

No. 24-726

IN THE
Supreme Court of the United States

DISH NETWORK L.L.C.,

Petitioner,

v.

DRAGON INTELLECTUAL PROPERTY LLC, *et al.*,

Respondents.

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

**BRIEF OF NEXTREMITY SOLUTIONS LLC
AS *AMICUS CURIAE*
IN SUPPORT OF CERTIORARI**

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INTERESTS OF THE *AMICUS CURIAE*¹

Amicus curiae is Nextremity Solution, LLC of Warsaw, Indiana (“Nextremity”). Nextremity is currently an Appellant in a pending appeal before the United States Court of Appeal for the Federal Circuit, No. 2025-1160 (“Nextremity Case”), against Extremity Medical, LLC (“Extremity”) on the issue of whether attorney fees and expenses incurred during an *Inter Partes* Review proceeding (“IPR”) filed after initiation of a district court action should be awarded under 35 U.S.C. §285 to a prevailing party. In the Nextremity case, the district court found the case to be exceptional and awarded attorney’s fees incurred in the district court litigation, but not fees incurred in the IPR, against the patent owner Extremity. Extremity failed to conduct an adequate pre-filing investigation after it was made aware of prior art by Nextremity prior to filing the district court action. The prior art invalidated Extremity’s patent claim and Extremity made no argument in support of the validity of the patent claim at any time during the district court action or during the IPR. The IPR proceeding in the Nextremity Case is different than the IPR in this case. For example, the patent owner, Extremity, expressly stipulated to a stay of the district court action for the IPR

1. Counsel of record for all parties received notice of *amicus curiae*’s intention to file this brief at least 10 days before the deadline for its filing. Rule 37.2. Counsel for *amicus curiae* certifies that this brief was not authored in whole or in part by counsel for any party and that, other than the law firm of Heslin Rothenberg Farley & Mesiti P.C., which paid all costs for printing, filing and serving this brief, no person or entity other than *amicus curiae* has made a monetary contribution to the preparation or submission of this brief. Rule 37.6.

to decide the issue of invalidity of the sole patent claim asserted in the district court action and, during the IPR, attempted to amend that sole patent claim twice, albeit unsuccessfully in view of the same prior art. The interest of Nextremity in this case in particular derives from the gross injustice caused by a hard, rigid rule applied by the Federal Circuit in this case that attorney fees can never be awarded under 35 U.S.C. §285 in any IPR because such administrative proceedings are considered “voluntarily pursued” by an alleged patent infringer. The Federal Circuit decision in this case, prevents a district court from considering the totality of circumstances surrounding the filing of, and participation of the patent owner during, the IPR and whether the IPR was intimately tied to resolution of the district court action.

SUMMARY OF THE ARGUMENT

The Petition for Writ of Certiorari filed by the Petitioner in this case should be granted because the decision by the Federal Circuit in this case denying an award of attorney’s fees in an IPR because an IPR is “voluntarily” pursued conflicts with this Court’s precedent including *Sullivan v. Hudson*, 490 U.S. 877 (1989). *Sullivan* requires courts to consider whether the issues in a related administrative proceeding are intimately tied to resolution of the district court action in order to award attorney’s fees under a fee shifting statute. The Federal Circuit decision also conflicts with the plain language of 35 U.S.C. §285 and Congress’s intent to attain the fee shifting results in cases where frivolous patent claims are commenced.

AN IPR IS AN ADMINISTRATIVE PROCEEDING BEFORE THE UNITED STATES PATENT AND TRADEMARK OFFICE (“USPTO”) TO DETERMINE THE VALIDITY OF A PATENT CLAIM. THE AMERICA INVENTS ACT ALLOWS FOR A DEFENDANT WHO HAS BEEN SUED IN A DISTRICT COURT ACTION TO COMMENCE AN IPR WITHIN A YEAR FROM WHEN THE DISTRICT COURT ACTION WAS COMMENCED TO DETERMINE THE VALIDITY OF THE ASSERTED PATENT CLAIM. WHEN SUCH AN IPR IS COMMENCED, THE DISTRICT COURT MAY STAY THE ACTION PENDING RESOLUTION OF THE IPR. AND, THE IPR DECISION IS BINDING UPON THE DISTRICT COURT AND THE PARTIES ON THE ISSUE OF THE VALIDITY OF THE ASSERTED PATENT CLAIM.

During an IPR proceeding, a patent owner also has the option to amend the claims at issue twice. 37 CFR §42.121. For example, a patent owner may submit a proposed amendment to the claims at issue (37 CFR §42.121(a)(1)), receive negative preliminary guidance from the U.S. Patent Trial and Appeal Board (37 CFR §42.121(e)), and then amend the claims at issue a second time (37 CFR §42.121(f)). After each amendment, the petitioner is forced to respond to the proposed amendments by submitting arguments that the claims are invalid. 37 CFR §42.121(e)(3). If the original claims at issue in the IPR do not survive the original IPR Petition, but one of the amended claims does, the patent owner would then be able to pursue those amended claims back in the district court action, while the petitioner (or alleged infringer) would be estopped from arguing against the validity of such amended claims during the district court action. In other words, once the patent owner amends the claims at issue during the IPR, the petitioner is forced to respond to those amendments or else it will be estopped from challenging their validity later during the district court action. This current practice that

permits patent owners to amend claims during the IPR is akin to a re-examination administrative proceeding, which the Federal Circuit permitted the award of attorney fees under Section 285 in the case *PPG Industries v. Celanese Polymer Specialties Co.*, 840 F.2d 1565 (Fed. Cir. 1988).

The decision by the Federal Circuit in this case that precludes the award of attorney fees incurred during an IPR because such administrative proceeding is considered “voluntarily pursued” ignores the plain language of 35 U.S.C. §285 that does not require the “case” to be “voluntarily pursued,” but rather only “exceptional”, and conflicts with this Court’s precedent in *Sullivan v. Hudson*, 490 U.S. 877 (1989) that requires courts to consider whether the issues in a related administrative proceeding are intimately tied to resolution of the district court action in order to award attorney’s fees under a fee shifting statute. And, an award of attorney’s fees in an IPR is necessary to attain the fee shifting results desired by Congress under § 285. Failure to award fees for an IPR would result in a gross injustice to an alleged infringer who had to defend itself against a completely baseless claim and choice to save judicial resources by initiating an IPR, which Congress sought to avoid in exceptional cases.

Finally, not all IPRs are the same. In the pending appeal involving Nextremity currently before the Federal Circuit, there are a number of facts different than the IPR involved in this case, which a district court is precluded from considering based on the Federal Circuit’s decision in this case. For example, Nextremity informed Extremity of the invalidating prior art to the sole asserted claim prior to Extremity filing the district court action and that it would commence an IPR if Extremity commenced such

an action. Early on during the district court action, both Nextremity and Extremity stipulated that the District Court stay the underlying litigation in favor of the IPR so that the decision on validity would be binding in such action. And, the patent owner, Extremity, attempted to use the IPR to amend the asserted patent claim (twice) so it could assert the amended claim in the litigation.

Based on the hard, rigid rule imposed by the Federal Circuit in this case that no attorney fees can be awarded in an IPR because such proceedings are “voluntarily pursued”, none of these factors could be considered by a district court. As a result, the district court awarded Nextremity only the attorney fees incurred during the district court action but denied the reimbursement of attorney fees incurred during the IPR. However, most of the work done by both parties directed to the issue of invalidity of the sole patent claim asserted in the district court action was conducted during the IPR proceeding. And, Nextremity spent more than 7.5 times more money during the IPR than it spent during the district court action. This results in a gross injustice to an alleged infringer forced to defend against a baseless patent claim when, in the Nextremity case, the IPR was not only intimately tied to, but ultimately decided, the resolution of the district court action. Thus, a hard, rigid rule that precludes the award of attorney fees incurred in any IPR extracts irrational results from the statute’s congressionally prescribed intent.

ARGUMENT**A. The Federal Circuit Applied the Incorrect Legal Standard In Determining that Section 285 Does Not Permit Recovery of Attorneys' Fees for IPR Proceedings**

The Federal Circuit's untenable interpretation of §285 in denying a request for fees incurred in the IPR proceeding simply because such proceedings are "voluntarily pursued" deviates from the plain language of 35 U.S.C. §285 and this Court's guidance in awarding fees during administrative proceedings. The plain language of 35 U.S.C. § 285 does not exclude fees incurred during an IPR proceeding. Rather, according to this Court's decision in *Sullivan v. Hudson*, 490 U.S. 877 (1989) fees awarded in an action should include fees in administrative proceeding which are intimately tied to the resolution of the action. *Sullivan*, 490 U.S. at 888. Thus, a district court should be able to consider whether the issues to be decided by the IPR are intimately tied to the resolution of the district court action. Nowhere does § 285 or its legislative history require that to recover fees thereunder the case must be involuntary pursued.

And, not all IPR proceedings are the same. For example, the district court should be able to consider the circumstances surrounding the initiation of the IPR and the actions taken during the IPR, such as, for example, whether the patent owner was informed prior to the district court action that the alleged infringer would initiate an IPR if sued, whether the patent owner stipulated to a stay of the district court action for the validity of the patent claims at issue to be ultimately

decided by the IPR, whether the patent owner made any argument to support the validity of the asserted patent claims at issue during the IPR, and whether the patent owner took advantage of the IPR to amend the asserted patent claims at issue. However, in view of the Federal Circuit's hard, rigid rule, a district court cannot consider any of these factors, unlike the totality of circumstances factors it can consider in determining whether a case is exceptional under 35 U.S.C. §285.

1. The Statutory Language Governing Section 285 Is Broad and Does Not Exclude “Cases” That Are “Voluntarily Pursued”

Section 285 of Title 35 of the United States Code states:

The Court in exceptional cases may award reasonable attorney fees to the prevailing party.

35 U.S.C. § 285. The term “cases” in this statute is only limited by one word, “exceptional.” The plain language of 35 U.S.C. § 285 does not include any other qualification to the word “cases.”

Nothing in the statutory language itself limits the word “cases” in § 285 to exclude fees incurred in related IPRs, whether voluntarily or involuntarily pursued. In fact, the Federal Circuit decision in this case does not hold that the term “cases” as used in § 285 is limited to only fees in district court actions for patent infringement. Rather, the Federal Circuit recognized that fees recovered in “cases” under § 285 may include administrative

proceedings outside the civil action by, for example, citing and relying on *PPG Industries v. Celanese Polymer Specialties Co.*, 840 F.2d 1565 (Fed. Cir. 1988). *Dragon*, 101 F.4th at 1371-1372. The Federal Circuit also interpreted *PPG* to permit fees to be awarded under § 285 in a parallel reissue proceeding found by the district court to be intimately tied to the resolution of that action. *See Amneal Pharm. LLC v. Almirall, LLC*, 690 F.3d 1368, 1372 (Fed. Cir. 2020). Yet, the Federal Circuit in this case held that fees recoverable under § 285 exclude fees incurred in “voluntarily pursued parallel proceedings”. However, this “voluntarily pursued” language and requirement are just not found in § 285 or its legislative history. A requirement that “exceptional cases” excludes voluntary proceedings simply ignores, for example, consideration of the facts and circumstances surrounding whether the IPR is intimately tied to the district court action, including the intent of the parties to stay the district court action in lieu of the IPR.

A hard and rigid rule that only involuntarily pursued administrative proceedings are considered “cases” in order to award attorney fees under § 285 conflicts with this Court’s precedent in *Sullivan v. Hudson*, 490 U.S. 877 (1989). This Court, in *Sullivan*, held that “where administrative proceedings are intimately tied to the resolution of the judicial action and necessary to the attainment of the results Congress sought to promote by providing for fees, they should be considered part and parcel of the action for which fees may be awarded.” *Id.* at 888 (“*Sullivan* Standard”). The Supreme Court, in *Sullivan*, never precluded fees from being awarded from an administrative proceeding based on whether or not it was voluntarily pursued by one party.

A hard and fast, rigid rule that § 285 precludes the recovery of fees incurred in an IPR proceeding that was “voluntarily pursued” also conflicts with this Court’s “holistic, equitable” approach that must consider the “totality of circumstances” in determining whether a case is “exceptional” under § 285.² *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553-54 (2014). In considering whether or not to award attorney fees under § 285, the district court should not be tied down to such a hard and fast, rigid rule, but continue to be able to consider the “totality of the circumstances.” For example, the district court should be able to consider the circumstances surrounding the filing of the IPR as, at least, one of the factors in considering whether fees should be awarded under § 285 for that IPR to be consistent with this Court’s precedent. These circumstances and reasons could include, for example, when the IPR was filed (e.g. before or during a district court action), whether the patent owner defends its position during an IPR proceeding, and whether the patent owner stipulated to a stay of the district court action for an IPR proceeding to ultimately determine the validity of an asserted patent claim in place of the district court action.

2. This Court held that it imposes “one and only one constraint on district courts’ discretion to award fees” to the prevailing party under § 285, namely, that the “case” must be “exceptional.” *Octane*, 572 U.S. at 553. It properly removed restrictions on what constitutes an “exceptional case,” or how fees for such cases should be assessed. Instead, the determination of what constitutes an “exceptional case” must involve a “holistic, equitable approach,” considering the “totality of the circumstances.” *Id.* at 554. The “totality of the circumstances” test permits wide discretion to include, where appropriate, fees incurred for IPR Proceedings.

A hard, rigid rule precluding recovery of fees under § 285 simply because an IPR was considered “voluntarily pursued” without taking into account the facts and circumstances surrounding the IPR filing violates the plain language and purpose of § 285, this Court’s decision in *Sullivan*, and the purpose of an IPR to provide a faster, less costly alternative to civil litigation to challenge patents as intended by Congress.

2. The Federal Circuit Erred In Not Considering Whether The IPR Proceeding Was Intimately Tied To The Resolution of the District Court Action

The Federal Circuit ignored the *Sullivan* Standard by never considering whether an IPR was intimately tied to the resolution of the issues in the district court action in refusing to award attorney fees under § 285. IPR proceedings are intimately tied to the resolution of a District Court action because the IPR decision on the validity of the asserted claims would have *res judicata* effect on the parties in the litigation. IPRs may also completely supplant the district court action on the issue of invalidity and ultimately determined the resolution of the only asserted patent claims in the district court action. On an alleged infringer’s side, an IPR is intimately tied to the resolution of invalidity under the doctrine of IPR estoppel. Under the doctrine of IPR estoppel, an accused infringer is barred from raising in the district court action both (a) any arguments that the USPTO rejected in the IPR and (b) any other arguments that the accused could have reasonably raised in the failed IPR. 35 U.S.C. § 315(e) (2). Thus, through IPR estoppel, the ultimate resolution on the issue of the validity of the asserted claim was entirely dependent on the decision by the PTAB in the IPR.

The IPR used by the parties to determine the validity of the asserted claims in a co-pending district court action accomplishes both of the criteria set forth in *Sullivan* for awarding fees in an administrative proceeding. The PTAB was created by Congress in 2011 through the Leahy-Smith America Invents Act (“AIA”). The AIA established the new *inter partes review* administrative procedure to challenge patent validity. First, the decision by the PTAB on the issue of invalidity in an IPR proceeding is intimately tied to the resolution of the judicial action. The decision by the PTAB on the issue of invalidity is binding on a patent challenger such that the patent challenger is precluded from re-arguing the same prior art in the district court action. Under the doctrine of IPR estoppel, an accused infringer is barred from raising in the district court action both (a) any arguments that the USPTO rejected in the IPR and (b) any other arguments that the accused could have reasonably raised in the failed IPR. 35 U.S. C. § 315(e)(2). Thus, any decision by the PTAB is intimately tied to the same issue in the district court action.

The Federal Circuit’s decision in this case ignores the fact that a patent owner had the opportunity to perform “precisely the same type of work” in defending the validity of the asserted patent claim as it would have had to do in the District Court action.³ An IPR is the type of “qualifying administrative proceedings” that *Sullivan* was referring to where “a suit has been brought

3. In distinguishing *PPG Industries v. Celanese Polymer Specialties Co.*, 840 F.2d 1565 (Fed. Cir. 1988) in the Federal Circuit decision, the Federal Circuit recognized that the reissue proceeding involved “‘precisely the same type of work’ the defendant would have performed at trial.” The same logic applies for the patent owner in any IPR proceeding.

in a court,’ and where ‘a formal complaint within the jurisdiction of a court of law’ remains pending and depends for its resolution upon the outcome of the administrative proceedings.” *Melkonyan v. Sullivan*, 501 U.S. 89, 97 (1991) (quoting *Sullivan*, 490 U.S. at 892); See also e.g. *Monolithic Power Sys., Inc. v. O2 Micro Int’l Ltd.*, 726 F. 3d 1359, 1369 (Fed. Cir. 2013). In *Monolithic*, the Federal Circuit found no abuse of discretion in awarding fees under § 285 from a “parallel” ITC investigation to the patent challenger because “the same discovery-related costs would have been incurred in this litigation” and “the parties’ agree[d] to [the discovery’s] dual use”. *Id.* at 1364, 1369. In *Monolithic*, this Court considered the agreement between the parties relating to the effect of the parallel proceeding and the interrelatedness of the issues, not whether it was voluntarily pursued by one party or the other. The district court should be able to consider whether the issues are intimately related and the effect the decision in the IPR has on the resolution of the district court action in determining to award fees from an IPR under §285.

Although, as recognized by the Federal Circuit in this case, there are advantages in pursuing issues in an IPR for an accused infringer, there are also significant advantages to the patent owner involved in the IPR. For example, a patent owner is entitled to move to amend the asserted claim twice. If successful in arguing for either of its amendments, a patent owner would have then been allowed to pursue the newly amended claim in the district court action against the alleged infringer, while the alleged infringer would have been estopped from challenging the invalidity of those amended claims. By deciding to amend the claims during an IPR, a patent

owner would be making a “strategic” decision to attempt to amend the asserted claim (twice) rather than make a single substantive argument to support validity of the patent claims it initiated the district court action against the alleged infringer. Thus, patent owners can use IPR proceedings to their advantage to amend an invalid claim, forcing an alleged infringer to contest the validity of the same, similar to the pre-AIA reissue proceeding at issue in *PPG*. This “strategic” choice by a patent owner to essentially abandon any defense to the validity of the asserted claim from the district court to seek, with the intention to later enforce, an amended claim against an alleged infringer also makes any IPR proceeding intimately and entirely tied to the resolution of the district court action.

An IPR that permits a patent owner to amend the asserted claims is no different than the reexamination considered in *PPG* in that the district court awarded fees in the district court action, and it involves a Patent Office proceeding filed after the initiation of a civil action where the Patent Office proceedings substituted for the district court litigation on all issues considered by the PTAB, namely the validity of the lone patent claim asserted in the Complaint. *See Amneal Pharm.*, 690 F.3d at 1372. However, unlike *PPG*, the Federal Circuit decision in this case does not allow a district court to consider whether the IPR was intimately tied to the resolution of the district court action. By failing to consider whether the IPR was “intimately tied to the resolution of the” district court action, the Federal Circuit is ignoring the precedent set forth in *Sullivan*.

3. An Award of IPR Fees in This Case is Necessary to Attain the Results Congress Sought to Promote by Providing for an Award of Fees Under §285

Awarding fees incurred in an IPR is “necessary to the attainment of the results Congress sought to promote.” Under the IPR system established under the America Invents Act (“AIA”), Congress’s stated purpose in creating the PTAB and IPRs was to “improv[e] patent quality and provid[e] a more efficient system for challenging patents that should not have issued; and reduc[e] unwarranted litigation costs.” H.R. Rep. No. 112-98, pt. 1, at 39-40 (2011), as reprinted in 2011 U.S.C.C.A.N. 67, 69. In creating IPR proceedings, Congress aimed to create a “more efficient system for challenging patents that should not have issued.” *Id.* This would avoid, among other things, unnecessary and expensive litigation by allowing disputes about validity to “be resolved quickly *and cheaply.*” 157 Cong. Rec. at 2861 (statement by Sen. Whitehouse) (emphasis added). Thus, Congress’s stated aim when creating the IPR proceeding was to improve patent quality by providing a more efficient and cheaper way to adjudicate patent validity issues.

This Court has also agreed that “one important congressional objective” of the AIA was “giving the Patent Office significant power to revisit and revise earlier patent grants” in order to “protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope. *Cuozzo Speed Tech., LLC v. Commerce for IP*, 579 U.S. 261, 270-73, 279 (2016). IPRs accomplish this by providing a mechanism in which the issue of invalidity of a weak patent claim

could be adjudicated in a more efficient and focused manner without the need to burden a district court's docket. For example, by statute, IPRs are supposed to reach a final determination no later than one year after the PTAB decides to institute the proceeding. 35 U.S.C. § 326(a)(11) and 37 C.F.R. § 42.200(c). The administrative procedures are more streamlined than civil litigation, with average legal costs typically in the hundreds of thousands of dollars (as opposed to millions).⁴ As a result, it has become common for entities sued for patent infringement to petition the PTAB to institute an IPR and seek to challenge the patent in that forum. Thus, allowing weak patent claims to be resolved in IPR proceedings, rather than in the district court action, and providing for recovery of fees incurred in the IPR proceedings under § 285 is consistent with *Sullivan*.

The goal and purpose of the IPRs, according to Congress, is also consistent with the purpose of the fee shifting statute § 285. The language of § 285 has essentially remained unchanged since its enactment as part of the major patent reforms of 1952. The predecessor statute, passed a few years earlier in 1946, was substantially similar but had two major differences. In particular, the 1946 act expressly gave the court "discretion" to award attorney fees to the prevailing party, while the 1952 act removed the "discretion" language and instead indicated that the fees may be awarded in "exceptional cases." *General Motors Corp. v. Devez Corp.*, 461 U.S. 648, 653

4. *Prior Art in Inter Partes Review*, 104 Iowa L. Rev. 2705, 2706 (2019) ("[T]he cost of litigation an IPR to a final written decision was about \$324,000, which pales in comparison to the \$1-2 million reported cost of litigating a patent in court.").

n.8 (1983). It was not contemplated that the recovery of attorney's fees would become an ordinary thing in patent suits, but the discretion given the court in this respect would discourage infringement of a patent by anyone thinking that all he would be required to pay if he loses the suit would be to pay a royalty. *Id.*

The provision of § 285 is also made general so as to enable the court to prevent a "gross injustice" to an alleged infringer. S.Rep.No. 1503, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S.C.C.A.N. 1386, 1387. When the 1952 act was passed, the House Committee Report briefly mentioned the "exceptional case" amendment to the statute by indicating that the phrase "in exceptional cases" has been added as expressing the intention of the present statute as shown by its legislative history and as interpreted by the courts." *General Motors*, 461 U.S. at 653, n.8. Thus, when read in light of the purpose of § 285 to prevent "gross injustice" to an alleged infringer, a district court should be permitted, in its discretion, to award attorney fees under § 285 incurred during an IPR procedure as "necessary to the attainment of the results Congress sought to promote."

The pending appeal involving Nextremity is a perfect example. In that case, the District Court found the case to be "exceptional" based on the patent owner's complete failure to defend the validity of its asserted patent claim at any point before or during the district court action and during the IPR in view of prior art disclosed to the patent owner by Nextremity prior to its filing of the district court action. Despite this complete failure by the patent owner, the District Court interpreted *Dragon* to preclude recovery of fees in the IPR in the Nextremity case by

awarding only \$52,573 based on the fees incurred during only the district court action, while denying recovery of the fees and costs of over \$343,660.86 incurred during the IPR in adjudicating the validity of the asserted claim and two attempted amendments to the asserted claim. However, all of the work done with respect to the validity of the asserted claim was conducted and decided in the IPR. And, such work directly resulted in the ultimate resolution of the district court action.

The denial of an award of fees incurred during the IPR in the Nextremity Case just because the Federal Circuit in this case considers all IPRs to be “voluntarily pursued” would be a “gross injustice” to Nextremity and contrary to the purpose of § 285 and the creation of IPR proceedings by Congress to provide a lower-cost alternative to civil litigation to prevent enforcement of invalid patents in district court. See, e.g., 157 Cong.Rec. at 2710 (statement by Sen. Grassley) (“These new [IPR] procedures would also provide faster, less costly alternatives to civil litigation to challenge patents”). Nextremity brought an action asserting a patent claim which it knew or should have known was objectively baseless. It was fully aware of, and conceded, the invalidity of the asserted claim based upon the prior art. However, Nextremity will escape any significant repercussions based on the Federal Circuit’s decision in this case, while Nextremity is forced to pay 7.5 times the amount it paid for the district court action. To prevent such a gross injustice, there should not be a hard, rigid rule that automatically precludes recovery of attorney fees under 35 U.S.C. §285 incurred in an IPR simply because it is considered “voluntarily pursued.” Failure to award such fees in the Nextremity Case or similar cases based on the Federal Circuit’s decision in this case will give patent owners cart blanche to assert

baseless infringement claims without worry that they will be responsible for fees incurred in an IPR brought by the defendant when the asserted claim is objectively and clearly invalid and/or when no pre-filing investigation as to the validity of the claim was done even though the patent owner is aware of invalidating prior art.

Furthermore, not awarding IPR fees in the Nextremity Case and in similar cases based on the hard, rigid rule established by the Federal Circuit in this case would naturally result in less IPRs being brought in similar situations. If a court is allowed to award only fees incurred before a district court and not in an IPR, then a defendant faced with a situation where a patent owner asserted an objectively invalid claim, may choose to proceed with invalidity the claim before the district court rather than at the PTAB. This would increase the burden and case level of the district courts, while frustrating Congress's intent to have such invalid patent claims invalidated via an IPR. And, the fear that allowing fees to be recovered in an IPR proceeding under § 285 would open the floodgates to request fees in every case with an IPR proceeding is unfounded because the award of attorney fees under § 285 would still require an accused infringer prove that the case was "exceptional."

Awarding fees under § 285 for fees incurred in related IPR procedures are "necessary to the attainment of the results Congress sought to promote" under § 285. By allowing district courts to award fees incurred during IPR procedures, a "gross injustice" will be avoided in this and other cases where an alleged infringer uses a more cost-efficient system to challenge an asserted claim that the patent knew or should have known was invalid before filing suit.

4. Not All IPR Proceedings Are The Same To Warrant A Hard, Rigid Rule

The facts and circumstances surrounding the IPR filed in the Nextremity Case are different than those involved in this case. Thus, a hard, rigid rule that fees incurred in a parallel IPR proceeding are not recoverable under § 285 ignores the discretion provided to district courts in awarding attorney fees under this section.

For example, a district court should be able to consider the factors surrounding the initiation of the IPR and the level of involvement of the patent owner in the IPR proceeding. For example, the district court should be given discretion to consider whether the patent owner knew, prior to filing a district court action, that the alleged infringer would be initiating an IPR and whether the patent owner expressly stipulated to stay the district court action in favor of having the PTAB ultimately decide the validity of the asserted claims. A district court should also be able to consider in its discretion whether a patent owner took affirmative steps to embrace the IPR by, for example, stipulating to use of the IPR to substitute for the district court on the issue of validity and to attempt to amend the asserted claims to save them from being invalidated in the hope that it could assert the amended claims in the district court action, while later estopping the alleged infringer from challenging the validity of those amended claims during the district court action. Such actions are not consistent with a patent owner who is involuntarily participating in an IPR and makes IPRs that involve such actions different than, for example, an IPR that was initiated without a stipulated stay and without any amendments to the claims during the IPR.

However, a hard, rigid rule that all IPRs are not entitled to an award of attorney fees under 35 U.S.C. §285 precludes district courts from considering any of these factors. By establishing such a hard, rigid rule, a district court is precluded from considering the “totality of the circumstance” approach in determining fee awards established by the Supreme Court. Such an approach should allow a district court to consider different factors to determine whether an IPR was intimately tied to the resolution of the district court action, such as, for example, whether the district court action was already initiated before the IPR started, whether the action was stayed by the district court, the intent of parties, especially the patent owner, in staying the district court action, whether the results of the IPR demonstrate support for the exceptional case argument, whether the decision by the PTAB in the IPR proceeding ultimately resolved the issues in the district court action, whether the patent owner used the IPR to amend the asserted claim, and the conduct of the parties during the district court and IPRs that made the case exceptional.

In looking at the totality of the circumstances, not all IPRs are the same. For example, there is no evidence that the patent owner in this case was notified, before filing the district court action, that specific prior art invalidated the asserted patent claim and that the accused infringer planned to file an IPR if a patent infringement suit was filed. The patent owner in this case also did not expressly stipulate to stay the district court action for the IPR proceeding to determine “the validity of the lone patent claim asserted in this proceeding,” did not attempt to amend the asserted patent claim during the IPR proceeding, and, unlike the patent owner in the

Nextremity case, defended the validity of the asserted claim in the IPR. In the Nextremity case, the patent owner failed to submit a single substantive argument in support of the sole patent claim asserted in the district court during the IPR, but, instead, choose to amend the claim (twice) forcing Nextremity to respond similar to a re-examination proceeding.

The Federal Circuit decision at issue in this case prevents the district court from considering any of these factors because it considers all IPRs to be “voluntarily pursued.” The IPR in the Nextremity case was markedly different from the IPR in this case. Thus, neither case should be tied to the same hard, rigid rule created by the Federal Circuit. Rather, the district court should apply the precedent already established by this Court in *Sullivan* by considering whether the IPR was “intimately tied” to the resolution of the district court action.

CONCLUSION

This Court is urged to grant a writ for certiorari to rectify the gross injustice of the Federal Circuit's hard, rigid rule that attorney fees incurred in defending and IPR can never be awarded by a district court under 35 U.S.C. §285 because the IPR is considered "voluntarily pursued." This rule is contrary to established Supreme Court precedent in awarding fees incurred during administrative proceedings that are intimately tied to the resolution of the judicial action and to avoid a gross injustice to IPR petitioners that pursue IPRs as a cost saving mechanism.

Respectfully submitted,

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Dated: February 6, 2025