

# IS THERE A NEED FOR PATENT REFORM LEGISLATION?

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## I. INTRODUCTION

In 2013 and 2014, the House and the Senate considered several legislative proposals to address perceived litigation abuses caused by patent assertion entities (“PAEs”), sometimes pejoratively referred to as “patent trolls.” In late 2013, the House passed HR 3309, named the Innovation Act, with bipartisan support. The Senate considered several bills, but none made it out of committee. The response to the proposed legislation by industry was mixed. Some high-tech companies supported it, while others questioned whether it had been sufficiently debated to consider unintended consequences.

Key features of the HR 3309 included (1) a requirement that a patent infringement complaint plead infringement with a great degree of specificity, including claim charts (§3a); (2) mandatory fee shifting, but with exceptions that might have effectively swallowed the rule (§3b); (3) joinder of “interested parties” to ensure that a non-prevailing plaintiff could satisfy a

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fee award (§3c); (4) discovery limitations presumptively limiting discovery to claim construction, but with significant exceptions (§3d); and (5) provisions directed to fraudulent demand letters sent by patent assertion entities (§§3e, f). In addition, section 6 of HR3309 would have required the Judicial Conference to develop rules to address discovery problems in patent cases.

In 2014, while Congress was debating patent reform legislation, several Supreme Court decisions and proposed rules changes by the Judicial Conference impacted some of the issues that were the focus of the previously-proposed patent reform legislation.

- On April 29, 2014, the Supreme Court drastically lowered the standard for awarding fees in its companion decisions, *Octane Fitness LLC v. Icon Health & Fitness, Inc.* and *Highmark, Inc. v. Allcare Health Mgmt. Sys.*<sup>2</sup> As of January, 2015, at least 20 district courts had granted motions for fees to prevailing defendants following these decisions.<sup>3</sup> Moreover,

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<sup>2</sup> *Octane Fitness LLC v. Icon Health & Fitness, Inc.*, \_\_\_ U.S. \_\_\_, 134 S. Ct. 1749, 188 L.Ed. 2d 816 (2014); *Highmark, Inc. v. Allcare Health Mgmt. Sys.*, 134 S.Ct. 1744, 188 L.Ed. 2d 829 (2014).

<sup>3</sup> See cases listed in Appendix A.

approximately 40% of the defendants' motions for fees had been granted, a significant increase over pre-*Octane* decisions.<sup>4</sup>

- On June 19, 2014, the Supreme Court clarified the standard for finding business method patent claims patent ineligible under section 101. *Alice Corp. v. CLS Bank, Int'l.*<sup>5</sup> Following this decision, a number of district courts granted motions to dismiss or motions for judgment on the pleadings, finding business method patent claims patent ineligible.
- On September 14, 2014, the Judicial Conference sent amendments to the Rules of Civil Procedure that will become effective December 1, 2015. Those amendments should significantly curtail discovery in all cases, including patent cases, and will abolish the form complaint for patent infringement.<sup>6</sup>

These Supreme Court decisions and rule amendments should affect the calculus on whether and to what extent there exists a need for patent reform legislation. It has been reported that filings of patent infringement cases dropped from 6238 case filings in 2013 to 5036 case filings in 2014,

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<sup>4</sup> Compare cases listed in Appendix A with cases listed in Appendix B.

<sup>5</sup>134 S.Ct. 2347 (2014).

<sup>6</sup> <http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Reports/ST09-2014-add.pdf> ("Rules Amendments")

with the most precipitous drop coming after the *Octane* decision.<sup>7</sup> Proponents of patent reform legislation argue that these court developments have not gone far enough, and that legislation is needed. Some urge caution, and question whether unintended consequences of the proposed patent reform legislation would have a chilling effect on small businesses and individual inventors.

On February 5, 2015, House Judiciary Committee chairman Bob Goodlatte (R-Va.) introduced HR 9, which is identical to HR 3309. Representative Darrell Issa (R-Calif.), chairman of the U.S. House IP Subcommittee, stated that he expected a four-month process before the bill reaches the House floor.<sup>8</sup>

In Part II, below, we examine whether fee-shifting legislation for patent infringement cases is necessary in view of the Supreme Court's *Octane* decision. In Part III, we consider whether legislatively imposed case management is necessary in view of the judicially implemented proposed amendments to the Federal Rules of Civil Procedure, the Patent Pilot Program, and patent local rules. In Part IV, we consider whether the current downtrend in patent infringement case filings is a sign that legislative

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<sup>7</sup> See Part IV, below.

<sup>8</sup> IPO Daily News, Feb. 19, 2015.

changes are not needed. Part V focuses on the issue of unscrupulous demand letters sent to small businesses.

## **II. DOES THE SUPREME COURT’S *OCTANE* DECISION ELIMINATE THE NEED FOR STATUTORY CHANGES TO REQUIRE FEE SHIFTING IN PATENT CASES?**

### **A. Pre-*Octane* Law Made It Extremely Difficult For A Prevailing Defendant To Obtain A Fee Award**

Section 285 of the patent code currently provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.”<sup>9</sup> Prior to the *Octane* decision, the Federal Circuit had set an extremely high bar for an award of attorneys’ fees to a prevailing defendant. The Court required “clear and convincing evidence” proving either (1) inappropriate litigation conduct, (2) that the litigation had been brought in subjective bad faith and that it was objectively baseless, or (3) proof of inequitable conduct.<sup>10</sup> The standard was so high that it was extremely difficult for a prevailing defendant to obtain a fee award under section 285 against an unsuccessful PAE in the absence of proof of inequitable conduct. Based on a search in Docket Navigator<sup>11</sup>, in the 365 days immediately preceding the *Octane* decision, district courts granted prevailing defendants’ motions for attorneys’ fees in only seven cases, two of which involved

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<sup>9</sup> 35 U.S.C. § 285.

<sup>10</sup> *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378 (2005)

<sup>11</sup> Docketnavigator.com

findings of inequitable conduct,<sup>12</sup> but denied defendants' fee motions in 40 cases.<sup>13</sup> Prevailing plaintiffs fared better, winning fee motions in 8 cases

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<sup>12</sup> *Pure Fishing v. Normark Corp.*, 3:10-cv-2140 (D.S.C. 2014) (plaintiff's claim construction argument was objectively baseless and although case was not filed in bad faith, plaintiff pursued its claim in bad faith after claim construction ruling and before stipulated dismissal); *Kim Laube & Co. v. Wahl Clipper Corp.*, 09-cv-914 (C.D. Cal.) (granting defendant's motion for fees after finding that patent was obtained through inequitable conduct); *Homeland Housewares, LLC v. Sorensen Research & Development Trust*, 11-cv-3720 (C.D. Cal. 2013)(fees awarded against patent owner who failed to perform adequate pre-filing investigation, made objectively baseless infringement claims, and for other litigation misconduct); *Transweb, LLC v. 3M Innovative Properties Company, et al.*, 2-10-cv-04413 (DNJ 2014)(inequitable conduct); *Touchtunes Music Corp. v. Rowe International Corp. et al* 1-07-cv-11450 (S.D.N.Y. 2014); *Walters v. Hoover & Strong, Inc.*, 4-11-cv-03562 (S.D. Tx. 2013); *Taylor v. Taylor Made Plastics, Inc.*, 8-12-cv-00746 (M.D. Fla.)(unopposed motion – fees awarded \$31,277).

<sup>13</sup> *Medtrica Solutions Ltd. v. Cygnus Medical LLC*, 2-12-cv-00538 (W.D. Wash. 2014); *Enel Company, LLC v. Schaefer et al*, 3:12-cv-01369 (S.D. Cal. 2014); *Gilead Sciences, Inc. v. Sigmapharm Laboratories, LLC*, 2:10-cv-04931 (D.N.J. 2014); *Shieldmark, Inc. v. Insite Solutions, LLC*, 1:12-cv-00223 (N.D. Ohio 2014); *Calypso Wireless v. T-Mobile USA Inc.*, 2:08-cv-00441 (E.D. Tex. 2014); *Spencer, et al. v. Taco Bell, Corp., et al.*, 8:12-cv-00387 (M.D. Fla. 2014); *Sound Design Technologies Limited v. Oticon Incorporated*, 2:11-cv-01375 (D. Ariz. 2014); *Mauna Kea Technologies v. Anticancer, Inc.*, 3:11-cv-01407 (S.D. Cal. 2014); *Aspex Eyewear, Inc., et al. v. Laczay, et al.*, 0:09-cv-61468 (S.D. Fla. 2014); *ABT Systems, LLC, et al. v. Emerson Climate Technologies, Inc., et al.*, 4:11-cv-00374 (E.D. Mo. 2014); *Oplus Technologies, Ltd. v. Sears Holdings Corporation, et al.*, 2:12-cv-05707 (C.D. Cal. 2014); *WI-LAN Inc. v. Alcatel-Lucent USA Inc., et al.*, 6:10-cv-00521 (E.D. Tex. 2014); *Orbis Corporation v. Rehrig Pacific Company*; 2:12-cv-01073 (E.D. Wis. 2014); *TQP Development, LLC v. Branch Banking and Trust Company*, 2:12-cv-00055 (E.D. Tex. 2014); *Wireless Ink Corporation v. Facebook, Inc. et al.*, 1:10-cv-01841 (S.D.N.Y. 2013); *NYKO Technologies, Inc. v. Energizer Holdings, Inc. et al*, 2:12-cv-03001 (C.D. Cal. 2013); *Thermolife International, LLC v. Better Body Sports, LLC, et al.*, 2:12-cv-09229 (C.D. Cal. 2013); *Thermasure Inc. v. Just Right Cleaning & Construction Inc.*, 2:11-cv-00431 (E. D. Wash. 2013); *ICON Internet Competence Network B.V. v. Travelocity.com, LP*, 3-11-cv-01131 (N.D. Tex. 2013); *Walker Digital LLC v. Fandango Inc., et al.*, 1:11-cv-00313 (D. De. 2013); *Digitech Image Technologies, LLC v. Newegg, Inc., et al.*, 8:12-cv-01688 (C.D. Cal. 2013); *Chrimar Systems, Inc. v. Foundry Networks, Inc.*, 2:06-cv-13936 (E.D. Mich. 2013); *Multimedia Patent Trust v. LG Electronics, Inc., et al.*, 3:12-cv-02731 (S.D. Cal. 2013); *e.Digital Corporation v. Creative Labs, Inc. et al.*, 3:12-cv-02879 (S.D. Cal. 2013); *Draper, Inc. v. Mechoshade Systems, Inc. et al.*, 1:10-cv-01443

(most of which involved findings of willful infringement),<sup>14</sup> and losing in 17 cases.<sup>15</sup>

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(S.D. Ind. 2013); *Finjan Inc. v. McAfee Inc., et al.*, 1:10-cv-00593 (D. Del. 2013); *Effingo Wireless, Inc. v. Motorola Mobility Holdings, Inc., et al.*, 5:11-cv-00649 (W.D. Tex. 2013); *Adjustacam LLC v. Amazon.com, Inc., et al.*, 6:10-cv-00329 (E.D. Tex. 2013); *Potts v. Cur-Tech LLC*, 3:09-cv-00065 (D. Ct. 2013); *Senju Pharmaceutical Co. Ltd., et al. v. Lupin Limited, et al.*, 1:11-cv-00271 (D. Del. 2013); *Gaymar Industries, Inc. v. Cincinnati Sub-Zero Products, Inc. et al.*, 1:08-cv-00299 (W.D. N.Y. 2013); *Avocet Sports Technology, Inc. v. Polar Electro, Inc.*, 3:12-cv-02234 (N.D. Cal. 2013); *Mike's Train House, Inc. v. Broadway Limited Imports, LLC et al.*, 1:09-cv-02657 (D. Md. 2013); *Alzheimer's Institute of America, Inc. v. Avid Radiopharmaceuticals, et al.*, 2:10-cv-06908 (E.D. Pa. 2013); *AntiCancer, Inc. v. Leica Microsystems, Inc., et al.*, 3:11-cv-02756 (S.D. Cal. 2013); *HR Technology, Inc. v. Imura International U.S.A., Inc., et al.*, 2:08-cv-02220 (S.D. Kan. 2013); *NorthMobileTech LLC v. Simon Property Group, Inc.*, 3:11-cv-00287 (W.D. Wis. 2013); *Site Update Solutions LLC v. Accor North America Inc., et al.*, 5:11-cv-03306 (N.D. Cal. 2013); *Wi-Lan Inc. v. LG Electronics, Inc., et al.* 1:10-cv-00432 (S.D.N.Y. 2013); *Implicit Networks, Inc. v. F5 Networks, Inc.*, 3:10-cv-03365 (N.D. Cal. 2013).

<sup>14</sup> *Hypertherm, Inc. v. Profile Cutting Technologies Ltd. et al.*, 2:12-cv-01952 (D. Nev. 2014); *Innovention Toys, LLC v. MGA Entertainment, Inc., et al.*, 2:07-cv-06510 (E.D. La. 2014); *Fleming v. Escort Inc., et al.*, 1:09-cv-00105 (D. Id. 2014); *WBIP, LLC v. Kohler Co.*, 1:11-cv-10374 (D. Mass. 2014); *PactXPP Tech., AG v. Xilinx, Inc.*, 2:07-cv-563 (E. D. Tex. 2013); *Stryker Corporation, et al. v. Zimmer Inc., et al.*, 1:10-cv-01223 (W.D. Mich. 2013); *Innovention Toys, LLC v. MGA Entertainment, Inc., et al.*, 2:07-cv-06510 (E.D. La. 2013); *ALPS South, LLC v. The Ohio Willow Wood Company*, 8:08-cv-01893 (M.D. Fla. 2013).

<sup>15</sup> *Golden Hour Data Systems, Inc. v. emsCharts, Inc., et al.*, 2:06-cv-00381 (E.D. Tex. 2014); *SynQor, Inc., et al. v. Artesyn Technologies, Inc., et al.*, 2:11-cv-00444 (E.D. Tex. 2014); *DePuy Synthes Products Inc. v. Globus Medical Inc.*, 1:11-cv-00652 (D. Del. 2014); *Accessories Marketing, Inc. v. Tek Corporation*, 5:11-cv-00774 (N.D. Cal. 2014); *IP Power Holdings Limited v. Bam Brokerage Inc et al.*, 8:11-cv-01234 (C.D. Cal. 2014); *Endo Pharmaceuticals Inc. v. Mylan Pharmaceuticals Inc. et al.*, 1:11-cv-00717 (D. Del. 1024); *Briese Lichttechnik Vertriebs GmbH v. Langton, et al.*, 1:09-cv-09790 (S.D.N.Y. 2013); *XpertUniverse Inc. v. Cisco Systems Inc.*, 1:09-cv-00157 (D. Del. 2013); *Illinois Tool Works Inc. v. MOC Products Company, Inc.*, 3:09-cv-01887 (S.D. Cal. 2013); *Electro-Mechanical Corporation v. Power Distribution Products, Inc., et al.*, 1:11-cv-00071 (W.D. Va. 2013); *Parallel Networks, LLC v. Outspark Inc.*, 1:13-cv-00181 (D. Del. 2013); *W.Y. Industries, Inc. v. Kari-Out Club LLC, et al.*, 2:08-cv-05349 (D.N.Y. 2013); *Aqua Shield v. Interpool Pool Cover Team*, 2:09-cv-00013 (D. Utah 2013); *Internet Machines LLC v. Alienware Corporation, et al.*, 6:10-cv-00023 (E.D. Tex. 2013); *WesternGeco LLC v. ION Geophysical Corporation*, 4:09-cv-01827 (S.D. Tex. 2013); *Medisim Ltd. v. BestMed, LLC*, 1:10-cv-02463 (S.D.N.Y. 2013); *Shire*

To remedy this problem, HR 9 would revise section 285 to require (a) that a court award “reasonable fees and other expenses incurred by [the prevailing party] . . . unless the court finds that the position and conduct of the non-prevailing party or parties were reasonably justified in law and fact or that special circumstances (such as severe economic hardship to a named inventor) make an award unjust.”<sup>16</sup> Subsection (b) would authorize a court “upon motion” to require the non-moving party “to certify . . . whether [it] will be able to pay an award of fees and other expenses if an award is made under subsection (a),” and if that party cannot so certify, then the court may make “a party that has been joined under section 299(d) . . . liable for the award.”<sup>17</sup> Subsection 285(c) would render a party that “unilaterally extends . . . a covenant not to sue” a “non-prevailing party,” unless the covenant has been extended at a time when the plaintiff was entitled to voluntarily dismiss the complaint under Rule 41 of the Federal Rules of Civil Procedure.<sup>18</sup>

Thus, HR 9 would make fee shifting mandatory, with exceptions, and would apply equally to prevailing plaintiffs and defendants. This could have a chilling effect on small businesses. It might make them reluctant to file

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*Development LLC, et. al. v. Watson Pharmaceuticals, Inc., et. al.*, 0:12-cv-60862 (S.D. Fla. 2013).

<sup>16</sup> HR 3309, §3(b).

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*



lawsuits to enforce their patents. But it might also make them reluctant to fight a claim of infringement by a PAE.

Several years ago, we defended a small Chicago start-up, who was bludgeoned with a patent infringement suit filed in the Eastern District of Texas by a much larger competitor. The competitor's 10K statement revealed that the competitor spent over \$15 million on multiple patent infringement lawsuits against our client and one of its largest customers in an attempt to drive our client out of business. We invalidated the patent, and our client prevailed in the litigation, managing to stay in business by the skin of its teeth. Had the statute required fee shifting in the manner prescribed by HR 9, however, the threat of having to pay the other side's attorneys' fees would probably have been the last straw and would have caused our client to go out of business.

Rather than discouraging the filing of patent infringement suits by PAEs, the mandatory fee-shifting provisions of HR 9 could be used as a tool by PAEs against small businesses. Suppose a PAE sends a demand letter to a small business, which includes a claim chart showing how the business infringes a claim of an issued patent. The letter could also include a statement to the effect that if the PAE were to prevail in a patent infringement action, the small business would have to pay the PAE's

attorneys' fees, in addition to its own. Because patent claims relating to business methods or electronic devices asserted by PAEs are often very broad and somewhat obtuse, an unintended consequence of HR 9's fee shifting provisions could be to provide well-funded and well-organized PAE's with additional leverage to force nuisance value settlements—exactly the result that the Act intends to avoid.

### **B. *Octane* – A Game-Changer**

In *Octane*, the Supreme Court substantially lowered the standard for entitlement to attorneys' fees under section 285, holding that “an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of 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>19</sup> The Court further elaborated that “[d]istrict courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of circumstances.”<sup>20</sup> Analogizing to the standard for fee awards in copyright cases, the Court stated, “[t]here is no precise rule or formula for making these determinations,’ but instead equitable discretion should be exercised ‘in light of the considerations we have identified,” noting “the need in particular

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<sup>19</sup> 134 S.Ct. at 1756.

<sup>20</sup> *Id.*

circumstances to advance considerations of compensation and deterrence.”<sup>21</sup>

*Highmark*<sup>22</sup> held that Federal Circuit must review district court decisions on motions for fees under the abuse of discretion standard, rather than de novo.

The standard set by the Supreme Court in *Octane* potentially allows courts at least as much leeway in awarding fees as the standard that would be applied in HR 9, and it explicitly makes deterrence a factor to be considered in determining the entitlement to attorney fees. Equally important, the current version of section 285, as interpreted by *Octane*, preserves the American Rule that parties bear their own attorneys’ fees, unless the case is exceptional; in contrast, HR 9 would award attorneys’ fees, unless “the position and conduct of the non-prevailing party or parties were reasonably justified” or that “special circumstances” make an award unjust.

Some have argued that the standard of HR 9 is preferable to that of *Octane* because HR 9 lends itself to more uniformity. This is at least questionable, because “reasonable justification” and “special circumstances” provide courts with at least as much leeway as the *Octane* standard. In our

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<sup>21</sup> *Id.*, citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994), Where the court explained district courts could consider a non-exclusive list of factors including “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.*, at 534, n. 19, 114 S.Ct. 1023 (internal quotation marks omitted).

<sup>22</sup> See note 2, *supra*.

view, it is unlikely that the standard of HR 9 would lead to any more uniformity than the *Octane* standard.

The preservation of the American Rule is important for two reasons. First, it protects small entities from threats by larger entities that the small entity will be required to pay the larger entity's attorneys' fees if the small entity loses the patent infringement case. Unlike the proposed HR 9 standard, the *Octane* standard would not permit PAE's to use section 285 as a sword against small businesses to leverage nuisance value settlements by quoting the statute and suggesting that an unsuccessful defendant would have to pay the PAE's attorneys' fees. Second, fewer fee petitions will be filed under the present version of section 285, which requires that a case be "exceptional," than under the HR 9 standard, where the burden would be on the losing party to justify why it should not be required to pay attorneys' fees. Thus, the mandatory fee shifting provisions of HR 9 would put a greater burden on the courts, and it would result in increased attorneys' fees (because of increased motion practice) for all parties.

Even eight months after the *Octane* decision, there is a notable trend of trial courts to award fees to prevailing defendants under present section 285. Proof that *Octane* has significantly lowered the standard for fee awards is found in the twenty post-*Octane* cases in which trial courts

awarded attorneys' fees to prevailing defendants.<sup>23</sup> Indeed, about 40% of the defendants' motions for fees have been granted.<sup>24</sup>

The Octane standard would appear to be better suited than the fee provisions of HR 9 to address litigation abuses by PAEs. The Octane "totality of circumstances" standard explicitly includes "the need in particular circumstances to advance considerations of compensation and deterrence." The need for deterrence of PAE lawsuits filed to provoke a "nuisance value" settlement was among the reasons why the court awarded fees in *Lumen View Tech., LLC v. Findthebest.com, Inc.*<sup>25</sup> In that case, Lumen had sued at least 20 defendants in 2012 and 2013, alleging infringement of the same patent. Lumen's demand letter "contained a number of threats suggesting that expensive litigation would follow if [Findthebest ("FTB")] did not quickly settle, demanding \$85,000 in settlement and threatening to increase its settlement demand every time FTB filed a responsive pleading."<sup>26</sup> In communications between the parties, Lumen was unable and unwilling to explain its theory of infringement.<sup>27</sup> After the court granted FTB's motion for judgment on the pleadings that the

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<sup>23</sup> See Appendix A.

<sup>24</sup> Compare Appendix A and Appendix B, which reflect decisions through the middle of January 2015.

<sup>25</sup> 1:13-cv-3599, D.I. 83, D.I. 112 (S.D.N.Y. 2014).

<sup>26</sup> *Id.*, D.I. 83 at 5-6.

<sup>27</sup> *Id.*, at 7-9.

asserted claims covered patent-ineligible subject matter under section 101<sup>28</sup>, FTB moved for fees under section 285. The district court granted the fee request, finding that Lumen’s infringement claim was frivolous, and that “the most basic pre-suit investigation would have revealed this fact,” especially considering that FTB had informed Lumen of the reasons why FTB’s accused website did not infringe.<sup>29</sup> The court further noted that “Lumen’s motivation in this litigation was to extract a nuisance settlement from FTB on the theory that FTB would rather pay an unjustified license fee than bear the costs” of the litigation.<sup>30</sup> Finally, the court justified the award of fees under the “deterrence” prong of the *Octane Fitness* test, noting the “boilerplate nature of Lumen’s complaint, the absence of any reasonable pre-suit investigation, and the number of substantially similar lawsuits filed within a short time frame.”<sup>31</sup>

The court’s decision in *Lumen* illustrates how the *Octane* decision can be used to deter PAEs, who file infringement cases for the purpose of extracting a nuisance value settlement. In two other cases, courts have

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<sup>28</sup> Id., D.I. 55.

<sup>29</sup> D.I. 83 at 13-14.

<sup>30</sup> Id. at 14.

<sup>31</sup> Id. at 15.

awarded fees, in part because they perceived that the lawsuits were filed for the purpose of forcing nuisance-value settlements.<sup>32</sup>

This trend should have a chilling effect on those PAEs who file cases for the purpose of provoking nuisance-value settlements. Under these circumstances, it would be prudent for Congress to refrain from passing legislation that changes section 285 in the manner suggested by HR 9, and to determine with the passage of more time whether court decisions interpreting *Octane* have had the expected chilling effect on those PAEs who file very weak infringement cases for the sole purpose of extracting nuisance value settlements.

There is another consideration. The hype that has accompanied the anti-patent troll hysteria assumes that all lawsuits filed by PAEs are baseless, and that these lawsuits serve no useful purpose. Countless jury verdicts in favor of PAEs and other NPEs demonstrate the opposite.<sup>33</sup> The FTC has defined PAEs as “firms whose business model primarily focuses on purchasing and asserting patents.”<sup>34</sup> In today’s economy, well-organized and

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<sup>32</sup> E.g., *Shalumeau Power Sys. LLC v. Alcatel-Lucent*, 11-cv-1175-RGA (D. Del. 2014); *Summit Data Systems, LLC v. EMC Corp.*, 10-cv-749 (D. Del. 2014).

<sup>33</sup> E.g., *Rembrandt Wireless Tech. LP v. Samsung Electronics Co. Ltd.*, 2:13-cv-213 (E.D. Tex.) (jury award of \$15.7 million); *Smartflash LLC v. Apple, Inc.*, 6:13-cv-447 (E. D. Tex.) (jury award of \$532.9 million).

<sup>34</sup> FED. TRADE COMM’N, THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH COMPETITION 8 n.5 (Mar. 2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>.

well-funded PAEs may be the only way that an individual inventor, small business or even a university may enforce a valid patent. Those entities often do not have the wherewithal or expertise to strategize, fund and manage patent litigation. Thomas Edison and Charles Goodyear are good examples of innovators who were not able to commercialize their inventions by themselves, but relied on patent licensing to do so.<sup>35</sup> For example, Professor Mossoff reported that “Charles Goodyear, the inventor of vulcanized rubber in 1839, never manufactured or sold rubber products, and instead made all of his money by selling the rights to manufacture, license, sell, and use his patented innovation. As the archetypical obsessive inventor, Goodyear was not interested at all in manufacturing or retail sales of his patented innovation.<sup>36</sup> Moreover, Professor Mossoff also observed that Goodyear and his licensees filed many lawsuits against end users, commercial firms and manufacturers to enforce his patents.<sup>37</sup> Before excoriating PAEs, an economic analysis should be conducted to consider whether PAEs serve a

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<sup>35</sup> See *Statement*, Adam Mossoff, Professor of Law, George Mason University School of Law, before the Senate Committee on Commerce, Science and Transportation, at 4, 6, November 7, 2013, available at <http://legalnewsline.com/wp-content/uploads/2014/02/mossoffstatement.pdf>

<sup>36</sup> *Id.* at 6.

<sup>37</sup> Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent “Privilege” in Historical Context*, 92 CORNELL L. REV. 953 (2007) (cases cited in footnotes 174, 183, 188, and 192-194).



useful economic function, such as funding start-up businesses, and increasing investment in developing technology.

Could decisions denying fees under section 285 reveal a trend that should bear scrutiny going forward? There has been substantial concern that the Eastern District of Texas, perhaps the most popular jurisdiction for patent infringement cases in recent years, is unduly friendly to patent plaintiffs. Will the judges in the Eastern District of Texas award fees to prevailing defendants under the *Octane* standard? We found six post-*Octane* decisions on fee petitions from the Eastern District of Texas, the district that the anti-troll lobby loves to hate.<sup>38</sup> Although none of those petitions was granted, this does not mean that the Eastern District of Texas

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<sup>38</sup> *Alexam, Inc. v. The Gap, Inc.*, 2:13-cv-4 (E.D. Tex. 2014)(petition denied where plaintiff had lost two jury trials against other defendants who used the same system as defendant, but defendant insisted on separate trial, having argued that “evidence is specific to each defendant”); *Charge Lion LLC v. Linear Tech Corp.*, 6:12-cv-769 (E.D. Tex. 2014) (refusal to award fees despite evidence of an average settlement payment of \$15,188, and “weak” infringement suit, which the court characterized as “arguably reasonable”); *L.C. Eldridge Sales Co., Ltd. v. Jurong Shipyards, Pte. Ltd.*, 6:11-cv-599 (E. D. Tex. 2014) (refusal to award fees against competitor defendant); *Macrosolve, Inc. v. Antenna Software, Inc.*, 6:11-cv-287 (E.D. Tex. 2014)(no fee award against plaintiff who voluntarily dismissed case with prejudice after USPTO issued final rejection in reexamination); *SFA Systems, LLC v. 1-800-Flowers.com, Inc.*, 6:09-cv-340 (E.D. Tex. 2014) (case not exceptional where court had rejected defendant’s claim construction arguments); *Stragent, LLC v. Intel Corp.*, 6:11-cv-421 (E.D. Tex. 2014)(Federal Circuit Judge Dyk, sitting by designation, held that case was not exceptional because, *inter alia*, Intel did not file summary judgment motion directed to Stragent’s “weak” infringement argument); *TQP Dev., LLC v. Branch Banking & Trust Co.*, 2:12-cv-055 (E.D. Tex. 2014) (no fees where case was voluntarily dismissed by plaintiff after defendant’s late compliance with discovery caused plaintiff to conclude that the potential damages were no more than \$25,000).

would not award fees to a prevailing defendant in an appropriate case. A close inspection of the six decisions denying those fees reveals that the court would probably have refused to award fees under the HR 3309 standard because the court would have concluded that the positions taken by the losing plaintiff were reasonably justified or that special circumstances, such as the defendant's conduct, would make such an award unjust.<sup>39</sup>

### **C. Consider Amending Section 285 To Make Attorneys' Fees Part of Costs**

Section 505 of the Copyright Act of 1976<sup>40</sup> provides:

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. *Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.*

(Emphasis supplied.) Rule 68, F.R. Civ. P., shifts all "costs" incurred subsequent to an offer of judgment not exceeded by the ultimate recovery at trial. As used in Rule 68(d), "costs" includes attorney's fees where the underlying statute provides for an award of attorney's fees as part of costs. See *Marek v. Chesny*.<sup>41</sup> Thus, if section 285 were amended so that attorneys' fees were part of the costs, a Rule 68 offer of judgment would require a

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<sup>39</sup> HR 3309, §3(b); see note 19, supra.

<sup>40</sup> 17 U.S.C. § 505.

<sup>41</sup> 473 U.S. 1, 9 (1985).

prevailing plaintiff to pay the defendant's fees and costs, if it did not recover more than the amount in the offer of judgment. This could result in more settlements, which would have the effect of lowering costs for all parties. Amending section 285 to include attorneys' fees as part of costs would not be remarkable; at least 11 federal statutes do so.<sup>42</sup> In the words of the Supreme Court:

To be sure, application of Rule 68 will require plaintiffs to “think very hard” about whether continued litigation is worthwhile; that is precisely what Rule 68 contemplates. This effect of Rule 68, however, is in no sense inconsistent with the congressional policies underlying § 1983 and § 1988. Section 1988 authorizes courts to award only “reasonable” attorney's fees to prevailing parties. In *Hensley v. Eckerhart*, supra, we held that “the most critical factor” in determining a reasonable fee “is the degree of success obtained.” *Id.*, at 436, 103 S.Ct., at 1941. We specifically noted that prevailing at trial “may say little about whether the expenditure of counsel's time was reasonable in relation to the success achieved.” *Ibid.* In a case where a rejected settlement offer exceeds the ultimate recovery, the plaintiff—although technically the prevailing party—has not received any monetary benefits from the postoffer services of his attorney.<sup>43</sup>

An amendment to section 285 to make an award of attorneys' fees, when granted, part of the costs, would provoke a very meaningful

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<sup>42</sup> *Id.*, at 8.

<sup>43</sup> *Id.*, at 11.

deliberation by plaintiff's counsel, especially in cases where the defense's attorneys' fees could become quite high as the result of post-offer litigation. An offer of judgment could potentially aid the court in determining proportionality under amended Rule 26, which is discussed in the next section.

### **III. DO THE PROPOSED AMENDMENTS TO FEDERAL RULES OF CIVIL PROCEDURE, COUPLED WITH THE PATENT PILOT PROGRAM AND PATENT LOCAL RULES ELIMINATE THE NEED FOR LEGISLATIVELY IMPOSED CASE MANAGEMENT OF PATENT LITIGATION?**

#### **A. The Problem**

Unrestrained and poorly managed discovery in patent infringement cases is a problem for all patent litigants. It is especially acute, however, in cases brought by NPEs or PAEs. As was pointed out in testimony before the House last year, because PAEs often have few, if any documents, the cost of discovery is disproportionately borne by defendants, thus creating leverage for nuisance value settlements.<sup>44</sup> Discovery that ultimately proves unnecessary to the resolution of the case, and particularly electronic discovery, is a major source of the problem.

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<sup>44</sup> Committee Report, Innovation Act, CRPT 113-279 at 31-32 (December 2, 2013).

## **B. Proposed Solutions**

In 2013-14, both the House and the Senate considered legislative approaches to solve the discovery problem. One solution, was to require a detailed patent infringement complaint that would in essence include a claim chart,<sup>45</sup> and to then limit discovery to that necessary for claim construction, with certain exceptions, where time is of the essence.<sup>46</sup> Although this approach has a certain appeal, it has been criticized as intruding on case management and rulemaking, which was ceded to the Courts by the Rules Enabling Act of 1934.<sup>47</sup>

After HR 3309 was passed by the House in December 2013, the Judicial Congress recommended the adoption of amendments to the Rules of Civil Procedure that have the potential to significantly reduce discovery costs in patent litigation.<sup>48</sup> First, the amendments to Rule 26 will limit the scope of discovery to that which is relevant to a claim or defense. Second, Rule 26 will require that discovery be “proportional to the needs of the case.”<sup>49</sup> These amendments will take effect on December 1, 2015, unless

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<sup>45</sup> HR 3309, § 3(a). The same bill was re-introduced in the House by Representative Goodlatte as HR 9 on February 5, 2015.

<sup>46</sup> *Id.*, § 3(d)(1). For example, the Hatch-Waxman Act requires parties to cooperate to expedite the action. In addition, cases involving preliminary injunction motions often require expedited discovery on issues not limited to claim construction.

<sup>47</sup> 28 U.S.C. §§ 2072-74.

<sup>48</sup> Rules Amendments, *supra*.

<sup>49</sup> Rules Amendments, Rules Appendix B-30 - B-46.

modified by the Supreme Court or Congress, which is unlikely to occur, based on the history of past amendments proposed by the Judicial Conference.

The requirement in amended Rule 26 that discovery should be “proportional to the needs of the case” could significantly reduce the expense of litigating patent infringement cases filed by PAEs, especially those in which the PAEs attempt to use infringement cases as a tool to extract nuisance value settlements. Although settlement proposals arguably are not relevant for determining liability,<sup>50</sup> they will be relevant for determining proportionality under Rule 26. This should significantly impact the manner in which a court manages a case. Because *Octane* requires a consideration of the “totality of circumstances,” a PAE will be required to think twice before demanding discovery that turns out to not be proportional to the needs of the case.

**C. Comparison of Proposed Amendments to Federal Rules with Proposed Legislative Solution**

HR 9 presumptively limits discovery to that necessary for claim construction until the court issues a claim construction ruling, but with a substantial number of exceptions. The default rule under HR 9 provides, “if the court determines that a ruling relating to the construction of terms used

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<sup>50</sup> F.R. Evid. 408.

in a patent claim asserted in the complaint is required, discovery shall be limited, until such ruling is issued, to information necessary for the court to determine the meaning of the terms used in the patent claim, including any interpretation of those terms used to support the claim of infringement.”<sup>51</sup>

This provision, however, begs the question because it does not define the “information necessary for the court to determine the meaning of the terms used in the patent claim.” Presumably, core documents accurately depicting the structure, components and function of the relevant parts of the accused product would be necessary to determine “those terms used to support the claim of infringement.”

Even if the provisions of HR 9 requiring claim charts in a patent infringement complaint were enacted, those contentions would be insufficient in many cases for purposes of claim construction. The pleading rules in HR 9 would permit a party to omit from the pleading “information . . . not readily accessible,” so long as the plaintiff pleads the information generally.<sup>52</sup> This would probably apply to most infringement allegations covering complex electronic devices. Thus, core discovery, followed by infringement contentions of the type required by most patent rules would be necessary for a meaningful claim construction hearing. Moreover, since

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<sup>51</sup> HR 9, § 3(d).

<sup>52</sup> HR 9, § 1(a) (amended section 281A (b)).

claim construction is also necessary to determine invalidity, discovery of the defendants' invalidity contentions would also be necessary.

Although limiting discovery to claim construction issues may make sense in some cases, particularly those brought by PAEs and some NPEs, HR 9 recognizes that it may not make sense for other types of litigation. For example, in cases between competitors, an injunction may be far more important than damages. Because the competitive positions of the parties may be altered by the result of the case, it may be important to complete all fact discovery as soon as possible to enable a fast disposition of the case, by trial or otherwise. Similarly, in cases involving applications to market generic drugs (Hatch-Waxman cases brought under section 271(e)(2)), parties are required by statute to “reasonably cooperate in expediting the action,”<sup>53</sup> which requires management of the case to complete discovery as soon as possible. Cases between non-competitors include cases filed by PAEs, but also includes cases filed by individual inventors, failed businesses, and universities. The relief granted by the court in these cases may not be limited to damages, especially if the inventor/university is engaged in ongoing efforts to commercialize its technology through licensing. Only in cases filed by PAEs can one make the generalized

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<sup>53</sup> 21 U.S.C. §355(j)(5)(B)(iii).



argument that the standards for an injunction are presumptively absent and the time it takes to complete discovery and go to trial are less important than phasing discovery to reduce the cost of litigating the case.

Recognizing that a number of different scenarios require the expansion of discovery beyond claim construction before a claim construction ruling, HR 9 provides the court with discretion to expand discovery (1) where time is of the essence, (2) necessary to the resolution of a motion (e.g., jurisdictional discovery), (3) special circumstances to prevent manifest injustice, (4) actions seeking relief based on competitive harm, and (5) where the parties consent to be excluded.<sup>54</sup>

In an ideal world, discovery in every patent infringement case would be limited initially to claim construction, which would be followed by a prompt claim construction hearing and ruling by the court. Inevitably, however, it takes substantial time in most courts to schedule a claim construction hearing, and even longer to issue a ruling. Waiting for the ruling before beginning the next stage of discovery invites substantial delay. Although this should not be a problem in cases filed by PAEs, it could be a significant problem in Hatch-Waxman cases or other cases between competitors.

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<sup>54</sup> HR 9, § 3(d) (amended section 299A (b)).

As is discussed below, courts have developed effective procedures for dealing with apparently meritless cases in a cost effective way, in some cases, resolving the issue of damages before addressing liability,<sup>55</sup> a case management strategy that would be difficult under a literal application of the proposed statute.

#### **D. The Impact of Local Patent Rules and the Patent Pilot Program**

District courts that handle over 80% of patent cases have either (1) adopted local patent rules<sup>56</sup>, or (2) adopted special case management procedures for patent cases,<sup>57</sup> and/or (3) are participating in the Patent Pilot Program.<sup>58</sup>

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<sup>55</sup> *E.g. EON Corp. IP Holding LLC v. Sensus USA, Inc.*, 12-cv-1011 (N.D. Cal. 2013)(ordering early disclosure of damages theories); *AdjustaCam LLC v. Amazon.com*, 6:10-cv-329 (E.D. Tex 2011) (early summary judgment hearing on damages held prior to Markman hearing); *In re Innovatio IP Ventures, LLC Patent Litigation*, 11-cv-9308 (N.D. Ill. 2013)(court tried damages prior to determining claim construction of 23 asserted patents and awarded 9.56 cents per accused wifi router in a case where plaintiff had sent letters to businesses demanding \$2,500 per wifi hotspot); *C.f.*, <http://www.ded.uscourts.gov/sites/default/files/Chambers/LPS/PatentProcs/LPS-PatentSchedOrder-Non-ANDA.pdf> (Judge Stark's standing case management order for patent cases requiring plaintiff to identify its damages model before the parties file contentions).

<sup>56</sup> See, [localpatentrules.com](http://localpatentrules.com) for a collection of local patent rules adopted by courts in the Northern District of California, Northern District of Illinois, District of New Jersey, New York (Eastern, Southern and Northern districts), and Eastern District of Texas, among others.

<sup>57</sup> *E.g.*, Chief Judge Stark's standing case management order in the District of Delaware, <http://www.ded.uscourts.gov/sites/default/files/Chambers/LPS/PatentProcs/LPS-PatentSchedOrder-Non-ANDA.pdf>

<sup>58</sup> Pub. Law 111-349 (Jan. 4, 2011).

In 2011, Congress authorized the United States Courts to establish a patent pilot program.<sup>59</sup> The goal of the program was to concentrate patent cases among those judges who have expressed an interest in hearing patent cases.<sup>60</sup> Most, but not all of the districts selected have patent local rules.<sup>61</sup> Although the District of Delaware, which had the second most patent cases filed in 2013, is not a participant in the patent pilot program,<sup>62</sup> judges of that district have developed case management rules that mirror local patent rules in other districts.<sup>63</sup> The chart, below, shows 2013 statistics for courts who collectively have had over 80% of the patent cases, with “(P)” indicating Patent Pilot Program participant, and “(LPR)” indicating local patent rules.

<b>Patent Filings</b>	<b>2013</b>
Total patent infringement cases filed	6237
Central District California (P) <sup>64</sup>	420

<sup>59</sup> [http://www.uscourts.gov/news/newsview/11-06-07/District\\_Courts\\_Selected\\_for\\_Patent\\_Pilot\\_Program.aspx](http://www.uscourts.gov/news/newsview/11-06-07/District_Courts_Selected_for_Patent_Pilot_Program.aspx)

<sup>60</sup> Id.

<sup>61</sup> Compare [localpatentrules.com](http://localpatentrules.com) with courts identified in [http://www.uscourts.gov/news/newsview/11-06-07/District\\_Courts\\_Selected\\_for\\_Patent\\_Pilot\\_Program.aspx](http://www.uscourts.gov/news/newsview/11-06-07/District_Courts_Selected_for_Patent_Pilot_Program.aspx)

<sup>62</sup> Based on statistics from PACER search.

<sup>63</sup> E.g., Judge Stark’s standing case management order for patent cases, <http://www.ded.uscourts.gov/sites/default/files/Chambers/LPS/PatentProcs/LPS-PatentSchedOrder-Non-ANDA.pdf>, and Judge Robinson’s similar case management order.

<sup>64</sup> “(P)” indicates participant in the patent pilot program; “(LPR)” indicates the adoption of local patent rules.

<b>Patent Filings</b>	<b>2013</b>
Northern District California (P) (LPR)	248
S. D. California (P) (LPR)	229
Northern District Illinois (P)(LPR)	215
District New Jersey (P)(LPR)	147
District Delaware	1335
Southern District Florida (P)	204
Eastern District Virginia	166
Southern District New York (P)(LPR)	134
Eastern District Texas (P)(LPR)	1512
Northern District Texas (P)(LPR)	80
Eastern District Michigan	86
District Massachusetts (LPR)	122
W.D. Pennsylvania (P)(LPR)	18
W.D. Tennessee (P)(LPR)	17
District of Maryland (P)(LPR)	20
Northern District Georgia (LPR)	57
Percentage of patent cases	80.33%

### **E. Core Discovery in Patent Cases**

Local patent rules uniformly provide for the timing of the core discovery that is often essential to the determination of infringement and/or invalidity. There are two components to core discovery; (1) core document discovery, and (2) infringement/invalidity contentions. Both are necessary prerequisites for a meaningful claim construction hearing. Patent owners are required to produce documents that are essential for proving patent ownership, documents reflecting conception, reduction to practice and development of the claimed invention, invalidity based on disclosures or offers for sale more than a year before the effective filing date, and the

prosecution history of the patent.<sup>65</sup> Defendants must produce documents reflecting the structure, function and operation of the accused product or process, and all components of the product or process relevant to the claim of infringement, known prior art, software (if relevant) and the ANDA in Hatch-Waxman cases.<sup>66</sup>

Courts differ on the timing of the parties' infringement/invalidity contentions vis-à-vis core document discovery. The Northern District of Illinois, for example, requires core document discovery prior to requiring the parties to serve preliminary infringement/invalidity contentions. On the other hand, the Northern District of California and Eastern District of Texas require infringement contentions prior to the Defendant's production of core documents. Although defendants are often reluctant to provide any discovery, it is in their interest to produce the documents showing the structure, function and operation of the accused products early in the case. Doing so removes any excuse that a plaintiff might have for providing insufficient infringement contentions. In addition, it sets up an early motion

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<sup>65</sup> E.g., local patent rules Eastern District of Texas, LPR 3-2; Northern District of Illinois LPR 2.1.

<sup>66</sup> E.g. LPR 3-4, 3-8 (E. D. Tex.); LPR 2.2 (N.D. Ill.); LPR 3.4, 3.6 (D.N.J.); Chief Judge Stark's case management orders for non-ANDA and ANDA cases in Delaware, <http://www.ded.uscourts.gov/sites/default/files/Chambers/LPS/PatentProcs/LPS-PatentSchedOrder-Non-ANDA.pdf>;  
<http://www.ded.uscourts.gov/sites/default/files/Chambers/LPS/PatentProcs/LPS-PatentSchedOrder-ANDA.pdf>

for summary judgment of non-infringement, and avoids the delay in resolving the motion caused by a Rule 56(d) declaration/motion that the plaintiff needs discovery before it can respond to the summary judgment motion. Thus, a defendant's early production can lead to the early disposition of a meritless case.

#### **F. Case Management Flexibility Under Local Patent Rules**

Virtually all courts that have patent local rules are flexible in their application, adopting case management orders in appropriate cases that may deviate significantly from the structure prescribed by the rules. For example, in *AdjustaCam LLC v. Amazon.com*, Judge Davis, the well-regarded chief judge of the Eastern District of Texas, agreed to an early summary judgment hearing on potential damages, before the claim construction hearing or other discovery.<sup>67</sup> Judge Davis noted that “[w]hile the Patent Rules efficiently govern and manage most cases, the parties in this case have identified and agreed on specific modifications to the Court’s standard schedule that would streamline and potentially lead to an early resolution of the dispute.”<sup>68</sup> Similarly, in *In re Innovatio IP Ventures, LLC Patent Litigation*, chief judge Holderman of the Northern District of Illinois held a bench trial on damages before claim construction in a multidistrict

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<sup>67</sup> See note 26, supra.

<sup>68</sup> Id.

litigation case involving over 100 defendants where 23 patents covering wifi technology had been asserted.<sup>69</sup> It has been our experience that, without exception, judges have been willing to alter the normal case management track to focus first on potentially dispositive issues that may dispose of the case.

In the Eastern District of Texas, Judge Davis recently instituted “Track B” for certain cases,<sup>70</sup> which requires (1) the party claiming infringement to serve infringement contentions and the accompanying production of core documents within 14 days of the filing of the Answer, (2) the defendant to serve summary sales information of the accused products thirty days thereafter, (3) the plaintiff to file a good faith estimate of damages, “including a summary description of the method used to arrive at that estimate” 14 days thereafter, and (4) the defendant to serve invalidity contentions and core documents 14 days thereafter. In addition, the Eastern District through Judge Davis’ leadership has adopted model orders limiting the assertion of patent claims and prior art to reduce costs, and limiting e-discovery. The “Track B” approach provides a model for other courts

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<sup>69</sup> See note 26, *supra*.

<sup>70</sup> General Order 14-3, available at [http://www.txed.uscourts.gov/cgi-bin/view\\_document.cgi?document=24330](http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=24330)

manage cases under the “proportionality” mandate of the amendments to Rule 26.

### **G. Management of E-Discovery in Patent Cases**

In addition to local patent rules, most districts that have a substantial number of patent cases have adopted e-discovery local rules. Some of these are patterned after a model rule published in 2011 by the Federal Circuit Advisory Council.<sup>71</sup> These rules uniformly phase e-discovery of emails until after the parties have exchanged core discovery, and limit the number of custodians and search terms.<sup>72</sup> By postponing e-discovery of emails until after core discovery is exchanged, the court and parties have the opportunity to consider whether the case can be resolved through an early motion based solely on the core discovery already provided.

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<sup>71</sup> See, e.g., Model Order Regarding E-Discovery in Patent Cases (E.D. Tex.), [http://www.txed.uscourts.gov/cgi-bin/view\\_document.cgi?document=22218](http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=22218); See also, the redline version of the order showing the differences between the Eastern District of Texas version and the version promulgated by the Advisory Council, [http://coop.txed.uscourts.gov/binary/Model\\_E-Discovery\\_Patent\\_Order\\_w\\_Commentary.pdf](http://coop.txed.uscourts.gov/binary/Model_E-Discovery_Patent_Order_w_Commentary.pdf); Guidelines for the Discovery of Electronically Stored Information (N.D. Cal.), [file:///C:/Users/ecohen1/Downloads/ESI\\_Guidelines.pdf](file:///C:/Users/ecohen1/Downloads/ESI_Guidelines.pdf); Default Standard for Discovery, Including Discovery of Electronically Stored Information (“ESI”) (D. Del.), <http://www.ded.uscourts.gov/sites/default/files/Chambers/SLR/Misc/EDiscov.pdf>; Northern District of Illinois Local Patent Rules for Electronically Stored Information (N.D. Ill.), [http://www.ilnd.uscourts.gov/home/\\_assets/\\_documents/Rules/FINAL%20CLEAN%20Approved%20e%20discovery%20rules.pdf](http://www.ilnd.uscourts.gov/home/_assets/_documents/Rules/FINAL%20CLEAN%20Approved%20e%20discovery%20rules.pdf)

<sup>72</sup> E.g., LPR ESI 2.6 (N.D. Ill.); Guideline 2.02 (N.D. Cal.)(requiring consideration of phasing of discovery); e-Discovery Rules 7-9 (E.D. Tex.) (postponing email discovery until after core discovery is exchanged and limiting discovery).



In addition to the requirement of proportionality in the amendment to Rule 26(a), the amendments to Rule 26(c)(1)(B) permit the court to allocate expenses for certain discovery. Although the presumption remains that parties producing discovery should pay for the costs of production, this provision provides explicit authority for the court to allocate expenses, where, for example, the discovery sought is of marginal relevance, given considerations of proportionality.

#### **H. Should The Judicial Conference Adopt A National Set Of Rules For Patent Cases?**

HR 9 includes a provision requiring the Judicial Conference to “develop rules and procedures to implement the issues and proposals described in paragraph (2) to address the asymmetries in discovery burdens and costs” of patent litigation.”<sup>73</sup> In general, paragraph 2 includes issues relating to the production of core discovery, limits on electronic discovery, limits on additional documentary discovery, and who should bear the costs of producing such additional discovery.<sup>74</sup> The laundry list of considerations set forth in paragraph 2 has partially been addressed by the proposed amendments to the Rules of Civil Procedure, which make proportionality a central requirement for gauging whether and to what extent certain

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<sup>73</sup> HR 9, §6(a).

<sup>74</sup> Id.

discovery is appropriate in any case. Local patent rules already address many of the issues reflected in HR 9’s directive to the Judicial Conference.

Section 6 of HR 9 can be interpreted as creating a national set of case management rules for patent cases. Local patent rules, properly applied, have the potential to lower costs to litigants, aid the courts in case management, and provide predictability. Whether or not HR 9 is signed into law, the Judicial Conference should consider enacting a national set of rules for patent cases, based on the district courts’ experience operating under various local patent rules that have been in place for some time in districts around the country.

### **I. Pleading Requirements for Patent Cases**

HR 9 would require very specific complaints for patent infringement, including claim charts.<sup>75</sup> However, the claim charts would not have been required to include information “not reasonably accessible to” the plaintiff.<sup>76</sup> Where information is not available, the plaintiff would have been required to explain ‘why such undisclosed information was not readily accessible,’ and “any efforts made” to access such information.<sup>77</sup> This is analogous to Federal Rule 11(b )(3), which requires that “factual contentions have evidentiary support or, if specifically so identified, will likely have

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<sup>75</sup> HR 3309, §3(a).

<sup>76</sup> Id.

<sup>77</sup> Id., §281(b).

evidentiary support after a reasonable opportunity for further investigation and discovery.”<sup>78</sup>

We suspect that the pleading provisions of HR 9 (originally HR 3309) were in reaction to Form 18 of the Federal Rules, which prescribes a bare bones complaint for patent infringement that is widely viewed as insufficient under the Supreme Court decisions in *Twombly* and *Iqbal*.<sup>79</sup> Under Rule 84, Courts could not dismiss a complaint that complied with any of the forms because the forms “suffice under these rules.”<sup>80</sup>

The proposed amendments to the Federal Rules eliminate all of the form complaints.<sup>81</sup> This will leave it to the courts to develop standards for pleading patent infringement. Will the courts require the level of specificity required by HR 9? Probably not, and for good reason. First, even HR 9 recognizes that plaintiffs often do not have sufficient information to specifically demonstrate how all of the claim limitations are found in an accused device, particularly in the case of complex electronic devices such as smartphones. Second, requiring a high level of specificity in patent infringement complaints would inevitably lead to an increase in motions to dismiss for failure to state a claim. However, the rules provide that a

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<sup>78</sup> F.R. Civ. P. 11(b)(3).

<sup>79</sup> See note \_\_\_, supra.

<sup>80</sup> F.R. Civ. P. 84.

<sup>81</sup> Rule 84 is abrogated, and the forms are eliminated, except for the waiver of service form. Rules Amendments, Rules Appendix B-69 – B-77.

plaintiff can amend at least once as a matter of course after a motion to dismiss is filed.<sup>82</sup> And even if a motion to dismiss were granted, the court is required to “freely give leave [to amend] when justice so requires.”<sup>83</sup> Heightened pleading requirements may increase costs for all litigants and burden the court by increasing the number of motions to dismiss. Because it will be the rare case in which a motion to dismiss will be case-dispositive, increased pleading requirements will not lower costs of patent litigation.

Nor are increased pleading requirements likely to dissuade PAEs from filing patent infringement actions. Our clients often receive letters from the larger and better-organized PAEs that include claim charts. As shown in the chart on page 16, more patent infringement complaints were filed in the Eastern District of Texas last year than anywhere else in spite of the fact that the Eastern District of Texas local rules require early and detailed infringement contentions in the form of claim charts before defendants produce core discovery.<sup>84</sup> We believe it is best left to the courts to develop sound pleading requirements for patent infringement cases that meet the requirements of *Twombly* and *Iqbal*.

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<sup>82</sup> F. R. Civ. P. 15(a)(1).

<sup>83</sup> F.R. Civ. P. 15(a)(2).

<sup>84</sup> LPR 3-1 (E.D. Tex.), <http://www.txed.uscourts.gov/page1.shtml?location=rules>

However, post-*Octane* decisions awarding fees to prevailing defendants should put PAEs on notice. Filing cases with bare-bones complaints, coupled with inadequate pre-filing investigations and weak claim construction arguments are likely to result in fee awards. *Octane* and its progeny may ultimately lead to plaintiffs filing more detailed complaints to protect themselves against fee awards.

#### **IV. DOES THE SIGNIFICANT DROP IN PATENT INFRINGEMENT FILINGS MEAN THAT THE SYSTEM IS CORRECTING THE PERCEIVED PROBLEMS WITH PAE PATENT LITIGATION?**

It has been widely assumed that there has been a significant increase in the filing of patent infringement lawsuits by PAEs. However, a research paper authored by law professors Christopher Cotropia, Jay Kesan and David Schwartz, there was essentially no increase in filings between 2010 and 2012 if section 299 of the patent code, added by the AIA, is taken into account.<sup>85</sup> In addition, Lex Machina recently reported that new federal patent cases have substantially tailed off since April 2014.<sup>86</sup> We did our own search through PACER records, and noted a drop of over 15% in filings

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<sup>85</sup> Cotropia, Kesan & Schwartz, *Patent Assertion Entities (PAEs) under the Microscope: an empirical investigation of Patent Holders as Litigants*, (November 10, 2013), <http://www.laipla.net/wp-content/uploads/2013/11/CotropiaEtAlStudy.pdf>

<sup>86</sup> <https://lexmachina.com/2014/10/september-2014-new-patent-case-filings-40-september-2013/>

between 2013 and 2014, most of which occurred after the *Octane* decision, as is shown in the chart below.

<b>Patent Infringement Case Filings By Month</b>		
<b>Month</b>	<b>2013</b>	<b>2014</b>
January	504	340
February	571	451
March	430	508
April	608	682
May	515	399
June	491	415
July	487	432
August	529	399
September	558	323
October	523	349
November	586	338
December	436	400
<b>Total</b>	<b>6238</b>	<b>5036</b>

*Octane* decision – April 29, 2014

If this is a trend, it may be due to a combination of factors. First, as discussed above, *Octane* may have had a chilling effect on some patent trolls. Second, the Supreme Court’s decisions have lowered the bar for invalidating patent claims, including the Court’s decision in *Alice Corp. Pty.*

*Ltd. v. CLS Bank Int'l*,<sup>87</sup> invalidating a software patent under section 101<sup>88</sup>, which has resulted in “over a dozen decisions invalidating software and business method patents.”<sup>89</sup> Third, the America Invents Act<sup>90</sup> created two new fast-track proceedings for challenging issued patents that became available on September 16, 2012<sup>91</sup>: inter partes review<sup>92</sup> and covered business method review.<sup>93</sup> In a little over two years since those proceedings became available, over 2,300 petitions have been filed in the USPTO, and by far and away, the largest percentage being filed in the electrical/computer technology area.<sup>94</sup> The number of petitions greatly exceeded the USPTO’s estimate of how many would be filed.<sup>95</sup> These fast-track proceedings, which require a final written decision within 12 months of institution, have resulted in a number of courts staying cases pending resolution of the USPTO proceedings.<sup>96</sup>

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<sup>87</sup> *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014)

<sup>88</sup> 35 U.S.C. §101.

<sup>89</sup> Note 56, supra.

<sup>90</sup> Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>91</sup> Pub. L. No. 112-29, § 7(e) (effective Sept. 16, 2012), 125 Stat. 284.

<sup>92</sup> 35 U.S.C. § 311.

<sup>93</sup> Pub. Law. No. 112-29, § 18(d)(1); 37 C.F.R. §42.301.

<sup>94</sup> [http://www.uspto.gov/ip/boards/bpai/stats/aia\\_statistics\\_11\\_06\\_2014.pdf](http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_11_06_2014.pdf).

<sup>95</sup> 77 Fed. Reg. 48680, 48710 (estimating that approximately 1000 petitions would be filed in the first two fiscal years).

<sup>96</sup> E.g., *Benefit Funding Sys. LLC v. Advance America Cash Advance Centers, Inc.*, 767 F.3d 1383 (Fed. Cir. 2014) (affirming grant of stay); *VirtualAgility Inc. v. Salesforce.com*, 759 F.3d 1307 (Fed. Cir. 2014) (reversing court’s refusal to grant stay pending covered business method proceeding after Patent Trial and Appeal Board had granted the petition and instituted the proceeding on all claims asserted

## A. The Impact of 2014 Supreme Court Decisions

As noted above, the Supreme Court's decision in *Alice* may be having an impact on PAEs. This case has indisputably resulted in decisions by the lower courts and the Patent Trial and Appeal Board invalidating so-called software patents.<sup>97</sup> Supreme Court precedent has long precluded patent coverage of laws of nature, natural phenomena and abstract ideas.<sup>98</sup>

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in the lawsuit); See *Landmark Tech. LLC v. iRobot Corp.*, No. 6:13-cv-411-JDL, 2014 WL 486836, at \*1 (E.D. Tex. Jan. 24, 2014); *Market-Alerts Pty., Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp.2d 486, 490 n.4 (D. Del. 2013); *Zillow, Inc. v. Trulia, Inc.*, No. C12-1549JLR, 2013 WL 5530573, at \*3 (W.D. Wash. Oct. 17, 2013) (“the four-factor test was designed to increase the likelihood that the court will grant a stay when a party initiates a transitional CBM review”); *Versata Software, Inc. v. Volusion, Inc.*, No. A-12-CA-893-SS, 2013 WL 6912688, at \*2 (W.D. Tex. June 20, 2013) (“It is congressional intent that a stay should only be denied in extremely rare instances.”) (quoting 157 Cong. Rec. S1363); *Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill.*, Nos. 1:10-cv-01370, 1:11-cv-00082, 1:12-cv-01068, 1:12-cv-01070, 2013 WL 1662952, at \*3 (N.D. Ohio Apr. 17, 2013) Case 6:13-cv-00722-LED Document 31 Filed 04/14/14 Page 10 of 18 PageID #: 1537 (“the test established by the AIA is designed to increase the likelihood that a stay will be granted when transitional CBM review . . . has been instituted”) *Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, 2014 WL 1369721, at \*3 (D. Del. April 7, 2014) (granting stay pending IPR where IPR petitions “were filed before any significant occurrences and proceedings in the instant cases”); *TAS Energy, Inc. v. San Diego Gas & Elec. Co.*, 2014 WL 794215, at \*3 (S.D. Cal. Feb. 26, 2014) (granting stay where “no trial date has been set” and “significant amount of work still remains”).

<sup>97</sup> E.g., *Ultramerical, Inc. v. Hulu, LLC*, No. 2010-1544, slip op. (Fed. Cir., November 14, 2014); *buySAFE, Inc. v. Google, Inc.* 765 F.3d 1350 (Fed. Cir. 2014); *Planet Bingo, LLC v. VKGS LLC*, 576 Fed. Appx. 1005 (Fed. Cir. 2014); *Digitech Image Tech., LLC v. Electronics for Imaging, Inc.*, 758 F.3d 1344 (Fed. Cir. 2014); *Enfish, LLC v. Microsoft Corp.*, \_\_\_ F.3d \_\_\_, 2014 WL 5661456 (C.D. Cal. November 3, 2014); *Genetic Tech. Ltd. v. Bristol-Myers Squibb Co.*, \_\_\_ F.3d \_\_\_, 2014 WL 5507637 (D. Del., October 30, 2014); *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, \_\_\_ F.3d \_\_\_, 2014 WL 5430956 (E.D. Va. 2014)

<sup>98</sup> *Alice*, 134 S. Ct. at 2354, (quoting *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. \_\_\_, 133 S. Ct. 2107, 2116 (2013)).



*Alice* held that patent claims directed to a computer implemented scheme for mitigating settlement risk by using a third party intermediary were not patent-eligible under section 101 because the claims “add nothing of substance to the underlying abstract idea.”<sup>99</sup> Under *Alice*, if a claim is directed to a patent-ineligible concept, the court must determine whether the claims contain “an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”<sup>100</sup> *Alice* poses acute problems for business method patents, most of which include broad claims without much of an enabling disclosure. Those claims can be attacked under *Alice* by a motion to dismiss or a motion for judgment on the pleadings. Thus, *Alice* provides a basis for disposing of lawsuits based on business method patents on a relatively inexpensive basis, without a need for discovery.

Another important decision was *Nautilus, Inc. v. Biosig Inst. Inc.*,<sup>101</sup> in which the Court lowered the standard for finding patent claims invalid for indefiniteness. Prior to *Nautilus*, the Federal Circuit’s test for indefiniteness required a court to find that the claim was “not amenable to construction” or

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<sup>99</sup> *Id.*, 134 S. Ct. at 2359-60.

<sup>100</sup> *Id.*

<sup>101</sup> 134 S. Ct. 2120 (2014).

“insolubly ambiguous.”<sup>102</sup> The Court rejected the Federal Circuit’s test, and held that “a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.”<sup>103</sup> This case will make it much easier to invalidate ambiguous patent claims, which were the subject of a 2011 Federal Trade Commission report, which observed that ambiguous claims do not serve the notice function of patents, and appeared to pose a significant problem in the IT sector.<sup>104</sup>

Another potentially important Supreme Court decision was *Limelight Networks, Inc. v. Akamai Tech., Inc.*,<sup>105</sup> holding that there can be no indirect infringement unless there is proof of direct infringement, reversing the Federal Circuit’s en banc decision permitting a finding of indirect infringement where a single entity had not performed all of the steps of a claimed method.<sup>106</sup> This decision makes it more difficult to prove infringement of a business method where multiple defendants are required to practice all of the steps of the method.

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<sup>102</sup> Id. at 2127.

<sup>103</sup> Id. at 2124.

<sup>104</sup> *The Evolving IP Marketplace, Aligning Patent Notice and Remedies with Competition*, (Federal Trade Commission, March 2011), chapter 3.

<sup>105</sup> 134 S.Ct. 2111 (2014).

<sup>106</sup> 692 F.3d 1301, 1319 (Fed. Cir. 2012) (*per curiam*).

## B. The New, Fast-Track PTAB Proceedings

In contrast to the drop in patent infringement case filings in the district courts, the filing of inter partes review and covered business method petitions before the Patent Trial and Appeal Board (“PTAB”) have dramatically risen. Since the new proceedings became available in September 2012, 2587 petitions have been filed.<sup>107</sup> The PTAB’s published statistics as of January 1, 2015 show the dramatic increase in filings by PTO fiscal year<sup>108</sup>. The number of IPR and CBM petitions filed in calendar 2014 was 1674.<sup>109</sup> This statistic should be measured against the drop in patent infringement filings from 2013 to 2014 (6238 versus 5036).

NUMBER OF AIA PETITIONS

FY	Total	IPR	CBM	PGR	DER
2012	25	17	8	-	-
2013	563	514	48	-	1
2014	1,494	1,310	177	2	5
2015	505	458	44	1	2
Cumulative	2,587	2,299	277	3	8

The new inter partes review and covered business method review proceedings probably have had a significant effect on litigation brought by PAEs. As of October 16, 2014, the PTAB had instituted proceedings as to

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<sup>107</sup> [http://www.uspto.gov/ip/boards/bpai/stats/aia\\_statistics\\_1\\_1\\_2015.pdf](http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_1_1_2015.pdf).

<sup>108</sup> Id.

<sup>109</sup> Id.

67% of the claims challenged, and found half of them unpatentable.<sup>110</sup> A significant number of those petitions have resulted in settlements.<sup>111</sup> Many courts have stayed cases pending these Patent Office proceedings, thus removing significant settlement leverage.<sup>112</sup> There can be little doubt that the threat of an IPR or CBM petition, in combination with *Octane* has changed the game for PAEs.

Thus far, the PTAB has applied the “broadest reasonable interpretation” (“BRI”) standard to IPR and CBM proceedings.<sup>113</sup> HR 9 would require that claim construction in those proceedings should be the same as claim construction in district court cases.<sup>114</sup> The PTAB adopted BRI for IPR and CBM proceedings because “[b]y encouraging patent owners to eliminate ambiguity through amendment, the use of the broadest reasonable interpretation standard encourages clarity in claim language,

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<sup>110</sup>[http://www.uspto.gov/ip/boards/bpai/stats/inter\\_partes\\_review\\_petitions\\_terminated\\_updated\\_20141016\\_.pdf](http://www.uspto.gov/ip/boards/bpai/stats/inter_partes_review_petitions_terminated_updated_20141016_.pdf)

<sup>111</sup> [http://www.uspto.gov/ip/boards/bpai/stats/aia\\_statistics\\_11\\_13\\_2014.pdf](http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_11_13_2014.pdf), reporting 314 settlements out of 933 proceedings instituted as of November 13, 2014.

<sup>112</sup> See note \_\_\_, supra.

<sup>113</sup> E.g., *SAP America, Inc. v. Versata Dev. Group, Inc.*, CBM2012-00001, Paper 70 at 7-19 (PTAB 2013) (discussing rationale for applying broadest reasonable interpretation); *Vibrant Media Corp. v. General Electric Co.*, IPR2013-00170, Paper 56 at 4-5 (PTAB 2014) (rejecting patent owner’s argument that broadest reasonable interpretation standard should not apply because patent owner decided not to amend its claims).

<sup>114</sup> HR 3309, §9(b)

which serves the important public notice function.”<sup>115</sup> It also expressed concern that “inconsistent results [in the PTO] would become a major issue if the Office adopted a standard of claim construction other than the broadest reasonable construction,” noting that reexaminations on the same patent might be proceeding in parallel with post-grant review proceedings.<sup>116</sup> The Federal Circuit has affirmed the PTAB’s application of BRI to inter partes review proceedings.<sup>117</sup>

The concern about inconsistent results in the PTO is not illusory. Ex parte reexamination proceedings continue to be available under the America Invents Act.<sup>118</sup> The PTAB has stayed ex parte reexaminations and reissue proceedings pending the outcome of IPR and CBM proceedings.<sup>119</sup> Consistent claim construction standards in IPR, CBM and ex parte reexamination proceedings means that PTAB IPR and CBM decisions will guide examiners in subsequent ex parte reexamination and reissues. If the claim construction standards were different, however, PTAB IPR and CBM decisions might not provide guidance to examiners in subsequent

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<sup>115</sup> *SAP*, supra, Paper 70 at 17.

<sup>116</sup> *Id.*

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<sup>118</sup> 35 U.S.C. § 302.

<sup>119</sup> E.g., *Kyocera Corp. v. SoftView LLC*, IPR 2013-00007, Paper 9 (PTAB 2012) (inter partes and ex parte reexaminations stayed sua sponte); *Denso Corp. v. Beacon Navigation GMBH*, IPR 2013-00027, Paper 11 (PTAB 2013) (same); *Hewlett-Packard Co. v. MCM Portfolio LLC*, IPR2013-00217, Paper 8 (reissue proceeding stayed on motion).

reexamination and reissue proceedings. Thus, different standards would potentially decrease the overall efficiency of the PTO.

Amicus briefs filed by 3M<sup>120</sup> and Dell<sup>121</sup> in the appeal of the PTAB's decision in the *SAP* case demonstrate that there is a split among industry leaders on this issue. On February 4, 2015, the Federal Circuit resolved the issue in favor of applying BRI in *In re Cuozzo Speed Tech., LLC*.<sup>122</sup>

The positions taken by proponents and opponents of BRI have largely failed to address a very important issue: whether there would be a significant difference in outcomes of IPR or CBM proceedings if the district court standard were applied to those proceedings instead of BRI. The BRI standard as applied by the PTAB does not appear to be appreciably different from the standard used by district courts. As is the case with district court claim construction, under BRI, “[c]laim terms are . . . given their ordinary and customary meaning as would be understood by one of ordinary skill in

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<sup>120</sup> *Amici Curiae Brief Of 3m Company, Caterpillar Inc., Eli Lilly And Company, General Electric Company, Johnson & Johnson, The Procter & Gamble Company, Amgen Inc., BP America Inc., Glaxosmithkline LLC, Illinois Tool Works Inc., Pfizer Inc., Qualcomm Incorporated, And Sanofi US In Support Of Neither Party* (Appeal No. 14-1145, D.I. 56, arguing against BRI) (“3M Amicus Brief”).

<sup>121</sup> *Brief Of Dell Inc., Ebay Inc., Facebook, Inc., Google Inc., Limelight Networks Inc., Newegg Inc., QVC, Inc., Rackspace Hosting, Inc., Red Hat, Inc., SAS Institute Inc., Vizio, Inc., and Xilinx, Inc., As Amici Curiae In Support Of Appellees And Intervenor* (Appeal No. 14-1145, D.I. 83, arguing in favor of BRI) (“Dell Amicus Brief”).

<sup>122</sup> \_\_\_ F.3d \_\_\_, 2015 WL 448667 (Fed. Cir. 2015) at \*5 - \*8.

the art in the context of the entire disclosure.<sup>123</sup> Both BRI and district courts construe a claim term different from its ordinary meaning when “an inventor acts as his or her own lexicographer . . . with reasonable clarity, deliberateness, and precision.”<sup>124</sup> Both standards caution against importing features from the specification into the claims.<sup>125</sup>

The Federal Circuit has recognized that “the prosecution history . . . serves as intrinsic evidence for purposes of claim construction . . . in construing claims before the PTO,<sup>126</sup> but that “the PTO should only limit the claim based on the specification or prosecution history when those sources expressly disclaim the broader definition.”<sup>127</sup> Whether this is a different

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<sup>123</sup> Compare PTAB decision in *Microstrategy, Inc. v. Zillow, Inc.*, IPR2013-00034, Paper 42 at 5–6 (Mar. 27, 2014) (citation omitted)(citing *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007) and *CBS Interactive Inc. v. Helferich Patent Licensing, LLC*, IPR2013-00033, Paper 122 at 7–8 (Mar. 3, 2014) with *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-13 (Fed. Cir. 2005) (en banc) (“words in a claim ‘are generally given their ordinary and customary meaning’ . . . [which is] the meaning that the term would have to a person of ordinary skill in the art at the time of the invention”).

<sup>124</sup> *Microstrategy*, supra, note 11, citing *Renishaw PLC v. Marposs Societa’ per Azioni*, 158 F.3d 1243, 1249 (Fed. Cir. 1998); *Phillips*, 415 F.3d at 1316. In *Microstrategy*, the patent owner attempted to disavow claim scope in the IPR proceeding, itself. Paper 42 at 10-11. The PTAB refused to permit the disavowal, explaining that the patent owner had an opportunity to amend the claim in the same proceeding. *Id.* at 12-13. But would the asserted “disavowal” have been sufficient had the issue been decided by a district court? We are aware of no case law supporting such a disavowal.

<sup>125</sup> *Microstrategy*, supra, note 11; *Phillips*, 415 F.3d at 1322.

<sup>126</sup> *Tempo Lighting, Inc. v. Tivoli, LLC*, 742 F.3d 973, 977 (Fed. Cir. 2014).

<sup>127</sup> *In re Bigio*, 381 F.3d 1320, 1325 (Fed. Cir. 2004).

standard than that applied by the Federal Circuit in appeals from district court decisions is open to debate.

We submit that the PTAB's IPR and CBM decisions that have applied BRI should be analyzed before Congress passes legislation to require a different claim construction standard. A study is necessary to determine whether and how a different claim construction standard would have made any difference in the outcome of PTAB decisions, and if so, to assess the PTAB's concerns about inconsistent results between concurrent reexamination proceedings versus IPR or CBM proceedings. A study might also compare district court constructions of common terms in those cases where the PTAB and the courts have construed the same terms in parallel proceedings to determine whether there has, in fact, been any difference in the construction and whether the any such difference would have changed the outcome. Another factor to consider is whether adoption of a district court claim construction standard would cause parties in IPR proceedings to dispute an increased number of claim terms, resulting in an increased burden on the PTAB, and giving rise to the potential for collateral estoppel arguments in both the PTAB and district courts. Changes to the PTAB's current application of BRI to IPR and CBM proceedings should not be based on rhetoric, but instead, on an informed decision-making process.



Some major pharmaceutical companies have voiced concern that IPR proceedings threaten patents that protect their substantial investment in making new drugs available to the public. This legitimate concern, however, is belied by the PTAB's published statistics. In the PTO's fiscal year 2015, which began in October 1, 2014, only 8% of petitions were filed on patents classified in the bio/pharma art.<sup>128</sup>

AIA PETITION TECHNOLOGY BREAKDOWN  
FY15 (based on Technology Center)

Technology	Number of Petitions	Percentage
Electrical/Computer – TCs 2100, 2400, 2600, 2800	323	64.0%
Mechanical/Business Methods – TCs 3600, 3700	118	23.3%
Chemical – TC 1700	22	4.3%
Bio/Pharma – TC 1600	40	8.0%
Design – TC 2900	2	0.4%

Another concern recently expressed by the pharma/biotech industry is that unscrupulous entities not involved in the research or production of any drugs have been using the threat of IPRs to extort settlements. Recently, it was reported that shares of a drug company dropped over 9% after a hedge fund filed an IPR.<sup>129</sup> In general, the share value of pharmaceutical companies is more dependent on patents than in any other industry. A quick fix for this problem would be to restrict the filing of an IPR to entities that

<sup>128</sup> [www.uspto.gov/ip/boards/bpai/stats/aia\\_statistics\\_1\\_1\\_2014.pdf](http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_1_1_2014.pdf).

<sup>129</sup> *Kyle Bass' War Against the US Pharmaceutical Industry Has Officially Begun*, <http://www.businessinsider.com/kyle-bass-files-first-ipr-petition-2015-2>, (Feb. 10, 2015).

have a reasonable apprehension of litigation or who have an actual competitive interest in the technology covered by the patent. For example, this would permit pharmaceutical companies to challenge each other's patents through IPR or post grant review proceedings, but not permit hedge funds to do so. Any such legislation would need to be carefully worded. It is clear, however, that IPRs were never intended to be a tool that could be used by hedge funds to hold up legitimate businesses.

### **C. Overall Impact**

The foregoing raises the significant question as to whether the downturn in patent infringement filings is the combined effect of increased exposure to fees, increased vulnerability of business method patent claims to invalidity under *Alice* and other Supreme Court decisions, coupled with growing court intervention to limit the cost of discovery in patent cases. These developments may be having a chilling effect on PAEs, at least with respect to those cases which may be marginal.

## **V. SHOULD CONGRESS DEFER TO THE FEDERAL TRADE COMMISSION WITH RESPECT TO MISLEADING DEMAND LETTERS FROM PAES?**

The poster child for deceptive patent demand letters is a company known as MPHJ Technology Investments, LLC. The Federal Trade

Commission (FTC) initiated a proceeding against MPHJ<sup>130</sup>, which resulted in a proposed consent agreement.<sup>131</sup> The complaint charged that MPHJ and its subsidiaries sent initial letters to approximately 16,465 small businesses, demanding payment of about \$1,000 per employee for a patent “license,” and falsely asserting that substantial numbers of businesses had agreed to pay substantial compensation to license MPHJ’s patents.<sup>132</sup> Subsequent letters to about 4,870 businesses enclosed a form complaint for patent infringement.<sup>133</sup> MPHJ, however, did not file a single complaint for patent infringement.<sup>134</sup> The FTC charged MPHJ with deceptive acts or practices under Section 5(a) of the Federal Trade Commission Act.<sup>135</sup>

Unfortunately, MPHJ is not an isolated bad actor. Other PAEs have also engaged in the tactic of sending misleading letters, vaguely asserting patent infringement claims that they have no intention of bringing. In August 2014, the FTC received approval to launch a study of PAEs.<sup>136</sup> Presumably, this will include a study of those PAEs who send false and misleading letters to small businesses. The problems caused by these false

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<sup>130</sup> <http://www.ftc.gov/system/files/documents/cases/141106mphjcmpt.pdf>

<sup>131</sup> <http://www.ftc.gov/enforcement/cases-proceedings/142-3003/mphj-technology-investments-llc-matter>

<sup>132</sup> Id.

<sup>133</sup> Id.

<sup>134</sup> Id.

<sup>135</sup> Id.

<sup>136</sup> <http://www.law360.com/articles/567060/ftc-gets-approval-to-launch-patent-troll-study>

and misleading letters is significant. Query whether it would be better for Congress to pass legislation setting a national standard for demand letters that purport to enforce intellectual property rights. This would appear to be better than a patchwork of state regulations, which might make it difficult for intellectual property owners to police their rights by sending notice letters. For example, notice letters are often used to advise business owners that they are selling products that infringe valid trademarks or copyrights.

## **VI. CONCLUSION**

Any further patent reform legislation should be carefully considered for unintended consequences. While it is commendable to attempt to end litigation abuses by some PAEs, query whether those abuses are as widespread as some have argued. We should be careful to preserve the incentive for individual inventors, small businesses and universities to continue to invent and obtain investments to commercialize their inventions. Several years of debate preceded the enactment of the AIA. The deliberations on further patent reform should be subject to the same debate.

## APPENDIX A

### Post *Octane* motions for attorneys' fees granted to defendants

1. *Action Star Enterprise v. Kaijet Tech. Int'l*, 12-cv-8074 (BRO) (C.D. Cal. 2014) (awarding fees because plaintiff litigated the case in an unreasonable manner).
2. *Bayer Cropscience AG v. Dow Agrosciences LLC*, No. 12-256 (D.Del. 2014)(report and recommendation that fees be awarded because case was “exceptionally meritless”).
3. *Chalumeau Power Sys. LLC v. Alcatel-Lucent*, 11-cv-1175-RGA (D. Del. 2014)(“Chalumeau filed a frivolous lawsuit with the sole purpose of extorting a settlement fee. When it realized that was not going to happen, it dropped the case. Chalumeau’s entire litigation strategy was devoted to stringing out the case in the hopes that Alcatel would incur fees while Chalumeau would not.”).
4. *Chicago Board Options Exchange, Inc. v. International Securities Exchange, Inc.*, No. 07-cv-623 (N.D. Ill. 2014)(conduct after remand warranted fee award).
5. *Classen Immunotherapies, Inc. v. Biogen IDEC*, 04-cv-2607-WDQ (D. Md. 2014) (plaintiff’s infringement claim was objectively baseless).
6. *Home Gambling Network Inc. v. Piche*, 2:05-cv-610 (D. Nev. 2014)(finding a case exceptional because plaintiff knew that one step in a method claim was performed outside of the U.S., precluding infringement, and because prosecution history disclaimer precluded plaintiff’s infringement theory).
7. *Homeland Housewares, LLC v. Hastie2Market, LLC*, 2013-1537, 2014 WL 4400184 (Fed. Cir. Sept. 8, 2014) (patent owner repeatedly failed to introduce admissible evidence of infringement, filed unsolicited briefs after issues were taken under submission, and filed multiple meritless motions for reconsideration)

8. *Intellect Wireless, Inc. v. Sharp Corp.*, 10-cv-6763 (N.D. Ill. 2014) (patent held unenforceable for inequitable conduct).
9. *IPVX Patent Holdings, Inc. v. Voexernet LLC*, 5:13-cv-1708 (N.D. Cal.) (unreasonable claim construction and infringement contentions).
10. *Kilopass Tech., Inc. v. Sidense Corp.*, 10-cv-2066 (N.D. Cal. 2014) (in a case between competitors, the court found the case exceptional because plaintiff had no basis for alleging infringement, noting, among other things, a clear disavowal in a reexamination proceeding).
11. *Logic Devices, Inc. v. Apple, Inc.*, No. 13-2943 (N.D. Cal. 2014)(plaintiff failed to comply with local patent rules and misrepresented that a terminal disclaimer had been filed in response to a defense of double patenting”).
12. *Lumen View Tech., LLC v. Findthebest.com, Inc.*, 1:13-cv-3599, D.I. 83, D.I. 112 (S.D.N.Y. 2014) (awarding fees to defendant after granting judgment on pleadings because basic investigation would have revealed defendant’s non-infringement; court noted plaintiff’s boilerplate complaint, and commencement of several lawsuits in short time frame suggesting a desire to extract a nuisance settlement).
13. *Medtrica Solutions Ltd. v. Cygnus Medical LLC*, 12-cv-538 (W.D. Wash. 2014)(no evidence to support infringement contentions).
14. *The Ohio Willow Wood Co. v. ALPS South LLC*, 2:04-cv-1223 (S. D. Ohio 2014) (fees awarded to defendant after court found that patent was unenforceable for inequitable conduct).
15. *Parallel Iron LLC v. NetApp Inc.*, 12-cv-769 (D. Del. 2014)(plaintiff litigated case in bad faith, vexatiously and wantonly, and failed to conduct a suitable pre-filing investigation).

16. *Precision Links, Inc. v. USA Prods. Group, Inc.*, 3:08-cv-576 (W.D.N.C. 2014)(on remand after Federal Circuit denied prior fee petition under Brooks standard, court granted fee petition under Octane standard, finding plaintiff's infringement theories were frivolous and plaintiff engaged in litigation misconduct).
17. *Pure Fishing, Inc. v. Normark Corp.*, 10-cv-2140 (D.S.C. 2014)(noting shifting theories of claim construction and total lack of support for claim construction position).
18. *Summit Data Systems, LLC v. EMC Corp.*, 10-cv-749 (D. Del. 2014) (infringement suit filed two months after plaintiff licensed Microsoft, where infringement claim was based on NetApp's products interacting with Microsoft software, noting that "Summit's practice of extracting settlements worth a fraction of what the case would cost to litigate supports a finding of exceptionality").
19. *TNS Media Research, LLC v. Tivo Research & Analytics, Inc.*, 11-cv-4039 (S.D.N.Y. 2014)(plaintiff made frivolous claim construction and infringement arguments).
20. *Yufa v. TSI, Inc.*, 09-cv-1315 (N.D. Cal. 2014)(pro-se litigant liable for fees where he conducted inadequate prefiling investigation and continued prosecution of the action with no evidence of infringement: "Given Plaintiff's history of prosecuting patent infringement cases, it would be improper to entirely relieve him from paying TSI's attorney's fees, which would only encourage additional litigation.").

## APPENDIX B

### Post *Octane* motion for attorneys' fees denied

1. *Abbvie Inc. v. The Mathilda and Terence Kennedy Institute of Rheumatology Trust*, 11-cv-2541 (S.D.N.Y. 2014) (DI 141) (motion for fees by declaratory judgment plaintiff denied where patent owner's defense to invalidity based was not frivolous or made in bad faith and patent owner's conduct not sanctionable because patent owner "could reasonably pursue various legal theories in defense of its presumptively valid patent. Even though [patent owner's] positions were at times inconsistent, that does not mean they were 'exceptional[ly]' meritless.").
2. *Alexsam, Inc. v. The Gap, Inc.*, 2:13-cv-4 (E. D. Tex. 2014)(DI 278) (defendant's motion for fees denied even though same system was found not to infringe by two juries in two previous trials, where defendant had requested separate trial. "Alexsam indeed should have recognized that its chances of prevailing on infringement were severely weakened after two unsuccessful jury trials involving similar theories. But it was not unjustified or frivolous in pursuing its claims against The Gap, especially given The Gap's insistence that "[w]hile their systems are similar [to Pier 1], the evidence is specific to each defendant" (2:13-cv-3, Doc. No. 135 at 3-4). The Gap adamantly opposed a consolidated infringement trial and argued that it would be severely prejudiced if they were not allowed to call is "own corporate witnesses to address the technical, contractual, and managerial aspects of their gift card programs, as well as witnesses to address their financial information relevant to damages" (2:13-cv-3, Doc. No. 135 at 3-4).").
3. *Robert Bosch LLC v. Snap-On Inc.*, 12-cv-11503 (E.D. Mich. 2014) (report and recommendation) (defendant's motion for fees denied where indefiniteness argument, although successful, was not made until 17 months after the case was filed, and patent owner's argument that the claims were valid was not unreasonable; no fees based on failure of German parent company to provide discovery where plaintiff failed to utilize procedures under Hague convention)



4. *Chao Tai Electronics Co. Ltd. v. Ledup Enterprise, Inc.*, 12-10137 (C.D. Cal. 2014) (defendant's motion for fees denied where plaintiff offered a walkaway settlement case after plaintiff filed a motion for summary judgment).
5. *Charge Lion LLC v. Linear Tech. Corp.*, 6:12-cv-769 (E.D. Tex. 2014) (defendant's motion for fees denied against alleged “secretive ‘shell’ corporation that exists for th[e] sole purpose of using the ‘702 patent to extract [nuisance] settlements” where defendant failed to substantiate its claim that the plaintiff was engaged in “extortive litigation tactics;” error in accusing certain devices in complaint “shows inattentiveness—and even carelessness . . . [but] is not sufficient to render this case exceptional;” claim construction arguments were not frivolous).
6. *Dixon v. Alexander Elnekaveh*, 13-cv-80949 (S. D. Fla. 2014)(defendant's motion for fees denied where plaintiff failed to disclose all of his income when filing *in forma pauperis*).
7. *Elite Lighting v. DMF, Inc.*, 13-cv-1920 (C.D. Cal. 2014) (denying fees even though plaintiff's position was weak, but reserving the issue until after all appeals exhausted whether plaintiff's attorney should be sanctioned under 28 U.S.C. § 1927).
8. *Enel Co., LLC v. Schaefer*, 12-cv-1369 (S. D. Cal. 2014) (defendant's fee motion untimely; but even if it were timely, court found case was not exceptional where defendant refused to dismiss case after court's finding that plaintiff's claim against another defendant was barred by laches, and defendant continued to litigate the case).
9. *Eon Corp. IP Holdings LLC v. Cisco Sys. Inc.*, 12-cv-1011 (N. D. Cal. 2014) (defendant's motion for fees denied even though plaintiff continued to litigate after court's claim construction rendered plaintiff's infringement theory untenable, where plaintiff had achieved favorable results in other cases based on the same construction; court characterized motion for fees as a “close case”).
10. *Eon Corp. IP Holdings, LLC v. Flo TV Inc.*, 10-cv-812 (D. Del. 2014) (defendant's motion for fees denied even though means-plus-function claims held invalid for indefiniteness; court rejected

defendants' argument that the case should have been dropped "because the potential recover. . . would be dwarfed by the costs of litigation" where liability and damages had been bifurcated).

11. *Gametek LLC v. Zynga, Inc.*, 13-cv-2546 (N. D. Cal. 2014)(court granted motion for judgment on pleadings against PAE that claims were directed to unpatentable subject matter under section 101; court denied defendant's fee motion because it found that plaintiff's position was not frivolous, especially in view of recent *Alice* decision; court found that plaintiff's aggressive litigation strategy fell short of conduct that justified fee shifting).
12. *Gaymar Indus., Inc. v. Cincinnatti Sub-Zero Prods., Inc.*, 08-cv-299 (W.D.N.Y. 2014) (report and recommendation) (recommended denial of defendant's motion for fees because prevailing defendant did not have "clean hands," having itself committed litigation misconduct).
13. *Gevo, Inc. v. Butamax Advanced Biofuels LLC*, 13-cv-576 (D. Del. 2014)(defendants' motion for fees denied in case between competitors where court had granted defendants' motion for non-infringement and found certain claims invalid and entered judgment for defendants; court found that the technology was unpredictable and that the nature of the defendants' contentions supported plaintiff's skepticism of defendants' position).
14. *H-W Tech., L.C. v. Overstock.com, Inc.*, 3:12-cv-636 (N.D. Tex. 2014)(report and recommendation) (defendant's motion for fees denied because plaintiff's losing arguments did not warrant fee award).
15. *Kaneka Corp. v. Zhejiang Medicine Co., Ltd.*, 2:11-cv-2389 (C.D. Cal. 2014)(court denied defendant's motion for fees following court's grant of summary judgment of non-infringement, after the ITC had found non-infringement of the same claims, and after it had construed claims in a manner that precluded infringement; court held that plaintiff was not required to stipulate to non-infringement following claim construction, and that plaintiff had "presented reasonable, but unconvincing arguments.").

16. *L.C. Eldridge Sales Co., Ltd. v. Jurong Shipyards PTE., Ltd.*, 6:11-cv-599 (E.D. Tex. 2014) (following jury trial where jury rejected defendant's positions, plaintiff's fee motion denied where both parties shifted their positions throughout case).
17. *Jake Lee v. Mike's Novelties, Inc.*, 10-cv-2225 (C. D. Cal. 2014)(plaintiff's motion for fees denied after jury found infringement where defendant's litigation misconduct was "modest" and defendants' position was not unreasonable).
18. *Macrosolve, Inc. v. Antenna Software, Inc.*, 6:11-cv-287 (E.D. Tex. 2014)(defendant's fee motion denied where plaintiff voluntarily dismissed case with prejudice against defendant and settled against other defendants after PTO issued final office action rejecting all asserted claims; court found that settlements for significantly less than litigation costs did not alone show bad faith and that defendant's shifting claim construction positions refute its argument that plaintiff's positions were frivolous).
19. *Meyer Intellectual Properties Ltd. v. Bodum USA, Inc.*, 6-cv-6329 (N.D. Ill. 2014)(defendant's fee motion denied after court granted summary judgment of invalidity; unproven allegations of inequitable conduct insufficient to render the case exceptional).
20. *Oplus Tech., Ltd. v. Sears Holdings Corp.*, 11-cv-8539 ((E.D. Ill. 2014) (report and recommendation) (defendant customer's motion for fees denied where manufacturer's motion for fees was denied by another court)
21. *Pragmatus Telecom LLC v. Newegg, Inc.*, 12-1533 (D. Del. 2014) (defendant's motion for fees denied after case dismissed because defendant's supplier acquired a license through settlement; defendant was not the prevailing party).
22. *Rates Tech. Inc. v. Broadvox Holding Co. LLC*, 13-cv-152 (S.D. N.Y. 2014) (defendant's motion for fees denied where court had dismissed the case after plaintiff's former counsel withdrew for lack of payment and plaintiff corporation did not secure new counsel).
23. *Realtime Data LLC v. CME Group Inc.*, 11-cv-6697 (S.D.N.Y. 2014) (defendants motion for fees premised on theory that plaintiff

should have stipulated to dismissal after claim construction ruling denied, citing *Kaneka Corp. v. Zhejiang Medicine Co.*, *supra*).

24. *Robinson v. Bartlow*, 3:12-cv-24 (D.W.Va. 2014) (defendant's motion for fees denied because defendant was not a prevailing party after claim was dismissed for plaintiff's failure to prosecute).
25. *SFA Systems, LLC v. 1-800-Flowers.com, Inc.*, 6:09-cv-340 (E.D. Tex. 2014)(defendant's motion for fees denied where court denied defendant's motion for summary judgment and rejected some of defendant's claim construction arguments; fact that plaintiff had filed lawsuits against numerous defendants, alone, was insufficient to render the case exceptional).
26. *Small v. Implant Direct Mfg. LLC* , 06-cv-683 (S.D.N.Y. 2014)(defendant's motion for fees denied even though patent had been held invalid on summary judgment because plaintiff's arguments were not baseless and the invalidity of the patent was "not readily apparent at the time [plaintiff] initiated the action," and there was no evidence that plaintiff engaged in litigation misconduct or brought case in bad faith).
27. *Smartwater, Ltd. v. Applied DNA Sciences, Inc.* 12-cv-5731 (E.D.N.Y. 2014) (defendant's motion for fees denied after court granted plaintiff's motion for voluntary dismissal under Rule 41(a)(2)).
28. *Stragent, LLC v. Intel Corp.*, 6:11-cv-421 (E.D. Tex. 2014)(Dyk, J., sitting by designation) (defendant's motion for fees denied after defendant prevailed in a jury trial, where defendant never moved for summary judgment).
29. *The Taunsaurs Group, LLC v. Maximum Human Performance, LLC* 12-cv-7189(C.D. Cal. 2014)(defendants' motion for fees denied after court granted summary judgment that patent was invalid; there was no evidence that plaintiff knew that inventor withheld prior art, and case was litigated in a cooperative and efficient manner).
30. *ThermoLife Int'l LLC v. Better Body Sports LLC*, 12-cv-9229 (C.D. Cal. 2014)(defendant's motion for attorneys' fees denied after court granted summary judgment of invalidity, finding that

plaintiff's claim construction arguments were not frivolous, and plaintiff's arguments concerning validity were of sufficient substance).

31. *TQP Dev., LLC. v. Branch Banking & Trust Co.*, 2:12-cv-055 (E.D. Tex. 2014)(defendant's motion for fees denied after plaintiff moved to dismiss the case with prejudice; plaintiff contended that defendant's late disclosure of damages discovery revealed that damages were too small to justify continued prosecution)
32. *Western Holdings, LLC v. Summers*, 2:13-cv-144 (D. Utah)(defendant's motion for fees denied where plaintiff voluntarily dismissed its claim after defendant filed a motion to dismiss).
33. *Wiley v. Rocktenn CP, LLC.*, 4:12-cv-226 (E.D. Ark. 2014) (court denied defendant's motion for fees because plaintiff's position was not unreasonable, in a case where defendant was a licensee who admittedly underpaid the plaintiff on the license, and where defendant's counsel threatened to press for attorneys' fees and attempted to negotiate a walkaway in exchange for waiving a motion for fees).

## APPENDIX C

### Post *Octane* fee awards to plaintiffs

1. *Cognex Corp. v. Microscan Sys., Inc.*, 13-CV-2027 JSR, 2014 WL 2989975 (S.D.N.Y. June 30, 2014) (defendants, who had willfully infringed, "engaged in unreasonable litigation tactics, such as making post-trial motions that sought purely to relitigate issues decided at trial)
2. *Comaper Corp. v. Antec, Inc.*, 05-cv-1103 (E.D. Pa. 2014)(plaintiff awarded fees after jury found willful infringement).
3. *Deckers Outdoor Corp. v. Superstar Int'l, Inc.*, 13-cv-566 (C.D. Cal. 2014)(plaintiff awarded fees where defendant defaulted; court noted defendant's failure to respond to discovery or otherwise participate in this case was so egregious that court struck defendant's answer).
4. *Falana v. Kent State University*, 5:08-cv-720 (N.D. Ohio 2014) (court found plaintiff should have been named as inventor in university-owned patent, where other inventors initially refused to agree to name plaintiff as additional inventor but did so after months of litigation, where contemporaneous documentary evidence indicated that plaintiff was an inventor, and court found other "inventors'" testimony not credible).
5. *Forever Foundations & Frame, LLC v. Optional Products LLC*, 13-cv-1779 (C.D. Cal. 2014)(fees awarded against defaulting defendant who employed plaintiff's former employees; court found defendants committed willful infringement).
6. *Integrated Tech. Corp. v. Rudolph Tech., Inc.*, 06-cv-2182 (D. Ariz. 2014) (fees awarded to plaintiff where jury found defendant to be a willful infringer and defendant provided false discovery responses: "The striking weakness of Rudolph's position . . . as well as the unreasonable manner in which it litigated the case through trial and post-trial motions, satisfy the Supreme Court's standard").
7. *Rawcar Group, LLC. v. Grace Medical, Inc.*, 13-cv-1105 (S.D. Cal. 2014)(court awarded fees to plaintiff against willful infringer,

and also found that case was exceptional based on the unreasonable manner in which it was litigated).

8. *Romag Fasteners, Inc. v. Fossil, Inc.* 3:10-cv-1827 (D. Conn. 2014) (fees awarded to plaintiff where defendants pursued meritless invalidity defenses and to deter large defendants: “there is a risk that plaintiffs similar to Romag could be discouraged from bringing claims that may garner only small awards but are nonetheless vital to the survival of their businesses where defendants, as was the case here, aggressively pursue invalidity counterclaims in an attempt to prolong litigation and exponentially increase the cost and risk of pursuing a lawsuit.”).
9. *Rubbermaid Commercial Prods., LLC v. Trust Commercial Prods.*, 2:13-2144 (D. Nev. 2014) (report and recommendation) (court awarded fees to plaintiff after court held defendant in default after defendant discharged its counsel and failed to retain new counsel).
10. *Ultimate Combustion Co., Inc. v. Fuecotech, Inc.*, 12-cv-60545 (S.D. Fla. 2014) (report and recommendation) ( fees awarded to plaintiff where defendant was willful infringer, and had waived its claim construction argument because it had failed to adhere to deadlines in the case management order)