Dragon Intellectual Property LLC v. Dish Network LLC, 2022-1621, 2022-1777 (Fed. Cir. 5/20/2024)

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This is a decision on appeals from the D. Del. district court case 1:13-cv-02066-RGA. The district court concluded that, the case was exceptional, Dragon was liable for Dish's attorneys fees, but not for Dish's attorneys fees incurred in the parallel IPR proceedings, and Dragons' attorneys were not liable for Dish's attorneys fees. Both parties appealed. The Federal Circuit affirmed.

Background law

35 USC 285 states "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." In *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 572 U.S. 545, 554 (4/29/2014), the Court held that the burden of proof for showing entitlement to fees was the preponderance of the evidence, and that an "'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." In *Raniere v. Microsoft Corporation*, 2017-1400, 2017-1401 (Fed. Cir. 4/18/2018), the Federal Circuit held that a prevailing party was one that obtained a judicial decision that effects or rebuffs an attempt to "material alteration in the legal relationship between the parties." In *O.F. Mossberg & Sons, Inc. v. Timney Triggers, LLC*, 2019-1134 (Fed. Cir. 4/13/2020), the Federal Circuit clarified that such as judicial decision must be final decision.

Legal Issue: 35 USC 285, whether 285 extends attorneys' fees awards to attorneys fees incurred in parallel IPR proceedings

The first question the Federal Circuit addressed, here, was whether a defendant in the patent infringement civil action in the district court that filed IPR petitions in the PTO to challenge the patents asserted in the civil action, could recover its fees incurred for prosecuting the IPR proceedings. The Federal Circuit held that it could not.

The Federal Circuit held that 35 USC 285 does not extend to attorneys' fees incurred for IPR proceedings resulting from IPR petitions filed by the patent infringement defendant, because the patent infringement defendant "voluntarily pursued parallel proceedings in front of the Board instead of arguing invalidity before the district court."

> 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. *** For these reasons, we reject Appellants'

argument that § 285 allows recovery of fees incurred in the voluntarily undertaken parallel IPR proceedings. [Dragon Intellectual Property LLC v. Dish Network LLC, 2022-1621, 2022-1777 (Fed. Cir. 5/20/2024).]

Legal Issue: 35 USC 285, whether 285 extends liability for attorneys' fees awards from a party to that party's counsel

The second question the Federal Circuit addressed, here, was whether 35 USC 285 authorized extending liability for an attorneys' fees award from a party, to that party's counsel. The Federal Circuit held that it generally did not.

The Federal Circuit held that 35 USC 285 liability does not extend to counsel of a party, at least in the situation where exceptionality was based on the party's substantive litigation position and not on the manner in which counsel litigated.

> 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. 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. [Dragon Intellectual Property LLC v. Dish Network LLC, 2022-1621, 2022-1777 (Fed. Cir. 5/20/2024).]

> 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-in-part

of fees. [Dragon Intellectual Property LLC v. Dish Network LLC, 2022-1621, 2022-1777 (Fed. Cir. 5/20/2024).]

The Federal Circuit summarized its holding as follows:

> We next address Appellants' appeal of the denial-in- part 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. [Dragon Intellectual Property LLC v. Dish Network LLC, 2022-1621, 2022-1777 (Fed. Cir. 5/20/2024).]