

Rogue One: Section 285 Attorney’s Fees in Doctrinal Patent Ineligibility Cases

Kristy J. Downing

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Abstract

Recently, a US Court of Appeals panel found that enforcing an issued patent that could potentially be found ineligible under Section 101's doctrinal exclusions might constitute an "exceptional" circumstance, warranting attorney's fees under 35 U.S.C. § 285: *Inventor Holdings v. Bed Bath & Beyond*. In patent law, there is a diversion from the American Rule on fees, that each party be responsible for their own fees; instead, prevailing parties may be entitled to fees where the case is exceptional. Under the totality-of-the-circumstances test of *Octane Fitness*, merely enforcing patents in the face of unestablished invalidity challenges from the accused is rarely considered exceptional and in these cases fees are awarded when the arguments are objectively baseless. However, with all the discord in the industry about the unpredictable, *unobjective* application of the doctrinal exclusions to § 101, it is arguably immoderate for courts to find that an otherwise innocent pursuit of infringement damages constitutes exceptional conduct. This article compares and contrasts fee awards for truly objectively baseless invalidity or noninfringement grounds with recent 101-invalidity fee awards and establishes just how rogue fee awards are in most ineligibility cases.

I. Background on Doctrinal Exclusions to Patent Eligibility

Recently, patent stakeholders have placed an immense deal of emphasis upon the doctrinal exclusions to the subject matter eligibility of utility patents.¹ Since the seminal case of *Alice v. CLS* in 2014, infringement lawsuits more often include an ineligibility defense and US Patent Office rejections on said basis have significantly

¹ See, e.g., *Oral Testimony in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary*, 116th Congress 1–2 (Jun. 4, 2019); *Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 927 F.3d 1333 (Fed. Cir. 2019) (affirming the ineligibility of medical methods of diagnosing neurological or developmental disorders via an *en banc* rehearing denial having eight separate opinions); *American Axle & Mfg., Inc. v. NEAPCO Holdings LLC*, 966 F.3d 1347 (Fed. Cir. 2020) (affirming the ineligibility of a method of manufacturing a purely mechanical device, axle liners, via a rehearing denial having five separate opinions); 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50–57 (Jan. 4, 2019).

increased.^{2,3} Moreover, the US Senate Judiciary Subcommittee on Intellectual Property Law held expert hearings in 2019 to gather advice and direction for possible clarifying amendments to the Code.⁴

The judicial exclusions remove eligible subject matter from the scope of otherwise patentable inventions in protection of the aims of the patent system. The United States Code, Title 35, Section 101 currently reads, “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”⁵ Early national jurisprudence, however, considered some subject matter unavailable for patenting even when the technology is otherwise eligible under the Code.⁶ These categories of banned subject matter include

² See Brian Howard, *2017 Patent Litigation Report*, LEX MACHINA 23–26 (Feb. 2018) (“In the wake of the [*Alice*] decision, invalidations under § 101 have[] risen to record levels.”); Geneva Clark, *2020 Patent Litigation Report*, LEX MACHINA 18 (Mar. 2021) (“The most popular reason for invalidity was subject matter under §101. Judges found invalidity for this reason in 51 cases; it happened in judgment on the pleadings 90% of the time.”); see also, Brandon Rash et al., *Overlooked Patent Cases: Lessons On Section 101 Motions*, AKIN GUMP (Sept. 22, 2020), <https://www.akingump.com/a/web/mhJ3FnBYSHiXfunVMTFwig/TULi7/law360-overlooked-patent-cases-lessons-on-section-101-motions.pdf> (“Before [*Alice*] defendants in patent infringement cases rarely filed Federal Rule of Civil Procedure 12(b)(6) motions to dismiss for lack of patent eligibility . . . [i]n the five years since *Alice*, there has been a spike in these motions to over 75 in 2019”); Paul D. Ackerman & Gregory Miller, *Six years after Alice, are we any closer to clarity on patent eligibility?*, THOMAS REUTERS EXPERT ANALYSIS 3 (Nov. 30, 2020), <https://www.huntonak.com/images/content/7/1/v2/71977/six-years-after-alice-are-we-any-closer-to-clarity-on-patent-eli.pdf> (discussing increased §101 rejections and uncertainty in *Alice*-affected art units at the US Patent Office following *Alice*); Jay Kesan & Runhua Wang, *Eligible Subject Matter at the Patent Office: An Empirical Study of the Influence of Alice on Patent Examiners and Patent Applicants*, 105 MINN. L. REV. 527, 555–96 (2020); Andrew A. Toole & Nicholas A. Pairolero, *Adjusting to Alice USPTO patent examination outcomes after Alice Corp. v. CLS Bank International*, , IP DATA HIGHLIGHTS 1, 3–7 (USPTO Apr. 3, 2020), https://www.uspto.gov/sites/default/files/documents/OCE-DH_AdjustingtoAlice.pdf (discussing increased §101 rejections and uncertainty in *Alice*-affected art units at the US Patent Office following *Alice* and its “interpretive latitude.” However, the increased rejections and uncertainty have been significantly mitigated by 2018 and 2019 US PTO examiner guidelines).

³ See also, Michael S. Borella, *Patentable Subject Matter after Alice: Best Practices for Responding to 35 USC §101 Rejections*, 14 SNIPPETS 1, 1 (2016), <https://media.mbhb.com/wp-content/uploads/2018/08/11155014/MBHB-Snippets-Winter-2016-030216-FINAL.pdf> (“post *Alice*, approximately 70% of all patents challenged under 35 U.S.C. § 101 have been invalidated in district courts, while the rate of §101 rejections has exceeded 80% in some of the USPTO’s art units where it was previously below 40%”); Jorge Goldstein, Michelle Holoubek & Krishan Y. Thakker, *The Time Has Come to Amend 35 U.S.C. § 101*, 44 AIPLA Q.J. 2, 171, 182 (Spring 2016)(noting three times as many dismissal motions filed on the basis of § 101 post-*Alice* as well as an increase in the grant rate in 2013 through 2015).

⁴ *Oral Testimony in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary*, *supra* note 1.

⁵ 35 U.S.C. § 101.

⁶ See, e.g., *Tilghman v. Proctor*, 102 U.S. 707, 729–30 (1881) (finding eligible for patenting a process for separating certain fats from oils) (“In the first place, the claim of the patent is not for a mere principle. . . He only claims to have invented a particular mode of bringing about the desired

laws of nature, natural phenomenon and abstract concepts.⁷

[A] new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that $E=mc^2$; nor could Newton have patented the law of gravity. Such discoveries are “manifestations of . . . nature, free to all men and reserved exclusively to none.

They are fundamental building blocks to science—things that are integral to utilizing a scientific principle—thus the monopolization (or patenting) of them would be against public policy. Specifically, patenting is done to promote progress in the sciences, not hinder it.⁸ Though limited “monopolies” are granted under the patent regime to encourage inventors to invent, excessive monopolistic control over a scientific domain has the opposite effect, causing significant anticompetitive results such as discouraging research and development in that field.⁹

Recently, the doctrinal exclusions have taken a controversially broad turn. The Twenty-First Century presents its own advancements and as humanity’s technological capabilities evolve our capacities present new challenges to the modern judiciary with respect to patent eligibility. New breakthroughs on how life works constantly raise novel questions as to whether a patent on said technology would improperly foreclose a fundamental building block: is such discovery a natural phenomenon, law of nature or abstract concept? For example, many 21st Century innovations that have been found ineligible for patenting because they were directed to a fundamental concept include those to computer algorithms, systems that benefit from the same, business methods, medical treatment methods and DNA.¹⁰ While most questions about the eligibility of the latter were answered in *Myriad*—finding synthetically produced DNA eligible for patenting while concluding that naturally occurring DNA was ineligible—many uncertainties remain about the ineligibility of inventions employing algorithms or methods.¹¹

chemical union between the fatty elements and water. He does not claim every mode of accomplishing this result.”); *see also*, *Mackay Radio & Telegraph Co. v. Radio Corporation of America*, 306 U.S. 86, 94–102 (1939) (finding eligible claims to an antenna system with conductors angled according to a mathematical formula).

⁷ *See, e.g.*, *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980) (finding genetically engineered bacteria used for breaking down crude oil eligible for patenting).

⁸ *Id.* at 308; U.S. CONST. art. I, § 8, cl. 8.

⁹ *Le Roy v. Tatham*, 55 U.S. 156, 175 (1852) (“A patent is not good for an effect, or the result of a certain process, as **that would prohibit all other persons from making the same thing by any means whatsoever. This, by creating monopolies, would discourage arts and manufactures, against the avowed policy of the patent laws.**”) (emphasis added).

¹⁰ *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208 (2014) (finding computer-implemented methods and systems for mitigating settlement risk ineligible for patenting); *Bilski v. Kappos*, 561 U.S. 593(2010) (affirming the rejection of a method of hedging investment risks); *Mayo Collaborative Svcs v. Prometheus Labs*, 566 U.S. 66 (2012) (invalidating a method of treating autoimmune disorders); *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576 (2013) (finding naturally occurring DNA ineligible for patenting while finding synthetically produced DNA eligible).

¹¹ *See, e.g.*, *Oral Testimony in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary, supra* note 1; Toole, *supra* note 2.

Habitually, unsuitable method inventions have been held to be directed towards an abstract concept, rather than a law of nature or natural phenomenon.¹² This is particularly troublesome because the abstract-concept classification of the doctrinal exclusions is so *abstract*, underdefined and unobjective (as will be discussed later on) that it has engulfed an unimaginably extensive realm of technological topics.¹³ Art fields affected include power grid management systems, mail sorting systems, personal computing, banking, medical methods of treatment and ecommerce systems.¹⁴

a. 21st Century Supreme Court Direction

Over the last decade, the US Supreme Court has attempted—with limited success—to provide guidance on the boundaries of subject matter eligibility. In chronological order, the Court found that the business methods of hedging investment risks (as claimed) were ineligible for patenting in *Bilski v. Kappos*.¹⁵ In sum, the Court reasoned that the claimed method of hedging was reducible to a mathematical principle and that it was directed to an abstract concept for that reason.¹⁶ However, the decision did acknowledge the possible eligibility of business methods executed solely in the mind or *via* human activity.¹⁷

Shortly after *Bilski* in 2012, *Mayo Collaborative Services v. Prometheus Labs* was decided.¹⁸ *Mayo* pertained to methods of treating an autoimmune condition by tuning drug dosages according to patient response.¹⁹ The treatment processes involved using the natural correlation between metabolites in the blood and thiopurine's efficacy to determine whether greater or lesser subsequent dosages were necessary.²⁰ Justice Breyer, writing for the unanimous Court, reasoned that the claimed method was directed to the natural phenomenon of thiopurine's efficacy and metabolite presence in the blood stream, a relation that “is a consequence of the ways in which thiopurine compounds are metabolized by the body—[*via*] entirely natural processes.”²¹

¹² See, e.g., *Alice*, 573 U.S. at 212; *Electric Power Group, LLC v. Alstom*, 830 F.3d 1350, 1351 (Fed. Cir. 2016) (affirming the ineligibility findings of a power-grid management system using the abstract concept of collecting information, analyzing it and displaying certain related results); *Secured Mail Solutions, LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 911–13 (Fed. Cir. 2017) (finding ineligible a method of tracking mail for being directed towards the abstract concept of “communicating information about a mail object using a personalized marking”).

¹³ Kristy Downing, *Patent Eligibility's Doctrinal Exclusions . . . Lately a Scary Movie Too Difficult to Watch—Concrete Solutions and Suggestions*, 22 MARQ. INTELL. PROP. L. REV. 231, 261–70 (2018).

¹⁴ *Id.*

¹⁵ *Bilski*, 561 U.S. at 612.

¹⁶ *Id.* at 3231 (“Allowing petitioners to patent risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.”).

¹⁷ *Id.* at 603; see also *Leahy-Smith America Invents Act (“AIA”)*, Pub. L. 112-29, 125 Stat. 299 (2011) (establishing and implementing a transactional post-grant review proceeding for review of the validity of covered business method patents);

¹⁸ *Mayo Collaborative Svcs v. Prometheus Labs*, 566 U.S. 66 (2012).

¹⁹ *Id.* at 71–73.

²⁰ *Id.* at 77–78.

²¹ *Id.*

In that decision the Court began to articulate a bifurcated analysis on eligibility, where one first asks whether the claims are directed to a doctrinal exclusion and next surveys the remaining elements of the claim to determine if they significantly transform the claimed fundamental building block into sufficiently limited practical application(s) of the scientific principle.²² There were several steps outside of the abstract concept in *Mayo*: administering the drug, measuring metabolite concentrations and determining if metabolites were within a predetermined range.²³ These measures were found to amount to “nothing significantly more than an instruction to doctors to apply the applicable laws when treating their patients.”²⁴ Therefore, the subject claims were ineligible for patenting.

The Court’s instruction to review claim elements outside of the fundamental concept to determine whether said elements transform the claimed invention into eligible subject matter was arguably intended to assess the claim’s preemptive or anti-competitive influence. The standard is aimed at evaluating whether the claim scope usurps too much of the utility of a fundamental building block.²⁵ This question becomes whether a claimed invention’s narrowness as compared to a fundamental building principle is sufficient to not foreclose a substantial portion of the practical utility of an abstract concept, became a salient and controversial one in later eligibility jurisprudence.

Association for Molecular Pathology et al. v. Myriad Genetics raised eligibility

²² *Id.* (“The question before us is whether the claims do significantly more than simply describe [n]atural relations. To put the matter more precisely, do the patent claims add enough to their statements of the correlations to allow the processes they describe to qualify as patent-eligible processes that apply natural laws?”).

²³ *Id.* at 78–80.

²⁴ *Id.*

²⁵ Downing, *supra* note 13, at 357–58 (arguing in favor of using the preemption standard as a determinant for patent eligibility as well as the employment of a pictorial guide for comparing practical utility of the fundamental concept claimed versus all know practical applications.); *see also*, Borella, *supra* note 3, at 2–3 (“In the *July* Update, the USPTO indicated that, in its view, the two prong process of *Alice* inherently includes a preemption analysis. Particularly, that prong two separates out inventions that preempt the fundamental building blocks of knowledge from those that do not.”); Goldstein, *supra* note 3, at 177, 198–200 (arguing that the preemption analysis is rooted in Article 1, Section 8:8 of the US Constitution’s ratification of the US patent system to “promote the progress of science and useful arts” since preempted fundamental concepts discourage scientific advancement more than furthering them)(“[I]f the Court’s preemption concerns are analyzed as crucial to not inhibiting further discovery by improperly tying up future uses of the building blocks, it must be inferred that the court has been worried about not inhibiting the progress of the useful arts. This inexorably leads to the conclusion that preemption is indeed a constitutional doctrine—avoiding preemption is entirely in line with, and central to the goal of, promoting the “Progress of . . . useful Arts.”); Posting of Wayne Sobon to USPTO Request for Public Comments re Interim § 101 Examination Instructions, <https://www.uspto.gov/sites/default/files/web/offices/pac/dapp/opla/comments/ab98comments/accenture.pdf> (Sept. 28, 2009) (“Requiring Examiners to apply antiquated concepts like ‘post-solution’ and ‘extra-solution’ in the context of modern software is often a futile endeavor. A better approach is to view the claim as a whole and determine whether it is performing useful real-world functions without wholly pre-empting fundamental concepts.”).

questions for DNA and replicated DNA.²⁶ The ability to clone DNA was one of the most significant scientific advancements of the Twentieth Century.²⁷ DNA inventors (and stakeholders) wanted to know if discovered DNA and its replica were eligible for patenting. *Myriad* pertains to claims on DNA—both naturally occurring and manmade—that indicated a greater propensity for breast or ovarian cancer to develop in women.²⁸ Justice Thomas and the unanimous Court deduced that claims to inborn DNA would effectively grant a monopoly on the natural phenomenon of the DNA itself, thus innate DNA should be excluded from eligibility.²⁹ Conversely, the Court did not invalidate claims to the recombinant DNA, which is structured differently than naturally occurring genes because there are physical changes in copied DNA that facilitate reproduction.³⁰ Claims reciting DNA with these structural differences were distinct enough from naturally occurring genes to “transform” synthetic DNA into eligible subject matter.

Mayo's two-part standard infamously reoccurred a few years later in *Alice v. CLS*, where the Court considered the patent eligibility of computer-implemented methods and related systems for providing a clearing house for settlements.³¹ Justice Thomas, writing again for the unanimous Court, found that the claims were ineligible as they were directed to the basic economic principle of intermediated settlement, an abstract concept considered basic to reducing settlement risk.³² The remaining elements of the claim were found to be routine, conventional and generic, or in other words not transformative enough to change the coverage of the claims from effectively creating a monopoly on the fundamental economic concept of intermediated settlement.³³

b. The US Court of Appeals for the Federal Circuit's Uncloseted
Puzzlement and the Current State of the Law

To-date, *Alice* is the last US Supreme Court decision on subject matter eligibility. Nevertheless, there has been a groundswell of puzzling activity in the US Court of Appeals for the Federal Circuit with respect to eligibility decisions applying *Alice*. Most of the bench and many stakeholders have conceded to the unpredictability of

²⁶ Association for Molecular Pathology v. Myriad Genetics, Inc., 569 U.S. 576 (2013).

²⁷ See, e.g., *DNA — The Twentieth Century's Greatest Scientific Discovery*, DISCOVERYZONE (2019), <https://www.discovery-zone.com/the-twentieth-centurys-greatest-scientific-discovery/>.

²⁸ *Myriad*, 569 U.S. at 582–83.

²⁹ *Id.* at 590–96.

³⁰ *Id.*

³¹ *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 218–26 (2014).

³² *Id.*

³³ *Id.*

eligibility.^{34,35,36} Though, some are still in denial.³⁷ The inconsistencies between opinions on eligibility are, however, a poorly kept secret, and the vast contradictions in opinion analyses are impossible to keep closeted.

Some stakeholders argue that the current rate of ineligibility is appropriate, particularly in computing and information technology fields.³⁸ Nevertheless, many other attorneys are calling a pro-*Alice* practitioner's bluff, unabashedly screaming confusion about the standards on eligibility. The most prestigious Elk of legal minds are included in the cast of critics such as law firm partners, academics as well as active

³⁴ See *Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 927 F.3d 1333 (Fed. Cir. 2019) (where, in the court's denial of rehearing *en banc*, at least ten of the sitting twelve judges admitted that the *Alice* standard is confusing—including, paradoxically, the fee-affirming panel on *Inventor Holdings v. Bed Bath & Beyond*, 876 F.3d 1372, 1379 (Fed Cir 2017) as will be discussed later); see also Q. Todd Dickinson, *Q&A Responses in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary*, 116th Congress 8 (Jun. 4, 2019).

³⁵ See *Oral Testimony in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary*, *supra* note 1 (where other practitioners from private practice and academia discussed a wide variety of views on the workability of the *Alice* standard).

³⁶ Downing, *supra* note 13; Kesan, *supra* note 2, at 545–52.

³⁷ See, e.g., US Patent & Trademark Office, § 2106.04(d)—*Integration of a Judicial Exception Into A [sic] Practical Application*, MANUAL OF PATENT EXAMINING PROCEDURE 9TH ED. (2020) (arguably oversimplifying the 101 analysis by advising that the claim is eligible when it incorporates a practical application).

In the context of the flowchart in **MPEP § 2106**, subsection III, Step 2A Prong Two determines whether:

The claim as a whole integrates the judicial exception into a practical application, in which case the claim is not directed to a judicial exception (Step 2A: NO) and is eligible at Pathway B. This concludes the eligibility analysis.

See also Toole, *supra* note 2 (discussing the uncertainty of *Alice* at the Patent Office having been reduced *via* use of the USPTO's 2019 Section 101 Guidelines employing “a practical application” litmus that is arguably not supported by legal precedent); *Gottschalk v. Benson*, 409 U.S. 63 (1972) (finding ineligible a decimal-to-digital conversion matrix essentially only useful for said conversions); Kesan, *supra* note 2, at 599–602.

[T]he [2019] Revised Guidance may not affect how the courts determine patent eligibility or how they apply *Alice* because the judicial system is also a critical player in continuously creating uncertainties in patent eligibility. It is hard, however, to predict how the PTO's justification addressing the uncertainties of patentability will be perceived on review by the judicial system.

See also Nicole Bruner, *Interpreting Gobbledygook Under 35 U.S.C. § 101: Does the 2019 Patent Eligibility Guidance Clarify Past Confusion?*, 9 AM. U. BUS. L. REV. 281, 289–310 (2020) (discussing how the PTO Guidelines differ from precedent in several ways and how federal courts are declining to follow them) (citing *Cleveland Clinic Found. v. True Health Diagnostics LLC*, 760 F. App'x 1013, 1019–20 (Fed. Cir. 2019)).

³⁸ See, e.g., Mark Lemley, *Q&A Responses in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary*, 116th Congress 1–2 (Jun. 4, 2019) (“In the software and information technology industries, the patents that have been invalidated on patentable subject matter grounds mostly deserved to be invalidated.”).

and retired Court of Appeals judges.³⁹

Our current patent eligibility law truly is a mess. The Supreme Court, Federal Circuit, district courts, and USPTO are all spinning their wheels on decisions that are irreconcilable, incoherent, and against our national interest. A few examples.

First, under current U.S. law governing patent eligibility, it is easier to secure patent protection for critical life sciences and information technology inventions in the People's Republic of China and in Europe, than in the U.S. This conclusion results from analyzing many patent applications filed identically in the U.S., China and Europe. . . .

Retired Chief Judge Michel of the US Court of Appeals for the Federal Circuit (or "CAFC") summarized the chaos nicely in his testimony during the State of Patent Eligibility Congressional Hearings.⁴⁰

In my view, recent cases are unclear, inconsistent with one another and confusing. I myself cannot reconcile the cases. That applies equally to Supreme Court and Federal Circuit cases. Nor can I predict outcomes in individual cases with any confidence since the law keeps changing year after year. If I, as a judge with 22 years of experience deciding patent cases on the Federal Circuit's bench, cannot predict outcomes based on case law, how can we expect patent examiners, trial judges, inventors and investors to do so?

Yet another former Director of the US Patent Office echoed Judge Michel's view *citing* the *Athena Medical v. Mayo* denial of rehearing *en banc* where ten of twelve active CAFC judges expressed that the *Alice/Mayo* standard was confusing and unclear.⁴¹

The multiple concurring and dissenting opinions regarding the denial of *en banc* rehearing in this case are illustrative of how fraught the issue of § 101 eligibility, especially as applied to medical diagnostics patents, is. I agree that the language in *Mayo*, as later reinforced in *Alice*, forecloses this court from adopting an approach or reaching a result different from the panel majority's. I also agree, however, that the bottom line for diagnostics patents is problematic. But this is not a problem that we can solve. As an inferior appellate court, we are bound by the Supreme Court.

Other judges agree.⁴²

This case presents an opportunity for judicial review and judicial remedy. Although

³⁹ David Kappos, *Oral Testimony in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary*, 116th Congress 1–2 (Jun, 4, 2019) (further discussing the inflated §101 rejection rates in Patent Office art units that review technologies for artificial intelligence, quantum computing and 5G networking).

⁴⁰ *Oral Testimony in The State of Patent Eligibility in America Hearings Before the Subcomm. on Intellectual Property of the Senate Comm. on the Judiciary*, *supra* note 1, at 2–3.

⁴¹ Dickinson, *supra* note 34, at 8. *See also* *Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 927 F.3d 1333, 1337 (Fed. Cir. 2019) (Hughes, J., concurring).

⁴² *Id.* at 1341–44 (Dyk, J., concurring) (“In my view, the *Mayo* framework should be refined in limited respects.”); *Id.* at 1348 (Chen, J., concurring) (“When it comes to applying the judicial exceptions, it bears noting that the *Mayo* analytical approach is considerably harder to apply consistently than the *Diehr* framework, and more aggressive in its reach.”); *Id.* at 1363 (Moore, J., dissenting) (“Since *Mayo*, every diagnostic claim to come before this court has been held ineligible. While we believe that such claims should be eligible for patent protection. . . . Your only hope lies with [reform *via*] the Supreme Court or Congress.”); *Id.* at 1369–70 (Newman, J., dissenting).

diagnostic methods are not the only area in which section 101 jurisprudence warrants attention, Federal Circuit precedent is ripe for reconsideration specific to diagnostic methods, to correct our application of the *Mayo* decision and to restore the necessary economic incentive.

Judge O'Malley of the Court of Appeals in dissent on *Athena* also expressed a need for further clarity in the §101 standard.⁴³

Because the Supreme Court judicially revived the invention requirement and continues to apply it despite express abrogation, I dissent to encourage Congress to clarify that there should be no such requirement read into § 101; to clarify that concepts of novelty and "invention" are to be assessed via application of other provisions of the Patent Act Congress designed for that purpose.

Additionally, many professors discuss the "limited guidance" provided by appellate courts on eligibility for methods of human activity, like diagnostic methods.⁴⁴ Further academics have opined that the problems with the CAFC's implementation of *Alice* not only includes distracted conventionality discussions, under step 2, but are also attributable to the randomly broad way the court defines fundamental concepts and defocuses the analysis away from practical implementations of said fundamental concept.⁴⁶ The law on eligibility is all but clear.

To worsen the matter, the controversy of *Alice* has been heightened by the federal bench's use of § 285 attorney's fees as a deterrent against enforcing patents that *could* be found ineligible under the doctrinal exclusions. As will be discussed in detail in Section II below, the law on § 285 attorney's fees was significantly revised in 2014

⁴³ *Id.* at 1373.

⁴⁴ Rebecca Eisenberg, *Wisdom of the Ages or Dead-Hand Control? Patentable Subject Matter for Diagnostic Methods after In re Bilski*, 3 CASE W. RES. J.L. TECH. & INTERNET 1, 18 (2011) ("There was little in the majority opinion that would provide even indirect guidance as to the patentability of any claims other than those at issue. The Justices all agreed that Bilski's claims were not patentable subject matter because they 'are attempts to patent abstract ideas,' but they did not explain what that means."); see also, Rebecca Eisenberg, *Prometheus Rebound: Diagnostics, Nature, and Mathematical Algorithms*, 122 YALE L.J. ONLINE 341, 342–43 (2012) (discussing how little guidance was provided by *Mayo* due to the Court's: (i) liberal labeling of the relationship between efficacy and dosage as a law of nature and (ii) reliance on non-natural-law precedent in its analysis).

⁴⁵ Daniel Brean, *Business Methods, Technology and Discrimination*, 2018 MICH. ST. L. REV. 307, 327–28 (2018) (arguing with respect to computer implemented business methods that the Federal Circuit's misinterpretation of step 2 under *Alice* as requiring improvement to a computer versus improvement to a technology field has led to arbitrary ineligibility findings); Robert Garza, *Software Patents and Pretrial Dismissal Based on Ineligibility*, 24 RICH. J.L. & TECH. 2, 30–34 (2018) (discussing the difficulty of defining an "abstract concept" and its implications on the eligibility of many software patents post-*Alice*):

Since the Supreme Court has not provided a definition for what constitutes an "abstract idea," the Federal Circuit and the USPTO have been left to fill in the gaps. If defining what constitutes "software" is a difficult task, then defining what makes an idea "abstract" is nearly impossible . . . [quoting Judge Linn in *CLS v. Alice en banc*]. In other words, defining what makes an idea "abstract" is a legal mess that the Federal Circuit has had to attempt to sort out.

⁴⁶ Downing, *supra* note 13, at 261–77.

via two US Supreme Court decisions (*Octane* and *Highmark*).⁴⁷ This was allegedly done to discourage patent litigation prosecuted by overly ambitious patentees whose litigation strategy was to “blackmail” accused infringers for nuisance value settlements.⁴⁸ Nuisance value settlements are those made for significantly less than the cost of typical attorney’s fees to dismissal, likely after a *Markman* ruling, “with no intention of testing the merits of one’s claims” and ensuring “that [a plaintiff’s] baseless infringement allegations remain unexposed.”⁴⁹ Particularly, in *Octane* the law on fees removed a finding of bad faith as a requirement for “exceptionality” under § 285 and recovery. Instead, the law more simply demands that a fee-debtor’s behavior be “rare” or “not ordinary” under a totality of the circumstances.⁵⁰

Whereas a change to the practice on fees may have been warranted to deter frivolous filings, the use of attorney’s fees against patentees with potentially ineligible claims is unjustified. This is true because most agree that the law of ineligibility is murky. Even those who advocate for the use of attorney’s fees to reduce unreasonable non-practicing entity litigation admit that the spaces between eligibility and ineligibility “have ‘fuzzy boundaries.’”⁵¹ If CAFC judges and reasonable patent practitioners cannot reliably assess patent eligibility, how can enforcing a potentially ineligible patent be “exceptional” under § 285? Since uncertainty still plagues the average attorney on eligibility, is not enforcement of a plausibly ineligible patent just *ordinary*, rather than “exceptional?”

⁴⁷ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014); *Highmark, Inc. v. Allcare Health Mgmt. Sys.*, 572 U.S. 559 (2014).

⁴⁸ Hannah Jiam, *Fee-Shifting and Octane Fitness: an Empirical Approach Toward Understanding “Exceptional,”* 30 BERKELEY TECH. L.J. 611, 612–30, 615 n.27 (2015):

In the patent context however, the American Rule may have led to frivolous lawsuits by non-practicing entities . . . as NPEs can leverage substantial defense costs to encourage defendants, who generally pay high hourly legal fees, into settlement before trial. As high hourly legal fees can cause patent cases to be extremely expensive, many defendants determine that economic considerations favor settlement, even in frivolous suits.

(quoting in footnote 27 Jane P. Mallor, *Punitive Attorney’s Fees for Abuses of the Judicial System*, 61 N.C. L. REV. 613, 617 (1983)).

⁴⁹ *See, e.g., Rothschild Connected Devices Innovations v. Guardian Protection Services*, 858 F.3d 1383, 1390 (Fed. Cir. 2017) (a post-*Octane* case reversing the denial of attorney’s fees against a non-prevailing patentee); Jiam, *supra* note 48.

⁵⁰ *Octane Fitness*, 572 U.S. at 553–57.

We hold, then, 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 manner in which the case was litigated. District courts may determine whether a case is “exceptional” in the case-by-case exercise of their discretion, considering the totality of the circumstances.

⁵¹ Prachi Agarwal, *Patent Troll: The Brewing Storm of Patent Reform in the United States of America*, 15 J. MARSHALL REV. INTELL. PROP. L. 63, 71–72 (2015) (“[T]he [*Alice*] decision has been strongly criticized as vague and absurd, and for blurring the lines between the assessment of patent-eligibility and other patentability requirements . . .”).

II. Attorney's Fees and § 285

a. The policy of attorney's fees relevant to § 285

Generally speaking, attorney's fees are imposed as a "tax" against a non-prevailing party when the law or equity so demands them. The primary purposes of attorney's fees are to discourage frivolous litigation and to restore a prevailing litigant to their pre-dispute position as best as possible.⁵² The process of transferring the cost of counsel from one party onto the next is called fee shifting. Moving the burden of fees onto a losing party is not always done automatically. There are two prevailing views on fee shifting: the English Rule (or World View) and the American Rule.

Most of the world follows the English Rule where the winning litigant recoups the cost of counsel from an opposing party, regardless of their status as plaintiff or defendant.^{53,54} Under the World View, many do not fully compensate the winning party for fees, however, but do so for either a percentage of the fees or of the recovery.⁵⁵ Under the American Rule each litigant is responsible for their own attorney's fees regardless of who prevails.⁵⁶ Yet, the US allows for litigants to recover the costs

⁵² THOMAS COTTER, *COMPARATIVE PATENT REMEDIES: A LEGAL AND ECONOMIC ANALYSIS* 146–49 (Oxford University Press 2013) (“[A]dvocates of the British Rule [awarding fees to the prevailing party] argue that the rule discourages frivolous litigation and is more consistent with principles of restorative justice, while advocates of the American Rule [generally not awarding fees to the winning party] express concern that the British Rule risks overdetering risk-averse plaintiffs from pursuing some meritorious claims.”).

⁵³ See, e.g., Jiam, *supra* note 48, at 612–13 (providing significantly greater grant rates post-Octane on motions for attorney's fees).

⁵⁴ COTTER, *supra* note 52, at 147.

⁵⁵ *Id.* at 209.

⁵⁶ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717–18 (1967).

Although some American commentators have urged adoption of the English practice in this country, our courts have generally resisted any movement in that direction. The rule here has long been that attorney's fees are not ordinarily recoverable in the absence of a statute or enforceable contract providing therefor. This Court first announced that rule in *Arcambel v. Wiseman*, [] and adhered to it in later decisions. See, e.g., *Hauenstein v. Lynham*, 100 U. S. 483 (1880); *Stewart v. Sonneborn*, 98 U. S. 187 (1879); *Oelrichs v. Spain*, 15 Wall. 211 (1872); *Day v. Woodworth*, 13 How. 363 (1852). In support of the American rule, it has been argued that since litigation is at best uncertain one should not be penalized for merely defending or prosecuting a lawsuit, and that the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents' counsel. Cf. *Farmer v. Arabian American Oil Co.*, 379 U. S. 227, at 235 (1964); *id.*, at 236–239 (concurring opinion of Mr. Justice Goldberg). Also, the time, expense, and difficulties of proof inherent in litigating the question of what constitutes reasonable attorney's fees would pose substantial burdens for judicial administration. .

See also, Jiam, *supra* note 48, at 613 n.13–14 (“[U]nder the American Rule a prevailing party is typically not awarded attorneys' fees. As early as 1796, American courts generally opposed the award of attorneys' fees, unless the opportunity was explicitly stated by statute.”) (citing *Arcambel v. Wiseman*, 3 US (3 Dall.) 306, 306 (1796)).

of counsel from a losing party in some instances.⁵⁷ Section 285 is a bit of a hybrid between the World View and the American Rule in that, like the English Rule, it makes fees more recoverable but (similar to the American Rule) it does so only where the terms of its statute are met. Specifically, recovery is allowed when the case is in some way “exceptional.” Because § 285 is a mixture of the two rules, the policies inspiring both are relevant to understanding the mechanism of patent litigation attorney’s fee awards.

There are several policy reasons for adherence to the World View. First, it is believed that an automatic fee-shifting provision deters litigation of weaker, less probable claims.⁵⁸ Therefore, borderline cases may be foregone due to the prospect of fee shifting; a litigant with less severe harm or a less provable case theory may be persuaded to simply abandon prosecution rather than risk ultimately being held liable for fees. Conversely, the American Rule is thought to encourage frivolous (patent) litigation often brought by non-practicing entities or patent assertion entities.^{59, 60} There was a significant industry view pre-*Octane* that non-practicing entity patent litigation should be dampened because it unhealthily burdens business.⁶¹ The conditional fee-shifting statute in patent law is aimed at deterring frailer claims from being brought (or positions from being taken) as it incorporates the “exceptionality” trigger “with respect to the substantive strength of a party’s litigating position [] or the unreasonable manner in which the case was litigated.”⁶² One might say that attorney’s fees awarded to a prevailing patent litigant operates similar to the World View when the non-prevailing party advances an *exceptionally* unsupported position. Under the English Rule, with automatic fee-shifting there is a degree of culpability inferred by merely being wrong but, under § 285, awarding fees requires a greater degree of error or irresponsibility from the fee bearer (i.e., advancing an “exceptionally” erroneous position). Thus, the bar is raised for § 285 fee awards.

Some nevertheless argue that fee shifting is too obstructive, discouraging enforcement of legal rights even when a claimant’s merits are strong.⁶³ Fee-shifting is

⁵⁷ See, e.g., 35 U.S.C. § 285 (stating that “[t]he court in **exceptional cases** may award reasonable attorney fees to the prevailing party.”) (emphasis added).

⁵⁸ COTTER, *supra* note 52, at 146–49, n.290, n.293; Jiam, *supra* note 48, at 612–13 (stating that the English Rule is thought to discourage unmeritorious or “nuisance” suits) (citing Werner Pfenigstorff, *The European Experience with Attorney Fee Shifting*, 47 L. & CONTEMP. PROBS. 37, 37 (1984)).

⁵⁹ Jiam, *supra* note 48, at 614–15; JOHN THOMAS, REMEDIES FOR PATENT INFRINGEMENT, CONG. RESEARCH SERVICE REPORT, #R44904 9 (2017) (“Proponents of a less restrictive fee-shifting provision believe that ‘allowing more liberal shifting of attorney fees against losing parties would reduce the frequency of such nuisance settlements, and. . . would allow more defendants to challenge patents that are invalid or that have been asserted beyond what their claims reasonably allow.’”).

⁶⁰ For this paper non-practicing entities and patent assertion entities will be used interchangeably even though they are not always synonymous.

⁶¹ Jiam, *supra* note 48, at 614–15, n.27.

⁶² *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014).

⁶³ THOMAS, *supra* note 59, at 9.

thought to affect litigants of lesser means more since the tax of attorney's fees impacts the financial health of lower income entities greater. Since § 285 limits fee awards to exceptional cases, however, this is less of a concern in patent remedies. Smaller companies and solo inventors will only be burdened with the cost of an opposing side's attorney's fees if their behavior or position is uncommon. Since § 101 is an evolving area of the law, remember, prosecuting infringement of a potentially ineligible patent most often will not truly meet the standard of exceptionality. Thus, aggressive fee awards are against US policy—favoring qualified fee shifting. If enforcement is not truly remarkable, awards should be avoided.

Secondly, some argue that the World View demands more certainty in the application of legal standards or more perfect administration of the law.⁶⁴ Accordingly, fee shifting seems to carry with it an underlying presumption that a judgment should be or is just and correct. So, it is further probable, that § 285 (and its stipulation of “exceptionality”) assumes that a decision on the merits is accurate to a significant degree of confidence. How can a litigation position be “exceptional” if there is not a high degree of sureness that the losing view was wrong? As discussed in Section I, § 101 decisions carry a significantly less degree of assurance of exactness, consequently providing an additional reason why fees are inappropriate in this developing area of the law. It is even more unjust to penalize litigants with the fees of a prevailing party when the prevailing party should have never prevailed in the first instance.

Thirdly, fee shifting is thought to encourage more lawfulness, particularly by defendants.⁶⁵ Would-Be offenders of the law may be discouraged from doing so by the threat of paying the significant costs of their opponent's attorney's fees. Drawing an analogy again to § 285, patentees may be less likely to bring suit or contest the same in “exceptional” cases where the probability of attorney's fees hangs over their head. In the context of § 101, enforcement of ineligible patents should be

[T]hose wary of fee-shifting provisions are concerned that they may benefit wealthy corporate parties to the disadvantage of individual inventors. They assert that “[a] ‘loser pays’ provision will deter patent holders from pursuing meritorious patent infringement claims and protects institutional defendants with enormous resources who can use the risk of fee-shifting to force inventors into accepting unfair settlements or dismissing their legitimate claims.”

⁶⁴ Albert Ehrenzweig, *Reimbursement of Counsel Fees and the Great Society*, 54 CALIF. L. REV. 792, 796–97 (1966) (quoting Satterthwaite, *Increasing Costs to be Paid by the Losing Party*, 46 N.J.L.J. 133, 133 (1923)).

“It is bad enough to see one lose who in justice should have prevailed. To make him pay the winner's counsel would add injustice to injustice, would mean stepping on one who is down, and it would make honest men unwilling to go to court, be it as plaintiffs or defendants.” . . .

Let us concede for the sake of argument that many court decisions should in justice have gone the other way, and that in those cases, if counsel fees were allowed, losing parties would be treated even more unjustly than they are now.

⁶⁵ Keith N. Hylton, *An Asymmetric-Information Model of Litigation* 19–25 (B.U. Sch. of Law Working Paper, Law & Economics No. 00-03, 2000) (describing a mathematical study that suggests that compliance with the law is significantly greater under the British rule since the threat of plaintiff's attorney's fees increases the amount at-risk for defendants.).

disheartened because doing so is unlawful. Imposing fees would serve this initiative. Still, courts are bound by the plain language of § 285 in their encouragement of compliance with eligibility standards, required to only tax litigation of “exceptionally” ineligible claims.

The objectives driving the American Rule are also relevant to § 285. Some argue that the American Rule increases the amount of litigation.⁶⁶ US rationale on fees appears to be pro-litigation, urging parties of all means to have access to the courts.⁶⁷ Section 285 does promote the principle of broad accessibility since fees are only assessed in rare cases. Nonetheless, awarding fees against patentees whose patents are invalidated under § 101 should only be done where their eligibility position is truly uncommon to comply with the expressed intent of Congress.

Fee shifting levied against parties for merely litigating is also against the public policy of the American Rule and congressional intent.⁶⁸ Where parties are assessed costs for simply not winning their dispute, fees can be seen as a punishment for litigating the case.⁶⁹ Again, Section 285 also errs in favor of litigation and not punishing claimants simply for bringing suits as the losing party's position must have been extraordinary for fees to apply. If the proviso of § 285 is undervalued, however, § 101 litigants might be punished simply for litigating a case in opposition to US policy and congressional directive.

Domestically, fees are to be imposed under Congress' authorization, not untethered judicial discretion.⁷⁰

Since the approach taken by Congress to this issue has been to carve out specific exceptions to a general rule that federal courts cannot award attorneys' fees beyond the limits of 28 U.S.C. § 1923, those courts are not free to fashion drastic new rules with respect to the allowance of attorneys' fees to the prevailing party in federal litigation or to pick and choose among plaintiffs and the statutes under which they sue and to award fees in some cases but

⁶⁶ THOMAS, *supra* note 59, at 9 (considering proposed legislation that would make §285 fee shifting more liberal than in exceptional cases to reduce the frequency of nuisance-value claims); Darin Jones, *A Shifting Landscape for Shifting Fees: Attorney-Fee Awards in Patent Suits under Octane and Highmark*, 90 WASH. L. REV. 505, 505–06 (2015) (arguing that a rigid pre-Octane application of § 285 increased aggressive and frivolous litigation).

⁶⁷ COTTER, *supra* note 52, at 148; *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717–18 (1967) (where the US Supreme Court affirmed the Court of Appeal's reversal of a fee award in a trademark infringement action since the Lanham Act did not yet explicitly allow for recovery).

⁶⁸ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 548–49 (2014) (“Courts did not award fees under § 70 [§285's predecessor] as a matter of course. They viewed the award of fees not ‘as a penalty for failure to win a patent infringement suit,’ but as appropriate ‘only in extraordinary circumstances.’”).

⁶⁹ ROBERT L. HARMON et al., *PATENTS AND THE FEDERAL CIRCUIT* 1281, n.32 (Bloomberg BNA, 11th ed., 2013) (citing *Machinery Corp. of America v. Gullfiber AB*, 774 F.2d 467, 471 (Fed. Cir. 1985)) (“A rationale for this rule is that one should not be penalized for merely defending or prosecuting a lawsuit.”); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717–18 (1967).

⁷⁰ *Jiam*, *supra* note 48, at 613; *Alyeska Pipeline Serv. Co. v. Wilderness Society*, 421 U.S. 240, 247–71 (1975) (reversing the fee award of the Court of Appeals awarded under its equitable powers).

not in others, depending upon the courts' assessment of the importance of the public policies involved in particular cases.

Judges—being independent from the legislature—cannot create their own reasons for imposing fees under § 285, they must assess whether the eligibility position was genuinely exceptional. Hence, understanding §285 and Congress' intent is important to the proper application of fees against § 101 patent holders.

b. The history and policy of § 285

Section 285 and patent attorney's fees awards began with an earlier enacted code, 35 USC § 70.⁷¹ Section 70 enabled courts to award prevailing parties reasonable attorney's fees "in its discretion."⁷² Preventing gross injustice under the American Rule was the inspiration for fee-shifting in patents.^{73, 74}

[I]n granting this power, Congress made plain its intention that such fees be allowed only in **extraordinary circumstances**. The Reports of House and Senate Committees recommending this enactment provided in identical terms that "It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits, * * *. The provision is also made general so as to enable the court to prevent a **gross injustice** to an alleged infringer." 1946 U. S. Code Congressional Service 1386, 1387. Thus, the payment of attorney's fees for the victor is not to be regarded as a penalty for failure to win a patent infringement suit. The exercise of discretion in favor of such an allowance 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, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees which prevailing litigants normally bear.

So, even though the language of Section 70 allowed for courts to award attorney's fees in its discretion, the original intent for the fee-shifting provision was to transfer fees only when the position or behavior of the fee bearer was exceptional.⁷⁵

⁷¹ 35 U.S.C. § 70 (1946) (current version at 35 U.S.C. § 285); *Octane Fitness*, 572 U.S. at 548–49; *Jiam*, *supra* note 48, at 613.

⁷² 35 U.S.C. § 70 (1946) (current version at 35 U.S.C. § 285).

⁷³ *Octane Fitness*, 572 U.S. at 548–49, n.1; DONALD CHISUM, CHISUM ON PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT, § 20.03[4][c][i], n.380–81 (2018) (quoting S. Rep. No. 1503, 79th Cong., 2d Sess. (1946)) ("It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits . . . The provision is also made general so as to enable the court to prevent a gross injustice to an alleged infringer.").

⁷⁴ CHISUM, *supra* note 73, at n.382–83 (citing *Park-In Theaters, Inc. v. Perkins*, 190 F.2d 137, 142–43 (9th Cir. 1951) (reversing the district court's grant of attorney's fees against a patentee of a patent ultimately found invalid where the complaint's assertion of infringement was reasonable and any delays surmounted to only an insignificant portion of the case pendency window: one of eighteen months) (emphasis added).

⁷⁵ *Octane Fitness*, 572 U.S. at 548–50; *Park-In Theaters*, 190 F.2d at 142–43 (9th Cir. 1951); CHISUM, *supra* note 68, at § 20.03[4][c][i], n.381 (citing *American Chain & Cable Co. v. Rochester Ropes, Inc.*, 199 F.2d 325, 330 (4th Cir. 1952) (reversing the attorney's fees finding of the lower court):

While the allowance of reasonable counsel fees to the defendant in a patent case is within the discretion of the District Court under 35 U.S.C.A. § 70, we have held that the discretion **should not be exercised except in situations involving vexatious and unjustified litigation** on the part of the patentee. The difficulties and uncertainties presented by this case justified its submission to the courts for final decision.

In 1952, six years later, § 70 was replaced with current § 285 which clarifies that fee awards are designed to be applied in “exceptional” cases only.⁷⁶ Before and after the clarifying amendment, courts appreciated that § 285 should only be invoked in exceptional cases: in other words, to prevent a gross injustice that would result from the prevailing party carrying its own fees.⁷⁷ The types of activity that would cause the American Rule to result in a gross injustice might include vexatious or unjustified litigation, unfairness, bad faith, inequitable conduct in obtaining the patent, fraud, Rule 11 activity, litigation misconduct, willful infringement, or objective baselessness (as will be discussed more in detail).⁷⁸ The finding of these facts do not necessitate a conclusion of exceptionality as it is still within the district court’s discretion to balance each party’s interests, given the merits and their conduct, and determine whether no fee shifting would be extremely unjust in some way.⁷⁹

Courts have also consistently referred to fee awards as compensatory in nature, rather than punitive or penal (at least with respect to inherent punishment for losing

(emphasis added) (internal citations omitted)); *Merrill v. Builders Ornamental Iron Co.*, 197 F.2d 16, 25–26 (10th Cir. 1952) (reversing the award of attorney’s fees stating that: “The exercise of discretion in favor of the allowance of attorney’s fees should have its source in unfairness or bad faith . . . on the part of the losing party, or in some other equitable consideration such as vexatious or wholly unjustified litigation which makes it grossly unjust for the prevailing party in the particular case to bear the burden of his own counsel fees.”); *Wilson v. Seng*, 194 F.2d 399, 403–04 (7th Cir. 1952) (reversing the lower court’s award of fees where the record demonstrated no evidence of bad faith in bringing or prosecuting the suit); *Pennsylvania Crusher v. Bethlehem Steel*, 193 F.2d 445, 450–51 (3rd Cir 1951)(reversed the award of fees by the district court given that the record showed no evidence of gross injustice with adherence to the American Rule).

⁷⁶ *Octane Fitness*, 572 U.S. at 549 (“We have observed, in interpreting the damages provision of the Patent Act, that the addition of the phrase ‘exceptional cases’ to § 285 was ‘for purposes of clarification only.’”) (quoting *General Motors v. Devex*, 461 U.S. 648, 653 n.8 (1983)); *Jiam*, *supra* note 48, at 614; *CHISUM*, *supra* note 73.

⁷⁷ *Octane Fitness*, 572 U.S. at 548–51; *Jiam*, *supra* note 48, at 614 n.20; *CHISUM*, *supra* note 73; *Aria Soroudi*, *Defeating Trolls: The Impact Of Octane and Highmark On Patent Trolls*, 35 *LOY. L.A. ENT. L. REV.* 319, 330 (2015) (stating that the purpose of Section 285 was to “prevent a gross injustice to an alleged infringerFalse [and] unjustified litigation”); *HARMON*, *supra* note 69, at 1281–83, n.35, n.42 (citing *Revlon Inc. v. Carson Prods. Co.*, 803 F.2d 676, 679 (Fed. Cir. 1986) (reversing the award of attorney’s fees by the lower court because the bad faith of record did not rise to the level of inequitable conduct, therefore no gross injustice resulted from the American Rule); *Badalamenti v. Dunham’s Inc.*, 896 F.2d 1359, 1364–65 (Fed. Cir. 1990) (reversing the district court’s ill explained finding of attorney’s fees after reversing the finding of discovery misconduct and indicating that the opinion lacked description as to why no fee shifting would be grossly unjust).

⁷⁸ *American Chain*, 199 F.2d at 330; *Merrill*, 197 F.2d at 25–26; *Wilson*, 194 F.2d at 403–04 (pointing to the lack of inequitable conduct); *Brooks Furniture Mfg. v. Dutailier Int’l*, 393 F.3d 1378, 1381–85 (Fed. Cir. 2005) (reversing the lower court’s finding of a fee award for a lack of bad faith in the record, this logic, however, later being rejected by the US Supreme Court in *Octane*).

⁷⁹ *SC Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 200–02 (Fed. Cir. 1986) (remanding the lower court’s denial of attorney’s fees even though willful infringement and enhanced damages were supported, requiring the court to explain how the case was not exceptional)(“Allowance of fees only in exceptional cases is based on the premise that courts should attempt to strike a balance between the interest of the patentee in protecting its statutory rights and the interest of the public in confining such rights to their legal limits.”); *HARMON* *supra* note 69, at 1281–82, n.34.

the lawsuit).⁸⁰ In one sense the repayment of that in which the other party has lost due to the lawsuit does act to compensate them for the same. Additionally, the fee awards are calculated based upon either what actually was spent or what a reasonable person might have incurred to prosecute or defend the lawsuit. Hence, attorney's fees are compensatory in that way as well. Nonetheless, lawyer's fees under § 285 have a deterrent aspect to them because Congress drafted the statute requiring that fees not be issued automatically but when a litigant's behavior is somehow unique—more exactly, levied when said behavior is uniquely bad or incompetent.⁸¹ How shalt men be deterred, after all, absent earthly punishment?⁸² Much in the way that exemplary or punitive damages are crafted to set an example of what *not* to do in a dispute, attorney's fees under § 285, serve as guiderails for practitioners on the boundaries of acceptable litigation tactics. Consequently, there are some instructive (if not punitive) aspects to § 285's fee shifting. Contrastingly, if Congress had adopted an automatic fee shifting provision for patents, e.g., similar to Title VII or other sections of the Code, the levy of fees in patent disputes might not be seen as much as an indication of some failure.⁸³ However, § 285 does not use the Civil Right Act's language. With the "exceptionality" bar, Congress demands that some sort of gross unfairness be looming if fees are not issued, therefore, fee award decisions detail to counsel what

⁸⁰ See, e.g., *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, 858 F.3d 1371, 1374–76 (Fed. Cir. 2017) (reversing the lower court's finding of attorney's fees where the litigation assertions were reasonable and there was no evidence of bad faith or abusive tactics) (quoting *Octane Fitness*, 572 U.S. at 548–49) ("The Court has cautioned that fee awards are not to be used 'as a penalty for failure to win a patent infringement suit.'"); *Knorr-Bremse Sys. v. Dana Corp.*, 383 F.3d 1337, 1347 (Fed. Cir. 2004) (remanding willful infringement and the resulting attorney's fees for reevaluation of willfulness) ("That there were not actual damages does not render the award of attorney fees punitive. Attorney fees are compensatory, and may provide a fair remedy in appropriate cases. Upon a finding of willful infringement, the award of attorney fees is within the district court's sound discretion."); HARMON, *supra* note 69 at 1284, n.44.

⁸¹ *Exxon Shipping Co. v. Baker*, 554 U.S. 471, 492–95 & 504–06 (2008) ("the consensus today is that punitive are aimed not at compensation but principally at retribution and deterring harmful conduct."); see also, DAN B. DOBBS ET AL., *THE LAW OF TORTS*, vol. 3, § 483 (2d Ed. 1986):

Courts usually emphasize that punitive damages are awarded to punish or deter. The idea of punishment or retribution is that it is just for the defendant to suffer for his misconduct. The idea of deterrence is quite different. It is that a sufficient sum should be exacted from the defendant to discourage or make repetition of the misconduct unlikely.

⁸² Ecclesiastes 8:11 (King James) ("Because sentence against an evil work is not executed speedily, therefore the heart of the sons of men is fully set in them to do evil.").

⁸³ 42 USC § 2000e-5(k) ("In any action or proceeding under this subchapter the court, in its discretion, may allow the prevailing party . . . a reasonable attorney's fee (including expert fees) as part of the costs. . ."); U.S. EEOC Management Directive for 29 C.F.R. § 1614 (EEO-MD-110), § VI at 11-9 (2015):

In federal EEO law, there is a strong presumption that a complainant who prevails in whole or in part on a claim of discrimination is entitled to an award of attorney's fees and costs. More specifically, complainants who prevail on claims alleging discrimination in violation of Title VII of the Civil Rights Act of 1964, as amended, and the Rehabilitation Act of 1973, as amended, are presumptively entitled to an award of attorney's fees and costs, unless special circumstances render such an award unjust. 29 C.F.R. § 1614.501(e)(1).

not to do.

Fee transfers were never intended to be frequent.⁸⁴ Just before *Octane*, awards were trending in “a very small percentage” of all patent litigations.⁸⁵ This is in keeping with the “exceptionality” requirement of the statute. How can extraordinary cases occur ordinarily, or in most instances?

Fee shifting has been touted as the cure-all for these nuisance-value (or “NV”) litigations.⁸⁶ Recently, some patent-assertion entities have established a reputation for themselves of bringing nuisance-value lawsuits, broadly suing corporate defendants based upon poorly supported case theories just to extort a settlement that would be cheaper than the cost of defending the suit to dismissal, but still not an insignificant amount (e.g., \$25,000 to \$138,000).⁸⁷ Suing a high number of companies at once, having under-supported positions, settling for relatively nominal amounts, and solely suing to extract said settlements while avoiding a merits decision are all factors courts consider in determining whether a NV case is exceptional.⁸⁸

Still, it does not appear to be Congress' intent to ban all non-practicing-entity litigation through the power of attorney's fees. Not all NPE litigation involves an excessive number of defendants, weakly supported claims, or nominal settlements.⁸⁹ Additionally, those opposing NPEs and in favor of broader fee awards have petitioned Congress for more amendments to the Code. In these requests, they have asked for

⁸⁴ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 548–49 (2014); *Park-In Theaters, Inc. v. Perkins*, 190 F.2d 137, 142–43 (9th Cir. 1951).

⁸⁵ JOHN SCHLICHER, *SETTLEMENT OF PATENT LITIGATION AND DISPUTES: IMPROVING DECISIONS AND AGREEMENTS TO SETTLE AND LICENSE* 55 (A.B.A., Section of Intellectual Property Law 2011) (stating that attorney's fees are awarded in 7% of the cases decided by trial and 12% of the actions patent owners won), *but see* Jiam, *supra* note 48, at 622–30 (showing an upswing in the grant rate of fee motions post-*Octane*).

⁸⁶ THOMAS, *supra* note 59, at 9; Jiam, *supra* note 48, at 614, n.26 (citing Randall R. Rader, Colleen V. Chien & David Hricik, *Make Patent Trolls Pay in Court*, NY TIMES (Jun. 4, 2013), http://www.ny-times.com/2013/06/05/opinion/make-patent-trolls-pay-in-court.html?_r=0).

⁸⁷ Donika Pentcheva, *AIPLA Report of the Economic Survey*, AIPLA 41 (2017) (showing median initial case management costs for defending a patent infringement case); Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 SANTA CLARA HIGH TECH. L.J. 159, 160–62 (2008) (similarly defining nuisance value patent litigation); Jiam, *supra* note 48, at 614–17; *Elec. Comm'n Tech. v. ShoppersChoice.com*, 963 F.3d 1371, 1377 (Fed. Cir. 2020) (reversing the denial of attorney's fees due to the manner of litigation including, “repeat patent infringement actions to obtain low-value ‘license fees’ and forcing settlements. . . ranging from \$15,000 to \$30,000”); *Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., Inc.*, 858 F.3d 1383, 1389–90 (Fed. Cir. 2017) (reversing the lower court's denial of attorney's fees in part for a failure to recognize that the case was one of 58 nuisance value suits “against technologies ranging from video cameras to coffeemakers to heat pumps” for the sole purpose of forcing settlements with no intention of testing the merits), *but see* *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1349–52 (Fed. Cir. 2015) (affirming the lower court's denial of fees where the record did not provide sufficient evidence to show a pattern of abusive litigation at least because some but not all settlements were for nuisance value).

⁸⁸ *See, e.g., Elec. Comm'n Tech.*, 963 F.3d at 1377.

⁸⁹ *See e.g., SFA Sys.*, 793 F.3d at 1349–52.

blanket fee awards like the British Rule.⁹⁰ Others have proposed a one-way pro-defendant patent fee shifting.⁹¹ Alternatively, lobbyist have requested qualified fee awards where a litigation position or conduct is not “objectively reasonable” or “substantially justified.”⁹² These amendments, however, continue to fail demonstrating that the US legislature intends to do just the opposite of loosening boundaries on fee shifting.⁹³

c. *Octane & Highmark* further defining § 285

The federal judiciary, however, did loosen the boundaries on § 285 fee shifting with two hallmark same-day decisions from the US Supreme Court, *Octane Fitness* and *Highmark*.⁹⁴ Together, the opinions: (i) removed a requirement to establish bad faith to prove that a case was exceptional, (ii) lowered the burden of proof from clear and convincing evidence to a preponderance of the evidence and (iii) gave district court decisions on fees greater deference on appeal. Many opine that the decisions were aimed directly at reducing NPE litigation.⁹⁵ This is somewhat accurate because NPEs, more often than other litigants, are involved in motions for fees based upon having filed nuisance-value lawsuits (as defined above). Critical to the definition of NV suits is that patentees avoid testing the merits of their claims due to objective insecurities about them.⁹⁶ NPEs may be more likely to bring seemingly bogus suits to extort an easy settlement from companies.

Still, all NPEs cannot be swiped with the same broad brush of incredibility. In an adversarial context, attorneys often attempt to make the other side’s position seem incredible or even objectively baseless, i.e., fee-worthy. Counsel arguments by non-NPEs favoring fees against NPEs should therefore be taken with a portion of salt. Recall that fees were not designed to penalize fee bearers for merely being incorrect

⁹⁰ THOMAS, *supra* note 59, at 8.

The Innovation Act, H.R. 9 in the 114th Congress, [which did not pass] would have amended Section 285 to require a court to award attorney fees to a prevailing party *in any patent case*. The bill would have established two exceptions to this general rule: (1) where the position and conduct of the nonprevailing party were reasonably justified in law and fact; or (2) that special circumstances (such as severe economic hardship to a named inventor) make an award unjust.

(citing H.R. Rept. 9, 114th Congress at § 3(b)(1) (emphasis added).

⁹¹ Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKLEY TECH. L.J. 763, 787–88, 795–97 (2002) (proposing a one-way fee shifting provision to encourage patentees to do a pre-litigation search for invalidating prior art).

⁹² THOMAS, *supra* note 59, at 8–9; Jiam, *supra* note 48, at 616, n.34.

⁹³ THOMAS, *supra* note 59, at 8–9; Jiam, *supra* note 48, at 616.

⁹⁴ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545(2014); *Highmark, Inc. v. Allcare Health Mgmt. Sys.*, 572 U.S. 559 (2014).

⁹⁵ See, e.g., John Jurata, *Taming the Trolls: Why Antitrust is Not a Viable Solution for Stopping Patent Assertion Entities*, 21 GEO. MASON L. REV. 1251, 1280–84 (2014) (opining that judicial reform like *Octane & Highmark*—“making it considerably easier for courts to impose sanctions on NPEs and raising the bar for challenges to such sanctions on appeal”—were better ways of stopping NPEs than antitrust law).

⁹⁶ Sudarshan, *supra* note 87, at 160–62.

but for arguing an “exceptionally” incorrect position.⁹⁷ Moreover, NPEs do not tend to be significantly less successful on the merits than practicing entities. Between 1998 and 2017, practicing entities saw an overall success rate of 37% and a comparable 25% of NPEs obtained favorable judgments for infringement. Furthermore, the most lucrative NPE filings are brought by universities.⁹⁸ It makes sense that university NPEs are not commercializing a product or service for every patented invention that they own because academia focuses on teaching and research, not production and sales. The most frequent NPE filers are still, conversely, private companies.^{99,100} NPEs also play an imperative role investing in inventors and small companies, enabling them to keep inventing or performing.¹⁰¹ Just as a real estate investment enterprise does not occupy every property it owns to benefit a neighborhood—they instead purchase properties from others, give value to landowners, improve the property and make a return on their investment—so do patent financiers facilitate smaller-entity inventing by enabling them to threaten suit and leverage assets.

If *Octane & Highmark* were not daunting enough for NPEs, these two opinions were issued by SCOTUS a few weeks before *Alice v. CLS* came down—another decision that is arguably hostile to much NPE litigation.¹⁰² Is it possible that the Supreme Court in *Alice* wanted to send yet another omen to NPEs? With *Alice*, ineligibility arguments became wildly more popular and vastly more successful, despite the erraticness of the judgements.¹⁰³ Nevertheless, just because *Alice* made ineligibility findings more likely it does not mean that *Alice* should be interpreted as indicating that litigating a potentially ineligible patent is suddenly “exceptional” behavior under § 285. Did the *Octane-Highmark-Alice* trifecta of 2014, go too far, giving courts too much leniency to invalidate arguably eligible subject matter and tax possibly ordinary litigation? Finding a case exceptional where infringement is weakly supported is one thing, but because it is not “rare” that reasonable attorneys disagree on validity issues, like § 101 or obviousness, it is hard to imagine that pursuing litigation in the face of a mere possibility of invalidity will be exceptional.

⁹⁷ 35 U.S.C. § 285.

⁹⁸ Landan Ansell & Doug Branch, *2018 Patent Litigation Study*, PRICEWATERHOUSE COOPERS 10 (May 2018) (showing that from 1998–2017 university infringement suits generated \$16.6M on average where companies and individuals generated \$11.8M and \$7.1M, respectively).

⁹⁹ *Id.* (reporting that between 1998 and 2017 ninety NPEs were private companies as compared to 38 individuals and 9 universities).

¹⁰⁰ *Id.* at 8.

¹⁰¹ James McDonough, Comment, *The Myth of the Patent Troll: An Alternative View of the Function of Patent Dealers in an Idea Economy*, 56 EMORY L.J. 189, 209–18 (2006) (indicating that NPE involvement in the patent market is a natural progression of the IP market, discussing how NPEs enable inventors and small companies to better negotiate with big companies by posing a realistic threat of litigation and enabling said patentees to liquidate their patents when capital is needed elsewhere).

¹⁰² *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208 (2014).

¹⁰³ See Section I *supra*.

i. Octane Fitness

Before the US Court of Appeals for the Federal Circuit was created in 1982, attorney's fees were awarded under a totality-of-the-circumstances standard.¹⁰⁴ In 2005, the Federal Circuit established a two-part standard for fees in *Brooks*, which the Supreme Court confirmed in *Octane*.¹⁰⁵

[A] case is "exceptional" under § 285 only "when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or like infractions." *Id.*, at 1381. "Absent misconduct in conduct of the litigation or in securing the patent," the Federal Circuit continued, fees "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."

Brooks further required the burden of proof for establishing entitlement to fees to be by clear and convincing evidence.¹⁰⁶

In *Octane Fitness*, the district court granted summary judgment for non-infringement.¹⁰⁷ The accused infringer then moved for fees, but the district court originally denied fees applying the *Brooks* standard. Of record was an email exchange between sales executives of the patentee company stating that the infringement action had been brought as a matter of "commercial strategy."¹⁰⁸ The CAFC affirmed the denial of fees under § 285 but SCOTUS reversed the decision and remanded the case for reevaluation under the pre-*Brooks* standard.¹⁰⁹

In interpreting § 285, the Supreme Court started by noting that there is no definition of "exceptional" in the statute. In the absence of that, the Court started with the ordinary meaning of "exceptional" as defined by dictionaries.¹¹⁰ Exceptional meaning "uncommon," "rare," "not ordinary" "out of the ordinary course," "unusual," "special" or "not run-of-the-mill."¹¹¹

[A]n "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 manner in which the case was litigated. District courts may determine whether a case is "exceptional" in the case-by-case exercise of their discretion, considering the totality of the circumstances. As in the comparable context of the Copyright Act, "[t]here is no precise rule or formula for making these determinations," but instead equitable discretion should be exercised "in light of the considerations we have identified."

The Court found the prior *Brooks* standard too inflexible to meet the plain

¹⁰⁴ 28 U.S.C. § 1295; *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 550 (2014).

¹⁰⁵ *Octane Fitness*, 572 U.S. at 548 (quoting *Brooks Furniture Mfg. v. Dutailier International, Inc.*, 393 F.3d 1378, 1381 (2005)).

¹⁰⁶ *Octane Fitness*, 572 U.S. at 551.

¹⁰⁷ *Id.* at 552.

¹⁰⁸ *Id.* at 552.

¹⁰⁹ *Id.* at 553.

¹¹⁰ *Id.* at 553–54.

¹¹¹ *Id.*

meaning of “exceptional.”¹¹² Specifically, conduct does not have to be independently sanctionable to be “exceptional.” Merely, unreasonable conduct that is “rare” can justify an award of fees. Also, the prior standard required a showing of both subjective bad faith and exceptionally meritless claims, but the Court reasoned that either could constitute an “exceptional” case under § 285. A showing of bad faith is no longer necessary for fees to be warranted.¹¹³ Rather “[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.”¹¹⁴

Finally, with respect to the burden of proof for establishing entitlement to fees, the Court ruled that a preponderance of the evidence is the appropriate evidentiary burden.¹¹⁵ Even though patent invalidity requires a heightened standard outside of the Patent Office, the Court had not interpreted comparable fee-shifting statutes to require proof by clear and convincing evidence. Moreover, nothing in the plain language of § 285 justified the higher standard of proof.¹¹⁶ The more flexible standard and lower quantum of proof made a significant difference with respect to fee culpability in *Octane* because on remand the District Court of Minnesota awarded Octane Fitness over \$1.6M in fees for all non-appellate litigation.¹¹⁷

ii. *Highmark*

Highmark v. Allcare Health Management System is a complementary opinion on § 285 fees that was issued the same day as *Octane*.¹¹⁸ *Highmark* used the totality-of-the-circumstances standard of *Octane* to reason that the standard of review for attorney’s fees on appeal should be that of an abuse of discretion.¹¹⁹

In the Northern District of Texas, after granting a motion for summary judgment for noninfringement, the district court granted *Highmark*’s motion for attorney’s fees under §285.¹²⁰ In finding the case exceptional, the court concluded that Allcare had engaged in a pattern of “vexatious” and “deceitful” conduct including “pursu[ing] the] suit as part of a bigger plan to identify companies potentially infringing the ‘105

¹¹² *Id.* at 554–57 (comparing § 285’s language to an identical provision in the Lanham Act, 15 U.S.C. § 1117(a)); see also Daniel Cahoy & Lynda Oswald, *A Serendipitous Experiment in Percolation of Intellectual Property Doctrine*, 95 IND. L.J. 39, 63–86 (2020) (arguing that the specialized nature of the Federal Circuit leads to formalistic doctrines like the *Brooks* standard whereas percolation between myriad appellate courts—as done with the comparable trademark provision—helped trademark law to arrive at Congress’ intended interpretation earlier).

¹¹³ *Octane Fitness*, 572 U.S. at 554–57.

¹¹⁴ *Id.* at 554.

¹¹⁵ *Id.* at 557–58.

¹¹⁶ *Id.*

¹¹⁷ Press Release, Octane Fitness, District Court Awards Octane Fitness \$1.8 Million in Attorney’s Fees and Expenses in Patent Lawsuit, (Sept. 9, 2015), <https://www.octanefitness.com/home/district-court-awards-octane-fitness-1-8-million-in-attorneys-fees-and-expenses-in-patent-lawsuit/>.

¹¹⁸ *Highmark, Inc. v. Allcare Health Mgmt. Sys.*, 572 U.S. 559(2014).

¹¹⁹ *Id.* at 563.

¹²⁰ *Id.* at 561.

patent under the guise of an informational survey, and then to force those companies to purchase a license of the '105 patent under threat of litigation."¹²¹ Additionally, Allcare continued to assert its infringement claims well after their own experts found them to be without merit and knowing that their asserted defenses were frivolous.¹²² The Court of Appeals reviewed the attorney's fees award *de novo*, affirming and reversing the award in part. Applying *Brooks Furniture*, the Court of Appeals determined that some of the claim construction arguments that Allcare made were not objectively baseless or "so unreasonable that no reasonable litigant could believe it would succeed."¹²³ The Court of Appeals also found that Allcare's litigation conduct did not rise to the level of exceptional misconduct.¹²⁴ *En banc* review of the decision was denied over five judges dissenting to the non-deferential *de novo* review that the CAFC panel took of the lower court's objectively baseless finding.¹²⁵

The United States Supreme Court vacated and remanded the CAFC's opinion in light of *Octane* overturning *Brooks* and the heightened standard of review the Court articulated in *Highmark*.¹²⁶ In concluding that the review standard for § 285 fees should be that of an abuse of discretion rather than *de novo*, the US Supreme Court started with the *Octane* decision. Therein the Court found that a determination of exceptionality should be done in a case-by-case exercise of the court's discretion under a totality of the circumstances.¹²⁷ Since the trial court decides whether § 285 is met within its discretion, appellate review should be for an abuse of said discretion.¹²⁸ To illustrate what might constitute an abuse of discretion: "[a] district court determination was necessarily an abuse of discretion if it was based 'on an erroneous view of the law or on a clearly erroneous assessment of the evidence.'"¹²⁹

The Supreme Court further looked at the plain language of § 285 in that it explicitly references that "**the court** in exceptional cases may award reasonable attorney fees . . ."¹³⁰ This language was reasoned to suggest that some deference should be given to lower courts on appeal.¹³¹ "[T]he district court 'is better positioned' to decide whether a case is exceptional[] because it lives with the case over a prolonged period of time."¹³² On remand and under *Octane*, the COA affirmed the district court's finding of § 285 exceptionality with respect to the '102 Patent's claims but vacated the trial court's finding that the cases was not exception with respect to another patent's

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.* at 562.

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ *Id.* at 562–64.

¹²⁷ *Id.* at 563 (citing *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014)).

¹²⁸ *Id.* at 563–64 (citing *Pierce v. Underwood*, 487 U.S. 552, 558–62 (1988)).

¹²⁹ *Id.* at 563, n.2; DONALD CHISUM *supra* n.398.35.

¹³⁰ *Highmark*, 572 U.S. at 563–64 (emphasis added).

¹³¹ *Id.*

¹³² *Id.*

claims.¹³³ The Federal Circuit further remanded the case to the district court to reevaluate exceptionality for the claims to which the court had not previously based its attorney's fees award. In doing so, the Eastern District of Texas reaffirmed its prior finding of exceptionality and reissued its attorney's fees award in the amount of over \$4.7M with interest and additional expenses.¹³⁴

iii. *Implications of Octane & Highmark*

Octane & Highmark have redefined "exceptionality" distinct from the *Brooks* era. Certainly, a finding of bad faith is not required to find a case fee worthy.¹³⁵ One author states that, "exceptionality" can be determined by the use of "common sense."¹³⁶ Many practitioners expected *Octane* and *Highmark* to increase the ease of obtaining attorney's fees against litigants bringing weaker cases as well as reduce the number of NPE litigations and nuisance value lawsuits. As to ease of obtaining an award of attorney's fees, the reduced burden of proof and removal of the requirement of bad faith in *Octane* were expected to enable more fee awards.¹³⁷ Moreover, the ability to have said award preserved on appeal, under the highest standard of review after *Highmark*, should have given trial courts more confidence that their fee decisions will be upheld. It does seem that post-*Octane-Highmark* fee awards have an increased likelihood of being granted. Pre-*Octane-Highmark*, attorney's fees were awarded in approximately 23% of the motions, the year after the decisions, however, awards were granted as frequently as in 43% of the petitions.¹³⁸ Additionally, litigants

¹³³ *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 577 F. App'x 995, 996–97 (Fed. Cir. 2014).

¹³⁴ *Highmark Inc. v. Allcare Health Mgmt. Sys.*, No. 4:03-cv-1384-Y, 2015 U.S. Dist. LEXIS 152034, at *5 (N.D. Tex. June 23, 2015).

¹³⁵ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554–57 (2014).

¹³⁶ Jones, *supra* note 66, at 538–43 (defining said common sense as follows: "In essence, parties should urge judges to gauge whether the strength of the claims asserted by opposing parties and the manner in which they are pursued conform to the ordinary levels of civility, candor, and professionalism. Any deviation from ordinary practices is, arguably, 'exceptional,' and litigants should not hesitate to bring such actions to the court's attention.").

¹³⁷ TOSHIKO TAKENAKA, *PATENT ENFORCEMENT IN THE US, GERMANY AND JAPAN* 284, n.63 (Oxford University Press 2015) (asserting that *Octane* et al. was done "in particular" to combat "frivolous cases brought by non-patent practicing entities (NPEs)") (citing Jurata, *supra* note 90, at 1280–81); see also THOMAS, *supra* note 59, at 9 (stating that *Octane* and *Highmark* made it easier for alleged infringers to collect fees).

¹³⁸ Jiam, *supra* note 48, at 622–30; see also Jones, *supra* note 66, at 524–28 (reporting a grant rate as high as 47% between April and December of 2014); Jared Smith & Nicholas Transier, *Trolling for an NPE Solution*, 7 HASTINGS SCI. & TECH. L.J. 215, 248 (2015):

Practitioners have reported anecdotal evidence of an increase in the number of motions filed seeking exceptional case treatment and an increase in the overall recovery of attorneys' fees [post-*Octane*]. Consistent with this, statistical analysis of exceptional case rulings suggest that success rate of exceptional case motions has returned to and even exceeded the rate before *Brooks Furniture*."

See also Soroudi, *supra* note 77, at 340–44 (showing an increase in grants for fee motions shortly after *Octane* and *Highmark*).

are using motions for fees more frequently after *Octane*.¹³⁹ Accordingly, reports suggest that post-*Octane* attorney's fees motions are more likely to be filed and granted than before.

It does not, however, necessarily follow that NPE litigation has slowed merely because attorney's fees awards are easier to obtain. Patent litigation has generally trended downward since 2016.¹⁴⁰ Pre-*Octane* from 2007, patent litigation filings were increasing at an average rate of 515 new cases per year or a 14% increase each year. Most significantly were 2011 and 2012, which saw a 29% and 53% increase, respectively.¹⁴¹ Though there was a slight uptick in cases in 2015, between 2015 and 2020 post-*Octane*, roughly 430 fewer cases were filed each year. On average, case filings are decreasing at a rate of 11.3% annually with 2019 having the most significant decline of 28% from the prior year.¹⁴² Therefore, *Octane*, *Highmark* (and potentially *Alice*) appear to have had a negative impact on patent litigation filings, netting a 26% decline. If NPE litigation follows the industry's trend, one can estimate that NPEs are bringing approximately one-quarter fewer filings per year than they were pre-*Octane*. It is unclear still whether the declines are disproportionately attributed to NPEs though NPEs typically bring the supermajority of patent suits.

III. Section 285 "Exceptionality" for Asserting an Invalid Patent Depends Upon the Objective Baselessness of a Validity Position

According to § 285, attorney's fees are only available in "exceptional" cases.¹⁴³ Historically, there have been many different circumstances that could indicate that a case was exceptional including, e.g., vexatious or unjustified litigation, unfairness,

¹³⁹ Lionel M. Lavenue, Sean D. Damon & R. Benjamin Cassady, *Making the Nonprevailing party Pay: The Statistics of Exceptional Cases Two Years After Octane and Highmark*, FINNEGAN (Jul. 2016) <https://www.finnegan.com/en/insights/articles/making-the-nonprevailing-party-pay-the-statistics-of-exceptional.html> (showing an increase in fee motions, total damages award, and grant rate after *Octane*):

In the 12 months preceding *Octane*, only 13 percent of § 285 motions were granted. A little over a year following *Octane*, however, the number of § 285 motions filed rose precipitously: a total of 122 motions were filed, and the number of awards nearly doubled the preceding year with an award rate of 42 percent.

Nearly two years since *Octane* and *Highmark*, these decisions are having a lasting effect on attorneys' fee awards. A total of 206 motions have been decided by the courts. They have granted or deferred [] 89 attorneys' fee motions while denying 127. Thus, the attorneys' fee award rate is still considerably higher at 33 percent when compared with the pre-*Octane* period [].

¹⁴⁰ Compare Geneva Clark, *supra* note 2, with Brian Howard, *supra* note 2 (rates and percentages were derived from the statistics herein).

¹⁴¹ *Id.*

¹⁴² *Id.* See also Agarwal, *supra* note 51, at 71. ("According to a news report from PricewaterhouseCoopers, in a dramatic shift from recent years, the annual number of patent actions filed in 2014 declined for the first time since 2009. Approximately 5,700 cases were filed in 2014, representing a drop of 13%.") (citing Chris Barry, Kris Swanson & Ronen Arad, *2015 Patent Litigation Study A change in patentee fortunes*, PWC (May 2015), http://pwc.com/en_US/us/forensic-services/publications/assets/2015-pwc-patent-litigation-study.pdf).

¹⁴³ 35 U.S.C. § 285.

bad faith, inequitable conduct in obtaining the patent, fraud, Rule 11 activity, litigation misconduct, willful infringement or objective baselessness.¹⁴⁴ Moreover post-*Octane*, “exceptionality” is determined under a totality of the circumstances.¹⁴⁵ A litigant’s behavior may be exceptional for reasons unrelated to patent validity. For example, when a party is unwilling to produce discoverable subject matter during discovery or overly broad in its discovery requests, that unwillingness could be basis for litigation misconduct and a “circumstance” favoring a fee award.¹⁴⁶ However, important to discussing fee judgments for § 101 eligibility arguments, awards are premised upon the “objective baselessness” of a party’s (or in this case the patentee’s) validity or eligibility position. The motion for fees likely occurs after an accused infringer prevails in having the patent found invalid for ineligibility. The would-be infringer asserts that the patentee tried to enforce a patent it knew or should have known was invalid. As demonstrated below, in order for the patentee’s eligibility position to have been “exceptional,” however, it has to have not only have been unsuccessful but objectively baseless. Thus, the scope of this study is on defining objective baselessness for a validity position (or one similar thereto, like infringement).

Further, while other grounds for fees related to a patent’s invalidity may be triggered by enforcement of an invalid patent, said arguments are anchored to a finding of the validity position being objectively baseless. So, in the context of unjustified litigation or bad faith, for example, a litigant might argue that not only was the patentee’s validity position objectively baseless but that enforcing a known invalid patent surmounted to bad faith.¹⁴⁷ In this case, whether the litigation was unjustified would also contend upon the objective baselessness of the eligibility position advanced by the patentee.

Therefore, when assessing whether a party’s or attorney’s validity position is exceptional, we ask whether a reasonable attorney would have believed the patent to be valid? Attorneys are not fortunetellers, after all, they are not responsible for knowing how a judge will decide a *reasonable* question on validity. We are, however, held

¹⁴⁴ American Chain & Cable Co. v. Rochester Ropes, Inc., 199 F.2d 325, 330 (4th Cir. 1952); Merrill v. Builders Ornamental Iron Co., 197 F.2d 16, 25–26 (10th Cir. 1952); Wilson v. Seng, 194 F.2d 399, 403–04 (7th Cir. 1952) (pointing to the lack of inequitable conduct); Brooks Furniture Mfg. v. Dutailier Int’l, 393 F.3d 1378, 1381–85 (Fed. Cir. 2005) (reversing the lower court’s finding of a fee award for a lack of bad faith in the record, this logic, however, later being rejected by the US Supreme Court in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553–58 (2014)); Jiam, *supra* note 48, at 634 (“any factors that were considered sufficient for an ‘exceptional’ case finding under the Federal Circuit’s standard are still sufficient under the new standard established in *Octane Fitness*.”).

¹⁴⁵ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014).

¹⁴⁶ See, e.g., *IPVX Patent Holdings v. Voxernet*, No. 5:13-cv-01708, 2014 U.S. Dist. LEXIS 158037, at *17–20 (N.D. Cal. Nov. 6, 2014).

¹⁴⁷ See, e.g., *Energy Heating LLC v. Heat On-The-Fly LLC*, No. 2020-2038 at 7–9 (Fed. Cir. Oct. 14, 2021) (affirming the district court’s determination of exceptionality by highlighting support for bad faith in the patentee’s known misrepresentations about the invalidity of the patent and persisting to enforce it).

to a standard of reasonableness in the practice such that if no reasonable attorney would have believed the patent to be valid, our position might stand out not only as exceptional but arguably professionally irresponsible.¹⁴⁸ An important guiderail, therefore, in deciding whether to bring an infringement lawsuit is the reasonableness of an attorney's position, in this case their eligibility stance.

- a. An objectively baseless position is one that no reasonable litigant would advocate

Simply put, a litigation viewpoint is objectively baseless if no reasonable attorney would believe, or advance said position.¹⁴⁹ Objective baselessness depends upon the facts and law of the case. As objective baselessness is a matter of common law, it is best illustrated by examining some of the cases.

Objective baselessness did not necessarily take on new meaning after *Octane*. The decision merely removed an additional element of proof related to bad faith.¹⁵⁰ Relevant and illustrative judgments on objective baselessness would accordingly precede and succeed *Octane*. However, sometimes an indication of the chronology of a decision with respect to *Octane* is indicated herein for its relevance to the ultimate finding of exceptionality rather than objectivity.

- i. *Pre-filing due diligence should indicate unreasonableness*

Due diligence is defined as the competent and comprehensive review of a legal matter to assess one's legal rights.¹⁵¹ For patent matters, there is a list of pre-filing due diligence that includes, for example, a reasonable claim construction, infringement

¹⁴⁸ FED. R. CIV. P. 11 (b):

REPRESENTATIONS TO THE COURT. By presenting to the court a pleading, written motion, or other paper—whether by signing, filing, submitting, or later advocating it—an attorney or unrepresented party certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances:

. . .

(2) the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law;

(3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery; and

(4) the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on belief or a lack of information.

(2007); see also Model Rules of Pro. Conduct 3.1, 3.3 (Am. Bar Ass'n 1983).

¹⁴⁹ *Lumen View Tech. v. Findthebest.com*, 24 F. Supp. 3d 329, 335 (S.D.N.Y. 2014) (defining objective baselessness or "objective unreasonableness" by stating "[t]o be objectively baseless, the infringement allegations must be such that no reasonable litigant could reasonably expect success on the merits.").

¹⁵⁰ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 550, 554–57 (2014).

¹⁵¹ *Due Diligence*, CORNELL LAW LEGAL INFORMATION INSTITUTE (Nov. 2020), https://www.law.cornell.edu/wex/du_e_diligence ("Care or attention to a matter that is sufficient to avoid liability, though not necessarily exhaustive.").

analysis, and validity assessment.¹⁵² When attorneys do not follow these *di minimus* guidelines, their positions may be seen as unreasonable or baseless.

One post-*Octane* district court case provides an example of an objectively baseless argument with respect to infringement that should have been caught by ordinary prefiling due diligence.¹⁵³ *Lumen View* was a case where the district court found the litigation tactics to be “prototypically” exceptional under § 285 and fees were awarded.¹⁵⁴ The case was exceptional in part because the infringement arguments were objectively baseless (“Lumen’s own claim construction brief construed the independent claim of the ‘073 Patent as requiring two or more parties to input preference data [even though the accused infringing product only had one.] . . . And Lumen’s Complaint alleged that [] infringement was predicated on the alleged use of bilateral preference matching.”).¹⁵⁵ The patentee provided no support for its infringement theory that use of singular preference matching criteria would infringe.¹⁵⁶ The court criticized the patentee for its lack of pre-filing preparation.¹⁵⁷ The patentee’s own claim construction and Complaint were objectively inconsistent and notably, before filing the lawsuit, the accused infringer informed the patentee of this basis for noninfringement. The Court of Appeals affirmed the district court’s finding of exceptionality on the basis that the infringement contentions were baseless.¹⁵⁸ An infringement analysis is ordinary prefiling due diligence that a reasonable attorney is expected to do, after which a reasonable attorney should know that infringement was not viable and the patentee failed to do so in *Lumen View*.^{159, 160}

¹⁵² See, e.g., Michael Autuoro & Veena Tripathi *An Introduction to Patent Due Diligence*, FISH & RICHARDSON (Jul. 31, 2020) <https://www.jdsupra.com/legalnews/an-introduction-to-patent-due-diligence-98765/>.

¹⁵³ *Lumen View Tech. v. Findthebest.com*, 24 F. Supp. 3d 329, 335 (S.D.N.Y. 2014), *aff’d*, 811 F.3d 479 (Fed. Cir. 2016); see also *Kilopass Tech. v. Sidense Corp.*, Case No. 10-02066, 2014 U.S. Dist. LEXIS 112321, at *28–52 (N.D. Cal. 2014) (finding the patentee’s infringement positions to have been objectively baseless where the patentee’s infringement theories were either moving targets, not supported by hired counsel’s prefiling opinions or counsel was not allowed to provide a complete and competent opinion).

¹⁵⁴ *Lumen View*, 24 F. Supp. 3d at 331, 337.

¹⁵⁵ *Id.* at 335–36.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.* at 335 (“what pre-filing preparation, if any, was done”).

¹⁵⁸ *Lumen View Tech. v. FindtheBest.com*, 811 F.3d 479, 483 (Fed. Cir. 2016):

The allegations of infringement were ill-supported, particularly in light of the parties’ communications and the proposed claim constructions, and thus the lawsuit appears to have been baseless. Claim construction was unnecessary before finding noninfringement in this case, especially because *Lumen View* conceded that the claims require preference data from multiple parties [something lacking in the accused infringing product].

¹⁵⁹ *Id.* at 481–82 (negatively referring to the frivolousness of the suit, litigant’s motivation, and the need to deter this type of litigation; ultimately finding the case exceptional).

¹⁶⁰ Another example of a patentee failing to take on proper prefiling due diligence for infringement is *IPVX Patent Holdings v. Voxernet*, No. 5:13-cv-01708, 2014 U.S. Dist. LEXIS 158037, at *10–24 (N.D. Cal. Nov. 6, 2014). In *IPVX Patent Holdings*, \$820,000.00 in fees were awarded based upon

Another fee award related to the absence of proper diligence involves anticipation and noninfringement that should have been known by the patentee.¹⁶¹ *Rothschild* concerns assertions of patent infringement against over fifty different accused infringers. One accused infringer not only argued anticipation *via* correspondences with the patentee but they additionally motioned for dismissal pursuant to Rule 12 for subject matter ineligibility (immaterially) and served the patentee with a Rule 11 Safe Harbor Notice. Upon receiving the notice, the patentee voluntarily dismissed the action. However, the accused infringer still motioned for fees under § 285, which the district court denied.¹⁶²

The Court of Appeals reversed the lower court's finding against exceptionality, stating that the court clearly erred when it did not consider the patentee's willful ignorance of the prior art with respect to anticipation.¹⁶³ "Rothschild's counsel stated that he had 'not conducted an analysis of any of the prior art asserted in [the] Cross [] Motion to form a belief as to whether that prior art would invalidate' the '090 patent. [] Rothschild's founder echoed these statements."¹⁶⁴ The patentee also failed to review the accused infringing product in its infringement analysis.¹⁶⁵ The panel further considered the patentee's pattern of filing high volumes of lawsuits for nuisance value settlements as a demonstration of bad faith or vexatious litigation.¹⁶⁶

Judge Mayer concurred with the opinion, finding the complaint frivolous on its face. Judge Mayer's concurrence also made another interesting point about how overly broad infringement allegations might undercut Section 101 eligibility.¹⁶⁷ If a wide diversity of technologies can be said to be covered by the claims—assuming the claims are properly construed by the patentee—does that not also indicate a propensity for the claim being overly broad and perhaps written to a fundamental concept?

ii. An adverse judgement can indicate unreasonableness

Even if a reasonable prefiling investigation reveals no merits issues, when a

the weak factual support provided for the infringement theories (i.e., their objective baselessness) and the "assembly-line" "boilerplate" manner in which the lawsuit was prosecuted as opposed to comparing the claims with the specific accused infringing product. *Id.*; see also W. Keith Robinson, *Awarding Attorney Fees and Deterring "Patent Trolls,"* 20 LEWIS & CLARK L. REV. 281, 293, 296, n.80 (2016).

¹⁶¹ *Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs. Inc.*, 858 F.3d 1383 (Fed. Cir. 2017).

¹⁶² *Id.* at 1385–86.

¹⁶³ *Id.* at 1388.

¹⁶⁴ *Id.*

¹⁶⁵ *Id.* at 1388–90.

¹⁶⁶ *Id.* at 1389–90.

¹⁶⁷ *Id.* at 1391–92 (Mayer, J., concurring):

In assessing patent eligibility under 35 U.S.C. § 101, "the underlying functional concern . . . is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor." [quoting *Mayo*] . . . The [] patent [here] falls far beyond the bounds of section 101 because its potential to disrupt future innovation is staggering while its technological contribution is non-existent.

judgment is received in the case, clearly indicating the “impossibility” of a position, the litigant should cease pursuing the issue, notwithstanding an appeal of that judgment.¹⁶⁸ *AdjustaCam* is an interesting case because the district court’s initial denial of attorney’s fees was up on appeal when *Octane* and *Highmark* were issued by the US Supreme Court. The Court of Appeals remanded the case to follow *Octane*, applying a totality-of-the-circumstances standard to the review of attorney’s fees.¹⁶⁹ But after *Octane*, the original judge retired and a subsequent presiding judge failed to review the evidence anew, relying on the judgment of the original trial judge who had more firsthand experience perceiving the evidence.¹⁷⁰ The CAFC found this failure to review the facts under a totality of the circumstances (as instructed in *Octane*) to be an abuse of discretion.¹⁷¹

Relevant to baselessness, the panel indicated that if “one could reasonably argue” a legal position then the party’s position was “not objectively baseless.”¹⁷² In reversing the district court’s denial of fees, the CAFC found that the trial court abused its discretion by making several clearly erroneous factual findings including, *inter alia*, that the post-*Markman* infringement position of the patentee was not objectively baseless.¹⁷³ In this case, the patentee’s infringement position was objectively baseless:

[T]here [was] **no possible way** for Newegg’s products **to infringe** the ‘343 patent. **No reasonable factfinder could conclude** that Newegg’s products infringe; therefore, *AdjustaCam*’s litigation position was **baseless**. These are traits of an exceptional case. The district court’s contrary conclusion was based on “a clearly erroneous assessment of the evidence.”¹⁷⁴

If a legal theory becomes impossible then continuing to advance it might be said to be objectively baseless.

As a practitioner, one should reasonably be able to assess the possibility of infringement pre-suit with some degree of confidence; but this is especially true after a claim construction order objectively defines the scope of the claims. Referring back to eligibility, it is difficult to obtain a comparable degree of confidence on eligibility pre-judgment. Contrast *AdjustaCam*’s post-*Markman* infringement position with a prejudgment eligibility assessment. While reasonable patent attorneys infrequently disagree about infringement post-*Markman*, they often differ on eligibility and certainly the possibility of the same.¹⁷⁵

¹⁶⁸ *AdjustaCam, LLC v. Newegg, Inc.*, 861 F.3d 1353 (Fed. Cir. 2017).

¹⁶⁹ *Id.* at 1357.

¹⁷⁰ *Id.* at 1358.

¹⁷¹ *Id.* at 1357–60 (*Octane* “did not simply relax the standard under § 285. It substantially changed the analysis.”).

¹⁷² *Id.* at 1356–57.

¹⁷³ *Id.* at 1360–61 (“*AdjustaCam*’s suit became baseless after the district court’s *Markman* order”).

¹⁷⁴ *Id.* at 1361 (emphasis added).

¹⁷⁵ See Section I *supra*.

While a favorable judgment may support a fee award, an unfavorable judgment may also cut against a fee award.¹⁷⁶ The district court in *Spineology* denied the accused infringer's motion for fees after summary judgment for non-infringement was granted.¹⁷⁷ In the original claim construction order the court failed to adopt either party's claim construction. However, on summary judgment the court ultimately adopted the accused infringer's construction and found non-infringement.¹⁷⁸ Accordingly, the court did not consider the patentee's construction to be so unreasonable as to make the case exceptional.¹⁷⁹

The Court of Appeals also failed to find the case exceptional based upon the damages arguments made by the patentee that the district court never reached on the merits since they became moot with the summary-judgment-of-non-infringement order.¹⁸⁰ Reasonableness of the position is difficult to assess where the issue becomes moot at the district court level.¹⁸¹

iii. A party's evidence contradicting its position can be unreasonable

Where a party's own evidence does not support their position, advancing the issue might be objectively baseless.¹⁸² In *Bayer CropScience*, the CAFC affirmed the district court's finding of fees against a patentee, reasoning that the lower court did not abuse its discretion in determining that the patentee's position of validity was relatively weak.¹⁸³ Specifically, the invention was licensed to the accused infringer prior to the critical date but the patentee argued that it did not consider this commercialization of the invention based upon an interpretation of the licensing agreement.¹⁸⁴ However, the district court found that the patentee's contractual interpretation did not present a "colorable dispute" regarding the agreement's terms.¹⁸⁵ The patentee's positions "were directly contradicted by the record evidence [the patentee] had obtained through early discovery and [the patentee] should have made every effort to discover before filing suit."¹⁸⁶ Contradictory evidence included the patentee's own witnesses

¹⁷⁶ *Spineology, Inc. v. Wright Med. Tech., Inc.*, 910 F.3d 1227 (Fed. Cir. 2018).

¹⁷⁷ *Id.* at 1228.

¹⁷⁸ *Id.* at 1229–30.

¹⁷⁹ *Id.* ("[The accused infringer] cannot fairly criticize [the patentee] for continuing to pursue a construction not adopted by the district court in the claim construction order, since the district court declined to adopt [the accused infringer's] proposed construction as well.")

¹⁸⁰ *Id.* at 1230.

¹⁸¹ *Id.* ("On this record, where the district court never reached the parties' damages arguments, we are in no position to upend its determination that Mr. Nantell's analysis was not meritless."). *But see* *ThermoLife Int'l LLC v. GNC Corp.*, 922 F.3d 1347, 1356–57 (Fed. Cir. 2019) (where noninfringement served as the basis for the district court's exceptionality finding even though it was not a part of the merits decision).

¹⁸² *Bayer CropScience AG v. Dow ArgoSciences LLC*, 851 F.3d 1302 (Fed. Cir. 2017).

¹⁸³ *Id.* at 1303.

¹⁸⁴ *Id.* at 1306–08.

¹⁸⁵ *Id.*

¹⁸⁶ *Id.* at 1307.

discussing selling commercial rights, the patentee's expert not reviewing relevant facts outside of the contract, a congratulatory email from the patentee's witnesses that was sent subsequent to ratification of the contract boasting the license's commercial potential and a motion for preliminary injunction timed to stop relevant discovery on the on-sale bar.¹⁸⁷

In *ThermoLife Int'l v. GNC*, the Court of Appeals found no abuse of discretion where the district court granted a motion for fees after dismissing the case for invalidity.¹⁸⁸ The basis of the fees grant was noninfringement, however, though infringement had not been adjudicated on the merits.¹⁸⁹ Still, the patentee's infringement position was found to be unreasonable because the patentee's own expert testified against infringement and knowledge of non-infringing circumstances pre-filing.¹⁹⁰ Moreover, the pre-filing investigation was lacking because the patentee failed to test the accused infringing product. Though pre-filing testing is not always required, where the accused products are publicly available and testing is relatively simple, it is unreasonable to forego examination.¹⁹¹ The patentee argued that its review of the accused infringer's labels was an adequate substitute for trials, but the labels were deficient in that they did not adequately support or confirm infringement either.¹⁹²

Bayer CropScience and *ThermoLife* arguably instruct that a reasonable position is one that is at least bound by your own evidence, i.e., the testimony of your own witnesses. Where your client's evidence contradicts your opinion, a reasonable attorney should have known the opinion to be false.¹⁹³ Interpreting a contract in contradiction to your own witnesses' account of meaning is not likely to be a reasonable position. However, with eligibility determinations typically none of the client's evidence will favor ineligibility and applying step 2 of *Alice* has been notoriously vague.

iv. Where the law is clear, departure can also be baseless

Where the black letter law established by a federal agency clearly denotes the procedure by which one may maintain a patent and that procedure is not followed, a reasonable attorney likely should have known that the patent was invalid.¹⁹⁴ In *In re Rembrandt Technologies*, the CAFC affirmed the exceptionality finding of a district court in awarding fees against a patentee that pursued enforcement of an abandoned patent. Relevant to baselessness, among other things, the patent was found invalid due to a failure to pay maintenance fees.¹⁹⁵ The district court was not clearly erroneous in finding that the patentee should have known that the revived patents had not

¹⁸⁷ *Id.* at 1306–08.

¹⁸⁸ *ThermoLife Int'l LLC v. GNC Corp.*, 922 F.3d 1347 (Fed. Cir. 2019).

¹⁸⁹ *Id.* at 1356–61.

¹⁹⁰ *Id.* at 1359–60.

¹⁹¹ *Id.* at 1360–61.

¹⁹² *Id.*

¹⁹³ Robinson, *supra* note 160, at 293, n.76.

¹⁹⁴ *In re Rembrandt Techs. LP Patent Litig.*, 899 F.3d 1254 (Fed Cir 2018).

¹⁹⁵ *Id.* at 1273–75.

been “unintentionally” abandoned under PTO definition of the same.¹⁹⁶ (Other relevant circumstances to fees included that the patentee improperly paid witnesses and engaged in evidence spoliation.).¹⁹⁷ As to inequitable conduct in reviving the patents, however, the district court rightly concluded that the patentee “should have known” that the Code of Federal Regulations specifically defined “unintentional” abandonment to exclude a deliberate choice not to pay maintenance fees “due to . . . [a belief] that the invention lacks sufficient commercial value to justify continued prosecution [or payment].”¹⁹⁸

Nevertheless, for a party to be objectively baseless in their view, the law must clearly oppose their position.¹⁹⁹ In *Stone Basket Innovations*, the district court denied a motion for fees after the patentee requested an adverse decision in an *IPR* subsequent to institution and after settlement negotiations broke down.²⁰⁰ The patentee further moved to dismiss the parallel lawsuit. The accused infringer moved for fees arguing that its invalidity contentions demonstrated the substantive weakness of the patentee’s litigation position.²⁰¹ The accused infringer could not establish that the patentee’s stance was unreasonable, however, because the defending party failed to clearly assert a concise invalidity position that would have been objectively unreasonable to consider.²⁰² For example, the accused infringer made obviousness contentions based upon 32 different references.²⁰³ Such distracted reasoning did not even meet the district court’s local rules on providing adequate notice of invalidity challenges: to state “each such combination, and the motivation to combine such items” and provide “[a] chart identifying where specifically in each alleged item of prior art each element of each asserted claim is found.”²⁰⁴ Given the cloudiness of the movant’s arguments, it would seem that the patentee might not have appreciated the strength of the accused infringer’s arguments until after the *IPR* was instituted; the patentee was not said to have been “clearly unreasonable” or “objectively baseless.”²⁰⁵ The court distinguished *Rothschild*, where the panel reversed the lower court’s denial of fees after the patentee moved for dismissal once a Rule 11 notice was sent for §102 challenges, *inter alia*, and after having admittedly ignored the prior art asserted.²⁰⁶ In contrast to *Rothschild*, where the Rule 11 motion sets forth

¹⁹⁶ *Id.* at 1266–75.

¹⁹⁷ As to paying witnesses, local professional ethics rules prohibited the exact same litigation-outcome-contingency payments to witnesses the patentee made (i.e., the patentee should have known better). *Id.* at 1267–68. With respect to spoliation, the panel repeatedly referred to how the patentee “should have known” or “had reason to believe” that relevant documents might have been destroyed after an acquisition. *Id.* at 1270–71.

¹⁹⁸ *Id.* at 1272–75.

¹⁹⁹ *Stone Basket Innovations v. Cook Medical*, 892 F.3d 1175, 1181 (Fed. Cir. 2018).

²⁰⁰ *Id.* at 1177–78.

²⁰¹ *Id.* at 1178–83.

²⁰² *Id.* at 1179–80.

²⁰³ *Id.*

²⁰⁴ *Id.*

²⁰⁵ *Id.* at 1179–81.

²⁰⁶ *Id.* at 1182.

“concrete evidence” of anticipation, the invalidity assertions were abstract in *Stone Basket*.²⁰⁷

v. *A patentee's NPE status is circumstantial evidence of baselessness*

Courts often refer to the non-practicing status of a patentee or high-volume filings in determining whether a case was exceptional.²⁰⁸ The NPE status of a patentee does not necessarily speak to a lack of merits.²⁰⁹ Yet, where a patentee has a reputation for avoidance of the merits, e.g., by settling claims for nuisance value, courts tend to view this as at least circumstantial evidence of objectively baseless enforcement.²¹⁰

b. Negatively Defining Objective Baselessness

It is also helpful to define objective baselessness in the negative—as objective unreasonableness under § 285 is as much defined by what it is not as the aforementioned. Courts have found that litigant positions are: (i) not unreasonable simply because they are incorrect, (ii) given the benefit of doubt when enforcing a “duly granted patent,” (iii) must have an adequately explained nexus to any resulting fee awards, and (iv) balanced against any decisions that are favorable to the ultimate non-prevailing party.

i. *Objective baselessness is not correctness*

Courts have made clear that objective reasonableness is not synonymous with correctness. Just because a litigant's position is ultimately unsuccessful does not mean that the position was objectively unreasonable.²¹¹ *Romag Fasteners* was an appeal from the District Court of Connecticut's grant of a patentee's motion for attorney's fees under, *inter alia*, the Patent Act.²¹² The COA panel reversed in part the grant of fees related to a summary judgment finding of definiteness.²¹³ Finding an abuse of discretion, the panel determined that the district court erred as a matter of law in finding that the accused infringer's indefiniteness position was objectively unreasonable simply because an adverse summary judgment opinion was received.

²⁰⁷ *Id.*

²⁰⁸ *See e.g.*, *IPVX Patent Holdings v. Voxernet*, No. 5:13-cv-01708, 2014 U.S. Dist. LEXIS 158037, at *17–20 (N.D. Cal. Nov. 6, 2014); Jiam, *supra* note 44, at 640 n.164.

²⁰⁹ *See e.g.*, Robinson, *supra* note 160, at 283 (“[T]he deterrence rationale has the potential to be problematic. . . given the current legal climate it could be used to unfairly penalize litigants that could be classified as ‘patent trolls.’ “); Ansell, *supra* note 98, at 8–10 (May 2018) (showing that NPEs have comparable success rates as practicing entities and average significantly higher damages awards); *see also* *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1349–51 (Fed. Cir. 2015).

²¹⁰ *See, e.g.*, *IPVX Patent Holdings*, 2014 U.S. Dist. LEXIS 158037, at *17–20; Jiam, *supra* note 48, at 640 n.164.

²¹¹ *Romag Fasteners, Inc. v. Fossil, Inc.*, 866 F.3d 1330 (Fed. Cir. 2017).

²¹² *Id.* at 1333.

²¹³ *Id.* at 1338–39.

Though the indefiniteness defense was ultimately unsuccessful, the position was not of the category of being “woefully inadequate” or “border[ing] on frivolous.”²¹⁴ The panel indicated that a summary judgment decision requires some demonstration of the “inadequacy” of the non-prevailing party’s position but that incorrectness or inadequacy is not necessarily equal to unreasonableness.²¹⁵ The panel also pointed to the fact the district court issued the summary judgment decision *sua sponte*, i.e., the patentee had not been so confident in the position as to move for summary judgment, as a demonstration of the reasonableness of the indefiniteness arguments.²¹⁶ If the prevailing party does not move for early dismissal of an issue, it can undermine arguments that a position was objectively unreasonable.²¹⁷ The definiteness error in *Romag Fasteners* was thus reasonable and not baseless.

Another case illustrates how exceptionality is not merely incorrectness.²¹⁸ In *SFA Systems*, the ED of Texas denied the fees motion of an accused infringer after a patentee voluntarily dismissed the suit despite a favorable claim construction.²¹⁹ The prevailing accused infringer moved for fees based upon the alleged substantive weakness of the case and unreasonable manner in which the case was litigated. The accused infringer asked the CAFC to correct the claim construction of the district court *and* find the district court’s construction unreasonable.²²⁰ The panel indicated that it is not a finding of incorrectness of a position which is needed for a § 285 assessment but unreasonableness of said position.²²¹ Finding support in the specification for the district court’s construction, the panel did not consider its claim interpretation to be unreasonable.²²² Likewise, its definiteness findings (which were contingent upon construction) could not be said to be unreasonable either.

Aside from “unreasonable” positions, as to the unreasonableness in the manner in which the case had been litigated, the accused infringer stated that the patentee filed the suit for nuisance value and not due to the merits—pointing to the volume of cases the patentee had filed and the voluntary dismissal the patentee moved for after a favorable claim construction.²²³ However, the panel indicated that mere presence of other lawsuits does not warrant a finding of bad faith.²²⁴ One explanation for the

²¹⁴ *Id.*

²¹⁵ *Id.* at 1341 (“[a] party’s position on issues of law ultimately need not be correct for them to ‘stand[] out,’ or be found reasonable.”).

²¹⁶ *Id.* at 1339.

²¹⁷ *Id.* at 1338–39; *see also*, *Small v. Implant Direct Manufacturing*, No. 06-cv-683, 2014 U.S. Dist. LEXIS 154468, at *8–13 (S.D.N.Y. Oct. 23, 2014) (stating that even though Octane eliminated the bad faith requirement, “courts continue to hold claims of baselessness to a high bar” of essentially knowledge or willful ignorance of meritlessness that could have been discovered earlier in the litigation); *Jones*, *supra* note 61, at 537.

²¹⁸ *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344 (Fed. Cir. 2015).

²¹⁹ *Id.* at 1346–47.

²²⁰ *Id.* at 1347–48.

²²¹ *Id.* at 1348.

²²² *Id.* at 1348.

²²³ *Id.* at 1349–51.

²²⁴ *Id.*

voluntary dismissal is that the suit might have been settled to better allocate resources for other lawsuits; also the smaller settlements in other lawsuits logically could have been attributable to different patents being the subject of those suits.²²⁵

Attorney's fees under § 285 should moreover not be seen as a penalty for failing to succeed on the merits.²²⁶ *Gaymar* involved the district court denying attorney's fees to the prevailing accused infringer where the patentee eventually lost on *inter partes* reexam at the PTO. The CAFC affirmed the denial of attorney's fees but reversed the "non-exceptional" case finding of the district court that offset the patentee's alleged unreasonable position with the accused infringer's alleged misconduct as the accused infringer's overstatements were not substantial or frequent enough to be characterized as Rule 11 misconduct that would equipoise a finding of exceptionality.²²⁷ Additionally, the court reiterated that losing at the PTO on reexam did not establish that the patentee's pre-final-office-action decision was "objectively baseless."²²⁸

ii. *A duly granted patent weakens baselessness*

The assertion of a duly granted patent undermines baselessness.²²⁹ In *Checkpoint*, the CAFC twice reversed the district court's finding of attorney's fees in favor of the accused infringer: once before and once after *Octane*.²³⁰ The district court ultimately found non-infringement, *inter alia*. The accused infringer moved for fees claiming that the patentee's infringement position was unreasonable since its expert only made comparisons to the patent not the accused products.²³¹ The panel found the district court abused its discretion in assessing the merits of the patentee's position. First, citing the good faith presumption inherent with the enforcement of a duly granted patent, the panel found that the patentee's position was reasonable. The panel further pointed to the patentee obtaining two opinions on infringement and relying on an infringement finding in a Swiss counterpart to the US patent before filing.²³² Additionally, the trial court's denial of summary judgment on non-infringement and

²²⁵ *Id.*

²²⁶ *Gaymar Indus., Inc. v. Cincinnati Sub-Zero Products, Inc.*, 790 F.3d 1369 (Fed. Cir. 2015).

²²⁷ *Id.* at 1373–77.

²²⁸ *Id.* at 1372–73 ("fee awards are not to be used 'as a penalty for failure to win a patent infringement suit . . . ' " quoting *Octane* at 1753. "[F]ees are not awarded solely because one party's position did not prevail.").

²²⁹ *Checkpoint Sys., Inc. v. All-Tag Security S.A.*, 858 F.3d 1371, 1376 (Fed. Cir. 2017) (discussing the "presumption that an assertion of infringement of a duly granted patent is made in good faith."); see also *Stone Basket Innovations v. Cook Medical*, 892 F.3d 1175, 1179–80 (Fed. Cir. 2018); HARMON, *supra* note 69, at 1293–94, n.106 ("The patentee enjoys a presumption that any assertion of infringement of a duly granted patent is made in good faith, which may only be overcome by clear and convincing evidence.") (citing *Medtronic Navigation v. BrainLAB*, 603 F.3d 943 (Fed. Cir. 2010)).

²³⁰ *Checkpoint Sys.*, 858 F.3d at 1373–74.

²³¹ *Id.* at 1374.

²³² *Id.* at 1375–76.

denial of *Daubert* challenges evidenced reasonableness as well.²³³ Also, there was no distinction made between the accused infringing product and the examined product that would have caused the infringement opinion to be objectively incredible.²³⁴

Where eligibility is at issue, the patentee should also be entitled to a presumption of good faith in enforcing a duly granted patent. Ordinary validity pre-filing due diligence likely results in one or more reasonable arguments that favor eligibility. To mitigate risks, perhaps like the infringement opinions of *Checkpoint*, it would be beneficial for a patentee to obtain an independent preliminary opinion on § 101 eligibility, pre-suit. Many § 101 cases are dismissed pretrial on Rule 12 or 56. After *Berkheimer v. HP*, a Rule 12 dismissal is inappropriate where the remaining claim elements might *plausibly* be non-conventional or sufficiently transformative of the ineligible fundamental concept; summary judgment dismissal is also premature where there is a *genuine issue of material fact* as to step 2 of *Alice*.²³⁵ But summary judgment is still common post-*Berkheimer*.²³⁶ Courts can order limited discovery on § 101 or a *Markman*-like hearing on eligibility to lower costs to both parties. It is difficult to accept that an accused infringer has suffered a “gross injustice” solely by litigating eligibility to pretrial dismissal where infringement is colorable and the patent has been duly granted . . . unless no reasonable litigant would have believed the patent to be valid.²³⁷

Consider also that the burden of proof to invalidate a “duly granted patent” is by more than a preponderance of the evidence, but by clear and convincing evidence.²³⁸ It therefore further makes sense to give an asserting entity some initial benefit of the doubt when asserting infringement of a duly granted patent.

iii. *Objective baselessness is not vague or unexplained, courts must make a causal connection explicit for their “exceptionality” findings*

District courts must explicitly make out the causal connection between the admonished conduct and the amount of an award.²³⁹ In *In re Rembrandt Techs.*, the misconduct in this case included objectively baseless enforcement of two patents that the patentee should have known were unenforceable due to failure to pay maintenance fees and abandonment. The Court of Appeals remanded the case back to the district

²³³ *Id.*

²³⁴ *Id.*

²³⁵ *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368–70 (Fed. Cir. 2018).

²³⁶ Geneva Clark, *supra* note 2, at 18 (showing 49:51 ineligibility findings occurring at either Rule 12 or Rule 56).

²³⁷ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014).

²³⁸ 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91 (2011).

²³⁹ *In re Rembrandt Techs. LP Patent Litig.*, 899 F.3d 1254, 1279–80 (Fed. Cir. 2018); HARMON, *supra* note 69, at 1292 n.96; Robert Schaffer & Joseph Robinson, *CAFC vacates \$51 million fee award, exceptional case requires ‘causal connection’ to award fees*, IPWATCHDOG (Aug. 29, 2018), <https://www.ipwatchdog.com/2018/08/29/cafc-vacates-51-million-fee-award-exceptional-case-causal-connection-award-fees/id=100753/>.

court to establish a causal connection between the amount of the fee awards and the misconduct.

In another case, *Energy Heating*, the district court denied fees, but the Court of Appeals vacated that decision for a lack of explanation as to how the district court reached its conclusion on fees.²⁴⁰ The CAFC nevertheless affirmed the district court's finding of inequitable conduct where the patentee failed to disclose pre-critical-date on-sale activity to the PTO.²⁴¹

iv. Objective baselessness is undercut by court decisions in the non-prevailing party's favor

Favorable court decisions also can indicate the reasonableness of the non-prevailing party's positions.²⁴² *Munchkin* involved an appeal from the District Court for the Central District of California granting fees in a patent and trademark infringement case.²⁴³ As to patents, all of the relevant claims were eventually cancelled through an *inter partes* review at the Patent Office.²⁴⁴ The district court subsequently granted the accused infringer's motion for fees. The lower court based its exceptionality finding upon the "substantively weak position" of the patentee after receiving the accused infringer's petition for an *IPR*.²⁴⁵ However, the panel found the district court's analysis lacking in support, indicating that even though deference is owed to the district court's ruling on exceptionalism, such deference does not absolve the district court from explaining its reasons for finding the case exceptional.²⁴⁶ Particularly, more than explaining why the patentee's position was erroneous, a district court must explain why the non-prevailing patentee was "unreasonable" in its position.²⁴⁷

As to the favorable order on claim construction with respect to validity, the district court actually agreed with the patentee in the *Markman* order though the Patent Trial and Appeal Board ultimately disagreed, applying the broadest reasonable interpretation standard; the Board cancelled the claims.²⁴⁸ The question is not whether the patentee ultimately prevails but whether she was unreasonable.²⁴⁹

The district court's decision awarding LNC its attorney's fees never adequately explains why Munchkin's validity position was unreasonable when the district court's claim construction ruling favored Munchkin and erected a serious hurdle to LNC's invalidity

²⁴⁰ *Energy Heating, LLC v. Heat On-The-Fly, LLC*, 889 F.3d 1291, 1307–08 (Fed. Cir. 2018).

²⁴¹ *Id.* at 1299–1303.

²⁴² *Munchkin, Inc. v. Luv n' Care, Ltd.*, 960 F.3d 1373 (Fed. Cir. 2020).

²⁴³ *Id.* at 1374–75.

²⁴⁴ *Id.* at 1374.

²⁴⁵ *Id.* at 1376–77.

²⁴⁶ *Id.* at 1378 ("While we generally give great deference to a district court's exceptional-case determination, a district court nonetheless must 'provide a concise but clear explanation of its reasons for the fee award.'") (citing *Hensley v. Eckerhart*, 461 U.S. 424, 437 (1983)).

²⁴⁷ *Id.* at 1378–80.

²⁴⁸ *Id.*

²⁴⁹ *Id.* (emphasis added).

challenge. The district court attempted to sidestep this hurdle by dismissing its own *Markman* claim construction as merely a non-final, interim order.

The accused infringer made another interesting argument about the unreasonableness of the patentee's position given that an *IPR* had been instituted. Specifically, the accused infringer argued that since most claims and patents do not survive the *IPR* process after institution, the patentee should have known continuing to pursue infringement was unreasonable.²⁵⁰ The panel, however, reasoned that invalidity odds disfavoring patent survival is not (in and of itself) a satisfactory ground for discontinuing litigation.²⁵¹

Just as it was inappropriate for a district court to base its fee award on a likelihood of cancellation in an *IPR*, it is unsuitable for courts to use “short-cut thinking” as a basis for their fee grants or affirmations—i.e., a likelihood of ineligibility post-*Alice*. Even if the patent's claims include a fundamental economic concept, like in *Alice*, we know that all such “business method” claims are not excluded from patent eligibility as *Bilski* identified and, for example, *DDR Holdings* affirmed.²⁵² Accordingly, counsel must make a case-specific evaluation of eligibility even for every business method patent before advising a client not to pursue infringement damages due to *Alice*. Successful pursuit of infringement of a business method patent may be unlikely after *Alice* but that fact standing alone does not make enforcement objectively unreasonable. Ceasing litigation simply because the odds are not favorable to a litigant ignores the details of the patent and technology field, one's own legal opinion on eligibility, the client's circumstances as well as other typical pre-filing considerations like infringement merits, client investment and damages opportunities.

IV. Doctrinal § 101 Attorney's Fees Awards

Some might argue that stakeholders should have been aware that many software and business method patents were ineligible for patenting after *Alice* since *Alice* regards the same. Even though the odds are against eligibility, that improbability is not enough to make asserting most patents in the face of § 101 challenges “objectively baseless.”²⁵³ Naturally occurring DNA (after *Myriad*) is arguably the only clear area of ineligible statutory subject matter.²⁵⁴ However, for business methods, computer implemented methods, methods of medical diagnostics and other abstract concepts,

²⁵⁰ *Id.* (citing an 85% cancellation rate of some claims and a 68% cancellation rate of all claims both after institution).

²⁵¹ *Id.* at 1378–80.

²⁵² *Bilski v. Kappos*, 561 U.S. 593, 606–09 (2010); *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1259 (Fed. Cir. 2014).

²⁵³ It is probably worth mentioning that a favorable eligibility decision is not likely to be how most patentees define success in an infringement suit. Most infringement cases settle by an agreement that both parties find amicable. See Geneva Clark, *2020 Patent Litigation Report*, *supra* note 2, at 15 (showing that in 2020 72% of the cases concluded *via* settlement, the defendant winning through a judgment in only 2% of the cases). Accordingly, even if the odds do not favor eligibility, because they do still lean towards settlement, bringing suits is statistically feasible.

²⁵⁴ *Association for Molecular Pathology v. Myriad Genetics*, 569 U.S. 576 (2013).

eligibility is still blurred. The list of abstract concepts continues to grow post-*Alice*, recently including comparing new and stored information using rules, comparing genes, organizing information through mathematical correlations, and managing a game of Bingo.²⁵⁵

a. Attorney's Fees Awards Based Upon Doctrinal § 101

One precedential decision where the US Court of Appeals used § 285 attorney's fees to discourage enforcement of a patent eventually found ineligible under the doctrinal exclusions is *Inventor Holdings*.²⁵⁶ This case involved an appeal from the District Court of Delaware's Rule 12 dismissal of a patent infringement claim for ineligibility and an assessment of nearly \$1M in attorney's fees for litigating the case post-*Alice*.²⁵⁷ This was the first COA precedential decision punishing litigants with fees for prosecuting an ineligible patent. Hypocritically, however, the panel gave no instruction as to *why* the subject claims were so ("objectively baselessly") ineligible or why the case was considered "exceptional" under § 285. Rather, the panel did not explicitly explain its affirmance of the Rule 12 ineligibility decision, rather it did so through a Federal Circuit Rule 36 order—i.e., without an opinion.²⁵⁸ It is unfortunate that the court passed on making this illustration because an opaque 101 affirmance does not instruct the already struggling patent community of what kinds of claims are ineligible for enforcement.

Looking at the claims, the invention in *Inventor Holdings* was directed to methods of processing remote payments. Representative claim 8 recited the following:

8. A method of processing a payment for a purchase of goods, comprising the steps of: receiving at a point-of-sale system a code relating to a purchase of goods; determining if said code relates to a local order or to a remote order from a remote seller; if said code relates to a remote order, then determining a price for said remote order, receiving a payment for said remote order, and transmitting to said remote seller data indicating that said payment has been received for said remote order.²⁵⁹

The patentee argued that the remote sales method was distinguishable from prior art catalog purchases that were conducted over the phone because those required purchasers to provide their credit card information to a stranger telephonically.²⁶⁰ The use of an "order code" for remote purchases allowed for credit card information not to be transmitted telephonically. The abstract concept was "local processing of

²⁵⁵ United States Patent & Trademark Office, *Training Materials on Subject Matter Eligibility*, USPTO.Gov (Dec. 16, 2014), <https://www.uspto.gov/patents/laws/examination-policy/training-materials-subject-matter-eligibility>.

²⁵⁶ *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372 (Fed. Cir. 2017).

²⁵⁷ *Id.* at 1373, 1377.

²⁵⁸ *Id.* at 1373.

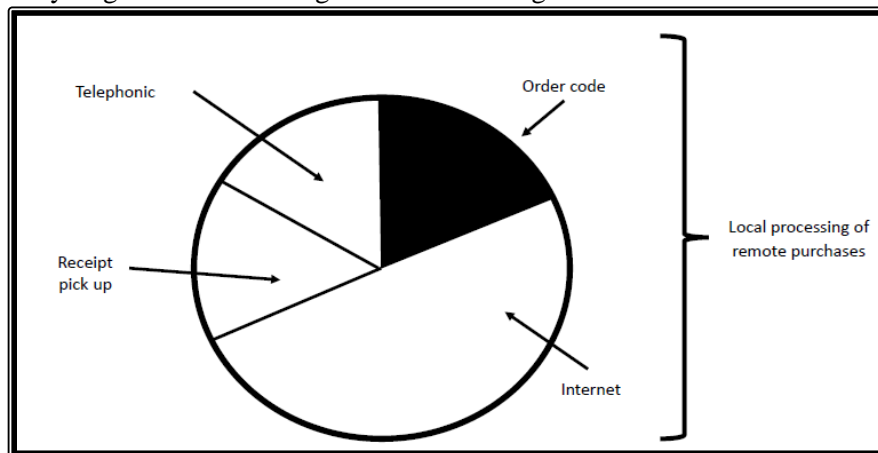
²⁵⁹ *Id.* at 1374.

²⁶⁰ *Id.* at 1375.

payments for remotely purchased goods” under step one of *Alice*.²⁶¹ Under step 2, the district court identified what remained outside of the abstract concept to be: storing the order codes. This, however, was not inventive enough to transform the claims away from the fundamental concept of locally processing payments for remote purchases.²⁶²

Without questioning the finality of the panel’s decision on eligibility, one could debate its fallibility since the subject claims arguably are not *objectively* ineligible under *Alice*. With respect to step 1, if we assume that “local processing of payments for remotely purchased goods” is a reasonably defined fundamental concept, common in retail transactions, under step 2 of *Alice*, the remainder of the claim language is to be examined for genericness or conventionality. Outside of the abstract concept, the claims require the use of “a code relating to the purchase of goods” to determine whether a transaction is for a local or remote purchase.²⁶³ This is a feature that may or may not be widely used in remote transactions. *Alice* next instructs us to ask whether the step transforms the claim away from preempting the fundamental concept. We are not asking if the limitations are new since step 2 of *Alice* cannot be a substitute for novelty or anticipation. Instead, we are determining whether other practical applications of the rudimentary concept are available considering the remaining claim limitations; contrastingly, if the claim forecloses substantially all practical applications of the fundamental concept, then it effectively usurps the utility of the basic principle.

Inventor Holdings’ claims do not appear to be objectively ineligible because there seem to be other practical applications of the abstract principle of “local processing of payments for remotely purchased goods” outside of claim 8. A pie chart of eligibility might look something like the following:²⁶⁴



²⁶¹ *Id.* at 1376.

²⁶² *Id.*

²⁶³ *Id.* at 1374.

²⁶⁴ Downing, *supra* note 13.

Figure 1: *Inventor Holdings v. Bed Bath & Beyond*

For example, one store location might simply generate the receipt onsite so that the purchaser can use said receipt for pickup at another store location without using a “code” or encoding the transaction. This is where an industry expert in retail sales would be useful: to determine how often remote transactions exclude or include order codes.²⁶⁵ Additionally, the patentee expressly indicated that telephonic sales (e.g., *via* catalogue or assumedly between stores) were not included in the claims but they do still include the fundamental concept of local processing of remotely purchased goods.²⁶⁶ Moreover Internet sales which take up a substantial portion of the market, would not seem to be foreclosed by the claims since there is no need to “determin[e] if said code relates to a local order or to a remote order from a remote seller” over the Internet. All Internet purchases are remote from an instore point-of-sale. As demonstrated, even though providing a code to a transaction might not be inventive, under step 2, the use of the code with remote transactions did not appear to be so common as to foreclose a substantial portion of the practical applications of locally purchased remote goods.²⁶⁷ These are additional practical applications of the aforementioned remote transactions that would not be preempted by the claims. Considering this, it would not seem that the patentee was attempting to usurp most of the practical applications of the fundamental concept thus the invention in *Inventor Holdings* was possibly eligible and certainly not objectively baselessly ineligible. A reasonable attorney would not necessarily have known the invention to be ineligible.

On the issue of attorney’s fees, the district court based its finding of § 285 exceptionality “solely on the weakness of the [patentee’s] post-Alice patent-eligibility arguments and the need to deter future ‘wasteful litigation’ on similarly weak arguments.”²⁶⁸ The district court did find the claims “‘objectively ineligible.’”²⁶⁹ However, as discussed, the ineligibility of the invention in *Inventor Holdings* is not objective and the patentee seems to have been improperly punished for being incorrect in its eligibility position, not objectively baseless.

The patentee based its eligibility opinion on *DDR Holdings v. Hotels.com*.²⁷⁰ *DDR Holdings* involved claims to a system for *e-commerce* website composition that incorporates a second site into the format of the first to keep the user at the first site.²⁷¹

²⁶⁵ Robert Sachs, *Twenty-Two Ways Congress Can Save Section 101*, BILSKI BLOG (Feb. 12, 2015), <http://www.bilskiblog.com/blog/2015/02/twenty-two-ways-congress-can-save-section-101.html>.

²⁶⁶ *Inventor Holdings*, 876 F.3d at 1375.

²⁶⁷ *Id.* at 1374–75.

²⁶⁸ *Id.* at 1377.

²⁶⁹ *Id.* at 1377–79 (The reason why the district court found the claims so “objectively ineligible” was that the claims were to a “fundamental business practice that, when implemented using generic computer technology, was not patent-eligible under *Alice*.”).

²⁷⁰ *Id.* at 1376 (citing *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256–57 (Fed. Cir. 2014)).

²⁷¹ *DDR Holdings*, 773 F.3d at 1249.

The Court of Appeals found the claims eligible.²⁷² The majority in *DDR Holdings*, failed to acknowledge that the claims involved or were directed to an abstract concept despite the preamble including reference to “e-commerce.”²⁷³ The majority distinguished the claims in *DDR Holdings* from other economic concepts by stating that its problem and solution were rooted in the Internet, rather than in commerce.²⁷⁴

If the claims in *DDR Holdings* had proceeded to step 2, the majority reasoned that the claims would still be eligible because they provide sufficient unconventional features to transform the fundamental concept.²⁷⁵ The panel also briskly applied the preemption standard in a single paragraph.²⁷⁶

Significantly, even leading e-commerce eligibility precedent like *DDR Holdings* is not clear-cut. For example, the decision was not unanimous. Judge Mayer—dissenting in *DDR Holdings*—disagreed with the majority’s avoidance of identifying a fundamental concept under step 1, stating that the claims were directed to the same.²⁷⁷

I respectfully dissent. The claims asserted by DDR Holdings, LLC (“DDR”) fall outside 35 U.S.C. § 101 because they simply describe an abstract concept—that an online merchant’s sales can be increased if two web pages have the same “look and feel”—and apply that concept using a generic computer.

Appellate judges often disagree as to eligibility. Therefore, how “objective” could determining a claim’s involvement of a fundamental concept be if CAFC judges (assumedly, competent experts) routinely dissent in the findings? The same argument can be made about a determination of conventionality or the lack thereof under step 2. Debatably, the law on § 101 is not “objective” if judicial experts can and often do agree with one’s position.²⁷⁸ Given that the decision in *DDR Holdings* was a 2-1 judgment it was not straightforward.

²⁷² *Id.* at 1255–59.

²⁷³ *Id.* at 1256–57, *but see id.* at 1249.

²⁷⁴ *Id.* at 1257.

[T]hese claims stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.

. . .

In particular, the ‘399 patent’s claims address the problem of retaining website visitors that, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be instantly transported away from a host’s website after “clicking” on an advertisement and activating a hyperlink.

²⁷⁵ *Id.* at 1258 (“[T]he claims at issue here specify how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.”).

²⁷⁶ *Id.*

²⁷⁷ *Id.* at 1263–66.

²⁷⁸ *See, e.g.,* Checkpoint Sys., Inc. v. All-Tag Security S.A., 858 F.3d 1371, 1375–76 (Fed. Cir. 2017) (where the district court’s denial of a Rule 56 motion demonstrated the reasonableness of the non-moving party’s position).

Just because the patent holder's argument in *Inventor Holdings* was ultimately incorrect does not mean that it was objectively baseless.²⁷⁹ Moreover, the patentee had the benefit of a presumption of good faith when enforcing a duly issued patent.²⁸⁰ This was not referenced in *Inventor Holdings*, and it is unclear if the panel recognized this. How should the attorneys in this case have known that their clients should not have pursued enforcement of the subject business method claims post-*Alice*? Saying this is easy with the benefit of hindsight but if the claims were changed in the slightest regard would the average patent attorney confidently be able to opine as to eligibility . . . so much so as to advise a client to discard a duly issued US patent that is infringed? *Inventor Holdings* places quite the burden upon us as counsel—to be responsible for the opportunity costs of not pursuing what could be millions of dollars in infringement royalties based upon the prospect of adversarial arguments on § 101.

In *Inventor Holdings*, the patentee further argued that eligibility was not objective since there is widespread insecurity in the industry with respect to § 101, and § 101 continues to be an “‘evolving area of the law,’ which ma[kes] patent-eligibility analysis difficult and uncertain after *Alice*.”²⁸¹ The patentee is certainly not alone in this viewpoint.²⁸² Many in the practice, including retired and active appellate judges, law firm partners, law professors, business investors and inventors have attested to the lack of clarity in eligibility. Even if the district court ultimately found the claims ineligible, given the widely admitted cloudiness of the post-*Alice* state of the law by experts in the industry a position that *Alice* assessments of eligibility are objective is erroneous.

The court of appeals panel, however, was in denial, claiming that “there is ***no uncertainty or difficulty*** in applying the principles set out in *Alice* to reach the conclusion that the [subject claims] are ineligible” as if the claims were nowhere near the margins of patent eligibility.²⁸³ This is another example of the court's arrogance impeding its ability to educate the public as to its values on § 101. Refusing to acknowledge difficulty and uncertainty in interpreting *Alice* does not materialize a lack of the same. Indeed, many practitioners still struggle with defining the line between eligibility and ineligibility consistently with subsequent CAFC panels reviewing economic inventions. Given the current *status quo* on eligibility, *Inventor Holdings* does not “stand out from the rest” under § 285 and *Octane*; it is yet another § 101 ineligibility finding amongst an “erratic” sea of others.

To be fair, reversing an assessment of attorney's fees is a substantial task. The court of appeals would have to find that the district court abused its discretion in

²⁷⁹ See, e.g., *Gaymar Indus., Inc. v. Cincinnati Sub-Zero Products, Inc.*, 790 F.3d 1369, 1372–73 (“fee awards are not to be used ‘as a penalty for failure to win a patent infringement suit.’”) (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 548–49 (2014)).

²⁸⁰ *Checkpoint Sys.*, 858 F.3d at 1376.

²⁸¹ *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1377 (Fed. Cir. 2017).

²⁸² See Section I *supra*.

²⁸³ *Inventor Holdings*, 876 F.3d at 1379 (emphasis added).

awarding attorney's fee after *Highmark*.²⁸⁴ This is a relatively high standard of judicial review. The Federal Circuit panel must ask itself whether the court "based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence."²⁸⁵ Hence, panels would likely need to first concede that the law on § 101 is not clear, the law they have defined since *Alice* by the way, and then find that the district court's "objectively baseless" characterization of eligibility arguments by a patentee was erroneous. This is a significant hurdle on appeal that is not present in trial court.

Contrastingly, *Electronic Communication Technologies v. ShoppersChoice.com* is another ineligibility case where the patentee should have probably known the claims were ineligible not because the state of the law is clear but based upon an adverse decision in a related case.²⁸⁶ In *Electronic Communications* the CAFC vacated and remanded a district court's denial of attorney's fees for lack of analysis on litigation misconduct and the objective unreasonableness of pursuing infringement damages on an ineligible patent under § 101.²⁸⁷ The COA panel held that the manner of litigation likely surmounted to misconduct: the patentee's tactics included a pattern of broad infringement letters, lawsuits and nuisance value settlements.²⁸⁸ It appears that the NPE status of the patentee was or could be a circumstance supporting a fee award. The case was remanded as it was an abuse of discretion for the district court not to address evidence of this misconduct in its opinion on fees.

As to § 101 and attorney's fees, the district court should have also addressed a prior § 101 invalidity decision in a case involving related patents. The subject patents had the same § 101 defect as the invalidated family patents. An ordinary prefiling screening would have revealed the adverse judgment in the related case. In this manner, the patentee's own evidence would support a fee award. The law clearly indicated the defective eligibility limitations in the earlier case through a final order in the matter. It was, moreover, an abuse of discretion for the district court to not consider this related case when determining if pursuit of infringement (in light of the related case findings) was objectively unreasonable.²⁸⁹

[T]he asserted claims in [the related case] came from patents that share the same specification as the '261 patent, and that '[c]laim 11 of the '261 [p]atent suffers from the **same type of obvious defect**' as the asserted claims in [the related patent's case] . . . [T]he absence in the Attorney Fee Order of any reference to either relevant case, or any allusion to their opposing conclusions, is problematic . . .

Thus, the CAFC panel opined that an ineligibility opinion in a related case—so related that the subject patent's claims are similarly defective—should indicate to a reasonable attorney that the present claims are likely ineligible. *Electronic*

²⁸⁴ *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559(2014).

²⁸⁵ *Inventor Holdings*, 876 F.3d at 1377 (quoting *Highmark*, 572 U.S. at 563 n.2).

²⁸⁶ *Elec. Comm'n Techs. v. ShoppersChoice.com*, 963 F.3d 1371 (Fed. Cir. 2020).

²⁸⁷ *Id.* at 1380.

²⁸⁸ *Id.* at 1379.

²⁸⁹ *Id.* (emphasis added).

Communications serves as a better indicator of ineligibility at least because adverse judgments were obtained on similarly defective claims.

Turning again to fee awards based upon the state of eligibility law, another district court decision on fees for ineligibility seems to defy the objective baselessness standard.²⁹⁰ *Finnovations*, out of the District Court of Delaware, found the patentee liable for attorney's fees simply for enforcing a patent that could have been found ineligible for § 101.²⁹¹ The suit was dismissed for eligibility at Rule 12.²⁹² The district judge actually admitted to the "unpredictable and unclear" nature of the doctrinal exclusions.²⁹³ Still, the court reasoned that the claims were objectively ineligible in *Finnovations* because the claims "look[ed] like *Alice*['s]".

Interestingly, the PTO evaluated § 101 in *Finnovations* post-*Alice*, rejecting the claims four times before allowance.²⁹⁴ The court, however, appeared not to give any benefit of the doubt to the patentee for enforcing the duly granted patent.²⁹⁵ Instead, the court instructed that legal opinions from the PTO's examining staff of "non-lawyers" are not to "relieve a patent attorney from her obligation to make an independent assessment based on an evaluation of the relevant law."²⁹⁶ In this way, it appears that the court is neither crediting the patentee for asserting a duly granted patent or recognizing the presumption of eligibility that all patents are entitled to under § 282(a).²⁹⁷

Even if the patentee could draw analogies to *Alice* and the subject claims, this way of assessing eligibility is quite troublesome and vague because cases often have some but not all common characteristics with precedential opinions. When inspecting the *Finnovations* claims under the preemption doctrine the claims were arguably eligible.²⁹⁸

9. A method of delivery of transaction data to a financial management program comprising: using a network device to conduct an online financial transaction with a commercial web server; searching, by a financial assistant on the network device, a set of transmitted data related to

²⁹⁰ *Finnovations LLC v. Payoneer, Inc.*, No. 1-18-cv-00444, 2019 US Dist. LEXIS 45306, at *1 (D. Del. Nov. 26, 2018); Stephen McBride & Michael West, *The intersection of Octane Fitness and Alice*, 41 INTELLECTUAL PROPERTY MAGAZINE (May 2019), https://www.oblon.com/A11960/assets/files/News/Stephen%20McBride-Patent%20Eligibility_IP%20Magazine_%20May%202019.pdf.

²⁹¹ McBride, *supra* note 290. ("[T]he court [] awarded Payoneer attorneys' fees under 35 USC § 285 based solely on the substantive weakness of *Finnovation's Alice* [defense] without any evidence that *Finnovations* had otherwise acted unreasonably.")

²⁹² *Finnovations*, 2019 US Dist. LEXIS 45306, at *1.

²⁹³ *Id.* at *2-3; *see also* Tangelo v. Tupperware, No. 18-cv-692, 2019 US Dist. LEXIS 88757 (D. Del. May 28, 2019) (distinguishing *Finnovations'* eligibility-fee-award analysis and suggesting that *Finnovations* was the exception rather than the rule).

²⁹⁴ *Finnovations*, 2019 US Dist. LEXIS 45306, at *3.

²⁹⁵ *Id.* at *3-4.

²⁹⁶ *Id.*

²⁹⁷ McBride, *supra* note 290, at 42 n.14.

²⁹⁸ *Finnovations*, 2018 U.S. Dist. LEXIS 199386, at *2.

the online financial transaction;
 determining, by the financial assistant on the network device, whether the searched data comprises transaction data for the online financial transaction;
 when the searched data comprises transaction data in a first data structure compatible with conducting the online financial transaction, copying and storing, by the financial assistant on the network device, the transaction data and additional transaction data not included in the transmitted transaction data into in [sic] a second data structure compatible with the financial management program,
 wherein the second data structure differs from the first data structure.

Under step one of *Alice*, the claims are directed to the fundamental concept of searching, analyzing and storing (bookkeeping) information. The court distinguished precedent favorable to eligibility like *DDR Holdings* for being rooted in a computer related problem and *Enfish* for being related to a specific improvement to the computer.²⁹⁹ Under step 2, the court reasoned that nothing inventive outside of the fundamental concept was claimed.

But significant elements remain outside of the abstract idea. If, for example, a pie chart eligibility were constructed, it might look something like the following.³⁰⁰

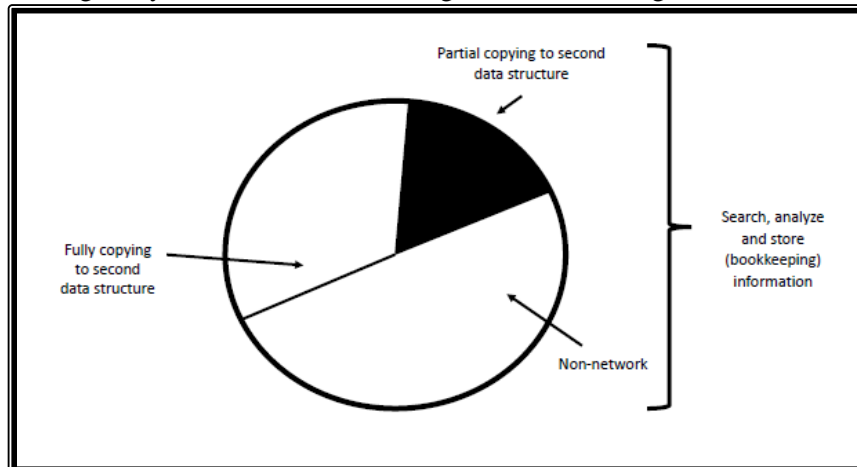


Figure 2: *Finnovations v. Payoneer*

The *Finnovations* claims require a network to execute the claimed method. It would appear that a large amount of bookkeeping is still performed offline, e.g., as with personal or small business ledgers. Moreover, the claims explicitly require that when the desired entry is found it is not copied in its entirety.³⁰¹ While it is unclear how many network-based accounting programs partially copy the transaction data it is fair to assume that there are some that copy the data in its entirety and would thus not be preempted from using the fundamental concept by these claims. It is quite possible that *Finnovations*' claims were not preempting most practical applications of searching-copying-and-storing for bookkeeping purposes. Clearly, a reasonable

²⁹⁹ *Id.* at *9–10.

³⁰⁰ Downing, *supra* note 13.

³⁰¹ *Finnovations*, 2018 U.S. Dist. LEXIS 199386, at *2–3.

attorney might genuinely have believed the claims to be eligible.

In a different case, *Innovation Sciences v. Amazon.com*, the Court of Appeals affirmed a § 285 attorney's fees award by the district court that was at least partially based upon the § 101 position of the patentee.³⁰² In *Innovation Sciences*, eight out of eleven patents were found ineligible at the pleadings stage.³⁰³ The Court of Appeals incongruously missed another educational opportunity on § 101 by affirming the ineligibility findings in a Rule 36 opinion. The invention in *Innovation Sciences* was to systems and methods for converting video signals for a mobile terminal to accommodate reproduction on an alternative display terminal.³⁰⁴ Under step one, the district court found the claims directed to the abstract concept of "converting a video signal for a mobile terminal to an 'alternative display terminal,'" and under step two found that the claims used only conventional means to accomplish the same.³⁰⁵

Remember that for a § 101 position to support an attorney's fees award the position taken must have been objectively baseless, meaning no reasonable attorney would have believed the patents to have been eligible pre-suit. A reasonable attorney, however, might not have drawn the abstract concept in *Innovation Sciences* as narrowly as the court ultimately defined it. What, after all, about sharing video content between a mobile device and stationary television is *fundamental* to video viewing? Being able to distribute video between devices is a useful convenience that will likely gain popularity over time but that does not mean that the concept is fundamental to displaying visual media. Reasonably, the abstract concept could have been defined as simply as displaying video content on a mobile/stationary device and the conversion steps would have been narrowing limitations that would avoid preempting most practical utilities of the basic concept. Some might argue that this case is another example of how the abstract-concept doctrinal exclusion is too ambiguous or flexible of a standard.³⁰⁶ The more narrowly one defines an abstract concept the more said concept appears to be preempted by any claim.

Aside from eligibility, other circumstances in the totality of circumstances (in *Innovation Sciences*) were relevant to the award of fees including that the patentee continued to pursue infringement after *Markman* rulings made arguments on infringement baseless.³⁰⁷ Still, *Innovation Sciences* is another case where courts have held a patentee's §101 position against them in the fees analysis.

The Court of Appeals does appear less inclined to find an abuse of discretion where the lower court does not award fees based upon a failed § 101 position, even

³⁰² 842 F. App'x 555, 557–58 (Fed. Cir. 2021).

³⁰³ *Id.* at 555.

³⁰⁴ *Virginia Innovation Scis., Inc. v. Amazon.com, Inc.*, 227 F. Supp. 3d 582, 587–88 (E.D. Va. 2017).

³⁰⁵ *Id.* at 596–604.

³⁰⁶ Downing, *supra* note 13, at 266–70.

³⁰⁷ *Virginia Innovation Scis.*, 227 F. Supp. 3d at 555, 557.

when the court affirms ineligibility.³⁰⁸ In *Mortgage Application*, the panel affirmed the Central District of California’s denial of attorney’s fees and ineligibility findings, where fees were motioned for, in part, due to the “substantial weakness” of an ultimately unsuccessful §101 position.³⁰⁹ In support of the district court’s denial of fees, the panel pointed to some analogous precedent supporting eligibility and that unlike the claims in prior ineligible precedent, these claims were drawn to an invention applied to a fundamental economic process versus the fundamental economic process itself.³¹⁰ Under the totality of the circumstances, therefore, the panel held that the district court did not abuse its discretion in denying the motion.

Analogies and distinctions can often be made to precedent—either eligible or ineligible. It is likely that during briefing in *Inventor Holdings*, *Finnovations*, *Electronic Communications Technologies* and *Innovation Sciences* such favorable comparisons were similarly argued by their respective patent holders. Therefore, given the current unpredictable state of the law, it is difficult for a reasonable attorney to reliably make a prefiling conclusion about eligibility solely based upon these types of comparisons.

b. What may be the courts’ *real* concerns?

It is vague what policy concerns judges perceive as being offended by a patent owner seeing if they can get remedies for a potentially ineligible claim that is infringed? Are there certain technology areas or industries unaccustomed to patenting such that courts are less tolerant of infringement claims therein? Is it related to nuisance value lawsuits or broad infringement campaigns?

Whatever the issue, it does not seem to be directly tied to the purposes of § 285 and exceptionalism; using eligibility-related attorney’s fees to correct the behavior is likely too broad and capricious of a brush.

c. Implications for practicing attorneys

In the face of the possibility of *Alice*-based fee awards what is a reasonable attorney who enforces patents for a living to do? Keep in mind that apart from post-grant reviews, which have a short nine-month post issuance filing opportunity, there is no post-grant proceeding at the Patent Office for reviewing an issued patent based upon § 101 ineligibility.³¹¹ The PTO chose not to continue covered business method patent reviews after September of 2020.³¹² This is unlike invalidity for §§ 102 or 103 grounds, where *ex parte* reexaminations can be filed throughout the term of the

³⁰⁸ *Mortg. Application Techs. v. MeridianLink*, 839 F. App’x 520, 526–28 (Fed. Cir. 2021).

³⁰⁹ *Id.* at 526–28.

³¹⁰ *Id.*

³¹¹ 35 U.S.C. § 321.

³¹² United States Patent & Trademark Office, *Transitional Program for Covered Business Method Patents*, USPTO.Gov (May 9, 2017) <https://www.uspto.gov/patents/ptab/trials/transitional-program-covered-business-method> (“The program will sunset for new TPCBM petitions on September 16, 2020.”).

patent.³¹³ With suspected novelty, one can for example, file a request for *ex parte* reexamination before enforcing the patent to make sure that the prior art does not render the invention anticipated. Where attorneys are concerned about eligibility, however, unless the patent is less than nine months old, there is no comparable Patent Office procedure thru which they can obtain a neutral, expert opinion. Should we consider extending post-grant reviews beyond the 9-month term?

This places practitioners in a Catch 22. On the one hand we can bear the professional responsibility of discouraging clients from pursuing infringement damages foregoing the potential for significant recovery. In the alterative, we bear the risk of an attorney's fee finding after losing on eligibility, that of which could also sum to substantial portions.³¹⁴ Without a guaranteed favorable eligibility outcome, this presents a no-win quagmire to a reasonable attorney.

i. The Significance of Objectivity

The fact that courts have required any baseless, fee-worthy argument to be objective is not to be overlooked. Objectivity is the standard and it is sensical because objectivity gives notice and imposes a should have known standard on the professional. In the realm of attorney malpractice, for example, (objective or) reasonableness defines the standard for attorney negligence.³¹⁵ Accordingly, this is a standard with which counsel should be well acquainted.

Under Black's Law Dictionary, "objective" means that the opinion is unbiased and based in factual evidence.³¹⁶ Where significant subjectivity is included in the calculus of a decision maker, the conclusion is not said to be objective. Courts today tend to have a bias against eligibility, strongly analogizing cases to *Bilski*, *Alice* and other ineligible precedent. Therefore, for the purposes of notice, practicality, and fairness, it is essential that courts hold §101-based fee awards to a standard of truly being *objectively* ineligible.

³¹³ 35 U.S.C. § 302.

³¹⁴ David Hricik, *Using 35 USC 285 to Impose Fees on Patentee's Counsel*, PATENTLYO (Jan. 20, 2015), <https://patentlyo.com/hricik/2015/01/impose-patentees-counsel.html>.

³¹⁵ Michael LeBoff, *When Does a Mistake Become Legal Malpractice*, A.B.A. (Feb. 8, 2019), <https://www.americanbar.org/groups/litigation/committees/commercial-business/practice/2019/when-does-a-mistake-become-malpractice/> ("attorneys ordinarily must act consistent with the community standard of care.")

³¹⁶ *What is Objective*, LAW DICTIONARY, <https://thelawdictionary.org/objective/> (last visited November 10, 2021) ("An unbiased attitude or opinion that is based on factual evidence.").