SURPRISE TWIN HIGH-OCTANE PATENT DECISIONS

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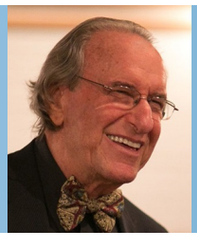

The US patent bar was taken by surprise when the US Supreme Court handed down two unanimous and pivotal decisions on April 29. In my opinion these rulings will give US district court judges unprecedented ultimate discretionary authority to award attorneys' fees to the successful party in many different types of patent infringement litigation.

Until now, in the absence of exceptional circumstances, the winner in patent infringement litigation has not normally been entitled to recover attorneys' fees. That has now changed. The Supreme Court, in *Octane Fitness, LLC v Icon Health & Fitness, Inc,* unanimously found the previously existing law governing the award of attorneys' fees too rigid, ruling that district courts may award such fees in cases which "stand out from others".

In *Highmark Inc v Allcare Health Mgmt Sys, Inc*, the court unanimously ruled that an award of attorneys' fees by a district court will not be reversed unless the district court "abused its discretion". While the impact of these cases will not be known for some time, the ability of a party accused of patent infringement to wield the economic weapon of fighting back against a plaintiff will give that plaintiff pause before initiating a lawsuit.

Clearly, these decisions open the door to successful alleged infringers routinely seeking to obtain their attorneys' fees. In patent litigation, these fees typically run into the millions of dollars, quite apart from non-fee costs. Undoubtedly, a new specialty will arise, wherein attorneys and experts will be retained in an attempt to convince a district court judge that an award of attorneys' fees is justified.

We have witnessed the anti-patent troll climate heating up to fever pitch in some circles, while others believe that an overreaction will create irreparable harm to the legitimate owners of patent rights. Anti-patent troll advocates will rejoice in the *Octane Fitness* and *Highmark* decisions. There will be among them a perception that, finally, parties held hostage by patent trolls will have a weapon to be used against not only the trolls, but their contingency fee counsel, as well.

Trolls will now face considerable risks. On the other hand, relatively small owners of patent rights who have enjoyed the benefits of contingency fee arrangements will now be exposed to the possibility of having to pay the accused infringer's attorneys' fees if they lose their case.

Parties who have no love for patent trolls may nonetheless find these Supreme Court decisions have gone too far. They may point to the attorneys' fees provision of Section 285 of the Patent Act, which has historically authorised district courts to grant an award of attorneys' fees in cases where there is material inappropriate conduct on the part of a party or its counsel. This provision comes into play where a party's case is found to be objectively baseless and has been initiated in bad faith.

In another circumstance, a trial judge is entitled to increase or enhance compensatory damages that have been awarded by a jury, where the jury has rendered a verdict of wilful infringement. The damages may be tripled and/or the judge may award the winning party its attorneys' fees.

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Also, under Rule 11, where a court finds that the plaintiff's case is baseless or where a party or its counsel have not diligently investigated the facts upon which their pleadings are based, the court may award the defendant its attorneys' fees.

Opponents of the *Octane Fitness* and *Highmark* decisions will argue that under the law as it has existed prior to those decisions, there have been discretionary opportunities for district court judges to award attorneys' fees as a weapon to rein in abuses. They will argue that there was no need for the Supreme Court to lower the standards for awarding attorneys' fees, and that the focus upon patent trolls has by virtue of *Octane Fitness* and *Highmark* resulted in trial judges having far too much power.

Another significant ramification of the *Highmark* decision is a cutting back of the Federal Circuit's authority to overrule a district court's award of attorneys' fees, in the absence of an abuse of discretion. What constitutes an abuse of discretion to one party will to another constitute reasonableness. Whatever position one takes, there can be no question that district court judges will now have enormous power to influence litigation strategy and possible forum-shopping in cases that do not involve patent trolls.

The fact that district court awards of attorneys' fees will not be easily reversed will have far-reaching consequences for plaintiffs and defendants alike. ■

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