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Federal Circuit Affirms Attorney Fees Award Against Patent Holder With Weak Case; Decision Useful Against Patent Trolls

On December 16, 2019, the U.S. Court of Appeals for the Federal Circuit affirmed a District Court decision awarding attorney fees to defendants in a patent infringement lawsuit. In *Blackbird Tech LLC v. Health in Motion LLC*, the district court held and the Federal Circuit agreed that a) the patent holder's litigation position was substantively weak; b) the case was litigated in an unreasonable manner; and c) attorney fees were warranted "to deter future abusive litigation," even after the patent holder voluntarily dismissed its complaint with prejudice and executed a covenant not to sue the accused infringers.

This holding has substantial ramifications for companies receiving patent troll overtures. The process is familiar: A company receives a letter, or possibly a summons and complaint, that purports to explain why the company might be infringing one or more patents owned by an entity it has never heard of. Often, the accused conduct is something basic and generic like e-commerce, providing WiFi, or even simply having a website with conventional features. The patent owner, often a non-practicing entity (also often called a "patent troll"), graciously offers a way out of this situation: an "invitation" to license the patents in question at a price that is neither small enough to be insignificant nor large enough to justify engaging in a full litigation on the merits. After performing this unpleasant calculus, many grudgingly pay to make the issue go away, thinking that even if they were ultimately to win a lawsuit, they would still be out hundreds of thousands of dollars in legal fees.

A statutory provision (35 USC § 285) enables a court to award reasonable attorney fees in "exceptional cases". The Supreme Court had previously indicated that an "exceptional" case is "simply one that stands out from others with respect to [either] 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." Rather than articulating a precise rule, the Supreme Court indicated that district courts "may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion."

In the *Blackbird* decision, the case was deemed exceptional for **both** the substantive strength of the patent owner's litigation position and "the unreasonable manner in which the case

[was] litigated" by Blackbird. Granting an attorney fee award was warranted in this case "to deter future abusive litigation." The Federal Circuit noted that, while a lack of early notice on the part of the accused that it will be seeking attorney fees can support a denial of attorney fees, such notice is **not** rigidly required. (Even so, the earlier and more often one can put the other side on notice for seeking attorney fees, the better.)

The *Blackbird* decision provides a roadmap for how to respond to patent infringement letters of this kind:

• First, determine if a third party (such as a technology provider or a web designer) is actually responsible for the accused product or activity via an indemnity or other obligation.

• Review the accused behavior and determine if the company actually engages in what it is being accused of doing.

• Conduct an initial review of the patents in question to see if the claims of the patent read on the accused behavior.

• If the patent owner's case looks weak from the outset, **call them out on it**. You do not owe it to them to provide a comprehensive analysis. However, providing a few salient points explaining why their position is off-base can serve as the "focused and supported" notice that would help support a finding of exceptionality under the statute.

If you have any questions, please do not hesitate to contact Adam Cohen or Barry Negrin of Kane Kessler's Intellectual Property Group.
