arr<br>ing ends<br>of the cr<br>stroke ra | ly atta<br>s rotat<br>ns cac<br>of the<br>ank a<br>il bety | wheed to<br>ably mo<br>th ortho<br>axle in<br>rm is ro<br>ween the | a correspondir<br>ounted to the su<br>gonally project<br>opposing direct |                         |
|              |  |  | a Hu   | /**   |  |  |  |                         |
|              |  |  | H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H<br>H  | S S S S S S S S S S S S S S S S S S S                                     |  | 51   |  |                         |

#### Octane: Facts

• "Stray comments" in e-mail:

"We're suing Octane. Not only are we coming out with a greater product to go after them, but throwing a lawsuit on top of that."

"Just clearing the way and making sure you guys have all your guns loaded."

"I heard we are suing Octane!"

"Yes – old patent we had for a long time that was sitting on the shelf. They are just looking for royalties."



#### Octane: Procedural History

- Minnesota action
- SJ of non-infringement
- Arguments not "frivolous" or "objectively baseless"
- CAFC affirms non-exceptional case
- S. Ct. reverses & remands

| (Stip Opinicm) OCTOBER TERM, 2013 1   |
|---|
| (Slip Opinion) OCTOBER TERM, 2013 1   |
|   |
| Syllabus  |
| NOTE: Where it is feasible, a syllabus (headnote) will be released, as is<br>being done is connections with this case, at the time the optimin is inved.<br>The syllabus constitutions no part of the optimizer of the Court but has been<br>propared by the Reports of Decisions for the convenience of the reader.<br>See United Shiles - Natural Thinkow (hamber CA, 200 US, 521, 557.   |
| SUPREME COURT OF THE UNITED STATES  |
| Syllabus  |
| OCTANE FITNESS, LLC v. ICON HEALTH & FITNESS,<br>INC.   |
| CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR<br>THE FEDERAL CIRCUIT   |
| No. 12-1184. Argued February 26, 2014-Decided April 29, 2014  |
| The Patent Act's fee-shifting provision authorizes district courts to<br>award attorney's fees to prevailing parties in "exceptional cases." 35<br>U. S. C. §285. In Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.,<br>393 F. 3d 1378, 1381, the Federal Circuit defined an "exceptional<br>case" as one which either involves "material inappropriate conduct"<br>or is both "objectively baseless" and "brought in subjective bad faith."<br>Brooks Furniture also requires that parties establish the "exception-<br>al" nature of a case by "clear and convincing evidence." Id., at 1382.<br>Respondent ICON Health & Fitness, Inc., sued petitioner Octane<br>Fitness, LLC, for patent infringement. The District Court granted<br>summary judgment to Octane. Octane then moved for attorney's fees<br>under §285. The District Court denied the moving furniture framework, finding ICON's claim to be neither objectively<br>baseless nor brought in subjective bad faith. The Federal Circuit af-<br>firmed. |
| <ul> <li>Held: The Brooks Furniture framework is unduly rigid and impermissibly encumbers the statutory grant of discretion to district courts. Pp. 7-12.</li> <li>(a) Section 285 imposes one and only one constraint on district courts discretion to ward attorney's fees: The power is reserved for "exceptional" cases. Because the Patent Act does not define "exceptional," the term is construed in accordance with [its] ordinary meaning." Sebelius v. Clor., 569 U.S In 1952, when Congress used the word in §285 (and today, for that matter), "[e]xceptional" meaning." Turce, "on to trainary." Webster's New International Dictionary 889 (2d ed 1954). An "exceptional" case, then, is simply one that stands out from others with re-</li> </ul>   |

The Patent Act does not define "exceptional," so we construe it "in accordance with [its] *ordinary meaning*."...

In 1952, when Congress used the word in § 285 (and today, for that matter), "[e]xceptional" meant "*uncommon*," "*rare*," or "*not ordinary*."

> *Octane Fitness, LLC v. ICON Health & Fitness, Inc.* 134 S. Ct. 1749, 1756 (2014)

#### *Octane*: Weak Substance or Unreasonable

We hold, then, that 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*.

[T]here is *no precise rule or formula* for making these determinations. . . .

*Octane Fitness, LLC v. ICON Health & Fitness, Inc.* 134 S. Ct. 1749, 1756 (2014) [W]e reject the Federal Circuit's requirement that patent litigants establish their entitlement to fees under § 285 by "clear and convincing evidence[.]"...

Section 285 demands a simple discretionary inquiry; it imposes no specific evidentiary burden, much less such a high one. Indeed, patent-infringement litigation has always been governed by a *preponderance of evidence standard*.

*Octane Fitness, LLC v. ICON Health & Fitness, Inc.* 134 S. Ct. 1749, 1756 (2014)

#### New Law: *Highmark*

- Managed health care systems to interconnect physicians, patients & financial institutions
- Highmark is a Penn. insurance co.
- Case transferred to W.D. Tex.
- Withdrew claim 102
- MSJ of non-infringement for claim 52 & dependent claim 53

| [54] ALL CARE HEALTH MANAGEMENT<br>SYSTEM         4.916.611           [55] Inventor: Desmond D. Cummings, Jr., 2309<br>Orchard Dr., Apopka, Fla. 32715         5.018.067           [75] Inventor: Desmond D. Cummings         Fla. 32715           [73] Assignee: Desmond D. Cummings         Fla. 32715           [21] Appl. No: 683,032         Flaid of Search           [36] Field of Search         364/401, 364/406, 364/406, 364/406, 458, 169           [36] Field of Search         364/401, 364/406, 458, 169           [37] Assignee: Deschenes et al.         4.916,611           4.250,114 V1981 Siawa 225/972         364/408           1.677,693 10/1972 Deschenes et al.         364/408           4.917,253 1/1989 Watanabe         215/972           3.7         Section 2019 546         364/408           3.7         Section 2019 546         364/408           3.7         Section 2019 546         37           3.0         Section 2019 546         37           3.0         Section 2019 546         37           3.1         Section 2019 546  | Date of Patent:  | Apr. 5, 1994  |
|--|--|---|
| SYSTEM         5018,067           [75] Inventor: Desmond D. Cammings, Jr., 2309<br>Orchard Dr., Apopha, Fla. 22175         Excerpt from Magazine<br>for Magazine<br>(21 Appl. No.: 683,032           [21] Appl. No.: 683,032         Solidoff 7/00           [21] Filed: Apr. 8, 1991         GOFT 7/00           [32] Filed of Search         364/400; 364/400;<br>364/400; 364/400;           [33] Field of Search         364/400; 364/400;<br>364/400; 364/400;           [34] Field of Search         364/400; 364/400;           [300,931] 10/1912         Duchenes et al.           [307,931] 10/1912         Duchenes et al.           [307,931] 10/1912         Duchenes et al.           [307,931] 10/1912         Bacher et al.           [317]         Affigure outcome all outc   | 4/1000 Davids Is at  |   |
| Orchard Dr., Apopka, Fla. 32715         Escorpt from Magazi           [73] Assignee: Desmod D. Cummings         Escorpt from Magazi           [21] Appl. No: 683,032         Filed of Search           [31] Lin, Cl. <sup>5</sup> GOOF 7/00           [32] U.S. Cl.         364/401, 364/406, 364/406, 364/406, 364/406, 364/406, 364/406, 364/406, 364/406, 364/406, 364/406, 366/406, 10/1972 Deschemes et al.         [57] A fully inter than that its interaction of neview with the finance tion review vide patient discorpt on the finance tion review vide patient discorpt on the finance tion review vide patient finance tion review vide patient discorpt on the finance tion review vide patient disco  | 5/1991 Mohlenbrock   | al  |
| 101       Fulletonic of Galaxy       Pages four 1         121       Apt. No.: 683,032       Pilary Exa         122       Filed:       Apr. 8, 1991         131       Int. Ct. <sup>3</sup> GOOF 7/00         131       Int. Ct. <sup>3</sup> GOOF 7/00         131       Bit. Ct. <sup>3</sup> GOOF 7/00         131       Bit. Ct. <sup>3</sup> GOOF 7/00         131       Bit. Ct. <sup>3</sup> GOOF 7/00         132       U.S. Ct.       364/400; 364/406;         136       Field of Search       364/401; 364/406;         140       U.S. PATENT DOCUMENTS       364/400         140       1/1985       Pintchard       325/375         140       1/1985       Pintchard       325/375         140       1/1985       Pintchard       364/406         137       Meetion       346/406       100         134       Discourd       334       Discourd       100         134       Discourd       134       Discourd       137       Discourd         134       Discourd       134       Discourd       137       Discourd       137       Discourd         134       Discourd       134       Discourd       137 <th>OTHER PUBLICAT<br/>m Mesa Petroleum, Co</th> <th></th>   | OTHER PUBLICAT<br>m Mesa Petroleum, Co   |   |
| 22] Filed:       Apr. 8, 1991       Primary Exas         [51] Int. Cl. <sup>3</sup> GOGF 7/00       Sistant Ex.         [52] U.S. Cl.       364/406;       364/406;         [53] Field of Search       364/406;       Sistant Ex.         [56] References Cited       U.S. PATENT DOCUMENTS       Sistant Ex.         [57] A. fully inter       Sistant Ex.       Sistant Ex.         [56] References Cited       U.S. PATENT DOCUMENTS       Sistant Ex.         [57] 4.468,037       31/987       Yulentino       364/406;         [57] 4.468,037       31/987       Yulentino       364/406;         [57] 4.458,027       J1/989       Barber et al.       364/406;         [56] 37       Sistant Ex.       Sistant Ex.       Sistant Ex.         [57] 4.588,027       J1/989       Barber et al.       Sist/406;       Sistant Ex.         [57] 4.588,027       Sistant Ex.       Sistant Ex.       Sistant Ex.       Sistant Ex.         [58] 5.50       Sistant Ex.       Sistant Ex.       Sistant Ex.       Sistant Ex.         [59] 777       Sistant Ex.       Sistant Ex.       Sistant Ex.       Sistant Ex.         [59] 777       Sistant Ex.       Sistant Ex.       Sistant Ex.       Sistant Ex.         [50] 778 <th>ne entitled "Corporate<br/>hrough eleven.</th> <th>e America At Risk"</th>  | ne entitled "Corporate<br>hrough eleven.   | e America At Risk"  |
| 31       Int. Cl. <sup>3</sup> GOGF 7/00       7/07         32       U.S. Cl.       364/401       364/406         36       Field of Search       364/401       364/406         36       References Cited       J.S. PATENT DOCUMENTS       364/406         3.697,693       10/1972       Dechenes et al.       255/793         4.685,033       1/1987       Statum       255/492         4.797,454       1/1989       Manber et al.       364/406         37       Weinnino       255/492       364/406         31       1/1989       Barber et al.       364/406         31       1/1989       Barber et al.       364/406         31       1/1989       Manber et al.       364/406         31       1/1989       Manber et al.       364/406         31       1/1989       Manber et al.       364/406         31       1/1989       1/1989       1/198       1/198         32       1/1989       1/198       1/198       1/198         32       1/198       1/198       1/198       1/198         32       1/198       1/198       1/198       1/198         32       1/198       1/198       <  | aminer-Roy N. Enval  | l, Jr.  |
| [58] Field of Search     364/400, 364/401, 466, 408     A fully inter that its interaction of the finance in review of the finance in re  | ABSTRACT   | gala  |
| 4,858,121 8/1999 Barber et al  | cludes the integrated<br>of the patient, health ca-<br>cial institution, insuran<br>er and employer so as<br>m each of the essential<br>is with complete and<br>reatment and post-treat<br>ed financial support th | interconnection and<br>ire provider, bank or<br>ce company, utiliza-<br>to include within a<br>participants to pro-<br>comprehensive pre-<br>ment health care and |
| terranze<br>bittoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>totoria<br>t |  | 28<br>29<br>25<br>26<br>24c<br>24c<br>24c<br>24c<br>24c<br>24c<br>24c<br>15<br>24c<br>24c<br>14<br>13<br>13<br>14   |

#### Highmark: Procedural History

#### • Exceptional because:

- Frivolous assertion of claims 52 & 102
- Frivolous res judicata argument
- Misrepresentations in transfer motion
- On de novo review, CAFC reverses in part:
  - Claim 102: Implausible that preamble not limiting; no "interaction" btw. patients & employers
  - Claim 52: Construction covering alt. embodiment "not unreasonable"
  - *Res judicata*: Argument not wholly meritless when asserted -- and withdrawn
  - Minor adjustments to claim construction OK
  - Misrepresentation before *another* court

| United States Court of Appeals<br>for the Federal Circuit |  |  |
|---|--|--|
|   | HIGHMARK, INC.,<br>Plaintiff-Appellee,   |  |
|   | v.   |  |
| ALLCARE   | HEALTH MANAGEMENT SYSTEMS,<br>INC  |  |
|   | Defendant-Appellant.   |  |
|   | 2011-1219  |  |
|   | m the United States District Court for th<br>rict of Texas in case no. 03-CV-1384, Judg  |  |
|   | Decided: August 7, 2012  |  |
| Pennsylvania,   | . KERNICK, Reed Smith, LLP, of Pittsburg<br>argued for plaintiff-appellee. With her o<br>JAMES C. MARTIN, KEVIN S. KATONA an<br>HL.  |  |
| 3arrett & Dur<br>lefendant-app                            | DUNNER, Finnegan, Henderson, Farabow<br>inerr, LLP, of Washington, DC, argued fo<br>ellant. With him on the brief were ERIK F<br>lo Alto, California. Of counsel on the brie |  |

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*.

Traditionally, . . . decisions on "matters of discretion" are "reviewable for 'abuse of discretion."

Highmark Inc. v. Allcare Health Management Sys., Inc. 134 S. Ct. 1744, 1748 (2014)

#### Aftermath of Octane: Overall Statistics

| Section 285 Motions with Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |
|-----------------------------------|--------------------------|-----------------------------|
| Total                             | 84                       | 262                         |
| Granted                           | 5 (6%)                   | 65 (25%)                    |
| Partial grant/denial              | 10 (14%)                 | 23 (8%)                     |
| Denied                            | 69 (81%)                 | 174 (66%) (8%)              |

#### Aftermath of Octane: E.D. Tex.

| Section 285 Motions with Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |
|-----------------------------------|--------------------------|-----------------------------|
| Total                             | 6                        | 22                          |
| Granted                           | 0 (0%)                   | 3 (14%)                     |
| Partial grant/denial              | 0 (0%)                   | 0 (0%)                      |
| Denied                            | 6 (100%)                 | 19 (86%)                    |



#### Aftermath of *Octane*: D. Del.

| Section 285 Motions with Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |
|-----------------------------------|--------------------------|-----------------------------|
| Total                             | 5                        | 26                          |
| Granted                           | 0 (0%)                   | 7 (27%)                     |
| Partial grant/denial              | 0 (0%)                   | 3 (11%)                     |
| Denied                            | 5 (100%)                 | 16 (62%)                    |



#### Aftermath of *Octane*: C.D. Cal.

| Section 285 Motions with Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |
|-----------------------------------|--------------------------|-----------------------------|
| Total                             | 14                       | 32                          |
| Granted                           | 1 (7%)                   | 9 (28%)                     |
| Partial grant/denial              | 2 (14%)                  | 2 (6%)                      |
| Denied                            | 11 (79%)                 | 21 (66%)                    |



#### Aftermath of Octane: N.D. Cal.

| Section 285 Motions<br>with Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |  |
|--------------------------------------|--------------------------|-----------------------------|--|
| Total                                | 9                        | 34                          |  |
| Granted                              | 1 (11%)                  | 4 (12%)                     |  |
| Partial grant/denial                 | 0 (0%)                   | 6 (18%)                     |  |
| Denied                               | 8 (89%)                  | 24 (71%)                    |  |



#### Aftermath of Octane: N.D. Ill.

| Section 285 Motions with Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |
|-----------------------------------|--------------------------|-----------------------------|
| Total                             | 0                        | 8                           |
| Granted                           | n/a                      | 2 (25%)                     |
| Partial grant/denial              | n/a                      | 2 (25%)                     |
| Denied                            | n/a                      | 4 (50%)                     |



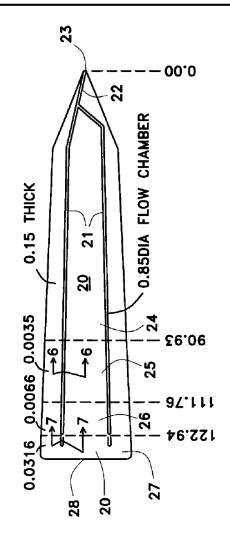
### Aftermath of Octane: Districts Compared

| Section 285 Motions<br>with Outcomes | Sept. 2012-<br>Apr. 2014<br>Grant/GIP | May 2014 –<br>(Post-Octane)<br>Grant/GIP |
|--------------------------------------|---------------------------------------|--|
| Overall                              | 20%                                   | 33%                                      |
| E.D. Tex.                            | 0%                                    | 14%                                      |
| D. Del.                              | 0%                                    | 38%                                      |
| C.D. Cal.                            | 21%                                   | 34%                                      |
| N.D. Cal.                            | 11%                                   | 30%                                      |
| N.D. Ill.                            | n/a                                   | 50%                                      |

#### 1. *Homeland Housewares, LLC* (C.D. Cal.)

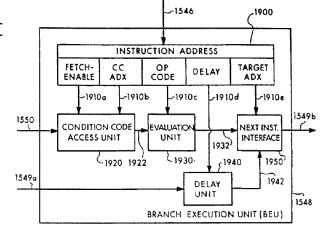
- Homeland Housewares, LLC v. Sorensen Res. & Dev. Trust (Fed. Cir. Sept. 8, 2014)
- DJ action concerning patented injection molding process
- Sorensen:
  - Produced no admissible evidence of infringement in response to MSJ after 1+ year of discovery
  - Filed multiple unsolicited briefs after issues taken under submission
  - Filed multiple meritless motions for reconsideration





#### 2. Biax Corp. (D. Colo.)

- *Biax Corp. v. Nvidia Corp.* (Fed. Cir. Feb. 24, 2015)
- Parallel processing computer systems
- MSJ of non-infringement
  - Condition code registers must be shared by all other processor elements on chip
  - Expert conceded as much at depo.
- Claim construction foreclosed infringement





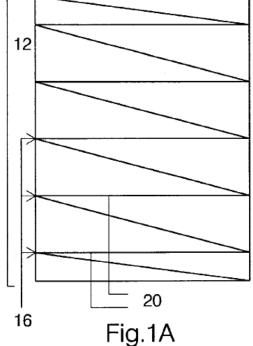
24

### 3. *Oplus Techs.* (C.D. Cal.)

- Oplus Techs. v. Vizio, Inc. (Fed. Cir. Apr. 10, 2015)
- De-interlacing video signal patents
- MSJ of non-infringement (no evidence for element)
- Oplus:
  - Strategically amending claims to manufacture venue
  - Ignored discovery, sought extensive damages information
  - Issued subpoena on own counsel
  - Contradictory expert evidence, infringement contentions
  - Inappropriate, unprofessional, vexatious behavior
- But no evidence of bad faith or attempt to harass
  - Delays & avoidance tactics on both sides
  - "Normal" motion practice

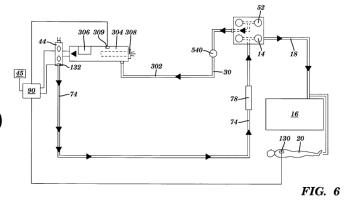






#### 4. Gaymar Indus. (W.D.N.Y.)

- Gaymar Indus. Inc. v. Cincinnati Sub-Zero Prods., Inc. (Fed. Cir. June 25, 2015)
- Conductive blanket patent; IPR invalidated
- <u>CSZ</u> lacked clean hands due to misleading statements/overstatements:
  - "From the outset," no need for technical expert (but then offered PTO expert)
  - PTO expert was not opining re: POSITA (but was)
  - Gaymar's positions on the burden of proof for validity



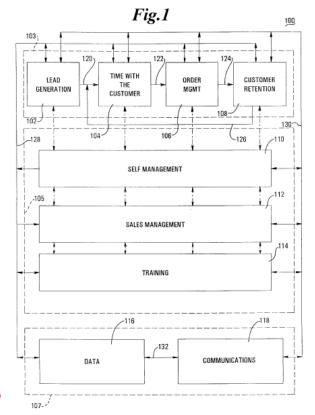


#### 5. SFA Systems (E.D. Tex.)

- SFA Sys., LLC v. Newegg, Inc. (Fed. Cir. July 10, 2015)
- Salesforce automation system
- Newegg:
  - One of two remaining defendants
  - Did not prevail on *Markman* (twice)
  - Did not win MSJ of indefiniteness
- SFA:
  - Multiple lawsuits filed
  - Nuisance value settlement offers
  - Dismisses Newegg with prejudice



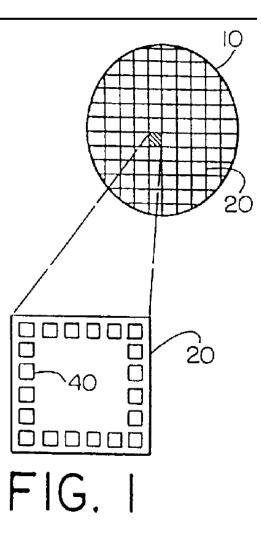




#### 6. Integrated Tech. Corp. (D. Az.)

- Integrated Tech. Corp. v. Rudolph Techs. (Fed. Cir. Oct. 21, 2015)
- Inspection equipment for probe cards
- Rudolph denied infringement
  - Moved for MSJ of non-infringement
  - Questioned ownership of patent
  - Avoided questions about machine operation at trial
- But CEO admits testing and knowledge of infringement at trial

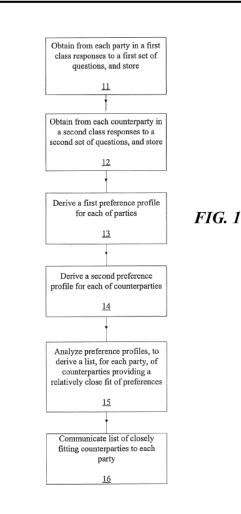




#### 7. Lumen View Tech. LLC (S.D.N.Y.)

- Lumen View Tech. LLC v. Findthebest.com, Inc. (Fed. Cir. Jan. 22, 2016)
- "Method for facilitating evaluation" in the context of a "financial transaction"
  - MJOP under Section 101 granted
- "Bilateral matching method" requires preference data of two parties
  - Lumen View's claim construction consistent
  - Accused AssistMe feature uses one party's data
- Desire to extract nuisance settlement





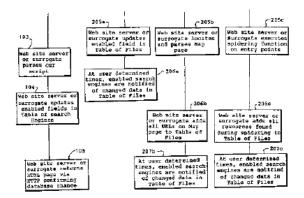
#### 8. Site Update Solutions, LLC (N.D. Cal.)

- Site Update Solutions, LLC v. CBS Corp. (Fed. Cir. Feb. 1, 2016)
- Updating search engine database
- Newegg:
  - Last defendant
  - Court adopted its constructions
- Site Update:
  - Could not ID structure for 112(6) limitation
  - Positions "unartful" and "strain[ed] credibility"
  - Dismissed all claims with prejudice after Markman
  - Nuisance value settlements





| User opens 'searc'<br>engine anable'<br>HTWE form in<br>browser  |                                 | User opens holify<br>Table of Files<br>STML form in<br>hrowser | -208   |
|--|---------------------------------|--|--|
|  | 202a                            | indexed<br>C 20 Jb   | 362cm<br>GBLs of entry<br>points into site to<br>be indexed<br>-203c<br>Uper submits |
| desrch esquinis to<br>be enabled and<br>diabled<br>102-7<br>Deer submits form<br>det to web site se<br>er surbyate serv<br>(not seerch digin | via<br>Undbalte ad<br>via<br>Ez | via<br>site<br>site<br>cur to neb site<br>surregate<br>        | COI to 96b site<br>server or<br>surregate  |

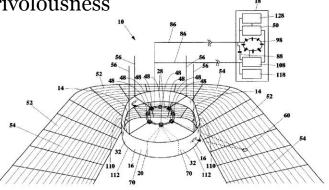


#### 9. Large Audience Display Sys. (C.D. Cal.)

- Large Audience Display Sys., LLC v. Tennman Prods., LLC (Fed. Cir. Oct. 20, 2016)
- Panoramic imaging & display system
- All asserted claims canceled in inter partes reexam.
- LADS:
  - Shell E.D. Tex. corporation
  - Reexamination constructions "disingenuous"
  - Withheld prior art during reexam. (not relied upon)
  - Post-reexam., sought discovery to assert new claims
  - Submitted privileged e-mail to demonstrate non-frivolousness

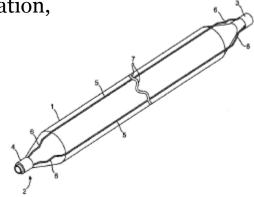






#### 10. AngioScore, Inc. (N.D. Cal.)

- AngioScore, Inc. v. Tri-Reme Med. LLC
- Angioplasty balloon catheter
- Patent survived MSJ of non-infringement
  - Tri-Reme attempted to file second motion on vitiation, but standing order prohibited it
- At trial:
  - No claims infringed
  - All claims invalid







- FRCP 11 (pleadings)
- FRCP 26(g) (discovery requests, responses & objections)
- FRCP 37(a)(5) (disclosure or discovery)
- FRAP 38 (frivolous appeal)
- Inherent power/authority
- 28 U.S.C. § 1927 (unreasonable & vexatious litigation)

• Rule 11(b):

(b) Representations to the Court. By presenting to the court a pleading, written motion, or other paper . . . an attorney or unrepresented party certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances: . . .

(2) *the claims*, *defenses*, *and other legal contentions are warranted by existing law* or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law; [and]

(3) the *factual contentions have evidentiary support* or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery.

• Rule 11(c)(2):

#### (c) **Sanctions**....

(2) If, after notice and a reasonable opportunity to respond, the court determines that Rule 11(b) has been violated, the *court may impose an appropriate sanction on any attorney, law firm, or party* that violated the rule or is responsible for the violation. Absent exceptional circumstances, a law firm must be held jointly responsible for a violation committed by its partner, associate, or employee.

• *See also* Rule 26(g) (sanctions for discovery requests, responses, or objections)

#### Rule 11 Motion Statistics

| Rule 11 Motions with<br>Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |
|----------------------------------|--------------------------|-----------------------------|
| Total                            | 68                       | 88                          |
| Granted                          | 8 (12%)                  | 4 (4%)                      |
| Partial grant/denial             | 1 (1%)                   | 3 (3%)                      |
| Denied                           | 59 (87%)                 | 81 (92%)                    |

#### Rule 11 Motions: Districts Compared

| Rule 11 Motions with<br>Outcomes | Sept. 2012-<br>Apr. 2014<br>Grant/GIP | May 2014 –<br>(Post- <i>Octane</i> )<br>Grant/GIP |
|----------------------------------|---------------------------------------|---|
| Overall                          | 13%                                   | 7%  |
| E.D. Tex.                        | 33%                                   | 16%   |
| D. Del.                          | 50%                                   | 12%   |
| C.D. Cal.                        | 0%                                    | 0%  |
| N.D. Cal.                        | 0%                                    | 11%   |
| N.D. Ill.                        | 20%                                   | 20%   |

• 28 U.S.C. § 1927:

Any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so **multiplies the proceedings in any case unreasonably and vexatiously** may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

#### Section 1927 Motion Statistics

| Section 1927 Motions<br>with Outcomes | Sept. 2012-<br>Apr. 2014 | May 2014 –<br>(Post-Octane) |
|---------------------------------------|--------------------------|-----------------------------|
| Total                                 | 41                       | 90                          |
| Granted                               | 4 (10%)                  | 8 (9%)                      |
| Partial grant/denial                  | 1 (2%)                   | 4 (4%)                      |
| Denied                                | 36 (88%)                 | 78 (87%)                    |

#### Section 1927 Motions: Districts Compared

| Section 1927 Motions<br>with Outcomes | Sept. 2012-<br>Apr. 2014<br>Grant/GIP | May 2014 –<br>(Post-Octane)<br>Grant/GIP |
|---------------------------------------|---------------------------------------|--|
| Overall                               | 12%                                   | 13%                                      |
| E.D. Tex.                             | 0%                                    | 0%                                       |
| D. Del.                               | n/a                                   | 0%                                       |
| C.D. Cal.                             | 0%                                    | 0%                                       |
| N.D. Cal.                             | 0%                                    | 11%                                      |
| N.D. Ill.                             | 33%                                   | 37%                                      |

• Rule 37(a)(5):

(A) If the motion is granted—or if the disclosure or requested discovery is provided after the motion was filed—the court must, after giving an opportunity to be heard, require the party or deponent whose conduct necessitated the motion, the party or attorney advising that conduct, or both to **pay the movant's** *reasonable expenses incurred in making the motion, including attorney's fees*. But the court must not order this payment if:

(i) the movant filed the motion before attempting in good faith to obtain the disclosure or discovery without court action;

(ii) the opposing party's nondisclosure, response, or objection was *substantially justified*; or

(iii) other circumstances make an award of expenses unjust.

• Inherent power/authority:

"[T]he narrow exceptions to the American Rule effectively limit a court's inherent power to impose attorney's fees as a sanction to cases in which a litigant has engaged in **badfaith conduct or willful disobedience of a court's orders**[.]"

Chambers v. Nasco, Inc., 501 U.S. 32, 47 (1991)

• FRAP 38:

If a court of appeals determines that an *appeal is frivolous*, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee.

#### The court in exceptional cases may award attorney's fees *to the prevailing party*.

#### Who Pays: Lawyer or Client?

• 28 U.S.C. § 1927:

**Any attorney or other person** admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

• FRAP 38:

If a court of appeals determines that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs *to the appellee*.

#### ABA Model Rule 1.7(a)

- Conflict of Interest: Current Clients
  - (a) [A] lawyer shall not represent a client if the representation involves a *concurrent conflict of interest*.

A concurrent conflict of interest exists if:

- (1) the representation of one client will be *directly adverse* to another client; or
- (2) there is a significant risk that the representation of one or more clients will be *materially limited* by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

# $\frac{MORRISON}{FOERSTER}$