The court in exceptional cases may award reasonable attorney fees to the prevailing party.
• Overview of Octane Fitness
• District Court § 285 statistics pre- and post- Octane
• Noteworthy Federal Circuit 285 decisions post- Octane
• How District Courts’ applications of Octane reflect the CA Rules of Professional Conduct
• Icon sued Octane for infringement
• Court granted summary judgement of no infringement. Octane then moved for attorneys fees under § 285. The Court denied Octane’s motion.
• Icon appealed the summary judgement ruling; Octane cross-appealed the denial of fees.
• Federal circuit affirmed both.
• The Supreme Court granted cert.
“An ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.”

“Section 285 demands a simple discretionary inquiry; it imposes no specific evidentiary burden, much less such a high one.”

Pre-Octane Fed. Cir. Standard

An exceptional requires either “material inappropriate conduct” or where “both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.”

“[C]haracterization of the case as exceptional must be established by clear and convincing evidence.”

Octane Standard

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Prior to Octane Fitness’s issuance, courts rendered an average of **83 decisions** on §285 attorney fee motions every year.

As far as success rates, courts found attorney conduct exceptional and awarded fees at an **average award rate of 30 percent** compared to denials of fees.

Notably, during those months while Octane Fitness was before the Supreme Court, there was a **spike in the number** of fee decisions rendered, yet at a lower award rate of **28 percent**.

* Source: Docket Navigator motions that rendered a substantive court ruling on exceptionality.
Post- Octane Fitness, the landscape has changed.

Initially, the number of motions decided and granted *nearly doubled in number* compared to pre-Octane Fitness levels. More recently, filings and award rates have slightly leveled off.

**Success rates remain more common than pre-Octane Fitness.** In the last 5 years, courts deemed **200 cases** exceptional and awarded fees.

Accordingly, the statistics show that post-Octane Fitness, when a court renders a decision on the merits (as compared with deferring or dismissing as moot) exceptional case filings have a **34 percent success rate**.

* Source: Docket Navigator motions that rendered a substantive court ruling on exceptionality
**Federal Circuit Notable Cases**

**Stone Basket v. Cook Medical (Fed. Cir. 2018):** Affirmed the denial of appellant’s fee motion despite appellee’s pattern of other vexatious litigations and inventor conceding there was “nothing novel about” a key limitation in the target patent. While § 285 does not expressly require notice element, “early” and “clear” notice to both the opposing party and the court is an important aspect in determining whether a case is exceptional – serving invalidity contentions likely does not constitute clear notice. **Main Takeaway:** Create a record.

**SFA v. Newegg (Fed. Cir. 2015):** Affirmed lower court holding of no exceptionality because while nuisance fee litigation is relevant factor, Newegg failed to "make a record supporting its characterization of [patentee’s] improper motivations." **Main Takeaway:** Nuisance fee litigation not necessarily unreasonable.

**Thermolife Int’l v. GNC Corp (Fed. Cir. 2019):** Affirmed an award of § 285 attorney fees turning on patentee’s inadequate pre-suit investigation into infringement, despite unique posture that no infringement determination had yet been rendered (only trial on invalidity). Patentee should have known the accused products plainly lacked the claimed amount of L-arginine as indicated on labels and publicly-available products. **Main Takeaway:** High degree of discretion by the District Court and deference by the Federal Circuit.
Rothschild v. Guardian Protection Services (Fed. Cir. 2017): Reversed and remanded lower court’s denial of § 285 attorney fees. District Court held that an award of attorneys fees under § 285 would contravene the aims of Rule 11 (patentee withdrew its complaint after receiving a Rule 11 safe harbor letter. Federal Circuit cited a litany of what it considered misconduct and substantive weakness (which were not addressed by the District Court’s order) and emphasized that Rule 11 is not an appropriate benchmark for a finding of exceptionality. Main Takeaway: Lack of Rule 11 sanctions does not necessarily translate to lack of § 285.

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AdjustaCam v. Newegg (Fed. Cir. 2017): Reversed and remanded the lower court’s denial of § 285 attorney fees. Patentee litigated in unreasonable manner as shown through its shifting sands theories and gamesmanship, “repeated use of after-the-fact declarations,” and irregular damages model. Main Takeaway: While Federal Circuit has been reluctant to overturn District Court’s § 285 decisions, “deference. . .is not absolute.”

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Rule 3.1 Meritorious Claims and Contentions
(a) A lawyer shall not:
   (1) bring or continue an action, conduct a defense, assert a position in litigation, or take an appeal, without probable cause and for the purpose of harassing or maliciously injuring any person; or
   (2) present a claim or defense in litigation that is not warranted under existing law, unless it can be supported by a good faith argument for an extension, modification, or reversal of the existing law.
(b) A lawyer for the defendant in a criminal proceeding, or the respondent in a proceeding that could result in incarceration, or involuntary commitment or confinement, may nevertheless defend the proceeding by requiring that every element of the case be established.
Rule 3.1 Meritorious Claims and Contentions

No Basis to Bring Suit


• Plaintiff had previously filed an ITC case against Canon asserting the same patent at issue. The ALJ (and later Commission) found no infringement based on the lack of claimed “mapping.”
  – But an adverse ITC decision does not automatically result in fee shifting.

• After the ITC determination, the district court construed the claims and granted summary judgment of no-infringement based on the same “mapping” limitation.
  – The Court noted during claim construction that plaintiff’s proposed construction (necessary for its infringement read) would have covered prior art.

• Exceptional because: (1) taking an infringement position that would flatly cover prior art and (2) it was “unreasonable” for Plaintiffs to believe the Court would construe mapping in a way that would yield a different result.

- Segan’s patent covered a system whereby a person using a character icon to browse the Internet is directed to particular target websites.
- Segan asserted its patents against Zynga, asserting that Farmville infringed.
  - Infringement hinged on a reading that where the claim required that “the target website accesses the user record at the service provider, what the claim really means is that the target website sends user information to the service provider.”
- Court granted summary judgment of no infringement and found the case exceptional.
  - An infringement theory that violates ordinary language may be the basis of exceptionality (e.g., arguing “accesses” means “sends”).
Rule 3.1 Meritorious Claims and Contentions
No Basis to Maintain Position After Discovery or Markman

  - Plaintiff filed a FAC in April 2018 alleging that Defendants’ R/3 Release 3.1 infringed.
  - Defendants filed summary judgment in September 2018 because the accused product was on sale before the patent’s critical date. Court granted summary judgment.
  - Defendants sought fees because Plaintiff was on notice that R/3 3.1 was prior art.
    - In 2009, in connection with another case, SAP produced records to Big Baboon that R/3 3.1 was first shipped in Oct. 1996.
    - After the FAC, SAP reminded Plaintiff of the records showing a 1996 ship date
  - Fees awarded from the time SAP reminded Plaintiff of the prior production.

- Court adopted Plaintiff’s proposed claim construction which required observation by a particular test.
- At trial, Plaintiffs presented no evidence of anyone performing that test, and in fact never provided Plaintiff’s infringement expert with sample of the accused product.
- Court granted JMOL of no infringement upon conclusion of Plaintiff’s case-in-chief.
- Court found Plaintiff’s failure to conduct the test (required by Plaintiff’s own construction unreasonable and confirmed the substantive weakness of Plaintiff’s infringement claims.
- Case deemed exceptional as of the date of the pretrial conference.
Rule 3.1 Meritorious Claims and Contentions
No Basis to Maintain Position After Discovery or Markman


Court rejected some of Plaintiff’s proposed claim constructions

Defendants filed MSJ one month after Markman order

Plaintiffs stipulated to non-infringement five months after Markman order

After a finding of non-infringement, Defendants sought fees

Court found Plaintiff’s proposed constructions were not objectively baseless

Court awarded fees post-Markman Order

Court used its discretion to deny finding the case exceptional

  – Defendants continued to sell wood blinds after receiving cease and desist because they were “a new trend.”
  – At trial, Defendants “failed to put on any significant evidence to support their contention that the [Accused Products] did not infringe the ’242 Patent” and shifted arguments.

    • No expert witness or PHOSITA testimony. Asserted patent invalidity defense but offered no evidence to rebut Plaintiff’s experts. Executive testified he still “did not understand” the ’242 Patent.
    • Defendants’ counsel offered contradictory position re: voluntarily ceasing of infringing activity as compared to defendant witness testimony. Despite requesting *Markman* hearing on two claim terms, Defendants continually shifted debate to other terms.

  – Court awarded § 285 fees to Plaintiffs. “[D]efendants repeatedly failed to introduce admissible evidence of invalidity or non-infringement. [T]he overall strategy of the defendants in this litigation was to force [Plaintiff] to expend large amounts of money in a lengthy and protracted litigation.”
  – Court added that “It is no defense that counsel is a solo practitioner. Attorney fees can be awarded even against pro se plaintiffs when that plaintiff should have known his claims were unreasonable.”
A method for backing up data stored on a mobile customer premises equipment comprising the steps of:

- storing data at the mobile customer premises equipment;
- formatting the data stored at the mobile customer premises equipment into fields by determining data fields, identifying which portions of said data correspond to a respective data field, and tagging said data,
- transmitting the data with a user ID from the mobile customer premises equipment across a mobile network to a server for storage;
- retrieving said data from said server across a mobile network in response to one of an expiration of time and request from said mobile customer premises equipment by transmitting said data to said mobile customer premises equipment; and
- transmitting said data to said mobile customer premises equipment by transmitting the data in more than one information signal and sequentially numbering each of said information signals.

A method for acquiring and transferring data from a Bluetooth enabled data capture device to one or more web services via a Bluetooth enabled mobile device, the method comprising:

- providing a software module on the Bluetooth enabled data capture device;
- providing a software module on the Bluetooth enabled mobile device;
- establishing a paired connection between the Bluetooth enabled data capture device and the Bluetooth enabled mobile device;
- acquiring new data in the Bluetooth enabled data capture device, wherein new data is data acquired after the paired connection is established;
- detecting and signaling the new data for transfer to the Bluetooth enabled mobile device, wherein detecting and signaling the new data for transfer comprises:

  [omitted]

- transferring the new data from the Bluetooth enabled data capture device to the Bluetooth enabled mobile device automatically over the paired Bluetooth connection by the software module on the Bluetooth enabled data capture device;
- receiving, at the Bluetooth enabled mobile device, the new data from the Bluetooth enabled data capture device;

Rule 3.1 Meritorious Claims and Contentions:

§ 101 Decisions – What’s exceptional?
Rule 1.3 Diligence
(a) A lawyer shall not intentionally, repeatedly, recklessly or with gross negligence fail to act with reasonable diligence in representing a client.
(b) For purposes of this rule, “reasonable diligence” shall mean that a lawyer acts with commitment and dedication to the interests of the client and does not neglect or disregard, or unduly delay a legal matter entrusted to the lawyer.

Rule 3.2 Delay of Litigation
In representing a client, a lawyer shall not use means that have no substantial purpose other than to delay or prolong the proceeding or to cause needless expense. Comment See rule 1.3 with respect to a lawyer’s duty to act with reasonable diligence.
  
  • Defendants found liable for willful infringement after jury trial.
  
  • In finding the case exceptional, the Court recounted various pretrial disputes:
    
    • Defendants’ discovery avoidance tactics
    
    • Defendants postponed litigation by refusing to identify its supplier
    
    • Lack of timely designation of its expert
    
    • During the case, the Court ruled in Defendants’ favor on some matters. In finding the case exceptional, the Court looked at the totality of circumstances.
      
      • “Thus it became clear later in the litigation that Defendants’ tactics represented a pattern of gamesmanship to obtain an unfair advantage in the litigation.”
  
  • After a jury trial resulting in an infringement finding against Telebrands, Tinnus sought its fees.
  
  • Finding the case exceptional, the Court considered Telebrands’ litigation behavior:
    
    • Filing an emergency motion for a non-emergency
    
    • Filing several non-meritorious motions (some of which had been denied as baseless) → “[t]he excessive motion practice demonstrated an intent to delay and obstruct this action”
    
    • Refusal to produce relevant discovery (or engaging in good-faith negotiations)
    
    • Re-argument of claim construction issues already decided by the Court
Rule 3.3 Candor Toward the Tribunal

A lawyer shall not:

1) knowingly make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer; (2) fail to disclose to the tribunal* legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel, or knowingly* misquote to a tribunal the language of a book, statute, decision or other authority; or (3) offer evidence that the lawyer knows* to be false.

After being sued, Wyers filed for an *ex parte* reexamination. The Court denied Wyers’ motion for stay. PTO rejected all existing claim; Anderson submitted amendments. Wyers renewed its request for a stay. Anderson argued nothing had changed to warrant a stay.

Wyers threatened to file a summary judgment motion on the original claims. Anderson characterized the original claims as “very slightly amended.”

In response to MSJ Anderson argued “Although the patents-in-suit are currently in the process of being re-examined by the PTO, they, and all of their claims, continue to be valid and enforceable, and the ongoing re-examination proceedings have no relevance to this motion.”

After granting summary judgment, the Court found the case exceptional based, in part, on the above two statements demonstrating a “lack of candor” and “extreme understatement.”
Rule 3.3 Candor Toward the Tribunal

  - After claim construction briefing, plaintiff filed for voluntary dismissal of its direct infringement claims; two months later, plaintiff dismissed the remaining claims (indirect infringement).
  - Defendant sought fees, based in part on Plaintiff pursuing its claims in light of strong prior art
    - *In response to the fees request,* Plaintiff claimed he only recently learned of the prior art references. This proved to be false.
  - The Court excused typos and inaccuracies in *Defendant’s* briefing but concluded that Plaintiff’s misstatements were known to be wrong and therefore a factor in finding the case exceptional.
Rule 3.4 Fairness to Opposing Party and Counsel

A lawyer shall not:

(a) unlawfully obstruct another party’s access to evidence, including a witness, or unlawfully alter, destroy or conceal a document or other material having potential evidentiary value. A lawyer shall not counsel or assist another person* to do any such act;

(b) suppress any evidence that the lawyer or the lawyer’s client has a legal obligation to reveal or to produce;

(c) falsify evidence, counsel or assist a witness to testify falsely, or offer an inducement to a witness that is prohibited by law;

(d) directly or indirectly pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of the witness’s testimony or the outcome of the case.
- Willful infringement
- Defendants altered sales record to conceal infringement
- Defendants produced inaccurate sales records during discovery

- Inequitable conduct
- Witnesses for the plaintiff had “offered testimony of questionably veracity”
- Defendants allege plaintiffs attempted to coerce false testimony from a material witness.
In a Post- Octane World, Discretion is Key

Plaintiffs rely on the following:

- Defendant continued to sell infringing products after receiving the February 2017 cease and desist letter
- Defendant asserted defenses of non-infringement and invalidity
- Defendant conceded it had no factual bases for the defenses
- Defendant did not respond to any discovery
- Defendant’s counsel withdrew
- Defendant did not obtain new counsel as ordered by the Court

(Dkt. 47 at 12-13.) Considering the totality of the circumstances, including Defendant’s initial participation, withdrawal of Defendant’s counsel, and Defendant’s failure to secure new counsel, this Court does not consider this matter sufficiently exceptional to meet the standard under § 285, and otherwise would exercise its discretion in declining to award attorneys’ fees even if the case were deemed exceptional.

LF Centennial Limited et al. v. Inovex Furnishings Corp.  