Objective Baselessness and Subjective Bad Faith for Exceptional Case Determination Are Still Applicable Even After Octane Fitness

Bianco v. Globus Medical, Inc.

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Interpreting recent Supreme Court of the United States precedent that arguably relaxed the legal test for determining whether a case is “exceptional” to warrant an award of attorneys’ fees, the U.S. District Court for the Eastern District of Texas denied a request for attorneys’ fees, finding that because the patentee failed to meet either of the prongs of the old, more stringent “objectively baseless” and “subjectively brought in bad faith” test, the case did not stand out from others. Bianco v. Globus Medical, Inc., Case No. 2:12-CV-00147-WCB (E.D. Tex., May 12, 2014) (Bryson, J., sitting by designation).

Prior to Octane Fitness, the U.S. Court of Appeals for the Federal Circuit’s legal test for awarding attorneys’ fees in exceptional cases under 35 U.S.C. § 285 required clear and convincing evidence that the case was objectively baseless and brought in subjective bad faith. The Supreme Court rejected both the clear and convincing evidence standard and the two-prong test in Octane Fitness v. Icon Health & Fitness, finding them too restrictive. Rather, the Supreme Court held that an exceptional case is merely one that is distinguishable from others based on the substantive strength of the litigation positions taken or the unreasonableness of the litigation approach.

Plaintiff Bianco sued Globus Medical, alleging, among other things, that Globus
wrongly excluded him as an inventor on a family of patents related to an intervertebral fusion device. The district court rejected this claim, finding that Bianco was not a co-inventor. Globus moved for an award of attorneys’ fees relating solely to Bianco’s litigation of the inventorship issue. The district court denied its motion, applying the Federal Circuit’s then-applicable legal test. Less than two weeks later, the Supreme Court issued its decision in Octane Fitness, and Globus moved for reconsideration under the new “exceptional” case test.

The district court denied Globus’ motion for reconsideration, concluding that Globus waived its right to assert the new, more liberal standard because it had urged the application of the Federal Circuit’s standard, notwithstanding that Octane Fitness was pending at the Supreme Court. While recognizing that a party may not be chargeable with anticipating unexpected changes in the law, the district court stated that the change in Octane Fitness was not unexpected, because the Supreme Court had long since granted certiorari to consider the Federal Circuit’s exceptional case standard.

As an alternative to waiver, the district court reviewed and denied Globus’ motion, even under the new Octane Fitness standard, explaining that the determination of whether a case is exceptional is a case-by-case, discretionary exercise, and that the Supreme Court explicitly stated that even under the new test, a case presenting exceptionally meritless claims or subjective bad faith might warrant a fee award. The district court retraced its previous analysis rejecting attorneys’ fees based on the objectively baseless and subjective bad faith test, and concluded that Bianco’s inventorship claim was not objectively baseless, despite the ultimate finding that he did not satisfy the requirements of a co-inventor. Rather, a reasonable person could believe that Bianco’s position had a realistic chance of success. Indeed, the district court denied Globus’ motion for summary judgment on the inventorship issue, and the jury found that Globus misappropriated Bianco’s trade secrets, both of which support a finding of non-frivolity. The court further found that Bianco did not bring the inventorship claim in subjective bad faith. Subjective bad faith could not be inferred because the claim was not objectively baseless and Globus’ remaining arguments that Bianco was not a co-inventor and attempted to seek inventorship rights in pending patent applications were misplaced.

Beyond that, the district court found that the totality of the circumstances demonstrated that the claim was not exceptional or distinguishable from other claims with respect to the substantive strength of Bianco’s litigation position. Accordingly, the district court denied attorneys’ fees.

**Practice Note:** Practitioners moving for attorneys’ fees may continue to argue objective baselessness and subjective bad faith, as those factors remains relevant to a finding of exceptionalness even under the Supreme Court’s Octane Fitness standard.

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