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Court Orders Owner of Patent with Claims Considered Abstract Under Alice to Pay Attorney Fees

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On December 17, 2015, an Eastern District of Texas Court ordered patent owner eDekka to pay attorney fees amounting to $390,829 to 23 defendants. *eDekka LLC v. 3Balls.com, Inc., et al.*, Case No. 2:15-CV-541 JRG (E.D. Tex. December 17, 2015). The Court based its decision in part on its conclusion that the claims were directed to an abstract idea under *Alice Corp. Pty. Ltd. v. CLS Bank International,* 134 S. Ct. 2347 (2014). Further, the Court noted that the case was litigated in an unreasonable manner.

Patent owners contemplating multiple, contemporaneous actions based upon business or software method type claims and other claims that may be susceptible to challenges based on § 101, should take heed of this decision. In particular, the patent owner should assess the chances of having the claims invalidated under *Alice*, and consider strategies for reducing the risk that an adverse ruling would result in a finding that the case is exceptional.

Background
eDekka, a non-practicing entity, brought suit against 130 defendants alleging infringement of U.S. Patent No. 6,266,674 ("the '674 Patent").

Numerous defendants filed motions to dismiss the case under 35 U.S.C. § 101, contending that the '674 Patent was directed to unpatentable subject matter under Alice. The Court granted defendants' motions and held that the claims of the '674 Patent were patent-ineligible under § 101. Defendants subsequently filed a motion asking the Court to find the case "exceptional" under 35 U.S.C. § 285.

35 U.S.C. § 285 states "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 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." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). "[U]nder Octane Fitness, the district court must consider whether the case was litigated in an unreasonable manner as part of its exceptional case determination . . . ." SFA Sys., LLC v. Newegg, Inc., 793 F.3d 1344, 1349 (Fed. Cir. 2015).

In holding the case to be exceptional, the Court stated "the '674 Patent is demonstrably weak on its face, despite the initial presumptions created when this patent was issued by the PTO." The Court further noted that claims were not tied to any computer, generic or specialized, and that "Claim 1 essentially describes the common process of receiving, labeling, and storing information, while Claim 3 encompasses retrieving such information." In view of these aspects, the Court concluded, "no reasonable litigant could have reasonably expected success on the merits when defending against the numerous § 101 motions filed in this case."

The Court further stated that the case was litigated in an unreasonable manner. In particular, the Court noted that eDekka had filed similar lawsuits against over 200 defendants and that eDekka's typical

litigation strategy was to avoid having any case tested on the merits, in favor of early settlements well below the cost of defense.

In light of this ruling, patentees should consider the factors evaluated by the court before launching multi-party litigation. These would include consideration of the number and timing of the lawsuits; the settlement demands and settlement record; the status of the litigation; prior Patent Office proceedings; and other factors unique to the particular situation. Likewise, defendants should consider employing additional defensive strategies in light of this ruling, as well as opportunities to “fast track” dispositive issues before the court.

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If you have any questions or wish to discuss how this decision may impact your business please contact a Brinks attorney.