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Ruling ups ante on patent cases where there is no case

By Chad Halcom

Rudy Telscher: All the ingredients are there for the letting the courts decide.

Filing or defending patent infringement lawsuits when you don't have a case probably will get much costlier soon, since a **U.S. Supreme Court** ruling and two bills in Congress would make it easier for winners to collect attorney fees.

Troy-based **Harness, Dickey & Pierce PLC**, an intellectual property law firm with more than 110 attorneys in four offices nationwide, was on the winning side of *Octane Fitness LLC v. Icon Health & Fitness Inc*. In that case, the Supreme Court broadened the definition of "exceptional cases" where one side pays the other's legal bills.

Before 2014's *Octane* decision — which was an infringement dispute between two fitness equipment makers in Minnesota and Utah over a component of elliptical workout machines — the courts took "exceptional" to mean one side in court committed misconduct or a case was clearly baseless and brought in bad faith.

But the high court took the word to mean "not typical" or a case "stands out from others with respect to the strength" of one side's position.

Fee awards rise

Since then, attorney awards have been on a sharp climb in other patent suits nationwide, according to the **Federal Court Bar Association**.

In an April report for members of the House Judiciary Committee, the association noted that 36 percent of fee requests had been granted in the year since *Octane*, including 50 percent in the first quarter of 2015. That compares with just 13 percent of requests granted in the

year before *Octane*.

The ruling is considered a boon for businesses defending litigation against patent trolls, or companies that hold patent portfolios without commercializing the technology so they possibly can file infringement litigation. It also could shorten protracted litigation against large companies that infringe on the patents of small businesses but expect to outlast a plaintiff with limited resources in court.

"I haven't yet had a chance to file another motion for fees since *Octane*, but I have been able to raise the issue of fees if a party won't settle or insists on going forward in court, to help bring a resolution," said Rudy Telscher, a partner in the St. Louis office of Harness Dickey and lead counsel for **Octane Fitness** in the Supreme Court case. "Because the other side has exposure now.

"It can make a (federal) district judge more inclined to award fees after you win if you can show the other side was very much on notice about the risk of fees early on."

Legislation in the works

The House Judiciary Committee is considering the Innovation Act, which proposes several modifications to the America Invents Act of 2011, including a provision that would shift fees to losing parties in some lawsuits. The Senate Judiciary Committee this month reported a similar Protecting American Talent and Entrepreneurship Act, or PATENT Act, with a cost-shifting clause, to the floor of the chamber by a 16-4 vote.

Litigation partners Richard Hoffman and Michael Druzinski of Troy-based **Reising Ethington PC** said the Supreme Court ruling only allows federal judges to award fees based on their discretion, while the Senate's PATENT Act could require fee awards unless exceptional circumstances apply.

"In theory, this should help deter abusive patent practices by making it riskier to initiate truly frivolous patent infringement suits for the sole purpose of trying to extort a settlement for less than the cost of litigation."

But Harness Dickey's Telscher said he thinks the extra measures in Congress may be unnecessary.

"I'm a firm believer that Congress should take a stab at stopping bad patent litigation," Telscher said. "(But) with a trio of recent court rulings including *Octane* now in place, I think all of the ingredients are there for letting the courts deal with this particular issue.

"And any time you get legislative action, you always get the risk of having both the intended effect and unintended consequence. In trying to prevent trolls, you don't want measures that deter inventors with legitimate cases. You don't want to risk not protecting small business as well."

Samuel Haidle, an attorney who practices intellectual property law at **Howard & Howard Attorneys PLLC** in Royal Oak, said he was unaware of anyone at the firm or in the local legal community collecting a judgment for attorney fees since *Octane* — but he suspects it's

only a matter of time.

"It's going to happen," he said. "But those requests probably still need to be (heard in court, and) a lot of your facts have to line up right."