

FEDERAL CIRCUIT DECISIONS FOR WEEK ENDING JANUARY 6, 2012

Martec, LLC v. Johnson & Johnson et al. (January 3, 2012) (precedential) (3-0) Patent Nos. 7,128,753 & 7,217,290

Key point(s):

- Absent litigation misconduct or misconduct in securing the patent, the court can award fees only if the litigation is both brought in subjective bad faith and is objectively baseless.
- In appropriate cases, a court has inherent authority to award expert fees in addition to an award of attorney's fees under §285.

Facts/Background: Martec sued Cordis for infringement of the '753 and '290 patents, both of which are directed at surgical instruments bonded with antibiotic polymer material. The accused Cordis products were balloon stents used to treat coronary artery disease. The Cordis stents are an embodiment of an invention patented by Cordis (the "Palmez stent"). Based on the specification and prosecution history, the district court construed the term "bonded" as requiring heat-bonding. The court also found Martec disclaimed coverage of stents (and specifically the Palmez stent) during prosecution. The court granted summary judgment of non-infringement, affirmed on a prior appeal. Thereafter, the district court found the case to be exceptional and awarded Cordis more than \$4.6 million in attorney's fees, expenses, and (pursuant to its inherent powers) expert fees. The court found that Martec's infringement allegations were baseless, and that it acted in bad faith both in bringing and in maintaining the lawsuit. Martec also unjustifiably ignored the specification and the prosecution history during claim construction, mischaracterized the court's construction of the term "bonded" thereafter, and attempted to present clearly unreliable and inadmissible expert testimony on infringement.

Holding: The Federal Circuit affirmed. An award of attorney fees under §285 requires a two-step inquiry: (1) did the prevailing party prove an exceptional case by clear and convincing evidence and (2) if so, is an award of attorneys' fees justified. Absent litigation misconduct or misconduct in securing the patent, the court can award fees only if the litigation is both brought in subjective bad faith and is objectively baseless. Here, the court rejected Martec's argument that the district court relied on the wrong standard because the lower court did not expressly find "subjective" bad faith. Read in its entirety, the court's decision reflected a determination that Martec had acted in bad faith in filing a baseless infringement action and continuing to pursue it despite the lack of infringement evidence. It also reflected the lower court's conclusion that Martec had engaged in vexatious and unjustified litigation conduct that unnecessarily prolonged the proceedings, forcing Cordis to incur substantial expense (including its expert fees). Although the lower court did not expressly state that Martec had acted in "subjective" bad faith, the court's use of the term "bad faith," coupled with its other findings, was sufficient. The Federal Circuit also agreed that Martec's claim construction positions were frivolous. Accordingly, there was no clear error in the findings of bad faith and objective baselessness. The lower court's findings also supported its conclusion that Martec engaged in litigation misconduct – a separate and independent ground for the award of fees. Finally, the Federal Circuit approved the lower court's use of its inherent power to award Cordis substantial expert fees incurred a result of Martec's misconduct, costs for which Cordis would not otherwise be adequately compensated.