No. 20-1363

In the Supreme Court of the United States

MERIT MEDICAL SYSTEMS, INC.,
Cross-Petitioner,

v.

NAZIR KHAN, IFTIKHAR KHAN,
Cross-Respondents.

On Cross-Petition For A Writ Of Certiorari To The United States Court of Appeals For The Federal Circuit

BRIEF IN OPPOSITION TO CONDITIONAL CROSS-PETITION FOR A WRIT OF CERTIORARI

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COUNTERSTATEMENT OF QUESTION PRESENTED

35 U.S.C. § 285 provides that "[t]he court in exceptional [patent] cases may award reasonable attorney fees to the prevailing party." In this case, the district court denied Cross-Petitioner Merit Medical Systems Inc.'s ("Merit") motion for attorney fees under § 285, finding that this case is not "exceptional." The Federal Circuit, applying the abuse-of-discretion standard mandated by this Court, affirmed the district court's determination that this case is not "exceptional." Before this Court, Merit does not challenge that finding.

The question presented is as follows:

Whether—if this Court determines in Case No. 20-773 that the Federal Circuit improperly affirmed the district court's award of Rule 11 sanctions—this Court should also vacate the Federal Circuit's affirmance of the denial of attorney fees under 35 U.S.C. § 285, despite the district court's finding—affirmed by the Federal Circuit and unchallenged by Merit here—that the case is not "exceptional" within the meaning of § 285.

RULE 29.6 STATEMENT

Cross-Respondents are not corporate entities.

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Under 35 U.S.C. § 285, an award of attorney fees is permitted only "in exceptional cases." 35 U.S.C. § 285. Here, the district court found that the case is not "exceptional." Moreover, the district court found that the motion for attorney fees under § 285 filed by Cross-Petitioner Merit Medical Systems, Inc. ("Merit") was untimely, as it was not filed until three months after the entry of judgment. Merit's Cross-Petition does not challenge these findings, each of which—alone or in combination—bars an award of § 285 attorney fees as a matter of law. Accordingly, Merit's Cross-Petition should be denied.

Merit devotes much of its Cross-Petition to detailing its view of the factual record. Although Cross-Respondents Nazir Khan and Iftikhar Khan (collectively "Khan") strongly disagree with Merit's characterization of Khan's conduct, Khan forgoes a point-by-point rebuttal because it has no relevance to the question presented by Merit: whether, if this Court finds in Case No. 20-773 that Rule 11 sanctions were improperly imposed, this Court should remand for further proceedings with respect to attorney fees under 35 U.S.C. § 285, despite the district court's finding—affirmed by the Federal Circuit and unchallenged by Merit here—that this case is not "exceptional." Accordingly, Khan recounts the facts of this case below only as necessary to understand the issue before the Court.

I. Proceedings in the District Court

Khan, proceeding *pro se*, filed a patent-infringement suit against various entities and individuals for infringement of U.S. Patent No. 8,747,344, which is directed to an arteriovenous shunt. Petitioner Merit Medical Systems, Inc. ("Merit") and other defendants moved to dismiss on various grounds, including improper venue, insufficient service of process, lack of personal jurisdiction, and misjoinder. Pet. App. 6a. Additionally, a subset of the defendants represented by Merit filed a motion for sanctions under Federal Rule of Civil Procedure 11, alleging that Khan's assertions with respect to venue and service of process were frivolous. Pet. App. 6a. In May 2019, the district court: (i) granted the motions to dismiss; (ii) granted the motion for Rule 11 sanctions, awarding attorney fees to Merit under Rule 11 but providing for further submissions with respect to the amount of sanctions to be awarded; and (iii) entered judgment with respect to Khan's patent-infringement claims. Pet. App. 6a-8a; Pet. App. 32a-46a. In July 2019, the district court quantified the Rule 11 sanction award at $95,966.90. Pet. App. 47a-52a. Importantly, the district court granted these Rule 11 sanctions even though Merit—in violation of the Rule 11(c)(2) safe-harbor provision—never served Khan with the Rule 11 motion at any time prior to filing, let alone more than 21 days before filing as required by Rule 11(c)(2). Pet. App. 7a-8a; Pet. App. 16a-17a; Pet. App. 42a-43a; Pet. App. 52a. The district court excused Merit's failure by: (i) pointing to a series of letters that Merit wrote to Khan in which Merit threatened to move for sanctions; and (ii) concluding that these letters "no doubt

satisf[y]" the Rule 11(c)(2) safe-harbor provision. Pet. App. 42a-43a.

In August 2019—almost three months after the district court's entry of judgment on the patent-infringement claims, and only after the district court quantified the Rule 11 sanctions—Merit moved for attorney fees under 35 U.S.C. § 285. Dist. Ct. Rec. 196. The district court denied Merit's motion. Pet. App. 53a-55a. In denying this motion, the district court: (i) recognized that Merit had not filed its § 285 motion until "three months" after the district court's May 2019 opinion and judgment (Pet. App. 53a); (ii) noted that "Defendants were keenly aware of Plaintiff's conduct and had the ability to seek relief under § 285 previously," (Pet. App. 54a); and, in any event, (iii) concluded that "the extraordinary step of deeming the case 'exceptional' is not warranted" (Pet. App. 54a-55a).

II. Proceedings in the Federal Circuit

The Federal Circuit affirmed the district court's decisions in their entirety. Pet. App. 4a-22a. The Federal Circuit recognized Khan's argument that: (i) the motion for sanctions should have been denied because "[Merit] did not serve [Khan] with the sanctions motion more than 21 days prior to filing it with the district court[;]" and (ii) Merit therefore failed to comply with the Rule 11(c)(2) safe-harbor provision. Pet. App. 16a-17a. Nevertheless, the Federal Circuit concluded that "'a letter informing the opposing party of the intent to seek sanctions and the basis for the imposition of sanctions'" is "'sufficient for Rule 11 purposes[.]'" Pet. App. 17a (citing *Matrix IV, Inc. v. Am. Nat'l Bank & Tr. Co.*, 649 F.3d 539, 552-53 (7th

Cir. 2011)); Pet. App. 15a (finding that the issue of Rule 11 sanctions is determined under the law of the regional circuit). Accordingly, the Federal Circuit affirmed the district court's imposition of Rule 11 sanctions, and let the district court's award of $95,966.90 in attorney fees stand. Pet. App. 18a.

Merit cross-appealed the district court's denial of attorney fees under 35 U.S.C. § 285. Pet. App. 18a. As required by this Court's precedent, the Federal Circuit reviewed, for abuse of discretion, the district court's determination that the case is not "exceptional." Pet. App. 20a; *see Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 564 (2014) (holding that "an appellate court should apply an abuse-of-discretion standard in reviewing all aspects of a district court's § 285 determination"). The Federal Circuit recognized that the district court's denial of Merit's § 285 motion was "[b]ased on [the district court's] assessment of the procedural history and the parties' briefing[,]" and further noted the district court's conclusion that there was no basis for "a three-fold increase in fees imposed against [Khan]." Pet. App. 21a. Ultimately, the Federal Circuit was "not persuaded that the district court abused its discretion in determining that this case is not exceptional." Pet. App. 21a.

REASONS FOR DENYING THE CONDITIONAL CROSS-PETITION

Merit's conditional cross-petition focuses on the portions of the district court's decision that: (i) recognized that Merit's motion for attorney fees under 35 U.S.C. § 285 cited "largely identical conduct that was previously before the Court" in Merit's motion

for Rule 11 sanctions; and (ii) concluded that there was no basis, under the facts of this case, to use § 285 to increase the attorney fees already awarded under Rule 11. Opp. 30-31. But Merit ignores that the district court's denial of attorney fees under § 285 is also supported by at least two additional, stand-alone bases, each of which—alone or in combination—independently bars an award of fees under § 285.

First, the district court found—and the Federal Circuit affirmed—that this case is not "exceptional." Merit does not challenge that finding before this Court. Because § 285 permits an award of fees only in "exceptional" cases, a conclusion that the case is not "exceptional" bars an award of § 285 attorney fees as a matter of law. Although Merit attempts to paint this finding as being inextricably intertwined with the district court's decision that the fees awarded under Rule 11 were sufficient, Merit ignores that the § 285 inquiry contains two steps: (i) a determination of whether the case is "exceptional"; and (ii) if the case is found "exceptional," a determination of whether an award of attorney fees is appropriate. Here, the district court found that the case is not "exceptional," which therefore obviates the need for step (ii). Had the district court found the case "exceptional" and then proceeded to determine that an award of attorney fees under § 285 was unwarranted because Rule 11 attorney fees had already been awarded, Merit would potentially have a basis for its argument that reversal of the Rule 11 sanctions would require vacatur of the denial of § 285 fees. However, the threshold, unchallenged finding that the case is not "exceptional" bars an award of attorney fees as a matter of law.

Second, as the district court correctly recognized, Merit did not file its motion for attorney fees under § 285 until almost three months after the district court's entry of judgment. This filing is untimely, as it was made long after the 14-day deadline set by the Federal Rules of Civil Procedure. For that reason alone, denial of Merit's motion was required as a matter of law, regardless of the district court's disposition of Merit's motion for Rule 11 sanctions.

For these reasons, and as explained in further detail below, reversal of the Rule 11 sanctions against Khan in no way justifies revisiting Merit's belated motion for attorney fees under § 285. Therefore, Merit's conditional cross-petition should be denied.

I. In This Case, an Award of Attorney Fees Under 35 U.S.C. § 285 Is Barred as a Matter of Law, Regardless of How the Rule 11 Question Is Resolved

A. The District Court's Finding that This Case Is Not "Exceptional"—Affirmed by the Federal Circuit and Unchallenged by Merit Here—Bars an Award of Attorney Fees Under 35 U.S.C. § 285 as a Matter of Law

"The court *in exceptional cases* may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (emphasis added); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553 (2014) ("The power [to award attorney fees under 35 U.S.C. § 285] is reserved for 'exceptional' cases."); *Intellectual Ventures I LLC v. Trend Micro Inc.*, 944 F.3d 1380, 1384 (Fed. Cir. 2019) (vacating an award of attorney

fees under § 285 where "the district court did not find that the case overall was exceptional"). Here, the district court found that "the extraordinary step of deeming the case 'exceptional' is not warranted." Dist. Ct. Dkt. 213 at 1. Moreover, the Federal Circuit was "not persuaded that the district court abused its discretion in determining that this case is not exceptional." Pet. App. 21a. Before this Court, Merit has not challenged the district court's finding—affirmed by the Federal Circuit—that this case is not "exceptional," let alone shown any abuse of discretion in this finding. *See Highmark Inc.*, 572 U.S. at 564 (holding that "an appellate court should apply an abuse-of-discretion standard in reviewing all aspects of a district court's § 285 determination"). Because Merit provides no argument for upsetting the determination that this case is not "exceptional," there is no basis for the imposition of attorney fees under § 285.

Merit fails to grapple with the dispositive fact that both the district court and the Federal Circuit concluded that this case was not "exceptional." Although Merit attempts to show a connection between: (i) the district court's decision to award Rule 11 sanctions for certain conduct; and (ii) the district court's denial of fees under § 285, Merit ignores that the district court nevertheless could have declined to award attorney fees had it deemed the case "exceptional." Indeed, the statute is permissive: "The court in exceptional cases *may* award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (emphasis added). Notably, the statute does not provide that a district court *must* award attorney fees

in cases deemed to be "exceptional." *Cf. Kingdomware Techs., Inc. v. United States*, 136 S. Ct. 1969, 1977 (2016) (recognizing that the word "may" "implies discretion," whereas the word "shall" "usually connotes a requirement").

Recognizing this fact, the Federal Circuit has "held that 'an exceptional case does not require in all circumstances the award of attorney fees.'" *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 576 F. App'x 1002, 1005 (Fed. Cir. 2014) (quoting *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986)); *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1215 (Fed. Cir. 1987) ("After the district court determines that a case is exceptional, there remains in every case its freedom to exercise its discretion informed by the court's familiarity with the matter in the litigation and the interest of justice.") (internal quotations omitted); *J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 1049, 1053 (Fed. Cir. 1987) (affirming the district court's denial of attorney fees under § 285 despite the district court's finding that the case was "exceptional"). As the Federal Circuit correctly recognized, this Court's *Octane* decision "did not . . . revoke the discretion of a district court to deny fee awards even in exceptional cases." *Icon Health & Fitness*, 576 F. App'x at 1005; *see Am. Vehicular Scies. LLC v. Autoliv, Inc.*, 405 F. Supp. 3d 728, 736 (E.D. Mich. 2019) (recognizing that "even if the Court were to determine that this case is exceptional, Defendants would not be automatically entitled to an award of attorney's fees" and noting that "[a] determination as to the propriety of a fee award is a separate discretionary inquiry."); *In re CTP Innovations, LLC,*

Patent Litig., No. 14-cv-3888-MJG, 2017 WL 4005687, at *2 (D. Md. Sept. 12, 2017) ("If the district court finds the case exceptional by a preponderance of the evidence, it must then determine whether it should exercise its discretion to award attorneys' fees.").

Multiple district courts—both before and after this Court's decision in *Octane Fitness*—have declined to award attorney fees in "exceptional" patent-infringement cases where they deemed that such an award is unjustified. *See Princeton Digital Image Corp. v. Office Depot Inc.*, No. 13-239, 2016 WL 1533697, at *16-17 (D. Del. Mar. 31, 2016) (denying a motion for attorney fees under § 285 despite finding the case "exceptional"); *McKesson Info. Solutions Inc. v. Bridge Med., Inc.*, No. S-02-2669 FCD KJM, 2006 WL 2583025, at *6, *11 (E.D. Cal. Sept. 6, 2006) (denying a motion for attorney fees under § 285 despite finding the case "exceptional"); *eSpeed, Inc. v. Brokertec USA, L.L.C.*, 417 F. Supp. 2d 580, 601 (D. Del. 2006) ("[D]espite . . . my finding that this is an exceptional case [under § 285], I decline to award attorneys' fees to Brokertec."); *cf. Birthright v. Birthright Inc.*, 827 F. Supp. 1114, 1144-45 (D.N.J. 1993) (denying attorney fees despite finding the case "exceptional" in a trademark-infringement case under 15 U.S.C. § 1117(a), a statute that, like 35 U.S.C. § 285, permits an award of attorney fees only "in exceptional cases").

Had the district court here wanted to avoid imposing attorney fees in addition to the Rule 11 sanctions that it had awarded, the district court easily could have: (i) concluded that the case was "exceptional" within the meaning of § 285; but

(ii) exercised its discretion not to award § 285 fees in view of the Rule 11 sanction award. But the district court did not do this. Instead, the district court held that the case was not "exceptional" within the meaning of § 285, and the Federal Circuit affirmed. Merit does not challenge that finding here. Because this case was found not to be "exceptional," an award of attorney fees under § 285 is barred by the plain language of the statute.

In sum, the district court's finding that the case is not "exceptional" precludes an award of § 285 fees as a matter of law. Because Merit has not challenged that finding before this Court, the conditional cross-petition should be denied.

B. Merit's Motion for Attorney Fees Under § 285 Was Properly Denied as Untimely

Merit does not address the district court's correct conclusion that: (i) Merit had not filed its § 285 motion until "three months" after the district court's May 2019 opinion and judgment (Pet. App. 53a); and (ii) Merit was "keenly aware of Plaintiff's conduct and had the ability to seek relief under § 285 previously," (Pet. App. 54a). These findings alone require denial of Merit's motion for attorney fees under § 285.

Under the Federal Rules of Civil Procedure, "[u]nless a federal statute, [the Federal Rules of Civil Procedure], or a court order provides otherwise," a motion for attorney fees must be filed "no later than 14 days after the entry of judgment[.]" Fed. R. Civ. P. 54(d)(2)(B)(i). The Federal Circuit has correctly concluded that "any claim to attorney fees [under 35

U.S.C. § 285] must be processed in compliance with Rule 54(d)(2)(B). No provision in section 285 exempts requests for attorney fees thereunder from compliance with Rule 54(d)(2)(B)." *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1386 (Fed. Cir. 2005). There, the Federal Circuit concluded that because the movant for § 285 attorney fees filed the motion three days out of time, the district court abused its discretion in granting the motion for fees. *Id.* at 1384-86. Accordingly, the Federal Circuit reversed, finding that the motion for attorney fees should have been denied as untimely. *Id.* Similarly here, Merit's motion for attorney fees under § 285 is barred because it was filed long after the expiration of the time period set forth in Rule 54(d)(2)(B)(i). The district court therefore rightly criticized Merit for waiting until three months after the entry of judgment to file its motion under § 285.

Khan anticipates that Merit will argue that its motion was timely under Northern District of Illinois Local Rule 54.3(b), which purports to permit motions for attorney fees 90 days after the entry of judgment. N.D. Ill. LR 54.3(b). But Local Rule 54.3(b) is inconsistent with Federal Rule 54(d)(2)(B), which unambiguously provides that a motion for attorney fees must be filed within 14 days of the entry of judgment "[u]nless a statute or a court order provides otherwise[.]" Fed. R. Civ. P. 54(d)(2)(B)(i). "A local rule must be consistent with . . . federal statutes and rules adopted under 28 U.S.C. §§ 2072 and 2075[.]" Fed. R. Civ. P. 83(a)(1); *cf. Nat'l Org. of Veterans' Advocates, Inc. v. Sec'y of Veterans Affairs*, 981 F.3d 1360, 1384 (Fed. Cir. 2020) (en banc) (noting that "[t]he courts of appeals have uniformly rejected district court rules

setting a time limit inconsistent with the Federal Rules of Civil Procedure" and collecting cases).

Rule 54(d)(2)(B)(i) makes clear that the 14-day limit to file a motion for attorney fees may be altered only by statute, a Federal Rule, or a court order. A local rule does not fall into any of these categories. Therefore, the 90-day time period in Local Rule 54.3(b) is inconsistent with the 14-day period in Federal Rule 54(d)(2)(B)(i). When a local rule is inconsistent with the Federal Rules of Civil Procedure, the local rule is invalid. *See, e.g.*, *In re Ricoh Co. Patent Litig.*, 661 F.3d 1361, 1370 n.5 (Fed. Cir. 2011) (collecting cases). A leading civil-procedure treatise persuasively explains why a district court's local rule cannot validly alter the time set forth in Federal Rule 54(d)(2)(B):

> The adoption of Rule 54(d)(2) was intended to provide a uniform time for fee motions and to ensure that the fee opponent has notice of the motion in time to affect the decision to appeal . . . [i]f local rules are allowed to displace Rule 54(d)(2), these purposes of the national rule will be defeated. In allowing the provisions of Rule 54(d)(2) to be displaced by a court order, the drafters were merely recognizing that, in some cases, an order extending the time period would be more fair to the litigants. Moreover, in simultaneous amendments, the drafters expressly provided that the disclosure requirements of Rule 26 could be altered by "order or local rule," thus demonstrating that they knew and understood the distinction between an order and a rule. Accordingly, a local

> rule inconsistent with the 14-day provision of Rule 54(d)(2)(B)(i) should be considered invalid under [Federal Rule of Civil Procedure] 83.

10 Moore's Fed. Practice – Civil § 54.151 (2018); *see also Jones v. Cent. Bank*, 161 F.3d 311, 313-14 (5th Cir. 1998) (Smith, J., dissenting) (recognizing that "court orders are not the same thing as local rules" and concluding that a local rule that provides for 30 days from the judgment to move for attorney fees is invalid). The analyses in Moore's and in Judge Smith's opinion are persuasive. The cases that have found to the contrary have relied on the notion that a local rule constitutes a "standing [court] order." *See, e.g.*, *Jones*, 161 F.3d at 313. But this is incorrect, because the Federal Rules specifically envision a distinction between local rules and standing orders. *See* Fed. R. Civ. P. 83 advisory committee's note to 1985 amendment (providing that "standing orders [must not be] inconsistent with the Federal Rules or any local district court rules"); *see also CX Reinsurance Co. v. Johnson*, 977 F.3d 306, 315 (4th Cir. 2020) (reasoning that because "material differences exist between a court's standing orders and local rules, and Rule 54 does not treat them the same" . . . "a local rule cannot be equated with a 'court order,' as that term is used in Rule 54"). Accordingly, a local rule is not a "court order" within the meaning of Federal Rule 54(d)(2)(B). Indeed, another leading civil-procedure treatise (Wright & Miller) has recognized that treating a local rule as a standing order "would gut the limits of Rule 83." 12 Fed. Prac. & Proc. Civ. § 3153 (3d ed. Oct. 2020 update).

In sum, Merit's motion for attorney fees under § 285 was untimely under the Federal Rules of Civil Procedure. Accordingly, the district court correctly denied the motion, and the Federal Circuit properly affirmed this denial. Because the untimely nature of Merit's motion is an independent basis for denial of fees, a grant of certiorari on the Rule 11 issue would not warrant a grant of Merit's cross-petition.

II. There Is No Other Basis for Granting Merit's Cross-Petition

Merit offers no other basis for granting its conditional cross-petition. Nor can it, as the district court's finding that the case is not "exceptional" is a fact bound, straightforward application of precedent from this Court. Simply put, the district court found that this case was not "so 'exceptional' as to justify an award of attorney's fees in [this] patent litigation." *Octane Fitness*, 572 U.S. at 556. And the Federal Circuit concluded that the district court did not abuse its discretion in so finding. *See Highmark*, 572 U.S. at 563 (providing that the exceptional-case determination under § 285 is to be reviewed for abuse of discretion). Nothing about these unremarkable conclusions warrants this Court's review.

CONCLUSION

The conditional cross-petition for a writ of certiorari should be denied.

Respectfully submitted,

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