

No. 24-____

IN THE
Supreme Court of the United States

DISH NETWORK L.L.C.,
Petitioner,

v.

DRAGON INTELLECTUAL PROPERTY, LLC;
ROBERT E. FREITAS; FREITAS & WEINBERG LLP,
Respondents.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

G. HOPKINS GUY III
BAKER BOTTS L.L.P.
1001 Page Mill Road
Building One, Suite 200
Palo Alto, CA 94304
(650) 739-7500

LAUREN J. DREYER
Counsel of Record
JAMIE R. LYNN
BAKER BOTTS L.L.P.
700 K Street, N.W.
Washington, DC 20001
lauren.dreyer@bakerbotts.com
(202) 639-7700

Counsel for Petitioner DISH Network L.L.C.

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QUESTIONS PRESENTED

The Patent Act's fee-shifting statute, 35 U.S.C. § 285, states: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

The questions presented are:

1. Whether the Patent Act's fee-shifting statute allows a district court discretion to impose joint and several liability for the fee award on a party's attorney whose actions substantially contribute to the exceptionality of the case.

2. Whether the same fee-shifting statute allows a district court discretion to award attorney's fees incurred by a prevailing accused infringer in a parallel administrative proceeding to invalidate a patent.

PARTIES TO THE PROCEEDINGS BELOW

Petitioner (defendant-appellant below) is DISH Network L.L.C.

Respondent (plaintiff-cross-appellant below) is Dragon Intellectual Property, LLC.

Respondents (respondents-appellees below) are Robert E. Freitas and Freitas & Weinberg LLP.

RULE 29.6 DISCLOSURE STATEMENT

DISH Network L.L.C. is a wholly owned subsidiary of DISH DBS Corporation, a corporation with publicly traded debt.

DISH DBS Corporation is a wholly owned subsidiary of DISH Network Corporation, which is a wholly owned subsidiary of EchoStar Corporation, a corporation with publicly traded equity (NASDAQ: SATS).

Based solely on review of Form 13D and Form 13G filings with the Securities and Exchange Commission, no entity owns more than 10% of EchoStar Corporation's stock other than BlackRock, Inc.

RELATED PROCEEDINGS

This case is directly related to the following proceedings in the U.S. District Court for the District of Delaware, the U.S. Court of Appeals for the Federal Circuit, and this Court:

- *Dragon Intell. Prop., LLC v. DISH Network, LLC*, No. 1:13-CV-02066-RGA (D. Del. Nov. 7, 2018) (judgment denying motion for attorney fees);
- *Dragon Intell. Prop., LLC v. DISH Network LLC*, No. 19-1283 (Fed. Cir. Apr. 21, 2020) (order reversing and remanding denial of attorney fees);
- *Dragon Intell. Prop., LLC v. DISH Network L.L.C.*, No. 1:13-CV-02066-RGA (D. Del. Nov. 8, 2021) (order finding exceptionality but denying attorney liability and IPR fees);
- *Dragon Intell. Prop., LLC v. DISH Network L.L.C.*, No. 1:13-CV-02066-RGA (D. Del. Mar. 7, 2022) (order awarding DISH \$1,456,273.49 in fees); and
- *Dragon Intell. Prop., LLC v. DISH Network L.L.C.*, No. 22-1621 (Fed. Cir. May 20, 2024) (order affirming finding of exceptionality and denial of attorney liability and IPR fees).

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**On Petition for a Writ of Certiorari to the
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for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

Petitioner DISH Network L.L.C. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The Court of Appeals' opinion (Pet. App. 1a-17a) is reported at 101 F.4th 1366. The Court of Appeals' denial of rehearing en banc (Pet. App. 62a-64a) is reported at 91 F.4th 1340. The district court's opinion finding exceptionality but precluding attorney liability and IPR fees (Pet. App. 18a-19a) is unreported but is available at 2021 WL 5177680. The district court's order awarding DISH \$1,456,273.49 in fees (Pet. App.

60a-61a) is unreported. The Patent Trial and Appeal Board's decision finding all challenged claims unpatentable is unreported but is available at 2016 WL 3268756.

STATEMENT OF JURISDICTION

The judgment of the Court of Appeals was filed on May 20, 2024. Pet. App. 1a. Timely petitions for rehearing en banc were denied on October 10, 2024. Pet. App. 62a-64a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTE INVOLVED

At issue in this case is the fee-shifting statute set forth in the Patent Act, 35 U.S.C. § 285, which states:

“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”

INTRODUCTION

This petition addresses a circuit split involving the identical statutory language of the Patent and Lanham Acts. No dispute exists that DISH prevailed in this exceptional case, entitling it to its attorney's fees. DISH, however, also requested the imposition of joint and several liability of the fee award against the plaintiff's counsel, as the entity primarily responsible for advancing and prolonging this frivolous case.

In denying DISH's request, the Federal Circuit's ruling that Section 285 immunizes attorneys from fee awards defies the plain text of the statute and this Court's well-established precedent. By ignoring Congress's intent and contravening principles of statutory interpretation, the Federal Circuit created a circuit split with the Fifth Circuit over identical language found in the parallel fee-shifting provision of the Lanham Act. Nearly a decade after this Court's decision in *Octane Fitness, LLC v. ICON Health &*

Fitness, Inc., 572 U.S. 545 (2014), the Federal Circuit’s departure from precedent underscores the need for this Court’s review to prevent further erosion of Section 285’s critical fee-shifting purpose and to remove this clear split of authority.

Section 285’s clarity leaves no room for exceptions. It does not restrict who must pay a fee award, instead entrusting district courts with broad discretion to determine the proper allocation. This Court has already held that the statute imposes only one constraint: the case must be “exceptional.” *Octane Fitness*, 572 U.S. at 553. The Federal Circuit’s decision to sidestep this Court’s straightforward directive and rewrite this statute amply warrants this Court’s review.

The Federal Circuit’s holding also directly conflicts with the Fifth Circuit’s post-*Octane* interpretation of identical fee-shifting language in the Lanham Act (15 U.S.C. § 1117(a)). The Fifth Circuit, adhering to established canons of statutory interpretation and this Court’s guidance in *Octane Fitness*, concluded that attorneys are not entitled to special protection under that statute. The Federal Circuit, by contrast, disregarded the Fifth Circuit’s reasoning, ignored *Octane Fitness*, and relied on outdated and distinguishable pre-*Octane* precedent from the Fourth Circuit. But even the Fourth Circuit’s decision precluding attorney liability for fee awards runs afoul of statutory interpretation rules and should not be followed here. This split between the Federal, Fourth, and Fifth Circuits underscores the need for this Court’s intervention to harmonize the interpretation of the Lanham and Patent Acts’ fee-shifting provisions and reaffirm *Octane Fitness* as the governing standard.

But one unstated exception was not enough. The Federal Circuit compounded its error by inventing a

second, equally baseless exception to fee recovery under Section 285. This time, it declared that the statute bars accused infringers from recovering fees for parallel administrative proceedings before the U.S. Patent and Trademark Office, known as *inter partes* review. Yet nothing in the text of Section 285 supports such a prohibition, particularly given that *inter partes* reviews fall within the same Patent Act. Nor does precedent. For nearly 40 years, this Court has recognized that fees for parallel administrative proceedings are recoverable—even when those proceedings are voluntarily initiated. The Federal Circuit ignored this longstanding rule, relying instead on an unfounded rationale to strip accused infringers of a vital safeguard against frivolous litigation. This unjustified departure from statutory and judicial authority only deepens the need for this Court’s review.

The questions presented strike at the heart of a pervasive and escalating issue in patent litigation. Nearly 80% of patent lawsuits today are brought by patent assertion entities, often intentionally designed as judgment-proof shell companies crafted to evade liability for adverse fee awards if the case is found exceptional.¹ These entities weaponize the legal system, exploiting loopholes for attorneys to file baseless suits while shielding themselves from accountability. The unchecked proliferation of such tactics demands this Court’s intervention to restore fairness and integrity to patent litigation.

The Federal Circuit’s creation of categorical exemptions from fee liability—without any basis in the statute or

¹ *Patent Dispute Report: 2024 Mid-Year Report*, UNIFIED PATENTS (July 22, 2024), <https://www.unifiedpatents.com/insights/2024/7/22/patent-dispute-report-2024-mid-year-report>.

legislative history—empowers judgment-proof patent assertion entities and their attorneys to pursue reckless litigation with impunity. This outcome burdens the judiciary, legitimate innovators, and consumers, who ultimately pay the price for these exploitative tactics. Left unchecked, this unwarranted “attorney exemption” will only embolden further abuse, distorting the patent system away from its intended purpose. Section 285’s plain text does not shield bad actors from accountability. As exceptional tactics proliferate at the hands of attorneys, federal courts must retain broad discretion unencumbered by any judicially created carve-outs that categorically shield certain actors or conduct from accountability for their exceptionality.

This case presents an ideal vehicle for resolving these questions of statutory interpretation with far-reaching implications for patent litigation. The dispute turns solely on a straightforward legal issue: the scope of Section 285. Because the Federal Circuit’s erroneous statutory interpretation conflicts with decisions of this Court, the Fifth Circuit, and both the Patent and Lanham Acts, the Court’s review is amply warranted.

STATEMENT OF THE CASE

I. Proceedings in the District Court

More than ten years ago, Dragon Intellectual Property, LLC, represented by attorney Robert Freitas and his firm (collectively, “Freitas”), sued DISH and others for patent infringement in the District of Delaware, alleging infringement of U.S. Patent No. 5,930,444. Pet. App. 33a. Dragon is a patent assertion entity, with this patent as its sole asset and a patent attorney as its sole owner. That patent concerned a method for digital video recorders (“DVRs”) to record, pause, and play back television shows upon user

actuation. Pet. App. 34a-35a. Merely watching DISH's DVR set-top boxes record TV programming proved that the accused products did not infringe, as they recorded continuously without awaiting user actuation. Pet. App. 36a.

Within the one-year statutory deadline (35 U.S.C. § 315(b)), DISH filed an *inter partes* review ("IPR") petition at the Patent Trial and Appeal Board ("Board") of the Patent Office, challenging the validity of Dragon's asserted patent.² Pet. App. 37a. The district court stayed Dragon's case against DISH pending the outcome of the IPR proceeding while the other cases continued. *Id.* The Board ultimately invalidated the challenged claims of Dragon's patent, which the Federal Circuit affirmed. Pet. App. 41a. In parallel, the district court entered judgment for DISH (as well as all other defendants) based on stipulations of noninfringement following the court's claim construction decision that excluded continuously recording products, where it noted that it had "only once seen a clearer case of prosecution disclaimer." Pet. App. 39a-40a. On appeal, after affirming the Board's decision, the Federal Circuit dismissed the judgments of noninfringement as moot in view of the patent's invalidity. Pet. App. 41a-42a.

Following the final judgment, DISH moved for attorney's fees under 35 U.S.C. § 285, which permits fee awards to prevailing parties in exceptional cases. Pet. App. 40a-41a. The district court first held that DISH did not qualify as a prevailing party under Section 285 by virtue of having invalidated Dragon's

² An IPR enables one to petition the Board to challenge the validity of patent in light of prior patents or printed publications. *See generally* 35 U.S.C. § 311 *et seq.*

patent in an administrative proceeding and not in federal court. Pet. App. 42a.

The Federal Circuit reversed that decision, holding that DISH prevailed under Section 285 by invalidating the patent in the IPR proceeding, effectively resolving the district court litigation. Pet. App. 42a-43a. On remand, the district court found the case exceptional because, in part, this was “a very clear case of prosecution disclaimer” that “preclude[d] a finding of infringement by any of the defendants’ accused products,” which were continuous recording devices. Pet. App. 45a-48a. Even though “information demonstrating noninfringement by the accused products was available to Dragon prior to filing the suit,” Dragon and its attorneys nevertheless forged ahead, making this case stand out from others with respect to Dragon’s substantive litigation position and thus “exceptional.” Pet. App. 48a.

The district court awarded DISH nearly \$1.5 million in attorney’s fees,³ comprising only fees it incurred in the district court action itself. Pet. App. 60a-61a. Believing it was handcuffed by the statute, the court denied DISH any additional fees for its IPR proceeding and denied imposing joint and several liability for the fee award on Freitas. Pet. App. 53a-58a. On both issues, the district court concluded that the statute precluded that relief as a matter of law. Pet. App. 49a-50a, 54a-55a.

³ One of the other defendants, Sirius XM Radio Inc., won over \$1.8 million in attorney’s fees, making the fee award against Dragon over \$3.3 million. *See Dragon Intell. Prop., LLC v. Sirius XM Radio Inc.*, No. 1:13-cv-02067-RGA, ECF No. 250 (D. Del. Mar. 7, 2022).

II. Split Decision in the Court of Appeals

A. The Majority Decision

The Federal Circuit’s decision, authored by Chief Judge Moore, affirmed the district court’s decision in all respects. Pet. App. 3a. It affirmed exceptionality under Section 285, given the baseless infringement claims. Pet. App. 5a-8a. But the Federal Circuit held that courts have no discretion to impose joint and several liability for the fee award on a party’s attorney. Pet. App. 11a-13a. It contended that the plain language of Section 285 does not explicitly permit a fee award against attorneys. Pet. App. 11a. According to the court of appeals, if Congress intended the statute to include such liability against that particular category of third parties, it would have done so explicitly, as it had in other statutes and rules. Pet. App. 11a-12a.

Additionally, the Federal Circuit majority opinion denied the recovery of fees incurred in administrative Patent Office proceedings, such as IPRs. Pet. App. 8a-11a. It reasoned that DISH pursued its administrative challenge *voluntarily* and benefited from doing so. Pet. App. 8a-10a. Despite finding DISH a “prevailing party” under Section 285 in district court by virtue of invalidating the patent in its successful IPR, the majority irreconcilably precluded DISH from recovering fees for that same proceeding. Pet. App. 11a.

B. The Dissent

Sitting by designation, Judge Bencivengo, in a partial dissent, disagreed with the majority’s exclusion of IPR fees from recovery under Section 285. Pet. App. 15a. Because the lower court stayed the underlying litigation, Judge Bencivengo reasoned that the IPR proceeding was not duplicative but, “[a]s contemplated

by the creation of IPR,” effectively substituted for the district court litigation on the issue of the patent’s validity. Pet. App. 15a-16a. She correctly concluded that DISH incurred IPR fees as a direct consequence of defending against Dragon’s baseless claims, and those fees rationally should be recoverable to fully compensate DISH. Pet. App. 16a-17a. (“Appellants incurred fees in the IPR that they would not have incurred but for being sued by Dragon in a case that should not have been initiated by Dragon.”). Judge Bencivengo also emphasized that DISH’s IPR was a necessary response to the litigation and should not be “categorically precluded” from recovery under Section 285. Pet. App. 17a.

REASONS FOR GRANTING THE PETITION

The Federal Circuit’s holding deviates from the plain text of Section 285, contravening established principles of statutory interpretation. Its ruling conflicts with this Court’s precedent, which has firmly established the proper framework for interpreting Section 285. And by departing from the interpretation of another circuit over identical statutory language, its decision created a circuit split, necessitating the Court’s review.

Section 285 is clear and unambiguous. It does not restrict who may be required to pay a fee award, reflecting Congress’s choice to leave that decision to the sound discretion of the district court. The Court has already made clear that the text reflects “one and only one constraint on district courts’ discretion”—that the case be “exceptional.” *Octane Fitness*, 572 U.S. at 553. The Federal Circuit is not free to ignore this Court’s directive and rewrite this statute.

Section 285 serves to restrain abusive litigation and protect the public interest. Absent the accountability mechanisms already available under Section 285, patent litigation runs haywire. Judgment-proof plaintiffs hold patent rights and dubiously wield them against high-tech companies at extreme costs and with little disincentive. The problem is pervasive and pernicious. District courts find themselves routinely plagued by frivolous patent litigation and attorney misconduct. *See infra* pp. 23-25. This Court should reject the Federal Circuit's unmoored statutory interpretation of Section 285, resolve the circuit split it needlessly created, and restore federal courts with discretion to curtail patent litigation abuses.

This case presents the ideal vehicle. DISH's fees could have been entirely avoided had Dragon's counsel conducted an adequate pre-suit investigation—such as simply consulting public materials or using a DISH DVR. The Federal Circuit's conclusion—that Section 285 precludes sub silentio imposing joint and several liability on attorneys for fee awards—is the sole ground supporting the district court's order on that issue. The same holds true for its decision that the statute prohibits IPR petitioners from recovering IPR fees. Both issues were squarely pressed and passed upon below, resulting in a rare circuit split involving the Federal Circuit. And because the Federal Circuit's bar on both issues is categorical, it is an optimal vehicle for this Court. The petition should be granted.

I. The Federal Circuit’s Categorical Bar Squarely Conflicts with the Statute’s Text, This Court’s Precedent, and the Fifth Circuit’s Holding on a Nearly Identical Issue Creating a Circuit Split on Whether Attorneys May Be Liable for Fee Awards

The Federal Circuit’s categorical bar to counsel liability for Section 285 fees has no roots in the statute’s text, its purpose, or precedent. In considering the statutory interpretation of Section 285 in *Octane Fitness*, this Court held that it “imposes one and only one constraint on district courts’ discretion to award fees in patent litigation: The power is reserved for ‘exceptional’ cases.” 572 U.S. at 553-54 (rejecting Federal Circuit’s “overly rigid” prior approach). And in *Nelson v. Adams USA, Inc.*, the Court condoned Section 285 liability against a third party—the plaintiff’s president and sole shareholder—subject to due process.⁴ 529 U.S. 460, 472 (2000) (noting its “decision surely does not insulate [the third-party] from liability”).

The Federal Circuit departed from this precedent and arbitrarily limited the otherwise broad language. The Fifth Circuit, however, followed *Octane Fitness* in finding an attorney liable under the Lanham Act’s identical provision. Properly grounding its decision in *Octane Fitness*, the Fifth Circuit permitted joint and several liability for fees against a party’s attorney. *Alliance for Good Gov’t v. Coal. for Better Gov’t*, 998 F.3d 661, 665-66 (5th Cir. 2021), *cert. denied*, 142 S. Ct. 45 (2021) (Mem). In doing so, it held that neither the Lanham nor Patent Act “expressly limit[s] the persons

⁴ Freitas received adequate due process below, which it never challenged.

who can be held liable for attorney’s fees,” *id.* at 665, consistent with this Court’s precedent that a third party is “surely . . . not insulate[d]” from liability for Section 285 fees, *Nelson*, 529 U.S. at 472.

The Federal Circuit reached the opposite conclusion. Ignoring both *Octane Fitness* and the Fifth Circuit’s reasoning entirely, the Federal Circuit erroneously followed the Fourth Circuit’s pre-*Octane* interpretation of a differently worded fee-shifting statute. The Federal Circuit provided no reason for applying the Fourth Circuit’s inapplicable approach rather than *Octane Fitness* or the Fifth Circuit’s application of it to an identical provision. See *Indep. Fed’n of Flight Attendants v. Zipes*, 491 U.S. 754, 758-59 n.2 (1989) (“[F]ee-shifting statutes’ similar language is ‘a strong indication’ that they are to be interpreted alike.”) (citations omitted); Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 252-53 (2012) (“‘Statutes,’ Justice Frankfurter once wrote, ‘cannot be read intelligently if the eye is closed to considerations evident in affiliated statutes.’”).

Because the Fifth Circuit followed *Octane Fitness*, and the Federal Circuit did not, the circuits are now divided on the reach of fee-shifting remedies against attorneys responsible for a case’s exceptionality under identically worded language in both the Patent Act and Lanham Act. The Federal Circuit’s circuit-splitting disregard of identical language in related intellectual property statutes cannot be squared with the statute or precedent. This circuit split amply warrants this Court’s review.

**A. The Statute’s Text Does Not Support
Immunizing All Attorneys from Section
285 Liability**

The broad and permissible statutory language of Section 285 has no exceptions. “The text of the [statute] means what it says,” *Loper Bright Enterprises v. Raimondo*, 144 S. Ct. 2244, 2262 (2024), and its text contains zero limits on who is liable. None. The Federal Circuit simply concocted one. *See Little Sisters of the Poor Saints Peter & Paul Home v. Pennsylvania*, 591 U.S. 657, 677 (2020) (“It is a fundamental principle of statutory interpretation that ‘absent provision[s] cannot be supplied by the courts.’”). And in doing so, the Federal Circuit ignored this Court’s prior decisions leaving district courts wide latitude to fashion appropriate fee awards. *Octane Fitness*, 572 U.S. at 554; *Nelson*, 529 U.S. at 472. This precedent makes clear that the statute’s silence on liability cannot immunize attorneys who are responsible for exceptionality.

Determining whether the “substantive strength of a party’s litigating position,” or “the unreasonable manner in which the case was litigated,” amounts to exceptionality necessarily involves the actions and positions taken by attorneys in representing their clients and perpetuating the litigation. *See Octane Fitness*, 572 U.S. at 554. Things like “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case)” capture the actions of counsel. *See id.* at 554 n.6 (citation omitted). And, perhaps most importantly, given patent law’s effect on the public interest, “the need in particular circumstances to advance considerations of compensation and deterrence” permits and justifies the imposition of joint and several liability. *See id.* These factors are all permissible considerations in the discretionary “totality of

the circumstances” test (*id.* at 550)—and permit what the Federal Circuit here prohibited.

Congress enacted the Patent Act’s fee-shifting provision, in part, to restrain abusive patent litigation practices and protect the public interest. *See, e.g., Octane Fitness*, 572 U.S. at 549, 554 & n.6; *Automated Bus. Cos., Inc. v. NEC Am., Inc.*, 202 F.3d 1353, 1355 (Fed. Cir. 2000) (The purpose of this statute is to “serve[] as a deterrent to ‘improper bringing of clearly unwarranted suits’ for patent infringement.”) (quoting *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988)); *Raylon, LLC v. Complus Data Innovations, Inc.*, 700 F.3d 1361, 1372 (Fed. Cir. 2012) (purpose is “to address a patent-specific policy rationale,” where “sanctions were necessary to deter the ‘improper bringing of clearly unwarranted suits.’”) (citation omitted). Deterring frivolous suits “further[s] equitable considerations . . . for the purpose of enabling a court to prevent gross injustice to an alleged infringer.” *See Rohm & Haas Co. v. Crystal Chem. Co.*, 736 F.2d 688, 690-92 (Fed. Cir. 1984) (discussing Section 285 legislative history); *see also* S. Rep. No. 1503, 79th Cong., 2d Sess. (1946), *as reprinted in* 1946 U.S. Code Congr. Serv. 1386, 1387 (“provision is [] made general so as to enable the court to prevent a gross injustice to an alleged infringer”) (addressing precursor to Section 285). The statutory purpose reinforces Congress’s willingness to permit fee liability against those who improperly file frivolous lawsuits—which necessarily includes attorneys.

Courts have long held attorneys liable for fees for conducting litigation in bad faith or advancing meritless claims, even where the rule that imposes fee liability is silent on who should be held liable. For instance, Federal Rule of Appellate Procedure 38 sets out which party may *receive* fees for frivolous appeals

but is otherwise silent on who must pay. *See* Fed. R. App. P. 38 (“If a court of appeals determines that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee.”). Every circuit court has condoned assessing personal or joint and several liability for Rule 38 fee awards against attorneys responsible for a frivolous appeal. *See, e.g., Pop Top Corp. v. Rakuten Kobo Inc.*, No. 2021-2174, 2022 WL 2751662, at *3 (Fed. Cir. July 14, 2022); *Am. Sec. Vanlines, Inc. v. Gallagher*, 782 F.2d 1056, 1057 (D.C. Cir. 1986); *Goya Foods, Inc. v. Unanue-Casal*, 275 F.3d 124, 131 (1st Cir. 2001); *Bartel Dental Books Co., Inc. v. Schultz*, 786 F.2d 486, 491 (2d Cir. 1986), *cert. denied*, 478 U.S. 1006 (1986); *Beam v. Downey*, 151 F. App’x 142, 145 (3d Cir. 2005); *In re Prop. Movers, L.L.C.*, 31 F. App’x 81, 90 (4th Cir. 2002) (per curiam); *Coghlan v. Starkey*, 852 F.2d 806, 818 (5th Cir. 1988); *Waldman v. Stone*, 854 F.3d 853, 855 (6th Cir. 2017); *Hill v. Norfolk & W. Ry. Co.*, 814 F.2d 1192, 1201 (7th Cir. 1987); *Kellerman v. United States*, 871 F.2d 1363, 1364 (8th Cir. 1989); *McConnell v. Critchlow*, 661 F.2d 116, 118 (9th Cir. 1981); *Braley v. Campbell*, 832 F.2d 1504, 1511 (10th Cir. 1987); *Espinoza v. Galardi S. Enters., Inc.*, 772 F. App’x 768, 771 (11th Cir. 2019).

The Federal Circuit fails to justify why attorneys receive special protection in district court under Section 285 but not in circuit court under Rule 38. *Cf. Roadway Express, Inc. v. Piper*, 447 U.S. 752, 766 (1980) (“The power of a court over members of its bar is at least as great as its authority over litigants.”) (internal footnote and citations omitted); *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1328 (Fed. Cir. 2011) (holding attorney “has an obligation to the court and should not blindly follow the client’s interests if

not supported by law and facts”). Like circuit courts, districts courts should have at their disposal all available mechanisms, including Section 285, to police litigation abuses and the exceptional conduct of an attorney practicing before them.

B. The Federal Circuit Created a Circuit Split by Wrongly Following the Fourth Circuit Instead of this Court and the Fifth Circuit

Instead of addressing precedent on identical statutory language, the Federal Circuit focused on the Fourth Circuit’s pre-*Octane* treatment of a different statute, creating a circuit split.

The Fifth Circuit applied the Court’s decisions in *Nelson* and *Octane Fitness* to impose joint and several liability against a party’s attorney under the Lanham Act’s identical provision. *Alliance*, 998 F.3d at 665-66. Instead of following the Fifth Circuit and this Court, the Federal Circuit ignored both. Rather, it followed the Fourth Circuit’s pre-*Octane* decision in *In re Crescent City Estates, LLC*, 588 F.3d 822 (4th Cir. 2009), which concerned a different statute (28 U.S.C. § 1447(c)). Section 1447(c) pertains to remanding cases after improper removal to federal court such that “[a]n order remanding the case may require payment of just costs and any actual expenses, including attorney fees, incurred as a result of the removal.” Like the Patent Act and Lanham Act, it does not explicitly state who is liable for paying the fee award. The Fourth Circuit concluded that without express statutory authority to hold attorneys liable, they are not. *Crescent City*, 588 F.3d at 826.

The Fourth Circuit’s analysis is inapplicable to Section 285 and predates *Octane Fitness*. Thus, the

Federal and Fifth Circuits are now divided on the scope of identical fee-shifting provisions. Even if the Fourth Circuit's analysis were relevant to the Patent and Lanham Act remedies, it would only deepen the circuit divide and contravene *Octane Fitness*.

But even the Fourth Circuit's reasoning is questionable. See *Crescent City*, 588 F.3d at 825 (acknowledging that no circuit courts had addressed the issue and that district courts remained "badly divided"). Because the plain language of 28 U.S.C. § 1447(c) "makes no explicit mention of counsel," the Fourth Circuit turned to the American Rule's presumption that each party bear its own fees—but it extended this axiom by conceiving a second prong: that only parties, not attorneys, pay fees. *Crescent City*, 588 F.3d at 825-26 (finding "two distinct underlying premises" exist in the American Rule). But the American Rule does not stand for that second proposition. It is only a presumption against fee-shifting itself, which fee-shifting statutes like Section 285 expressly override. See *Baker Botts L.L.P. v. ASARCO LLC*, 576 U.S. 121, 126-27 (2015). It is the exception, not the rule, that governs now.

The Fourth Circuit also went one step further, holding that a statute's silence means that only parties—and, by implication, no others—are responsible for the fees. *Crescent City*, 588 F.3d at 825 ("silence does not equal consent"). That view contradicts *Loper Bright*, 144 S. Ct. at 2262, which warns against imputing into the text what Congress did not write. Here, Congress deliberately left Section 285 silent on who pays the fees, not even specifying that the losing party must pay. In any event, the Fourth Circuit's two-part premise is inherently flawed: it overlooks well-established instances in the American legal system when attorneys (and non-parties) bear fees, such as

pro-bono representation, contingency cases, and litigation funding. There is no *two*-part presumption to the American Rule. And, in any event, it could not apply to Section 285 given that this Court and its progeny have long held non-parties liable for Section 285 awards. *See Nelson*, 529 U.S. at 472.⁵

Still, in reaching its conclusion that only parties are liable for fees under Section 1447(c), the Fourth Circuit found legislative support for confining that statute to parties, where its legislative history clearly discussed “limiting liability to ‘defendant or defendants.’” *Crescent City*, 588 F.3d at 827 (citing H.R. 4807, 100th Cong., 2d Sess. (1988)). There is no such legislative support in the Patent Act, let alone any that would explicitly limit the statute to named parties. Nothing in the legislative history of Section 285 or its predecessor supports unduly limiting liability for fee awards to named parties. The Court has already rejected such a read of Section 285. *Nelson*, 529 U.S. at 472. In contrast, when Congress wanted to limit the liability to the named party in intellectual property statutes, it has done so. *See, e.g.*, 17 U.S.C. § 505 (provision of Copyright Act, allowing court to award “the recovery of full costs by or *against any party*

⁵ The Federal Circuit has long held other non-attorney third parties liable for fee awards. *See, e.g., Mach. Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 475 (Fed. Cir. 1985) (holding that court may assess Section 285 fees against a non-party agent of a disclosed principal “if his conduct supports a finding that the case is exceptional”) (citing *Hughes v. Novi Am., Inc.*, 724 F.2d 122 (Fed. Cir. 1984)); *see also Insituform Techs., Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1374-75 (Fed. Cir. 2004) (affirming joinder of third party, in part because he “was personally responsible for many, if not all, of the aggravating facts which led this court to award attorney’s fees and enhanced damages”) (quoting case record).

other than the United States or an officer thereof”) (emphasis added). Its decision to not encumber Section 285 with who is liable or whose conduct is exceptional, as it has done before, reinforces the plain meaning of Section 285: it specifies only who can recover the fees, not who must pay.

Both the Federal Circuit and Fourth Circuit also purported to rely on *Roadway Express* in refusing to impose liability on a party’s counsel. But *Roadway Express* concerned another fee-shifting statute, 28 U.S.C. § 1927, that, at the time, spoke only to costs, not attorney’s fees, explicitly permitting an award of costs against lawyers who multiply proceedings. 447 U.S. at 757. The statutory interpretation question for the Court in that case was whether “costs” in Section 1927 included attorney’s fees when fees were not specified. *Id.* Consistent with well-established authority, the Court characterized “the ‘American rule’” as one where “attorney’s fees ordinarily are not among the costs that a winning party may recover.” *Id.* at 759 (citations omitted). In other words, *Roadway Express* stands for the unremarkable proposition that, under the American Rule’s presumption against fee-shifting, the Court would not read the word “fees” into a statute limited to “costs.”⁶

Roadway Express’s interpretation of 42 U.S.C. §§ 1988 & 2000e-5(k), which authorize fee shifting in civil rights cases, likewise does not support exempting attorneys from Section 285 liability. The Court held that the civil rights fee-shifting statutes do not permit awards against attorneys because “nothing in the legislative records of those provisions [] suggests that

⁶ Following *Roadway Express*, Congress amended Section 1927 to explicitly authorize awards of “fees.” See *Morris v. Adams-Mills Corp.*, 758 F.2d 1352, 1357 n.7 (10th Cir. 1985).

Congress meant to control the conduct of litigation.” See 447 U.S. at 761. Of course, Section 285’s purpose—to deter frivolous litigation—centers on controlling the conduct of litigation, a realm in which counsel are inherently involved. See *Octane Fitness*, 572 U.S. at 554 & n.6 (holding Section 285 inquiry should consider, among other things, “the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated”). And sanctions levied against attorneys to deter misconduct or frivolousness is nothing new. See Arthur L. Goodhart, *Costs*, 38 Yale L.J. 849, 871 (1929) (“Thus a solicitor may have to bear the costs of litigation unreasonably commenced.”); Lord Chancellor’s Dep’t of Great Britain, *The Rules of the Supreme Court*, 1883-1935, 1935 ed., Order 65, R. 11 (permitting payment of costs by solicitor for delay or misconduct).

The Fourth Circuit’s earlier treatment of a non-analogous statute without the benefit of *Octane Fitness* should not supersede this Court’s analysis or the Fifth Circuit’s analysis of identical statutory language involving similar interests and serving a similar legislative purpose. Taking the Fourth Circuit’s understanding of the American Rule at face value would only deepen the circuit split and heighten the need for this Court’s intervention.

This case provides an ideal vehicle to establish a clear standard for when attorneys may be held liable for fees under Section 285. Cf. *Kirtsaeng v. John Wiley & Sons, Inc.*, 579 U.S. 197 (2016) (providing “additional guidance” on the application of Copyright Act’s fee-shifting statute). Contrary to the Fourth Circuit’s concerns that imposing such liability on counsel would “transform what it means to practice law” and cause a “chilling” effect that discourages legitimate exercises

of right under the law, *Crescent City*, 588 F.3d at 830, Section 285 already requires that a case be “exceptional.” This, along with court discretion, ensures that an attorney’s liability under Section 285 would not arise from “the result of an honest but forgivable mistake of legal judgment” or “the product of a lawyer’s operating at the behest of a client’s desires and demands.” *See id.* at 830-31. By determining the standard under which attorneys may be liable for a fee award, consistent with standards for other provisions and rules, the Court can ensure that no “chilling” effect occurs while achieving the statute’s purposes to deter frivolous cases, conserve judicial resources, and benefit the public good. *Cf. Kirtsaeng*, 579 U.S. at 204 (holding copyright fee awards should “encourage such useful copyright litigation” by encouraging meritorious cases and deterring weak ones).

Because the Federal Circuit wrongly followed inapplicable Fourth Circuit law over on-point authority from the Fifth Circuit and this Court, review is warranted.

C. The Federal Circuit Also Justified Its Contrary Approach Based on Its Own Judicial Policymaking Rather Than Statutory Interpretation

Congress created a patent-specific statute to redress exceptional conduct. Section 285 curbs “unfairness,” “bad faith,” “or some other equitable consideration of similar force,” which made a case so unusual as to warrant fee-shifting.” *Octane Fitness*, 572 U.S. at 548-49 (citations omitted); *Raylon*, 700 F.3d at 1372 (“Section 285 was enacted to address a patent-specific policy rationale,” such as “deter[ring] the ‘improper bringing of clearly unwarranted suits.’”) (citations omitted); *Rohm*, 736 F.2d at 690-92 (holding Section 285 fees aim to deter exceptional litigation tactics and

“prevent a gross injustice to an alleged infringer”) (quoting S. Rep. No. 1503, 79th Cong., 2d Sess. (1946)).

Because the text is unencumbered, the Court has cautioned that it “imposes one and only one constraint on district courts’ discretion”: that the case be exceptional. *Octane Fitness*, 572 U.S. at 553. This discretion reflects Congress’s intent to empower federal courts to address “equitable considerations,” *Zipes*, 491 U.S. at 759, and prescribe the means for protecting the integrity of their proceedings and the public interest. Once again, the Federal Circuit “abandon[s] that holistic, equitable approach,” *Octane Fitness*, 572 U.S. at 550, by adopting new unscripted “constraints on district courts’ discretion” in patent cases, immunizing even those attorneys responsible for frivolousness or other litigation misconduct that makes the case exceptional, *see id.* at 553, 554 n.6.

The Federal Circuit’s desire that litigants avail themselves of other statutes and rules as “more appropriate vehicles,” Pet. App. 12a, is a policy argument untethered from the patent-specific statute Congress enacted. *Cf. Loper*, 144 S. Ct. at 2268 (“Courts interpret statutes, no matter the context, based on the traditional tools of statutory construction, not individual policy preferences.”). And policy arguments about which of the other available sanctioning mechanisms a litigant could use provide no basis to skew the statute or this Court’s precedent. The Federal Circuit is not free to rewrite this statute as it has done here. *Bartenwerfer v. Buckley*, 598 U.S. 69, 81 (2023). For the Patent Act, like any legislation, “the place for reconciling competing and incommensurable policy goals like these is before policymakers,” and the courts’ “limited role is to read and apply the law those

policymakers have ordained.” *Romag Fasteners, Inc. v. Fossil, Inc.*, 590 U.S. 212, 219 (2020).

In any event, the Federal Circuit’s policy concern is unpersuasive on its own terms. Federal Rule of Civil Procedure 11 was inapplicable here. *See* Pet. App. 11a-12a. “Rule 11 is not a fee-shifting statute” and “fees are not mandated.” *Bus. Guides, Inc. v. Chromatic Commc’ns Enters., Inc.*, 498 U.S. 533, 534, 553 (1991) (citations omitted). Rule 11 sanctions are narrow, fee-optional, and outcome-agnostic. *See id.* Misconduct by the losing party, untethered to “whether a specific filing was, if not successful, at least well founded,” *Business Guides*, 498 U.S. at 553, is outside Rule 11’s reach. Even the Federal Circuit has acknowledged recently that Rule 11 may be unavailable—or circumvented by a plaintiff—in sanctioning certain conduct. *See PS Prods. Inc. v. Panther Trading Co. Inc.*, 122 F.4th 893, 900 & n.2 (Fed. Cir. 2024). Thus, Rule 11 is no substitute to redress the exceptional *case*.

For similar reasons, neither 28 U.S.C. § 1927 nor the inherent power provided suitable remedies. Both, under governing regional circuit authority, require bad faith—something *Octane Fitness* expressly eliminated—and address different legislative intent. *Compare LaSalle Nat’l Bank v. First Conn. Holding Grp., L.L.C.*, 287 F.3d 279, 289 (3d Cir. 2002) (Section 1927), and *Chambers v. NASCO, Inc.*, 501 U.S. 32, 46 (1991) (same, for inherent power), *with Octane Fitness*, 572 U.S. at 554-55. Those sanctioning mechanisms are inadequate for addressing exceptional conduct that may not constitute bad faith but is otherwise frivolous or reckless. Forcing litigants to rely on other sanctioning mechanisms undermines *Octane Fitness* and the statute’s purpose.

D. This Case Is an Ideal Vehicle for Resolving the Conflict and Restoring Discretion to District Courts

The question presented has weighty legal and practical implications. Abusive patent litigation is on the rise. Allured by the hope of substantial verdicts or sizable settlements and shielded by undisclosed funding sources and corporate formalities, patent assertion entities—and the attorneys often behind them—operate unchecked, pursuing unreasonable litigation with little risk of accountability. Opportunistic behavior is rampant.

The “lottery-ticket mentality” in patent litigation has spawned a surge in cases driven by these patent assertion entities—an “important phenomenon in the modern patent system.”⁷ Many of these cases are nuisance lawsuits, hinged on frivolous arguments that drag on for years until the merits finally can be addressed. High-tech companies cite these suits as a costly drag on resources, deterring innovation and increasing the risks associated with launching new products.⁸

This type of conduct not only impinges upon the private interests of the named parties, like DISH, but also undermines the public interest inherent in patent law. See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) (holding patents are “affected with a public interest” and are a “special

⁷ Fed. Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, at 62, 162 (Mar. 2011), <https://www.ftc.gov/sites/default/files/documents/reports/evolving-ip-marketplace-aligning-patent-notice-and-remedies-competition-report-federal-trade/110307patentreport.pdf> (citations omitted).

⁸ *Id.* at 162.

privilege” meant to promote progress while remaining “free from fraud” and “kept within their legitimate scope”).

The Federal Circuit’s decision eschews joint tortfeasor liability when an attorney’s conduct gives rise to exceptionality and short-circuits the Patent Act’s design. It encourages frivolousness and incentivizes use of corporate formalities and shell companies to immunize bad behavior. It will invariably lead to a paradoxical and unjust result—shell companies who file frivolous patent cases can receive attorney’s fees if they win but will never pay fees if they lose. They can declare insolvency, blame their fee-immune attorneys, and walk away scot-free. The Federal Circuit’s decision provides a roadmap for shell companies and their attorneys to manipulate patent litigation in a way that has harmed, and will continue to harm, the public interest. *See Mach. Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 471 (Fed. Cir. 1985) (fees in exceptional cases should “strike a balance between the interest of the patentee in protecting his statutory rights and the interest of the public in confining such rights to their legal limits.”) (citation omitted).

Construing Section 285 to exclude counsel liability creates a nefarious loophole that leaves only the prevailing party holding the bag, effectively reducing the statute in many instances to a one-sided enforcement mechanism. If Section 285 is to be read fairly, it must be read to permit discretion in fashioning appropriate awards given the circumstances of the case and the nature of the exceptionality regardless of whether the prevailing party is the plaintiff or the defendant. Joint and several liability of attorneys who are responsible for a case’s exceptionality merely follows the statute’s broad language and guarantees fairness for all litigants.

These issues need not percolate further. Courts are confronting rampant frivolousness and attorney misconduct in patent litigation. *See Backertop Licensing LLC v. Canary Connect, Inc.*, 107 F.4th 1335, 1337 (Fed. Cir. 2024). (investigating “potential attorney and party misconduct”); *see generally In re Nimitz Techs. LLC*, No. 2023-103, 2022 WL 17494845 (Fed. Cir. Dec. 8, 2022) (affirming order addressing concerns of fraud or improper shielding of liability through use of shell companies); *see also VDPP, LLC v. Volkswagen Grp. of Am., Inc.*, No. H-23-2961, 2024 WL 3378456, at *4 (S.D. Tex. July 11, 2024) (finding “both [nonpracticing entity] and its counsel have made this case exceptional” based on “repeated misconduct”); *Iris Connex, LLC v. Dell, Inc.*, 235 F. Supp. 3d 826, 860 (E.D. Tex. 2017) (“[O]ne cannot abuse the judicial process through the creation of shell entities to facilitate the assertion of otherwise meritless claims as part of a scheme to avoid the risks that Section 285 creates.”).

For example, Chief Judge Connolly of the District of Delaware, which sees an average of 700 patent suits annually,⁹ flagged one local patent attorney as a “prolific filer of patent cases in our court,” having “filed more than 770 patent cases in this district since January 1, 2019.” *Nimitz Techs. LLC v. CNET Media, Inc.*, No. CV 21-1247-CFC, 2022 WL 17338396, at *6 (D. Del. Nov. 30, 2022). The set of facts underlying some of those cases gave rise to Chief Judge Connolly’s concerns that certain patent lawyers, and not their clients, were behind all litigation decisions and had “perpetrated a fraud on the court” by fraudulently

⁹ *Annual Report of the United States District Court for the District of Delaware to the Federal Bar Association 2024*, at 9, <https://www.ded.uscourts.gov/sites/ded/files/news/FINAL%20Court%20Report2024%20.pdf> (last visited Jan. 6, 2025).

conveying the asserted patent to a shell company “designed to shield those parties from the potential liability they would otherwise face” in asserting the patent in court. *Id.* at *26; *see also id.* at *7-8 & n.5 (discussing counsel’s representation in 15 patent cases and ensuing misconduct).

The resulting pattern here is patently obvious—attorneys file weak cases and hide behind judgment-proof corporate shells in so doing. This disrupts the orderly administration of justice and, plainly, is a scourge on the legal system. Congress wanted federal courts to have discretion in patent law to protect the public interest and curb litigation abuses and enacted special protections in the Patent Act to do so. Given its broad language, nothing in the Patent Act forbids a federal court from awarding fees against an active participant in the misconduct—even the attorney. These potential consequences amply warrant this Court’s intervention. This case provides a perfect vehicle.

II. The Federal Circuit’s Categorical Exclusion of Administrative Agency Fees to Accused Infringers—an Important Issue of First Impression—Clashes with This Court’s Precedent, the Statutory Language, and Legislative Intent

The Federal Circuit’s conclusion that Section 285 categorially prohibits accused infringers’ recovery of fees incurred during IPRs also breaks new ground on another question of exceptional importance. The Federal Circuit precluded recovery of IPR fees based solely on its reasoning that DISH “voluntarily” elected to pursue its invalidity defense at the administrative agency rather than in district court. Pet. App. 8a-11a. In conceiving yet another unstated exception in the

statute, the Federal Circuit failed to apply, let alone discuss, this Court's longstanding test for determining recoverability of fees for parallel administrative proceedings (even voluntary ones) under a federal fee-shifting statute.

A. The Federal Circuit Failed to Apply the Court's Established Test for Extending a Fee-Shifting Statute to an Administrative Proceeding

The Federal Circuit reasoned that DISH's IPR fees are irrecoverable because the administrative proceeding was "voluntary." Pet. App. 8a-10a. That reasoning flouts this Court's precedent, violates the plain statutory text, clashes with the congressional design behind the statutory scheme for IPRs, and favors patent holder plaintiffs over accused infringer defendants, all in one stroke.

In *Webb v. Board of Education of Dyer County, Tennessee*, 471 U.S. 234, 243 (1985), the Court held that fees may be recovered if "the work product from the administrative proceedings was work that was both useful and of a type ordinarily necessary to advance" the litigation. For example, fees spent in an administrative proceeding that were "equivalent" to the time that would have been spent in litigation could be properly recoverable. *Id.* at 243 n.19. This is an "equitable judgment" and "[t]here is no precise rule or formula for making these determinations." See *Hensley v. Eckerhart*, 461 U.S. 424, 436-37 (1983).

Elaborating on *Webb*, in *Sullivan v. Hudson*, 490 U.S. 877, 888 (1989), the Court permitted recovery of fees "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,” as “part and parcel of the action for which fees may be awarded.”

The Federal Circuit did not acknowledge either *Webb* or *Sullivan*, much less adhere to their standards, which would have easily warranted DISH’s recovery of its IPR fees under Section 285. Congress enacted IPRs to reign in litigation expenses and provide administrative relief “in lieu of” the district court litigation. *See PPC Broadband, Inc. v. Corning Optical Commc’ns RF, LLC*, 815 F.3d 734, 741 (Fed. Cir. 2016) (“Congress intended these [AIA] programs to provide ‘quick and cost effective alternatives’ to litigation in the courts.”) (citing legislative history); H. R. Rep. No. 112-98(I), pt. 1, p. 40 (2011) (“The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”). By design, courts often stay litigations so that the petitioner can efficiently challenge the validity of the claims in the IPR. Statutory estoppel prevents relitigating the same issues in district court that are raised in the IPR. 35 U.S.C. § 315(e)(2). So, the IPR necessarily advances and narrows the landscape of the litigation by resolving invalidity challenges and preventing parties from relitigating those issues in district court. The statutory scheme thus condones two alternative paths to litigate validity.

That congressional intent to provide an alternative to litigation was fully realized here. DISH opted to pursue an IPR rather than litigate validity in federal court, choosing this more cost-effective alternative. In doing so, it agreed to be fully estopped from advancing the same invalidity defenses in district court and successfully moved to stay the underlying litigation pending the outcome of the IPR. Ultimately, the Board

invalidated the patent, terminating the underlying litigation. DISH's IPR was "both useful and of a type ordinarily necessary to advance" the litigation, *see Webb*, 471 U.S. at 243, by obviating the need for the lawsuit altogether. Invalidating the patent resolved the judicial action and achieved the results Congress intended to promote under the "interlocking system of judicial and administrative avenues to relief." *See Sullivan*, 490 U.S. at 888-89.

In basing its opinion on the voluntary nature of filing an IPR, the Federal Circuit likewise ignored this Court's longstanding precedent that fees for voluntary administrative proceedings may be recoverable. In *Pennsylvania v. Delaware Valley Citizens' Council for Clean Air*, 478 U.S. 546, 558 (1986), for example, the Court condoned recovery of the "time spent pursuing optional administrative proceedings" so long as the work was "'useful and of a type ordinarily necessary' to secure the final result obtained from the litigation." *Id.* at 561 (citing *Webb*, 471 U.S. at 243). And it held that recoverable actions need not be "'judicial' in the sense that they did not occur in a courtroom or involve 'traditional' legal work[.]" so long as they are "as necessary to the attainment of adequate relief for their client" as other work. *Id.* at 558. In this case, DISH's administrative proceeding was not only useful but dispositive of the underlying litigation, achieving the desired outcome. The Federal Circuit's decision contradicts *Delaware Valley*, which it made no attempt to address.

In any event, IPRs are not "voluntary" proceedings, as the Federal Circuit observed (Pet. App. 15a) but are coercive in nature. For petitioners, as Judge Bencivengo observed in her dissent below, "contest[ing] the validity of [asserted] patents in response to [a patent

owner’s] meritless infringement suit” cannot be considered “voluntary.” Pet. App. 15a.

This is especially true when a complaint, like here, triggers a one-year statutory bar by which an accused infringer, like DISH, must file an IPR petition or lose the right. *See* 35 U.S.C. § 315(b). And patent owners have no realistic choice but to defend themselves against IPR invalidity challenges—any other option risks invalidation of their asset. Characterizing IPRs as “voluntary,” as the Federal Circuit does, ignores the realities of what is “voluntary” in adversarial proceedings. DISH’s decision to pursue a post-litigation IPR and Dragon’s decision to defend against it are not strictly voluntary since each would have forfeited rights had it not done so. As such, the Federal Circuit’s rationale that DISH’s IPR was “voluntary” is unpersuasive even on its own terms.

The Federal Circuit’s decision contradicts the plain statutory text as well. The Patent Act itself (Title 35) both permits fee-shifting for an “exceptional case” (Section 285) and uses the word “cases” to refer to patent office proceedings (Section 23). Thus, patent office proceedings are among the types of “cases” for which fees may be recovered under Section 285, which is unsurprising given their place in the same act and statutory framework. Had Congress wanted to limit fee-shifting to district court litigation for patent infringement, it could have limited Section 285 to “civil actions,” as it has done elsewhere. *See, e.g.*, 35 U.S.C. § 281 (“civil action”); *see also id.* § 282 (“action”).

B. The Federal Circuit’s Decision Creates Distinctions That Serve No Purpose

The Federal Circuit’s decision also creates needless ambiguity by introducing distinctions that undermine

the statute's broad purpose and harm the public interest. Section 285 is not party-specific—any prevailing party may recover fees in an exceptional case, whether a prevailing plaintiff or prevailing defendant.

The Federal Circuit, however, deems IPRs voluntary for patent challengers, Pet App. 8a-10a, which can only fairly imply they are involuntary for patent owners. But such a distinction would again have a perverse outcome: accused infringers can never recover their IPR fees while patent owners can. By this reasoning, a once party-agnostic statute morphs into one with party-specific distinctions where none exist in the text or legislative history. Such a twisted reading turns the statute into a one-way remedy, favoring shell companies, prejudicing accused infringers, and harming the public interest. That uneven playing field is not what Congress intended.

C. This Case Is an Ideal Vehicle for Resolving This Important and Recurring Issue

This case turns upon a pure question of statutory interpretation, making it an ideal vehicle to address a pervasive problem. Up to 80% of IPR petitions stem from underlying litigation.¹⁰ This is by design. Congress intended accused infringers to avail themselves of the IPR remedy to streamline patent litigation and reduce costs.

The Federal Circuit's decision circumvents this statutory scheme. It encourages the opposite result—for accused infringers to dispense with IPR proceedings in favor of litigating in federal court, where they could

¹⁰ *Patent Trial and Appeal Board Parallel Litigation Study*, USPTO, at 3 (June 2022), https://www.uspto.gov/sites/default/files/documents/ptab_parallel_litigation_study_20220621_.pdf.

advance the same invalidity defenses that could be brought in the IPR but now stand eligible to recover their attorney’s fees. It also offers no disincentives for advancing frivolous arguments between the two forums—rather, it immunizes such bad behavior. Nothing inhibits patent owners from advancing paradoxically inconsistent positions between the underlying litigation and the IPR. The statutory barrier to such frivolousness is to allow federal courts discretion under Section 285 to consider “the substantive strength of a party’s litigating position” between the two forums “or the unreasonable manner in which the case was litigated.” *See Octane Fitness*, 572 U.S. at 554. Congress already gave courts that authority. It is time to honor it.

The Federal Circuit’s decision simply reflects yet another unwarranted limitation on the scope of a statute whose text and purpose Congress intended to be broadly construed. In evaluating this issue, the Federal Circuit raised a parade of horrors for enforcing this statute that is entirely speculative and bears no resemblance to the realities of judicial administration. According to the Federal Circuit, tasking courts with evaluating agency proceedings in a Section 285 analysis could present unspecified challenges. *See* Pet. App. 10a-11a. Far from inadvertently creating “an effing nightmare,”¹¹ Congress simply entrusted district courts with broad discretion to evaluate the whole case, determine exceptionality, and, where present, decide an appropriate award—the type of discretion judges have long undertaken based

¹¹ Jeff Overley, *Circuit-By-Circuit Guide To 2024’s Most Memorable Moments*, LAW360 (Dec. 16, 2024), <https://www.law360.com/legalindustry/articles/2272787/circuit-by-circuit-guide-to-2024-s-most-memorable-moments>.

on the totality of the circumstances. As Judge Bencivengo rightly observed in her dissent, Pet. App. 16a-17a, enforcing this statute presents no greater difficulty than the routine task of assessing fees in a district court proceeding. *Cf. Kirtsaeng*, 579 U.S. at 208 (holding that, in fee-shifting context, courts “are capable of distinguishing between those [reasonable] defenses (or claims) and the objectively unreasonable variety”). The true disruption lies not in following the statute as written, but in ignoring Congress’s choice and substituting it for another—one that arbitrarily denies a party reimbursement for fees reasonably expended in an administrative proceeding that proved integral to that party’s success in the underlying litigation. This outcome undermines the very principles of fairness and efficiency the statute was designed to uphold.

Because the Federal Circuit’s decision clashes with the statutory text and this Court’s precedent and creates loopholes that patent owners and their attorneys will exploit to the detriment of unfairly accused infringers and the public, review is amply warranted.

CONCLUSION

The Court should grant the petition.

Respectfully submitted,

G. HOPKINS GUY III
BAKER BOTTS L.L.P.
1001 Page Mill Road
Building One, Suite 200
Palo Alto, CA 94304
(650) 739-7500

LAUREN J. DREYER
Counsel of Record
JAMIE R. LYNN
BAKER BOTTS L.L.P.
700 K Street, N.W.
Washington, DC 20001
lauren.dreyer@bakerbotts.com
(202) 639-7700

Counsel for Petitioner DISH Network L.L.C.

January 8, 2025

APPENDIX

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APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2022-1621, 2022-1777

DRAGON INTELLECTUAL PROPERTY LLC,
Plaintiff-Cross-Appellant

v.

DISH NETWORK L.L.C.,
Defendant-Appellant

v.

ROBERT E. FREITAS, FREITAS & WEINBERG LLP,
Respondents-Appellees

Appeals from the United States District Court for
the District of Delaware in No. 1:13-cv-02066-RGA,
Judge Richard G. Andrews.

2022-1622, 2022-1779

DRAGON INTELLECTUAL PROPERTY LLC,
Plaintiff-Cross-Appellant

v.

SIRIUS XM RADIO INC.,
Defendant-Appellant

2a

v.

ROBERT E. FREITAS, FREITAS & WEINBERG LLP,
Respondents-Appellees

Appeals from the United States District Court for
the District of Delaware in No. 1:13-cv-02067-RGA,
Judge Richard G. Andrews.

Decided: May 20, 2024

JAMES F. MCDONOUGH, III, Rozier Hardt McDonough
PLLC, Atlanta, GA, argued for plaintiff-cross-appellant.

LAUREN J. DREYER, Baker Botts LLP, Washington,
DC, argued for all defendants-appellants. Defendant-
appellant DISH Network L.L.C. Also represented by
JAMIE ROY LYNN; GEORGE HOPKINS GUY, III,
Palo Alto, CA; SPENCER JAMES PACKARD,
Houston, TX.

MARK BAGHDASSARIAN, Kramer Levin Naftalis &
Frankel LLP, New York, NY, for defendant-appellant
Sirius XM Radio Inc. Also represented by SHANNON
H. HEDVAT.

ROBERT E. FREITAS, Freitas & Weinberg LLP,
Redwood Shores, CA, argued for respondents-appellees.
Also represented by DANIEL J. WEINBERG, Hopkins
& Carley, ALC, Redwood City, CA.

Before MOORE, *Chief Judge*, STOLL, *Circuit Judge*,
and BENCIVENGO, *District Judge*.¹

Opinion for the court filed by *Chief Judge* MOORE.

Opinion dissenting-in-part filed by *District Judge*
BENCIVENGO.

MOORE, *Chief Judge*.

DISH Network L.L.C. (DISH) and Sirius XM Radio Inc. (SXM) (collectively, Appellants) appeal the United States District Court for the District of Delaware's denial-in-part of Appellants' motion for attorneys' fees under 35 U.S.C. § 285. Dragon Intellectual Property, LLC (Dragon) cross-appeals the district court's grant-in-part of attorneys' fees. For the following reasons, we affirm.

BACKGROUND

Dragon separately sued DISH, SXM, and eight other defendants in December 2013, alleging infringement of claims of U.S. Patent No. 5,930,444. In response, DISH and SXM each sent letters to Freitas & Weinberg LLP, Dragon's counsel, explaining their products were not covered by the '444 patent and a reasonable pre-suit investigation would have shown the accused products could not infringe the asserted claims. Dragon continued to pursue its infringement claims.

In December 2014, DISH filed a petition seeking *inter partes* review of the '444 patent. The Patent Trial and Appeal Board instituted review and subsequently granted SXM's request for joinder under 35 U.S.C. § 315(c). The district court stayed proceedings as to

¹ Honorable Cathy Ann Bencivengo, District Judge, United States District Court for the Southern District of California, sitting by designation.

DISH and SXM pending resolution of the Board's review but proceeded with claim construction as to the other eight defendants.

After the consolidated claim construction hearing, Freitas & Weinberg LLP withdrew as Dragon's counsel. Based on the claim construction order, Dragon, DISH, SXM, and the other eight defendants stipulated to noninfringement as to the accused products, and the district court entered judgment of noninfringement in favor of all defendants. Subsequently, the Board issued a final written decision holding unpatentable all asserted claims. *See DISH Network L.L.C. v. Dragon Intell. Prop., LLC*, No. IPR2015-00499, 2016 WL 3268756 (PTAB June 15, 2016).

In August 2016, DISH and SXM moved for attorneys' fees under 35 U.S.C. § 285 and 28 U.S.C. § 1927. Before the motions were resolved, Dragon appealed both the district court's judgment of noninfringement and the Board's final written decision. We affirmed the Board's decision, *Dragon Intell. Prop., LLC v. DISH Network LLC*, 711 F. App'x 993 (Fed. Cir. 2017), and dismissed the parallel district court appeal as moot, *Dragon Intell. Prop., LLC v. Apple Inc.*, 700 F. App'x 1005 (Fed. Cir. 2017). On remand, Dragon moved to vacate the district court's judgment of noninfringement and to dismiss the case as moot. The district court vacated the judgment of noninfringement as moot but retained jurisdiction to resolve Appellants' fees motions.

In November 2018, the district court denied Appellants' motions for attorneys' fees. The district court held neither DISH nor SXM was a prevailing party because invalidating the patent through IPR proceedings was not a basis for attorneys' fees. We reversed and remanded, holding Appellants were

prevailing parties under § 285 because they successfully invalidated the asserted claims in a parallel IPR proceeding. *Dragon Intell. Prop., LLC v. DISH Network LLC*, 956 F.3d 1358, 1361–62 (Fed. Cir. 2020).

Based on a magistrate judge report and recommendation and its own analysis, the district court determined these cases were exceptional and granted-in-part Appellants’ motion for attorneys’ fees under § 285 to the extent Appellants sought fees from Dragon for time spent litigating. The district court denied-in-part the motion to the extent Appellants sought attorneys’ fees incurred solely during the IPR proceedings and recovery from Dragon’s former counsel, Freitas & Weinberg LLP and attorney Robert Freitas (collectively, Freitas), holding § 285 does not permit either form of recovery. DISH and SXM appeal the denial-in-part of fees. Dragon cross-appeals the district court’s grant-in-part of fees. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

DISCUSSION

I

We first address Dragon’s cross-appeal. A district court “in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. “[A]n ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). Dragon challenges the district court’s determination that these cases were “exceptional” under § 285.

We review exceptionality determinations for abuse of discretion. *Highmark Inc. v. Allcare Health Mgmt.*

Sys., Inc., 572 U.S. 559, 564 (2014). A district court abuses its discretion when it “fail[s] to conduct an adequate inquiry.” *Atl. Rsch. Mktg. Sys., Inc. v. Troy*, 659 F.3d 1345, 1360 (Fed. Cir. 2011).

The district court determined these cases were exceptional based on “the substantive strength of Dragon’s infringement position.” *Dragon Intell. Prop., LLC v. Dish Network L.L.C.*, No. 13-2066, 2021 WL 3616147, at *6 (D. Del. Aug. 16, 2021) (Magistrate Rep. and Rec.). The bases for exceptionality included clear prosecution history disclaimer, which precluded a finding of infringement by any of the accused products; public availability of information demonstrating non-infringement by the accused products before Dragon filed the infringement suits; notice of noninfringement sent by Appellants to Dragon after the complaints were filed; and Dragon’s continued litigation after being put on notice of the objective baselessness of its infringement allegations. *Id.* at *6–7.

Dragon’s argument is premised on its assertion that vacatur of the noninfringement judgment invalidated the prior claim construction order. Dragon Principal and Resp. Br. 54–64. Dragon contends an award of fees based on the district court’s claim construction exposes it to harm based on an unreviewable decision. *Id.* at 63–64 (citing *United States v. Munsingwear, Inc.*, 340 U.S. 36, 40 (1950)). Therefore, Dragon argues, the district court’s reliance on its prior conclusion of clear prosecution history disclaimer was improper and its exceptionality inquiry was inadequate. We do not agree.

The district court did not abuse its discretion by relying on its prior adjudication of prosecution disclaimer during claim construction. After we dismissed Dragon’s noninfringement appeal as moot and remanded to the district court, Dragon moved under Federal Rule

of Civil Procedure 60(b)(6) requesting the district court “vacate [its] final judgments of non-infringement” and dismiss the cases as moot. The district court vacated its noninfringement judgments but declined to dismiss the cases, retaining jurisdiction to resolve Appellants’ fee motions. *Dragon Intell. Prop., LLC v. Apple, Inc.*, No. 13-2058, 2018 WL 4658208, at *2–3 (D. Del. Sep. 27, 2018). Dragon did not request, and the district court did not grant, vacatur of the claim construction order.

Dragon’s argument that vacatur of the noninfringement judgment required the district court to ignore its claim construction order in determining exceptionality is incorrect. The district court was not required to relitigate claim construction for an invalidated patent to resolve Appellants’ fee motions. Unlike *Munsingwear*, which concerned application of *res judicata* when intervening mootness prevented a non-prevailing party from obtaining judicial review, *Munsingwear*, 340 U.S. at 38–39, Dragon is not at risk of harm by enforcement of the district court’s claim construction order.

Even though vacatur of the noninfringement judgment did not entitle Dragon to a claim construction do-over, the magistrate judge independently considered whether the prosecution history disclaimed the functionality of the accused devices in her exceptionality inquiry. Magistrate Rep. and Rec. at *6 n.10 (noting the clear and unambiguous prosecution history disclaimer of accused products and rejecting Dragon’s argument of entitlement to “a do-over on a clean slate”). The district court analyzed the prosecution history multiple times for this very issue. *See id.*; *Dragon Intell. Prop., LLC v. Apple, Inc.*, No. 13-2058, 2015 WL 5298938, at *4 (D. Del. Sep. 9, 2015) (claim construction order); *Dragon Intell. Prop., LLC v. DISH Network L.L.C.*, No. 13-2066, 2021 WL 5177680, at *2 (D. Del. Nov. 8, 2021)

(granting-in-part fees under § 285). Dragon has not presented any grounds for holding that this constitutes an inadequate inquiry.

We hold the district court did not abuse its discretion in declaring these cases exceptional and affirm the district court's grant-in-part of Appellants' motions for attorneys' fees.

II

We next address Appellants' appeal of the denial-inpart of fees. Appellants argue the district court erred in denying attorneys' fees incurred during the IPR proceedings and declining to hold Freitas jointly and severally liable with Dragon for the fee award. The district court concluded § 285 did not permit either form of recovery. We review the scope of § 285 de novo. *Waner v. Ford Motor Co.*, 331 F.3d 851, 857 (Fed. Cir. 2003). We hold § 285 does not entitle Appellants to recovery of fees incurred in parallel IPR proceedings and does not entitle Appellants to hold Dragon's counsel jointly and severally liable for fees.

A. Fees Incurred in IPR Proceedings

Appellants challenge the district court's conclusion that fees incurred in the parallel IPR proceedings are not recoverable under § 285. Appellants contend the IPR proceedings were "part and parcel" of the case, and the optional nature of IPR proceedings does not compel the denial of IPR fees. We do not agree.

Appellants voluntarily pursued parallel proceedings in front of the Board instead of arguing invalidity before the district court. Indeed, there are advantages to doing so. In district court, challengers must prove each patent claim invalid by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91,

95 (2011). Before the Board, petitioners need only establish unpatentability by a preponderance of the evidence. 35 U.S.C. § 316(e). By statute, IPR proceedings must be completed within one year of institution, 35 U.S.C. § 316(a)(11), providing an expeditious alternative to potentially years-long litigation. Based on these advantages, parties often strategically choose to argue invalidity before the Board. The “vast majority” of IPR petitioners are sued by patent owners in another venue before filing petitions. UNITED STATES PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD PARALLEL LITIGATION STUDY 3 (June 2022). In cases where a party voluntarily elects to pursue an invalidity challenge through IPR proceedings, we see no basis for awarding IPR fees under § 285. The dissent takes issue with characterization of Appellants’ participation in IPR proceedings as “voluntary.” Appellants were not compelled to argue invalidity before the Board. Eight other defendants chose not to pursue such proceedings and continued to litigate in district court.

Our holding is consistent with *PPG Industries v. Celanese Polymer Specialties Co.*, 840 F.2d 1565 (Fed. Cir. 1988), on which Appellants rely. In *PPG*, we held that fees incurred by a defendant in reissue proceedings were recoverable under § 285. *Id.* at 1568–69. The district court in *PPG* denied the defendant reissue fees, reasoning participation in the reissue proceedings was “non-mandatory” and the party had the option of arguing validity before the court. *PPG Indus. v. Celanese Polymer Specialties Co.*, 658 F. Supp. 555, 561 (W.D. Ky. 1987). We reversed on the grounds that the defendant’s participation in the reissue proceedings was “not optional” because the plaintiff had initiated the reissue proceedings and “forced” the defendant to perform before the Board “precisely the

same type of work” the defendant would have performed at trial, so the defendant “had no other option available.” *PPG Indus.*, 840 F.2d at 1568. Those are not the circumstances here, where Appellants’ initiation of and participation in the IPR proceedings was voluntary.

Appellants also argue the district court misapplied our holding in *Amneal Pharmaceuticals LLC v. Almirall, LLC*, 960 F.3d 1368 (Fed. Cir. 2020), in concluding IPRs are not “cases” under § 285. In *Amneal*, we denied the patent owner’s request for fees incurred in IPR proceedings because “section 285 does not authorize [us] to award fees for work that was done before the agency on appeal from an IPR.” *Id.* at 1371–72. We rejected the patent owner’s argument that our previous guidance to view cases “more as an ‘inclusive whole’ . . . when analyzing fee-shifting under § 285,” *Therasense, Inc. v. Becton, Dickinson & Co.*, 745 F.3d 513, 516–17 (Fed. Cir. 2014) (citation omitted), required application of § 285 to fees incurred in IPR proceedings. *Amneal*, 960 F.3d at 1371–72. We specifically noted “we were clearly only referring to district court and appellate court proceedings.” *Id.* at 1372. Appellants argue *Amneal* is distinguishable because there we denied fees for an IPR instituted before any district court suit was filed, *see id.* at 1370, but here the IPR was filed after Dragon filed suit in district court. While true, this distinction neither renders irrelevant *Amneal*’s analysis of § 285 nor creates inconsistency with our precedent.

We note that a district court is particularly well-positioned to determine whether a case before it is exceptional because it “lives with the case over a prolonged period of time.” *Highmark*, 572 U.S. at 564. Were “cases” under § 285 to include IPR proceedings,

district court judges would be tasked with evaluating the exceptionality of arguments, conduct, and behavior in a proceeding in which they had no involvement. Such an inquiry is inconsistent with the rationale articulated in *Highmark* and the deference with which we review exceptionality determinations. *See id.* Indeed, the district court determined these cases exceptional based on Dragon's substantive litigation position in the district court and its finding of clear prosecution history disclaimer. These bases for exceptionality are wholly unrelated to parallel proceedings before the Board.

For these reasons, we reject Appellants' argument that § 285 allows recovery of fees incurred in the voluntarily undertaken parallel IPR proceedings.

B. Attorney Liability

Appellants challenge the district court's holding that a party's counsel of record cannot be held jointly and severally liable for fee awards under § 285. Appellants argue § 285 permits wide discretion in fashioning fee awards based on the circumstances of the case. We agree with the district court's analysis and hold that liability for attorneys' fees awarded under § 285 does not extend to counsel.

We find support for this conclusion in the text of the statute. Section 285 is silent as to who can be liable for a fee award. Conversely, other statutes explicitly allow parties to recover costs and fees from counsel. For example, under 28 U.S.C. § 1927, "[a]ny attorney . . . who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct." Similarly, Federal Rule of Civil

Procedure 11 expressly allows the court to impose monetary sanctions on attorneys and law firms, which can include “all of the reasonable attorney’s fees and other expenses” incurred as a result of sanctionable conduct. Fed. R. Civ. P. 11(c)(1), (c)(4). Section 285, however, does not identify counsel as liable for a fee award. Statutes and rules that expressly identify counsel as liable are more appropriate vehicles to recover fees from counsel.

Appellants acknowledge that other courts have similarly declined to extend liability under fee-shifting statutes to counsel when the statute is silent on the issue, *see, e.g., In re Crescent City Ests., LLC*, 588 F.3d 822, 825 (4th Cir. 2009), but argue Congress’ inclusion of exceptionality language in § 285 indicates intent to allow recovery of fee awards from counsel and parties alike. We do not agree. That Congress has expressly allowed recovery of costs and fees against counsel elsewhere but intended to imply such a provision in § 285 with exceptionality language is untenable. *Cf. Roadway Exp., Inc. v. Piper*, 447 U.S. 752, 761 (1980) (refusing to allow “costs” recoverable against counsel under 28 U.S.C. § 1927 (1948) to include attorneys’ fees by reading in such a provision where the statute was silent). The requirement of § 285 that a case be exceptional for the prevailing party to recover attorneys’ fees does not create by implication a presumption that liability can extend to counsel. When, as here, the statute does not provide for fee awards against attorneys and other statutes expressly do for similar types of conduct, it is reasonable to conclude, as the district court did, that fees cannot be assessed against counsel.

Appellants argue we have previously allowed assessment of § 285 fees against non-parties based on

the nature of the case's exceptionality. Appellants rely primarily on *Ohio Cellular Products Corp. v. Adams USA, Inc.*, where we affirmed a determination that the plaintiff's president and sole shareholder, who committed inequitable conduct during prosecution of a patent, could be joined as a third-party against whom fees could be collected. 175 F.3d 1343, 1352 (Fed. Cir. 1999), *rev'd sub nom. Nelson v. Adams USA, Inc.*, 529 U.S. 460 (2000). The Supreme Court reversed our opinion on due process grounds but noted its decision "surely does not insulate" the third party "from liability." *Nelson*, 529 U.S. at 472. Unlike here, the third-party in *Nelson* was not counsel for either party. In no case have we imposed liability against a third party because they were a party's attorney. We see no basis in our precedent to allow Appellants to recover § 285 fees from counsel, especially where, as here, exceptionality was based on Dragon's substantive litigation position and not on counsel's manner of litigating.

For these reasons, we reject Appellants' argument that § 285 allows Freitas to be held jointly and severally liable for the fee award and affirm the district court's denial-inpart of fees.

CONCLUSION

We have considered the parties' remaining arguments and find them unpersuasive. We affirm the district court's judgment granting-in-part and denying-in-part Appellants' motions for attorneys' fees.

AFFIRMED

COSTS

No costs.

14a

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2022-1621, 2022-1777

DRAGON INTELLECTUAL PROPERTY LLC,
Plaintiff-Cross-Appellant

v.

DISH NETWORK L.L.C.,
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ROBERT E. FREITAS, FREITAS & WEINBERG LLP,
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Judge Richard G. Andrews.

BENCIVENGO, *District Judge*, dissenting-in-part.

I join Parts I and II.B of the majority’s opinion, but I respectfully dissent from Part II.A. The majority categorically holds that § 285 does not entitle a defendant to recover fees incurred in IPR proceedings that the defendant sought to institute after being sued for infringement. I disagree.

The majority, by characterizing Appellants’ election to utilize IPR as “voluntary” and “parallel” to the district court litigation, holds that there is no basis for awarding IPR fees under § 285. Appellants did not “voluntarily” seek to invalidate Dragon’s patents through IPR as would arguably have been the case had Appellants initiated IPR before Dragon filed this lawsuit. Instead compelled to contest the validity of Dragon’s patents in response to Dragon’s meritless infringement suit, Appellants exercised their statutory option to litigate their affirmative invalidity defenses in IPR.

As contemplated by the creation of IPR, Appellants utilized this substitute venue pursuant to 35 U.S.C. § 315(b) for efficiencies in lieu of district court proceedings. There are advantages in doing so for challengers to be sure, as the majority points out, but there are also constraints. For instance, the challenge must be submitted fully formed within 12 months of

the suit being served with little, if any, discovery. The results are binding. Estoppel provisions preclude the challenger from asserting in the district court invalidity arguments that were raised or could have been raised in IPR. 35 U.S.C. § 315(e)(2).

In this case the IPR was not “parallel” to the district court litigation. The Appellants were not litigating invalidity, or anything else, in parallel in the district court. To the contrary, at Appellants’ request, the district court stayed the litigation pending the outcome of the IPR. The IPR, therefore, substituted for district court litigation on Appellants’ validity challenge. *See* 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (if an inter partes review is instituted while litigation is pending, that review will completely substitute for at least the patent-and-printed publications portion of the civil litigation). The Appellants’ success in the IPR proceeding led to the determination that Appellants were the prevailing party in this litigation. *Dragon Intell. Prop., LLC v. DISH Network LLC*, 956 F.3d 1358, 1361–62 (Fed. Cir. 2020).

The majority expresses concern that a district court is not situated to make an exceptional case finding based on the proceedings in the IPR over which it did not preside. That, however, is not the situation at hand. The Appellants do not seek an exceptional case finding based on the outcome of the IPR.

The district court found this case exceptional based on a determination that it was objectively baseless from its inception. Appellants seek the fees they expended in the IPR, in which they prevailed, as compensation for their defense of this baseless litigation. The incurrence of these fees is not wholly unrelated to the bases for exceptionality. Appellants incurred fees in the IPR that they would not have

incurred but for being sued by Dragon in a case that should not have been initiated by Dragon. To categorically preclude recovery of IPR fees in this circumstance is inconsistent with § 285 or the intent of IPR itself.

In a case such as this, where exceptionality is based on a determination that the case was objectively baseless from its inception, it should be within the discretion of the district judge to award *all* reasonable fees incurred by the prevailing defendant, including fees incurred in an IPR that resolved any invalidity defenses that were required to be asserted in response to the baseless complaint.

Accordingly, I respectfully dissent-in-part from this portion of the majority opinion, and this court should reverse the district court's decision denying Appellants' request for fees incurred in IPR.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 13-2066-RGA

DRAGON INTELLECTUAL PROPERTY, LLC,
Plaintiff,

v.

DISH NETWORK L.L.C.,
Defendant.

Civil Action No. 13-2067-RGA

DRAGON INTELLECTUAL PROPERTY, LLC,
Plaintiff,

v.

SIRIUS XM RADIO INC,
Defendant.

ORDER

For the reasons stated in the accompanying Memorandum, the Report & Recommendation (D.I. 218) is ADOPTED. As a result, I GRANT-IN-PART and DENY-IN-PART Defendants' Motions to Declare This Case Exceptional Pursuant to 35 U.S.C. § 285. (Case No. 13-2066, D.I. 130; Case No. 13-2067, D.I. 139). Specifically, I DENY the motions to the extent that

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Defendants seek (1) attorneys' fees incurred solely during *inter partes* review proceedings and (2) fees from Plaintiff's former attorneys. The parties are directed to meet and confer and attempt to reach agreement on the appropriate amount of Defendants' attorneys fees, consistent with this Order and the accompanying Memorandum. In the absence of such agreement, Defendants should submit a fully-supported request for the appropriate amount of fees no later than November 24, 2021.

Entered this 8 day of November, 2021.

/s/ Richard G. Andrews
United States District Judge

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APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 13-2066-RGA

DRAGON INTELLECTUAL PROPERTY, LLC,
Plaintiff,
v.
DISH NETWORK L.L.C.,
Defendant.

Civil Action No. 13-2067-RGA

DRAGON INTELLECTUAL PROPERTY, LLC,
Plaintiff,
v.
SIRIUS XM RADIO INC,
Defendant.

MEMORANDUM

Before me is the Report & Recommendation of a United States Magistrate Judge. (D.I. 218). It addresses Defendants DISH Network's and Sirius XM Radio's Motions to Declare This Case Exceptional Pursuant to 35 U.S.C. § 285. (Case No. 13-2066, D.I. 130; Case No.

13-2067, D.I. 139).¹ The Magistrate Judge recommended that I GRANT-IN-PART and DENY-IN-PART these motions. (D.I. 218). Specifically, she recommends that I deny the motions to the extent that Defendants seek (1) attorneys' fees incurred solely during *inter partes* review proceedings and (2) fees from Plaintiff's former attorneys. (*Id.*).

Plaintiff Dragon Intellectual Property, LLC ("Dragon") has filed objections (D.I. 221),² to which Defendants have responded (D.I. 224), and Defendants have filed objections (D.I. 219), to which Dragon and its former counsel have responded (D.I. 223, 225). The parties agree that I review these objections *de novo*. 28 U.S.C. § 636(b)(1)(B); FED. R. Civ. P. 72(b)(3). For the reasons stated below, these objections are OVERRULED, and the Report & Recommendation is ADOPTED.

I. BACKGROUND

The Report sets forth the relevant facts (D.I. 218 at 2-9), and I will not repeat them here.

II. LEGAL STANDARD

The Patent Act provides that the court "in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. The Supreme Court has defined an "exceptional" case as "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

¹ Subsequent docket citations will refer to Case No. 13-2066 unless otherwise stated.

² Plaintiff's former counsel Freitas & Weinberg LLP and partner Robert E. Freitas filed a protective objection to the Report to the extent it concludes that the case is exceptional and that attorneys' fees may be awarded to Defendants. (D.I. 222).

unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). When considering whether a case is exceptional, district courts are to exercise their discretion on a case-by-case basis, considering the totality of the circumstances. *Id.* Relevant factors for consideration include “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 554 n.6 (internal quotations marks omitted). A movant must establish its entitlement to attorneys’ fees under § 285 by a preponderance of the evidence. *Id.* at 557.

III. DISCUSSION

A. Plaintiff’s Objections

Dragon objects to the Magistrate Judge’s finding that this case is exceptional and to her recommendation to award attorneys’ fees. (D.I. 221). The Magistrate Judge found that there was a clear disclaimer of continuous recording devices which precluded a finding of infringement by Defendants’ accused products, which are continuous recording devices. (D.I. 218 at 13). Because Dragon had access to the information demonstrating non-infringement prior to filing the suit and was notified of this issue after the complaints were filed, the Magistrate Judge found that this case stood out from others with respect to Dragon’s substantive litigating position and was thus exceptional. (*Id.*).

Dragon first argues that the Report is inconsistent with the *Munsingwear* rule because any award of fees is a “legal consequence” that the *Munsingwear* vacatur was designed to prevent. (D.I. 221 at 1-2). I have

already considered, and rejected, this argument on two occasions. (See D.I. 168 at 7-8; D.I. 192 at 2-4). A district court may award attorneys' fees even where the underlying decision has been vacated. See *B.E. Tech., L.L.C. v. Facebook, Inc.*, 940 F.3d 675,679 (Fed. Cir. 2019) (affirming the district court's award of costs under Fed. R. Civ. P. 54(d) even though case was dismissed as moot following IPR), *cert. denied*, 141 S. Ct. 618 (2020). Thus, for the third time, I reject Dragon's argument.

Dragon also argues that the Magistrate Judge erred in relying on this Court's previous claim construction ruling in finding that this case is exceptional because the vacatur created a "clean slate" and "eliminated the claim construction proceedings." (D.I. 221 at 2-5). Even if Dragon was entitled to a "clean slate" to completely re-do claim construction, this argument is baseless because the Magistrate Judge did independently consider whether continuous recording devices, such as the accused product, were disclaimed from the asserted patent in making her exceptional case determination. (See D.I. 218 at 12 n.10 & 13).

Dragon contends that the evidence does not establish a disclaimer and that the Magistrate Judge failed to provide a full and detailed explanation for why Dragon's litigating position was exceptionally weak. (D.I. 221 at 8-9). I disagree. As the Magistrate Judge points out, the applicants made multiple statements during examination of the asserted patent which clearly and unmistakably disclaimed continuous recording devices. (D.I. 218 at 12 n.10). For example, in order to overcome the examiner's rejection of claim 1 as obvious over the Sata reference, the applicants amended the claim from "said record key is first actuated to initiate storage of the program infor-

mation” to “said record key is first actuated to begin a recording by initiating storage of the program information.” (D.I. 212, Ex. B at A0109). The applicants explained, “Claim 1 has been further amended to recite how the structure of the instant invention begins a recording upon a first actuation of the record key Accordingly, the instant invention as claimed is further distinguished from the structure of Sata, wherein recording . . . is continuous, and never initiated or stopped” (*Id.* at A0100).

The Magistrate Judge correctly concluded that this was a clear case of prosecution disclaimer.³ Dragon raises no argument that meaningfully challenges this conclusion.⁴ The Magistrate Judge further provided a sufficiently detailed explanation for why Dragon’s litigating position was exceptionally weak: “the disclaimer is very clear; it precludes a finding of infringement by any of the defendants’ accused products; the information demonstrating non-infringement by the accused

³ I independently reached the same conclusion in 2015. (*Dragon Intellectual Property LLC v. AT&T Services Inc.*, No. 13-2061, D.I. 110 at 7 (D.Del. Sept. 9, 2015) (“I have only once seen a clearer case of prosecution disclaimer.”)).

⁴ Dragon also argues that Defendants did not provide sufficient evidence to show that Dragon’s litigating positions were unreasonable because it did not present any expert testimony as to disclaimer. (D.I. 221 at 6-8). Dragon claims that Defendants were required to submit expert testimony to satisfy their burden because disclaimer is evaluated from the perspective of one skilled in the art. (*Id.* at 6). I disagree. Expert testimony is certainly not required for claim construction, which can be (and usually is) based solely on intrinsic evidence. See *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 574 U.S. 318, 331 (2015). The Magistrate Judge properly found a clear disclaimer in the intrinsic evidence. Expert testimony was not required to meet Defendants’ burden of proof.

products was available to Dragon prior to filing the suit; the defendants also put Dragon on notice of the issue after the complaints were filed; and Dragon nevertheless continued to litigate.” (D.I. 218 at 13).

Dragon finally argues that the Magistrate Judge did not fully consider its argument that Defendants are estopped from asserting disclaimer. (D.I. 221 at 9-10). In the IPR, the PTAB invalidated the asserted patent as obvious based on a combination of Goldwasser and Yifrach. (*Id.* at 10). Dragon contends that since these references both disclose continuous recording devices, that means continuous recording devices fall within the scope of the asserted patent. (*Id.*). Since Defendants obtained a ruling based on the idea that continuous recording devices fall within the scope of the asserted patent, Dragon argues that Defendants cannot assert a disclaimer of continuous recording devices. (*Id.*). I am not sure how Dragon is reaching the conclusion that the PTAB’s decision necessarily means that continuous recording devices fall within the scope of the asserted patent. A prior art reference can certainly render a claimed invention obvious even if it discloses extra elements not present in the patent. See 2 Chisum on Patents § 3.02(1)(f) (2021) (“For anticipation purposes, as for infringement purposes, it does not matter that the anticipatory (or infringing) item contains elements in addition to those specified in the patent claim in question.”). The PTAB never found that continuous recording devices fall within the scope of the asserted patent. See *Dish Network L.L.C. v. Dragon Intell. Prop., LLC*, No. IPR2015-00499, 2016 WL 3268756 (P.T.A.B. June 15, 2016).

Further, Defendants never argued to the PTAB that continuous recording devices are within the scope of the asserted patent. Instead, they argued to the PTAB

that the asserted patent “cannot involve continuous background recording.” (D.I. 213, Ex. I at A0881). Thus, the Magistrate Judge properly rejected Dragon’s estoppel argument because Defendants did not take an inconsistent position during the IPR.

I agree with the Magistrate Judge’s conclusion that this case is exceptional. Thus, I overrule Dragon’s objections and adopt the Magistrate Judge’s recommendation that this case is exceptional and Defendants should be awarded attorneys’ fees under § 285.

B. Defendants’ Objections

1. Fees Incurred in IPR Proceedings

Defendants object to the Magistrate Judge’s determination that fees incurred in the IPR proceedings cannot be recovered under § 285. (D.I. 219 at 3-6). The Federal Circuit declined to resolve this issue in the first instance on appeal but remarked: “[W]e see no basis in the Patent Act for awarding fees under § 285 for work incurred in *inter partes* review proceedings that [Defendants] voluntarily undertook.” *Dragon Intell. Prop., LLC v. DISH Network L.L.C.*, 956 F.3d 1358, 1362 (Fed. Cir. 2020). I understand this statement to be mere dicta, but I nevertheless agree with it.

Section 285, which appears in the chapter of Title 35 concerning remedies for patent infringement, states: “The court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. As the Magistrate Judge points out, the text of § 285 does not contain any specific language permitting the district court to award fees incurred in an IPR.⁵

⁵ There are no fee-shifting provisions in Chapter 31 of Title 35—which specifically relates to IPR proceedings. The absence of

The Magistrate Judge stated, “IPR proceedings are not ‘cases’ under § 285. (D.I. 218 at 14 (citing *Amneal Pharms. LLC v. Almirall, LLC*, 960 F.3d 1368, 1371-72 (Fed. Cir. 2020)). Defendants argue that the Magistrate Judge mistakenly relied on *Amneal* because it “was not so broad and is distinguishable.” (D.I. 219 at 3). In *Amneal*, the Federal Circuit denied the patent owner’s request for fees under § 285 for work done opposing an IPR because “section 285 does not authorize this court to award fees for work that was done before the agency on appeal from an *IPR*.” *Amneal*, 960 F.3d at 1371.

Defendants argue that *Amneal* is distinguishable because the IPR in *Amneal* was brought before any district court suit was filed and in the present case, the IPR was filed after Defendants were sued in district court. (D.I. 219 at 3). While this distinction is true, it does not change the Magistrate Judge’s conclusion that IPR proceedings are not “cases” under § 285. In *Amneal*, the Federal Circuit noted that § 285 “speaks only to awarding fees that were incurred during, in close relation to, or as a direct result of, judicial proceedings.” *Amneal*, 960 F.3d at 1371; *see also id.* (“The words ‘case’ and ‘cause’ are constantly used as synonyms in statutes and judicial decisions, each meaning a proceeding in court, a suit, or action.” (quoting *Blyew v. United States*, 80 U.S. (13 Wall.) 581, 595 (1872))).

a fee-shifting provision in this chapter shows a lack of congressional intent to permit the award of attorneys’ fees in IPR proceedings. *See Nantkwest, Inc. v. Iancu*, 898 F.3d 1177, 1184 (Fed. Cir. 2018) (en banc) (“[T]he American Rule provides that each litigant bears its own attorneys’ fees, win or lose, and a statute must use ‘specific and explicit’ language to depart from this rule.”), *aff’d sub nom. Peter v. Nantkwest, Inc.*, 140 S. Ct. 365 (2019).

Defendants further argue that the Magistrate Judge erred by “deviating from *Therasense’s* ‘holistic approach’ and not considering the IPR as part of the “case” under § 285. (D.I. 219 at 5). In *Therasense*, the Federal Circuit explained, “[A] case should be viewed more as an ‘inclusive whole’ rather than as a piecemeal process when analyzing fee-shifting under § 285.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 745 F.3d 513, 516 (Fed. Cir. 2014). The Federal Circuit later clarified this quote, “[I]n *Therasense*, while we explained that ‘case’ under section 285 should be more viewed as an inclusive whole, we were clearly only referring to district court and appellate court proceedings.” *Amneal*, 960 F.3d at 1372 (citing *Therasense*, 745 F.3d at 516). Thus, I do not agree with Defendants’ objection. The Magistrate Judge was not required to view the IPR as part of the “case” under § 285.

Defendants also argue that the Magistrate Judge failed to follow *PPG Indus., Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565 (Fed. Cir. 1988). (D.I. 219 at 5). In *PPG*, the Federal Circuit held that a defendant could recover the fees it incurred opposing the patentee’s PTO reissue proceedings where the defendant’s “participation in [the] reissue application proceedings was not optional.” *PPG*, 840 F.2d at 1568. The Magistrate Judge found that *PPG* was not applicable because, as Defendants have acknowledged, the IPR proceedings in the present case were optional. (D.I. 218 at 15). This distinction is proper.

In their objections, Defendants argue the IPR they initiated was not optional because Dragon’s complaint “triggered the one-year statutory bar for Defendants to file an IPR petition under 35 U.S.C. § 315(b).” (D.I. 219 at 6). This argument was not raised before the Magistrate Judge and is therefore untimely. Regardless, I

am not persuaded that this statutory deadline makes the filing of IPR mandatory, especially considering Defendants' statements at oral argument that they filed the IPR because they "thought that it was the most cost-effective way to resolve the case," not because they had no other option. (D.I. 217 at 34:5-14). It was Defendants' choice to pursue invalidity in the IPR proceedings rather than in this Court. Nothing required them to do that.

There is no persuasive legal analysis that would authorize this Court to award attorneys' fees under § 285 for IPR proceedings that Defendants voluntarily undertook. Thus, I overrule Defendants' objection to this portion of the Magistrate Judge's Report and adopt her recommendation not to award fees incurred solely during the IPR proceedings.

2. Fee Liability Against Dragon's Counsel

Defendants object to the Magistrate Judge's recommendation that I decline to find Dragon's former counsel jointly and severally liable for any fee award. (D.I. 219 at 7-10). Defendants contend that the Magistrate Judge "overlooked" the Supreme Court's *Octane Fitness* opinion, in which the Court found that § 285 imposed "one and only one constraint on district courts' discretion to award attorney's fees in patent litigation: The power is reserved for 'exceptional' cases." (*Id.* at 7 (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553 (2014))). Defendants argue that the Magistrate Judge's Report contravenes *Octane Fitness* by improperly "injecting another constraint" on the district court's discretion—i.e., by only allowing recovery of fees from the parties, not attorneys. (*Id.*). I disagree. As the Magistrate Judge pointed out, *Octane Fitness* addressed the question of when fees may be awarded, not from whom

they may be recovered. (D.I. 218 at 18). I see nothing in *Octane Fitness* that authorizes attorney liability for a fee award.

Instead, federal courts generally presume that “when a fee-shifting statute does not explicitly permit a fee award against counsel, it prohibits it. In short, silence does not equal consent.” *In re Crescent City Estates, LLC*, 588 F.3d 822, 825 (4th Cir. 2009). Section 285 does not explicitly permit a fee award against counsel. In the absence of such explicit permission, the Magistrate Judge properly decided that there was no basis to impose fee liability against the attorneys.⁶

Defendants argue that the Magistrate Judge improperly relied on cases declining to impose fee liability against attorneys under other fee-shifting statutes.

⁶ The Magistrate Judge found, and Defendants agree, that nothing in the legislative history of § 285 supports awarding fees against opposing counsel. (D.I. 218 at 19 n.18; *see also* D.I. 217 at 26:5-11). She instead found that since the fee-shifting provision was included in the same section enumerating the remedies in patent infringement cases, and when remedies are awarded in patent infringement cases, it is the party (not its attorney) that must pay damages or stop its infringing activities, “Congress intended the losing party (and not its attorney) to pay attorney’s fees.” (*Id.*). Defendants claim that, in reaching this conclusion, the Magistrate Judge “reads too much from too little.” (D.I. 219 at 9). I disagree. Section 285 and its predecessor’s placement was supportive of the Magistrate Judge’s finding that there was no congressional intent to overcome the presumption and to permit a fee award against a party’s counsel.

Defendants also argue that since § 285 and its legislative history say nothing about limiting the fee recovery to opposing parties, it permits recovery of fees against attorneys. This argument directly contradicts the presumption that if a fee-shifting statute is silent as to who pays the fee award, then the statute does not permit a fee award against a party’s attorneys.

(D.I. 219 at 8-9). I agree with the Magistrate Judge that these cases are instructive because, like § 285, the fee-shifting statutes in these cases are silent as to who pays the fee award and thus, the presumption applies. *See, e.g., Peer v. Liberty Life Assurance Co. of Bos.*, 992 F.3d 1258, 1263-65 (11th Cir. 2021); *Tejero v. Portfolio Recovery Assocs., L.L.C.*, 955 F.3d 453, 461-62 (5th Cir. 2020).

What Defendants fail to mention in their objections is that the Magistrate Judge cited multiple cases that declined to assess fees against a party's counsel under § 285. (D.I. 218 at 18). The Federal Circuit held in two non-precedential opinions that § 285 does not permit a fee award against counsel. *Phonometrics, Inc. v. ITT Sheraton Corp.*, 64 F. App'x 219, 222 (Fed. Cir. 2003) ("Counsel . . . is not liable for fees awarded under § 285; it can only be liable for excess fees awarded under § 1927."); *Interlink Elecs. v. Incontrol Sols., Inc.*, 1999 WL 641230, at *3 (Fed. Cir. Aug. 24, 1999) (per curiam) ("[S]ection 285 imposes costs on a party, not an attorney."). Defendants' only rebuttal to these cases is that they were decided before *Octane*. (See D.I. 219 at 7 n.10). I do not think the holding in *Octane* would change the Federal Circuit's conclusion because *Octane* does not even address against whom fees can be assessed.

Many *post-Octane* district court cases have also reached the same conclusion. *See, e.g., My Health, Inc. v. ALR Techs., Inc.*, 2019 WL 2395409, at *3 (E.D. Tex. June 5, 2019) ("Defendants provide no legal basis for a fee award against [opposing party's] counsel under § 285. Indeed, the Federal Circuit has declined to find counsel liable for fees awarded under § 285."), *adopted*, 2020 WL 122933 (E.D. Tex. Jan. 10, 2020); *Advanced Video Techs. LLC v. HTC Corp.*, 2015 WL 7621483, at *5 (S.D.N.Y. Aug. 28, 2015) ("Unlike other types of

sanctions, sanctions under § 285 may not be assessed against counsel—only against a party.”). Defendants have provided no response to the Magistrate Judge’s reliance on these cases.⁷

Thus, I adopt the Magistrate Judge’s recommendation and deny Defendants’ requests to the extent that they seek to hold Dragon’s former counsel jointly and severally liable for the fee award.

IV. CONCLUSION

An appropriate order will issue.

Entered this 5 day of November, 2021.

/s/ Richard G. Andrews
United States District Judge

⁷ Defendants’ remaining objections simply restate the arguments it made to the Magistrate Judge. The Magistrate Judge properly considered and rejected these arguments, and I decline to rehash them here.

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C.A. No. 13-2066-RGA

DRAGON INTELLECTUAL PROPERTY, LLC,
Plaintiff,

v.

DISH NETWORK L.L.C.,
Defendant.

C.A. No. 13-2067-RGA

DRAGON INTELLECTUAL PROPERTY, LLC,
Plaintiff,

v.

SIRIUS XM RADIO INC.,
Defendant.

REPORT AND RECOMMENDATION

Pending before the Court are two Motions to Declare Case Exceptional Pursuant to 35 U.S.C. § 285 filed by Defendants Dish Network L.L.C. (“Dish”) and Sirius XM Radio Inc. (“SXM”) in these two related patent infringement cases. (C.A. No. 13-2066-RGA, D.I. 130;

C.A. No. 13-2067-RGA, D.I. 139.)¹ I agree with the defendants that these cases are exceptional, so I recommend that the Court grant the pending motions in part. However, I recommend that the Court deny the motions (1) to the extent that the defendants seek attorney's fees incurred solely during *inter partes* review proceedings and (2) to the extent that the defendants seek fees not from Dragon, but from its former lead counsel.

I. BACKGROUND

These cases have a long and complicated history, despite never making it to the summary judgment stage. In 2013, Plaintiff Dragon Intellectual Property, LLC ("Dragon") separately sued Dish, SXM, and eight other defendants.² Each complaint alleged that the named defendant directly infringed claims 1, 2, 3, 4, 7, and 8 of U.S. Patent No. 5,930,444 (the "444 patent"). Of those claims, only claim 1 is independent. It provides as follows:

1. A recording and playback apparatus for the substantially immediate and seamless resumption of interrupted perception of [broadcast]³ program information based upon

¹ Subsequent docket citations will refer to C.A. No. 13-2066-RGA unless otherwise noted.

² (See C.A. No. 13-2058-RGA, D.I. 1; C.A. No. 13-2061-RGA, D.I. 1; C.A. No. 13-2062-RGA, D.I. 1; C.A. No. 13-2063-RGA, D.I. 1; C.A. No. 13-2064-RGA, D.I. 1; C.A. No. 13-2065-RGA, D.I. 1; C.A. No. 13-2066-RGA, D.I. 1; C.A. No. 13-2067-RGA, D.I. 1; C.A. No. 13-2068-RGA, D.I. 1; C.A. No. 13-2069-RGA, D.I. 1.)

³ "A Certificate of Correction was issued March 5, 2013, replacing 'perception of program information' with 'perception of broadcast program information.'" *Dish Network L.L.C. v. Dragon Intell. Prop., LLC*, No. IPR2015-00499, 2016 WL 3268756, at *2 n.6 (P.T.A.B. June 15, 2016).

audio or video signals, or both, without missing the program information presented during the interruption, comprising:

means for powering the apparatus;

a keyboard having a record key and a playback key;

a control circuit coupled responsively to said keyboard;

a memory unit coupled responsively to said control circuit, said memory unit having a medium for storage of information, said storage medium having structure which enables substantially random access to information stored in said medium for retrieval of the stored information from said storage medium;

at least one input, said input being connected to a user's audio/video program signal source and also being coupled to said memory unit so as to enable program information presented by the signal source to be transferred to and stored in said memory unit; and

at least one output, said output being connected to a user's audio or video display device or both, said output further being connected to said memory unit so as to enable the transfer of program information from said memory unit to the user's display device, said control circuit being configured so that *substantially simultaneous recording and playback of program information is*

achieved when said record key is first actuated to begin a recording by initiating storage of the broadcast program information in said memory unit, and said playback key is subsequently and solely actuated to begin time delay playback of the recording from the beginning thereof by initiating retrieval of the stored program information in said memory unit, with the interval of the time delay being the same as the time elapsed between the actuation of said record key and the subsequent actuation of said playback key.

'444 patent, claim 1 (emphasis added).

Dragon served its initial infringement contentions in August 2014. (D.I. 200, Ex. 2; D.I. 201, Ex. 2.) Subsequently, Dish and SXM sent separate letters to Dragon's counsel asserting that their products could not infringe. (D.I. 200, Ex. 5 (letter from Dish's counsel to Mr. Angell of Freitas Angell & Weinberg LLP, dated October 24, 2014); D.I. 202, Ex. 14 (letter from SXM's counsel to Mr. Freitas and Mr. Angell at Freitas Angell & Weinberg LLP, dated December 15, 2014).) The letters pointed out that, according to publicly available user manuals, the accused products continuously record from the time viewing or listening begins. (D.I. 200, Ex. 5 at 4–5; D.I. 202, Ex. 14 at 2.) Devices that continuously record could not infringe, according to the defendants, because the claim language required that a recording be initiated when the record key was pressed. (D.I. 200, Ex. 5 at 3–4; D.I. 202, Ex. 14 at 2.) The defendants also pointed out that, during prosecution of the '444 patent, the applicants had disclaimed coverage of "continuous recording devices." (D.I. 200,

Ex. 5 at 2–3; D.I. 202, Ex. 14 at 3–4.) The defendants’ letters each demanded that Dragon dismiss its claims, and the defendants threatened to seek sanctions and attorney’s fees if Dragon failed to do so. (D.I. 200, Ex. 5 at 1, 6; D.I. 202, Ex. 14 at 1.)

Dragon did not dismiss its claims. Instead, it amended its infringement contentions. (*See, e.g.*, D.I. 200, Ex. 7 (Dragon’s Further Initial Infringement Contentions, served November 7, 2014).) The amended contentions, among other things, set forth Dragon’s theory as to how devices that continuously record could infringe. (*See, e.g., id.* at 17.)

In late 2014, Dish filed a petition for *inter partes* review of the ’444 patent and, along with the other defendants, moved to stay all ten cases. (D.I. 74.) The Court granted the motion only as to Dish and entered a stay of Dish’s case. (D.I. 86.) Subsequently, Dragon and SXM stipulated to stay SXM’s case conditioned upon SXM joining Dish’s IPR. (C.A. No. 13-2067-RGA, D.I. 101, 102.) The PTAB instituted review on July 17, 2015 and subsequently granted SXM’s request for joinder.

While the IPR was pending, this Court held a claim construction hearing in the eight non-stayed cases.⁴ The parties requested construction of ten claim terms, including “broadcast program information” and “the broadcast program information.” (D.I. 78.) Dragon argued that “the broadcast program information” is a particular portion of “broadcast portion information” presented after the user presses the record key and

⁴ Pursuant to the Court’s scheduling orders, the claim construction proceedings were coordinated. Though Dish’s and SXM’s cases had been stayed prior to the hearing, Dish and SXM participated in the preparation of the Joint Claim Construction Brief that was filed in all ten cases. (*See* D.I. 78.)

before the user presses the playback key—the result of Dragon’s proposed construction being that the claim could cover devices that record content before the record key is pressed (*i.e.*, devices that continuously record content). (C.A. No. 13-2058-RGA, D.I. 101 at 4–7.) In a Memorandum Opinion dated September 19, 2015, Judge Andrews rejected Dragon’s proposed constructions, holding that the inventors disclaimed continuous recording devices during prosecution:

In this case, the applicants clearly and unequivocally disclaimed continuous recording devices. I have only once seen a clearer case of prosecution disclaimer. The Patent and Trademark Office rejected the patent six times based on U.S. Patent No. 5,134,499 (“Sata”). ([C.A. 13-2058] D.I. 94 at 27). Sata teaches a recording device that “continuously records the video data concerning the television program of the channel tuned by the television tuner 1.” (’499 patent, col. 6, 11. 47-49). The applicants repeatedly distinguished Sata on the basis that Sata records continuously, and the claimed device does not begin recording until the user actuates the record key. (D.I. 78 at pp. 7-8, 52-54, 58, 77).

The applicants amended the claim from “said record key is first actuated to initiate storage of the program information” to “said record key is first actuated to begin a recording by initiating storage of the program information.” (C.A. 13-2062 D.I. 79-3 at p. 292). The applicants explained the amendment: “Claim 1 has been further amended to recite how the structure of the instant invention begins a recording upon a first

actuation of the record key Accordingly, the instant invention as claimed is further distinguished from the structure of Sata, wherein recording . . . is continuous, and never initiated or stopped” (*Id.* at p. 294). The prosecution history is replete with such disclaimers. (*See, e.g., id.* at pp. 296-97; C.A. 13-2062 D.I. 79 at p. 243; C.A. 13-2062 D.I. 79-2 at pp. 248, 271). Plaintiff cannot now use claim construction to recapture continuous recording devices.

(C.A. No. 13-2058-RGA, D.I. 101 at 7.) Judge Andrews relied on the same disclaimer in rejecting Dragon’s proposed constructions of two other terms: “record key” and “to begin a recording by initiating storage of the broadcast program information in said memory unit.” (*Id.* at 12 (“As discussed above, the applicants disclaimed continuous recording devices during prosecution. Defendants’ construction clarifies that continuous recording devices are not within the scope of the claim.”).)

In October 2015, Dragon’s lead attorneys, Freitas Angell & Weinberg LLP (“FAW”) moved to withdraw as counsel in all ten cases. The Court granted FAW’s request in November 2015.

In April 2016, Dragon, Dish, SXM, and the other eight defendants stipulated to non-infringement based on the Court’s claim constructions. (*See, e.g., D.I. 115.*) Among other things, the parties agreed that “the Accused Products do not include a ‘record key,’ as construed by the Court,” because “pressing a record key is not required to begin the recording process.” (*Id.* ¶ 10.) They also agreed that “the Accused Products do not function ‘to begin a recording by initiating storage of the broadcast program information in said memory unit,’ as construed by the Court,” because “the

information that is stored after the PAUSE or PAUSE/PLAY key is actuated is, in the Accused Products, information that would have been stored whether or not the PAUSE or PAUSE/PLAY key is actuated.” (*Id.* ¶ 11.) The Court ordered the stipulations and, in April 2016, entered judgments for the defendants in all ten cases. (*See, e.g.*, D.I. 116, 117.)

The Court’s final judgments marked the beginning of the next stage of these cases: the parties’ protracted litigation over fees and sanctions. In the first round of motions, the defendants in seven of the ten cases (but not Dish or SXM) filed motions for sanctions under Federal Rule of Civil Procedure 11.⁵ The moving defendants alleged that Dragon and its counsel should be sanctioned because of their “failure to recognize | an obvious prosecution history disclaimer” that was “fatal to Plaintiff’s infringement theory.” (*See, e.g.*, C.A. No. 13-2061-RGA, D.I. 179 at 8.) While Judge Andrews ultimately denied the motions as untimely, his Memorandum Order recalled his conclusion “that Plaintiff’s proposed constructions — with respect to ‘broadcast program information,’ ‘record key,’ and ‘to begin a recording by initiating storage of the broadcast program information in said memory unit’ — sought to reclaim subject matter disclaimed during prosecution” and that he had “only once seen a clearer case of prosecution disclaimer.” (*Id.* at 4, 8 (entered July 12, 2016).)

On to the next round: the parties in nine of these ten cases (including Dish and SXM) filed motions for

⁵ (*See* C.A. No. 13-2061-RGA, D.I. 123; C.A. No. 13-2062-RGA, D.I. 133; C.A. No. 13-2063-RGA, D.I. 132; C.A. No. 13-2064-RGA, D.I. 125; C.A. No. 13-2065-RGA, D.I. 139; C.A. No. 13-2068-RGA, D.I. 135; C.A. No. 13-2069-RGA, D.I. 132.)

attorney's fees.⁶ Seven of those motions, including those filed by Dish and SXM, sought fees under both 35 U.S.C. § 285 and 28 U.S.C. § 1927.⁷

Meanwhile, in June 2016, the PTAB issued a final written decision in the IPR, holding that the asserted claims were unpatentable. The PTAB construed the claims to give them “their broadest reasonable construction in light of the specification,” which was the applicable standard for IPR petitions filed prior to November 13, 2018. *Dish Network L.L.C.*, 2016 WL 3268756, at *3. The PTAB found that some claims (including claim 1) were obvious over a combination of U.S. Patent Nos. 5,241,428 (“Goldwasser”) and 5,126,982 (“Yifrach”), and that others were obvious over a combination of Goldwasser, Yifrach, and PCT Pub. WO 90/15507 (“Vogel”). *Id.* at *9 & n.2–4.

Dragon appealed the PTAB's obviousness decision to the Federal Circuit and separately appealed this Court's final judgments of non-infringement. On November 1, 2017, the Federal Circuit affirmed the PTAB's finding that the claims at issue were unpatentable as obvious. *Dragon Intell. Prop., LLC v. Dish Network LLC*, 711 F. App'x 993, 994 (Fed. Cir. 2017). The same day, the

⁶ (See C.A. No. 13-2061-RGA, D.I. 183; C.A. No. 13-2062-RGA, D.I. 203; C.A. No. 13-2063-RGA, D.I. 202; C.A. No. 13-2064-RGA, D.I. 195; C.A. No. 13-2065-RGA, D.I. 196; C.A. No. 13-2066-RGA, D.I. 130; C.A. No. 13-2067-RGA, D.I. 133; C.A. No. 13-2068-RGA, D.I. 205; C.A. No. 13-2069-RGA, D.I. 195.)

⁷ (See D.I. 130 (Dish's motion seeking fees under §§ 285 and 1927); C.A. No. 13-2067-RGA, D.I. 133 (SXM's motion seeking fees under §§ 285 and 1927); C.A. No. 13-2062-RGA, D.I. 203 (filed in five cases and seeking fees under §§ 285 and 1927).) Two of the defendants sought fees under only § 285. (See, e.g., C.A. No. 13-2061-RGA, D.I. 183 (filed in two cases and seeking fees under § 285 only).)

Federal Circuit dismissed Dragon’s appeal of the final judgments entered by this Court as moot. *Dragon Intell. Prop., LLC v. Apple Inc.*, 700 F. App’x 1005, 1006 (Fed. Cir. 2017). At the time the Federal Circuit issued its rulings, the fee motions were still pending before Judge Andrews.

Dragon then moved this Court to vacate the judgments of non-infringement in all ten cases under Federal Rule of Civil Procedure 60(b) and to dismiss the cases as moot. (D.I. 159.) On September 27, 2018, Judge Andrews vacated the judgments of non-infringement, but he held that he could retain jurisdiction to resolve the defendants’ fee motions. (D.I. 168 at 6–8.)

On November 7, 2018, Judge Andrews denied Dish’s and SXM’s motions for attorney’s fees. He reasoned that the defendants were not “prevailing parties” within the meaning of 35 U.S.C. § 285 because the Court had vacated its previous judgments of non-infringement. (D.I. 170 at 2.) Judge Andrews also denied the defendants’ requests for fees under 28 U.S.C. § 1927 because they failed to establish that Dragon “multiplie[d] the [district court] proceedings . . . unreasonably and vexatiously.” (*Id.* at 2, 4.) Regarding § 1927, Judge Andrews noted that, “although Defendants identify behavior that [he] might properly have sanctioned under Section 285 [if the defendants were prevailing parties], the allegations do not meet the standard for a Section 1927 fees award.” (*Id.* at 4.)

Dish and SXM appealed this Court’s denial of their requests for fees under 35 U.S.C. § 285. On appeal, the Federal Circuit “h[e]ld that DISH and SXM are prevailing parties” within the meaning of § 285. *Dragon Intell. Prop., LLC v. Dish Network LLC*, 956 F.3d 1358, 1362 (Fed. Cir. 2020). It remanded back to

this Court “for initial consideration of [Dish’s and SXM’s] fee motions.” *Id.*

The Federal Circuit did not consider whether these cases were “exceptional” within the meaning of § 285. *Id.* Nor did it resolve the defendants’ arguments (1) that any fee award should include fees incurred by the defendants in the IPR or (2) that fees should be awarded against counsel of record as jointly and severally liable with a party. *Id.* Although the Federal Circuit expressly declined to rule on either argument “in the first instance,” the panel remarked that “we see no basis in the Patent Act for awarding fees under § 285 for work incurred in *inter partes* review proceedings that [Dish and SXM] voluntarily undertook.” *Id.*

Dish’s and SXM’s fee motions—originally filed in 2016—are now back before this Court on remand. After ordering fresh briefing, Judge Andrews referred the motions to me for a Report and Recommendation. (D.I. 195.) I heard oral argument on June 28, 2021. (“Tr. __.”)

II. LEGAL STANDARD

Section 285 of Title 35 provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. The Supreme Court has defined an “exceptional” case as “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.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). Whether a case is exceptional is left to the discretion of the district court, which should make a case-by-case determination based on

the totality of the circumstances. *Id.* One of the factors to consider in deciding whether a case is exceptional is “objective unreasonableness (both in the factual and legal components of the case).” *Id.* at 554 n.6; *see also Vehicle Operation Techs. LLC v. Ford Motor Co.*, No. 13-539-RGA, 2015 WL 4036171, at *3 (D. Del. July 1, 2015).

III. DISCUSSION

Dish and SXM seek fees under § 285 from Dragon and its original counsel in this infringement action, the FAW law firm and named partner Robert Freitas.

I will begin by listing the issues that I am not resolving. First, I do not need to determine whether Dish and SXM are prevailing parties. The Federal Circuit has already held that they are.⁸ *Dragon Intell. Prop., LLC*, 956 F.3d at 1361–62. Second, I am not going to revisit Judge Andrews’s claim construction rulings or his conclusion that the inventors of the ’444 patent disclaimed coverage of continuous recording devices. Although Judge Andrews’s claim construction order and opinion were not entered in the Dish and SXM cases (because they were stayed at the time), Dish and SXM participated in the joint briefing and Dragon had a full and fair chance to present its arguments against the disclaimer to Judge Andrews. Moreover, Dragon has already stipulated to non-infringement by Dish and SXM based on those same constructions.⁹ (D.I. 115 ¶¶ 9–13.) Third, for the same

⁸ The Federal Circuit arrived at that conclusion notwithstanding that it appears from the docket that no judgments have been entered (because Judge Andrews vacated them) and the infringement claims have not been dismissed.

⁹ Dragon and FAW argue that, when Judge Andrews vacated the judgments, he also necessarily “vacated . . . the claim

reason, I do not need to decide whether Dish and SXM infringe the '444 patent under Judge Andrews's claim construction rulings.

I also note that any decision of this Court that awards fees will provide an opportunity for Dragon and FAW to seek appellate review. *Cf. Thermolife Int'l LLC v. GNC Corp.*, 922 F.3d 1347, 1356–57 (Fed. Cir. 2019) (affirming district court's award of fees against plaintiff based on its "ill-supported" infringement position even though infringement had not been adjudicated before the asserted claims were invalidated).

There are three issues that I must resolve with this Report and Recommendation. First, I must determine whether the cases are exceptional because they stand out from others with respect to the substantive strength of Dragon's litigating position. Second, I must determine whether Dish and SXM may recover attorney's fees that they incurred during IPR proceedings that they voluntarily undertook. Third, I must determine whether § 285 permits the Court to assess fees against a losing party's attorneys.

A. These cases are exceptional under 35 U.S.C. § 285.

I agree with Judge Andrews's observation that this is a very clear case of prosecution disclaimer. In light

construction order." (D.I. 207 at 12.) That is so, they say, because "[w]hen a judgment is vacated, everything that came before is also eliminated." (*Id.* at 13; *see also* D.I. 206 at 26.) They say it would be unfair to award fees based on Judge Andrews's claim construction rulings because those rulings are "unreviewable" as a result of the infringement cases now being moot. (D.I. 206 at 27.) Regardless of what I think of that argument, Judge Andrews has already rejected permutations of it on two occasions. (*See* D.I. 192 at 3–4; D.I. 168 at 8.)

of that disclaimer, and in view of the totality of the other circumstances, these cases stand out from others with respect to the substantive strength of Dragon's infringement position.

As an initial matter, Dragon does not dispute that Dish's and SXM's accused products are continuous recording devices. Indeed, Dish stipulated that the Dish and SXM accused products did not infringe under the Court's claim construction because they were continuous recording devices. Nor does Dragon dispute that, at all relevant times, it was on notice that the accused products were continuous recording devices. (D.I. 206 at 11.) Dish and SXM point out (and Dragon does not dispute) that, prior to Dragon filing suit, it was readily apparent from publicly available user manuals and casual operation of the accused devices that they operated by continuous recording. Moreover, after Dragon filed suit and served its infringement contentions, Dish and SXM sent separate letters to Dragon's counsel explaining that their products were continuous recording devices and could not infringe due to a prosecution disclaimer. Dragon nevertheless continued to press its infringement claims.

Dragon does dispute the legal question of whether there was a prosecution disclaimer, but Judge Andrews has already held that there was.¹⁰ Judge Andrews also

¹⁰ Having reviewed the prosecution history, I agree with Judge Andrews. To overcome the examiner's rejection of claim 1 as obvious over the Sata reference, the applicants amended the claim to specify that the claimed apparatus "begin[s] a recording by initiating storage" when the record key is actuated. (*See, e.g.*, D.I. 212, Ex. B at A0109.) The applicants explained that

Claim 1 has been further amended to recite how the structure of the instant invention begins a recording upon a first actuation of the record key Accordingly,

the instant invention as claimed is further distinguished from the structure of Sata, wherein recording . . . is continuous, and never initiated or stopped[.]

(*Id.* at A0100.) In short, the applicants distinguished the claim from Sata because Sata disclosed a device that records continuously. That is a clear and unambiguous disclaimer of continuous recording devices.

Consistent with their view that they are entitled to a do-over on a clean slate, Dragon and FAW each devote significant portions of their fee briefs to rearguing claim construction. They contend that their positions on claim construction and prosecution disclaimer are either correct, or that they are at least not so wrong as to be unreasonable. (D.I. 206 at 11–26; D.I. 207 at 14–31.) Because I have reviewed the prosecution history and agree with Judge Andrews regarding the disclaimer, and because I think that these cases stand out from others with respect to the substantive strength of Dragon’s litigating position, I render no opinion about FAW’s argument that Judge Andrews must entertain Dragon’s and FAW’s most recent claim construction arguments, some of which are new. (*See* Tr. 55:9–57:21.) But I do note that Dragon and FAW are incorrect to the extent they contend that the Court cannot base an exceptional case finding on an issue that has not been litigated to judgment. *See Thermolife Int’l*, 922 F.3d at 1356–57.

Dragon’s fee motion briefing points out that there are differences between Sata and the claimed invention besides continuous recording. Putting aside the fact that Dragon failed to raise many of its points to Judge Andrews in the claim construction briefing (where one might have expected Dragon to put forth its strongest arguments), the fact that there are other distinctions between the claimed invention and Sata does not preclude a finding of disclaimer. “[A] disavowal, if clear and unambiguous, can lie in a single distinction among many.” *Comput. Docking Station Corp. v. Dell, Inc.*, 519 F.3d 1366, 1377 (Fed. Cir. 2008); *see also Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1374 (Fed. Cir. 2007) (“[A]n applicant’s argument that a prior art reference is distinguishable on a particular ground can serve as a disclaimer of claim scope even if the applicant distinguishes the reference on other grounds as well.”); *Norian Corp. v. Stryker Corp.*, 432 F.3d 1356, 1362 (Fed. Cir. 2005) (“[W]e have not allowed [patentees] to

remarked that he has “only once seen a clearer case of prosecution disclaimer.” (C.A. No. 13-2058-RGA, D.I. 101 at 7.)

I conclude that the totality of the particular circumstances here makes these cases stand out from others with respect to Dragon’s substantive litigating position: the disclaimer is very clear; it precludes a finding of infringement by any of the defendants’ accused products; the information demonstrating non-infringement by the accused products was available to Dragon prior to filing the suit; the defendants also put Dragon on notice of the issue after the complaints were filed; and Dragon nevertheless continued to litigate.

Accordingly, I agree with Dish and SXM that the cases are exceptional and that they should be awarded attorney’s fees. *See Thermolife Int’l*, 922 F.3d at 1356–62 (holding that district court did not abuse discretion

assert that claims should be interpreted as if they had surrendered only what they had to.”).

Dragon also makes a convoluted claim construction argument based on the PTAB’s findings in the IPR. The argument, to the extent I can understand it, goes like this: The PTAB found that claim 1 of the ’444 patent was obvious over Goldwasser and Yifrach. *Dish Network*, 2016 WL 3268756, at *9. According to Dragon, Goldwasser and Yifrach disclose continuous recording devices. Dragon contends that, since the PTAB could not have found that claim 1 was obvious unless all of its elements are present in the prior art combination, it follows that claim 1 must cover continuous recording devices. That argument fails for multiple reasons not the least of which is that the PTAB did not consider whether there was a prosecution disclaimer and instead gave the ’444 patent claims “their broadest reasonable construction in light of the specification.” *Dish Network*, 2016 WL 3268756, at *3. I similarly reject Dragon’s argument that Dish’s and SXM’s characterization of Goldwasser in the IPR proceedings somehow “estops” them from asserting a disclaimer here.

in awarding fees when plaintiff could have discovered through an adequate pre-suit investigation that the defendant did not infringe); *see also id.* at 1358 (“[T]he presence of [early notice of the defects in plaintiffs’ infringement assertions], followed by continuation of litigation, can be a factor in justifying an award of attorney’s fees[.]”).

B. Dish and SXM may not recover fees incurred in the IPR.

The next issue I must decide is whether Dish and SXM may recover attorney’s fees that they incurred in connection with the IPR proceedings.¹¹ The Federal Circuit previously declined to answer that question, remanding the cases to this Court instead for “initial consideration of [the] fee motions.” *Dragon Intell. Prop.*, 956 F.3d at 1362. Notwithstanding, the Federal Circuit remarked that it “[saw] no basis in the Patent Act for awarding fees under § 285 for work incurred in *inter partes* review proceedings that the Appellants voluntarily undertook[.]” *Id.* That remark is *dicta*, but I agree that there is no basis in the Patent Act for awarding fees incurred in PTAB proceedings that Dish and SXM voluntarily undertook.

The text of 35 U.S.C. § 285 says nothing about giving the district court the ability to award fees incurred by a prevailing party in a separate administrative

¹¹ The record before the Court does not contain a current estimate of the amount of fees at issue. In 2016, Dish estimated its fees as approximately \$1.1 million for both the district court litigation and the IPR proceedings. (D.I. 131 at 16.) It is possible (but not clear from the record) that a significant percentage of those fees were incurred solely in connection with the IPR proceedings. (Tr. 20:24–21:19, 62:25–63:4, 63:18–64:19.) In 2016, SXM estimated its fees for both proceedings as \$1.52 million. (C.A. No. 13-2067, D.I. 140 at 15.)

proceeding. The statute simply states that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. The statute appears in the chapter of Title 35 concerning remedies in infringement actions. 35 U.S.C., Chap. 29, §§ 281–299 (“Remedies for Infringement of Patent; and Other Actions”). And there is no dispute that the “cases” to which the statute refers are judicial proceedings. In other words, IPR proceedings are not “cases.” *Amneal Pharms. LLC v. Almirall, LLC*, 960 F.3d 1368, 1371–72 (Fed. Cir. 2020).

Dish and SXM do not go so far as to argue that a party who prevails in an IPR can then turn around and file an action in district court to seek fees under § 285. But they do argue that a defendant that is sued in district court and is a prevailing party can, in that district court case, be awarded the fees it incurred in a separate IPR that it voluntarily sought if the reason it asked for the IPR is because it was sued in district court.

The Supreme Court’s decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.* is not relevant to the issue here. There, the Supreme Court stated that the text of § 285 “imposes one and only one constraint on district courts’ discretion to award attorney’s fees in patent litigation: The power is reserved for ‘exceptional’ cases.” 572 U.S. at 553. But in that case, the Supreme Court dealt only with the question of what circumstances make a patent case “exceptional” under § 285. *Id.* at 553–54. The Court did not consider the scope of attorney’s fees recoverable under § 285. And saying that a district court has broad discretion to award fees whenever it concludes that a patent case is exceptional is not the same thing as saying that a

court can award attorney's fees for time that was not expended litigating the "case."

Dish and SXM point to the Federal Circuit's opinion in *PPG Indus., Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565 (Fed. Cir. 1988). Whether that case was correctly decided is, of course, not for me to say. But it is distinguishable. There, the Federal Circuit held that a defendant sued for infringement in district court could recover under § 285 the fees it incurred opposing the patentee's PTO reissue proceedings, where the district court stayed the infringement case over the defendant's objection and the defendant's "participation in [the] reissue application proceedings was not optional." *Id.* at 1568. In so holding, the Federal Circuit distinguished the Supreme Court's opinion in *Webb v. Bd. of Educ. of Dyer Cty., Tenn.*, 471 U.S. 234 (1985), which held that attorney's fees incurred while pursuing optional administrative proceedings were not compensable under a fee-shifting statute in a later district court case, even where the party seeking fees ultimately prevailed in the district court litigation. *Id.* at 240–41.

PPG does not help Dish and SXM here because they acknowledge that the IPR proceedings were optional. (See D.I. 199 at 23; Tr. 34:5–14.) And my conclusion that fees incurred in the IPR proceedings are not recoverable in this litigation is also consistent with, if not required by, the Supreme Court's decision in *Webb*.¹²

Dish and SXM also cite the Supreme Court's decision in *Sullivan v. Hudson*, 490 U.S. 877 (1989), but that case is inapposite. *Hudson* held that an applicant for social security benefits could obtain fees under the

¹² I suspect that other analogous cases exist but FAW did not cite *Webb* or any other case applying it. Dragon did not respond to the defendants' arguments regarding IPR attorney's fees.

Equal Access to Justice Act for work performed before the Social Security Administration after a reviewing district court remanded the applicant's case to the agency for further proceedings. *Id.* at 892–93. The statutory scheme governing district court review of Social Security benefit determinations is not at all comparable to the situation here. This Court doesn't review IPR decisions, and this Court didn't remand anything to the PTAB. The PTAB proceeding was optional.¹³

Dish and SXM contend that, by not allowing them to recover their IPR fees under § 285, the Court is in effect punishing them for choosing the more efficient route to resolve these cases. My answer to that is this:

¹³ Dish and SXM also cite three district court cases that awarded fees under § 285 for work performed before the PTO, but I am not persuaded by their reasoning. *See Munchkin, Inc. v. Luv N' Care, Ltd.*, No. 13-06787, 2018 WL 7504404 (C.D. Cal. Dec. 27, 2018), *rev'd on other grounds* by 960 F.3d 1373 (Fed. Cir. 2020); *My Health, Inc. v. ALR Techs., Inc.*, No. 16-00535, 2017 WL 6512221 (E.D. Tex. Dec. 19, 2017); *Deep Sky Software, Inc. v. Southwest Airlines Co.*, No. 10-1234, 2015 WL 10844231 (S.D. Cal. Aug. 19, 2015).

My Health cited no legal authority supporting its award of IPR fees. *My Health*, 2017 WL 6512221, at *6. *Munchkin* relied on *My Health* and the Supreme Court's decision in *Fox v. Vice*, 563 U.S. 826 (2011), but *Fox* had to do with how a court should calculate a fee award to a prevailing defendant when a plaintiff brought a mix of frivolous and non-frivolous claims. *Munchkin*, 2018 WL 7504404, at *7; *see Fox*, 563 U.S. at 835–39. *Fox* did not assess whether a district court may rely on a fee-shifting statute to award fees incurred by a party in an optional administrative proceeding.

Deep Sky Software relied on the Federal Circuit's decision in *PPG* to award fees under § 285 for legal services performed during an *inter partes* reexamination, 2015 WL 10844231, at *2, but, as already explained, *PPG* is distinguishable.

raise it with Congress. Federal courts don't make policy. Congress could have provided for such fee shifting but it didn't. This Court cannot change that.¹⁴

I recommend that the Court deny Dish's and SXM's fee requests to the extent they seek fees for work performed in the optional IPR proceedings.¹⁵

C. The Court cannot assess fees against Dragon's former counsel under § 285.

Dish and SXM also want FAW and Mr. Freitas to be found jointly and severally liable for any fee award. To be clear, Dish and SXM do not argue that FAW or Mr. Freitas had any relationship with Dragon aside from their attorney-client relationship.¹⁶ Dish and SXM also

¹⁴ I note that fees are available in IPR proceedings under certain circumstances. *See* 37 C.F.R. § 42.12 (discussing the sanctions available in proceedings before the PTAB, including “[a]n order providing for compensatory expenses, including attorney fees”).

¹⁵ I anticipate that there will be a future dispute about whether some of the work performed during the pendency of the IPR proceedings should be reimbursed on the basis that the work product was also necessary for the district court proceedings. (Tr. 63:18–64:19.) That issue hasn't been briefed, so I don't decide it here. The Court will have to sort it out when it receives Dish's and SXM's fee applications. I will say that it is presently unclear to me how Dish and SXM could recover fees incurred while the district court cases were stayed.

¹⁶ (Tr. 30:22–31:7 (“THE COURT: You made no showing, have you, that Mr. Freitas or his firm are, essentially, the Wizard of Oz behind the curtain and are really behind Dragon, right? You're not making an argument that I should pierce the corporate veil, and when I do, I'm going to find Mr. Freitas and his law firm, right? That's not an argument that you made. [DISH'S COUNSEL]: We haven't made that argument.”)).

rely solely on 35 U.S.C. § 285 as the basis for their request.¹⁷ I recommend rejecting that request.

It cannot seriously be disputed that 35 U.S.C. § 285 is generally understood to permit attorney’s fees awards against the losing *parties* in a patent infringement suit, not their attorneys. Evidencing that general understanding is the fact that the Patent Act has contained a fee-shifting provision since 1946, and the defendants here haven’t pointed to a single case where a court relied on it to assess fees against the losing side’s attorneys. *See* 35 U.S.C. § 70 (1946 ed.).

The parties agree that there is no binding authority on this issue, but the Federal Circuit has held in two non-precedential opinions that § 285 does not support a fee award against counsel. *Phonometrics, Inc. v. ITT Sheraton Corp.*, 64 Fed. App’x 219, 222 (Fed. Cir. 2003) (nonprecedential) (vacating district court’s finding that counsel and party were jointly and severally liable for fee award because “[c]ounsel . . . is not liable for fees awarded under § 285; it can only be liable for excess fees awarded under § 1927”); *Interlink Elecs. v. Incontrol Solutions, Inc.*, 215 F.3d 1350, at *3 (Fed. Cir. 1999) (table) (“[S]ection 285 imposes costs on a party, not an attorney.”). Those decisions are consistent with other non-binding authority. *See, e.g., Stillman v. Edmund Scientific Co.*, 522 F.2d 798, 801 (4th Cir. 1975) (“[W]e think it would be unwise to read the statute so broadly that it would expose the members of the patent bar to potential liability for the sanctions

¹⁷ As explained above, Judge Andrews has already denied the requests for fees under 28 U.S.C. § 1927. Dish and SXM’s recent briefing pointed out that the Court has inherent authority to assess fees against counsel (D.I. 199 at 26), but they clarified at the hearing that they were not seeking fees pursuant to the Court’s inherent authority. (Tr. 29:10–20.)

of Section 285.”); *My Health, Inc. v. ALR Techs., Inc.*, No. 16-535, 2019 WL 2395409, *3 (E.D. Tex. June 5, 2019) (citing *Phonometrics* and denying request for fees from opposing counsel under § 285), *aff’d*, 2020 WL 122933 (E.D. Tex. Jan. 10, 2020); *Advanced Video Techs. LLC v. HTC Corp.*, No. 11-6604, 2015 WL 7621483, at *5 (S.D.N.Y. Aug. 28, 2015) (“Unlike other types of sanctions, sanctions under § 285 may not be assessed against counsel—only against a party”); *Tech. Properties Ltd. LLC v. Canon Inc.*, No. 14-3640, 2017 WL 2537286, at *5 (N.D. Cal. Jan. 26, 2017), *aff’d*, 718 F. App’x 987 (Fed. Cir. 2018).

I agree with those cases. Unlike 28 U.S.C. § 1927 and Federal Rule of Civil Procedure 11, which expressly apply to attorneys, the text of § 285 says nothing about taxing fees against the losing party’s attorneys. In support of their argument that § 285 authorizes such an award, Dish and SXM point to the Supreme Court’s statement in *Octane Fitness* that the text of § 285 “imposes one and only one constraint on district courts’ discretion to award attorney’s fees in patent litigation: The power is reserved for ‘exceptional’ cases.” 572 U.S. at 553. But, again, that case dealt with the question of *when* fees may be awarded; it did not consider *from whom* they may be recovered.

Courts assessing similar fee-shifting statutes have declined to construe them to authorize a fee award against attorneys where the statutory text does not mention attorney liability. *See, e.g., Peer v. Liberty Life Assurance Co. of Bos.*, 992 F.3d 1258, 1263 (11th Cir. 2021) (holding that ERISA statute stating that “the court in its discretion may allow a reasonable attorney’s fee and costs of action to either party” does not authorize a court to require an attorney to pay another party’s fees); *Tejero v. Portfolio Recovery*

Assocs., L.L.C., 955 F.3d 453, 461–62 (5th Cir. 2020) (holding that, consistent with the interpretation of similar fee-shifting statutes, a fee-shifting provision of the FDCPA “permits fee awards only against parties, not against their counsel”); *In re Crescent City Ests., LLC*, 588 F.3d 822, 825 (4th Cir. 2009) (citing cases and applying a presumption that fee-shifting statutes apply only to parties unless they expressly state otherwise). It is true that some fee-shifting statutes assessed by the courts have legislative histories that more clearly evidence a lack of Congressional intent to impose attorney liability,¹⁸ but not all of them. And I

¹⁸ *E.g., Roadway Exp., Inc. v. Piper*, 447 U.S. 752, 761 (1980) (discussing 42 U.S.C. § 1988).

Dish and SXM agree that nothing in the legislative history of the Patent Act supports their position that § 285 authorizes an award of fees against opposing counsel. (Tr. 26:5–11.) If anything, the legislative history weighs against their position. As originally enacted, the Patent Act’s fee-shifting provision was part of the same section that enumerated the remedies in patent cases:

The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions . . . ; and upon a judgment being rendered in any case for an infringement the complainant shall be entitled to recover general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor, together with such costs, and interest, as may be fixed by the court. *The court may in its discretion award reasonable attorney’s fees to the prevailing party upon the entry of judgement on any patent case.*

35 U.S.C. § 70 (1946 ed.). The inclusion of authority to award fees in a section listing remedies naturally suggests that Congress intended the losing party (and not its attorney) to pay attorney’s fees, since it is the losing party that is responsible for patent infringement (not its attorney). When the Patent Act was amended in 1952 and § 285 was codified in its current form, Congress kept it within the chapter setting forth the remedies for

agree with those courts that have concluded that a fee-shifting statute that does not mention attorney payment of fee awards cannot be read to authorize it, absent some evidence of Congressional intent to subject attorneys to liability.¹⁹

Dish and SXM point to cases in which courts awarded fees against non-parties. But none of those cases imposed liability against a non-party because they were the party's attorney. *See, e.g., Alliance for Good Government v. Coalition for Better Government*, 998 F.3d 661, 664–66 (5th Cir. 2021) (affirming district court's assessment of fees against party's officer, noting "the general principle that 'an officer is individually liable for any tortious conduct that he committed in connection with his corporate duties'"); *Iris Connex, LLC v. Dell, Inc.*, 235 F. Supp. 3d 826, 842–47, 852–54, 859–62 (E.D. Tex. 2017) (finding that non-party created and undercapitalized an "empty shell" plaintiff for the purpose of insulating himself from a fee award).

Dish and SXM also point out that they are unlikely to ever collect anything from Dragon: its current corporate status is "Cease Good Standing" due to its non-payment of Delaware taxes. (D.I. 199 at 27.) Dish

patent infringement. *See* Patent Act, Pub. L. No. 82-593, 66 Stat. 792, 812–13 (1952). And the Supreme Court has recognized that the new § 285 was not intended to depart significantly from the old § 70. *See Octane Fitness*, 572 U.S. at 549 n.2.

¹⁹ Dish and SXM point to Federal Rule of Appellate Procedure 38, which some appellate courts have relied on to impose awards against attorneys who prosecute frivolous appeals, even though the rule is silent on who bears liability. I agree with the Fourth Circuit that Federal Rule of Appellate Procedure 38 does not call into question the general understanding that fee-shifting statutes authorize awards against parties, not attorneys. *Crescent City Ests.*, 588 F.3d at 829, n.*.

and SXM argue that their inability to recover fees against opposing counsel under § 285 would result in a “nefarious loophole in patent cases.” (D.I. 215 at 12.) That is so, they say, because “[a]ttorneys who are responsible for exceptional litigation behavior in their representation of under-capitalized, shell companies can insulate themselves and their clients from fee liability.” (*Id.*)

If Dragon’s owners have abused the corporate form or intentionally undercapitalized the company to avoid paying a fee award, there are theories under which they can be held accountable. But Dish and SXM don’t raise such theories here. And Dish and SXM have not made the argument that FAW or Mr. Freitas could be liable under some sort of a veil-piercing or alter-ego theory, as the record suggests that their only relationship with Dragon was an attorney-client relationship.

The defendants express a legitimate concern about holding attorneys accountable where they have engaged in blameworthy conduct. But courts already “have at their disposal Federal Rule of Civil Procedure 11, 28 U.S.C. § 1927, and their inherent powers, all of which may permit awards of attorneys’ fees against attorneys whose actions compromise standards of professional integrity and competence.” *Crescent City Ests.*, 588 F.3d at 831.

I recommend that the Court deny Dish’s and SXM’s requests to the extent they seek to hold FAW and Mr. Freitas jointly and severally liable with Dragon.

IV. CONCLUSION

For the reasons set forth above, I recommend that Dish’s and SXM’s Motions to Declare Case Exceptional Pursuant to 35 U.S.C. § 285 be GRANTED-IN-PART and DENIED-IN-PART. The Court should grant the

motions to the extent they seek attorney's fees from Dragon for time spent litigating these cases. The Court should deny the motions to the extent they seek reimbursement of fees incurred in the IPR proceedings and to the extent they seek to hold Dragon's former counsel jointly and severally liable with Dragon for any fee award.

Fee applications are not supposed to result in a second major litigation. It's too late for that here—significant party and judicial resources have been expended on fee requests. It's time to wrap this up. I recommend that the Court order Dish and SXM to submit a fee accounting within 14 days that accords with my recommendations.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B),(C), Federal Rules of Civil Procedure 54(d)(2)(D) and 72(b)(1), and District of Delaware Local Rule 72.1. Any objections to the Report and Recommendation shall be filed within fourteen days and limited to ten pages. Any response shall be filed within fourteen days thereafter and limited to ten pages. The failure of a party to object to legal conclusions may result in the loss of the right to *de novo* review in the district court.

The parties are directed to the Court's "Standing Order for Objections Filed Under Fed. R. Civ. P. 72," dated October 9, 2013, a copy of which can be found on the Court's website.

Dated: August 16, 2021

/s/ Jennifer L. Hall

Jennifer L. Hall

UNITED STATES MAGISTRATE JUDGE

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APPENDIX E

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C.A. No. 13-2066 (RGA)

DRAGON INTELLECTUAL PROPERTY, LLC
Plaintiff,

v.

DISH NETWORK L.L.C.
Defendant.

ORDER AWARDING ATTORNEYS' FEES
AND EXPENSES

As set forth in the November 8, 2021 Order (D.I. 227) adopting the August 16, 2021 Report and Recommendation of Magistrate Judge Jennifer L. Hall (D.I. 218), the Court ORDERED Plaintiff Dragon Intellectual Property, LLC (“Plaintiff”) to pay the reasonable attorneys’ fees incurred by Defendant DISH Network L.L.C. (“DISH”) in litigating this case in this Court between December 20, 2013, and October 31, 2021. DISH was to provide Plaintiff all reasonable and necessary documentation to support the amount of fees incurred between December 30, 2013 and October 31, 2021.

On December 1, 2021, DISH filed its Submission for Attorneys’ Fees and Costs (D.I. 230), and DISH provided Plaintiff the documentation supporting attorneys’ fees in the amount of \$1,352,898.45 and expenses of \$30,500.77, and an additional \$72,874.30 in fees incurred in November 2021 in preparing the Sub-

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mission, for a total award of attorneys' fees and costs in the amount of \$1,456,273.49.

On December 22, 2021, Plaintiff responded to DISH's Submission stating that it "makes no argument regarding the specific calculation of fees as set forth in Defendant's Submission" and reserves all rights to appeal any orders and findings of the Court in this action, including the award of any fees or costs (D.I. 241).

Pursuant to the Court's February 2, 2022 Oral Order (D.I. 242), DISH submits this [Proposed] Order, which has been approved by Plaintiff as being consistent with the Court's February 2, 2022 Oral Order.

IT IS THEREFORE ORDERED that Plaintiff shall submit payment to DISH of \$1,456,273.49.

Date: 3/7/2022

/s/ Richard G. Andrews
Honorable Richard G. Andrews
United States District Judge

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APPENDIX F

NOTE: This order is nonprecedential.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2022-1621, 2022-1622, 2022-1777, 2022-1779

DRAGON INTELLECTUAL PROPERTY LLC,
Plaintiff-Cross-Appellant

v.

DISH NETWORK L.L.C.,
Defendant-Appellant

v.

ROBERT E. FREITAS, FREITAS & WEINBERG LLP,
Respondents-Appellees

DRAGON INTELLECTUAL PROPERTY LLC,
Plaintiff-Cross-Appellant

v.

SIRIUS XM RADIO INC.,
Defendant-Appellant

v.

ROBERT E. FREITAS, FREITAS & WEINBERG LLP,
Respondents-Appellees

Appeals from the United States District Court for the District of Delaware in Nos. 1:13-cv-02066-RGA, 1:13-cv-02067-RGA, Judge Richard G. Andrews.

ON PETITION FOR REHEARING EN BANC

Before MOORE, *Chief Judge*, LOURIE, DYK, PROST, REYNA, TARANTO, CHEN, HUGHES, STOLL, CUNNINGHAM, *Circuit Judges*, and BENCIVENGO¹, *District Judge*.²

PER CURIAM.

ORDER

DISH Network LLC filed a petition for rehearing en banc. Responses to the petition were invited by the court and filed by Robert E. Freitas, Freitas & Weinberg LLP and Dragon Intellectual Property LLC.

Unified Patents, LLC and High Tech Inventors Alliance separately requested leave to file briefs as amicus curiae, which the court granted.

The petition was first referred as a petition to the panel that heard the appeal, and thereafter the petition was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

¹ Honorable Cathy Ann Bencivengo, District Judge, United States District Court for the Southern District of California, sitting by designation, participated only in the decision on the petition for panel rehearing.

² Circuit Judge Newman and Circuit Judge Stark did not participate.

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IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue October 17, 2024

October 10, 2024

Date

FOR THE COURT

/s/ Jarrett B. Perlow

Clerk of Court