

**In The  
Supreme Court of the United States**

—◆—  
OCTANE FITNESS, LLC,

*Petitioner,*

v.

ICON HEALTH & FITNESS, INC.,

*Respondent.*

—◆—  
**On Petition For Writ Of Certiorari  
To The United States Court Of Appeals  
For The Federal Circuit**

—◆—  
**BRIEF IN OPPOSITION TO  
PETITION FOR A WRIT OF CERTIORARI**

—◆—  
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**QUESTION PRESENTED**

Patent infringement claims between industry competitors, ICON Health & Fitness, Inc. and Octane Fitness, LLC, were decided below on summary judgment. Both lower courts held that this case was not an “exceptional” patent case that would warrant the award of attorney fees to the prevailing party. Should this Court reverse the lower courts through judicial expansion of the attorney fee-shifting statute found in 35 U.S.C. § 285?

## **CORPORATE DISCLOSURE STATEMENT**

The respondent and plaintiff below is ICON Health & Fitness, Inc. HF Holdings, Inc. is the parent corporation of ICON. Credit Suisse Group, a publicly held corporation, owns 10% or more of the stock of ICON.

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## **RESPONDENT'S BRIEF IN OPPOSITION**

As both courts below have concluded, when petitioner's storied portrayal of this case is stripped of its spectacle, the case is unexceptional. Respondent ICON Health & Fitness, Inc. ("ICON") brought a legitimate claim for patent infringement against one of its competitors, petitioner Octane Fitness, LLC ("Octane"). And after a hard-fought case, on both sides, the district court granted Octane's motion for summary judgment. Octane then attempted – unsuccessfully – to paint this case as an example of a malicious and baseless suit between an industry giant and its small-time competitor. But in full view of the facts and merits of ICON's case, both the district court and the Federal Circuit rejected Octane's excessive portrayal.

The district court expressly found, that, despite Octane's depiction of the facts, ICON's case was not frivolous or objectively baseless and that it was not brought in bad faith. Thus, although in "exceptional" cases, 35 U.S.C. § 285 allows a court to exercise discretion to award attorney fees, after review of the facts and the merits of ICON's case, the district court found that this case was not exceptional and denied Octane's motion for fees.

Octane then revised and repeated its allegations to the United States Court of Appeals for the Federal Circuit. But after looking through Octane's claims to the actual record, the Federal Circuit discounted Octane's allegations and summarily affirmed the

district court's finding that this case is not exceptional – not even worthy of a published opinion.

Octane then petitioned to have its story reheard *en banc*. Again, denied. There is simply nothing exceptional or even special about this case.

Undeterred in its quest for an award of attorney fees, Octane petitions this Court to yet again hear its twice-rejected tale that this is an exceptional case. In doing so, it asks the Court to review and then reverse the lower courts through judicial expansion of the attorney fee-shifting statute, found in 35 U.S.C. § 285.

Respondent ICON respectfully requests that the Court deny Octane's petition for a writ of certiorari for at least four reasons:

**First**, contrary to Octane's contention, the standard employed by the lower courts for determining whether this case is exceptional was in accordance with legislative intent and historical precedent.

**Second**, expansion of the statutory provision providing for attorney fee awards in patent cases and the policy for doing so is a matter for Congress to consider. The Court should not grant Octane's petition on a matter in order to supplant Congress on matters that may be opposed to current congressional intent.

**Third**, the decision below, a fact-bound application of law, was correct. This is not an exceptional case by any precedential measure.

*Fourth*, Octane improperly presents its most recent proposed exceptionality standard to this Court for the first time. It asks the Court to decide an issue that was not considered or reviewed by either lower court.



## STATEMENT OF THE CASE

Octane's statement of the case retells the same story presented – and rejected – by the courts below. Octane goes to great lengths to rehash its motion arguments regarding patent claim construction and summary judgment even though neither is an issue presented for appeal in its petition. Octane's petition seems to manifest a belief that if it merely characterizes things as “baseless,” “frivolous,” or “spurious” often enough, the reader should accept that characterization. But, as the courts below concluded, Octane's mere assertion of something does not make it so.

ICON now offers the following information to correct and clarify the record as it relates to Octane's misleading recitation of the facts and presents the facts as they truly are and as the district court found them to be.

### **ICON's legitimate, but ultimately unsuccessful patent infringement claims**

On April 23, 2008, ICON filed a complaint in the United States District Court for the Central District

of California, asserting that Octane and Nellie's Exercise Equipment, Inc. ("Nellie's") were infringing U.S. Patent No. 5,104,120 ("the '120 patent") and U.S. Patent No. 6,019,710 ("the '710 patent").<sup>1</sup> (CA App. A101-06.) Nellie's was one of Octane's distributors in California. (CA App. A102, A104, A187.) Octane and Nellie's both counterclaimed for various forms of declaratory relief. (CA App. A122-34, A135-46.)

In November 2008, the United States District Court for the Central District of California granted a motion severing the claims against Octane from the claims against Nellie's. It then transferred the case between ICON and Octane to the United States District Court for the District of Minnesota, leaving the case between ICON and Nellie's in California. (CA App. A320-24, A2610-13.) ICON thereafter opted to drop the case against Nellie's in California, and that case was dismissed. (CA App. A329.)

After the transfer, in May 2009, based on a stipulation by ICON and Octane, the Minnesota district court entered an order dismissing all claims and counterclaims relating to the '120 patent, leaving only the claims relating to the '710 patent remaining in the case. (CA App. A339, A341.)

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<sup>1</sup> In its petition, Octane states that ICON brought suit against "Octane Health & Fitness ('Octane'), a much smaller start-up company." (Pet. 2). ICON is unaware of an entity by that name and believes the name "Octane" in the petition is meant to refer to ICON's international competitor Octane Fitness, LLC.

The invention of the '710 patent was invented by ICON personnel and is directed to a new and innovative “elliptical” exercise device. (CA App. A87-100.) A conventional elliptical exercise device includes two spaced-apart foot pads that, when engaged by a user, follow an elliptical path generally intended to simulate the natural motion of running or walking. (CA App. A94, 1:27-35.) The '710 patent discloses an improved elliptical exercise device that both (1) reduces the floor space needed to accommodate such an apparatus and (2) allows adjustments to the size of the elliptical path in order to fit the different strides of individual users. (CA App. A94, 1:39-49, 1:60-65, 2:30-53.)

Octane sells two families of elliptical exercise devices that ICON accused of infringing the '710 patent. Although ICON does not sell a product that is covered by the '710 patent, ICON does sell a product that competes with Octane's machines. (CA App. A1694, A590-591, A165, A2593.)

In October 2010, the district court held a *Markman* hearing to construe the claims of the '710 patent, and, in December 2010, issued a Memorandum Opinion and Order construing various terms of the '710 patent. (CA App. A78, A3-21.) Octane then moved for summary judgment of non-infringement of the '710 patent. (CA App. A79.) The district court concluded that two claim elements were absent from the accused devices, and therefore granted summary judgment of non-infringement. (CA App. A36-46.) However, Octane previously admitted that its accused

products contained one of those elements, but during litigation Octane changed its story. (CA App. A2096, A2095-104.)

Nonetheless, the district court granted Octane's motion for summary judgment in June 2011. (CA App. A22-46.) ICON and Octane then stipulated to the dismissal of Octane's counterclaim for a declaratory judgment of invalidity of the '710 patent, and the court entered final judgment on July 15, 2011. (CA App. A2610-13, A2, A1.)

### **Octane's motion for attorney fees**

Although the district court granted Octane's motion for summary judgment of non-infringement, it denied Octane's motion for attorney fees. (App. to Pet. Cert 19a-28a.)

In its motion for fees, Octane presented the district court with its view that ICON's case was "baseless" and brought in bad faith. (CA App. A2619, A2631, A2633-39.) Specifically, Octane repeatedly demonized ICON as an "industry giant" seeking to "extract" royalties from "a smaller competitor," based on an "old patent" that is asserted by Octane to be "commercially unviable." (CA App. A2622-23, A2631-32.) According to Octane, ICON could not possibly have had any reasonable basis for asserting infringement because Octane's machines, in contrast, have been wildly successful and because part of its machines were subject to another patent pre-dating the '710 patent.

It is telling that even the district court did not rely on any of these assertions. (App. to Pet. Cert 19a-28a.) And that is the way it should be because infringement is determined on the basis of the claims, not on the basis of a comparison with the patentee's commercial embodiment or on the basis of Octane's other extraneous assertions.

Octane particularly trumpeted its discovery of a few colloquial emails between ICON sales personnel as alleged evidence of ICON's bad faith. (CA App. A2622-24.) The first was an internal email dated August 24, 2008 reporting:

We are suing Octane. Not only are we coming out with a great product to go after them, but throwing a lawsuit on top of that.

(CA App. A2645-48, A2622.) That message was forwarded the next day to a person Octane describes as "a potential customer/retailer" with the following preface:

Just clearing the way and making sure you guys have all your guns loaded! Look below!

(CA App. A2645, A2631.) Another exchange occurred more than a year later between the sender of the original message and the sender of the second, who had apparently forgotten about the first two emails:

I heard we are suing Octane!

Yes – old patent we had for a long time that was sitting on the shelf. They are just looking for royalties.

(CA App. A1608, A2623.)

As the district court found, these emails do not prove “bad faith” by ICON. (App. to Pet. Cert 27a.) The district court specifically pointed out that even when viewed “*in the light most favorable to Octane*,” these remarks are stray comments by employees with no demonstrated connection to the lawsuit.” (App. to Pet. Cert 27a (emphasis added)). Moreover, the district court found that the statements in these emails “do not reflect advice to Icon by its counsel or experts, nor are they evidence of Icon’s official position on the merits of the lawsuit.” (App. to Pet. Cert 27a.)

Octane argues that the emails are evidence of “Icon’s official position” because the sender of two of the emails “was a Vice President at Icon.” (CA App. A2631.) In actuality, as the emails themselves show, and as ICON has repeatedly told Octane, the sender was a Vice President at “Free Motion Fitness,” which is only a subsidiary of ICON. (CA App. A2645, A1608.) There is no evidence that the sender was an officer or director of ICON, and he was not. (*See* CA App. A1685 (“When I speak I’m speaking for FreeMotion. . .”).)

Indeed, the first email shows that the sender learned about the lawsuit from an industry news publication (which he was forwarding), not from officers of ICON. (CA App. A2645-48.) The district court found that there was “no evidence” that “the remarks were ever seen, much less adopted by, those in a position to decide whether to pursue an infringement action against Octane.” (App. to Pet. Cert 27a.)



Octane further stressed that it disagreed with ICON's arguments, positions, and expert analysis during claim construction and in its summary judgment papers. (CA App. A2634-37.) Nevertheless, the district court found ICON's positions and arguments to be reasonable and not objectively baseless or advanced in bad faith. (App. to Pet. Cert 24a-28a.)

All considered, the district court concluded that ICON's case for infringement was reasonable and was neither "objectively baseless" nor asserted in "bad faith." (App. to Pet. Cert 24a-28a.) Therefore, Octane was not entitled to a finding of exceptionality or a consequent award of attorney fees. (App. to Pet. Cert 25a-27a.)

### **Octane's appeal at the Federal Circuit**

ICON appealed the district court's summary judgment and claim construction against it, and Octane cross-appealed the denial of its motion for attorney fees. (CA App. A2614-15, A2753-54.)

To the Federal Circuit, Octane again presented its story about an "industry giant" seeking to "extract" royalties from "a smaller competitor," based on an allegedly "commercially unviable" and "old patent." Octane, again, repeatedly characterized ICON's patent infringement claims as "baseless" and allegedly brought in "bad faith." And Octane, again, trumpeted its prize emails, previously found by the district court to be "stray comments" by employees unconnected to the lawsuit. In addition, Octane argued that the

Federal Circuit should change the determination of “exceptional cases” to avoid considering whether they were brought in bad faith.<sup>2</sup>

The Federal Circuit, in an unpublished opinion, found none of Octane’s arguments persuasive. After a full review, the Federal Circuit stated, “we have reviewed the record and conclude that the court did not err in denying Octane’s motion to find the case exceptional. We have no reason to revisit the settled standard for exceptionality.” (App. to Pet. Cert 17a.)

Octane now asks this Court to grant review of the same story and the same facts to come to a different conclusion than the courts below, which both found after review of all the facts – not just Octane’s – that this is not an exceptional case.



## REASONS FOR DENYING THE PETITION

- I. The Court should deny the petition because the district court’s determination and Federal Circuit’s affirmance on appeal that this case is not exceptional were in accordance with legislative intent and historical precedent.**

The Patent Act, 35 U.S.C. §§ 1 *et seq.*, provides a narrow exception to the American Rule regarding

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<sup>2</sup> Octane improperly raised this argument for the first time before the Federal Circuit and does not present it to this Court. Rather Octane’s petition presents a new argument never considered below.

payment of attorney fees.<sup>3</sup> It states that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285 (2012). Both historically and currently, “exceptional cases” are those in which there is “willful and deliberate infringement by an infringer,” “litigation in bad faith by the patentee, or fraud or other inequitable conduct during prosecution before the PTO.” *Rohm & Haas Co.*, 736 F.2d 688, 691-92 (Fed. Cir. 1984); *see also Wedgetail Ltd. v. Huddleston Deluxe, Inc.*, 576 F.3d 1302, 1304 (Fed. Cir. 2009); *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1034 (Fed. Cir. 2002).

The district court in the case between ICON and Octane declined to award attorney fees because there is nothing “exceptional” about the case. Moreover, the district court’s application of the statute and the interpretive case law fall squarely within the legislative history therefor and this Court’s precedent. There is no good reason, therefore, to grant Octane’s petition to review the lower courts decisions’ that are in line with well-established law.

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<sup>3</sup> The general rule in the United States is that each party to litigation must pay the fees of his or her own counsel. *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 246-47, 95 S.Ct. 1612, 1616, 44 L. Ed. 2d 141 (1975). This general rule is known as the “American Rule”, and it applies equally in patent cases, except in exceptional cases. *See id.*; *see also Mathis v. Spears*, 857 F.2d 749, 758 (Fed. Cir. 1988) (“Congress enacted Section 285 to codify in patent cases the ‘bad faith’ equitable exception to the American Rule.”).

**A. The history of 35 U.S.C. § 285 shows that a court should consider awarding fees to prevailing defendants only in limited circumstances.**

Importantly, before a court may award reasonable attorney fees, the threshold inquiry is to determine whether a case is “exceptional.” In other words, under 35 U.S.C. § 285, courts are not permitted to award attorney fees in *unexceptional* cases. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985) (“A finding of such ‘exceptional’ circumstances does not, however, mandate an award of attorney fees. It is at this point that the trial court exercises its discretion in making, or not making, an award.”), *overruled on other grounds by Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (en banc).

Prior to its current version, section 285 did not include the “exceptional cases” language and permitted a court “in its discretion” to award attorney fees. S.Rep. No. 1503, 79th Cong., 2d Sess. (1946). Nonetheless, courts still interpreted the statute to allow the exercise of that discretion only in exceptional cases – that is, in cases of willful infringement or vexatious litigation. *See, e.g., Am. Chain & Cable Co. v. Rochester Ropes, Inc.*, 199 F.2d 325, 330 (4th Cir. 1952) (“discretion [to award fees] should not be exercised except in situations involving vexations and unjustified litigation on the part of the patentee”); *Laufenberg, Inc. v. Goldblatt Bros., Inc.*, 187 F.2d 823, 825 (7th Cir. 1951) (“the [fees] statute should be

invoked only where vexatious or unjustified litigation is shown”).

To codify the case law, the 1952 Patent Act deleted the “in its discretion” language and replaced it with the current language that permits a court to award attorney fees only in “exceptional cases.” 35 U.S.C. § 285 (2012); *see also Rohm & Haas*, 736 F.2d at 690-91. The author of section 285 noted that

[s]ection 285, providing for the recovery of attorney fees by the prevailing party, is substantially the same as the corresponding sentence of the old statute, with the addition of “in exceptional cases” to express the intention of the old statute as shown by its legislative history and as interpreted by the courts.

*Id.* at 691 (citing P.J. Federico, Commentary on the New Patent Act, Title 35, United States Code Annotated, page 1, at 56). Courts are permitted discretion to award attorney fees – but that discretion is limited to exceptional cases. *See* 35 U.S.C. § 285 (“The court in exceptional cases *may* award reasonable attorney fees. . . .” (emphasis added)).

The historical bases for considering a case an “exceptional” one are those in which there is “willful and deliberate infringement by an infringer,” “litigation in bad faith by the patentee, or fraud or other inequitable conduct during prosecution before the PTO.” *Rohm & Haas*, 736 F.2d at 691-92; *see also*

*Wedgetail*, 576 F.3d at 1304; *Epcon Gas*, 279 F.3d at 1034.

In its petition, Octane contends that previous interpretation of “exceptional cases” was based on a “totality of the circumstances,” the court’s discretion, and included cases other than bad faith litigation, litigation misconduct, fraud or inequitable conduct, and frivolous or baseless litigation. (Pet. 21 citing *Mathis v. Spears*, 857 F.2d 749 (Fed. Cir. 1988); *Eltech Sys. Corp. v. PPG Indus., Inc.*, 903 F.2d 805, 810 (Fed. Cir. 1990); *Sun-Tek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 929 F.2d 676, 679 (Fed. Cir. 1991).) Not So – Octane’s cited cases do not support that position. See *Mathis*, 857 F.2d at 758 (“Congress enacted Section 285 to codify in patent cases the ‘*bad faith*’ equitable exception to the American Rule.” (emphasis added)); *Eltech*, 903 F.2d at 811 (to recover fees, both sides to litigation are “required to prove the other guilty of *bad faith litigation* by clear and convincing evidence in light of the totality of the circumstances” (emphasis added)); *Sun-Tek*, 929 F.2d at 678 (quoting *Mathis*).

Importantly, Octane’s petition is based on the misinterpretation that courts should have unfettered discretion to decide if a case is an exceptional one. But historical precedent shows “[o]nce an exceptional case is found, the court *then* has discretion to determine whether or not reasonable attorney fees should be granted.” *Sun-Tek*, 929 F.2d at 678 (emphasis in original).

The guidance by the Federal Circuit as to which cases are exceptional is squarely in accordance with the legislative history of section 285 and judicial precedent reaching back to at least the 1950s. Specifically, “[a]bsent misconduct in conduct of the litigation or in securing the patent, sanctions [under 35 U.S.C. § 285] may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.” *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005).<sup>4</sup> This standard covers the historical bases for considering a case exceptional – i.e., litigation misconduct, fraud or inequitable conduct in securing a patent, and vexatious, bad faith, or baseless patent suits. See *Wedgetail*, 576 F.3d at 1304; *Epcon*, 279 F.3d at 1034; *American Chain*, 199 F.2d at 330; *Laufenberg*, 187 F.2d at 825; *Rohm & Haas*, 736 F.2d at 690-91; see also D. Chisum, *Patents*, § 20.03[4][c][iii] at note 412 (citing an extensive list of cases involving bad faith litigation or inequitable conduct in procuring the patents-in-suit). Moreover, the above-standard attempts to focus the award of attorney fees to only exceptional cases, rather than any case.

The lower courts’ determinations that this is not an exceptional case were correct, and this Court should deny Octane’s petition to review them.

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<sup>4</sup> Of course, willful patent infringement is a non-issue against the patent-holder asserting the infringement claim.

**B. Octane asks the Court to consider a standard that is at odds with legislative history and well established precedent.**

If its petition is granted, Octane asks this Court to adopt a standard for exceptional cases that is nowhere to be found in historical precedent or the legislative history. Octane asks the Court to include within the pool of “exceptional cases” those cases by patent holders with an “objectively low likelihood of success” on the merits. (Pet. 33.) Octane cites to nothing in the legislative history or historical precedent that supports consideration of that standard by this Court.

Thus, it is Octane that asks this Court to disregard historical precedent and the legislative intent of section 285 to judicially expand the application of section 285 to unexceptional cases, like ICON’s case against Octane, and the Court should decline the petition to hear it.

**C. The standard, employed below, for an award of attorney fees in “exceptional cases” is the same for patent plaintiffs and defendants – Octane’s proposed expansion of the standard is not.**

Octane’s petition decries that it is too hard for it to prove that its case is an exceptional one. First and foremost, this is because ICON’s case against Octane is not exceptional by any precedential measure.



Nonetheless, Octane asks for a relaxing of the determination of exceptional cases to exclude consideration of subjective bad faith. In addition, it asks that attorney fees be awarded in more patent cases by allowing for fees that have an “objectively low likelihood of success on the merits.” Such requests do not lead to equal application of “exceptional case” determinations for both plaintiffs and defendants and are at odds with historical precedent. Accordingly, the standards employed by the lower courts are correct and in line with well-established law, and this Court should not take occasion to review them.

“The objective baselessness standard for enhanced damages and attorneys’ fees against a non-prevailing plaintiff under *Brooks Furniture* is identical to the objective recklessness standard for enhanced damages and attorneys’ fees against an accused infringer for § 284 willful infringement. . . .” *iLOR, LLC v. Google, Inc.*, 631 F.3d 1372, 1377 (Fed. Cir. 2011).

Absent litigation misconduct or bad faith litigation, a plaintiff may recover attorney fees against a defendant in exceptional cases, such as when the defendant is found to have willfully infringed the asserted patent. *See, e.g., In re Seagate Technology, LLC*, 497 F.3d 1360, 1370-71 (Fed. Cir. 2007) (en banc). A willful infringement determination requires inquiry into the defendant’s conduct using both objective and subjective measures. *Id.*

Likewise, absent bad faith litigation or inequitable conduct in obtaining the patent, a defendant may

recover attorney fees against a plaintiff in exceptional cases, such as in a case of frivolous, vexatious, or bad faith litigation. *Brooks Furniture*, 393 F.3d at 1381-82. Like a willfulness determination, the determination of frivolous, vexatious, or bad faith litigation requires inquiry into the plaintiff's conduct using both objective and subjective measures. *Id.*; see also *Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60-61, 113 S.Ct. 1920, 123 L. Ed. 2d 611 (1993).

Octane argues that the subjective component should be excised from the determination of frivolous, vexatious, or bad faith litigation. But it only makes sense that if a patentee must prove both objective and subjective components in order to obtain attorney fees, an accused infringer must do so as well. *Eltech Sys. Corp. v. PPG Indus., Inc.*, 903 F.2d 805, 811 (Fed. Cir. 1990) (“[T]here should be no difference in the standards applicable to patentees and infringers who engage in bad faith litigation.”). Therefore, the lower courts use of the precedential and more reasoned standard was correct.

The courts below employed the correct standard to determine that this case is not exceptional in accordance with reason and the law, and the Court should not grant Octane's petition to review those determinations.

**II. The Court should deny the petition because it asks for expansion of the statute providing for fee awards in patent cases, which is a matter for Congress, not an issue for this Court.**

In its petition, Octane asks that the Court permit consideration of the public policy for suppressing the American Rule in patent cases and to consider allowing attorney fees awards in cases against patent holders with an “objectively low likelihood of success” on the merits in addition to those cases traditionally considered “exceptional.” (Pet. 33.) But this Court does not normally engage in the process of making policy judgments and should not elect to do so in this case especially because the expansion requested by Octane is neither in accordance with the current statute nor current congressional consideration of fee awards in patent cases.

Octane unabashedly requests that the Court supplant Congress and do that which Congress chose not to. (Pet. 17.)

Just this last year, in reference to itself, the Court stated that “[m]embers of this Court are vested with the authority to interpret the law; we possess neither the expertise nor the prerogative to make policy judgments. Those decisions are entrusted to our Nation’s elected leaders. . . .” *Nat’l Fed’n of Indep. Bus. v. Sebelius*, 132 S.Ct. 2566, 2579-80, 183 L. Ed. 2d 450 (2012). Thus, if Congress wishes to expand the pool of patent cases in which attorney

fees are awarded, it may do so through its own legislative efforts. In fact, Congress is considering – but has not passed – a bill directed toward expanding attorney fee awards in certain circumstances. But those circumstances are inapplicable to the case between ICON and Octane, and the Court should not consider superseding Congress on the issue.

Repeatedly, this Court declines invitations by parties such as Octane to rewrite congressional statutes. See *Lewis v. City of Chicago, Ill.*, 560 U.S. 205, 130 S.Ct. 2191, 2200, 176 L. Ed. 2d 967 (2010) (“It is not for us to rewrite the statute so that it covers only what we think is necessary to achieve what we think Congress really intended.”); *Lamie v. U.S. Tr.*, 540 U.S. 526, 538, 124 S.Ct. 1023, 1032, 157 L. Ed. 2d 1024 (2004); *United States v. Locke*, 471 U.S. 84, 95, 105 S.Ct. 1785, 1793, 85 L. Ed. 2d 64 (1985); *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 625, 98 S.Ct. 2010, 56 L. Ed. 2d 581 (1978) (“There is a basic difference between filling a gap left by Congress’ silence and rewriting rules that Congress has affirmatively and specifically enacted.”). Thus, if statutes need revision, it is up to Congress to revise them. And, currently, Congress is considering revision of the statutes providing for attorney fee awards in patent cases such that the Court should not grant the petition and supplant Congress’ efforts.

On August 1, 2012, H.R. 6245 was introduced before Congress. H.R. 6245, 112th Cong. (2d Sess. 2012) (“SHIELD Act I”). SHIELD Act I proposed augmenting 35 U.S.C. § 285 to include recovery of

attorney fees and costs in the absence of an exceptional case. Specifically, SHIELD Act I proposed adding section 285A after section 285 as follows:

Notwithstanding section 285, in an action disputing the validity or alleging the infringement of a computer hardware or software patent, upon making a determination that the party alleging the infringement of the patent did not have a reasonable likelihood of succeeding, the court may award the recovery of full costs to the prevailing party, including reasonable attorney's fees. . . .

However, the SHIELD Act I was not voted into law by Congress.

Subsequently, SHIELD Act I was extensively rewritten and introduced to Congress on February 27, 2013 as H.R. 845. H.R. 845, 113th Cong. (1st Sess. 2012) ("SHIELD Act II"). SHIELD Act II proposes recovery of attorney fees by prevailing defendants when a patent infringement case is brought by a plaintiff other than the inventor, the original assignee, an entity invested in the patent other than for litigation, or a university or technology transfer office. *Id.* at 4. SHIELD Act II is currently being considered by congressional committee and has yet to be passed into law by Congress.

Notably, SHIELD Act II removed the contemplated provision of SHIELD Act I that would have allowed for an award of attorney fees in the absence of a "reasonable likelihood of success" by the plaintiff.

Thus, if Octane’s petition were granted, the policy that Octane would ask this Court to consider – namely, the award of attorney fees in cases by patent holders with an “objectively low likelihood of success” – has already been under consideration but not passed into law by Congress. Rather than asking courts to weigh the merits of a case before awarding fees, Congress is now considering fee awards in cases brought by plaintiffs that had no hand in inventing asserted patented technology (e.g., “patent trolls”). *See id.*

SHIELD Act II makes clear that Congress is not considering expansion of attorney fee awards to cover patent cases between competitors such as ICON and Octane. ICON is the original assignee of the ’710 patent, which was invented by ICON employees. (CA App. A87.) ICON has every right to exclude others from making, using, selling, or importing products that infringe the ’710 patent. And, if it were enacted, SHIELD Act II still would not provide an award of attorney fees to Octane. *See* SHIELD Act II, pp. 2, 4, at § 285A(a)(4), (d)(1) (excluding fee award to a prevailing defendant if the plaintiff is the inventor or original assignee).<sup>5</sup>

Therefore, this Court should not grant Octane’s petition, which would result in the Court considering public policy, improper judicial expansion of statute,

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<sup>5</sup> SHIELD Act II would also not apply retroactively. SHIELD Act II at 5.

and the award of attorney fees in a case not in line with current congressional intent.

**III. The decision below that this is not an exceptional case is a fact-bound application of law that was correctly decided.**

This Court should deny Octane’s petition because both courts below rejected Octane’s version of the facts in determining that this case is not exceptional. Consideration of Octane’s question would require a factually intensive review of Octane’s twice-rejected story.

In its petition, Octane retells its fictitious story that this is an exceptional case. In it, Octane again demonizes ICON as an “industry giant” seeking “to extract royalties” from “a smaller competitor,” based on an “old patent” that is asserted to be “commercially unviable.”

In addition to being misleading, most of Octane’s assertions have no relevancy in fact or law to patent infringement or to the determination of an exceptional case. For example, the relative size of the parties is irrelevant to patent infringement because a duly granted patent is a grant of the right to exclude all infringers, not just those of comparable size. *See Brooks Furniture*, 393 F.3d at 1384 (citing *United States v. United States Steel Corp.*, 251 U.S. 417, 451, 40 S.Ct. 293, 64 L. Ed. 343 (1920) (“the law does not make mere size an offense”)). Moreover, whether or not ICON manufactured a product covered by the

'710 patent is irrelevant because patents are not the right to manufacture or use an invention but rather the right to exclude others from doing so. *See Brooks Furniture*, 393 F.3d at 1384 (“Patent rights are useful only if they can legally exclude others from the patented subject matter.”).

Octane again attempts to present this case as exceptional based on its own position against the merits of ICON’s case. It asserts that ICON was “manifestly unreasonable” in assessing and continuing to assert infringement. But the district court found that ICON’s case was not “unreasonable” or “objectively baseless,” and the Federal Circuit affirmed those findings after review of the record. (CA App. A52-54.)

In a possible attempt to distance its arguments from the findings of the district court, Octane repeatedly calls ICON’s case “spurious” instead of “baseless.” A thesaurus may change the words used by Octane, but the facts and findings that ICON’s case was not unreasonable, objectively baseless, or exceptional – i.e., not spurious – will not change. *See generally* Black’s Law Dictionary 1402 (6th ed. 1990) (“Spurious. False, counterfeit, not genuine.”).

Lastly, Octane again displays emails in its petition that are supposed evidence of ICON’s bad faith. When Octane’s selective presentation of evidence has been reviewed in light of all the relevant facts and circumstances, it has been found and affirmed to be nothing more than supposition. (*See* App. to Pet. Cert



17a, 25a-28a.) For example, with respect to the emails, the district court specifically found that, even when viewed “*in the light most favorable to Octane*, these remarks are stray comments by employees with no demonstrated connection to the lawsuit” and that the statements “do not reflect advice to Icon by its counsel or experts, nor are they evidence of Icon’s official position on the merits of the lawsuit.” (App. to Pet. Cert 27a (emphasis added).)

Even if the comments in the emails could be imputed to ICON, none of the emails discloses any state of mind with respect to ICON’s substantive position. In order for there to be “bad faith,” the “plaintiff must actually know” that its case has “no objective foundation.” *iLOR*, 631 F.3d at 1377. There is nothing improper about “throwing a lawsuit” on top of a competitive product offering (or filing suit without introducing a competing product, for that matter), or “looking for royalties” from an “old patent . . . that was sitting on the shelf” when there is a reasonable basis for believing that the patent is infringed. *Brooks Furniture*, 393 F.3d at 1384 (“[E]nforcement of patent rights that are reasonably believed to be infringed does not entail special penalty when the patentee is unsuccessful.”); *id.* (“Infringement is often difficult to determine, and a patentee’s ultimately incorrect view of how a court will find does not of itself establish bad faith.”). The court concluded that ICON had a reasonable basis for asserting its patent, and Octane has no evidence that ICON believed otherwise.

Octane presents no substantial reason why the lower court’s conclusions with respect to the merits of

ICON's case were incorrect or why the district court's findings regarding ICON's intent in bringing suit were "clearly erroneous." *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, 711 F.3d 1341, 1346 (Fed. Cir. 2013) ("On appellate review of an attorney fee ruling this court determines de novo whether the litigation was objectively baseless, [citation omitted], and the district court's findings regarding subjective bad faith are reviewed for clear error. [citation omitted]."). Indeed, the Federal Circuit has conducted a de novo review and determined that no fee award should be made. *Id.* (App. to Pet. Cert 17a.) The Court should not undertake a review of this case when there is no significant reason to doubt the accuracy of the lower courts' determinations.

**IV. The petition should be denied because it asks the Court to decide an issue that was not considered or reviewed by either lower court.**

The Court should deny Octane's petition because it seeks review of an issue and argument that Octane failed to present to the lower courts. As such Octane's petition does not ask this Court to "review" anything but rather to consider expansion of attorney fee awards in patent cases based on a standard presented here by Octane for the first time.

At the district court, Octane vehemently argued that ICON's case was baseless and brought in bad faith, but the district court did not find Octane's arguments persuasive. Importantly, Octane did not argue

that the standards promulgated for the determination of exceptional cases was too stringent or that they were in need of judicial revision. (CA App. A2619-41.) Accordingly the district court made no determination related to the stringency or propriety of the standards for exceptional cases. (App. to Pet. Cert 19a-28a.)

At the Federal Circuit, Octane again fervently argued that ICON's case was baseless and brought in bad faith, but, after review, the Federal Circuit affirmed the district court's findings that ICON's case was not baseless or brought in bad faith. (App. to Pet. Cert 17a.)

Octane also argued – for the first time at the Federal Circuit – that the pool of exceptional cases should be enlarged to include those cases that may be objectively baseless but that were nevertheless brought in good faith. The Federal Circuit declined Octane's invitation to expand the pool of exceptional cases to allow additional attorney fee awards in patent cases. (App. to Pet. Cert 17a).

Octane did not present either court below with its argument that exceptional cases should include those that have an “objectively low likelihood of success on the merits.” (CA App. A2619-41.) Therefore, neither the district court nor the Federal Circuit have considered the standard that Octane would present to this Court should its petition be granted.

Because the argument appears for the first time in this Court, without the benefit of adversarial presentation or decision, it would be inappropriate for

the Court to “review” it. *See United States v. United Foods, Inc.*, 533 U.S. 405, 416-17 (2001) (“The Government’s failure to raise its argument in the Court of Appeals deprived respondent of the ability to address significant matters that might have been difficult points for the Government.”).

Because Octane failed to present and preserve its current issue and arguments in the lower courts, ICON has not had the opportunity to show the reasons why Octane’s argument is at odds with policy and well-established law. Rather, here, ICON only presents argument why this Court should not hear the issue without the benefit of prior adversarial proceedings and decisions along with the other reasons for denying a writ of certiorari.

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## CONCLUSION

The petition should be denied.

Respectfully submitted,

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