No. 12-1184

In the Supreme Court of the United States

OCTANE FITNESS, LLC, PETITIONER

v.

ICON HEALTH & FITNESS, INC.

*ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

**BRIEF FOR THE UNITED STATES
AS AMICUS CURIAE SUPPORTING PETITIONER**

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QUESTION PRESENTED

Section 285 of the Patent Act provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. 285. The question presented is as follows:

Whether a prevailing defendant seeking attorney's fees under Section 285 must prove, by clear and convincing evidence, that the patentee either (a) committed misconduct in the litigation or in securing the patent, or (b) asserted an infringement claim that was both objectively baseless and subjectively brought in bad faith.

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INTEREST OF THE UNITED STATES

This case concerns the interpretation of 35 U.S.C. 285, which authorizes district courts to award attorney's fees in lawsuits under the Patent Act. The Court's decision may affect the practical operation of the patent system by increasing the disincentives for litigants to pursue unreasonable or abusive litigation tactics. The United States Patent and Trademark Office is responsible for issuing patents and—through the Secretary of Commerce—advising the President on issues of patent policy. See 35 U.S.C. 2(a)(1) and (b)(8). Several other agencies of the federal government also have a strong regulatory interest in improving the efficacy of the patent system and in reducing the costs and burdens of patent litigation. The United

States therefore has a substantial interest in the Court's resolution of the question presented.

STATEMENT

This case involves the interpretation of 35 U.S.C. 285, which authorizes a district court to award attorney's fees in patent litigation. Section 285 is intended to deter abusive litigation and to compensate prevailing parties for their litigation expenses in appropriate circumstances. The lower courts denied the fee request at issue here under a restrictive test that requires a prevailing defendant to prove, by "clear and convincing evidence," that the plaintiff's claim of infringement was both "objectively baseless" and brought in "subjective bad faith." Pet. App. 21a (citation omitted).

1. The Patent Clause of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries." U.S. Const. Art. I, § 8, Cl. 8. Title 35 establishes the statutory framework governing the issuance of patents, and it grants a patentee "remedy by civil action for infringement of his patent." 35 U.S.C. 281. The Act also authorizes a prevailing party in a patent action to seek attorney's fees. 35 U.S.C. 285.

Until 1946, patent lawsuits were subject to the "American Rule," under which "[e]ach litigant pays his own attorney's fees, win or lose." *Marx* v. *General Revenue Corp.*, 133 S. Ct. 1166, 1175 (2013) (citation omitted; brackets in original); see, *e.g.*, *Teese* v. *Huntingdon*, 64 U.S. (23 How.) 2, 8 (1860). That year, Congress enacted a new provision declaring that a district court could, in its discretion, award reasonable attorney's fees to the prevailing party. Act of Aug. 1, 1946 (1946 Act), ch. 726, 60 Stat. 778 (35 U.S.C. 70 (1946)). The provision was not intended to make fee-shifting "an ordinary thing in patent suits," but it granted broad discretion to award fees, both to deter infringement and "to prevent a gross injustice to an alleged infringer." S. Rep. No. 1503, 79th Cong., 2d Sess. 2 (1946) (1946 Senate Report).

In the Patent Act of 1952, Congress reorganized the patent laws and, in doing so, made non-substantive changes to the fee-shifting provision "for purposes of clarification only." *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 653 n.8 (1983). As revised and codified at 35 U.S.C. 285, the new provision declared that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." That version of Section 285 remains in effect today.[1]

2. Petitioner and respondent compete in the market for elliptical exercise machines. Pet. 2-3; Pet. App. 27a. Petitioner sells two lines of elliptical machines, the Q45 and the Q47. *Id.* at 5a. Respondent is the assignee of U.S. Patent No. 6,019,710 (filed Jan. 6, 1998) (the '710 patent), which discloses an elliptical machine that employs a specific arrangement of rails and linking components. Pet. App. 32a. In April 2008, respondent brought this civil patent-infringement action, alleging that petitioner's machines practiced the invention claimed in the '710 patent. Pet. 11.

After construing the asserted patent claims, see Pet. App. 62a-86a (*Markman* order), the district court granted petitioner's motion for summary judgment of non-infringement, *id.* at 31a-61a. The court conclud-

[1] In 1974, Congress added an identical attorney's fee provision to the Lanham Act, which governs trademarks and false advertising. See 15 U.S.C. 1117(a).

ed, *inter alia*, that respondent had cited "no evidence that any part of [petitioner's] machines" generate elliptical motion by "linear reciprocating displacement," either literally or under the doctrine of equivalents, as required by the asserted claims of the '710 patent. *Id.* at 51a; see *id.* at 51a-53a. The court also held that "no reasonable jury could find" that petitioner's machines incorporated a "stroke rail" of the type disclosed in the '710 patent, either literally or by equivalents. *Id.* at 57a; see *id.* at 55a-58a.

3. Following the district court's entry of judgment, Pet. App. 29a-30a, petitioner requested an award of attorney's fees under 35 U.S.C. 285. The court denied the motion. Pet. App. 19a-28a.

The district court explained that, under Federal Circuit precedent, a prevailing party must establish the prerequisites to a Section 285 fee award "by clear and convincing evidence." Pet. App. 20a (citing *Forest Labs., Inc.* v. *Abbott Labs.*, 339 F.3d 1324, 1327 (Fed. Cir. 2003), cert. denied, 540 U.S. 1109 (2004)). The court held that "'[a]bsent misconduct during patent prosecution or litigation,' a case is exceptional 'only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.'" *Id.* at 21a (quoting *iLOR, LLC* v. *Google, Inc.*, 631 F.3d 1372, 1377 (Fed. Cir. 2011)); see *Brooks Furniture Mfg., Inc.* v. *Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed Cir. 2005). It defined an "objectively baseless" claim as one that is "so unreasonable that no reasonable litigant could believe [it] would succeed," and explained that "subjective bad faith" requires that the plaintiff "actually know" that its claim has "no objective foundation." Pet. App. 21a, 25a (quoting *iLor*, 631 F.3d at 1377, 1378).

The district court found that petitioner had not satisfied either of Section 285's requirements. Pet. App. 22a-28a. It determined that respondent's various theories of infringement—though ultimately lacking merit—were neither "frivolous" nor "objectively baseless." *Id.* at 22a-25a. It likewise rejected the contention that respondent had made misleading and baseless arguments in its summary-judgment briefing. *Id.* at 24a-25a.

Finally, the district court rejected petitioner's argument that respondent had brought this infringement suit in subjective bad faith. Pet. App. 26a-28a. The court found no evidence of bad faith in emails in which respondent's employees had discussed the competitive business advantages of filing the lawsuit and described the '710 patent as an "old patent we had for a long time that was sitting on the shelf." *Id.* at 26a-27a. Such "stray comments," the court explained, "do not tend to prove that the company's leadership and counsel pursued the lawsuit in bad faith." *Id.* at 27a. "In sum," the court concluded, "[t]his case is not exceptional, and an award of attorney's fees is not warranted." *Id.* at 28a.

4. Respondent appealed the judgment of noninfringement, and petitioner cross-appealed the district court's denial of fees under Section 285. The Federal Circuit affirmed the district court's judgment in all respects. Pet. App. 1a-17a. As relevant here, the court of appeals rejected petitioner's argument that the district court had "applied an overly restrictive standard" under Section 285. *Id.* at 17a. The court explained that it had "reviewed the record and conclude[d] that the [district] court did not err in

denying [petitioner's] motion to find the case exceptional." *Ibid.*

SUMMARY OF ARGUMENT

The Patent Act authorizes district courts to award attorney's fees to prevailing parties "in exceptional cases." 35 U.S.C. 285. The text and history of that provision make clear that, although fees should not be awarded in the typical patent case, district courts possess broad equitable discretion to consider all relevant circumstances in determining whether a particular case is "exceptional."

Congress first authorized fee-shifting in a 1946 provision that authorized a district court to award fees to prevailing parties "in its discretion." The legislative history of that provision reflected Congress's intent to authorize such awards to deter patent infringement and to prevent "gross injustice" to innocent alleged infringers. Courts applied the provision in accordance with that intent. In a series of decisions between 1946 and 1952, they authorized fee awards to prevailing defendants in a range of circumstances involving pre-litigation misconduct, abusive litigation tactics, and plaintiffs' reliance on groundless legal theories. In doing so, courts applied a flexible, totality-of-circumstances analysis that considered whether such conduct was grossly unjust to the defendant.

When Congress enacted Section 285 as part of the Patent Act of 1952, it legislated against that backdrop. Although the new fee-shifting provision included the "exceptional cases" language, and lacked the 1946 provision's explicit reference to the court's "discretion," it was neither intended nor understood to narrow the circumstances in which fees would be appropriate.

Section 285 should therefore be construed to authorize a fee award to a prevailing defendant when a district court determines—based on its analysis of the totality of circumstances present in each case—that such an award is necessary to prevent gross injustice to that defendant. That flexible approach is similar to this Court's interpretation of a similar fee-shifting provision in the Copyright Act, and to the majority view of the identical fee-shifting provision in the Lanham Act.

Instead of rooting its analysis in the text or history of Section 285, the Federal Circuit has purported to borrow the two-prong test this Court has used to determine, for purposes of the *Noerr-Pennington* doctrine of antitrust law, whether particular litigation is a "sham." The Federal Circuit's test requires (1) a rigid and demanding threshold showing that a claim was objectively without justification; (2) independent evidence of the plaintiff's subjective state of mind in bringing the baseless claim; and (3) proof of these elements by "clear and convincing evidence." These requirements have diminished Section 285's effectiveness as a tool to discourage abusive patent litigation and mitigate injustice suffered by prevailing parties in particular cases. This Court should reject the Federal Circuit's analysis, make clear that district courts have broad discretion to award fees in exceptional cases in accordance with equitable principles, and vacate the judgment below.

ARGUMENT

SECTION 285 EMPOWERS DISTRICT COURTS TO AWARD ATTORNEY'S FEES TO PREVENT GROSS INJUSTICE

A. Section 285 Is A Broad Grant Of Discretionary Authority To District Courts

The text and history of Section 285 establish Congress's intent to vest district courts with broad discretion when deciding whether to make fee awards in patent cases.

1. Section 285 declares that a district court "may award" attorney's fees "in exceptional cases." 35 U.S.C. 285. Unlike some other federal fee-shifting statutes, this language does not dictate the criteria the court must consider when deciding whether to award fees.[2] Rather, the statement that a court "may award" fees empowers the court to exercise judgment in deciding whether fees are justified in any particular case. As this Court has recognized in interpreting similar fee-shifting provisions, "[t]he word 'may' clearly connotes discretion." *Martin* v. *Franklin Capital Corp.*, 546 U.S. 132, 136 (2005) (brackets in original) (quoting *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517, 533 (1994)).

The only textual constraint on the district court's exercise of this discretion is the requirement that the case must be "exceptional." 35 U.S.C. 285. That language makes clear that the American Rule will continue to govern the allocation of fees in the mine run of patent-infringement disputes.[3] In and of itself,

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[2] Cf., *e.g.*, 28 U.S.C. 2412(d)(1)(A); 15 U.S.C. 1692k(a)(3).

[3] This Court has contrasted Section 285's "exceptional cases" limitation with the mandatory fee-shifting provision of the anti-

however, the word "exceptional" does not limit the factors a district court may consider in determining whether fees should be awarded in a particular case.

The standard meaning of "exceptional" is "not ordinary," "uncommon," or "rare." *Webster's New International Dictionary of the English Language* 889 (2d ed. 1958).[4] As then-Judge Ginsburg explained when interpreting the identical provision of the Lanham Act, the word "exceptional" in this context "is most reasonably read to mean what the word is generally understood to indicate—uncommon, not run-of-the-mine." *Noxell Corp.* v. *Firehouse No. 1 Bar-B-Que Rest.*, 771 F.2d 521, 526 (D.C. Cir. 1985) (joined by then-Judge Scalia); cf. *Bilski* v. *Kappos*, 130 S. Ct. 3218, 3226 (2010) ("In patent law, as in all statutory construction, * * * words will be interpreted as taking their ordinary, contemporary, common meaning.") (internal quotation marks and citation omitted).

2. The history and subsequent judicial implementation of the 1946 Act provide the backdrop against which Section 285 was enacted in 1952. The 1946 Act stated that a court "may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case." 60 Stat. 778. The accompanying Senate committee report explained:

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trust laws, 15 U.S.C. 15(a), and the attorney's fee provision of Title II of the Civil Rights Act of 1964, 42 U.S.C. 2000a-3(b), which this Court has interpreted to require a fee award *absent* exceptional circumstances. *Alyeska Pipeline Serv. Co.* v. *Wilderness Soc'y*, 421 U.S. 240, 261-262 (1975).

[4] See, *e.g.*, *Webster's Ninth New Collegiate Dictionary* 432 (1985) ("deviating from the norm"); 3 *Oxford English Dictionary* 374 (1933) ("out of the ordinary course, unusual, special").

> It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits, but the discretion given the court in this respect, in addition to the present discretion to award triple damages, will discourage infringement of a patent by anyone thinking that all he would be required to pay if he loses the suit would be a royalty. The provision also is made general so as to enable the court to prevent a gross injustice to an alleged infringer.

1946 Senate Report 2. That description reflects Congress's intent both that fee awards be reserved for unusual cases, and that district courts be given broad discretion to determination whether awards are warranted in particular circumstances.[5]

Consistent with that understanding, courts applying the 1946 provision generally recognized that fees should be awarded rarely, and for the purpose of avoiding significant injustice in unusual cases. As the Ninth Circuit explained in an influential decision, the goal of the provision was to empower district courts to address conduct marked by "unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees." *Park-In-Theatres, Inc.* v. *Perkins*, 190 F.2d 137, 142 (1951). Similarly, the Seventh Circuit explained that an award of fees "is not the usual or cus-

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[5] See also, *e.g.*, 92 Cong. Rec. 9188 (1946) (statement of Sen. Pepper, chairman of the Senate Comm. on Patents) (explaining that purpose of the provision was to "award[] to the court discretionary power to allow plaintiffs to recover attorneys' fees, if the court considers it proper to allow such recoveries").

tomary procedure" in patent cases and is "not to be allowed as a matter of course," but rather only where "vexatious or unjustified litigation is shown." *Laufenberg, Inc.* v. *Goldblatt Bros.*, 187 F.2d 823, 825 (1951).

Other courts similarly invoked general principles of equity and fairness in explaining the proper basis for fee awards under the 1946 Act. The Third Circuit noted that the 1946 provision was designed to allow district courts to award fees "to prevent a gross injustice." *Pennsylvania Crusher Co.* v. *Bethlehem Steel Co.*, 193 F.2d 445, 450-451 (1951); see *Hall* v. *Keller*, 81 F. Supp. 835, 837 (W.D. La. 1949), modified on other grounds, 180 F.2d 753 (5th Cir.), cert. denied, 340 U.S. 818 (1950). Various district courts noted that such awards would be appropriate when there is "such unfairness or inequitable conduct of the part of the losing party which makes it unjust that the winning party should bear his own counsel fees," *Dimet Proprietary, Ltd.* v. *Industrial Metal Protectives*, 109 F. Supp. 472, 474 (D. Del. 1952), or when necessary to address "unfairness or bad faith" conduct, *Krieger* v. *Colby*, 106 F. Supp. 124, 131-132 (S.D. Cal. 1952).

In applying these principles between 1946 and 1952, courts did not invoke rigid or mechanical formulas. Rather, they assessed the totality of the circumstances and considered whether the losing party had inflicted "gross injustice" on the prevailing party before or during the case. Examples of grossly unjust conduct that could support a fee award included:

- fraud on the Patent Office in obtaining the patent alleged to have been infringed;[6]

[6] See, *e.g.*, *Pennsylvania Crusher Co.*, 193 F.2d at 450-451; *Dubil* v. *Rayford Camp & Co.*, 184 F.2d 899, 903 (9th Cir. 1950).

- willful infringement by the defendant;[7]
- "harassing" tactics during the litigation, including delay pursued for tactical gain and vexatious motions generating "needless work" for adversaries;[8] and
- untenable legal or factual theories on the merits of the case.[9]

With respect to the last of these bases for fee awards—the legal or factual deficiency of the losing party's theory—courts made clear that fees were not to be awarded in every case, simply as "a penalty for failure to win a patent infringement suit." *Park-In-*

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[7] See, *e.g.*, *Krieger*, 106 F. Supp. at 131-132; *Packwood* v. *Briggs & Stratton Corp.*, 99 F. Supp. 803, 808 (D. Del. 1951), rev'd on other grounds, 195 F.2d 971 (3d Cir.), cert. denied, 344 U.S. 844 (1952); see also *Brennan* v. *Hawley Prods. Co.*, 98 F. Supp. 369, 370 (N.D. Ill. 1951) (unreasonable delay in bringing suit).

[8] See, *e.g.*, *Dubil*, 184 F.2d at 902-903 (dilatory tactics); *Vischer Prods. Co.* v. *National Pressure Cooker Co.*, 92 F. Supp. 138, 139 (W.D. Wis. 1950) ("undue harassment" and unreasonable delay); *National Brass Co.* v. *Michigan Hardware Co.*, 75 F. Supp. 140, 142 (W.D. Mich. 1948) ("harassing or vexatious tactics" such as unreasonable delays); see also *Orrison* v. *C. Hoffberger Co*, 190 F.2d 787, 791 (4th Cir. 1951) (baseless motion for new trial); *Aeration Processes, Inc.* v. *Walter Kidde & Co.*, 177 F.2d 772, 773 (2d Cir. 1949) (abandoned claim requiring "needless work" by prevailing party).

[9] See, *e.g.*, *Algren Watch Findings Co.* v. *Kalinsky*, 197 F.2d 69, 72 (2d Cir. 1952) (upholding award based on deficiency of proof at trial); *Orrison*, 190 F.2d at 791 (upholding award when there was "no reasonable ground" for plaintiff to prosecute motion for new trial); *Blanc* v. *Spartan Tool Co.*, 178 F.2d 104, 105 (7th Cir. 1949) (upholding award based on district court's analysis of "the character of the * * * patents here involved," the construction of the defendant's allegedly-infringing devices, and prior decisions of other courts).

Theatres, 190 F.2d at 142. They also repeatedly emphasized, however, that a district court's determination that a party's litigation position was "unjustified," "unwarranted," "unreasonable," "groundless," or the like could indicate the type of gross injustice needed to justify an award.[10]

Courts also consistently described the 1946 provision as vesting district courts with significant discretion to determine whether fees should be awarded in particular cases.[11] And the courts of appeals consist-

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[10] See, *e.g.*, *Merrill* v. *Builders Ornamental Iron Co.*, 197 F.2d 16, 25 (10th Cir. 1952) (noting that "wholly unjustified litigation" would make it "grossly unjust" for prevailing defendant to bear its own fees); *Pennsylvania Crusher Co.*, 193 F.2d at 450-451 (noting that a finding of "unjustified litigation" would be "adequate justification for awarding attorneys' fees"); *Orrison*, 190 F.2d at 791 (upholding award when plaintiff had "no reasonable ground" for seeking new trial); *Park-In-Theatres*, 190 F.2d at 143 (implying that a valid finding that a case was brought on "surmise and suspicion" could support a fee award); *Laufenberg*, 187 F.2d at 825 (acknowledging that "unjustified litigation" can create "gross injustice" and support a fee award); *Vischer*, 92 F. Supp. at 139 (noting that fee award is appropriate when suit is brought "without justification" or is "wholly unfounded" and brought "for malicious purposes"); *Lincoln Elec. Co.* v. *Linde Air Prods. Co.*, 74 F. Supp. 293, 294 (N.D. Ohio 1947) (denying fee award because action was not "absolutely unwarranted or unreasonable").

[11] See, *e.g.*, *Algren*, 197 F.2d at 72 (noting that fee award "is clearly discretionary"); *Orrison*, 190 F.2d at 791 (noting that decision to award fees "lies in the sound discretion of the trial court under the statute"); *Dubil*, 184 F.2d at 903 (noting that "[i]t is not the duty of the reviewing court to interfere with the exercise of the discretionary power confided to the trial courts by Congress to award attorney fees in proper cases"); *Blanc*, 178 F.2d at 105 (same); *Dixie Cup Co.* v. *Paper Container Mfg. Co.*, 174 F.2d 834, 836 (7th Cir.), cert. denied, 338 U.S. 867 (1949) (describing decision to award fees as "entirely a matter of discretion" of district court);

ently reviewed fee awards under a deferential abuse-of-discretion standard.[12] The Seventh Circuit expressed the typical approach: "We think it clear that under the statute the question is one of discretion. The court exercised its discretion and that ends the matter unless we can say as a matter of law that there was a clear abuse of discretion." *Blanc* v. *Spartan Tool Co.*, 168 F.2d 296, 300, cert. denied, 335 U.S. 853 (1948).

3. The 1952 amendment of the fee-shifting provision was not intended to change the substantive standards for granting fee awards or otherwise to curtail the district courts' discretion. Congress added the "exceptional cases" language in Section 285 "for purposes of clarification only." *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 653 n.8 (1983). The Senate Report on the 1952 bill stated that the new provision was "substantially the same as the corresponding provision in [the 1946 Act]," and that the "exceptional cases" language was inserted to "express[] the intention of the present [1946] statute as shown by its legislative history and as interpreted by the courts." S. Rep. No. 1979, 82d Cong., 2d Sess. 30 (1952). Similarly, Chief Patent Examiner P.J. Federico testified that the term "exceptional cases" was "picked up from the reports in passing that first law [*i.e.*, the 1946 Act], which indicated that was what was meant, and the decisions of the courts that have followed that."

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see also, *e.g.*, *Lincoln Elec. Co.*, 74 F. Supp. at 294 (noting that "[t]he court is invested with discretionary power" to make fee awards).

[12] See, *e.g.*, *Algren*, 197 F.2d at 72; *Orrison*, 190 F.2d at 791; *Dubil*, 184 F.2d at 903; *Blanc*, 178 F.2d at 105; *Dixie Cup Co.*, 174 F.2d at 836.

Patent Law Codification and Revision: Hearings Before Subcomm. No. 3 of the House Comm. on the Judiciary, 82d Cong., 1st Sess. 109 (1951). Federico further testified that "[w]hat [the phrase 'exceptional cases'] constitutes is left, and stays left, to the discretion of the court that is conducting the case." *Ibid.*[13]

B. District Courts Have Broad Discretion To Award Fees To Address The Types Of Misconduct And Injustice Identified In The Cases Decided Under The 1946 Act

Other than restricting fee awards to "exceptional cases," the text of Section 285 does not specify the circumstances under which fees in patent suits may be awarded. This Court has repeatedly encountered similar fee-shifting provisions that do not specify substantive criteria governing the trial court's fee-shifting decisions. In such cases, the Court has held that the limits on trial-court discretion must be found in "the large objectives" of the relevant statute. See, *e.g.*, *Martin*, 546 U.S. at 139-140; *Independent Fed'n of Flight Attendants* v. *Zipes*, 491 U.S. 754, 759 (1989). For at least four reasons, Section 285 should be construed to ratify the prevailing judicial understanding of the 1946 Act, *i.e.*, as conferring broad discretion on district courts to determine whether a departure from

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[13] Accord, *e.g.*, P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 216 (1993); 98 Cong. Rec. 9097 (1952) (statement of Sen. Wiley) (noting that 1952 bill "simply constitutes a restatement of the patent laws of the United States); 98 Cong. Rec. at 9323 (statement of Sen. McCarran) (indicating that bill would "codif[y] the present patent laws"); 7 Donald S. Chisum, *Chisum on Patents* § 20.03[4][c][i], at 20-464 (1999) (noting that "no change in meaning was intended" by the 1952 amendments).

the American Rule is appropriate to prevent substantial injustice in a particular case.

1. If courts between 1946 and 1952 had awarded fees as a matter of course to prevailing patent litigants, Congress's addition of the term "exceptional cases" would naturally be understood as an effort to overturn that judicial approach. As explained above, however, courts applying the 1946 Patent Act consistently recognized that fees should be awarded only in unusual cases, even though the text of the 1946 Act did not compel that interpretation. See pp. 9-14, *supra*. By adding the term "exceptional cases" in 1952, Congress therefore codified rather than superseded the pre-existing standard for awarding fees in patent cases. Cf. *Ankenbrandt* v. *Richards*, 504 U.S. 689, 700-701 (1992). That sequence of events implies congressional approval not only of the basic principle that fee awards should be reserved for unusual cases, but also of the criteria that courts had developed for determining when fees should be awarded.

2. The legislative history of the 1952 Patent Act confirms that inference. During the deliberations that culminated in the enactment of Section 285, responsible officials in both the Legislative and Executive Branches consistently expressed the understanding that the established judicial construction of the 1946 fee provision was correct, and that Section 285 was intended to carry forward that approach. See pp. 14-15, *supra*.

3. Congress created the Federal Circuit in 1982, and vested it with exclusive appellate jurisdiction in patent cases, see 28 U.S.C. 1295(a)(1) (Supp. V 2011), in an effort to bring greater uniformity to the enforcement of the patent laws. If the Federal Circuit

had adopted its current interpretation of Section 285 at or near the time of the court's creation, and had adhered to that standard ever since, Congress's failure to overturn that approach would carry significant weight.

In fact, however, the Federal Circuit adhered for most of its history to the totality-of-the-circumstances approach that the regional circuits had applied between 1946 and 1952. In *Rohm & Haas Co.* v. *Crystal Chemical Co.*, 736 F.2d 688 (1984), for example, a five-judge panel addressed the question whether Section 285 authorizes an award of fees on appeal. Writing for a unanimous court, Judge Giles Rich—himself one of the principal architects of the 1952 Patent Act—quoted with approval from *Park-In-Theaters* and explained that Section 285 was enacted to "prevent[] injustice to a party involved in a patent suit." *Id.* at 691-692 & n.5; see also, *e.g.*, *Yamanouchi Pharm. Co.* v. *Danbury Pharmacal, Inc.*, 231 F.3d 1339, 1347 (Fed. Cir. 2000) ("In assessing whether a case qualifies as exceptional, the district court must look at the totality of the circumstances.").

Consistent with that view, subsequent Federal Circuit decisions identified a variety of exceptional circumstances that could support a fee award under Section 285. Those circumstances included willful infringement; litigation misconduct; inequitable conduct by the patentee in securing the patent; vexatious or unjustified litigation; bad faith; and the assertion of frivolous claims or defenses. See, *e.g.*, *Epcon Gas Sys., Inc.* v. *Bauer Compressors, Inc.*, 279 F.3d 1022, 1034 (2002); *Hoffmann-La Roche Inc.* v. *Invamed Inc.*, 213 F.3d 1359, 1365 (2000); *Eltech Sys.* v. *PPG Indus., Inc.*, 903 F.2d 805, 807 (1990); *Mathis* v.

Spears, 857 F.2d 749, 754, 755 (1988). It was not until 2005 that the Federal Circuit adopted the more rigid and demanding standard that the courts below applied in this case. See *Brooks Furniture Mfg., Inc.* v. *Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (2005) ("Absent misconduct in [the] 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."). The Federal Circuit's belated and unexplained reversal of course provides no sound reason for rejecting the inference that Congress intended in 1952 to carry forward the judicial approach that had prevailed under the 1946 Act.

4. Congress's desire to alleviate "gross injustice" to innocent defendants in rare cases remains salient today. This Court has long recognized that litigating a patent case is typically a "very costly process" that can be especially "staggering" for small businesses. *Blonder-Tongue Labs., Inc.* v. *University of Ill. Found.*, 402 U.S. 313, 334 (1971) (citation omitted). The median cost of patent suits where the amount in controversy is between $1 million and $25 million is $2.5 million, and the cost rises to nearly $5 million in cases involving more than $25 million. Gov't Accountability Office, *Report No. GAO-11-465, Intellectual Property: Assessing Factors That Affect Patent Infringement Litigation Could Help Improve Patent Quality* 26 n.47 (Aug. 2013) (*GAO Report*) (reporting 2011 data collected by the American Intellectual Property Law Association).

Such costs can make it prohibitively expensive for defendants wrongly accused of infringement to vindicate themselves in court. Patentees can exploit the extraordinary costs of patent litigation by filing (or threatening to file) harassing or unfounded infringement suits, with the goal of pressuring competitors to exit certain markets or pay licensing fees rather than incur the costs associated with mounting a defense.

In recent years, moreover, "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining license fees." *eBay, Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). Such firms can play a useful role by facilitating manufacturers' access to new inventions and inventors' access to new capital, thereby allowing inventors to focus on what they do best—invent. And the fact that a particular unsuccessful infringement plaintiff does not practice the patent on which its suit was premised does not, in and of itself, suggest that its infringement claim was abusive or that a fee award is appropriate.

On the other hand, specialized patent-assertion entities typically do not face (and are often structured to avoid) the normal disincentives to filing vexatious or frivolous infringement claims. Unlike traditional companies, for example, such entities are not vulnerable to infringement counterclaims and may face little reputational risk from pursuing aggressive litigation strategies. Many are established as shell companies for the purpose of filing suit. For a subset of such patent-assertion entities, moreover, litigation is not a cost but a method of doing business designed to extract serial settlements from multiple defendants. For these reasons, non-practicing firms appear to have contributed to an upsurge in recent patent litigation. See Exec. Office of the President, *Patent Asser-*

tion and U.S. Innovation 2-7, 9-12 (June 2013) (*EOP Report*); *GAO Report* 3 & n.8, 14-21, 31-32, 34-35. By enabling district courts to award reasonable attorney's fees to prevailing defendants who have been unfairly targeted by such firms, Section 285 can deter misconduct and enable victims to defend themselves.

C. A Totality-Of-Circumstances Approach Is Consistent With The Rules Governing Fee Awards In Copyright And Trademark Cases

The totality-of-circumstances approach described above is consistent with this Court's treatment of the similar discretionary fee-shifting provision in the Copyright Act, and with the dominant interpretation of identical language in the Lanham Act. Consistency across these fields of law makes sense, because—as the Court has emphasized—"similar language" in fee-shifting statutes is "'a strong indication' that they are to be interpreted alike." *Zipes*, 491 U.S. at 758 n.2 (citation omitted).

1. The Copyright Act of 1976 provides that, in any copyright-infringement action, "the court may * * * award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. 505. In *Fogerty*, this Court considered, in the copyright context, essentially the same question that is presented in this case—"what standards should inform a court's decision to award attorney's fees to a prevailing defendant in a[n] * * * infringement action." 510 U.S. at 519. The Court rejected the Ninth Circuit's requirement that prevailing defendants (but not prevailing plaintiffs) must establish that the losing plaintiff's infringement action was either "frivolous or brought in bad faith." *Id.* at 520-521; see *id.* at 522-533. The Court also rejected the contention that fees

in copyright cases should be awarded automatically or as a matter of course. See *id.* at 533-534.

The Court in *Fogerty* explained that "[t]here is no precise rule or formula for making these determinations," and that district courts should instead exercise "equitable discretion" in determining whether fee awards are appropriate in particular copyright cases. 510 U.S. at 534 (quoting *Hensley* v. *Eckerhart*, 461 U.S. 424, 436 (1983)). The Court enumerated various "nonexclusive" factors that lower courts had considered, including "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19 (citation omitted). The Court stated that "such factors may be used to guide courts' discretion" so long as they are "faithful to the purposes of the Copyright Act" and are applied equally to prevailing plaintiffs and defendants. *Ibid.*

A similar totality-of-circumstances approach should govern the application of Section 285 in the patent context. In comparing the fee-shifting provisions of the Patent and Copyright Acts, the Court in *Fogerty* described Section 285 as "contain[ing] language similar to that of [17 U.S.C.] 505, with the added proviso that fees are only to be awarded in 'exceptional cases.'" 510 U.S. at 525 n.12. That proviso makes clear that, in considering the various discretionary factors described above, a district court should ask whether the case before it is sufficiently different from the usual patent suit to warrant "exceptional" treatment. That limitation provides no justification, however, for restricting the range of circumstances that courts may consider in determining whether particular cases are "exceptional."

2. Use of a totality-of-circumstances approach under Section 285 is also consistent with the dominant interpretation of the identical fee-shifting provision in the Lanham Act, 15 U.S.C. 1117(a). Like Section 285, Section 1117(a) declares that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." The courts of appeals have generally authorized district courts to award fees to prevailing defendants by applying equitable principles and weighing the particular facts of each case, while making clear that no single factor is required or otherwise dispositive.[14]

Then-Judge Ginsburg's analysis for the D.C. Circuit in *Noxell* is particularly instructive. There, a Maryland plaintiff brought a trademark-infringement

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[14] See, *e.g.*, *Tamko Roofing Prods., Inc.* v. *Ideal Roofing Co.*, 282 F.3d 23, 32-33 (1st Cir. 2002) (embracing "case-specific multi-factored analysis"); *Securacomm Consulting, Inc.* v. *Securacom, Inc.*, 224 F.3d 273, 281 (3d Cir. 2000) (noting that Congress wanted courts to assess the totality of the circumstances in each case"); *Ale House Mgmt., Inc.* v. *Raleigh Ale House, Inc.*, 205 F.3d 137, 144 (4th Cir. 2000) (identifying non-exclusive list of factors); see also *Eagles, Ltd.* v. *American Eagle Found.*, 356 F.3d 724, 729 (6th Cir. 2004) (endorsing multi-factor analysis in which no single factor is necessarily dispositive); *National Ass'n of Prof'l Baseball Leagues, Inc.* v. *Very Minor Leagues, Inc.*, 223 F.3d 1143, 1147 (10th Cir. 2000) (endorsing broad multi-factor analysis in which "[n]o one factor is determinative"). Three circuits, by contrast, appear to require a showing of bad faith or equivalent misconduct as a predicate for a fee award under the Lanham Act. See *Patsy's Brand, Inc.* v. *I.O.B. Realty, Inc.*, 317 F.3d 209, 221-222 (2d Cir. 2003); *Proctor & Gamble Co.* v. *Amway Corp.*, 280 F.3d 519, 527-528 & n.12 (5th Cir. 2002); *Tire Kingdom, Inc.* v. *Morgan Tire & Auto, Inc.*, 253 F.3d 1332, 1335 (11th Cir. 2001).

suit in the District of Columbia against two San Francisco-based restaurants and their owner. *Noxell*, 771 F.2d at 523. The suit was dismissed for improper venue because location of the action in the District of Columbia was "unreasonable, contrary to established law, and * * * unsupported by even a wisp of tenable argument." *Ibid.* (internal quotation marks and citations omitted).

In affirming a fee award to the prevailing defendant, the court in *Noxell* explained that Section 1117(a)'s "exceptional cases" requirement was not intended "to harness courts to a 'hardly ever' rule" for making fee awards. 771 F.2d at 526. It interpreted "exceptional" according to its usual meaning ("uncommon, not run-of-the-mine") and explained that "[s]omething less than 'bad faith' * * * suffices to mark a case as 'exceptional.'" *Ibid.* It then cited precedent for the proposition that Section 1117(a) authorizes fees "when [the] plaintiff's action is unreasonable *or* in bad faith," and concluded that the plaintiff had acted unreasonably—and perhaps with a "hint of 'economic coercion'"—by suing the defendant so far from California. *Id.* at 526-527 (emphasis added).

Noxell and other Lanham Act decisions reflect a flexible approach under which district courts may consider whether various forms of misconduct—independently or in combination—qualify a case as "exceptional" and thus support a fee award. The same approach is appropriate here.

D. The Federal Circuit's Interpretation Of Section 285 Unduly Restricts District Courts' Discretion To Award Fees

The two-prong test established by Federal Circuit precedent, and applied by the courts below, requires prevailing defendants to prove by "clear and convincing" evidence that the plaintiff's claim was both "objectively baseless" and brought in "subjective bad faith." Pet. App. 17a, 20a-21a, 25a (citation omitted). Those requirements apply to any case in which a prevailing defendant seeks a fee award on grounds other than the plaintiff's misconduct in securing the patent or during litigation. *Id.* at 21a. That approach places unwarranted constraints on district courts' exercise of equitable discretion based on consideration of all the relevant circumstances.

1. Section 285 does not incorporate the test for "sham" litigation under antitrust law

The Federal Circuit's rigid two-prong test has no basis in the text or history of either Section 285 or the original 1946 Act, which was consistently construed to permit a broader equitable inquiry focusing on whether the conduct at issue was "grossly unjust." See pp. 8-15, *supra*. Nor is it based on analogous fee-shifting provisions in copyright or trademark law, neither of which has been interpreted in this fashion. See pp. 20-24, *supra*. Indeed, the government is not aware of *any* federal fee-shifting statute that requires a defendant to demonstrate both subjective bad faith and objective baselessness before fees may be awarded to a prevailing defendant. Even under the American Rule, fees may be awarded against a plaintiff who has proceeded in bad faith. See *Alyeska Pipeline Serv. Co.* v. *Wilderness Soc'y*, 421 U.S. 240, 258-259 (1975). The Federal Circuit's construction of Section 285 in *Brooks Furniture* therefore effectively *restricts* the circumstances in which district courts could award fees even in the absence of the statute. Nothing in the text or history of Section 285 suggests Congress intended such an unlikely result.

The Federal Circuit purported to borrow its two-prong standard from *Professional Real Estate Investors, Inc.* v. *Columbia Pictures Industries, Inc.*, 508 U.S. 49, 60-61 (1993) (*PRE*), where this Court considered the "sham" exception to the *Noerr-Pennington* doctrine of antitrust law. See *iLOR, LLC* v. *Google, Inc.*, 631 F.3d 1372, 1377 (Fed. Cir. 2011); *Brooks Furniture*, 393 F.3d at 1381. The *Noerr-Pennington* doctrine is rooted in the First Amendment right to petition, and it holds that a defendant is generally exempt from antitrust liability for conduct—including litigation against business rivals—that seeks to influence government decisionmaking. *PRE*, 508 U.S. at 56-58. The *PRE* exception to this doctrine for "sham" litigation applies when an antitrust defendant's misconduct consists of filing a baseless lawsuit whose real purpose is not to influence the government, but rather "to interfere directly with the business relationships of a competitor." *Id.* at 51, 56 (citation omitted).

In *PRE*, the Court held that this standard requires proof of both (1) an objectively baseless claim and (2) subjective anticompetitive intent. 508 U.S. at 60-61. The Court explained that a claim is "objectively baseless" if it lacks "probable cause," and thus could subject the person who brings it to a common-law tort action for wrongful institution of civil proceedings. *Id.* at 62-63. It also noted that a showing of ill intent requires proof that the antitrust defendant filed its baseless lawsuit in an attempt to use "governmental *process*—as opposed to the *outcome* of that process—as an anticompetitive weapon" against its rivals. *Id.* at 60-61 (citations omitted).

The Federal Circuit adopted the *PRE* standard without even attempting to explain why it makes sense to import a test from the antitrust context to govern the award of attorney's fees under Section 285. See *Brooks Furniture*, 393 F.3d at 1381. Its approach ignores important legal and practical differences between the fee-shifting and antitrust contexts. The *PRE* standard is used to define the circumstances under which the filing and pursuit of a lawsuit can be treated as a distinct actionable wrong, potentially remediable through an award of treble damages. By contrast, when a prevailing defendant in a patent-infringement suit seeks fees under Section 285, an award merely reapportions the litigation costs associated with the unsuccessful lawsuit.

The *Noerr-Pennington* standard rests in part on this Court's recognition that the imposition of civil liability based on efforts to influence government action raises significant First Amendment concerns. See *City of Columbia* v. *Omni Outdoor Adver., Inc.*, 499 U.S. 365, 379-380 (1991); cf. *PRE*, 508 U.S. at 56 ("Those who petition government for redress are generally immunity from antitrust liability."). By contrast, the Court has never suggested that fee-shifting provisions implicate the First Amendment rights of unsuccessful litigants. To the contrary, the Court has consistently recognized that, although the American Rule leaves each party to bear its own costs in the absence of a contrary legislative determination, "the circumstances under which attorneys' fees are to be awarded and the range of discretion of the courts in making those awards are matters for Congress to determine." *Alyeska*, 421 U.S. at 262.

2. "Objective baselessness" is not required

Even standing alone, the Federal Circuit's "objective baselessness" requirement appears to be overly restrictive, insofar as it permits an award only if the plaintiff's legal theory was "so unreasonable that no reasonable litigant could believe it would succeed." *iLOR*, 631 F.3d at 1378. This seems more stringent than the formulations set forth in the early cases interpreting the 1946 fee-shifting provision, which recognized that a losing party's legal or factual theory could be a valid basis for making a fee award if that theory was "unjustified," "wholly unjustified," "unwarranted," "unreasonable," or "groundless." See p. 13 & note 10, *supra*. It is also at odds with 35 U.S.C. 273(f) (Supp. V 2011), in which Congress recognized that a case can be "exceptional" under Section 285 merely because the losing party's litigating position was without a "reasonable basis."[15]

In other contexts, this Court has occasionally specified the extent to which a party's legal position must be unreasonable in order to justify a fee award to a prevailing party.[16] Here, however, the reasonableness

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[15] Originally enacted in 1999, Section 273 of the Patent Act creates a defense to infringement for certain prior users of commercial processes. Section 273(f) provides that "[i]f the defense under this section is pleaded by a person who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 285." 35 U.S.C. 273(f) (Supp. V 2011).

[16] See, *e.g.*, *Martin*, 546 U.S. at 136 (generally allowing fee awards under 28 U.S.C. 1447(c) only if unsuccessful party's position was not "objectively reasonable"); *Zipes*, 491 U.S. at 761 (allowing fee awards against intervenor under 42 U.S.C. 2000e-5(k) only if intervention was "frivolous, unreasonable, or without foundation"); *Pierce* v. *Underwood*, 487 U.S. 552, 565 (1988) (allowing

of the party's position is only one of the factors that a district court may take into account when assessing whether to make such an award. In these circumstances, it is enough for the Court to explain that an award is appropriate if the district court determines that a case is exceptional and that the award is necessary to prevent gross injustice to the prevailing party. This guidance leaves a great deal to the discretionary judgment of the district court. But it is faithful to the text and history of Section 285, and it is similar to the kind of direction Congress and this Court have provided to lower courts in similar contexts.[17]

At a minimum, the Court should hold that the "objective baselessness" of a claim is not a freestanding

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fee awards against the United States under 28 U.S.C. 2412(d)(1)(A)'s "substantially justified" standard only if government's position was not "justified to a degree that could satisfy a reasonable person"); *Christiansburg Garment Co.* v. *EEOC*, 434 U.S. 412, 421 (1978) (allowing fee awards against prevailing defendants under 42 U.S.C. 2000e-5(k) only if intervention was "frivolous, unreasonable, or without foundation").

[17] See, *e.g.*, 5 U.S.C. 504(a)(1) (authorizing fees when party's position was unreasonable or "special circumstances make an award unjust"); 11 U.S.C. 523(d) (same); 28 U.S.C. 1498(a) (same); 28 U.S.C. 2412(d)(1)(A) (same); Fed. R. Civ. P. 16(f) (similar); Fed. R. Civ. P. 37(a)(5)(A)(iii) (similar); *Hensley*, 461 U.S. at 429 (explaining that prevailing plaintiffs should recover fees under 42 U.S.C. 1988 (1988) "unless special circumstances would render such an award unjust") (citation omitted); *Northcross* v. *Board of Ed. of the Memphis City Schs.*, 412 U.S. 427, 428 (1973) (per curiam) (applying same standard to fee awards under 20 U.S.C. 1617 (1976)); *Newman* v. *Piggie Park Enters., Inc.*, 390 U.S. 400, 402 (1968) (per curiam) (applying same standard to fee awards to prevailing plaintiffs under 42 U.S.C. 2000a-3(b)); see also *Martin*, 546 U.S. at 139 (explaining that *Piggie Park* standard imposes meaningful limit on district court's discretion).

requirement for obtaining a fee award under Section 285. Rejecting such a requirement is consistent with the totality-of-circumstances approach applied between 1946 and 1952, and endorsed by Congress when it enacted Section 285. As explained above, district courts are always entitled to consider the unreasonableness of a claim—and its *degree* of unreasonableness—as valid factors, among others, in determining whether a fee award is warranted due to gross injustice in any particular case.

3. "Subjective bad faith" is not required

The "subjective bad faith" component of the Federal Circuit's two-prong test requires a prevailing defendant to prove that the unsuccessful plaintiff had "actual knowledge" that his claim was baseless. *iLOR*, 631 F.3d at 1377. Under that approach, a district court could not award Section 285 fees against an unsuccessful plaintiff, even if the court viewed the plaintiff's infringement claims as entirely frivolous, if the plaintiff believed in good faith that the claims had a realistic prospect of success. That cramped interpretation has no basis in the history of Section 285 or the original 1946 Act, which was construed to permit a broader equitable inquiry. See *Rohm & Haas*, 736 F.2d at 691 (quoting *Park-In-Theaters*, 190 F.2d at 142). Nor is it consistent with 35 U.S.C. 273(f) (Supp. V 2011), which requires a fee award under Section 285 based on an unreasonable litigating position but *without* requiring evidence of bad faith.

The government is not aware of any case in which the Court has construed a federal fee-shifting provision to require proof that an unsuccessful plaintiff against whom fees are sought was aware that his claims were baseless. Even the fee-shifting provisions of the Civil Rights Act of 1964—which this Court has construed to require fee awards to prevailing plaintiffs in light of the strong federal policy "encourag[ing] individuals injured by racial discrimination to seek judicial relief," *Newman* v. *Piggie Park Enters., Inc.*, 390 U.S. 400, 402 (1968) (per curiam)—do not require such a showing before a defendant may recover its fees. See *Christiansburg Garment Co.* v. *EEOC*, 434 U.S. 412, 421 (1978) (holding that "a district court may in its discretion award attorney's fees to a prevailing defendant in a Title VII case upon a finding that the plaintiff's action was frivolous, unreasonable, or without foundation, even though not brought in subjective bad faith").[18] The courts of appeals likewise have generally rejected a "subjective bad faith" requirement for fee awards to prevailing defendants under the identical fee-shifting provision in the Lanham Act. See, *e.g.*, *Noxell*, 771 F.2d at 526 ("Something less than 'bad faith,' we believe, suffices to mark a case as 'exceptional.'").[19]

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[18] See, *e.g.*, *Hughes* v. *Rowe*, 449 U.S. 5, 14 (1980) (per curiam) (applying same standard to prevailing defendants in civil rights actions under 42 U.S.C. 1983); *Zipes*, 491 U.S. at 758-760 (applying same standard to intervenors); see also *Martin*, 546 U.S. at 136-141 (requiring only an "objectively unreasonable" argument—without proof of bad faith—to justify fee award under fee-shifting provision of federal removal statute, 28 U.S.C. 1447(c)).

[19] See, *e.g.*, *Tamko*, 282 F.3d at 27 (rejecting bad-faith requirement); *Securacomm*, 224 F.3d at 279 (same); *Ale House Mgmt.*, 205 F.3d at 144 (rejecting bad-faith requirement for prevailing defendants); *Eagles*, 356 F.3d at 729 (indicating that no single factor is dispositive); *Hartman* v. *Hallmark Cards, Inc.*, 833 F.2d 117, 123 (8th Cir. 1987) (noting that "[b]ad faith is not a prerequisite"); *Stephen W. Boney, Inc.* v. *Boney Servs., Inc.*, 127 F.3d 821, 827 (9th Cir. 1997) (holding that "other exceptional circumstances"

To be sure, evidence of a plaintiff's subjective bad faith is highly *relevant* to the Section 285 analysis. Courts interpreting the fee-shifting provision of the 1946 Patent Act regularly indicated that bad-faith conduct was a valid basis for awarding fees, while making clear that it was not a freestanding requirement for such awards. As the Ninth Circuit explained in its influential *Park-In-Theatres* decision, a fee award "should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force." 190 F.2d at 142.[20] This Court should adopt a similar approach here.

4. "Clear and convincing" evidence is not required

The Federal Circuit's test also requires fee applicants to prove that their case is exceptional by "clear and convincing" evidence. See *Brooks Furniture*, 393 F.3d at 1382; *Machinery Corp. of Am.* v. *Gullfiber AB*, 774 F.2d 467, 471 (Fed. Cir. 1985). Nothing in the text or history of Section 285 justifies that heightened

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besides bad faith may justify an award); *National Ass'n of Prof'l Baseball Leagues*, 223 F.3d at 1147 (rejecting bad-faith requirement for prevailing defendants); *Noxell*, 771 F.2d at 526 (same); but see Richard J. Leighton, *Awarding Attorneys' Fees In "Exceptional" Lanham Act Cases: A "Jumble" of "Murky" Law*, 102 Trademark Rep. 849, 867-869 (2012) (noting that some circuits require willful or bad-faith misconduct to justify fee awards to prevailing defendants).

[20] See, *e.g.*, *Faulkner* v. *Gibbs*, 199 F.2d 635 (9th Cir. 1952) (making clear that bad faith is not independently required); *Merrill*, 197 F.2d at 25 (same); *Wilson* v. *Seng Co.*, 194 F.2d 399, 404 (7th Cir. 1952) (same); *Krieger*, 106 F. Supp. at 131-132 (same); *Vischer*, 92 F. Supp. at 139 (describing purpose of fee award as being to penalize a plaintiff who brought suit "without justification *or* in bad faith") (emphasis added).

standard of proof. Cf. 35 U.S.C. 273(b) (Supp. V 2011) (requiring proof of a prior-user defense by "clear and convincing evidence"). Patent-infringement litigation in the United States is generally governed by the preponderance standard. See, *e.g.*, *Béné* v. *Jeantet*, 129 U.S. 683, 688 (1889) (concluding that "the complainants did not make out a case of infringement" because "[t]here is not a preponderance of evidence in their favor"). Proof by a preponderance of the evidence is the "standard generally applicable in civil actions" because it "allows both parties to 'share the risk of error in roughly equal fashion.'" *Herman & MacLean* v. *Huddleston*, 459 U.S. 375, 390 (1983) (quoting *Addington* v. *Texas*, 441 U.S. 418, 423 (1979)).

Challenges to the *validity* of a patent require proof by clear and convincing evidence. *Microsoft Corp.* v. *i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). But such challenges implicate the statutory presumption of validity, 35 U.S.C. 282 (2006 & Supp. V 2011), the expert judgments of the PTO, and the corresponding reliance interests of patentees and the public. These rationales do not apply to Section 285.

E. The Court Should Vacate The Federal Circuit's Judgment And Remand For Consideration Of Petitioner's Fee Request Under The Correct Standard

For the foregoing reasons, the Federal Circuit's interpretation of Section 285 unduly restricts the authority of district courts to award attorney's fees to prevailing parties in "exceptional" patent cases. Because the courts below rejected petitioner's request for attorney's fees under the Federal Circuit's erroneous test, see Pet. App. 20a-28a (district court); *id.* at 17a (court of appeals), it is appropriate to vacate the court of appeals' judgment and remand for consideration of petitioner's fee request under the correct standard.

The government takes no position on whether a fee award is ultimately appropriate in this case. As explained above and in the government's amicus brief in *Highmark Inc.* v. *Allcare Health Management Systems, Inc.*, cert. granted, No. 12-1163 (oral argument scheduled for Feb. 26, 2014), the ultimate determination that a case is "exceptional" and justifies an award is vested by law in the sound discretion of the district court.

In assessing whether such an award is appropriate here, the district court is free to consider the various factors cited in petitioner's brief—including, for example, the reasonableness of respondents' claim construction and infringement allegations, its choice of venue, the scope of its discovery requests, and any alleged pattern of abusive patent litigation. The court may issue an award under Section 285 if it concludes that these considerations—independently or in combination—render this case "exceptional," such that it would be grossly unjust for petitioner to bear its own fees.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be vacated and the case remanded for further consideration of petitioner's fee request.

Respectfully submitted.

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