

# Attorney fees, the PTAB and you: Recent guidance regarding Section 285 fees tied to PTAB actions

By Anthony D. Del Monaco, Esq., Forrest A. Jones, Esq., and Joseph M. Myles, Esq., *Finnegan*

FEBRUARY 18, 2021

Under exceptional circumstances, Section 285 of the Patent Act, 35 U.S.C.A. § 285, allows district court litigants to recover attorney fees from patent litigations. In district court litigation, this tool has been available for a long time, and there is significant guidance about when it is and is not appropriate.

However, with the America Invents Act (AIA) expansion of available post-grant procedures before the Patent Trial and Appeal Board, and the 2014 *Octane Fitness*<sup>1</sup> decision making awards of attorney fees more available, litigants are increasingly turning to Section 285 even where the exceptional circumstances arise in *other* procedures.

As Section 285 fee awards in these cases show, however, while certain misconduct during the PTAB proceedings may justify awarding attorney fees, simply making weak arguments that prolong litigation may not.

---

## What would be considered “normal” conduct at the PTAB may not qualify defendants to obtain attorney fees through the district court.

---

Section 285 fee awards in district court cases, based on litigation misconduct before the PTAB, seem to require a strong showing of improper or disruptive litigation conduct and a link between the misconduct before the PTAB and the district court case. But with no clear universal standard yet, the best guide are the most recent decisions in this evolving area of law.

Below, we examine three recent decisions regarding this novel area of fee demands: one where fees were granted, and two where they were not.

In *Game and Technology*,<sup>2</sup> the district court awarded attorney fees based on “shapeshifting” service arguments, even though those arguments were made before the PTAB. Game and Technology (GAT) filed a district court case on July 9, 2015, but didn’t properly serve defendant Wargaming.

When Wargaming filed an IPR on March 13, 2017 (over a year after the district court case was filed), the PTAB found that Wargaming’s petition was not time barred because of ineffective service of the district court complaint.

But GAT didn’t give up, arguing three *different* time bar positions before institution, after institution, and on appeal. After all the different arguments, the Federal Circuit admonished GAT for “shapeshifting” positions.

When Wargaming sought fees before the district court, GAT argued that Wargaming should have made its argument at the PTAB because any misconduct happened there, not in the district court. The court, however, found that it could grant fees based on misconduct before the PTAB under Section 285, because the PTAB proceedings were intended to replace litigation before the district court.

Furthermore, the court found that GAT’s service-related arguments were “directly related” to the district court proceedings. Finally, the court found GAT’s shifting litigation positions and failure to properly investigate service exceptional.

Wargaming was awarded fees not just because it pointed to exceptional litigation conduct before the PTAB, but because it also tied it to the district court case. GAT’s “shapeshifting” arguments related to service in the district court disrupted litigation before the PTAB and were unfair for Wargaming to respond to.

Even though GAT argued that misconduct at the PTAB should be managed by the PTAB, the court found that the PTAB proceedings were intended to replace litigation before the district court, so Section 285 fees were available for misconduct there.

And, although the “shapeshifting” arguments were made in the context of the PTAB proceedings, they were all tied to defective service in the District Court. Where there is a direct tie to the district court action, litigants should consider pursuing fees.

Seeking fees based on actions in related PTAB proceedings, however, is a high bar that is not easily achieved. Winning is not enough, there must be something more to make the case “exceptional.” Two other recent cases show how these claims can result in no fee awards, even where the patents are invalidated at the PTAB.

For example, in *In re Global Equity*,<sup>3</sup> defendants overreached, seeking fees for litigation and a PTAB proceeding based on plaintiff’s global validity positions, and not for any specific exceptional conduct. Defendants had sought *inter partes* review of

Global Equity Management's asserted claims, and the PTAB invalidated them.

After the Federal Circuit affirmed the PTAB's invalidity decision of all the challenged claims, defendants sought attorneys' fees "for everything litigated anywhere from patent owner and its three law firms during these cases," including the PTAB cases.

The district court criticized defendants for seeking attorneys' fees based on the patent owner's standard validity positions before the PTAB. The court concluded that the patent owner did nothing wrong in defending presumptively valid patent claims from attack before the PTAB.

The court said, in dicta, that obtaining claims "by fraud on the PTO" would have opened the patent owner to a finding of exceptionality. But, there was no evidence of fraud in the record. The court also said that defendants providing argument and prior art to the patent owner would not demonstrate that the patent owner's validity positions were exceptional unless it was "crystal clear proof of invalidity based on anticipation or obviousness." Therefore, defendants overasked, seeking fees for "everything litigated anywhere," even though defendants couldn't demonstrate plaintiff's actions before the PTAB were exceptional.

The *Global Equity* defendants could not recover fees "for everything litigated anywhere" just because they'd presented prior art to the plaintiff, even if that prior art later invalidated the plaintiff's claims. And, as the court noted, simply defending presumptively valid patent claims in PTAB proceedings is not exceptional misconduct warranting Section 285 fees. Without some additional showing, courts appear unlikely to award fees.

The *Global Equity* court, however, explained what additional showing would likely lead to a Section 285 fee award. First, the court said that misconduct during prosecution may lead to a finding of exceptionality. Of course, committing fraud before the Patent Office is not recommended, and defendants with evidence of such fraud should consider pursuing attorney fees before the district court.

Second, the court said that providing a patent owner "crystal clear proof of invalidity based on anticipation or obviousness" would force the patent owner to back down or risk attorney fees. But, the court did not explain what constitutes "crystal clear proof," a threshold complicated by differing burdens of proof, between the PTAB and district courts, for invalidating patents.

While some litigants may consider certain prior art a "silver bullet," patent owners and courts may not see that prior art as so clear cut. Regardless, defendants that have presented strong invalidity positions in advance of PTAB proceedings may consider pursuing attorney fees in the district court.

Finally, litigants should consider tailoring Section 285 fee requests to the fees incurred because of any misconduct. Seeking fees "for everything litigated anywhere" may not be an effective way to leverage an opponent's exceptional conduct before the PTAB into an award of attorney fees incurred defending against the exceptional conduct.

Next, in *Blair*,<sup>4</sup> the district court found that ordinary, aggressive litigation conduct based on allegedly weak legal arguments did not open the door to attorney fees either. After Blair sued Alstom Transportation and Kawasaki Rail Car for patent infringement of five claims, Kawasaki filed an IPR petition challenging just those asserted claims.

When Blair asserted 23 additional claims, Kawasaki filed a second IPR petition. After the PTAB's first decision finding the first five claims unpatentable, Kawasaki told Blair that continuing with district court litigation and appealing the PTAB's decision would be unreasonable because the PTAB's reasoning in the first decision would ensure Kawasaki's victory on appeal and in the second IPR proceeding. Thereafter, Kawasaki won on appeal, and the PTAB did indeed follow the same reasoning in the second IPR decision, which Blair did not appeal.

Back before the district court, Kawasaki sought its attorney fees and costs incurred after the PTAB's first decision, including the fees for the appeal. Kawasaki argued that Blair's arguments before the PTAB were "weak and frivolous," especially after Blair was told that continuing litigation was unreasonable.

But the district court did not find the case exceptional because Blair's IPR positions were not "objectively baseless" and did not "involve substantial litigation misconduct." Even after losing the first IPR, taking an appeal and fighting the second IPR "were within the realm of reasonable litigation strategy." Mere "aggressive" litigation conduct, like raising "weak" arguments on appeal, the court found, "did not cross the line into exceptionality."

Comparing *Blair* and *Global Equity* with *Game and Technology* identifies some boundaries where a party may assert exceptional behavior in seeking attorney fees for actions taking place at the PTAB. Particularly, what would be considered "normal" conduct at the PTAB may not qualify defendants to obtain attorney fees through the district court.

Furthermore, continuing to pursue infringement allegations with either related claims, or possibly related patents, after some claims have been invalidated also may not make a litigant's actions exceptional.

By contrast, if a litigant can point to some affirmative litigation misconduct (rather than just weak positions), that may allow a PTAB litigant to recover attorney fees under 35 U.S.C.A. § 285 in a parallel district court proceeding. To succeed

in seeking a fee award, the party seeking fees from PTAB proceedings should point to specific exceptional conduct before the PTAB and tie it to the district court proceedings.

#### Notes

<sup>1</sup> *Octane Fitness LLC v. ICON Health & Fitness Inc.*, 572 U.S. 545 (2014).

<sup>2</sup> *Game and Technology Co. Ltd. v. Wargaming Group Ltd.*, No. 16-cv-6554, order issued (C.D. Cal. Oct. 20, 2020).

<sup>3</sup> *In re Global Equity Management (SA) Pty. Ltd.*, Nos. 17-cv-2177, 17-cv-2178 and 17-cv-2435, 2020 WL 4732210 (N.D. Cal. Aug. 15, 2020).

<sup>4</sup> *Blair v. Alstom Transportation Inc.*, No. 16-cv-3391, 2020 WL 4504842 (S.D.N.Y. Aug. 5, 2020).

*This article was published on Westlaw Today on February 18, 2021.*

#### ABOUT THE AUTHORS



**Anthony D. Del Monaco** (L) is a partner at **Finnegan**. He focuses his practice on arbitrations and patent litigation, primarily before U.S. district courts and the U.S. International Trade Commission. He can be reached at [anthony.delmonaco@finnegan.com](mailto:anthony.delmonaco@finnegan.com). **Forrest A. Jones** (C) is an associate at the firm. He focuses on patent litigation, including before U.S. District Courts, the ITC, and inter partes review proceedings before the Patent Trial and Appeal Board. He can be reached at [forrest.jones@finnegan.com](mailto:forrest.jones@finnegan.com). **Joseph M. Myles** (R), also an associate, focuses on patent litigation in a range of patent venues, including district courts, the PTAB and the ITC. He can be reached at [joseph.myles@finnegan.com](mailto:joseph.myles@finnegan.com). All of the authors are based in Washington, D.C.

**Thomson Reuters** develops and delivers intelligent information and solutions for professionals, connecting and empowering global markets. We enable professionals to make the decisions that matter most, all powered by the world's most trusted news organization.