

## IS EVERY CASE EXCEPTIONAL? OCTANE FITNESS V. ICON HEALTH & FITNESS AND FEE AWARDS

As the U.S. Supreme Court begins its term this month, its watershed case on attorney fees in patent cases, *Octane Fitness*, turns two and a half. Many believed this decision would increase the number of fee motions and awards by loosening the standard of what makes an “exceptional” patent case. Early studies confirmed that the number of fee motions and awards had increased—but has this trend continued?

35 U.S.C. § 285 provides that courts “in exceptional [patent] cases may award reasonable attorney fees to the prevailing party.”<sup>1</sup> On April 29, 2014, the Supreme Court decided *Octane Fitness*, holding that an “exceptional case” is one that “stands out from others with respect to 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.”<sup>2</sup> The Court also found “no precise rule or formula for making these determinations,” but did suggest a non-exclusive list of factors including “frivolousness, motivation, objective unreasonableness (both in factual and legal components of the case) and the need in particular circumstances to advance consideration of compensation and deterrence.”<sup>3</sup> District courts were empowered to evaluate exceptionality with a “case-by-case exercise of their discretion, considering the totality of the circumstances.”<sup>4</sup>

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*Octane Fitness* abandoned the Federal Circuit’s previous framework offered in *Brooks Furniture*.<sup>5</sup> Under *Brooks Furniture*, a case was exceptional only if a court found “litigation-related misconduct of an independently sanctionable magnitude” or determined the litigation was “brought in subjective bad faith” and “objectively baseless.”<sup>6</sup> But the *Octane Fitness* court found this standard “overly rigid,” saying it “superimposes an inflexible framework onto a statutory text that is inherently flexible” and is “so demanding that it would appear to render § 285 largely superfluous.”<sup>7</sup> The *Octane Fitness* court also lowered the threshold for awarding fees, holding that a party need only show by a preponderance of the evidence that a case is exceptional.<sup>8</sup>

- 1 35 U.S.C. § 285.
- 2 *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S.Ct. 1749, 1756 (2014).
- 3 *Id.* at 1756 and n.6.
- 4 *Id.* at 1758.
- 5 *Brooks Furniture Manufacturing, Inc. v. Dutilier International, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005).
- 6 *Id.* at 1381.
- 7 *Octane Fitness*, 134 S.Ct. at 1758.
- 8 *Id.*

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“For pre-*Octane Fitness* motions, fees were granted, at least in part, in 25.2 percent of cases.”

Some thought *Octane Fitness* would prompt every prevailing party to argue that their case was exceptional, opening the door to a flood of fee motions. Two studies published shortly after the decision did find a significant increase in the number of fee motions and fees awarded. For example, Hannah Jiam found that from April 29, 2014, to March 1, 2015, district courts awarded fees in about 43 percent of cases—a rate at least double that of previous years.<sup>9</sup> In the year before *Octane Fitness*, she found only 13 percent of fee motions were granted.<sup>10,11</sup> Scott M. Flanz, after examining all cases decided nine months before and after *Octane Fitness*, also found a statistically significant increase in the rate of fee awards granted after that decision.<sup>12</sup>

But a Docket Navigator search shows that courts granted approximately the same percentage of fee motions before and after *Octane Fitness*. Specifically, 488 motions for attorney fees have been filed in district courts since *Octane Fitness*.<sup>13</sup> Courts awarded fees in 94 cases, denied fees in 239 cases (plus 32 denied without prejudice), partially granted fees in 28 cases, and made a different finding in the remaining cases. Thus, based on this search, 25 percent of all fee motions resulted in some fee award after *Octane Fitness*.<sup>14</sup>

During the same time period before *Octane Fitness*, 305 motions for attorney fees were filed in all district courts.<sup>15</sup> Courts denied 166 (26 denied without prejudice), granted 47, partially granted 30, and made some other ruling in the remainder. For pre-*Octane Fitness* motions, fees were granted, at least in part, in 25.2 percent of cases.

These Docket Navigator results suggest that the increase in the percentage of fee motions granted found by Jiam and Franz may have been an initial spike that is leveling off. On the other hand, the results show that fewer fee motions have been denied after *Octane Fitness*—55.5 percent denied following the decision compared to 62.9 percent denied before the decision. These searches also show that the number of fee motions filed has increased by 60 percent

9 Hannah Jiam, *Emerging Trends Post-Octane Fitness*, Patently-O Blog, May 13, 2015, available at <http://patentlyo.com/patent/2015/05/emerging-octane-fitness.html>.

10 *Id.*

11 See also Hannah Jiam, *Fee-Shifting and Octane Fitness: An Empirical Approach Toward Understanding “Exceptional”*, 30 Berkeley Tech. L.J. 611 (2015) (reporting full findings from research study upon which blog post was based).

12 Scott M. Flanz, *Octane Fitness: The Shifting of Patent Attorneys’ Fees Moves into High Gear*, 19 STAN. TECH. L. REV. 329, 347 (2016).

13 Docket Navigator search performed by author on September 29, 2016 using the following parameters: Document: Type of Document: Motion for Attorney Fees (35 USC § 285); Court or Agency: U.S. District Courts; Filed: April 29, 2014 to September 29, 2016.

14 For comparison, this calculation follows Flanz’s approach of including a partial award of fees in calculating the percentage of fee motions granted. See Flanz, *Octane Fitness: The Shifting of Patent Attorneys’ Fees Moves into High Gear*, 19 STAN. TECH. L. REV. at 342 (“If any of a party’s requested fees were shifted the motion was recorded as successful and fees were considered shifted.”)

15 Docket Navigator search performed by author on September 29, 2016 using the following parameters: Document: Type of Document: Motion for Attorney Fees (35 USC § 285); Court or Agency: U.S. District Courts; Filed: August 1, 2011 to April 29, 2014.

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since *Octane Fitness*, suggesting that prevailing parties are more inclined to attempt to recover fees.

Courts seem aware that *Octane Fitness* may embolden more prevailing parties to bring fee motions, and have cautioned against this eagerness. For example, the Eastern District of Texas warns:

The totality of the circumstances standard [announced in *Octane Fitness*] is not, however, an invitation to a “kitchen sink” approach where the prevailing party questions each argument and action of the losing party in an effort to secure attorney’s fees. In adopting the totality of the circumstances approach, the Supreme Court did not intend to burden the district court with reviewing in detail each position and each action taken in the course of litigation by the losing party... the mere fact that the losing party made a losing argument is not a relevant consideration; rather, the focus must be on arguments that were frivolous or made in bad faith. [citations omitted] To impose fees on a party simply for making losing arguments would be the same in effect as fully adopting the English Rule, whereby the losing party always pays the winner’s fees.<sup>16</sup>

That district has also voiced hesitation about increasing the number of fee awards. “This Court does not view every plaintiff’s loss as an automatic indicator that the case is exceptional. A finding of exceptionality is something that this Court arrives at reluctantly, lest we unintentionally narrow the public’s access to the courts by chilling future decisions to seek redress for a case in which success is not guaranteed.”<sup>17</sup>

The fee landscape has shifted, but *Octane Fitness* does not make every patent case exceptional. More fee motions are being brought in district courts, and fewer motions are denied outright, but courts are wary of parties who try to push *Octane Fitness* too far. Prevailing parties would be wise to make sure their fee motions are well supported—and their cases truly exceptional—and avoid bringing everything but the kitchen sink before a district court.

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<sup>16</sup> *Stragent, LLC v. Intel Corp.*, 2014 WL 6756304, at \*3 (E.D. Tex. Aug. 6, 2014).

<sup>17</sup> *Edekka LLC v. 3balls.com, Inc.*, 2015 WL 9225038, at \*4–5 (E.D. Tex. Dec. 17, 2015).