MBHB *snippets* Alert **April 29, 2014**

U.S. Supreme Court Rules That the Decision to Award Attorney Fees in Patent Cases Rests Squarely in the District Court's Discretion

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The Supreme Court, on April 29, 2014, unanimously ruled on two cases related to the Patent Act's fee shifting provision under 35 U.S.C. § 285.[1] In *Octane Fitness LLC v. Icon Health & Fitness Inc.* (case number 12-1184), the Court reversed the decision of the Court of Appeals for the Federal Circuit upholding the district court's denial of attorney fees to Octane, the prevailing party and accused patent infringer. Striking down the framework established by the Federal Circuit in *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F. 3d 1378 (Fed. Cir. 2005) as "unduly rigid" and inconsistent with statutory context, the Court in *Octane* held that "**[d]istrict courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances**." (*Octane*, slip op. at 8 (emphasis added)). Dovetailing off of this decision, the Court in *Highmark Inc. v. Allcare Health Mgmt. Sys. Inc.* (case number 12-1163) vacated the Federal Circuit's judgment denying attorney fees to Highmark, the accused infringer, as being improperly based on a *de novo* review of the district court's decision. In view of *Octane*'s clear delegation of the § 285 inquiry to the district court's discretion, the Court in *Highmark* held that "**an appellate court should review all aspects of a district court's § 285 determination for abuse of discretion**." (*Highmark*, slip op. at 1 (emphasis added)). Justice Sotomayor delivered the opinion of the Court in both cases.

These rulings by the Supreme Court reinforce the fee-shifting provision of the Patent Act as a means for preventing abuse of the legal system by providing an incentive for patent litigants to assert and maintain only legitimate claims and defenses. No longer is an exceptional case

[1] In *Octane*, Justice Scalia did not join footnotes 1-3.

warranting fee shifting limited to instances where a litigant has engaged in "material inappropriate conduct" or asserted "objectively baseless" claims in "subjective bad faith," as previously required by the Federal Circuit. Rather, 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." (*Octane*, slip op. at 7-8). By reinforcing the flexibility of the inquiry under § 285 and obliging deference to the district court's discretion on appeal, this case may prove vital to prevailing accused infringers seeking attorney fees, especially in cases involving so-called "patent trolls." Given the notoriety of these "patent troll" cases in today's political landscape, this was likely the directed target of the Court's decisions.

The Octane opinion can be found at http://www.supremecourt.gov/opinions/13pdf/12-1184_gdhl.pdf

The Highmark opinion can be found at http://www.supremecourt.gov/opinions/13pdf/12-1163_8o6g.pdf

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