



09.4.15

DISTRICT COURT CASES

Minnesota Court Awards Octane Fitness \$1.7 Million in Attorney Fees and Costs

In the seminal case establishing a lower standard for attorney fees in “exceptional” patent cases—*Octane Fitness LLC v. Icon Health & Fitness Inc.*—the district court awarded Octane nearly \$1.7 million in attorney fees and costs. On remand from the Federal Circuit, Octane moved to recover nearly \$2.8 million in fees and costs in the protracted litigation that eventually led the Supreme Court’s opinion lowering the bar for prevailing parties to recover attorney fees in patent litigations that “stand out” for weak litigation positions or unreasonable litigation conduct.

At Icon’s urging, the district court subtracted costs for fees relating to a patent that Octane dropped, expert witness fees over a certain limit, and undocumented computerized legal research costs. But the court rejected Icon’s argument that Octane had “overstaffed this case with partner-level attorneys that were performing tasks [such as document review that are] typically performed by lower billing-rate associates.” Finding that the partners had charged rates commensurate with associate billing rates, the district court concluded that the “case was . . . aggressively litigated by Icon, and Octane properly employed skilled and experienced attorneys to defend itself against Icon’s claims.”

The court also subtracted costs for the appellate and remand proceedings relating to the Section 285 issue, finding that those proceedings were not “exceptional” because “Icon relied on longstanding precedent to argue the case was not exception under the Brooks Furniture standard” and “the Supreme Court broke new ground on the subject by rejecting Brooks Furniture and announcing a new and more flexible standard for determining whether a case is exceptional under [Section] 285.” The court, however, did award fees for Icon’s appeal of the district court’s claim construction order and summary judgment ruling, finding those issues to be “independently exceptional.” Specifically, the court found that “Icon repeated the same exceptionally weak infringement arguments [on appeal] that had been squarely rejected by [the district] court.”

In sum, the district court awarded Octane \$1.6 million in fees and \$144,697 in costs.

Icon Health & Fitness Inc. v. Octane Fitness LLC, No. 09-319 (D. Minn. Sept. 1, 2015).

- Author: [Emily Johnson](#)

Florida Court Allowed Defendant to Amend its Answer to Include Counterclaims Based on the Patent Troll Prevention Act

Judge Marra in the Southern District of Florida granted defendant Demandware, Inc.’s motion for leave to amend its answer to allege a counterclaim under the recently-enacted Florida Statute § 501.993, entitled “Patent Troll Prevention Act.” This Statute took effect on July 1, 2015, and prohibits a party from making a bad faith assertion of patent infringement.

Section 501.993 states that a court may consider a number of factors as evidence of bad faith:

- (a) The demand letter does not contain the following information:
 1. The patent number;
 2. The name and address of the patent owner and assignee, if any; and
 3. Factual allegations concerning the specific areas in which the target’s products, services, or technology infringe or are covered by the claims in the patent.

(b) Before sending the demand letter, the person failed to conduct an analysis comparing the claims in the patent to the target's products, services, or technology, or the analysis did not identify specific areas in which the target's products, services, and technology were covered by the claims of the patent.

(c) The demand letter lacked the information listed under paragraph (a), the target requested the information, and the person failed to provide the information within a reasonable period.

(d) The demand letter requested payment of a license fee or response within an unreasonable period.

(e) The person offered to license the patent for an amount that is not based on a reasonable estimate of the value of the license.

(f) The claim or assertion of patent infringement is unenforceable, and the person knew, or should have known, that the claim or assertion was unenforceable.

(g) The claim or assertion of patent infringement is deceptive.

(h) The person, including its subsidiaries or affiliates, has previously filed or threatened to file one or more lawsuits based on the same or a similar claim of patent infringement and:

1. The threats or lawsuits lacked the information listed under paragraph (a); or
2. The person sued to enforce the claim of patent infringement and a court found the claim to be meritless.

(i) Any other factor the court finds relevant.

The Statute also provides that a court may consider the following factors as evidence that a person has not made a bad faith assertion of patent infringement:

(a) The demand letter contained the information listed under paragraph (1)(a).

(b) The demand letter did not contain the information listed under paragraph (1)(a), the target requested the information, and the person provided the information within a reasonable period.

(c) The person engaged in a good faith effort to establish that the target has infringed the patent and negotiated an appropriate remedy.

(d) The person made a substantial investment in the use of the patented invention or discovery or in a product or sale of a product or item covered by the patent.

(e) The person is the inventor or joint inventor of the patented invention or discovery, or in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventors, is the original assignee.

(f) The person has:

1. Demonstrated good faith business practices in previous efforts to enforce the patent, or a substantially similar patent; or
2. Successfully enforced the patent, or a substantially similar patent, through litigation.

(g) Any other factor that the Court finds relevant.

Given that the defendant moved to amend within weeks of the Statute's enactment and that the plaintiff could not find any legal basis to preclude applying the Statute retroactively, the court allowed the defendant leave to amend.

Arrival Star, SA and Melvino Technologies Ltd. v. Demandware, Inc., No. 15-cv-80098, in the Southern District of Florida (Aug. 26, 2015).

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PATENT TRIAL AND APPEAL BOARD

PTAB Invalidates Method Claims of Two Patents Covering Secure Credit Card Transactions Based on 102(e) Prior Art Presented During *Inter Partes* Review

On August 31, 2015, the Patent Trial and Appeal Board (PTAB) issued a final written decision invalidating all challenged claims in two patents owned by John D'Agostino. The invalidated claims covered methods for performing a secure credit card transaction. The PTAB found all claims either anticipated by U.S. Patent No.

6,422,462 (Cohen) or obvious over Cohen and another reference.

The petitioner, Mastercard International, Inc. (Mastercard) had previously petitioned for CBM review of claims from these same patents based on inter alia, the Cohen reference. See, e.g., CBM2013-00057. In its CBM petitions Mastercard contended that Cohen was 102(e) prior art to D'Agostino's claims. The Board declined to institute CBM review, concluding that Cohen had not been published before the D'Agostino patents' earliest effective filing dates. Cohen was, therefore, not prior art under § 18(a)(1)(C) of the AIA. Three weeks later Mastercard filed the IPR petitions that led to the PTAB's August 31 decision. In the IPRs the Board held that, because an IPR petitioner may challenge claims "on the basis of prior art consisting of patents or printed publications," Cohen was prior art in the IPR proceeding pursuant to 35 U.S.C. § 102(e). Thus, the very same reference that could not be used as prior art in a CBM review was available as prior art in an IPR. The PTAB then found that Mastercard had proved that Cohen anticipated, or, along with another reference, had rendered obvious, all claims challenged in the IPRs.

Mastercard Int'l, Inc. v. D'Agostino, IPR2014-00543, IPR2014-00544 (PTAB Aug. 31, 2015); see also *Mastercard Int'l, Inc. v. D'Agostino*, CBM2013-00057 (PTAB Mar. 7, 2014).

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