

District Court Considers Post-*Octane* Fitness Fee Awards

By Steven Fineman and Arun J. Mohan

Delaware Business Court Insider

October 22, 2014



Steven Fineman

In *Octane Fitness LLC v. ICON Health & Fitness*, 134 S. Ct. 1749 (2014), the U.S. Supreme Court evaluated the language in 35 U.S.C. Section 285, a statute that allows for the award of attorney fees to prevailing parties in "exceptional" patent infringement cases, and rejected a restrictive interpretation of the statute by the U.S. Court of Appeals for the Federal Circuit. Instead, the court held 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)." Since *Octane Fitness* was issued, U.S. District Judge Richard G. Andrews of the District of Delaware has twice ruled on a prevailing party's request for attorney fees under Section 285.

In *EON Corp. IP Holdings LLC v. FLO TV*, (D. Del. May 27, 2014), the plaintiff filed a complaint against the defendants for indirect and joint patent infringement. Andrews found that eight means-plus-function terms in the patent were indefinite and granted the defendants' motion for summary judgment. FLO TV Inc. then moved for attorney fees under Section 285. Andrews recognized that the U.S. Supreme Court "laid out a more flexible framework" under Section 285 in *Octane Fitness* by defining "exceptional" as uncommon, rare or not ordinary. Andrews noted that *Octane Fitness* identified two factors that could render a case exceptional: "the substantive strength of the party's litigating position and the unreasonable manner in which the case was litigated."

Andrews found the *EON* case was not "exceptional." First, FLO TV argued that the plaintiff litigated the case in an unreasonable manner and should have dropped its case—or at least entered into a settlement—when it discovered that the cost of litigation would exceed the potential recovery from defendants. Andrews rejected this argument, finding that the amount of potential recovery asserted by FLO TV was "speculative" since damages had been bifurcated. Andrews noted discovery had only been undertaken on the issue of liability before he granted the defendants' motion for summary judgment. Furthermore, Andrews stated he was unaware of any "de minimis exception for infringement" mandating that a party should be subjected to sanctions for failing to drop or settle a case if the cost of litigation would exceed the potential recovery. Second, while not relied on by FLO TV in its motion for attorney fees, Andrews evaluated the strength of the plaintiff's litigating position. Andrews noted the case involved a "complex and evolving area of law—the construction of computer-implemented means-plus-function terms." Even though Andrews held the patent was invalid due to indefiniteness, he commented that his decision was "not an easy one." Furthermore, Andrews noted the plaintiff's pending appeal of his ruling to the Federal Circuit shows that it still had "faith in the strength of its position." In the end, Andrews found no reason to award attorney fees under the more flexible standard set out in *Octane Fitness*.

In *Chalumeau Power Systems LLC v. Alcatel-Lucent*, (D. Del. Sept. 12, 2014), Andrews did find that an award of attorney fees under Section 285 was appropriate. In *Chalumeau*, the plaintiff filed a complaint alleging patent infringement. After the defendant alleged a license defense, the plaintiff dismissed its case. The defendant then

moved for attorney fees under Section 285 based on Chalumeau's infringement theories, claim construction positions, and overall litigation misconduct.

In addition to the delay in having an expert analyze the defendant's allegedly infringing product, Andrews found that one of the plaintiff's proposed claim constructions was "one of the wors[t] proposed constructions" he had ever seen. Furthermore, Andrews found that the plaintiff had not engaged in an adequate pre-suit investigation of the defendant's product. Andrews noted the plaintiff had admitted that not every accused product asserted by the plaintiff was evaluated before filing the complaint. Finally, Andrews rejected the plaintiff's argument that the "economics of the case"—specifically, defendant's license defense—was the reason for the plaintiff dropping the case rather than its flawed construction arguments. The plaintiff argued that the defendant was at fault for failing to assert the license defense earlier. Andrews noted the plaintiff, as the party that actually executed the license, would have had access to it—and the potential defense—from the beginning. Andrews characterized the plaintiff's "entire litigation strategy as devoted to stringing out the case in the hopes that [defendant] would incur fees while [plaintiff] would not." Andrews found this strategy to be "exceptional" under Section 285.

Steven Fineman is a director, and Arun J. Mohan is an associate (not yet admitted to practice), of Richards, Layton & Finger. The views expressed in this article are those of the authors and not necessarily those of Richards Layton or its clients.

Reprinted with permission from the October 22, 2014 issue of Delaware Business Court Insider. © 2014 ALM Media Properties, LLC. Further duplication without permission is prohibited. All rights reserved.