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IP Newsflash



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FEDERAL CIRCUIT CASES

Federal Circuit Upholds Award of Sanctions for a “Frivolous” Patent Lawsuit

On June 5, 2014, the Federal Circuit affirmed the Southern District of New York’s decision to sanction Appellant and its attorneys for bringing a frivolous patent infringement lawsuit. Appellant was sanctioned for making frivolous legal claims in its submissions to the court and for failing to conduct an adequate investigation before filing its complaint. Specifically, the district court found that Appellant offered a proposed construction for an important claim limitation that was unreasonable. The proposed construction was contradicted by the patent’s specification and did not follow “standard canons of claim construction,” as it attempted to add words to otherwise unambiguous claim language.

The Federal Circuit concluded that the district court did not abuse its discretion in imposing Rule 11 sanctions because Appellant—in asserting frivolous claim construction arguments that ignored the canons of claim construction—did not meet its obligation to perform an objective pre-suit evaluation of the claim terms. The Federal Circuit also affirmed the district court’s finding that there was no reasonable basis for alleging Appellee infringed. Appellant failed to offer any evidence to demonstrate why it believed, before filing the lawsuit, that it had a chance of proving infringement.

Because of Appellant’s untenable claim construction arguments and failure to demonstrate that a pre-suit analysis regarding infringement was performed, the Federal Circuit affirmed the district court’s order of Rule 11 sanctions.

Source Vagabond Sys. Ltd. v. Hydrapak, Inc., Case No. 2013-1270, 1387 (Fed. Cir. June 5, 2014) [Wallach (opinion), Moore, and Reyna]

- Author: [Ashley Brown](#)

DISTRICT COURT CASES

Attorneys’ Fees Awarded In View Of Litigation Strategy to Extract “Nuisance Settlement”

On May 30, 2014, a New York court granted the defendant’s motion for attorneys’ fees under 35 U.S.C. § 285 because the suit was a “prototypical exceptional case,” and the award of attorneys’ fees and costs would deter similarly unreasonable patent suits. Citing the Supreme Court’s recent decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, U.S. District Judge Denise Cote found that the plaintiff’s motivation for filing the complaint was to extract a nuisance settlement from the defendant based on the theory that the defendant would rather pay a license fee than bear the costs of threatened expensive litigation. The defendant maintained that the allegation was frivolous and refused to pay the \$85,000 licensing fee (later reduced to a “one-day only offer” of \$55,000) that the plaintiff demanded. In addition, the complaint alleged the patent-in-suit was infringed based on the defendant’s purported use of bilateral preference matching, but it was undisputed the accused feature on the defendant’s website did not employ such matching. Accordingly, “no reasonable litigant could have expected success on the merits in the suit.” Judge Cote therefore found that “the boilerplate nature of Lumen’s complaint, the absence of any reasonable pre-suit investigation, and the number of substantially similar lawsuits filed within a short time frame suggests that Lumen’s instigation of baseless litigation is not isolated to this instance, but is instead part of a predatory strategy aimed at reaping financial advantage from the inability or unwillingness of defendants to engage in litigation against even frivolous patent lawsuits.” The judge will issue a schedule for additional briefing from the parties to determine the amount of attorneys’ fees and expenses.

Lumen View Technology LLC v. Findthebest.com, Inc., 1-13-cv-03599 (S.D.N.Y. May 30, 2014) (Cote, J.)

- Author: [David Vondle](#)

PATENT TRIAL AND APPEAL BOARD

Patent Trial and Appeal Board Reconsiders its Decision to Permit Live Testimony in an *Inter Partes* Review Proceeding

The Patent Trial and Appeal Board has granted in part the petitioner’s request for rehearing of an earlier decision permitting live inventor testimony at the final hearing in an IPR proceeding. The Board had recently granted the patent owner’s motion to present live testimony at the hearing, limiting each side to 30 minutes of testimony. The Board had found that the inventor’s testimony was key and could be case-dispositive. The petitioner requested rehearing of the Board’s decision, contending that it had no further questions for the inventor and should not be

ordered to further cross-examine him. Granting the petitioner's request for rehearing, the Board responded that it had not ordered the petitioner to cross-examine the inventor, but had merely given the petitioner an opportunity to question the inventor first. The Board now ordered the patent owner to examine the inventor first, following which the petitioner would have an opportunity to cross-examine him, if it chose to do so. The Board noted that it had authorized live testimony of the inventor because it was interested in observing "his demeanor in a live setting." The petitioner also argued that such testimony was unnecessary given the availability of a video recording of the inventor's deposition. The Board disagreed. "The Board was aware of the video record when it concluded that this case presents special circumstances warranting the presentation of live testimony," the Board wrote. The Board, however, allowed the petitioner to submit and rely on portions of the video of the deposition in lieu of or in addition to the live cross-examination of the inventor at the hearing. The Board gave the petitioner five days after the final hearing to submit the video. The use of video-recorded testimony is allowed under 37 C.F.R. § 42.53(a) only where authorized by the Board, and the Board has required that such use be requested before the party's deadline to submit evidence.

K-40 Electronics, LLC v. Escort, Inc., IPR2013-00203 (PTAB May 30, 2014) [Giannetti (opinion); Perry; Ward]

-Author: [Ifti Ahmed](#)

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