

The Other Damage

# Recovering Attorney Fees in Patent Cases

# What we're talking about

"The court in exceptional cases may award reasonable attorney fees to the prevailing party."

35 USC § 285.

# Who's law?

Federal Circuit law

*Special Devices v. OEA*, 269 F.3d 1340, 1343 (Fed. Cir. 2001).

# What we're not talking about

- Rule 11—bad faith filing
  - the least severe sanction
- 28 USC § 1927—vexatious litigation
  - the “excess” fees against attorneys
- Rules 16(f), 26(g) & 37—pre-trial abuse
  - appropriate sanction
- FRAP 38—frivolous appeals
  - appeal fees or less.

## Just 3 phrases

"The court in exceptional cases may award reasonable attorney fees to the prevailing party."

35 USC § 285.

# The 285 triggers?

- “prevailing party”
- “exceptional case”.

# What's a win?

- basically victorious

*In re Omeprazole Patent Litig.*, 483 F.3d 1364 (Fed. Cir. 2007)  
*Brooks Furniture Mfg. v. Dutailier Int'l*, 393 F.3d 1378 (Fed. Cir. 2005)

- reexamination victor

*Inland Steel v. LTV Steel*, 364 F.3d 1318, 1321 (Fed. Cir. 2004)

- voluntary dismissal with prejudice

*Highway Equip. v. FECO*, 469 F.3d 1027, 1032-36 (Fed. Cir. 2006)

- patentee and accused infringer “no difference”

*Eltech Sys. v. PPG Indus.*, 903 F.2d 805, 811 (Fed. Cir. 1990).

# Where did “exceptional” come from?

- 285 enacted in 1946 didn't include “exceptional”
- Courts declined to award fees against every loser
- In 1952, Congress added “exceptional” to reflect the practice

*Fleischmann Distilling v. Maier Brewing*, 386 U.S. 714, 720 & n.16 (1967);  
35 U.S.C.A. § 285 p. 3 (2001).

# What's exceptional mean?

- consider “the totality of the circumstances” to avoid “gross injustice”

*Eltech Sys. v. PPG Indus.*, 903 F.2d 805, 811 (Fed. Cir. 1990)

*Mathis v. Spears*, 857 F.2d 749, 754, 758 (Fed. Cir. 1988).

# When you can't define it, give examples

- “[M]aterial inappropriate conduct related to the matter in litigation, such as
- willful infringement,
- fraud or inequitable conduct in procuring the patent,
- misconduct during litigation,
- vexatious or unjustified litigation,
- conduct that violates Fed. R. Civ. P. 11,
- or like infractions.”

*Brooks Furniture Mfg. v. Du-Tailier Int'l*, 393 F.3d 1378, 1381 (Fed. Cir. 2005).

# Give me some factors

- Factors include:
- the “closeness of the question,
- pre-filing investigation and
- discussions with the defendant, and
- litigation behavior”

*Computer Docking Station v. Dell*, 519 F.3d 1366, 1379 (Fed. Cir. 2008).

# Show me the money

trial court discretion “whether an award of attorney fees is justified”

*Digeo, Inc. v. Audible, Inc.*, 505 F.3d 1362, 1366-67 (Fed. Cir. 2007).

# How often does the exception occur?

- During 2000-2010
- about 300,000 patent cases filed
- 2082 *reported* dispositions
- 247 attorney fee awards
- 124 for patentee; 123 for accused infringer

[patstats.org](http://patstats.org).

# Typical exceptional

- Attorney fee motions granted 40%

LegalMetric Nationwide Attorney Fees in Patent Cases Report (2011)

- 1/3 of all awards: willful or inequitable
  - willful infringement = +20%
  - inequitable conduct = +10%

[patstats.org](http://patstats.org).

- Otherwise, hodge-podge.

# In the hodge-podge

- Must have:
- misconduct during the suit or
- misconduct before the PTO or
- bad faith
  - manifest unreasonableness implies bad faith

*E-Pass Techs. v. 3Com*, 559 F.3d 1374, 1379 (Fed. Cir. 2009);  
*Serio-US Indus. v. Plastic Recovery*, 459 F.3d 1311, 1322 (Fed. Cir. 2006);  
*Phonometrics v. Westin Hotel*, 350 F.3d 1242, 1246 (Fed. Cir. 2003).

# What's reasonable?

- “reasonable attorney fees”
- amount “is assessed at discretion” of trial court so long as there is “some evidence to support” the award

*Lam v. Johns-Manville*, 718 F.2d 1056 (Fed. Cir. 1983).

# Why “reasonable attorney fees”?

- Compensate (not punish)

*Plastic Container v. Continental Plastics*, 607 F.2d 885, 906 (10th Cir. 1979)  
*Central Soya v. Geo. A. Hormel*, 723 F.2d 1573, 1578 (Fed. Cir. 1983).

# Compensation vs. sanction

“many huge awards have been entered” under § 285

Gregory P. Joseph, *Sanctions: The Federal Law of Litigation Abuse* §3B (4th ed. Supp. 2010).

# Compensation vs. sanction

- \$16.8 million  
*Takeda Chem. v. Mylan*, 549 F.3d 1381, 1391 (Fed. Cir. 2008)
- \$6.8 million  
*Taltech v. Esquel*, 609 F Supp. 2d 1195, 1211 (W.D. Wash. 2009),  
*aff'd in relevant part, rev'd in part*, 604 F.3d 1324 (Fed. Cir. 2010)
- \$4.6 million  
*ICU Med. v. Alaris Med. Sys.*, 2007 WL 6137002, at \*5 (C.D. Cal. June 28, 2007),  
*aff'd*, 558 F.3d 1368, 1380 (Fed. Cir. 2009)
- \$4.3 million  
*Armament Sys. & Procedures v. IQ Hong Kong*, 546 F. Supp. 2d 646, 658 (E.D. Wis. 2008)
- \$3.2 million  
*Synthon IP v. Pfizer*, 484 F. Supp. 2d 437, 446 (E.D. Va. 2007),  
*aff'd*, 281 F. App'x 995 (Fed. Cir. 2008)
- \$2.6 million  
*Comark Commc'ns v. Harris Corp.*, 47 USPQ2d 1469, 1471, 1474 (E.D. Pa. Mar. 30, 1998),  
*aff'd*, 156 F.3d 1182 (Fed. Cir. 1998)
- \$2.6 million  
*Rock Bit v. Smith Int'l*, 82 F. Supp. 2d 677, 679 (S.D. Tex. 1999).

# More statistics

- 1 in 6 awards: +\$1million
- About 3 in 5: \$10K to \$1 million
- Over 1 in 5: <\$10K

LegalMetric Nationwide Attorney Fees in Patent Cases Report (2011)

# What are “attorney fees”?

- Litigation expenses
- Paralegal fees
- Fees incurred in obtaining the fee award
- Prejudgment interest\*

*Mathis v. Spears*, 857 F.2d 749, 761 (Fed. Cir. 1988)

- Reexamination fees

*Howes v. Medical Components*, 761 F. Supp. 1193, 1198 (E.D. Pa. 1990);  
*see also PPG Indus. v. Celanese Polymer Specialties*, 840 F.2d 1565, 1568-69  
(Fed. Cir. 1988) (inter partes reissue proceeding).

# NOT attorney fees

- Expert witness fees are not recoverable under § 285

*iLor v. Google*, 2010-1117, 2011 U.S. App. LEXIS 516 (Fed. Cir. Jan. 11, 2011)

- Because of 28 USC 1821: \$40/day attending + costs
- inherent powers.

# What's the 285 prejudgment interest rate?

- no Federal Circuit
- prime + 1

*Water Techs. v. Calco*, 714 F.Supp. 899, 907, 910 (N.D. Ill. 1989).

# Prejudgment rate generally

- Discretionary
- make whole

*Hockerson-Halberstadt v. Propet*, 62 F. App'x 322, 334 (Fed. Cir. 2003)  
(prime rate inadequate when borrowing at prime + 1.75).

# Prejudgment interest rate on attorney fees?

- Generally “prime”

*Alberti v. Klevenhagen*, 896 F.2d 927, 938 (5th Cir.),  
*vacated in part on other grounds*, 903 F.2d 352 (5th Cir. 1990)

- Possibly cost of capital

*FDIC v. Hurwitz*, 384 F. Supp. 2d 1039, 1119 (S.D. Tex. 2005),  
*aff'd in relevant part sub nom. FDIC v. MAXXAM*, 523 F.3d 566, 594-97 (5th Cir.  
2008).

# What's "reasonable" attorney fees?

the "determination of a reasonable attorney fee requires that the court consider all the relevant circumstances"

*Junker v. Eddings*, 396 F.3d 1359, 1365 (Fed. Cir. 2005).

# What's going on?

- The “determination of a reasonable attorney fee” from “all the relevant circumstances” consists of in practice:
- What was actually paid, so long as
- It compares to market
- It is backed up.

## Award what was paid

a § 285 award should be the attorney fees the prevailing party actually incurred

*Mathis v. Spears*, 857 F.2d 749, 755 (Fed. Cir. 1988).

# Why award what was paid?

- It's simple.
- This keeps the attorney fees issue from becoming "a second major litigation."

*Slimfold Mfg. v. Kinkead Indus.*, 932 F.2d 1453, 1459 (Fed. Cir. 1991)  
(quoting *Hensley v. Eckerhart*, 461 U.S. 424, 437 (1983)).

# Why award what was paid?

- Reality is presumptively reasonable.
- The paying client is incentivized to ensure reasonableness.

*Taco Bell v. Continental Cas.*, 388 F.3d 1069, 1075-76 (7th Cir. 2004)

- “A law firm is a business, and like any business its charges must be commercially reasonable or its client base will dry up.”

*Armament Sys. v. IQ Hong Kong*, 546 F. Supp. 2d 646, 649 (E.D. Wis. 2008).

# Why award what was paid?

- It compensates.
- “The purpose of § 285 is, in the proper case and in the discretion of the trial judge, to compensate the prevailing party for its monetary outlays in the prosecution or defense of the suit.”

*Central Soya v. Geo. A. Hormel*, 723 F.2d 1573, 1578 (Fed. Cir. 1983)

- Though “[n]o award ... can fully compensate a defendant subjected to bad faith litigation, *e.g.*, for loss of executives’ time and missed business opportunities,” awarding the incurred attorney fees best avoids a “gross injustice.”

*Mathis v. Spears*, 857 F.2d 749, 754, 758 (Fed. Cir. 1988).

# Compare case reality to market reality

- The award will “[n]ormally ... encompass all hours reasonably expended on the litigation.”
- “Only if the evidence reveals that the rate actually charged is abnormally high or low will the Court base an attorney fee award on an hourly rate at variance with the bill for legal services that was actually rendered to the client.”

*Mathis v. Spears*, 857 F.2d 749, 755-56 (Fed. Cir. 1988) .

# AIPLA indicates the market

To understand the comparative market for § 285 purposes, courts frequently use the AIPLA survey.

*Mathis v. Spears*, 857 F.2d 749, 755-56 (Fed. Cir. 1988)

*Microstrategy Inc. v. Crystal Decisions, Inc.*, 555 F. Supp. 2d 475, 482-83 (D. Del. 2008)

*Armament Sys. & Procedures, Inc. v. IQ Hong Kong Ltd.*, 546 F. Supp. 2d 646, 652 (E.D. Wis. 2008)

*Howes v. Medical Components, Inc.*, 761 F. Supp. 1193, 1193 (E.D. Pa. 1990).

# The AIPLA

- Amount in controversy
- Through discovery or through trial
- by locale.

# What's the market?

The “best evidence of the market value of legal services is what people pay for it. Indeed, that is not ‘evidence’ about market value; it is market value.”

*Balcor Real Estate Holdings, Inc. v. Walentas-Phoenix Corp.*, 73 F.3d 150, 153 (7th Cir. 1996).

# Other Market Data

How does your firm determine what's reasonable?.

# Back Up

Usually: detailed invoices sufficient

*Lam, Inc. v. Johns-Mansville*, 718 F.2d 1056, 1069 (Fed. Cir. 1983).

# Back Up

- Invoices need to include:
- “hourly time records, full expense statements,” with “the attorney’s particular skills and experience.”

*Microstrategy Inc. v. Crystal Decisions, Inc.*, 555 F. Supp. 2d 475, 482-83 (D. Del. 2008)

- “[C]omplete documentation” shows “the amount of fees incurred in connection with the patent issues of this litigation, including invoices, time entries, and summaries detailing the time expended, billing rates, and disbursements incurred.”

*Mathis v. Spears*, 857 F.2d 749, 755 (Fed. Cir. 1988).

# Back Up

- Detailed Invoices
- Bios
- Summarize
- Affidavit
  - Texas Disciplinary Rule of Professional Conduct 1.04.

## Contrast: “reasonable” attorney fees with...

the “determination of a reasonable attorney fee requires that the court consider all the relevant circumstances”

*Junker v. Eddings*, 396 F.3d 1359, 1365 (Fed. Cir. 2005).

# That's not my daddy's lodestar

- hours x rate
- 12 factors
  - 1) time and labor required
  - 2) novelty and difficulty of issues
  - 3) skill required
  - 4) preclusion of other employment
  - 5) customary fee in relevant community
  - 6) fee being fixed or contingent
  - 7) time limitations the client or circumstances imposed
  - 8) amount involved and results obtained
  - 9) attorneys' experience, reputation, and ability
  - 10) undesirability of the case
  - 11) nature and length of professional relationship with the client
  - 12) awards in similar cases

*Johnson v. Georgia Highway Express*, 488 F.2d 714 (5th Cir. 1974).

# Johnson used in 285?

- Some district courts do

*Thomas & Betts Power Solutions v. Power Distrib.*, 2008 U.S. Dist. LEXIS 22599 (E.D. Va. Mar. 21, 2008),  
*appeal dismissed*, 275 F. App'x 969 (Fed. Cir. Apr. 10, 2008)

- Federal Circuit has not endorsed

*Electro-Mech. Indus. v. Universal Support Sys.*, 359 F. App'x 160, 166-67, 2009 U.S. App. LEXIS 28259, at \*\*13-15 (Fed. Cir. Dec. 22, 2009)

- “The district court, citing *Johnson*..., justified its enhancement of attorneys fees” based on the *Johnson* factors. *Johnson* was “a civil rights case where the court was concerned with effectuating Congress’ intention to foster private enforcement of civil rights legislation...” “The law provides that Universal is entitled to its reasonable attorney fees, not reasonable attorney fees plus some enhancement.”.

# The Johnson factors without the wordiness

- Actually paid
  - 1) time and labor required
- Market comparison
  - 4) preclusion of other employment
  - 5) customary fee in relevant community
  - 8) amount involved and results obtained
  - 9) attorneys' experience, reputation, and ability
  - 12) awards in similar cases
- Static in 285
  - 2) novelty and difficulty of issues
  - 3) skill required
- Usually irrelevant in *Johnson* cases
  - 6) fee being fixed or contingent
  - 7) time limitations the client or circumstances imposed
  - 10) undesirability of the case
  - 11) nature and length of professional relationship with the client

*Turner v. Oxford Mgmt. Servs.*, 552 F. Supp. 2d 648, 655-56 (S.D. Tex. 2008).

# What's the procedure?

- “prevailing party”
- Follow the procedure in Rule 54(d)(2)(B)

*IPXL Holdings v. Amazon.com*, 430 F.3d 1377, 1386 (Fed. Cir. 2005)

- Rule 54(d)(2)(B)
  - “specify the judgment”
  - filed within “14 days after the entry of judgment”.

# Discovery?

- Is allowable

*Digeo v. Audible*, 505 F.3d 1362, 1370 (Fed. Cir. 2007)

- Preponderance, but not clear and convincing, proof, or
- respondent makes factual assertion in defense.

# Privilege warning

If claim to act in subjective good faith, waive privilege.

*Highmark v. Allcare*, 706 F. Supp. 2d 713, 722 (N.D. Tex. 2010);  
*Pall v. Cuno*, 268 F.R.D. 167, 169 (E.D.N.Y. 2010).

# Review

Award of attorney fees reviewed for an abuse of discretion.

*Frazier v. Roessel Cine Photo*, 417 F.3d 1230, 1234 (Fed. Cir. 2005).

# Collecting

- Post-judgment discovery  
Rule 69(a) (and Texas Rule 621a)
- Successors may be responsible for paying assessed attorney fees.  
*Funai Elec. v. Daewoo Elecs.*, 616 F.3d 1357, 1377-82 (Fed. Cir. 2010)
- The corporate veil may also be pierced if party cannot satisfy its obligation to pay attorney fees.  
*Compaq Computer v. Ergonome*, 387 F.3d 403, 412 n.6 (5th Cir. 2004)
- Attorney fee award is a “judgment” you can register  
*Cianbro v. Dean*, 2010 WL 4473043 (D. Me. 2010).

# With the end in mind

- Determine if client has appetite for fight
- Ensure invoices are particular to case (or the related reexam)
- Ensure entries are accurate but appropriate for public consumption
- Create new matter, if needed
- Send status reports, if needed
- Ensure invoices are detailed
- Check market data for rates
- Create folder for attorney fee ideas, research as you go
- Summarize invoices (for the Court) as you go
- Trial team needs to be involved in reexam
- Remember the goose/gander rule
  - in the case and in the next case
- Settlement discussions.

# Ask questions

