Fee Shifting Under § 285 Does Not Apply to Conduct Solely Arising in IPR

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Considering for the first time whether fee shifting of § 285 applies to exceptional conduct arising solely from an inter partes review (IPR) proceeding, the US Court of Appeals for the Federal Circuit held that § 285 does not authorize an award of fees based on conduct at the United States Patent and Trademark Office (USPTO) during the course of an IPR proceeding. Amneal Pharma. LLC v. Almirall, LLC, Case No. 2020-1106 (Fed. Cir. June 4, 2020) (Dyk, J.).

Almirall owns certain Orange Book-listed patent rights to medication used to treat acne. Its competitor, Amneal, planned to market a generic version of the acne medication. Before seeking approval to do so, Amneal filed an IPR petition challenging the validity of certain claims of Almirall’s patents. Amneal then filed an Abbreviated New Drug Application (ANDA), identifying Almirall’s patents in the Paragraph IV certification. Almirall subsequently filed a district court action against Amneal for infringement. Shortly after the district court action was filed, the parties entered into settlement negotiations, during which Almirall offered Amneal a covenant-not-to-sue, provided that Almirall drop its pending IPR. The parties were unable to reach agreement at that time, and the IPR culminated in the Patent Trial and Appeal Board (PTAB)’s final written decision, finding the challenged claims not unpatentable. Amneal appealed the PTAB’s final determination. Shortly after the appeal was filed, the parties reached an agreement and jointly moved to dismiss the appeal. Almirall also moved for fees under § 285 for Amneal’s allegedly
unreasonable conduct in maintaining its IPR, even after Amneal offered it a covenant-not-to-sue.

Comparing IPRs to interference proceedings, the Federal Circuit looked to a decision of its predecessor, the Court of Customs and Patent Appeals, which determined that § 285 did not extend to appeals of administrative proceedings at the USPTO, and IPRs were no different. Stopping short of proclaiming a categorical rule that § 285 applies only to conduct in district court proceedings, the Court explained that at most, § 285 speaks to awarding fees that were incurred during, in close relation to, or as a direct result of district court proceedings. In the circumstance here, where the alleged exceptional conduct was solely before the USPTO and an appeal of the USPTO decision—not a district court’s decision—an award under § 285 was not appropriate. In addition, the Court noted that the USPTO has its own procedures for sanctioning exceptional conduct under 37 C.F.R. § 42.12, where the PTAB may award “compensatory expenses, including attorney’s fees,” among other sanctions.

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