Interplay Between PTAB Proceedings and Recovery in District Court

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In 2021, district courts were faced with resolving numerous requests by parties seeking attorney fees based on conduct in related USPTO Patent Trial and Appeal Board (PTAB) proceedings. Many of these requests came in the wake of the US Court of Appeals for the Federal Circuit's decision in *Dragon Intellectual Property, LLC v. Dish Network, LLC*, which held that a party's success "in invalidating the asserted claims before the Board" can contribute to whether the case is exceptional for purposes of 35 U.S.C. § 285.[1] District court decisions on these requests suggest that while success in invalidating claims at the PTAB alone may not be enough to demonstrate an exceptional case, the record before the PTAB can justify an award of attorney fees where the record indicates that a party's positions were baseless or unreasonable. Yet even where an exceptional case has been found, district courts in 2021 have been reluctant to award fees and other costs incurred in parallel PTAB proceedings under Section 285. Separately, petitioners who prevail before the PTAB may be able to use those invalidity findings to avoid enhanced damages under 35 U.S.C. § 284. We expect these issues, regarding the interplay between the PTAB and recovery in district court, to further develop in the year ahead.

An adverse decision by the PTAB alone is generally not enough.

Decisions over the last year suggest that exceptional case findings require more than just a loss at the PTAB—whether in the form of a final decision on patentability or an institution decision. For example, in *Genentech, Inc. v. Eli Lilly and Co.*, the district court denied the defendant's motion for an exceptional case finding based on the patentee's request for adverse judgment in a related PTAB proceeding. In deemphasizing the significance of the patentee's request for adverse judgment, the district court reasoned that the presumption of validity had applied in the district court and that, rather than an admission that its litigation positions were baseless, the patentee's decision "tend[ed] to indicate that Plaintiff reevaluated its claims and rightfully moved to dismiss" in light of the reasoning in the PTAB's decision to institute.[2]

Similarly, in denying the defendant's motion for an exceptional case finding in an infringement suit involving Orange Book-listed patents, the district court in *In re Kerydin (Tavaborole) Topical Solution 5% Patent Litigation* considered the similarities and differences between the claims of related patents that had been invalidated before the PTAB.[3] The district court observed that the loss of claims elsewhere in a patent family, and a loss generally, "is not an unusual occurrence—someone loses in every case—and it certainly does not by itself entitle the winner to fees."[4] Thus, *Genentech* and *In re Kerydin* reflect the view the merely losing on the merits in the context of a related *inter partes* review (IPR) does not, in and of itself, make a case exceptional.

Patentees have also argued that a defendant's inability to present invalidity defenses at trial due to IPR estoppel supports an exceptional case finding. Yet in *Ironburg Inventions Ltd., v. Valve Corporation*, the district court denied a plaintiff's motion for attorney fees based on this theory noting that "the IPRs, claim construction, and motion practice" were why no invalidity issues were presented to the jury, the IPRs having "narrowed the matters for the jury's consideration," and those circumstances "do not inure to [Plaintiff's] benefit in its quest for attorney fees."[5]

In *IQASR LLC v. Wendt Corporation*, the district court declined to find a case exceptional and declined to consider the impact of the PTAB's decision with respect to indefiniteness, noting that the PTAB's decision denying institution specifically indicated that it was expressing no opinion on the issue of indefiniteness and should not be interpreted as a finding regarding definiteness.[6]

But a PTAB record can contribute to an exceptional case finding.

Two district court decisions in 2021 found cases to be exceptional based, at least in part, on what happened before the PTAB. In *Princeton Digital Image Corp. v. Ubisoft Entertainment SA*, the district court found a case exceptional and awarded attorney fees to the defendant.[7] The district court's finding was based on the patentee's disavowal of claim scope to save the validity of claims in the related IPR, which had the effect of making its infringement positions "baseless" and "prolong[ing] this litigation unreasonably and caus[ing] [the defendant] to incur needless litigation expenses."[8] The district court thus awarded attorney fees from the time of the district court's claim construction to its grant of summary judgment with respect to noninfringement.

In *Ameranth, Inc. v. Domino's Pizza, Inc.*, numerous asserted claims were invalidated in a covered business method ("CBM") review before the PTAB, in findings that were later affirmed on appeal with further claims found unpatentable by the Federal Circuit.[9] One patent remained, which the district court found invalid on summary judgment for lack of patent-eligible subject

matter. This judgment was also affirmed on appeal. Before the district court, defendants moved for an exceptional case finding and attorney fees. Citing the weakness of the remaining asserted patent in light of the history of related invalidity proceedings involving similar claims, the district court agreed that the case was exceptional "[c]onsidering this pattern of continued bullishness in the face of numerous defeats."[10]

In terms of defeating a motion for attorney fees, plaintiffs have invoked PTAB decisions denying institution as evidence that there was a reasonable basis to assert claims in district court. In *Konami Gaming Inc. v. High 5 Games, LLC*, the defendant succeeded in invalidating means-plus-function claims as indefinite on summary judgment and then moved for an exceptional case finding and attorneys fees.[11] The district court denied the motion, reasoning that "while ultimately flawed" the plaintiff's litigation positions regarding the means-plus-function claims were "not objectively baseless or unreasonable to an outside evaluator with knowledge of patent law," and cited as support that the PTAB had denied defendant's IPR petitions on the merits in this regard.[12]

In the realm of damages, a finding of unpatentability by the PTAB can preclude enhanced damages despite a finding of willful infringement. In *Ironburg Inventions Ltd. v. Valve Corp.*, the jury found willful infringement.[13] The plaintiff moved for enhanced damages. However, the district court denied the request for enhanced damages on the basis that the evidence of willful infringement pertained only to features present in a claim found unpatentable by the PTAB.

Fees incurred before the PTAB have not been awarded.

District courts have also been asked to award attorney fees under Section 285 that were incurred in the context of related PTAB proceedings. In 2021, two district courts declined to do so. In *Dragon Intellectual Property, LLC v. Dish Network L.L.C.*, the district court found that the case was exceptional, but declined to award fees and costs incurred in the context of the related IPRs, explaining that IPRs are not "cases" within the meaning of Section 285.[14] The district court noted, however, that the PTAB has authority to grant costs arising from IPR proceedings, including attorney fees, in certain circumstances.[15] And while sanctions by the PTAB are by no means common, they have been issued, including in the form of an award of "costs and fees."[16]

Similarly, in *Prolitec, Inc. v. ScentAir Technologies, Inc.*, the district court agreed that the case was exceptional and awarded attorney fees to cover certain motions brought in court and other costs, but the district court expressly declined to award costs incurred before the PTAB, including translation services and court reporting expenses. The district court reasoned that "it is not clear that" the relevant statute authorizes the Court to award IPR-related costs, and even if the statute did, the "costs [would be] too attenuated to this case."

In sum, the interplay between PTAB proceedings and recovery in district court remains an evolving area of the law, one that the district courts will continue to grapple with in the years to come. The decisions in 2021 indicate that district courts are likely to consider evidence about what occurred before the PTAB, however, whether the record supports an exceptional case will be a fact-driven question taking into account the totality of the circumstances. We look forward to monitoring trends in this area, and providing updates on significant developments in 2022.

1. "A district court 'in exceptional cases may award reasonable attorney fees to the prevailing party.' 35 U.S.C. § 285." *Dragon Intellectual Property, LLC v. Dish Network, LLC*, 956 F.3d 1358, 1361 (Fed. Cir. 2020).
2. *Genentech, Inc. v. Eli Lilly and Co*, No. 3:18-cv-01518, ECF No. 91, 20 (S.D. Cal., Mar. 23, 2021) (Sammartino).
3. *In re Kerydin (Tavaborole) Topical Solution 5% Patent Litigation*, No. 1:19-md-02884, ECF No. 87 (D. Del. June 23, 2021) (Hall).
4. *Id.* at 6.
5. *Ironburg Inventions Ltd., v. Valve Corp.*, No. 2:17-cv-01182, ECF No. 495, 6-7 (W.D. Wash. Sept. 27, 2021) (Zilly).
6. *IQASR LLC v. Wendt Corp.*, No. 1:16-cv-01782, ECF No. 209 (D. Colo. Aug. 30, 2021) (Krieger).
7. *Princeton Dig. Image Corp. v. Ubisoft Entm't SA*, No. 1:13-cv-00335, ECF No. 400 (D. Del. Sep. 3, 2021) (Stark).
8. *Id.* at 9.
9. *Ameranth, Inc. v. Domino's Pizza, Inc.*, No. 3:12-cv-00733, ECF No. 134 (S.D. Cal. Feb. 5, 2021) (Sabraw).
10. *Id.* at 21.
11. *Konami Gaming Inc. v. High 5 Games, LLC*, No. 2:14-cv-01483, ECF No. 209 (D. Nev. Oct. 25, 2021) (Boulware).
12. *But see Ameranth, Inc. v. Domino's Pizza, Inc.*, No. 3:12-cv-00733, ECF No. 134 (S.D. Cal. Feb. 5, 2021) (disagreeing that denial of institution supported the patent owner's argument that it had a "reasonable basis" to argue its patent claims were valid at the district court).
13. No. 2:17-cv-01182, ECF No. 458 (W.D. Wash. May 26, 2021) (Zilly).
14. No. 1:13-cv-02066, ECF No. 218 (D. Del. Aug. 16, 2021) (Hall).
15. Indeed, the Federal Circuit has observed that "the Board has its own means for regulating litigation misconduct," citing 37 C.F.R. §§ 42.12 (a)(2), (7) and 41.12 (b)(6) as "allow[ing] the Board to impose sanctions including 'attorney fees' against a party for misconduct including '[a]dvancing a misleading or frivolous argument or request for relief' and 'actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.'" *Amneal Pharms. LLC v. Almirall, LLC*, 960 F.3d 1368, 1372 n.1 (Fed. Cir. 2020).
16. *Atlanta Gas Light Co. v. Bennet Regulator Guards, Inc.*, IPR2015-00826, Paper 39 (P.T.A.B. Dec. 6, 2016) (awarding costs and fees for failure to timely disclose highly material real party in interest); *see also Apple Inc. v. Voip-Pal.com, Inc.*, 976 F.3d 1316, 1320 (Fed. Cir. 2020) (affirming the PTAB's exercise of discretion to "fashion[] its own sanction" in a case where the P.T.A.B. sanctioned the patentee for improper *ex parte* communications).