
Practice Areas



Patent Litigation

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Federal Circuit Holds Recoverability of Attorney’s Fees Does Not Extend to AIA Trials

Can a defendant who prevails in an exceptional patent infringement suit by invalidating the patent in inter partes review (IPR) recover its associated Patent Office-related attorney’s fees? A split three-judge panel of the Federal Circuit recently said no in *Dragon Intellectual Property LLC v. Dish Networks LLC*, Appeal Nos. 2022-1621, -1777, Slip Op. at 8 (Fed. Cir. May 20, 2024) (*Dragon V*). Four years ago, an article in this publication discussed several instances where courts, including the Federal Circuit, have authorized this recovery when the Patent Office proceedings substituted for aspects of the district court litigation between the same parties.¹ How then did this two-judge majority conclude otherwise?

The relevant facts are simple. First, the patent owner (Dragon) filed a district court action alleging patent infringement by Dish, Sirius XM Radio, and several others. Next and in response, Dish and Sirius successfully petitioned the Patent Office to review the patent, and the district court action paused for these parties. In time, the Patent Office issued a decision canceling the patent,

which the Federal Circuit affirmed.² Meanwhile, as the Patent Office proceeding progressed, the court construed the claims in a way that led all of the parties to stipulate to no infringement. Dragon appealed the court’s claim construction to the Federal Circuit. But with no patent claims remaining to enforce, the patent infringement issue—and claim construction—became moot.³ In this case, there were therefore two bases for non-infringement: the claims were not valid and, as construed, the claims were not infringed. Importantly, the PTAB’s invalidity determination, affirmed on appeal, substituted for aspects of the district court litigation rendering the appeal of that litigation moot.

The IPR and associated appeal cost Dish and Sirius about \$800K in attorney’s fees.⁴ Dish and Sirius thereafter asked the district court to award it the attorney’s fees they incurred in prevailing before the court and the Patent Office proceeding/appeal. The court found that Dragon’s infringement allegations were frivolous and therefore determined the litigation before it was “exceptional” under 35 U.S.C. § 285. It awarded Dish and Sirius attorney’s fees expended in court but not fees expended in the Patent Office proceeding/appeal. The court characterized the Patent Office proceeding as one voluntarily undertaken and for which the statute does not affirmatively authorize recovery of attorney’s fees.⁵

On appeal, the Federal Circuit affirmed. The two-judge majority similarly reasoned that the Patent Office proceedings were voluntary insofar as validity could have been contested before the district court instead. But the majority never explains why it should matter *where* accused infringers successfully challenge validity when the challenge moots the district court infringement action (and associated appeal). Instead, the majority highlighted some benefits accused infringers enjoy when petitioning the Patent Office to reassess validity, as if those benefits somehow forfeit later recovery of attorney’s fees. Continuing, the majority explained that “[i]n cases where a party voluntarily elects to pursue an invalidity challenge through IPR proceedings, we see no basis for awarding IPR fees under § 285.”⁶ Interestingly, the same two judges said the same thing four years ago, in dicta, when deciding a related issue in the same case.⁷

There are several bases for awarding these fees, and Dish and Sirius explained some in their opening brief⁸:

- The patent statute authorizes AIA trials, which offer quicker and more cost-sensible substitutes to litigating patent validity as a defense to infringement actions in district court, and courts often stay their own actions pending the Patent Office’s re-review.
- The statutory language governing § 285 is broad and does not limit awardable fees to those incurred in the district court litigation, but rather to cases: “The court in exceptional cases may award reasonable attorney fees to the prevailing party.”
- Supreme Court precedent permits fee awards for ancillary administrative proceedings, which are encompassed by the statute’s reference to “cases.”

- The Federal Circuit has affirmed or endorsed awards for fees expended in reexamination, reissue, and ITC proceedings in materially indistinguishable cases.
- No authority prohibits recovery of fees expended in administrative proceedings where the relief sought in those proceedings could also have been obtained in the related district court case.

Incredibly, the majority's opinion hardly addresses these bases, beyond a paragraph attempting to distinguish *PPG Industries, Inc. v. Celanese Polymer Specialties Co.*⁹ In *PPG*, Judge Rich and his colleagues allowed the recovery of attorney's fees incurred in Patent Office proceedings that substituted for the district court's assessment of patent validity. The distinguishing fact, according to the *Dragon V* majority, is that the proceeding was not "voluntary" in *PPG*, whereas it was here.¹⁰ Tellingly, the judge authoring the *Dragon V* majority opinion previously acknowledged that *PPG* supports awarding attorney's fees incurred in certain Patent Office proceedings, but thought it was "wrongly decided" anyways:

[T]he only case I can find that supports [recovery of attorney's fees expended in IPRs] is *PPG*, and I'll tell you flat out that I think it's wrongly decided. But, lucky for me, it says it found that [the Patent Office proceeding there] was required.¹¹

The distinction the majority suggests between this case and *PPG* is not so clear. The accused infringer's participation in the Patent Office proceeding in *PPG* was not required, but rather "permitted."¹² Nevertheless, by fixating on its own view of *PPG* revealed in *Dragon III*,

the majority seems to have fallen prey to the "Ostrich Effect,"¹³ a cognitive bias that causes one to completely ignore the countervailing arguments, like those Dish and Sirius presented across more than a dozen pages in its opening brief in *Dragon V*.

The majority suggested that district court judges are not necessarily well suited to "evaluat[e] the exceptionality of arguments, conduct, and behavior in a [Patent Office] proceeding in which they had no involvement."¹⁴ At oral argument, the authoring judge of the majority opinion said that to have district judges undertake this evaluation in potentially every case also involving an IPR would be "an effing nightmare."¹⁵ But it's a rare patent case where the parties and district court don't have to evaluate the arguments, conduct, and behavior that occurred in the Patent Office to obtain the patent. Indeed, the district court here expressly based its finding that the case was exceptional primarily on the fact that the patentee disclaimed certain subject matter during prosecution, a finding the majority did not disturb.¹⁶ The district court undertook this routine evaluation of the patent's prosecution history just as easily as it would undertake an evaluation of the written record of IPR proceedings.

The majority's commentary seems all the more questionable in view of the dissent penned by a district court judge (sitting by designation on this appeal) who is likely the only one among the judges on the panel to have tried a patent case. Her dissenting opinion explains that *Dragon's* infringement action compelled Dish and Sirius to contest validity as a defense and, accordingly, they "exercised their statutory option to litigate" validity via an IPR despite its well-known constraints.¹⁷ The opinion acknowledges the IPR substituted for the district court litigation on the validity issue, and that

exceptionality did not stem from the IPR. Dish and Sirius simply sought recovery of fees expended in the IPR "as compensation for their defense of [the] baseless litigation."¹⁸ The opinion concludes that district judges should have discretion to award *all* reasonable fees to the prevailing party in patent cases that qualify as exceptional under the statute:

In a case such as this, where exceptionality is based on a determination that the case was objectively baseless from its inception, it should be within the discretion of the district judge to award all reasonable fees incurred by the prevailing defendant, including fees incurred in an IPR that resolved any invalidity defenses that were required to be asserted in response to the baseless complaint.¹⁹

The dissenting judge also lamented that "[t]o categorically preclude recovery of IPR fees in this circumstance is inconsistent with § 285 or the intent of IPR itself."²⁰ The Supreme Court has thrice "declined to construe fee-shifting provisions narrowly on the basis that doing so would render them superfluous."²¹ Because patent validity is so often determined by the Patent Office (instead of a district court), the holding that § 285 fee-awards are categorically unavailable to recover attorney's fees incurred in closely related Patent Office proceedings may fare poorly at the Supreme Court.

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& Borun LLP or any of its former, present, or future clients.

1. Patel, *Does Section 285 Permit an Award of Attorney's Fees for Patent Office Proceedings?*, IP LITIGATOR, pgs. 24–26 (Sept./Oct. 2020).
2. See *Dragon Intell. Prop., LLC v. Dish Network LLC*, 711 F. App'x 993, 998 (Fed. Cir. 2017) (*Dragon I*).
3. See *Dragon Intell. Prop., LLC v. Apple Inc.*, 700 F. App'x 1005, 1006 (Fed. Cir. 2017) (*Dragon II*).
4. Joint Principal Brief of Defendants-Appellants in *Dragon V*, Dkt. 58, at 13 n.4 (Feb. 7, 2023).
5. *Dragon Intell. Prop., LLC v. Dish Network LLC*, Civil Action Nos. 13-2066-RGA, 13-2067-RGA (D. Del. Nov. 8, 2021) (*Dragon IV*).
6. *Dragon V*, Slip Op. at 8.
7. *Dragon Intell. Prop., LLC v. Dish Network LLC*, 956 F.3d 1358, 1362 (Fed. Cir. 2020) (*Dragon III*).
8. Joint Principal Brief of Defendants-Appellants in *Dragon V*, at 21–33.
9. 840 F.2d 1565, 1569 (Fed. Cir. 1988).
10. *Dragon V*, Slip Op. at 9.
11. Oral Argument in *Dragon III* (Jan. 6, 2020) at 10:27, available at <https://oralarguments.cafc.uscourts.gov/default.aspx?fl=2019-1283.MP3>.
12. See, e.g., *PPG Indus.*, 840 F.2d at 1568 (noting the Patent Office “permitted [the accused infringer’s] participation in [patentee’s] reissue proceeding” (emphasis added)).
13. Galai et al., *The ‘Ostrich Effect’ and the Relationship between the Liquidity and the Yields of Financial Assets*, 79 J. OF BUS. 2741–59 (Sept. 2006), available at <https://www.jstor.org/stable/10.1086/505250> (last accessed June 19, 2024).
14. *Dragon V*, Slip Op. at 10.
15. Oral Argument in *Dragon V* (Feb. 7, 2024) at 53:38, available at https://oralarguments.cafc.uscourts.gov/default.aspx?fl=22-1621_02072024.mp3 (last accessed June 19, 2024).
16. *Dragon V*, Slip Op. at 5–6.
17. *Dragon V*, Dissenting Op. at 2.
18. *Id.* at 3.
19. *Id.* at 4.
20. *Id.*
21. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (citing cases).



Trademark Litigation

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Bad Faith in EU Trade Mark Applications

The Benelux Office for Intellectual Property is one of the offices that takes part in the European Union Intellectual Property Network (EUIPN). The EUIPN aims to achieve a unified trade mark system in the EU by developing common practices, services, and tools. The most recent common practice (CP13) was published on 22 March 2024 and has entered into force ultimately by 22 June 2024 and focuses on bad faith in trade mark applications. The assessment of bad faith in trade mark applications can be a difficult matter, as the concept is not defined, delimited, or described in trade mark legislation. Although EU case law provides guidance, the concept still remains subject to

different interpretations.

CP13 aims to provide a common understanding of the general notion of bad faith and of other concepts, including terminology related to its assessment, as well as factors and scenarios that may prove relevant in the assessment.

Two non-exhaustive aspects of bad faith are differentiated. The first aspect deals with the misappropriation of the right(s) of the third party where the trade mark applicant is targeting the interests of a specific third party. Relevant factors in this regard are a i) dishonest intention, ii) the applicant’s knowledge that the third party is using an earlier identical/similar right, iii) the degree of legal protection enjoyed by the third party’s earlier right, iv) the degree of identity/similarity between the contested trade mark and the earlier right, v) a lack of honest commercial logic behind the

filing of the contested trade mark and vi) the chronology of events leading up to the filing of the contested trade mark.

The second aspect concerns the abuse of the trade mark system where the applicant applied for the contested trade mark for purposes other than those falling within the essential functions of a trade mark.

The most typical and relevant scenarios of bad faith are explained below in more detail and illustrated with recent case law.

Misappropriation of the Right(s) of a Third Party

Parasitic Behavior

Parasitic behavior covers situations where, from the analysis of all the circumstances of the case, it is evident that the contested trade mark was filed with the dishonest intention to free-ride on the reputation of an earlier right, or to benefit from an earlier right regardless of its degree of recognition on the market. Relevant to the finding of