No. 12-1184

IN THE

Supreme Court of the United States

OCTANE FITNESS, LLC,

Petitioner,

v.

ICON HEALTH & FITNESS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF PETITIONER

PAUL H. BERGHOFF
Counsel of Record
ERIN R. WOELKER
MCDONNELL BOEHNEN
HULBERT & BERGHOFF LLP
300 South Wacker Drive
Chicago, Illinois 60606
(312) 913-0001
berghoff@mbhb.com

Counsel for Amicus Curiae

Of counsel:

RICHARD F. PHILLIPS,
President
KEVIN H. RHODES,
Chair, Amicus Brief Committee
INTELLECTUAL PROPERTY OWNERS ASSOCIATION
1501 M Street, NW
Suite 1150
Washington, DC 20005
(202) 507-4500

250481

COUNSEL PRESS

(800) 274-3321 • (800) 359-6859

TABLE OF CONTENTS

TABLE OF CITED AUTHORITIES

Page

CASES

Page

OTHER AUTHORITIES

INTEREST OF *AMICUS CURIAE*

Amicus curiae Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in U.S. intellectual property rights.[1] IPO's membership includes more than 200 companies and a total of over 12,000 individuals who are involved in the association either through their companies or as inventor, author, executive, law firm, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before Congress and the USPTO and has filed amicus curiae briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO's Board of Directors, which approved the filing of this brief, are listed in the appendix.[2]

IPO submits this brief in support of Petitioner to emphasize the important role that 35 U.S.C. § 285 should play, if properly interpreted and applied, for intellectual property owners in providing disincentives to the assertion and maintenance of baseless claims and defenses in patent litigation.

---

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *Amicus Curiae* or its counsel made a monetary contribution to its preparation or submission. The parties have consented to the filing of this brief.

2. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

SUMMARY OF ARGUMENT

The Patent Act provides that the court in "exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. One critical role of fee shifting statutes, such as Section 285, is to prevent abuse of the legal system by providing an incentive for parties to assert and maintain only legitimate claims and defenses.[3] As such, it is important that the bar for fee-shifting not be set too high. And since patent litigation fees and expenses can range from $700,000 to $5 million (or more), it is also important that fee-shifting be handled in a fair and evenhanded manner.[4]

Under Federal Circuit precedent, willful infringement, inequitable conduct before the United States Patent and Trademark Office, misconduct during litigation, vexatious or unjustified litigation, and the bringing or maintenance of a frivolous suit or frivolous arguments are sufficient to form the basis of an exceptional case finding. *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989) (citing *Standard Oil Co. v. American*

3. In interpreting the fee-shifting provision of § 706(k) of the Civil Rights Act of 1964, the Court identified "protect[ing] defendants from burdensome litigation having no legal or factual basis" as a legitimate purpose for awarding fees to successful defendants. *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412, 420 (1978). A review of the legislative debates indicated that allowance of awards to defendants would serve "to deter the bringing of lawsuits without foundation," "to discourage frivolous suits," and "to diminish the likelihood of unjustified suits being brought." *Id.* (citations omitted).

4. American Intellectual Property Law Association, *Report of the Economic Survey 2013*, 34 (2013).

Cyanamid Co., 774 F.2d 448, 455 (Fed. Cir. 1985)). This Court has yet to address the types of conduct that rise to the level of an "exceptional case" under Section 285.

At issue in this case is the standard for determining when positions taken by a nonprevailing party in litigation should result in fee shifting under the Patent Act. According to the Federal Circuit, in order to support an exceptional case finding, the position(s) of the sanctioned party must be both (1) objectively unreasonable, and (2) asserted in subjective bad faith. *See, e.g.*, *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005)[5]; *Old Reliable Wholesale, Inc. v. Cornell Corp.*, 635 F.3d 539, 543-44 (Fed. Cir. 2011); *iLOR, LLC v. Google, Inc.*, 631 F.3d 1372, 1377 (Fed. Cir. 2011). IPO believes that the Federal Circuit's requirement

5. In establishing this two-part test in *Brooks*, the Federal Circuit found support in *Professional Real Estate Investors v. Columbia Pictures Industries, Inc.*, 508 US 49 (1993). However, the present case is distinguishable from *Professional Real Estate*, which evaluated when a case can be considered a "sham" within meaning of the *Noerr-Pennington* doctrine, which provides immunity from antitrust liability to a party that petitions the government for redress. *Id.* at 56. Sham litigation is characterized as "private action that is not genuinely aimed at procuring favorable government action," as opposed to "a valid effort to influence government action." *Id.* at 58. As such, whether a case is a "sham" under the doctrine requires an inquiry into both "objective baselessness" of the lawsuit and "the litigant's subjective motivation." *Id.* at 60-61. However, the present case does not involve a question of the First Amendment right to petition the government for redress, nor liability for exercising that right as in *Professional Real Estate*. Rather, it is solely a question of payment of legal fees and does not raise the constitutional issues underpinning the *Noerr-Pennington* doctrine.

that a prevailing party prove that its opponent brought its case, or asserted its defenses, in "subjective bad faith" sets the fee-shifting bar too high. Instead, IPO believes that an "exceptional case" for purposes of 35 U.S.C. § 285, when the issue is the litigation positions taken by the nonprevailing party, should require only objective baselessness. IPO believes that the "exceptional case" inquiry should not turn on the subjective intent of the nonprevailing party but should instead focus on whether the position(s) taken by the losing party were objectively baseless or unreasonable.

In addition to setting the threshold for an exceptional case finding at an appropriate level, IPO believes that focusing the inquiry on whether the position(s) taken by the losing party were objectively baseless will ensure that both prevailing patent holders and prevailing accused infringers will be treated consistently, as the language of Section 285 requires. While the Federal Circuit has stated that the requirements for an exceptional case finding are the same for both prevailing patent holders and prevailing accused infringers under its two-part test, IPO believes that this is not the case. In particular, where a prevailing accused infringer requests its attorney's fees on the grounds that the plaintiff brought or maintained a frivolous suit, Federal Circuit law currently presumes that the patent holder brought its claims in good faith. This presumption sets up a one-sided hurdle to prevailing accused infringers seeking recovery of their attorney's fees. Nonprevailing accused infringers, on the other hand, are afforded no such presumption. IPO believes that the standard for "exceptional case" under 35 U.S.C. § 285 should apply equally to prevailing plaintiffs and defendants, as it would if the inquiry were focused on whether the position(s) taken by the losing party were objectively baseless.

ARGUMENT

I. The Test for Whether a Case is "Exceptional" Under 35 U.S.C. § 285 Should Be Applied Equally To Prevailing Patentees and Prevailing Accused Infringers

In cases of an alleged "frivolous suit," the Federal Circuit's exceptional case test appears to disfavor prevailing defendants. The Federal Circuit has interpreted the law of this Court to recognize "a presumption that an assertion of infringement of a duly granted patent is made in good faith." *Golan v. Pingel Enter., Inc.*, 310 F.3d 1360, 1371 (Fed. Cir. 2002) (citing *Virtue v. Creamery Package Mfg. Co.*, 227 U.S. 8, 37–38 (1913)); *see also Highmark, Inc. v. Allcare Health Management Systems, Inc.*, 687 F.3d 1300, 1309 (Fed. Cir. 2012) (citing *iLOR*, 631 F.3d at 1377). No such presumption of good faith applies to the prevailing accused infringer, however.

This presumption of good faith assertion of a patent by an unsuccessful patent owner, when a prevailing accused infringer is entitled to no such presumption, makes it more difficult for a prevailing accused infringer to recoup its fees under Section 285 in view of the Federal Circuit's two-part test requiring both objective baselessness and subjective bad faith.. Because direct evidence of intent is often absent, "subjective" bad faith or intent is notoriously difficult to prove. *See, e.g.*, *U.S. Postal Serv. Bd. of Governors v. Aikens*, 460 U.S. 711, 716-17 (1983) (direct evidence of discriminatory intent in employment discrimination cases will "seldom" be available) (citing *Eddington v. Fitzmaurice*, 29 Ch. Div. 459, 483 (1885) (recognizing that "it is very difficult to prove what the state of a man's mind at a particular time")). Nevertheless, the Federal Circuit has held that this presumption can only be overcome by *affirmative* evidence of bad faith. *Golan*, 310 F.3d at 1371. With this presumption in place, prevailing patentees and prevailing defendants do not stand on equal footing with respect to Section 285.

Nothing in the language of 35 U.S.C. § 285 itself nor the legislative history supports a "dual" standard for prevailing plaintiffs and defendants. Section 285 provides only that "prevailing parties" may be awarded fees and makes no distinction between patent holders or accused infringers. Nor does the Act suggest that one class of prevailing parties should be favored over another or that one party should receive the benefit of a legal presumption with regard to fees.

Indeed, interpreting the fee shifting provisions of the Copyright Act, 17 U.S.C. § 505, the Court in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 521 (1994) looked to the relevant statutory langauge and found "no hint that successful plaintiffs are to be treated differently from successful defendants." The Court held that prevailing plaintiffs and prevailing defendants must be treated alike in awarding attorney fees under Copyright Act. The Court noted in dicta that the analogous fee shifting provision of Section 285 of the Patent Act also reflects a "party neutral approach": "federal fee-shifting statues in the patent and trademark fields . . . support a party neutral approach." 510 U.S. at 525, n.12.

The fundamental policy underlying the Patent Act—encouraging innovation—also supports an even-handed approach to fee shifting. Strong patent protection and policies supporting the enforcement of patents can drive investment in research and development and assure the capital necessary to bring market new products. Fee shifting to deter the assertion of objectively baseless infringement defenses undoubtedly furthers these interests. On the other hand, the public interest is not served by the assertion of meritless patent rights or frivolous claims of infringement that deter legitimate competition. IPO believes that fee shifting should be equally available to both prevailing patentees and accused infringers alike to strike an appropriate balance between these principles. Courts should be empowered to declare a case to be "exceptional" under Section 285 when the litigation position(s) taken by the losing party were objectively baseless, whether that party be the patent holder or the accused infringer.

II. In the Context of Positions Taken in Litigation, Whether a Case is "Exceptional" Under 35 U.S.C. § 285 Should Turn Only on Whether the Position(s) Taken by the Nonprevailing Party Were Objectively Unreasonable, and Not On Any Subjective Intent

To support a finding of exceptional case in the context of positions taken during litigation, the Federal Circuit currently requires that the nonprevailing party's litigation positions be both: (1) objectively baseless and (2) brought in subjective bad faith. *Brooks Furniture*, 393 F.3d at 1381. To be objectively baseless, "the infringement allegations must be such that no reasonable litigant could reasonably expect success on the merits." *Dominant Semiconductors*

Sdn. Bhd. v. OSRAM GmbH, 524 F.3d 1254, 1260 (Fed. Cir. 2008).

IPO believes that the test for "exceptional case" should be revised to allow for the award of fees where it is shown that the nonprevailing party's litigation positions were "objectively unreasonable," without regard to that party's subjective intent. Section 285's purpose in discouraging frivolous litigation is not being served by a test that is too difficult to meet and thus fails to adequately discourage litigants from asserting or maintaining baseless claims or defenses against competitors. Further, the Federal Circuit's two-part test, having both objective and subjective inquiries, is inconsistent with this Court's interpretation of other similar fee-shifting statutes and largely unnecessary in view of the well-established power of a federal court to award attorneys' fees against a party who has proceeded in bad faith.

A. Under Similar Fee-Shifting Statutes Objective Unreasonableness Alone is Sufficient to Award Fees

In interpreting fee-shifting statutes in other areas of the law, this Court has held that a showing of "objective unreasonableness" is sufficient to shift fees to the prevailing party, without also requiring a showing of bad faith. Of note, in *Christiansburg Garment*, this Court was confronted with the very same issue: is subjective bad faith a prerequisite to an award of attorneys' fees on the basis of meritless litigation? Ultimately, the Court interpreted the fee-shifting provisions of Title VII of the Civil Rights Act to allow a district court to award attorney's fees to a prevailing defendant "upon a finding that the plaintiff's action was frivolous, unreasonable, or without foundation, even though not brought in subjective bad faith." *Id.* at 421.

Similarly, in *Newman v. Piggie Park Enterprises*, 390 U.S. 400 (1968), this Court held that a "subjective standard" in which a prevailing party should be awarded attorney's fees "only to the extent that the respondents' defenses had been advanced 'for purposes of delay and not in good faith'" did not properly effectuate the purposes of the counsel-fee provision of Title II of the Civil Rights Act. *Id*. at 401 (citations omitted); *see also Martin*, 546 U.S. at 141 (holding that "courts may award attorney's fees under [28 U.S.C.] § 1447(c) only where the removing party lacked an objectively reasonable basis for seeking removal," without referencing any subjective intent requirement).

The fee-shifting provisions of the Patent Act should be interpreted, in accordance with this Court's precedent, to allow for the grant of attorneys' fees to a prevailing party where the opponent asserted or maintained objectively unreasonable positions in litigation, regardless of that party's subjective intent.

B. Federal Courts Have the Inherent Power to Grant Fees in Cases of Bad Faith Intent

Further, in the context of positions taken in litigation, awarding fees under Section 285 only when a nonprevailing party's claims or defenses were brought or maintained in subjective bad faith would render the provisions of 35 U.S.C. § 285 largely unnecessary. If Congress had intended to permit the award of attorneys' fees only where the nonprevailing party acted in bad faith, no statutory provision would have been necessary. It has long been established that a federal court may award attorneys' fees against a party who has proceeded in bad faith. *See Christainsberg*, 434 U.S. at 419; *Newman*, 390 U.S. at 402, n.4 ("If Congress' objective had been to authorize the assessment of attorneys' fees against defendants who make completely groundless contentions for purposes of delay, no new statutory provision would have been necessary, for it has long been held that a federal court may award counsel fees to a successful plaintiff where a defense has been maintained 'in bad faith, vexatiously, wantonly, or for oppressive reasons.'") (citing 6 Moore's Federal Practice 1352 (1966 ed.)). The Federal Circuit has also held that litigation misconduct alone can support fee shifting under Section 285. *See, e.g.*, *MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 919 (Fed. Cir. 2012) ("[I]t is well-established that litigation misconduct and unprofessional behavior may suffice, by themselves, to make a case exceptional under § 285.") (internal quotations omitted).

Because the courts are independently empowered to award fees where a party asserts contentions in bad faith, requiring a showing of subjective bad faith when the exceptional case inquiry is premised on the losing party's litigation positions is unnecessary.

CONCLUSION

IPO urges the Court to reverse the Federal Circuit's decision below and remove the "subjective bad faith" inquiry from the exceptional case test in evaluating allegedly baseless litigation positions under 35 U.S.C. § 285. In evaluating a prevailing party's request for fees as compensation for the cost to defend against frivolous claims or defenses, the focus should be on the opposing party's claims or defenses themselves and not on that party's subjective intent in asserting them. *Martin*, 546 U.S. at 141 (In interpreting the statute providing that an order remanding a removed case to state court may require payment of attorney fees incurred as a result of the removal, "the standard for awarding fees should turn on the reasonableness of the removal"). Additionally, the standard for "exceptional case" under Section 285 should be applied the same for all prevailing parties, plaintiffs and defendants alike.

For these reasons, IPO respectfully requests that this Court reverse the Federal Circuit's ruling.

Dated: December 9, 2013

Respectfully Submitted,

Paul H. Berghoff
Counsel of Record
Erin R. Woelker
McDonnell Boehnen
Hulbert & Berghoff LLP
300 South Wacker Drive
Chicago, Illinois 60606
(312) 913-0001
berghoff@mbhb.com

Counsel for Amicus Curiae

Of counsel:

Richard F. Phillips,
President
Kevin H. Rhodes,
Chair, Amicus Brief Committee
Intellectual Property Owners Association
1501 M Street, NW
Suite 1150
Washington, DC
(202) 507-4500

APPENDIX

APPENDIX[1]

Members of the Board of Directors
Intellectual Property Owners Association

Tina M. Chappell
Intel Corp.

Mark Costello
Xerox Corp.

William J. Coughlin
Ford Global Technologies LLC

Robert DeBerardine
Sanofi-Aventis

Gerald L. DePardo
The Travelers Companies, Inc.

Anthony DiBartolomeo
SAP AG

Louis Foreman
Enventys

Scott M. Frank
AT&T

Darryl P. Frickey
Dow Chemical Co.

Bernard J. Graves, Jr.
Eastman Chemical Co.

Krish Gupta
EMC Corporation

Horacio Gutierrez
Microsoft Corp.

Henry Hadad
Bristol-Myers Squibb Co.

Jack E. Haken
Koninklijke Philips N.V.

Jennifer M. Hall
Mars Inc.

Alan W. Hammond
Life Technologies Corp.

Dennis R. Hoerner, Jr.
Monsanto Co.

Carl B. Horton
General Electric Co.

Michael Jaro
Medtronic, Inc.

Philip S. Johnson
Johnson & Johnson

[1] IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

Lisa K. Jorgenson
STMicroelectronics, Inc.

Charles M. Kinzig
GlaxoSmithKline

David J. Koris
Shell International B.V.

Allen Lo
Google Inc.

Timothy F. Loomis
Qualcomm, Inc.

Steven W. Miller
Procter & Gamble Co.

Douglas K. Norman
Eli Lilly and Co.

Elizabeth A. O'Brien
Covidien

Sean O'Brien
United Technologies Corp.

Richard F. Phillips
Exxon Mobil Corp.

Dana Rao
Adobe Systems Inc.

Kevin H. Rhodes
3M Innovative Properties Co.

Mark L. Rodgers
Air Products & Chemicals, Inc.

Curtis Rose
Hewlett-Packard Co.

Matthew Sarboraria
Oracle USA Inc.

Manny Schecter
IBM Corp.

Steven J. Shapiro
Pitney Bowes Inc.

Dennis C. Skarvan
Caterpillar Inc.

Russ Slifer
Micron Technology, Inc.

Terri H. Smith
Motorola Solutions, Inc.

Daniel J. Staudt
Siemens Corp.

Brian K. Stierwalt
ConocoPhillips

Thierry Sueur
Air Liquide

James J. Trussell
BP America, Inc.

Roy Waldron
Pfizer, Inc.

Michael Walker
DuPont

BJ Watrous
Apple Inc.

Stuart L. Watt
Amgen, Inc.

Paul D. Yasger
Abbott Laboratories

Michael Young
Roche, Inc.