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Attorney Fees Easier to Get in Infringement Cases

by David A. Kelly and Douglas C. Dreier

The U.S. Supreme Court again unanimously reversed the U.S. Court of Appeals for the D.C. Circuit, this time in two cases relating to attorney fees for patent infringement: *Octane Fitness v. Icon Health & Fitness,* No. 12-1184, and *Highmark v. Allcare Health Mgmt. Sys.,* No. 12-1163.

The Federal Circuit is now 0-3 in cases before the court so far this term, and it has persuaded a grand total of zero justices to support affirmance in any of those cases. See *Medtronic v. Mirkowski Family Ventures,* No. 12-1128 (U.S. Jan. 22, 2014) (unanimous reversal). With three Federal Circuit cases still pending before the court (including the potential blockbuster of *Alice Corp. Pty. v. CLS Bank Int'l,* No. 13-298), this term could signal a sea change in patent law.

In *Octane Fitness* decided April 29, the court addressed 35 U.S.C. § 285, which provides that, in patent litigation, "The court in exceptional cases may award reasonable attorney fees to the prevailing party." The court rejected the Federal Circuit's prior § 285 jurisprudence, which deemed a case exceptional under § 285 only in two limited circumstances: (1) "when there has been some material inappropriate conduct," or (2) when the litigation is both "brought in subjective bad faith" and "objectively baseless." *Brooks Furniture Mfg. v. Dutailier Int'l,* 393 F. 3d 1378 (Fed. Cir. 2005). The court deemed the Brooks Furniture rule to be "overly rigid," and it faulted the Federal Circuit for abandoning its pre-2005 "holistic, equitable approach" to evaluating whether to award attorneys' fees.

This decision comes as little surprise to close watchers of the court, who have recently seen a number of the Federal Circuit's bright-line tests rejected for more flexible standards. See, e.g., *Bilski v. Kappos,* 130 S. Ct. 3218 (2010) (rejecting the Federal Circuit's overly rigid reliance on the machine-or-transformation test for determining patent eligibility); *KSR Int'l v. Teleflex*, 550 U.S. 398 (2007) (rejecting as too "formalistic" the Federal Circuit's application of its teaching-suggestion-motivation test for obviousness); *MedImmune v. Genentech,* 549 U.S. 118 (2007) (rejecting the Federal Circuit's "reasonable-apprehension-of-suit test" for determining whether courts have subject-matter jurisdiction to issue declaratory relief); *eBay v. MercExchange,* 547 U.S. 388 (2006) (rejecting the "general rule" that a permanent injunction should follow a finding of infringement of a valid patent).

The Octane Fitness court based its decision on the "ordinary meaning" of the word "exceptional" and 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) or the unreasonable manner in which the case was litigated." The court held that district courts have the discretion to determine whether a case is exceptional based on the "totality of the circumstances," and it noted that "[t]here is no precise rule or formula for making these determinations."

Any question about how much discretion the Supreme Court is giving to district courts is answered by the companion case, *Highmark.* With an argument short enough to bring a smile to the face of Herman Cain (the man who would not sign any bill over three-pages long), the *Highmark* court held that the Federal Circuit can review a district court's determination on attorneys' fees only under an abuse-of-discretion standard. This result was compelled by the court's holding in *Octane Fitness* that district courts have discretion to determine whether a case is exceptional.

Together, *Octane Fitness* and *Highmark* establish the new paradigm for attorneys' fees under § 285—namely, there is no paradigm. *Octane Fitness* reads as if it could have been written by the rule-eschewing Justice Sandra Day O'Connor, and it shows that not even Justice Antonin Scalia thinks that rules should always be chosen over standards. Now, under § 285 the new standard is whatever the district court thinks is best. With *Highmark* making it more difficult for the Federal Circuit to review district courts' § 285 determinations, the takeaway from these two cases is clear: stay on the district court's good side and pray for the best.

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