

Judge Gilstrap awards Section 285 fees where Plaintiff's Section 101 positions cross the “threshold of exceptionality.”

January 07, 2016 | Blog | By [Michael C. Newman](#), [Robert J.L. Moore](#)

VIEWPOINT TOPICS

- Intellectual Property

RELATED PRACTICES

RELATED INDUSTRIES

On December 17, 2015, Judge Rodney Gilstrap of the Eastern District of Texas (EDTX) ruled that, in light of *Alice Corporation Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014) (“Alice”), a plaintiff’s position on the validity of the patent-in-suit under § 101 was “objectively unreasonable” and that the harm to the defendants was compounded by the plaintiff litigating in “an unreasonable manner[.]” meriting an award of attorneys’ fees under 35 U.S.C. § 285. *eDekka LLC v. 3balls.com, Inc. et al.*, C.A. Nos. 2:15-cv-541 and 2:15-cv-585 (Dec. 17, 2015). Judge Gilstrap, who presides over the busiest patent docket in the country, found “a clear need to advance considerations of deterrence” in light of eDekka’s “unreasonable § 101 positions and vexatious litigation strategy.”

The ruling provides useful guidance on what constitutes an “exceptional case” under § 285, particularly in the wake of *Alice* and its progeny. Practitioners in EDTX should pay particular attention, given that up until now, judges in EDTX have found a low proportion of software patents invalid under § 101 and have granted few exceptional case motions.

“Objectively Unreasonable” Validity Position

On September 21, 2015, the Court granted defendants’ motions for summary judgment, ruling that the patent-in-suit claimed unpatentable subject matter. The patent-in-suit (**U.S. Patent No. 6,266,674**, entitled “Random Access Information Retrieval Utilizing User-Defined Labels”) claims methods and apparatuses for information storage and retrieval that enables both random and customizable access via user-defined labels and data-structures. The Court focused on two claims identified in the complaint, one claiming a method of receiving and storing information (Claim 1), the second claiming a method of retrieving said information and conveying it to the user (Claim 3). Judge Gilstrap found that both claims are directed to the abstract idea of “storing and labeling information[.]” the claimed idea representing “routine tasks that could be performed by a human.” *eDekka LLC v. 3balls.com, Inc.*, No. 2:15-CV-541 JRG, 2015 U.S. Dist. LEXIS 125990 at *19-21 (E.D. Tex. Sep. 21, 2015). Further, Judge Gilstrap ruled that the claims lacked any inventive concept sufficient to transform the abstract idea into a patentable invention, as the computer-related claim terms, “such as ‘data structure,’ ‘data,’ ‘input,’ and ‘label,’” did not meaningfully limit the patent from preempting the abstract idea itself. *Id.*

In his December 2015 ruling, Judge Gilstrap found the plaintiff’s conduct exceptional under § 285:

“

“...the [patent-in-suit] is demonstrably weak on its face, despite the initial presumptions created when this patent was issued by the PTO.... The [patent-in-suit] claims were clearly directed toward unpatentable subject matter, and no reasonable litigant could have reasonably expected success on the merits when defending against the numerous § 101 motions filed in this case.”

Gilstrap’s ruling rejected several “insupportable” arguments made by plaintiff eDekka for its information storage patent, including claims that the patent improved the functioning of technology, served an educational purpose for computer users, and required a special purpose computer. eDekka’s § 101

arguments, on the whole, were enough to motivate Gilstrap to advance considerations of deterrence and support an “exceptional” case finding.

“Litigated in an Unreasonable Manner”

Gilstrap also found the case exceptional on the basis of the plaintiff’s unreasonable manner of litigation. Citing eDekka’s litigation history in EDTX, consisting of numerous “strikingly similar” lawsuits, Gilstrap found that the suit in question was yet another example of “an aggressive strategy that avoids testing [a] case on the merits and instead aims for early settlements falling at or below the cost of defense.” Based upon the Court’s in camera review of eDekka’s settlements to date, the Court found “a pattern of defendants that agreed to settlements at relatively early points in the litigation for amounts significantly below the cost of taking a patent case to trial. Further, on September 8, 2015, just two days before the September 10, 2015 § 101 hearing, counsel for eDekka contacted numerous defendants with offers to settle their cases for three-thousand dollars each.” Judge Gilstrap found that “[t]hese offers represent extraordinarily low amounts” and as a result he found that “it is reasonable to conclude that eDekka acted with the goal of “exploiting the high cost to defend complex litigation” to extract “nuisance value settlement[s]” and he stated that such tactics contributed significantly to his court’s finding that the case was “exceptional.”

A Rare Outcome in EDTX

This ruling stands out given EDTX’s earned reputation as a jurisdiction that grants comparatively fewer *Alice* motions and even fewer exceptional case motions. Indeed, these issues are rarely before an EDTX judge.

To date since *Alice*, over 3,120 patent cases have been filed in EDTX. This comprises about 20% of the nationwide total of 15,552. Despite the large share of patent cases in EDTX, the judges there have issued just 4% of the nationwide total for rulings on subject matter eligibility under § 101. During that time, judges nationwide have granted 41% (149 of 361) of motions to dismiss, for judgment on the pleadings, or for summary judgment on the ground that the patents-in-suit claim ineligible subject matter. Counting *eDekka*, EDTX judges in this span, in contrast, have granted just 33% (5 of 15).

This is the second time Judge Gilstrap has awarded attorneys’ fees under § 285 since the Supreme Court’s April 2014 opinion *Octane Fitness LLC v. Icon Health & Fitness Inc.*, 134 S.Ct. 1749 (2014) (“*Octane Fitness*”), eschewing the old Federal Circuit test for “exceptional case” in favor of a totality of the circumstances test. EDTX judges altogether during the same time period have granted 13% (five (5) of thirty-eight (38)) motions for fees under § 285. Across the country, these motions have been granted 30% of the time (106 out of 355).

Authors



Michael C. Newman, Member

Michael C. Newman represents Mintz clients in intellectual property disputes, with a focus on Section 337 investigations before the US International Trade Commission. His experience spans all phases of litigation. Michael successfully represents patent owners in inter partes review proceedings.



Robert Moore