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Supreme Court Relaxes Standards for Awarding Attorney Fees Under 35 U.S.C. Â§ 285 in Patent Cases

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On April 29, 2014, the U.S. Supreme Court issued two decisions which overturned the Federal Circuit's jurisprudence on awarding attorney fees under 35 U.S.C. § 285. *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, No. 12-1184 (Apr. 29, 2014); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, No. 12-1163 (Apr. 29, 2014).

Section 285 provides that the court "may" award attorney fees in "exceptional" patent cases.

In *Octane*, the Supreme Court reversed the Federal Circuit's application of a two-part test to determine whether a case was "exceptional" under Section 285, in favor of a factor analysis. In *Highmark*, the Supreme Court reversed the Federal Circuit's determination of a *de novo* standard of review in determining whether a case was "exceptional" under Section 285, in favor of an abuse of discretion standard, which gives greater deference to the district court.

In relaxing the standards, the Supreme Court has lowered the bar for obtaining attorney fees in patent cases.

Octane

In *Octane,* the Supreme Court rejected the Federal Circuit standard set forth in *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005), where the Federal Circuit found "[a] case may be deemed exceptional where there has been some material inappropriate conduct related to the matter in litigation" and "[a]bsent misconduct in conduct of the litigation or in securing the patent, sanctions may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless." *Id.* at 1381 (emphases added). The Supreme Court determined the Federal Circuit standard to be "overly rigid." *Octane*, *slip op.* at 8. The Supreme Court reasoned that *Brooks Furniture* "appear[s] to render § 285 largely superfluous" because of its high standard, and rejected the requirement that entitlement to fees under Section 285 be demonstrated by "clear and convincing evidence." *Id.* at 10-11.

To determine the circumstances where attorney fees should be awarded, the Supreme Court simply turned to the text of Section 285, which reads as follows:

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

The Court reasoned that the ordinary meaning of "exceptional," both when Congress first enacted the statute and today, is "uncommon," "rare," or "not ordinary." *Id.* at 7. Therefore, the Supreme Court held "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 matter in which the case was litigated." *Id.* at 7-8. The "[d]istrict courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id.* at 8.

Highmark

In *Highmark*, the Supreme Court relied on and built upon its decision in *Octane* to find "that an appellate court should review all aspects of a district court's §285 determination for abuse of discretion," instead of conducting a *de novo* review. *Highmark*, *slip op.* at 1.

Both cases were sent back to the lower court for reconsideration.

Practical Significance

The Supreme Court's decisions in *Highmark* and *Octane* may make it easier for prevailing parties to obtain attorney fees in "exceptional" patent cases. By removing yet another "bright-line" rule set forth by the Federal Circuit, the Supreme Court has removed certainty in favor of what it deems a "fairer" rule. It will be interesting to see what impact these decisions may have on legislative efforts to reform Section 285 and other patent laws.

We will continue to follow this development.

In the meantime, please feel free to contact our attorneys regarding issues raised by this case.

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Mr. Lo Cicero, as President-Elect, and Mr. Macedo, as Co-Chair of Amicus Briefs Committee and Counsel of Record, submitted *amicus* briefs on behalf of the New York Intellectual Property Law Association in support of neither party in both cases.