

No. 12-1184

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IN THE  
**Supreme Court of the United States**

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OCTANE FITNESS, LLC,  
*Petitioner,*

v.

ICON HEALTH & FITNESS, INC.,  
*Respondent.*

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**On Writ of Certiorari to the United States  
Court of Appeals for the Federal Circuit**

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**BRIEF OF THE INTELLECTUAL PROPERTY LAW  
ASSOCIATION OF CHICAGO AS AMICUS CURIAE  
IN SUPPORT OF NEITHER PARTY**

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## INTEREST OF AMICUS CURIAE

The Intellectual Property Law Association of Chicago (“IPLAC”) submits this brief as amicus curiae in support of neither party on the ultimate merits of the case.<sup>1</sup>

Founded in 1884, the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who practice in the areas of patents, trademarks, copyrights, trade secrets and the legal issues they present. IPLAC is the country’s oldest bar association devoted exclusively to intellectual property matters. In litigation, IPLAC’s members are split about equally between plaintiffs and defendants. Its members include attorneys in private and corporate practices before federal bars throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. As part of its central

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<sup>1</sup> Petitioner and respondents each have filed and lodged with the Clerk a letter of consent to the filing of amicus curiae briefs in support of either party or of neither party. Pursuant to Supreme Court Rule 37.6, this brief was not authored, in whole or in part, by counsel to a party, and no monetary contribution to the preparation or submission of this brief was made by any person or entity other than IPLAC or its counsel. After reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.<sup>2</sup>

### **SUMMARY OF ARGUMENT**

Prevailing patent litigants may be entitled to an award of attorney fees if a case is deemed exceptional under 35 U.S.C. § 285. The statute's language is party-neutral. The legislative history surrounding the statute supports this interpretation. The Federal Circuit, in spite of frequent assertions that section 285 is party-neutral, has failed to capture the neutrality of this statute. The standard under which a prevailing accused infringer may seek attorney fees has been effectively raised to require a showing of subjective bad faith on the part of a patentee. No such showing is required by a prevailing patentee to be eligible for attorney fees. The result has been the uneven construction and application of section 285 at both the trial and appellate court levels biased against prevailing accused infringers.

Amicus respectfully requests that this Court provide a consistent and party-neutral standard for applying section 285 to provide guidance to parties to patent litigation where there has been neither inequitable conduct nor litigation misconduct. An appropriate standard would require a prevailing accused infringer to demonstrate (1) the patentee

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<sup>2</sup> While over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

sued despite an objectively high likelihood that the accused infringer's conduct did not constitute patent infringement, and (2) the patentee knew or should have known that the accused infringer's conduct did not constitute patent infringement and/or the patent was invalid.<sup>3</sup> This standard is analogous to the standard set forth in *In re Seagate Technologies, LLC* under which prevailing patentees may be awarded attorney fees based on willful infringement. 497 F.3d 1360, 1371 (Fed. Cir. 2007). Furthermore, this interpretation is consistent with the application of the attorney fee-shifting statutes of copyright and trademark litigation.

## ARGUMENT

### I. A PARTY-NEUTRAL, EXCEPTIONAL CASE STANDARD WOULD BENEFIT PATENTEES, ACCUSED INFRINGERS AND THE PUBLIC

IPLAC seeks fairness and clarity in the law. This is especially true when it comes to furthering innovation and the high stakes presented in patent litigation. Whether a case may go to trial or be resolved through settlement is often determined by the ability to assess the true value of the case. One factor in assessing that value is the likelihood that

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<sup>3</sup> The analogous standard that should apply to cases in which the patentee is the prevailing party would require the patentee to demonstrate (1) the accused infringer defended the suit in spite of the objectively high likelihood that the patentee's patent was infringed and/or valid, and (2) the accused infringer knew or should have known that the patentee's patent was infringed and/or valid.

the case would be deemed exceptional and result in an award of attorney fees.

Section 285 makes no distinction between patentees and accused infringers, allowing fees to be awarded to whichever is the prevailing party in “exceptional cases.” Fairness, logic, and justice dictate that patentees and accused infringers should be held to an equal standard for an award of attorney fees. This is reflected in the traditional “American Rule,” which dictates that each side will pay its own fees. When each side is responsible for its own fees, risks and rewards are generally balanced for each. In exceptional cases, however, when one side may be required to pay the other’s fees, a lower standard for one side reduces that side’s risk compared to the other.

Beyond just fairness, equal standards for plaintiffs and defendants seeking attorney fees provide for balancing incentives between the two sides. The risks and rewards for each side reflect the relative value that society places on each side. We should not value a patent more highly than we value innovation on the margins of the patent. Similarly, we should not value blind pursuit of an alleged infringer more highly than eliminating an invalid patent that stymies industry.

Patents should encourage innovation. U.S. CONST. art. I, § 8, cl. 8. In exchange for an appropriate disclosure of the invention, a patent owner is granted the right for a limited time to exclude others from making or using the claimed invention. But, the scope of the patent’s protection is narrowly circumscribed. A patent owner may not lawfully prevent others from innovating around the

margins of its patent or from using the patent's disclosure as a foundation for further invention.

Society benefits from both the innovation of patent owners and the innovation of others. Both sides should run the same risk of having to pay the other side's attorney fees. A lower standard for one side encourages that side to abuse the system and waste judicial resources by filing law suits or offering defenses with a low probability of success.

If alleged infringers must meet a higher standard than patentees to prove a case is exceptional, patent owners may be encouraged to file marginal lawsuits. Such cases by patentees subject a defendant to the inconvenience and expense of defending an infringement suit. This leads to diminished innovation by others because even if they will not infringe, they may not be able to afford to defend a lawsuit. In this scenario, the courts enable anticompetitive activity by providing incentives for filing suits that harm competition.

From the other perspective, if patentees must meet a higher standard than accused infringers to prove a case is exceptional, potential infringers will be less likely to avoid patents. Patentees may be less likely to file a well-founded lawsuit where they risk paying the defendant's attorney fees besides their own.

The courts and the public benefit from more rational litigation when both patentees and accused infringers run the same risk of paying the opponent's attorney fees and both parties know the standard by which such risk will be judged. A balanced standard encourages both sides to look objectively at the merits of their cases from the beginning. This

encourages settlement and decreases overall litigation costs.

The public also benefits from increased competition if both patentees and accused infringers must meet the same standard to receive attorney fees in an exceptional case. If meritless claims and defenses subject patent owners and accused infringers to the same risk of paying attorney fees, the scope of the patents will become clearer. People will more freely innovate around patents. And as patentees realize the boundaries of their own patents as well as the validity of their patents, they will be encouraged to continue innovation to expand those boundaries.

**II. THE FEDERAL CIRCUIT HAS FAILED TO ARTICULATE A CONSISTENT STANDARD FOR ASSESSING WHETHER A CASE IS EXCEPTIONAL IN THE ABSENCE OF INEQUITABLE CONDUCT OR LITIGATION MISCONDUCT**

The Federal Circuit has inconsistently described the circumstances under which a case may be found exceptional under 35 U.S.C. § 285. Section 285 provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing

party.” 35 U.S.C. § 285.<sup>4</sup> This inconsistency has resulted in an uneven application of section 285 by trial courts to prevailing parties.

#### A. HISTORY OF 35 U.S.C. § 285

The case law and statutory history surrounding section 285 were interpreted by the Federal Circuit in *Rohm & Haas Co. v. Crystal Chemical Co.* The court, in exploring the statutory origins of section 285, noted that “[p]rior to 1946, the Supreme Court, following the American Rule, had held that the award of attorney fees based upon equitable considerations was not available in patent cases.” 736 F.2d 688, 690 (Fed. Cir. 1984). The court noted in 1946 that Congress amended § 4921 of the Revised Statutes to permit the award attorney fees to a prevailing patent litigant at the court’s discretion. *Id.* at 690. The court also highlighted that the Senate report pertaining to this revision advised that it applied to both prevailing patentees and prevailing accused infringers, and was “made general so as to enable the court to prevent a gross injustice to an alleged infringer.” *Id.* at 690-1 (citing S. REP. NO. 79-1503, at 2 (1946), *reprinted in* 1946 U.S. Code Congressional Service 1386, 1387).

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<sup>4</sup> 35 U.S.C. § 273 provides a specific example of when a case may be deemed exceptional for the purpose of awarding attorney fees. Under section 273, an accused infringer may defend against infringement by showing prior commercial use. If an accused infringer brings forth this defense, but fails to demonstrate a reasonable basis for asserting the defense, the case is deemed exceptional for the purposes of awarding attorney fees under section 285.

The Patent Act of 1952 codified this attorney fee provision in section 285 and eliminated any mention of “discretion” while inserting the qualifier that courts may award attorney fees in “exceptional cases.” *Id.* at 691. The Revision Note to section 285, as restated by its author, posited that the phrase “exceptional cases” was added to the statute to “express the intention of the old statute as shown by its legislative history and as interpreted by the courts.” *Id.* (citing 75 J. Pat. & Trademark Off. Soc’y 161, 216 (1993)). From an historical standpoint, section 285 is grounded in notions of fairness and the prevention of “gross injustice” to prevailing parties.

Considering this history, the Federal Circuit found that section 285 allows a court to award attorney fees to a prevailing accused infringer only when it would be “unjust not to do so.” *Id.* at 692. The court also noted that “[c]ases awarding attorney fees to prevailing patentees have typically found ‘exceptional’ circumstances in willful and deliberate infringement by an infringer, or in the prolongation of litigation in bad faith.” *Id.* The court, however, did not define “bad faith.”

#### **B. THE FEDERAL CIRCUIT APPLIES AN OBJECTIVE/OBJECTIVE STANDARD IN SOME CASES**

In *Eltech Systems Corp. v. PPG Industries, Inc.*, the Federal Circuit held that any prevailing party was subject to the same standards for assessing whether the losing party had engaged in bad faith litigation. 903 F.2d 805, 811 (Fed. Cir. 1990). The court also provided definition to “bad faith litigation,” at least for a patentee, determining that “[w]here, as here, the patentee is manifestly

unreasonable in assessing infringement, while continuing to assert infringement in court, an inference is proper of bad faith, whether grounded in or denominated wrongful intent, recklessness, or gross negligence.” *Id.* This Court, in *Fogerty v. Fantasy, Inc.*, referenced *Eltech* as evidence that section 285 is a party-neutral fee-shifting statute and is treated as such in patent litigation. 510 U.S. 517, 525 n.12 (1994).

The *Eltech* decision was relied on by the Federal Circuit in *Forest Laboratories, Inc. v. Abbott Laboratories* as an example of circumstances that demonstrate bad faith litigation by a patentee. 339 F.3d 1324, 1329-1330 (Fed. Cir. 2003). These cases, read together, direct a trial court to award attorney fees to a prevailing party where, for instance, either party initially asserts or continues to assert positions in a knowingly, recklessly, or grossly negligent manner. This assessment is the same whether the issue is the validity or infringement of the patent.

Implicit in this interpretation is that a losing patentee is subject to a two-part standard to determine whether it litigated in bad faith in view of *Eltech*. First, the patentee’s infringement assertion is objectively evaluated for reasonableness. Second, if the claim is objectively unreasonable, the patentee’s own conduct in pursuing an unreasonable infringement assertion is evaluated for reasonableness. This second step involves an objective analysis of the patentee’s conduct, as *Eltech* held that a patentee’s grossly negligent or reckless pursuit of an unreasonable infringement claim was litigating in bad faith. *Eltech*, 903 F.2d at 811.

In *Farmer v. Brennan*, this Court noted that “[t]he civil law generally calls a person reckless who acts or (if the person has a duty to act) fails to act in the face of an unjustifiably high risk of harm that is either known or so obvious that it should be known.” 511 U.S. 825, 836 (1994). This Court, in *Baltimore & P. R. Co. v. Jones*, defined negligence as “the failure to do what a reasonable and prudent person would ordinarily have done under the circumstances of the situation, or doing what such a person under the existing circumstances would not have done.” 95 U.S. 439, 441-42 (1877) As a finding of recklessness or gross negligence requires a court to compare a patentee’s conduct to that of a reasonable person, determining whether a patentee’s conduct was reasonable is an objective inquiry under *Eltech*.

### **C. THE FEDERAL CIRCUIT APPLIES A SUBJECTIVE/OBJECTIVE STANDARD IN OTHER CASES**

The Federal Circuit attempted to describe the circumstances in which a prevailing party may recover attorney fees under section 285 in 2005. However, in doing so, the Federal Circuit deviated from *Eltech* by creating a much more exacting, rigid test for determining whether a patentee litigated in bad faith. In *Brooks Furniture Manufacturing, Inc. v. Dutailier International, Inc.*, the Federal Circuit held that “[a]bsent 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.” 393 F.3d 1378, 1381 (Fed. Cir. 2005) (citing *Professional Real Estate Investors v. Columbia Pictures Industries*, 508 U.S. 49, 60-61 (1993)).

The two-part standard articulated in *Brooks Furniture* introduced a subjective inquiry into the analysis of bad faith litigation not previously necessary for a court to award attorney fees to a prevailing accused infringer. This Court has interpreted “subjective intent” as equivalent to the “actual motivations” of an individual. *See Whren v. United States*, 517 U.S. 806, 813 (1996). Read plainly, the *Brooks Furniture* standard significantly increases the burden on a prevailing accused infringer seeking fees. Under *Brooks Furniture*, a prevailing accused infringer must demonstrate not only that the losing patentee’s infringement assertion was objectively baseless, but also that the patentee knew or intended this and proceeded with the litigation anyway.

Interpretation of this inquiry is initially perplexing due to the Federal Circuit’s reliance on *Professional Real Estate (“PRE”)*. *PRE* did not involve construing section 285 or even patents. Rather, *PRE* outlined the non-statutory “sham litigation” exception to the *Noerr-Pennington* antitrust immunity doctrine. *PRE*, 508 U.S. at 60-61 (“First, the lawsuit must be objectively baseless...[and if so,] the court should focus on whether the baseless lawsuit conceals an attempt to interfere directly with the business relationships of a competitor through the use of the governmental process.” (quotations, citations, and emphasis omitted)). In response to “confusion” by the circuit courts, *PRE* construed under what circumstances filing of a lawsuit could be considered merely an “anticompetitive weapon,” instead of a rightful petition to the government for redress of an alleged wrong. *Id.* In *Brooks Furniture*, the Federal Circuit

did not explain why it shoehorned antitrust law regarding sham litigation, with its own precedent and statutory basis, into interpreting how section 285 should apply to prevailing defendants. Given this lack of guidance, district courts have struggled to apply *Brooks Furniture*. (See *infra*, § III).

The creation of the *Brooks Furniture* standard by the Federal Circuit is also confusing in light of the opinion's incorporation of the language from *Eltech* (holding gross negligence or recklessness by a patentee in pursuing an unreasonable assertion of infringement could support a finding of bad faith), through its reliance on *Forest Labs. Brooks Furniture*, 508 U.S. at 1381 (citing *Forest Labs.*, 339 F.3d at 1330).

In contrast to the situation for a prevailing accused infringer, for a prevailing patentee, a finding of willful infringement alone has long been a sufficient basis for a trial court to make an exceptional case determination under section 285. *E.g.*, *Modine Mfg. Co. v. Allen Group Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990) (“An express finding of willful infringement is a sufficient basis for classifying a case as ‘exceptional.’”). If a trial court finds willful infringement but does not award attorney fees, the court must explain why the case was deemed unexceptional under section 285. *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986).

The Federal Circuit subsequently set forth a two-part standard under which prevailing patentees could demonstrate willful infringement in *Seagate*. In *Seagate*, the court held that “to establish willful infringement, a patentee must show by clear and

convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” 497 F.3d at 1371 (emphasis added). The court continued:

The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer.

*Id.*

**D. PREVAILING ACCUSED  
INFRINGEMENTERS ARE SUBJECT TO  
THE HIGHER BURDEN OF THE  
SUBJECTIVE/OBJECTIVE  
STANDARD**

Both *Brooks Furniture* and *Seagate* provide prevailing patent litigants with means by which fees may be awarded under section 285. Absent litigation misconduct, prevailing patentees can demonstrate willful infringement by an infringer by showing the infringer satisfies the two-part objective standard in *Seagate*. Similarly, absent litigation misconduct or misconduct in securing the patent, prevailing accused infringers can demonstrate that a patentee pursued objectively baseless litigation in subjective bad faith under the two-part standard in *Brooks Furniture*.

The difference in these two standards is that a prevailing accused infringer must demonstrate

subjective bad faith, which, when read plainly, implies that a prevailing accused infringer must show a patentee intended to conduct, or knew it was conducting objectively baseless litigation. A prevailing patentee, however, need only demonstrate an infringer knew or should have known its activities had an objectively high likelihood of infringement. Demonstrating an infringer “should have known” its activities constituted infringement is an objective inquiry tantamount to showing recklessness. See *Seagate*, 497 F.3d at 1371.

Plainly reading the “subjective bad faith” prong of *Brooks Furniture* as requiring intent or knowledge imposes a higher burden on prevailing accused infringers to prove a case exceptional under section 285 as compared to prevailing patentees. Such a reading contravenes the holdings in *Fogerty* and in *Eltech* that section 285 is a party-neutral fee-shifting statute.

Since *Brooks Furniture* and *Seagate*, the Federal Circuit has done little to clarify the meaning of “subjective bad faith” in the context of attorney fees and sanctions. In *iLOR, LLC v. Google, Inc.*, the Federal Circuit stated that the objective baselessness prong for a prevailing accused infringer is identical to the objective recklessness standard for attorney fees that a prevailing patentee must demonstrate under *Seagate*. 631 F.3d 1372, 1377 (Fed. Cir. 2011). While the Federal Circuit clarified that both prevailing patentees and accused infringers can demonstrate objective baselessness in the same, party-neutral way, the court also continued to require that under the test in *Brooks Furniture* “the plaintiff’s case must have no objective foundation, and the plaintiff must actually know this.” *Id.* The

Federal Circuit continued to maintain that prevailing patentees need only show an infringer “knew or should have known” their conduct had an objectively high risk of infringement. *Id.*

The following year, the Federal Circuit seemingly contradicted itself in *Highmark, Inc. v. Allcare Health Management Systems, Inc.*, holding “[the] same objective/subjective standard applies for both patentees asserting claims of infringement and alleged infringers defending against claims of infringement.” 687 F.3d 1300, 1309 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 48 (2013). Later in the opinion, the court, citing *Seagate*, held that a claim is brought in subjective bad faith when “the objective unreasonableness of the claim ‘was either known or so obvious that it should have been known’ by the patentee.” *Id.* at 1312.

The irreconcilable language from *iLOR* and *Highmark* embodies the inconsistency of the Federal Circuit’s own interpretation of section 285. What is clear is that trial courts, depending on which opinions from the Federal Circuit they rely on, have the latitude to apply an inequitable, harsher standard to prevailing accused infringers in making fee determinations. In a concurring opinion in *Raylon, LLC v. Complus Data Innovations, Inc.*, Judge Reyna noted that “[o]ur cases have not established a precise definition for ‘bad faith’ in the exceptional case context,” and that earlier cases “discuss ‘bad faith’ as closely aligned with ‘a finding of unfairness.’” 700 F.3d 1361, 1373-74 (Fed. Cir. 2012), *cert. denied*, 134 S. Ct. 94 (2013). Judge Reyna referenced both *Eltech* and *Rohm & Haas* in his concurrence along with *Brooks Furniture*, which supports IPLAC’s view that the jurisprudence

pertaining to attorney fees in the Federal Circuit needs clarification from this Court.

**III. DISTRICT COURTS HAVE  
DEVELOPED AN INCOMPATIBLE  
AND INEQUITABLE BODY OF LAW  
DUE TO A LACK OF A CONSISTENT  
STANDARD**

In applying the various standards articulated by the Federal Circuit for determining whether a case is exceptional, the district courts have developed an array of standards. However, these standards vary widely not only amongst themselves but also from the *Seagate* standard for awarding attorney fees to patentees.

As set out by the Federal Circuit in *Eltech* and endorsed by this Court in *Fogerty*, “there is and should be no difference in the standards applicable to patentees and infringers who engage in bad faith litigation” when determining attorney fees motions. *Eltech*, 903 F.2d at 811. The standard for patentees as set out in *Seagate* requires a showing that there was “an objectively high likelihood” that the infringer’s conduct constituted patent infringement that “was either known or so obvious that it should have been known to the accused infringer.” *In re Seagate*, 497 F.3d at 1371. A review of recent district court decisions awarding or refusing to award attorney fees shows not only that different standards are applied to prevailing parties, but that even among similarly situated accused infringers, standards are applied inconsistently.

The standards articulated in recent district court decisions range from an “exacting standard,” requiring that a plaintiff’s infringement assertion be

objectively baseless and that the plaintiff actually knew this, to a standard where bringing an objectively baseless suit against an accused infringer is in itself sufficient for a court to deem the case exceptional. *Compare Vistan Corp. v. Fadei, USA, Inc.*, No. C-10-04862, 2013 WL 1345023, at \*1 (N.D. Cal. Apr. 2, 2013) (quoting *iLOR*, 631 F.3d at 1377), *rev'd on other grounds*, Nos. 2013-1216, 2013-1217, 2013 WL 6231725 (Fed. Cir. Dec. 3, 2013), *with MarcTec, LLC v. Johnson & Johnson*, No. 07-cv-825, 2010 WL 680490, at \*10 (S.D. Ill. Feb. 23, 2010), *aff'd*, 664 F.3d 907 (Fed. Cir. 2012).

Two principles are clear from the district court decisions. First, different standards are being used for similarly situated accused infringers. Second, in many instances, accused infringers are subject to higher standards than patentees seeking fees. Within this diverse range lie a number of differently articulated standards where district courts simply pick and choose language from Federal Circuit opinions to support their decision. These decisions by the district courts illustrate that the district courts have tremendous difficulty grappling with the Federal Circuit precedent.

Some courts, such as the Eastern District of Michigan, in *Automotive Technologies International, Inc. v. Siemens VDO Automotive Corporation*, highlight the lack of a uniform standard under which district courts may deem a case exceptional.

In *Automotive Technologies*, the court awarded attorney fees to an accused infringer while, noting “[t]he Federal Circuit has outlined multiple formulations of what constitutes an exceptional case, and while those formulations can be read to conflict,

the better reading is that there are a number of different ways by which a case may become exceptional for § 285 purposes.” 744 F. Supp. 2d 646, 650-51 (E.D. Mich. 2010). These conflicting standards present district courts with the opportunity to choose and apply one of these conflicting standards to a prevailing party.

Other courts ignore the standards articulated in *Eltech* and its progeny completely. In *Atmel Corp. v. Authentec, Inc.*, the Northern District of California declined to award attorney fees under *Brooks Furniture* where the defendant was able to show that “even accepting Plaintiff’s proposed claim construction, the accused products do not infringe the patents-in-suit.” 557 F. Supp. 2d 1051, 1057 (N.D. Cal. 2008). Despite this finding, the court found the defendant had failed to carry its burden of establishing that the plaintiff acted in subjective bad faith.

In *Motionless Keyboard Co. v. Microsoft Corp.*, the Oregon District Court declined to award attorney fees under *Brooks Furniture*, despite finding the patentee’s claims to be objectively baseless, noting the claims “lack[ed] an objectively reasonable basis in law or fact.” No. Civ. 04-180, 2005 WL 1899377, at \*2 (D. Or. Aug. 5, 2005), *aff’d*, 184 F. App’x 967 (Fed. Cir. 2006). The court would not, however, deem the case exceptional without a showing of bad faith by the patentee in pursuing their claims. *Id.*

In *Vistan Corp. v. Fadei*, the Northern District of California used an “exacting standard” where the “plaintiff’s case must have no objective foundation” and “the plaintiff must actually know this.” 2013 WL 1345023, at \*1 (quoting *iLOR*, 631 F.3d at 1377).

Despite the court's earlier claim construction ruling rejecting the plaintiff's proffered interpretation — and the plaintiff's continued pursuit of the case in spite of the ruling — the defendants did not meet “their high burden to show by clear and convincing evidence [the] suit was brought frivolously.” *Id.* at \*2. Ultimately, the court concluded there was no evidence of bad faith on the part of the patent owner. *Id.* The use of this exacting standard ignores the tests set out in *Eltech* and *Highmark* by requiring a showing the Plaintiff knew there was no objective foundation as opposed to the “knew or should have known” standard.

*Atmel* and *Motionless Keyboard* illustrate cases where district courts found that the suits were objectively baseless but refused to deem the cases exceptional because of insufficient evidence of subjective bad faith. These cases illustrate accused infringers being held to unreasonably high standards when compared to the Federal Circuit standard for patentees seeking attorney fees. *Vistan* further supports this position by requiring accused infringers to show that the case had no objective foundation and the patentee actually knew that it had no objective foundation.

The standards set by *Atmel*, *Motionless Keyboard*, and *Vistan* create a burden for prevailing accused infringers that is almost impossible to overcome. The standard illustrated in these cases is considerably higher than the standard set out in *Seagate*. Take for example *Midtronics, Inc. v. Aurora Performance Products LLC*, where the Northern District of Illinois awarded fees to a patentee upon a showing of objective recklessness. 800 F. Supp. 2d

970 (N.D. Ill. 2011). The *Midtronics* court, citing *Seagate* and *iLOR*, noted it was unnecessary to explore the defendant's state of mind in determining whether attorney fees were appropriate. *Id.* at 974, n.5. This comparison illustrates a clear inequality between prevailing patentees and prevailing accused infringers. A prevailing patentee was granted attorney fees without so much as considering the accused infringer's state of mind while a prevailing accused infringer is forced to establish a patent owner's state of mind.

The different formulations used by courts not only create a confusing body of law, but the decisions are frequently and unfairly adverse to prevailing accused infringers. The result is an imbalance in the treatment of prevailing accused infringers compared to prevailing patentees when determining whether a case is exceptional.

In the few cases where accused infringers have successfully argued that a case was exceptional, courts have not used the subjective bad faith standard promulgated by the Federal Circuit in *Brooks Furniture* and *iLOR*.

For example, in *MarcTec*, the Southern District of Illinois awarded fees to an accused infringer based solely on a finding that the patentee brought a baseless or frivolous suit. 2010 WL 680490, at \*10. Relying on *Eltech*, the *MarcTec* court inferred bad faith on the part of the patentee where the patentee unreasonably relied on mischaracterizations of the court's claim construction in pursuing its infringement action. *Id.* at \*9-10. The court ignored the *Brooks Furniture* language. Ultimately, the Federal Circuit upheld the award of fees, and failed

to criticize the *MarcTec* district court for its assertion that no explicit showing of subjective bad faith was required. *MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 916-919 (Fed. Cir. 2012).

In other cases where accused infringers have been awarded attorney fees, district courts have purported to require a showing of subjective bad faith but found that this requirement was met through an analysis of objective criteria. These courts found cases exceptional where the patentee knew or should have known the patent was invalid, or where a patentee pursued an infringement claim based on wrongful intent, recklessness, or gross negligence. *See, e.g., BIAx Corp. v. NVIDIA Corp.*, No. 09-cv-01257, 2013 WL 1324935 (D. Colo. Mar. 30, 2013), *reconsideration denied*, No. 09-cv-01257, 2013 WL 4051901 (D. Colo. Aug. 12, 2013); *IA Labs CA, LLC v. Nintendo Co., Ltd.*, No. 10-833, 2012 WL 1565296 (D. Md. May 1, 2012), *aff'd*, 515 F. App'x 892 (Fed. Cir. 2013); *Veteran Med. Prods. v. Bionix Dev. Corp.*, No. 1:05-cv-655, 2009 WL 891724 (W.D. Mich. Mar. 31, 2009).

Because of inconsistent standards, accused infringers face uncertainty in predicting which standard will be employed in their case. Depending on the jurisdiction, the standard for awarding attorney fees may or may not require a showing of subjective bad faith, and the evidence required to show bad faith may also vary. Without direction to the Federal Circuit and the district courts as to a correct and consistent standard for determining whether a case is exceptional, defendants cannot accurately assess the likelihood of recouping fees spent defending a frivolous litigation claim.

**IV. THE LEGISLATIVE HISTORY AND  
CASE LAW RELATING TO SECTION  
285 ESTABLISH THAT PREVAILING  
ACCUSED INFRINGERS MAY  
DEMONSTRATE EXCEPTIONALITY  
UNDER A STANDARD ANALAGOUS  
TO THAT SET FORTH IN SEAGATE**

The decisions in *Brooks Furniture* and *Seagate* lead to two possible interpretations of the requirements under section 285: (1) *Brooks Furniture* sets out an exceptional case standard for a prevailing accused infringer that requires showing a subjective element (knowledge or intent) that is not required in the two-part willful infringement standard under *Seagate*; or, (2) the exceptional case standard under *Brooks Furniture* is analogous to the two-part willful infringement standard under *Seagate*, requiring that a prevailing accused infringer demonstrate the patentee's "subjective bad faith" by showing the patentee engaged in knowing, reckless, or grossly negligent behavior in pursuing an objectively unreasonable action. Amicus respectfully urges this Court to provide the latter standard of section 285 so that the section is applied to both parties evenhandedly as the case-law and legislative history relating to section 285 suggest.

Amicus respectfully submits that both the legislative history and case law surrounding section 285 strongly support that the standards for bad faith litigation by a patentee and willful infringement should be equivalent and in the form of the standard in *Seagate*. The legislative history of section 285 as outlined by the Federal Circuit in *Rohm & Haas* indicates that section 285 is a broadly-written, party-neutral standard designed to prevent gross injustice

to a prevailing party. 736 F.2d at 691-92. Bad faith conduct by a party is one situation which could render a case exceptional for both prevailing parties. *Id.*

The Federal Circuit held in *Eltech* that the standard for making a bad faith determination was the same for both parties, and that grossly negligent or reckless conduct by a party was sufficient for a trial court to find bad faith. *See* 903 F.2d at 811. Recently, the Federal Circuit held the same standard applies for determining willful infringement or bad faith litigation by a patentee. *Highmark*, 687 F.3d at 1309. If the standards are indeed the same, then interpreting the *Brooks Furniture* standard to require a showing of knowledge or intent on the part of a patentee in pursuing objectively baseless litigation would disregard the evenhandedness of section 285 contemplated by *Rohm & Haas* and *Eltech*.

Prevailing accused infringers cannot experience a party-neutral application of section 285 at the trial court level unless this Court addresses the two-part standard in *Brooks Furniture*, particularly the prong requiring “subjective bad faith.” Amicus respectfully submits that the standard for a case to be exceptional should require a prevailing accused infringer demonstrate: (1) the patentee sued in spite of the objectively high likelihood that the accused infringer’s conduct did not constitute patent infringement, and (2) the patentee knew or should have known that the accused infringer’s conduct did not constitute patent infringement and/or the patent was invalid. Such a standard is analogous to the two-part willful infringement standard in *Seagate* available to prevailing patentees. This standard

would provide prevailing accused infringers the fair opportunity to be reimbursed for the injustice of spending fees to defend against claims with an objectively high likelihood of being meritless.

**V. COURTS ALREADY EMPLOY A PARTY-NEUTRAL STANDARD TO AWARD ATTORNEY FEES IN COPYRIGHT AND TRADEMARK CONTEXTS**

Copyright and trademark case law both support using a party-neutral standard in determining whether to award attorney fees.

**A. COPYRIGHT ACTIONS HAVE A PARTY-NEUTRAL STANDARD**

This Court explicitly endorsed a party-neutral standard for awarding attorney fees to prevailing parties in copyright infringement actions. *Fogerty*, 510 U.S. at 534 (“Prevailing plaintiffs and prevailing defendants are to be treated alike.”). This Court considered and rejected a “dual standard.”

*First*, the language of the copyright fee-shifting statute, 17 U.S.C. § 505, is neutral: “the court may . . . award a reasonable attorney’s fee to the prevailing party as part of the costs.” Section 505 provided “no hint” that differential treatment of plaintiffs and defendants was warranted; neither did the legislative history. *Id.* at 522-24. Neutral language and a paucity of legislative history supporting a dual standard aptly describe 35 U.S.C. § 285 as well. (*See supra*, § II.A.) “[F]ee-shifting statutes’ similar language is a strong indication that they are to be interpreted alike.” *Fogerty*, 510 U.S. at 523 (internal quotations omitted). This holds

particularly true when the “goals and objectives” of two underlying Acts are highly similar, as they are here. *See id.* at 524. The *Fogerty* Court even describes section 285 as “closely related” to the copyright fee-shifting statute and “support[ing] a party-neutral approach.” *Id.* at 525, n.12.

*Second*, just as in patent infringement actions, there are no stereotypical plaintiffs and defendants in copyright infringement actions. “Entities which sue for copyright infringement as plaintiffs can run the gamut from corporate behemoths to starving artists; the same is true of prospective copyright infringement defendants.” *Id.* at 524 (internal citations omitted).

Therefore, unlike in other fields, there is no strong policy reason to favor plaintiffs over defendants or vice versa in patent litigation. *See, e.g., id.* (endorsing the dual standard in the fee-shifting statute of Title VII of the Civil Rights Act of 1964 because impecunious civil rights plaintiffs require incentive to bring meritorious claims). *Fogerty* supports party-neutral application of 35 U.S.C. § 285.

### **B. IN TRADEMARK ACTIONS, MANY CIRCUITS APPLY A PARTY- NEUTRAL STANDARD**

In the trademark arena, section 1117(a) of the Lanham Act in an identical manner to section 285 of the Patent Act provides, that the “court in exceptional cases may award reasonable attorney fees to the prevailing party.” 15 U.S.C. § 1117(a). Six regional circuits (First, Second, Third, Eighth, Ninth and Eleventh) have interpreted the Lanham Act’s attorney fee-shifting statute to be party-neutral

in its application. For instance, the Second Circuit held that no case within its circuit “indicates that a different standard [under section 1117(a)] should apply for prevailing plaintiffs and prevailing defendants.” *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 195 (2d Cir. 1996). That sentiment is echoed by the Third Circuit: “the language of [section 1117(a)] authorizing attorney’s fees to the prevailing party in the discretion of the court is the same for defendants as well as plaintiffs.” *Securacomm Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273, 280 (3d Cir. 2000).

Two circuits concentrate on a single standard, implicitly indicating its party-neutral nature. In the Eighth Circuit, “an exceptional case within the meaning of [section 1117(a)] is one in which one party’s behavior went beyond the pale of acceptable conduct,” *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 877 (8th Cir. 1994), whereas the Eleventh Circuit simply recites its standard, requiring fraudulent or bad faith conduct by the losing party for a prevailing party to be eligible for attorney fees. See *Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305, 1320 (11th Cir. 2001).

Still, other circuits are considered to have a party-neutral standard for awarding attorney fees under section 1117(a). In *Nightingale Home Healthcare v. Anodyne*, the Seventh Circuit noted that the fee-shifting standards used by the First and Ninth Circuits “do not distinguish between prevailing plaintiffs and prevailing defendants.” 626 F. 3d 958, 960-1 (7th Cir. 2010) (citing *Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 32 (1st Cir. 2002) and *Stephen W. Boney, Inc. v.*

*Boney Services, Inc.*, 127 F.3d 821, 827 (9th Cir. 1997), respectively).

**C. SOME CIRCUITS EVEN APPLY A LOWER STANDARD FOR PREVAILING DEFENDANTS IN TRADEMARK ACTIONS**

A few circuit courts (D.C., Fourth and Tenth) apply the trademark fee-shifting statute in a party-sensitive manner, in which the burden of proof for prevailing defendants is *lower* than for prevailing plaintiffs. That situation is the exact opposite of the application of section 285 in some patent cases.

For example, the D.C. Circuit requires “willful or bad faith infringement by the defendant in order to award attorney's fees to the plaintiff...[whereas] a defendant need not show that a plaintiff brought an action in bad faith to obtain attorney's fees.” *Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc.*, 821 F.2d 800, 808 (D.C. Cir. 1987) (citing *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521, 526, n.2 (D.C. Cir. 1985)). The Fourth Circuit held that while a prevailing plaintiff seeking attorney fees must show “that the defendant acted in bad faith,” a prevailing defendant can “qualify for an award of attorney fees upon a showing of something less than bad faith by the plaintiff.” *Retail Services Inc. v. Freebies Publishing*, 364 F.3d 535, 550 (4th Cir. 2004) (internal quotations omitted). To find an “exceptional” case, the Tenth Circuit requires plaintiffs to show “defendant's acts of infringement are in bad faith,” while a defendant must only show the plaintiff's lawsuit's “lack of any foundation,” “the unusually vexatious and oppressive manner in which it is prosecuted,” or even “other reasons as well.”

*Nat'l Ass'n of Prof'l Baseball Leagues, Inc. v. Very Minor Leagues, Inc.*, 223 F.3d 1143, 1147-8 (10th Cir. 2000).

The state of 35 U.S.C. § 285 jurisprudence, post-*Brooks Furniture*, compels courts in patent actions to do the exact *opposite* of the requirements in the D.C., Fourth and Tenth Circuits for trademark actions. In patent actions, the prevailing defendants, i.e. accused infringers, are required to show subjective bad faith by the patentee but no such showing is required by a prevailing patentee.

To harmonize these disparate approaches toward awarding attorney fees in similar fields of law, and to better align the patent approach with its statutory basis, a consistent, party-neutral standard should be applied in patent cases, as with copyright and trademark cases.

**VI. A CONSISTENT AND PARTY-NEUTRAL STANDARD FOR AWARDING ATTORNEY FEES TO PREVAILING ACCUSED INFRINGERS SHOULD BE ARTICULATED BEFORE DETERMINING A STANDARD OF REVIEW**

This Court has granted a petition for a writ of certiorari in *Highmark, Inc. v. Allcare Health Management Systems, Inc.* to decide the appropriate standard of review for a decision to grant attorney fees to a prevailing accused infringer. 134 S. Ct. 48 (2013). The district court in *Highmark* awarded attorney fees to the prevailing accused infringer under section 285 after finding the case was objectively baseless and brought in bad faith. 706 F. Supp. 2d 713 (N.D. Tex. 2010), *order vacated on*

*reconsideration*, 732 F. Supp. 2d 653 (N.D. Tex. 2010), *aff'd in part, rev'd in part*, 687 F.3d 1300 (Fed. Cir. 2012). Upon a *de novo* review, the Federal Circuit partially overturned the decision to award attorney fees. *Highmark*, 687 F.3d 1300 (Fed. Cir. 2012) cert. granted, 134 S. Ct. 48 (U.S. 2013). In overturning the decision to award attorney fees, the Federal Circuit gave no deference to the district court's objective baselessness determination. *Id.* at 1309. The question before this Court in *Highmark* is whether a district court's exceptional case finding under section 285 based is entitled to deference on appeal.

Amicus respectfully urges this court to first articulate a consistent and party-neutral standard to be used in awarding attorney fees to prevailing accused infringers before deciding the appropriate level of review. As shown in this brief, the Federal Circuit and district courts have inconsistently and inequitably articulated multiple standards for whether fees should be awarded to a prevailing accused infringer. Until these inconsistencies are resolved and a single exceptional case standard is articulated, amicus respectfully submits that considering the standard of review to be applied to an attorney fee award may be premature. A clarification as to what showing is required by an accused infringer would be relevant in the determination of how the showing itself would be reviewed—whether it be deferential or *de novo*.

## CONCLUSION

For the foregoing reasons, amicus curiae, the Intellectual Property Law Association of Chicago,

urges this Court to establish a consistent and party-neutral standard, analogous to the party-neutral willful infringement standard in *Seagate*, for the determination of when a case is exceptional and thereby eligible for an award of attorney fees to the prevailing party in patent litigation.

Respectfully submitted,

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