

No. _____

In The
Supreme Court of the United States

BLACKBIRD TECH LLC,
dba Blackbird Technologies,
Petitioner,

v.

HEALTH IN MOTION LLC,
dba Inspire Fitness,
LEISURE FITNESS EQUIPMENT LLC,
Respondents.

*On Petition for Writ of Certiorari to the United
States Court of Appeals for the Federal Circuit*

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

35 U.S.C. § 285 provides that a 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 (2014), this Court held that an exceptional case is “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.” This Court further held that “district courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* Applying *Octane Fitness*, in this case both the district court and Federal Circuit found this was an exceptional case based in part on the number of previous unrelated litigations filed by Petitioner without any analysis of those previous cases.

The question presented is:

Can a court consider factors unrelated to the instant case in determining whether a particular case is exceptional, *i.e.*, whether those outside factors are relevant to the strength of a party’s litigating position in that particular case, or the manner in which that particular case was litigated?

**PARTIES TO THE PROCEEDINGS AND
RULE 29.6 STATEMENT**

The parties to the proceedings include those listed on the cover.

Blackbird Tech LLC dba Blackbird Technologies is a limited liability company. It does not have a parent corporation and no publicly held corporation owns 10% or more of its stock.

The following is a list of all proceedings in other courts that are directly related to the case:

- *Blackbird Tech LLC d/b/a Blackbird Technologies v. Health In Motion LLC et al.*, No. 2:17-cv-03488-R-GJS, U.S. District Court for the Central District of California. Judgment entered Sept. 10, 2018.
- *Blackbird Tech LLC d/b/a Blackbird Technologies v. Health In Motion LLC et al.*, No. 2018-2393, U.S. Court of Appeals for the Federal Circuit. Judgement entered December 16, 2019.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED FOR REVIEW	i
PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT	ii
TABLE OF CONTENTS.....	iii
TABLE OF AUTHORITIES	v
PETITION FOR A WRIT OF CERTIORARI.....	1
OPINIONS AND ORDERS BELOW	1
STATEMENT OF JURISDICTION.....	1
STATUTORY PROVISION INVOLVED	1
INTRODUCTION	1
STATEMENT.....	3
A. Legal Background	3
B. Proceedings Below	5
REASONS FOR GRANTING THE PETITION.....	8
I. THE FEDERAL CIRCUIT’S FINDINGS ARE UNSUPPORTED BY THIS COURT’S DECISION IN <i>OCTANE FITNESS</i> , INCONSISTENT WITH THE OBJECTIVES OF THE PATENT ACT, AND CONFLICTS WITH ITS OWN PRECEDENT.....	8
A. The Federal Circuit’s Findings Are Unsupported by This Court’s Decision in <i>Octane Fitness</i>	8

B.	The Federal Circuit’s Findings Contradict the Objectives of the Patent Act	12
C.	The Federal Circuit’s Findings Conflict With Its Own Precedent ..	15
II.	IF NOT REVERSED, THE FEDERAL CIRCUIT’S FINDINGS WILL HAVE SERIOUS REPERCUSSIONS FOR PLAINTIFFS	20
III.	THIS CASE IS A GOOD VEHICLE TO REVIEW THE QUESTION PRESENTED	22
	CONCLUSION	23

APPENDIX:

Precedential Opinion and Judgment of The United States Court of Appeals For the Federal Circuit entered December 16, 2019	1a
Order of The United States District Court For the Central District of California Re: Granting Defendants’ Motion for Attorneys’ Fees and Expenses entered September 10, 2018.....	19a

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.</i> , 393 F.3d 1378 (Fed. Cir. 2005)	3, 4
<i>Eon-Net LP v. Flagstar Bancorp</i> , 653 F.3d 1314 (Fed. Cir. 2011)	17
<i>Evans v. Jeff D.</i> , 475 U.S. 717 (1986)	16
<i>Flight Attendants v. Zipes</i> , 491 U.S. 754 (1989)	12
<i>Fogerty v. Fantasy, Inc.</i> , 510 U.S. 517 (1994)	<i>passim</i>
<i>Hardt v. Reliance Standard Life Ins. Co.</i> , 560 U.S. 242 (2010)	3
<i>Kewanee Oil Co. v. Bicron Corp.</i> , 416 U.S. 470 (1974)	13
<i>Kirtsaeng v. John Wiley & Sons, Inc.</i> , 136 S. Ct. 1979 (2016)	10, 11, 12, 22
<i>Lieb v. Topstone Indus., Inc.</i> , 788 F.2d 151 (3d Cir. 1986)	9
<i>Martin v. Franklin Capital Corp.</i> , 546 U.S. 132 (2005)	11
<i>Marx v. Gen. Revenue Corp.</i> , 568 U.S. 371 (2013)	3

<i>Monolithic Power Systems, Inc. v. O2 Micro International, Ltd.</i> , 726 F.3d 1359 (Fed. Cir. 2013)	17
<i>Octane Fitness, LLC v. ICON Health & Fitness, Inc.</i> , 572 U.S. 545 (2014)	<i>passim</i>
<i>Ruckelshaus v. Sierra Club</i> , 463 U.S. 680 (1983)	3
<i>Sebelius v. Cloer</i> , 569 U.S. 369 (2013)	4
<i>SFA Sys., LLC v. Newegg Inc.</i> , 793 F.3d 1344 (Fed. Cir. 2015)	15, 17, 18
<i>Thermolife Int’l LLC v. GNC Corp.</i> , 922 F.3d 1347 (Fed. Cir. 2019)	15, 16, 17, 22

CONSTITUTIONAL PROVISION

U.S. CONST. Art. I, § 8, cl. 8	12
--------------------------------------	----

STATUTES

17 U.S.C. § 505.....	9, 11
28 U.S.C. § 1254(1)	1
35 U.S.C. § 271.....	22
35 U.S.C. § 285.....	<i>passim</i>
35 U.S.C. § 299.....	14

RULE

Sup. Ct. R. 29.6.....	i
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OTHER AUTHORITIES

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Year in Review 2017*, *Lex Machina*, 2018 19

PETITION FOR A WRIT OF CERTIORARI

Petitioner Blackbird Tech LLC dba Blackbird Technologies respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS AND ORDERS BELOW

The panel order affirming the district court's judgment (App. 1a-18a) is reported at 944 F.3d 910 (Fed. Cir. 2019). The opinion and order of the district court (App. 19a-23a) is unreported but available at 2018 WL 10247635 (C.D. Cal. 2018).

STATEMENT OF JURISDICTION

The court of appeals entered judgment on December 16, 2019. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

Section 285 of Chapter 35 of the United States Code provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

INTRODUCTION

This case presents a fundamental question of whether courts can consider facts unrelated to the case at issue in determining whether that case is exceptional under 35 U.S.C. § 285. In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014), this Court held that an exceptional case is "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.” This Court further held that “district courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* Although this Court declined to set forth any rigid rule identifying factors relevant to the totality of the circumstances, its holding makes clear those factors are not limitless. As set forth in *Octane Fitness*, the relevant facts should be limited to those that aid in the determination of (1) the strength of a party’s litigating position in the case, or (2) the unreasonable manner in which the case was litigated. These are unquestionably determinations that are case specific, and accordingly, should rely only on those facts relevant to that case.

Both the Federal Circuit and district court erroneously broadened the scope of 35 U.S.C. § 285 and this Court’s holding in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014) by considering facts unrelated to the case at issue, including facts regarding the general number of lawsuits filed by Petitioner. By doing so, the Federal Circuit has put the Petitioner at issue in what should otherwise be an isolated determination of whether a particular case is exceptional. The Federal Circuit and district court’s reliance on these extraneous facts is particularly troubling since neither court ever evaluated any of those prior cases filed by Petitioner and simply relied on the arbitrary number of cases that were filed. The Federal Circuit, therefore, has sanctioned a dangerous expansion of § 285. But given this Court’s guidance that exceptional cases are a “case-by-case exercise” that involve facts closely tied to the actual case, the Federal Circuit erred in relying

on the number of lawsuits filed by Petitioner (without any analysis of those cases) in determining this case was exceptional.

This Court should grant review, correct the Federal Circuit's error, and remand for further proceedings consistent with the Court's ruling.

STATEMENT

A. Legal Background

Under the “bedrock principle known as the ‘American Rule,’ [e]ach litigant pays his own attorney’s fees, win or lose, unless a statute or contract provides otherwise.” *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 253 (2010) (quoting *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 683, 103 S.Ct. 3274, 77 L.Ed.2d 938 (1983)). “Notwithstanding the American Rule, however, we have long recognized that federal courts have inherent power to award attorney’s fees in a narrow set of circumstances, including when a party brings an action in bad faith.” *Marx v. Gen. Revenue Corp.*, 568 U.S. 371, 382 (2013).

The Patent Act’s fee-shifting provision authorizes district courts to award attorney’s fees to prevailing parties only in “exceptional cases.” 35 U.S.C. § 285. Section 285 states that a district court “may award reasonable attorney fees to the prevailing party.” It thus authorizes fee-shifting if a particular case is exceptional, but without specifying standards that courts should adopt, or guideposts they should use, in determining when such awards are appropriate. In *Octane Fitness*, this Court examined the Federal Circuit’s decision in *Brooks Furniture*

Mfg., Inc. v. Dutailier Int'l, Inc., 393 F.3d 1378, 1381 (2005) in which the Federal Circuit defined an “exceptional case” as one which either involves “material inappropriate conduct” or is both “objectively baseless” and “brought in subjective bad faith.”

The Court began its analysis by finding that the Patent Act does not define “exceptional,” so it construed it “in accordance with [its] ordinary meaning.” *Octane Fitness*, 572 U.S. at 553 (quoting *Sebelius v. Cloer*, 569 U.S. 369, 376 (2013)). Based on the plain and ordinary meaning of exceptional, this Court rejected the Federal Circuit’s test in *Brooks Furniture* and held 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.” *Id.* at 554. The Court further held that “[d]istrict courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances” and that “[t]here is no precise rule or formula for making these determinations,’ but instead equitable discretion should be exercised ‘in light of the considerations we have identified.” *Id.* (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)).

Further relying on *Fogerty*, the Court explained “district courts could consider a ‘nonexclusive’ list of ‘factors,’ including ‘frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 554, n. 6

(quoting *Fogerty*, 510 U.S. at 534, n. 19 (internal quotation marks omitted)). Notably, in reaching these conclusions, this Court never indicated that the scope of § 285 was untethered to the instant case.

B. Proceedings Below

This petition arises from a patent infringement case wherein Petitioner Blackbird Tech LLC dba Blackbird Technologies, the patent owner, accused Respondents Health in Motion LLC (“HIM”) and Leisure Fitness Equipment LLC (HIM’s distributor) of infringing U.S. Pat. No. 6,705,976 (the “976 Patent”) by manufacturing and selling the “M1 Multi-Gym,” an at-home fitness trainer. Petitioner originally filed the underlying suits in October 2016 in the District of Delaware. The cases were transferred to the Central District of California in May of 2017.

During the course of the district court litigation, Petitioner repeatedly attempted to ascertain Respondents’ financial information so that it could perform a valuation of the case and formulate an appropriate demand for possible resolution. After almost 14 months of waiting, Respondents provided the requested sales information. At that same time, Respondents made their first disclosure of any non-infringement positions. Based on those sales figures, Petitioner offered to settle the case for \$80,000, which was approximately a 4% royalty on Respondents’ sales and projected revenue for future sales of the accused product over the life of the patent-in-suit. The royalty rate was based upon previous licenses. Respondents rejected that offer and instead demanded that Petitioner pay their attorneys’ fees based on the alleged strength of their non-

infringement case. Respondents' financial disclosures made it clear to Petitioner that its total potential recovery would be in the mid five figures. Knowing that upcoming litigation costs would quickly dwarf that figure, Petitioner aggressively sought to resolve the litigation and cut off further costs for both parties. Respondents rejected all offers and refused to discuss any terms that did not include Petitioner paying its legal fees.

With no remaining way to avoid pre-trial costs, Petitioner was left with two choices: (1) prepare for and conduct a trial that could, at best, recoup far less than the marginal cost of a trial, or (2) dismiss the case. On May 28, 2018, Petitioner chose the latter and filed a dismissal and covenant not to sue defendants. The district court dismissed this case on June 15, 2018, but retained jurisdiction to consider Respondents' motion for fees. On June 28, 2018, Respondents submitted their motion seeking attorneys' fees. Prior to Petitioner dismissing the case, the district court issued no substantive rulings either on the merits or for discovery matters, including no claim construction order or summary judgment rulings.

On September 10, 2018, the district court granted Defendants their requested attorneys' fees in full. Despite the lengthy factual history presented to the district court, in a three-page opinion with virtually no substantive analysis or meaningful evaluation of the full record, the district court found for the Respondents on every issue. Regarding the strength of Petitioner's litigation position, the district court held only that Petitioner's claim construction and infringement contentions were flawed, but provided

no other reasoning or analysis. (App. 20a). Regarding Petitioner’s litigation conduct, the district court found that Petitioner’s settlement demands and inadvertent failure to produce a handful of documents constituted exceptional conduct. (App. 21a). And, although Petitioner dismissed the case and filed a covenant not to sue to avoid litigating a case with minimal value, the district court also found these actions supported an exceptional case finding. (App. 21a).

In addition to the *Octane Fitness* factors, the district court found the fee award was “warranted here to deter future abusive litigation.” (App. 21a). However, the only basis for such deterrence was the district court’s statement that “[s]ince 2014, Plaintiff has filed over one hundred patent infringement lawsuits, and none have been decided, on the merits, in favor of Plaintiff.” (App. 21a). The district court provided no analysis of any of those previous unrelated lawsuits but nevertheless relied on those lawsuits as a basis for finding the case exceptional.

Petitioner appealed, and on December 16, 2019, the Federal Circuit affirmed the district court’s findings. *Blackbird Tech LLC v. Health In Motion LLC*, 944 F.3d 910, 914-917 (Fed. Cir. 2019). In further finding that the district court “did not abuse its discretion by considering the need to deter future abusive litigation,” the Federal Circuit directly quoted the district court’s basis for reaching that conclusion – *i.e.*, that “Blackbird has filed over one hundred patent infringement lawsuits, and none have been decided on the merits, in favor of [Blackbird].” (App. 13a) (quoting App. 21a (district court opinion)). In a footnote, the Federal Circuit explained further that:

As of August 2018, Blackbird had filed “over 110” lawsuits since its inception in 2014. Blackbird admits that the vast majority of these lawsuits were settled before a determination on the merits could be made, and acknowledges that not a single of its lawsuits “ha[s] reached a full, final decision on the merits.”

(App. 14a, n. 8 (citations omitted)).

As is more fully explained below, the Federal Circuit erred in considering Petitioner’s previous cases in affirming the district court’s finding that this case was exceptional.

REASONS FOR GRANTING THE PETITION

I. THE FEDERAL CIRCUIT’S FINDINGS ARE UNSUPPORTED BY THIS COURT’S DECISION IN *OCTANE FITNESS*, INCONSISTENT WITH THE OBJECTIVES OF THE PATENT ACT, AND CONFLICTS WITH ITS OWN PRECEDENT

A. The Federal Circuit’s Findings Are Unsupported by This Court’s Decision in *Octane Fitness*

The sole reason the Federal Circuit justified fees as a deterrence was the arbitrary number of cases previously filed by Petitioner. (App. 14a, & 14a, n. 8). But neither the district court nor the Federal Circuit ever analyzed any of those cases to determine (1) if they were related to the present case, or (2) whether those cases involved any wrongdoing by Petitioner. Instead, they simply concluded, without more, that these unrelated, unanalyzed cases somehow warrant the need for deterrence. Such a broad application of

§ 285—applying facts unrelated to the present case—has no support in this Court’s precedent.

In finding that fees were justified as a deterrent in this case (based on Petitioner’s previously unrelated and unexamined cases), the district court cited to this Court’s decision in *Octane Fitness*. (App. 21a). Although not directly cited in the opinion, the district court likely relied on a footnote from *Octane Fitness* as support for its deterrence finding. In particular, in *Octane Fitness* this Court noted “district courts could consider a ‘nonexclusive’ list of ‘factors,’ including ‘frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 554, n. 6 (quoting *Fogerty*, 510 U.S. at 534, n. 19 (internal quotation marks omitted)).

The Court in *Octane Fitness* did not provide any additional guidance as to what is appropriate to consider in evaluating the need for deterrence, nor did it condone what the Federal Circuit did here.¹ There is no support, in *Octane Fitness* or elsewhere, for the proposition that the number of previous unrelated lawsuits filed by a plaintiff can (or should) have any bearing on whether deterrence is warranted. *Octane*

¹ The Court’s footnote in *Octane Fitness* quoted directly from the decision in *Fogerty*, which was a copyright case evaluating fee-shifting under 17 U.S.C. § 505. *Fogerty*, 510 U.S. at 519. *Fogerty* also did not expand on the deterrence factor, as the same language was quoted from a Third Circuit copyright decision, *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986). In that regard, this Court has never explained what facts should be considered in determining whether deterrence is an appropriate justification for fee-shifting.

Fitness does not support such expansion of the statute, nor should it. In defining “exceptional case,” the Court in *Octane Fitness* focused solely on considerations that are *directly related to the facts of the case at issue*—“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.” 572 U.S. at 554. There can be no legitimate dispute that this Court’s definition was narrowly tailored to circumstances relevant to the instant case (“considering . . . *the facts of the case*” and “manner in which *the case was litigated*”). It naturally follows that the other factors identified by this Court (frivolousness, motivation, objective unreasonableness, compensation, and deterrence) would likewise be rooted in the facts of the instant case—not facts from other unrelated cases. Thus, the Federal Circuit and district court erred in reaching beyond the facts of this case to find deterrence was required, which finds no support in *Octane Fitness*, either expressly or implicitly.

The Federal Circuit’s ruling also runs afoul of this Court’s established principle that, with regard to fee-shifting, “a court may not treat prevailing plaintiffs and prevailing defendants any differently.” *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1985 (2016) (citing *Fogerty*, 510 U.S. at 527). Although *Kirtsaeng* and *Fogerty* involved the issue of defendants being held to a more stringent fee-shifting standard than plaintiffs, the Court’s “evenhanded” principle cuts both ways. Allowing the number of cases a plaintiff has filed to influence whether a particular case is exceptional, which is what the

Federal Circuit has done here, swings the pendulum in the opposite direction creating a severe imbalance in favor of defendants. This is why any fee-shifting determination must be limited to facts directly related to the instant case. Rather than maintain the balance, the Federal Circuit opened the door to consideration of any fact regarding a plaintiff, such as the arbitrary number of (unrelated) cases filed by a plaintiff. Doing so has put the plaintiff at issue, rather than the case and, as a result, a different set of considerations is applied to plaintiffs. This is in direct contradiction with this Court's established principles.

Although *Octane Fitness* did not expand on the deterrence factor, in *Kirtsaeng*, another copyright case dealing with the fee-shifting provision in § 505, this Court again quoted the *Fogerty* language but noted that *Fogerty* “left open the possibility of providing further guidance in the future, in response to (and grounded on) lower courts’ evolving experience.” 136 S. Ct. 1979, 1985 (2016) (citing *Fogerty*, 510 U.S. at 534-535); see also *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 140, n.* (2005) (noting that *Fogerty* was not intended to be the end of the matter). Under such guidance, this Court should respond to the Federal Circuit’s (and district court’s) unsupported expansion of the fee-shifting factors, now considering evidence outside the scope of the instant case. For that reason, this Court should reverse and set the boundaries as to what can be considered in determining what comprises an exceptional case, including what is appropriate to justify a need for deterrence.

**B. The Federal Circuit's Findings
Contradict the Objectives of the
Patent Act**

This Court has emphasized that “in a system of laws discretion is rarely without limits.” *Flight Attendants v. Zipes*, 491 U.S. 754, 758 (1989). In the context of fee-shifting, this Court has explained:

Without governing standards or principles, such provisions threaten to condone judicial whim or predilection. At the least, utterly freewheeling inquiries often deprive litigants of the basic principle of justice that like cases should be decided alike . . . as when, for example, one judge thinks the parties' motivation[s] determinative and another believes the need for compensation trumps all else And so too, such unconstrained discretion prevents individuals from predicting how fee decisions will turn out, and thus from making properly informed judgments about whether to litigate. For those reasons, when applying fee-shifting laws with no explicit limit or condition, we have nonetheless found limits in them—and we have done so, just as both parties urge, by looking to the large objectives of the relevant Act

Kirtsaeng, 136 S. Ct. at 1985–86 (internal quotations and citations omitted). Article I, § 8, cl. 8, of the Constitution grants to the Congress the power “(t)o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors

the exclusive Right to their respective Writings and Discoveries” The objectives of the Patent Act were explained in *Kewanee Oil Co. v. Bicron Corp.*:

The stated objective of the Constitution in granting the power to Congress to legislate in the area of intellectual property is to ‘promote the Progress of Science and useful Arts.’ The patent laws promote this progress by offering a right of exclusion for a limited period as an incentive to inventors to risk the often enormous costs in terms of time, research, and development. The productive effort thereby fostered will have a positive effect on society through the introduction of new products and processes of manufacture into the economy, and the emanations by way of increased employment and better lives for our citizens.

416 U.S. 470, 480–81 (1974). Expanding § 285’s application to include consideration of facts unrelated to the instant case would be inconsistent with the objective of the Patent Act – to “promote the Progress of Science and useful Arts.” Sanctioning a plaintiff simply for filing more lawsuits than another would serve a conflicting objective. Instead of promoting science and the arts, it would inhibit such progress by constraining patent holders from enforcing their rights against any and all known offenders out of fear those same enforcement efforts will be used against them.

Under the Federal Circuit’s application, § 285 would impede patent holders’ ability to freely protect

their rights against any number of infringers. This is true not only for enforcement of a single patent across multiple defendants, but also for the situation that occurred here — enforcement of unrelated patents against unrelated defendants. No such restrictions comport with the primary objective of the Patent Act — to promote innovation.

More, the plain language of § 285 does not support the Federal Circuit’s expansion. Section 285 states: “[t]he court in *exceptional cases* may award reasonable attorney fees to the prevailing party.” (emphasis added). The statute is entirely based on whether a particular case is exceptional. This Court’s decision in *Octane Fitness* supports that reading, looking to facts related to the case being evaluated. There is nothing in § 285 to support the Federal Circuit’s expansion, which now considers awarding attorney’s fees based on extraneous actions of a plaintiff. This is entirely inconsistent with the objectives of the statute itself.

The implications of the Federal Circuit’s decision reach beyond § 285, and conflict with other provisions of the Patent Act. The 2013 amendments to § 299 requires the filing of separate suits against defendants concerning the same patent. These amendments, enacted to deter single filings against many defendants, have resulted in many more individual cases being filed by a single plaintiff. But under the Federal Circuit’s ruling, the § 299 requirement can now be used against plaintiffs to find an exceptional case. That is particularly unfair in circumstances such as exist here, where Petitioner’s previous cases (relied on by the Federal Circuit to find an exceptional case) did not involve the same patents,

defendants, or issues. They were completely unrelated. And, neither the Federal Circuit nor the district court analyzed even one of those cases in an attempt to relate them to the instant case. The Federal Circuit's consideration of the number of lawsuits filed by a plaintiff penalizes plaintiffs for following statutory requirements.

The Federal Circuit's findings contradict not only the large objectives of the Patent Act, but also specific provisions, and therefore, its decision should be reversed.

C. The Federal Circuit's Findings Conflict With Its Own Precedent

The *only* basis the Federal Circuit had for deterring Petitioner was that "Blackbird has filed over one hundred patent infringement lawsuits, and none have been decided on the merits, in favor of [Blackbird]." (App. 14a (quoting App. 21a) (district court opinion)); *see also* App. 14a, n. 8. But in *Thermolife Int'l LLC v. GNC Corp.*, the Federal Circuit plainly held that "filing a large number of suits does not, by itself, justify an inference of ... an improper motive." 922 F.3d 1347, 1363 (Fed. Cir. 2019) (citing *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1351 (Fed. Cir. 2015)). It is not clear how the Federal Circuit's decision in this case can be reconciled with its own holding in *Thermolife*, which was decided only six months prior to the decision in this case.

In *Thermolife*, the Federal Circuit evaluated whether the district court abused its discretion in granting defendants' motion for fees under 35 U.S.C. § 285. In concluding fees were appropriate, the

district court found that plaintiffs failed to make an adequate pre-filing investigation. *Id.* at 1358. However, the district court further supported its exceptional case finding by analyzing other cases filed by plaintiffs concerning the same patents (related cases) and finding an alleged pattern of misconduct sufficient to warrant deterrence. *Id.* at 1362. In particular, the district court found that because plaintiffs' many suits settled for small amounts, they must have been filed "solely to extract nuisance-value settlements." *Id.* at 1364 (quotations and citations omitted).

The Federal Circuit disagreed. First, as highlighted above, the Federal Circuit found that the number of cases filed is not a sufficient basis to award fees. *Id.* at 1363. Second, the Federal Circuit found there is no minimum damages amount that is required to file a patent case. *Id.* at 1363-64. And finally, the court found that the "small" settlements in these related cases "may result from what the Supreme Court has recognized as the normal, legitimate settlement calculus" and warned that "[a] court must therefore be cautious in inferring bad faith from the 'small dollar amounts' of settlement, which is all the district court in this case found, without further findings about, for example, the value of the claims." *Id.* at 1364 (citing *Evans v. Jeff D.*, 475 U.S. 717, 734 (1986)). Although the court in *Thermolife* ultimately affirmed the district court, it found the conduct of the plaintiff in related cases would not by itself justify an award of fees. *Id.* Here, the Federal Circuit relied solely on Petitioner's prior *unrelated* cases to find a need for deterrence *without ever analyzing Petitioner's conduct in those cases*. This is not only inconsistent with its own holding in

Thermolife, it is not supported by any of this Court's precedent.

Like it did in *Thermolife*, the Federal Circuit has looked to a so-called "pattern of misconduct" factor where "a pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one's claims, is relevant to a district court's exceptional case determination under § 285." *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1350 (Fed. Cir. 2015); *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1326–27 (Fed. Cir. 2011); *Monolithic Power Systems, Inc. v. O2 Micro International, Ltd.*, 726 F.3d 1359, 1367 (Fed. Cir. 2013). The Federal Circuit's "pattern" test, which opens the exceptional case determination to facts outside the case at issue, was not approved by this Court in *Octane Fitness*. Indeed, the Federal Circuit acknowledged the narrow focus of this test when explaining "our § 285 cases that address litigation misconduct, which were not overruled by *Octane Fitness*, make clear that a district court should consider a patentee's pattern of litigation where *adequate evidence of an abusive pattern is presented.*" *SFA*, 793 F.3d at 1352 (emphasis added). And even where the "pattern of misconduct" factor has been applied, it was solely done in the context of related cases and conduct. *See, e.g., Eon-Net*, 653 F.3d at 1327 (filing over 100 lawsuits on the same patent portfolio); *SFA*, 793 F.3d at 1351-52 (suing many defendants for infringement of the same patent and settling with prior defendants for small amounts); *Thermolife*, 922 F.3d at 1363 (same).

This Court should address the Federal Circuit’s “pattern of misconduct” factor for several reasons.

First, nothing in *Octane Fitness* promotes the use of such a “pattern of misconduct” analysis, which requires the analyses of facts outside the instant case. This type of test does not relate to the strength of a party’s litigating position considering the *facts of the case* or the unreasonable manner in which *the case was litigated*. Without properly narrowing § 285 to the actual facts of the instant case, the scope of the analysis will be unbounded. That is exactly what has happened here. Although the Federal Circuit did not expressly state that Petitioner’s prior cases were being evaluated under the “pattern of misconduct” factor, there can be no other explanation for its reliance on those cases. Here, Petitioner’s prior cases, relied on by the district court and Federal Circuit to support its exceptional case finding, were not at all related to the case at issue. The patents were not the same. The Defendants were not the same. And the issues were not the same. There is no legitimate reason under *Octane Fitness* or this Court’s precedent why those unrelated cases should have any bearing on the instant case, or by extension, why any fact outside of the instant case should be relevant to an exceptional case determination.

Second, even if this Court were to approve some version of a “pattern of misconduct” analysis, the Federal Circuit did not properly apply it in this case. The Federal Circuit has made clear that it can consider a patentee’s pattern of conduct only “where adequate evidence of an abusive pattern is presented.” *SFA*, 793 F.3d at 1352. Here, *no* evidence of an abusive pattern was presented. Not one of

Petitioner's prior cases was evaluated to determine the strength of its litigation position or its litigation conduct. Nor did the Federal Circuit attempt to stay consistent with its prior "pattern of misconduct" analyses and evaluate the settlement amounts or how these other cases were resolved. The Federal Circuit and district court simply relied on an arbitrary number of filings to support its exceptional case finding, which cannot stand as a legitimate reason for awarding fees.

In citing the number of cases filed by Petitioner, the Federal Circuit noted that none of those prior cases had reached a full final decision on the merits in favor of Petitioner. (App. 14a) (quoting App. 21a (district court opinion)); *see also* App. 14a, n. 8. But the court never analyzed the circumstances behind any of those cases, including whether or how many reached a full final decision on the merits in defendant's favor, as opposed to settling on reasonable terms. More, the Federal Circuit's singular reliance on final resolution ignores the realities of patent litigation. For example, while it is true that Petitioner has not had a case go to trial yet, it is also true that less than 5% of all patent cases go through a trial. Brian C. Howard, *Lex Machina Patent Litigation Year in Review 2017*, Lex Machina, 2018, at 28-30. And although the majority of Petitioner's cases settle, the same is true of roughly 75% of patent litigation overall. *Id.* at 29. That same study notes that, for the remaining cases, only 10% of cases overall are resolved on the merits for either party (the remainder being resolved on procedural grounds). *Id.* The Federal Circuit never addressed these entirely typical outcomes. Had it done so and analyzed Petitioner's litigation history, it would have

discovered that the majority of Petitioner's cases were pending for well over six months prior to resolution, many pending for several years. Petitioner has litigated through numerous *Markman* proceedings, summary judgment motions, *Daubert* motions, *inter partes* review proceedings, and Federal Circuit appeals, and has at least two matters scheduled for trial in 2020. At bottom, the Federal Circuit did not find any misconduct, let alone a pattern of misconduct, in any of the previous cases it relied upon to support an exceptional case finding.

II. IF NOT REVERSED, THE FEDERAL CIRCUIT'S FINDINGS WILL HAVE SERIOUS REPERCUSSIONS FOR PLAINTIFFS

Section 285 has been and should continue to be a case-by-case assessment of a particular case, not a particular plaintiff. This Court's review is urgently needed to bring the Federal Circuit back in line with this Court's precedent, the Patent Act, and its own precedent. The Federal Circuit has nationwide jurisdiction over patent cases. Its mistaken expansion of *Octane Fitness* governs all proceedings in district court, and will continue to do so unless this Court acts.

Specifically, the Federal Circuit's decision will have wide-reaching implications for patent plaintiffs. Both the district court and Federal Circuit accepted defendants' narrative that Petitioner was more likely to file a baseless claim and engage in litigation misconduct simply because it files many patent infringement cases. As a result, the courts put Petitioner at issue, not the case, in determining the case was exceptional. Respondents never even attempted to present any analysis of those prior cases

to either court.² Indeed, neither the Federal Circuit nor the district court ever cited to any instance where Petitioner's conduct in other cases would suggest wrongdoing in this case. Nevertheless, the court plainly viewed the number of prior cases as significant in its analysis. One of the very first questions posed to counsel during oral argument was:

Blackbird admits to having filed over a hundred lawsuits since its inception in 2014. What percentage of those lawsuits were settled before a decision on the merits?

Oral Argument at 2:58-3:12. Despite having the litigation statistics in hand (*see supra* at Section I.C.), the Federal Circuit's entire analysis appeared clouded by its view that Petitioner's previous unrelated cases showed Petitioner to be a bad actor. For example, the Federal Circuit found that Petitioner's settlement demands "were far less than the anticipated cost of defense," and were therefore "nuisance value settlement offers." (App. 12a). But the Federal Circuit never once acknowledged Petitioner's irrefutable evidence that its opening settlement offer was entirely based on Respondents' disclosed sales of the accused product. That the resulting number was (far) less than the cost of defense is a product of simple math, not calculated extortion. In that regard, the Federal Circuit also refused to follow its own caution against "inferring bad faith from the 'small dollar amounts' of settlement, which is all the district court in this case found, without further findings about, for

² As explained above, had there been any analysis of Petitioner's litigation history, it would have been clear that no pattern of misconduct could possibly be found.

example, the value of the claims.” *Thermolife*, 922 F.3d at 1364. Without “governing standards or principles,” in light of how the Federal Circuit has expanded § 285 and *Octane Fitness*, the threat “to condone judicial whim or predilection” has become real. *Kirtsaeng*, 136 S. Ct. at 1985–86.

Without clarification and guidance from this Court, the Federal Circuit will continue to impermissibly expand the boundaries of § 285 and *Octane Fitness* to include factors outside of the particular case at issue. If such a broad application stands, plaintiffs will become increasingly deterred from enforcing their patents, which, in turn, will deter innovation — an objective expressly set forth in the Patent Act. *See* 35 U.S.C. § 271. More, exceptional case determinations will turn into mini-trials against plaintiffs, with defendants searching for any information about plaintiffs, no matter how irrelevant to the case, to present to the court. In that sense, the § 285 analysis will no longer be “evenhanded,” and the fee-shifting balance will tip heavily in favor of defendants.

III. THIS CASE IS A GOOD VEHICLE TO REVIEW THE QUESTION PRESENTED

This case provides an appropriate vehicle for this Court to resolve the question. The appropriate analysis under § 285 and *Octane Fitness* was fully briefed to and addressed by both the district court and the Federal Circuit. There are no additional legal or factual issues to complicate this Court’s analysis of these important questions. Indeed, both the district court and Federal Circuit relied on *Octane Fitness* to consider facts regarding Petitioner’s previous unrelated cases. The question presented is simple and

straightforward—is it appropriate for courts to rely on evidence unrelated to the instant case under § 285 and *Octane Fitness*. Petitioner submits that the time is appropriate for this Court to confirm that § 285 and *Octane Fitness* are limited to the issues in the particular case.

The Federal Circuit’s “pattern of misconduct” test is not dictated by any of this Court’s precedent, and so boundaries must be placed on such a test to keep it consistent with the objectives of the Patent Act. This Court should act promptly before more harm is done. Because of the Federal Circuit’s exclusive jurisdiction over patent appeals, no circuit split could develop on the issue, but the Federal Circuit’s own inconsistent application of its analysis warrants review and clarification. This important issue is ripe for review and warrants this Court’s immediate attention.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX TABLE OF CONTENTS

	Page
Precedential Opinion and Judgment of The United States Court of Appeals For the Federal Circuit entered December 16, 2019	1a
Order of The United States District Court For the Central District of California Re: Granting Defendants’ Motion for Attorneys’ Fees and Expenses entered September 10, 2018	19a

[ENTERED: December 16, 2019]

**United States Court of Appeals
for the Federal Circuit**

**BLACKBIRD TECH LLC,
DBA BLACKBIRD TECHNOLOGIES,**
Plaintiff-Appellant

v.

**HEALTH IN MOTION LLC,
DBA INSPIRE FITNESS, LEISURE
FITNESS EQUIPMENT LLC,**
Defendants-Appellees

2018-2393

Appeal from the United States District Court
for the Central District of California in No. 2:17-cv-
03488-R-GJS, Senior Judge Manuel L. Real.

Decided: December 16, 2019

JEFFREY AHDOOT, Blackbird Tech LLC, Boston,
MA, argued for plaintiff-appellant. Also represented
by WENDY VERLANDER; STAMATIOS STAMOULIS,
Stamoulis & Weinblatt LLC, Wilmington, DE.

WILLMORE F. HOLBROW, III, Buchalter, A
Professional Corporation, Los Angeles, CA, argued for

all defendants-appellees. Defendant-Appellee Health In Motion LLC also represented by CHRISTINA LE TRINH, Irvine, CA.

Before PROST, *Chief Judge*, WALLACH and
HUGHES, *Circuit Judges*.

WALLACH, *Circuit Judge*.

Appellant Blackbird Tech LLC (“Blackbird”) sued Appellees Health In Motion LLC (“HIM”) and Leisure Fitness Equipment LLC (“Leisure”) (together, “Appellees”) in the U.S. District Court for the District of Delaware, and later transferred to the U.S. District Court for the Central District of California, for infringement of U.S. Patent No. 6,705,976 (“the ’976 patent”) owned by Blackbird. After more than nineteen months of litigation, Blackbird voluntarily dismissed its suit with prejudice and executed a covenant not to sue, after which Appellees were granted attorney fees and expenses in the amount of \$363,243.80. *Blackbird Tech LLC v. Health In Motion LLC*, No. 2:17-cv-03488-R-GJS (C.D. Cal. Sept. 10, 2018) (Order) (J.A. 17–20).

Blackbird appeals. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (2012). We affirm.

BACKGROUND

In October 2016, Blackbird sued Appellees in the U.S. District Court for the District of Delaware (“Delaware District Court”) for infringement of the

'976 patent. J.A. 418–28 (Original Complaint).¹ The '976 patent relates to “exercise equipment,” '976 patent col. 1 l. 11, and more particularly to “[e]xercise equipment including a housing having a structural surface defining an arcuate path” and “multiple pairs of pulleys positioned along the arcuate path, each pair of pulleys having passed between them a cable the proximal end of which is located outside the curved path, the distal end of the cable being coupled to a source of resistance within the housing,” *id.*, Abstract.

In March 2017, Appellees filed a motion to transfer to the U.S. District Court for the Central District of California (“District Court”). J.A. 28. The Delaware District Court granted Appellees’ motion to transfer in April 2017. *Blackbird Tech LLC v. TuffStuff Fitness, Int’l, Inc.*, No. 1:16-cv-00733–GMS, 2017 WL 1536394, at *1 (D. Del. Apr. 27, 2017) (J.A. 536, 547); *see id.* at *1 n.2 (explaining that “HIM has incorporated by reference TuffStuff’s arguments in its motion to transfer . . . , therefore the court’s memorandum and order will apply to both cases”).

In June 2017, Blackbird offered to settle its case against Appellees for \$80,000. J.A. 2069. Appellees declined Blackbird’s offer, explaining that Blackbird’s “infringement allegations lack[ed] merit” “[i]n view of the substantial differences between what is claimed in the [']976 [p]atent and the accused

¹ Blackbird is an entity owned and controlled entirely by attorneys, *see* Oral Arg. at 3:53–4:25, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2018-2393.mp3>, whose business model consists of purchasing patents and monetizing them “through litigation,” J.A. 1258–59 (Declaration of Blackbird’s Vice President and Head of Litigation).

device,” viz., HIM’s M1 Multi-Gym. J.A. 2070; *see* J.A. 1176, 1185–86 (User Manual for the M1 Multi-Gym).² Appellees also explained that they “believe[d] there [was] a strong likelihood” that Blackbird would be ordered to pay Appellees’ attorney fees, and countered with a settlement offer that included, *inter alia*, Blackbird “mak[ing] a payment of \$120,000” to Appellees. J.A. 2070. In October 2017, Blackbird made another settlement offer, this time for \$50,000. J.A. 2241; *see* J.A. 1440 (“Blackbird’s counsel . . . made an oral offer to settle the case if [Appellees] paid Blackbird \$50,000.”). Again, Appellees declined. J.A. 1140, 2241. In April 2018, Blackbird offered to settle yet again, this time for \$15,000. J.A. 1440. Appellees once again declined, “maintain[ing] their request that Blackbird pay a portion of [Appellees’] expenses[.]” J.A. 1440. Later that same month, and again the following month (May 2018), Blackbird offered “a ‘walk-away’ settlement whereby [Appellees] would receive a license to the [’976] patent for zero dollars, and the case would be dismissed.” J.A. 2239 (describing the April 2018 offer), 2539 (describing the May 2018 offer). Once again, Appellees declined. J.A. 2239; *see* J.A. 2239–40 (Blackbird’s Vice President and Head of Litigation stating that “[Appellees], through counsel, have rejected all settlement offers by Blackbird . . . , including the zero-dollar ‘walk-away’ offer. . . . I understand the reasoning for this to be that [Appellees] have a belief that they will ultimate[ly] be

² HIM “designs, markets[,] and sells fitness equipment,” including the M1 Multi-Gym, “throughout the United States.” J.A. 561. Leisure “operates numerous retail outlets, throughout the [United States], where it sells various types of physical fitness equipment, including the M1 [Multi-Gym].” J.A. 561.

awarded their legal fees after judgment in this matter”).

In May 2018, shortly before discovery was scheduled to end, Appellees filed a motion for summary judgment. J.A. 555–75 (Motion for Summary Judgment). Blackbird opposed, J.A. 1215–45, but, after Appellees’ motion was fully briefed, and without notifying Appellees in advance, Blackbird filed a notice of voluntary dismissal with prejudice, J.A. 1338–39 (Notice of Voluntary Dismissal), executed a covenant not to sue, J.A. 1334–35 (Covenant Not to Sue), and filed a motion to dismiss for lack of subject matter jurisdiction, J.A. 1323–28 (Motion to Dismiss).³ See J.A. 1441 (Appellees’ lead counsel explaining that “Blackbird’s counsel never mentioned that he intended to file a covenant not to sue. . . . Blackbird surprisingly filed a Notice of Dismissal, Covenant Not to Sue[,] and Motion to Dismiss”); Oral Arg. at 20:19–20:38 (Appellees’ counsel stating that Appellees “didn’t even get a call from Blackbird, [Appellees] just saw . . . on the [CM/]ECF [system] that [Blackbird] had filed these documents dismissing the case”).

In June 2018, the District Court dismissed Blackbird’s claims with prejudice and denied Blackbird’s Motion to Dismiss, while authorizing Appellees to “seek to recover their costs, expenses, and/or attorney[] fees.” J.A. 1383–85. That same month, Appellees filed a motion for attorney fees and

³ In its Motion to Dismiss, Blackbird argued that because it issued Appellees a “covenant not to sue on all claims of [the ’976 patent],” “no case or controversy exists between the parties,” and thus “the case has been mooted, and should be dismissed.” J.A. 1324; see J.A. 1325–27.

expenses, J.A. 1386–87 (Motion for Attorney Fees and Expenses), 1390–1417 (Memorandum in Support of Motion for Attorney Fees and Expenses), requesting \$357,768.50 in attorney fees and \$5,475.30 in expenses, J.A. 1417. In September 2018, the District Court issued its Order granting Appellees’ Motion for Attorney Fees and Expenses for the total requested amount of \$363,243.80. J.A. 17–20.

DISCUSSION

I. Standard of Review and Legal Standard

By statute, a “court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285 (2012). “[A]n ‘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.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). “[T]here is no precise rule or formula for making these determinations”; instead, district courts “may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* (internal quotation marks and citation omitted).

On appeal, we “review all aspects of a district court’s § 285 determination for abuse of discretion.” *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 561 (2014). A district court abuses its discretion when it “base[s] its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence.” *Rothschild Connected Devices*

Innovations, LLC v. Guardian Prot. Servs., Inc., 858 F.3d 1383, 1387 (Fed. Cir. 2017) (quoting *Highmark*, 572 U.S. at 563 n.2). “A factual finding is clearly erroneous if, despite some supporting evidence, we are left with the definite and firm conviction that a mistake has been made.” *Id.* (internal quotation marks and citation omitted). “We apply Federal Circuit case[]law to the § 285 analysis, as it is unique to patent law.” *Digeo, Inc. v. Audible, Inc.*, 505 F.3d 1362, 1366 (Fed. Cir. 2007) (citation omitted).

II. The District Court Did Not Abuse Its Discretion
in Concluding that This Case Is “Exceptional”
Under 35 U.S.C. § 285

Considering the “totality of the circumstances,” the District Court found that Blackbird’s case against Appellees is “exceptional within the meaning of [§] 285 and *Octane Fitness*.” J.A. 18. Specifically, the District Court determined that Blackbird’s case against Appellees is “exceptional” because it “stand[s] out from . . . others with respect to” both “the substantive strength of [Blackbird’s] litigation position” and “the unreasonable manner in which the case [was] litigated” by Blackbird. J.A. 17–18. The District Court also found that “granting a fee award [was] warranted” in this case “to deter future abusive litigation.” J.A. 19. Finally, the District Court concluded that Appellees’ requested award of \$363,243.80 was reasonable considering each attorney’s “comparable skill, experience, and reputation.” J.A. 19 (citing *Blum v. Stenson*, 465 U.S. 886, 888 (1984)). We review each of the District Court’s determinations in turn.

A. The District Court Did Not Abuse Its Discretion
in Determining that This Case “Stands Out” with
Respect to the Lack of Substantive Strength in
Blackbird’s Litigation Position

The District Court found that Blackbird’s litigation position was “meritless” and “frivolous.” J.A. 18–19. Specifically, the District Court determined that “[w]hen challenged on the merits, [Blackbird] raised flawed claim construction and infringement contentions,” and ultimately “did not prevail on the merits . . . because [Blackbird] dismissed its claims with prejudice, and submitted a covenant not to sue on the eve of trial.” J.A. 18. Blackbird argues, however, that its “claim construction and infringement positions were eminently reasonable, and likely correct.” Appellant’s Br. 19; *see id.* at 19–29. We disagree with Blackbird.

Independent claim 1 of the ’976 patent requires a “housing” that includes a “structural surface defining a prescribed concave arcuate contour” that: (1) delimits an inside, i.e., “within the housing,” and an “outside” of the “housing,” ’976 patent col. 16 ll. 45–52; and (2) includes “at least three cable exit points . . . each . . . having [a cable] passed therethrough,” i.e., from “within the housing” to “outside” the “housing,” *id.* col. 16 ll. 43–45.⁴ Additionally, independent claim 1 requires that a “common source of resistance” be provided “within the housing.” *Id.* col. 16 ll. 50–51. Before the District Court, Blackbird proposed to construe the term

⁴ Blackbird alleged, in its Original and Amended Complaints, that HIM infringed “at least [independent] claim 1 of the ’976 patent.” J.A. 425, 520; *see* J.A. 426–27, 521–23, 534.

“housing” as a “part designed to shelter, cover, contain, or support a component.” J.A. 1231. Even accepting Blackbird’s proposed construction, the accused device does not include a “housing” that meets the requirements of independent claim 1. For example, to the extent the alleged “housing” of the M1 Multi-Gym includes a “concave[,] arcuate” “structural surface,” the cables of the accused device are not “passed therethrough,” i.e., from “within the housing” to “outside” the “housing,” at even a single “exit point.” *Compare* ’976 patent col. 16 ll. 41–52, *with* J.A. 422, 517, 1176, 1185–86.⁵ Rather, the cables of the M1 Multi-Gym are arranged outside of the alleged “housing,” passing through a series of pulleys and flanges provided on the outside surfaces of the M1’s tubular frame members. *See* J.A. 422–25, 517–20, 1176, 1185–86. Moreover, a “common source of resistance” is not provided “within” the alleged “housing” as required by independent claim 1. Instead, the weights of the M1 Multi-Gym are housed within a separate structural component. *See* J.A. 422, 517, 1176.⁶

⁵ Before the District Court, Blackbird argued that the “housing” of the M1 Multi-Gym “consists of a ‘heavy-duty round tubular steel’ frame,” that includes: (1) “up-right supports”; (2) a “center upright brace”; and (3) a “main upright.” J.A. 1240; *see* J.A. 1176–86 (depicting the M1 Multi-Gym).

⁶ Blackbird contends that the District Court’s decision should be vacated, because the “District Court never construed any claim element of the asserted patent.” Appellant’s Br. 15. In light of the material differences between the claims of the ’976 patent and the accused device, even accepting Blackbird’s proposed constructions, “[c]laim construction was unnecessary before finding noninfringement in this case[.]” *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 483 (Fed. Cir. 2016); *see* J.A. 18 (finding that the “[’976] patent isn’t infringed”).

Blackbird’s counterarguments are unpersuasive. First, Blackbird argues that “the record compels a reversal as a matter of law because . . . the District Court did not find Blackbird’s arguments objectively baseless (merely ‘flawed’), and that is insufficient to support an award of fees[.]” Appellant’s Br. 9. However, the District Court’s finding that Blackbird’s “claim construction and infringement contentions” were “flawed,” is only a single consideration among the totality of circumstances considered by the court in concluding that Blackbird’s litigation position lacked substantive strength. J.A. 18; *see* J.A. 18–19; *see also Octane Fitness*, 572 U.S. at 554–55 (explaining that “there is no precise rule or formula” for determining whether a case “stands out from others with respect to the substantive strength of a party’s litigating position”; instead, district courts may make this determination “in the case-by-case exercise of their discretion, considering the totality of the circumstances” (internal quotation marks and brackets omitted)).

Second, Blackbird argues that “[t]here is simply no basis for finding that Blackbird should have known its litigation position was purportedly weak,” Appellant’s Br. 19, as “neither [Appellees] nor the District Court put Blackbird on adequate notice of the purported weakness of its position to support an award of fees,” *id.* at 9. The District Court was not obliged to advise Blackbird of the weaknesses in its litigation position, and further, while a “lack of . . . early notice . . . can support a denial of attorney[] fees,” “we have not held that such notice is rigidly required.” *Thermolife Int’l LLC v. GNC Corp.*, 922 F.3d 1347, 1358 (Fed. Cir. 2019). Moreover, the exercise of even a modicum of due diligence by

Blackbird, as part of a pre-suit investigation, would have revealed the weaknesses in its litigation position. See *Bayer CropScience AG v. Dow AgroSciences LLC*, 851 F.3d 1302, 1307 (Fed. Cir. 2017) (“We cannot say that the district court erred in reasoning that had [the plaintiff] conducted a more searching pre-suit investigation . . . it would have not filed suit. Nor did the district court err in treating pre-suit diligence as a factor in the totality-of-the-circumstance approach[.]”). It is also unclear what effect, if any, notice would have had on Blackbird’s conduct, as Blackbird waited until the “eve of trial” to dismiss its suit, J.A. 18; see J.A. 33, 35–36, despite being aware of Appellees’ non-infringement contentions months before, see Appellant’s Br. 5.

At a minimum, Blackbird was aware of Appellees’ intention to seek attorney fees and expenses as early as December 2016, when, in answering Blackbird’s Original Complaint, Appellees requested attorney fees and expenses. J.A. 510. While this request may not have provided the “focused” and “supported” notice that we have looked for in other cases, *Stone Basket Innovations, LLC v. Cook Med. LLC*, 892 F.3d 1175, 1181 (Fed. Cir. 2018), it undermines Blackbird’s attempt to blame others, including the District Court, for it being purportedly unaware of the weaknesses in its litigation position. Accordingly, the District Court did not abuse its discretion in determining that this case “stands out” with respect to the lack of substantive strength in Blackbird’s litigation position.

B. The District Court Did Not Abuse Its Discretion in Determining that This Case “Stands Out” with Respect to the Manner in Which Blackbird Litigated

The District Court did not limit its findings to the substantive strength of Blackbird’s litigation position, and further determined that Blackbird’s case against Appellees was “exceptional” because Blackbird “litigated . . . in an unreasonable manner.” J.A. 18. The District Court made multiple findings to support this determination, J.A. 18, each of which is supported by the record. First, the District Court found that Blackbird “made multiple settlement demands that were far less than the anticipated cost of defense,” i.e., nuisance value settlement offers. J.A. 18; *see, e.g., Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1327 (Fed. Cir. 2011) (finding that the district court did not err in determining that the patentee had “acted in bad faith by exploiting the high cost to defend complex litigation to extract a nuisance value settlement”). By its own admission, Blackbird made a series of decreasing settlement offers, *see* Appellant’s Br. 5–7; *see also* J.A. 1440, 2069, 2239–41, 2539, each of which was significantly less than the cost of litigation, *see* J.A. 1417 (Appellees’ litigation costs totaled at least \$363,243.80).

Second, the District Court found that Blackbird unreasonably “delayed in producing documents, withheld many documents until after [Appellees] took [Blackbird’s] deposition[,] and completely failed to produce other responsive documents.” J.A. 18. Again, the record supports the District Court’s findings; indeed, the record shows numerous, unexcused delays by Blackbird in producing documents, *see, e.g.,* J.A. 2084, as well as Blackbird’s attempts to withhold

responsive documents entirely, without notice or excuse, until Appellees learned of the documents during depositions, *see* J.A. 1440–41; Oral Arg. at 3:54–6:03 (Blackbird admitting that it “had the documents in-house” yet failed to produce them), 24:13–24:50 (Blackbird admitting “[t]hat [it] is true” that “documents identified in th[e] deposition” have never been produced).⁷ While Blackbird subsequently implied that some of these documents might be privileged, *see* J.A. 2230, Blackbird has failed to identify in the record any such assertion of privilege prior to the depositions.

Finally, the District Court determined that Blackbird had unreasonably “filed a notice of dismissal, covenant not to sue, and motion to dismiss without first notifying [Appellees’] counsel, on the same day pretrial submissions were due and shortly before [Appellees’] motion for summary judgment was to be decided.” J.A. 18. The record supports these findings. *See* J.A. 33, 35–36, 1323–28, 1334–35, 1338–39, 1441. Accordingly, the District Court did not abuse its discretion in determining that this case stands out with respect to the manner in which Blackbird litigated.

C. The District Court Did Not Abuse Its Discretion by Considering the Need to Deter Future Abusive Litigation

In addition to its findings as to the substantive strength of Blackbird’s litigation position and conduct during litigation, the District Court found that

⁷ As Appellees aptly point out, “Blackbird is an all-in-one affair, in which employee-attorneys possessed the documents, which were not . . . produced prior to the depositions[.]” Appellees’ Br. 35; *see* Oral Arg. at 3:53–4:25.

“granting a fee award [was] warranted” in this case “to deter future abusive litigation.” J.A. 19; *see* J.A. 19 (explaining that Blackbird “has filed over one hundred patent infringement lawsuits, and none have been decided, on the merits, in favor of [Blackbird]”).⁸ Doing so was “within the scope of [the District Court’s] discretion in finding this case to be exceptional based on the weakness of [Blackbird’s infringement contentions] and the need to deter similarly weak arguments in the future.” *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1377–78 (Fed. Cir. 2017). The District Court therefore did not abuse its discretion by considering the need to deter future abusive litigation. Accordingly, the District Court did not abuse its discretion in concluding that Blackbird’s case against Appellees is “exceptional” within the meaning of 35 U.S.C. § 285.⁹

⁸ As of August 2018, Blackbird had filed “over 110” lawsuits since its inception in 2014. J.A. 1439 (citing J.A. 1961–64); *see* J.A. 2238 (Blackbird acknowledging that as of July 16, 2018, “Blackbird . . . ha[d] filed over 100 individual lawsuits since its inception, asserting over 20 different patents”). Blackbird admits that the vast majority of these lawsuits were settled before a determination on the merits could be made, *see* Appellant’s Reply Br. 5, and acknowledges that not a single of its lawsuits “ha[s] reached a full, final decision on the merits,” Oral Arg. at 3:26–3:53.

⁹ Blackbird challenges the sufficiency of the District Court’s findings and reasoning underlying its determination that this case is “exceptional,” *see* Appellant’s Br. 14–19, arguing that remand is necessary because “the District Court did not supply the facts and reasoning it relied upon,” *id.* at 16. As our review of the District Court’s decision makes clear, the District Court “provide[d] a basis for meaningful appellate review,” by setting forth factual findings and “the reasoning underlying its decision.” *Superior Fireplace Co. v. Majestic Prods. Co.*, 270 F.3d 1358, 1377 (Fed. Cir. 2001).

III. The District Court Did Not Abuse Its Discretion in Determining that Appellees Are Entitled to \$363,243.80 in Attorney Fees and Expenses

The District Court concluded that Appellees' requested award of \$363,243.80 was reasonable considering each attorney's "comparable skill, experience, and reputation." J.A. 19 (citing *Blum*, 465 U.S. at 888). Blackbird contends, however, that "[e]ven if some award of fees [is] permissible," Appellant's Br. 9, "the District Court erred in awarding fees for the full amount of the litigation, in two respects," *id.* at 38: (1) "by failing to consider the reasonableness of the hours worked," *id.* at 39; and (2) "by awarding fees for the entirety of the litigation rather than relating it to the purported misconduct," *id.* at 40. We disagree with Blackbird.

The District Court's Order demonstrates its consideration of the record, including Appellees' "detailed breakdown of the tasks performed by each lawyer, the [billing] rate of each lawyer, and the *time spent by each lawyer*" working on this case. J.A. 19 (emphasis added); see J.A. 19–20; see also *Lumen View*, 811 F.3d at 483 ("In calculating an attorney fee award, a district court usually applies the lodestar method, which provides a presumptively reasonable fee amount, by multiplying a reasonable hourly rate by the reasonable number of hours required to litigate a comparable case." (internal citations omitted)). Appellees requested, in total, fees corresponding to just over 650 hours of work, J.A. 1413, an amount that the District Court did not abuse its discretion in awarding, especially considering, as the record shows, that this case was the subject of extensive motions practice and trial preparation, including, inter alia: a

motion to transfer that was fully briefed and granted in Appellees' favor, J.A. 28–29, 536, 547; a motion for summary judgment that was fully briefed, J.A. 34–35, 555–75; a motion to dismiss that was filed, J.A. 35, 1321–28; pre-trial submissions that were prepared for filing, J.A. 36; and considerable discovery that was completed, including bi-coastal depositions, J.A. 1966, 1976, 1985, 1987, 2003–07, 2489, 2499–2509.¹⁰

Blackbird's contention that “[g]iven the amount at stake, the District Court should have determined whether it was reasonable to expend so many hours on such a small claim” is misplaced. Appellant's Br. 39. Indeed, 650 hours, for this litigation, is a far cry from the “countless hours” we have cautioned against. *Bywaters v. United States*, 670 F.3d 1221, 1231 (Fed. Cir. 2012) (“Where only a small amount is at stake, it certainly would not be reasonable to expend countless hours on such a small claim[.]”). To hold otherwise would, in effect, cause Appellees to make the untenable choice between: (1) submitting to Blackbird's settlement demands—small as they may be; or (2) risking non-reimbursement of attorney fees accrued in defending themselves against Blackbird's unmeritorious claims. Moreover, the record supports the conclusion that Blackbird's misconduct “so severely affected every stage of the litigation that a full award of attorney

¹⁰ Blackbird argues also that the District Court erred in awarding Appellees attorney fees corresponding to forty hours that “were an estimate of future services to be rendered briefing a reply in the motion for fees and preparation for and attendance at a hearing the [District] Court never held.” Appellant's Br. 39 (emphasis omitted). Appellees' counsel clarified during oral argument, however, that they “actually . . . exceeded the forty hours.” Oral Arg. at 17:05–17:27.

fees was proper here.” *Monolithic Power Sys., Inc. v. O2 Micro Int’l Ltd.*, 726 F.3d 1359, 1369 (Fed. Cir. 2013). As the District Court found, “from the very early stages of this case until the attorney[] fees stage, there has been exceptional conduct by [Blackbird].” J.A. 18–19. Accordingly, the District Court did not abuse its discretion in awarding Appellees the full requested amount of \$363,243.80.

CONCLUSION

We have considered Blackbird’s remaining arguments and find them unpersuasive. Accordingly, the Order of the U.S. District Court for the Central District of California is

AFFIRMED

[ENTERED: December 16, 2019]

**United States Court of Appeals
for the Federal Circuit**

**BLACKBIRD TECH LLC,
dba Blackbird Technologies,**
Plaintiff-Appellant

v.

**HEALTH IN MOTION LLC, dba Inspire Fitness,
LEISURE FITNESS EQUIPMENT LLC,**
Defendants-Appellees

2018-2393

Appeal from the United States District Court
for the Central District of California in No. 2:17-cv-
03488-R-GJS, Senior Judge Manuel L. Real.

JUDGMENT

THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

AFFIRMED

ENTERED BY ORDER OF THE COURT

December 16, 2019

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

[ENTERED: September 10, 2018]

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

BLACKBIRD TECH LLC)	CASE NO.
d/b/a BLACKBIRD)	CV 17-3488-R
TECHNOLOGIES,)	
)	ORDER GRANTING
Plaintiff,)	DEFENDANTS'
)	MOTION FOR
v.)	ATTORNEYS' FEES
)	AND EXPENSES
HEALTH IN MOTION)	
LLC; et al.,)	
)	
Defendants.)	
_____)	

Before the Court is Defendants' Motion for Attorneys' Fees and Expenses, filed on June 28, 2018. (Dkt. No. 103). Having been thoroughly briefed by both parties, this Court took the matter under submission on August 2, 2018.

A court "in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. An exceptional case is one that "stands out" from the others. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). Specifically, a case must stand out from the others with respect to, (1) "the substantive strength of a party's litigation position (considering the governing law and the facts of the case)" or (2) "the unreasonable manner in which the case is litigated." *Id.* at 1750. In

determining whether a case stands out from the others, a court may consider the totality of the circumstances including frivolousness, objective unreasonableness, and the strength of a party's position. *Id.* at 1756. If the case is found to be exceptional, then a court calculates the attorney's fees based on the traditional lodestar method. The lodestar figure is calculated by multiplying the reasonable hours expended by a reasonable hourly rate. *Ferland v. Conrad Credit Corp.*, 244 F.3d 1145, 1149 n.4 (9th Cir. 2001). "Although in most cases, the lodestar figure is presumptively a reasonable fee award, the district court may, if circumstances warrant, adjust the lodestar to account for other factors which are not subsumed within it." *Id.* (citation omitted).

This Court finds that the case is exceptional within the meaning of Section 285 and *Octane Fitness*. Although only one of the above grounds needs to be satisfied, both are satisfied here.

As for the substantive strength of Plaintiff's litigation position, Defendants claim that Plaintiffs brought a frivolous lawsuit and this Court agrees. When challenged on the merits, Plaintiff raised flawed claim construction and infringement contentions. The only independent claim asserted against Defendants is Claim 1 of the '976 Patent. This Court finds that because this patent isn't infringed, none of the dependent claims hold water. Further, Plaintiff did not prevail on the merits of the case because Plaintiff dismissed its claims with prejudice, and submitted a covenant not to sue on the eve of trial.

In addition, Plaintiff litigated this case in an unreasonable manner. First, Plaintiff made multiple settlement demands that were far less than the anticipated cost of defense. Plaintiff first made a settlement demand of \$80,000, and then for \$50,000, and then for \$15,000, each of which were rejected. Second, Plaintiff delayed in producing documents, withheld many documents until after Defendants took Plaintiff's deposition and completely failed to produce other responsive documents. Third, Plaintiff filed a notice of dismissal, covenant not to sue, and motion to dismiss without first notifying Defendants' counsel, on the same day pretrial submissions were due and shortly before Defendants' motion for summary judgment was to be decided. At each stage of this litigation, Plaintiff and its counsel exhibited exceptional conduct justifying an award of attorney's fees for Defendants.

Thus, from the very early stages of this case until the attorney's fees stage, there has been exceptional conduct by Plaintiff. This case stands out because Plaintiff filed a meritless claim based on alleged patent infringement and litigated the case in an unreasonable manner. Further, granting a fee award is warranted here to deter future abusive litigation. In *Octane Fitness, LLC*, the Supreme Court confirmed that deterrence is a legitimate reason to award fees. *Octane Fitness, LLC*, 134 S. Ct. 1749 at 1756. Since 2014, Plaintiff has filed over one hundred patent infringement lawsuits, and none have been decided, on the merits, in favor of Plaintiff. Accordingly, this Court finds that the case is exceptional and justifies an award of attorney's fees.

Defendants argue that they are entitled to a total award of \$357,768.50 in attorney's fees and \$5,475.30 in expenses. A reasonable hourly rate should reflect the prevailing market rate and the court must examine the attorneys' comparable skill, experience, and reputation. *Blum v. Stenson*, 465 U.S. 886, 888 (1984). "The party seeking fees bears the burden of documenting the hours expended in the litigation and must submit evidence supporting those hours and the rates claimed." *Welch v. Metropolitan Life Ins. Co.*, 480 F.3d 942, 945-46 (9th Cir. 2007).

Here, Defendants included a detailed breakdown of the tasks performed by each lawyer, the rate of each lawyer, and the time spent by each lawyer (Holbrow Dec. Exhibits 25-27). Defendants' primary counsel Willmore F. Holbrow III's hourly rate for the duration of this case was \$645, but he did reduce his rate to \$595 per hour for this case and client beginning in approximately January 2017. In sum, Mr. Holbrow III billed 509.05 hours on this case, totaling \$302,884 worth of services. Mr. Holbrow III's hourly rate is reasonable for the work performed on this case. He has been a member of the patent bar since 1997, and the focus of his legal practice for the last 21 years has been intellectual property litigation. Additionally, the Los Angeles market rate for patent litigation is in line with the rates requested by Mr. Holbrow III. *See e.g., Kim Laube & Co. v. Wahl Clipper Corp.*, 2013 WL 12085140, *6 (C.D. Cal. Nov. 16, 2013) (finding hourly rate of \$750 reasonable for patent litigation partner); *Perfect 10, Inc. v. Giganews, Inc.*, 2015 WL 1746484, *16-21 (C.D. Cal. March 24, 2015). Based on this Court's experience,

the rates charged by Mr. Holbrow III are reasonable in the Southern California patent litigation market.

While the case was in Delaware, Defendants retained the firm of Morris James, LLP, specifically the services of Kenneth Dorsney to act as local counsel. Mr. Dorsney's hourly rate for the duration of this case was \$695, and he billed 25.1 hours, totaling \$17,444.50 worth of services. Mr. Dorsney's hourly rate is reasonable for the work performed on this case. He is a partner at Morris James, LLP and has been practicing intellectual property litigation for approximately 20 years. Based on his experience, reputation, and market rate, Mr. Dorsney's hourly rate is reasonable.

In addition, Defendants used the services of James Ahn, an associate assigned to the case at the Blakely firm. Mr. Ahn's hourly rate for the duration of this case was \$300, and he billed 124.80 hours, totaling \$37,440 worth of services. This rate is reasonable for the work performed on this case. Mr. Ahn has over 5 years of legal experience focused on intellectual property litigation. Based on his experience, Mr. Ahn's hourly rate is reasonable.

IT IS HEREBY ORDERED that Defendants' Motion for Attorneys' Fees and Expenses is **GRANTED** in the total amount of \$363,243.80. (Dkt. No. 103).

Dated: September 10, 2018.

/s/
MANUEL L. REAL
UNITED STATES DISTRICT JUDGE