

2020-1639

In The
**United States Court Of Appeals
For The Federal Circuit**

INNOVATION SCIENCES, LLC,
Plaintiff - Appellant,

v.

AMAZON.COM, INC.,
Defendant - Appellee.

**ON APPEAL FROM THE UNITED STATES COURT FOR THE
EASTERN DISTRICT OF VIRGINIA - CASE NO. 1:16-CV-00861-LO-MSN**

**CORRECTED APPELLANT'S COMBINED PETITION FOR
PANEL REHEARING AND REHEARING *EN BANC***

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January 19, 2021

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF INTEREST

Case Number 2020-1639
Short Case Caption Innovation Sciences, LLC v. Amazon.com, Inc.
Filing Party/Entity Innovation Sciences, LLC

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box.** Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 01/19/2021

Signature: /s/ James D. Berquist

Name: James D. Berquist

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	2. Real Party in Interest. Fed. Cir. R. 47.4(a)(2).	3. Parent Corporations and Stockholders. Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities.	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities.
<input type="checkbox"/> None/Not Applicable	<input checked="" type="checkbox"/> None/Not Applicable	<input checked="" type="checkbox"/> None/Not Applicable
Innovation Sciences, LLC		

Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

None/Not Applicable Additional pages attached

5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

None/Not Applicable Additional pages attached

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6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

None/Not Applicable Additional pages attached

TABLE OF CONTENTS

	Page:
CERTIFICATE OF INTEREST	
TABLE OF CONTENTS.....	i
TABLE OF AUTHORITIES	ii
I. STATEMENT OF COUNSEL PURSUANT TO RULE 35(b)(2)	1
II. POINTS OVERLOOKED OR MISAPPREHENDED BY THE PANEL.....	2
III. ARGUMENT IN SUPPORT OF MOTION FOR REHEARING	3
A. District Courts Must Not Be Permitted To Penalize Litigants For Appealing From Adverse Claim Constructions	3
B. Other Factual Errors Also Compel Reversal	9
IV. ARGUMENT IN SUPPORT OF MOTION FOR REHEARING <i>EN BANC</i>	13
V. CONCLUSION.....	14
ADDENDUM	
CERTIFICATE OF FILING AND SERVICE	
CERTIFICATE OF COMPLIANCE	

TABLE OF AUTHORITIES

Page(s):

Cases:

<i>AdjustaCam, LLC v. Newegg, Inc.</i> , 861 F.3d 1353 (Fed. Cir. 2017)	1, 5, 14
<i>Arbmatics, LLC v. Dexcom Inc.</i> , 2020 WL 7828744 (Fed. Cir. Dec. 31, 2020)	4
<i>Bayer CropScience AG v. Dow AgroSciences LLC</i> , 851 F.3d 1302 (Fed. Cir. 2017)	5
<i>Electronic Communication Techs, LLC v. Shopperschoice.com, LLC</i> , 963 F.3d 137 (Fed. Cir. 2020)	5
<i>Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.</i> , 134 S. Ct. 1744 (2014).....	1, 5, 14
<i>Mentor Graphics Corp. v. Quickturn Design Sys., Inc.</i> , 150 F.3d 1374 (Fed. Cir. 1998)	5
<i>Octane Fitness, LLC v. ICON Health & Fitness, Inc.</i> , 134 S. Ct. 1749 (2014).....	<i>passim</i>
<i>Starhome GmbH v. AT&T Mobility LLC</i> , 743 F.3d 849 (Fed. Cir. 2014)	1, 4, 14

Statutes:

35 U.S.C. § 101	9, 10, 12
35 U.S.C. § 112.....	7

I. STATEMENT OF COUNSEL PURSUANT TO RULE 35(b)(2)

Based on my professional judgment, I believe the Panel Decision issued January 5, 2021 is contrary to the following precedents and/or fails to correct the prejudicial errors adopted by the district court:

1. *Starhome GmbH v. AT&T Mobility LLC*, 743 F.3d 849,854 (Fed. Cir. 2014), citing with favor practice of stipulating to non-infringement in light of unfavorable claim constructions and appealing from those constructions. The approach adopted by the district court and approved in the Panel Decision punishes litigants for appealing from adverse claim constructions even when those appeals are partially successful;

2. *AdjustaCam, LLC v. Newegg, Inc.*, 861 F.3d 1353, 1358-59 (Fed. Cir. 2017), finding the deference given district courts to decide fees motions is not absolute, a district court abuses its discretion when its ruling rests on an erroneous legal conclusion or on a clearly erroneous assessment of the evidence, *see also Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1748 n.2 (2014) (same); and

3. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014), requiring courts to consider the “totality of the circumstances” in determining whether a case is exceptional.

January 19, 2021

/s/ James D. Berquist
James D. Berquist
Davidson Berquist Jackson & Gowdey, LLP
Attorney Appellant *Innovation Sciences, LLC*

II. POINTS OVERLOOKED OR MISAPPREHENDED BY THE PANEL

The panel erred in its review of the following critical factual and legal points in affirming the district court's award of fees in this case:

1. The Appellant initiated a lawsuit in good faith asserting, among others, United States Patent No. 9,369,844 ("the '844 patent"). After receiving an adverse claim construction for this patent, Appellant stipulated to non-infringement and appealed from the claim construction. The Panel Decision wrongfully affirmed the district court's determination that Appellant's stipulation and appeal was unreasonable. Not only was Appellant's approach reasonable, this Court did not find Appellant's appeal to be frivolous and Appellant's appeal was partially successful. Appellant did exactly what a patent owner plaintiff should have done under the circumstances and Appellant's decision to stipulate to non-infringement should have been treated as evidence of good faith in evaluating the totality of the circumstances as required by the Supreme Court. Neither the district court nor the Panel Decision did so. Punishing a litigant for doing exactly what it should have done is bad law and serves to deter litigants from exercising their constitutionally protected right to appeal.

2. The panel erred by conducting the entirety of its review under the abuse of discretion standard instead of correcting the factual and legal errors made by the district court under the applicable less deferential standard. Contrary to the district court's conclusion:

- Appellant did not lack an infringement theory for the claims of the '844 patent. A stipulation of non-infringement in light of an adverse claim construction is not evidence that a patent owner never had a viable theory of infringement;

- Fees should not have been awarded based on the district court’s belief that the claims of the ‘844 patent *might* be invalid, especially where no such finding was ever made and the district court’s belief is based, in part, on a claim construction rejected by this Court; and
- The *Markman* construction did not “notify Innovation that the ‘140 patent was legally insufficient either as patent ineligible subject matter or because it lacked a written description.” The district court’s claim construction had actually rejected *Amazon’s* proposed construction and adopted *Appellant’s construction* because “the specifications appear to support VIS’s construction.”

These factual and legal errors were central to the district court’s exceptional case determination but were not reviewed or corrected by the Panel Decision.

III. ARGUMENT IN SUPPORT OF MOTION FOR REHEARING

The panel erred and failed to follow Supreme Court precedent by improperly accepting the district court’s factual and legal errors and reviewing only the district court’s ultimate exceptional case finding. That determination, however, was predicated on several underlying errors that should have been corrected in the Panel Decision.

A. District Courts Must Not Be Permitted To Penalize Litigants For Appealing From Adverse Claim Constructions

The district court found that “pursuit of the ‘844 patent claim after construction was baseless.” Appx0005. The district court based that erroneous conclusion on the mistaken understanding that Appellant:

... proceeded to appeal without a viable theory of infringement, and then prolonged the case by insisting on remand – caused by

Innovation's own lack of clarity and specificity in the stipulation
– without an infringement theory.

Appx0006. The district court misconstrued both the facts and the law to reach that conclusion.

The undisputed facts are simple. The district court accepted Amazon's constructions for four claim terms of the '844 patent. Because those constructions precluded infringement, Appellant stipulated to non-infringement and preserved its right to appeal from those claim constructions. Under the district court's exceptional case analysis, Appellant should not have appealed from the adverse claim constructions because it then lacked "a viable theory of infringement." That analysis, however, turns logic on its head and misconstrues the situation.

Appellant lacked a post-*Markman* infringement theory for the '844 patent but only because of the constructions adopted by the district court. That is why Appellant stipulated to non-infringement. Appellant, however, intended to resurrect its infringement case by having those constructions reversed on appeal. That is exactly the approach Appellant should have taken under the circumstances.

Starhome GmbH v. AT&T Mobility LLC, 743 F.3d 849,854 (Fed. Cir. 2014); *see also Arbmetics, LLC v. Dexcom Inc.*, 2020 WL 7828744 at *2 (Fed. Cir. Dec. 31, 2020). Appellant's decision to stipulate to non-infringement demonstrated good faith. The district court's mistaken conclusion that Appellant had no basis to appeal is without legal or evidentiary support and should have been corrected on appeal.

Appellant did exactly what it was supposed to do – it appealed from the claim constructions because it lacked a viable infringement position *under the constructions adopted by the district court*. That is different than saying that Appellant never had a viable infringement theory for that patent. Appellant’s actual infringement theories for the ‘844 patent were never considered, let alone decided, either at the district court level or by this Court. While it may be appropriate to review a district court fee determination under the abuse of discretion standard, that same standard does not apply to factual and legal errors upon which that conclusion relies. *Highmark*, 134 S. Ct. 1744, 1748 n.2 (a district court abuses its discretion when its ruling rests on an erroneous legal conclusion or clearly erroneous factual findings); *see also AdjustaCam*, 861 F.3d at 1358-59; *Electronic Communication Techs, LLC v. Shopperschoice.com, LLC*, 963 F.3d 137, 1376 (Fed. Cir. 2020); *Bayer CropScience AG v. Dow AgroSciences LLC*, 851 F.3d 1302, 1306 (Fed. Cir. 2017); *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1377 (Fed. Cir. 1998).

As a result of Appellant’s appeal, this Court reversed on the four disputed claim terms. Although the reversed construction was believed to be a key term, at oral argument Appellant’s counsel was not certain that reversal of that one construction would be enough to resurrect its infringement claim on remand. Accordingly, Appellant’s counsel was unable to commit to a position on that question, on the fly, in response to Judge Moore’s questions from the bench.

The case was remanded to the district court. Following remand, Appellant determined that the reversal of just that one construction was not enough. Accordingly, Appellant dismissed that last remaining infringement claim before the district court conducted a status conference on remand.

Once again, Appellant did exactly what it was supposed to do. None of these facts are in dispute. Appellant evaluated its allegations in light of the changed circumstance and demonstrated its good faith, again, by dismissing its case. The district court, however, mistakenly treated counsel's inability to extemporaneously commit to non-infringement during oral argument as having "prolonged the case by insisting on remand." Appx0006. That conclusion is inconsistent with the fact that after analyzing the ramifications of this Court's decision Appellant promptly dismissed its claims following remand and the fact that there was nothing to gain by "prolonging" the case. Appellant's inability to commit to dropping its case on the fly during oral argument provided no basis to find Appellant's conduct exceptional. The district court's erroneous contrary finding should have been reversed on appeal.¹ Instead, the panel simply accepted

¹ The district court appears to have misconstrued Judge Moore's comments from the bench as greenlighting a fee award. What Judge Moore said, however, was that a fee award might be appropriate "*if the case is not disposed of promptly*" *should Appellant find it had no basis to proceed on remand.* Appx3598. Because Appellant promptly dismissed its remaining claims on remand, that condition was not satisfied.

the district court's error and relied upon that error as a basis to affirm. *See* Panel Decision, p. 5-6. This was a critical oversight.

The district court *further* erred in finding that “the *Markman* order cast significant doubt on the patent's validity under 35 U.S.C. § 112” as additional grounds upon which to conclude that Appellant's conduct relating to the '844 patent was exceptional. Appx0005. The district court never ruled on the question of the '844 patent's validity and thus that issue was never reviewed on appeal. It was improper for the district court to support its exceptional case finding on a decision that *might* have been entered and *might* have been affirmed on appeal. Neither event actually occurred. Not only did the district court not find the '844 patent invalid, it denied Amazon's motion seeking summary judgment seeking that specific finding.

The district court's conjecture that the '844 patent *might* have been invalidated had Appellant not stipulated to non-infringement is further undermined by the fact that the district court based its finding, in part, on the suggestion that “the specification contemplated a single device where the specification recited two devices.” Appx0005. While that conclusion formed an important part of the district court's *Markman* analysis, *see* Appx0156-0157, that was the one claim construction this Court reversed on appeal. Appx3618-3620. The district court's reliance on that argument as support for a fee award was plain error.

The collective factual and legal mistakes made by the district court as to just the ‘844 patent caused that court to mistakenly convert Appellant’s demonstrations of *good faith* (stipulating to infringement and filing its appeal; analyzing its infringement position and dismissing the district court case on remand) into support for the exceptional case finding. No aspect of Appellant’s conduct with regard to the ‘844 patent was improper. Indeed, the opposite is true. When the district court’s claim constructions prevented Appellant from maintaining its infringement contentions, Appellant stipulated to non-infringement and preserved the right to appeal from those constructions. That is exactly what Appellant should have done. That decision, combined with the later decision to dismiss its claims on remand, demonstrates Appellant’s good faith.

The district court should have considered Appellant’s good faith as part of the “totality of circumstances” analysis required by controlling precedent. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). The numerous errors committed by the district court resulted in it doing the exact opposite – treating both the stipulation and the later dismissal as evidence of bad faith - and effectively avoiding the analysis required by controlling precedent.

Even if none of the other error made by the district court are reversed, the factual and legal errors made in connection with just the ‘844 patent require at least a remand for the district court to conduct the analysis required by *Octane*

Fitness. If Appellant’s appeal was frivolous, it was up to this Court to make that determination. That decision was not within the province of the district court, especially where this Court made no such finding and Appellant’s appeal was partially successful.

B. Other Factual Errors Also Compel Reversal

Other aspects of the district court’s determinations were based on factual errors and also should not have survived review.

The district court began its logically flawed analysis with the observation that “Innovation’s lawsuit was substantively weak before claim construction.”

Appx0004. The Panel Decision gave significant weight to that conclusion as a basis to find that the district court had not abused its discretion. Panel Decision p. 5. The district court’s analysis, however, missed its mark and it should not have been used as a basis to support the district court’s exceptional case conclusion.

Appellant’s action involved four different technologies: (1) video signal conversion (eight patents called “the ‘492 patent family”); (2) a system for wireless communication of information relating to the status of and replenishment of merchandise (“the ‘844 patent”); (3) a method of facilitating online shopping and payment (“the ‘140 Reissue patent”); and (4) the transfer of a multimedia content item to an alternate display (“the ‘398 patent”). The district court relied on the fact that all eight patents in the ‘492 patent family had been invalidated under 35 U.S.C. §

101 as support for finding the action “substantively weak before claim construction.” Appx0004.

The finding that the patents in the ‘492 patent family were all directed to ineligible subject matter provided no guidance or insight into the validity of *the other three asserted patents*. Those other three patents were directed to different technologies. The district court made no finding that Appellant’s assertion of any of these other three patents were weak prior to the *Markman* order, *id.*, and the district court had no basis to make such a finding. The district court supported its conclusion that Appellant’s lawsuit was weak before claim construction with reference only to the fact that all eight patents in the ‘492 patent family had been invalidated under Section 101. Appx0004.

Logically, however, it makes no sense to use the invalidation of the patents in the ‘492 patent family to impute weakness of Appellant’s infringement claim under the ‘844 patent, the ‘140 Reissue patent, or the ‘398 patent. This is especially true here where the district court had denied Amazon’s Rule 12(b) motion attacking the ‘140 Reissue patent under Section 101 and had rejected Amazon’s argument that Appellant’s pre-*Markman* conduct was exceptional. Appx0004. The district court erred by finding that the invalidation of the patents within the ‘492 patent family somehow weakened or tainted the assertion of the other three patents. That

conclusion was not supported by the premise. The Panel Decision erred by accepting that mistaken logic as the basis of the affirmance. *See* Panel Decision, p. 5.²

Nor should the district court's analysis of Appellant's conduct relating to the '140 Reissue patent have withstood scrutiny. According to the district court, "the *Markman* order notified Innovation that the '140 patent was legally insufficient either as patent ineligible subject matter or because it lacked a written description.

Appx0004. The panel credited this factual determination even though the *Markman* order did neither. *See* Panel Decision, p. 5.

The *Markman* order itself noted that the district court rejected Amazon's proposed construction because it "is not supported in any way by either the claims or the specifications." Appx0176. By contrast, the district court found that "the specifications appear to support VIS's construction." *Id.* The district court went further and quoted specific portions of the specification that supported Appellant's construction. That construction accepted the plain and ordinary meaning of the words of the disputed claim phrase – simply that the online communications switch from the listing website to a payment website.

Although the Court characterized its claim construction as the result of two "unsatisfactory answers," that statement in no way supported a finding that Appellant

² Like the Panel Decision here, the district court made its exceptional case determination without a hearing. Appellant respectfully submits that a hearing would have provided an opportunity to ferret out these factual misunderstandings.

should have dropped its infringement claims under the ‘140 Reissue patent or stipulated to invalidity (under §§ 101 or 112). No rational litigant would view the district court’s *Markman* order as clear guidance that the ‘140 Reissue patent was legally insufficient under either Section 101 or Section 112. Appx0004. The district court’s *Markman* order provided no basis for Appellant, or any reasonable litigant, to question the presumption that the ‘140 Reissue patent was valid or to stipulate to invalidity. Indeed, the district court was unable to articulate which statutory section was in play even as late at the fees motion. The district court’s determination that its *Markman* order put Appellant on notice that the ‘140 Reissue patent was invalid under Section 101 is clear error.

Further, the district court’s conclusion that the *Markman* order put Appellant on notice that the ‘140 patent would be found invalid is factually wrong in another material respect. In reaching that conclusion, the district court mistakenly relied upon the finding it made in its summary judgment order, not the *Markman* order. Appx0004 (citing Dkt. 203 (summary judgment order) at 10-12). Appellant was undeniably on notice of the district court’s view regarding validity after *summary judgment* had been granted. But the district court’s exceptional case finding improperly imputes that knowledge to Appellant as of the date of the earlier *Markman* order. This represents yet another uncorrected factual error the district court relied upon to find this case exceptional.

Finally, as to the ‘398 patent, while the district court premised its non-infringement summary judgment on the constructions it had adopted for two disputed claim phrases, this Court affirmed the non-infringement finding based on only one of those constructions. This Court chose to not address the other disputed construction. Nevertheless, the district court found Appellant’s conduct with regard to the ‘398 patent was exceptional because it had proffered “two meritless arguments” as to this patent. Appx0005. But neither the correctness of the district court’s construction of the term “format” nor its application of that term were affirmed.³ The panel decision adopted that error as support for its affirmance of the fee award. *See* Panel Decision, p. 5. This factual error provides a further basis to reconsider the district court’s exceptional case finding as part of the totality of the circumstances analysis required by *Octane Fitness*.

IV. ARGUMENT IN SUPPORT OF MOTION FOR REHEARING *EN BANC*

Rehearing *en banc* is necessary to maintain the uniformity of this Court’s decisions and conformity with Supreme Court precedent. As noted above, the Panel Decision is in direct conflict with precedent from the U.S. Supreme Court and precedent from this Court as follows:

³ The word “format” was inserted into the claim through the *Markman* process – the district court’s *Markman* order provided no guidance as to whether that requirement applied to the signal format or the display format. The district court’s meaning became clear only in the summary judgment ruling.

1. The practice of stipulating to non-infringement in light of unfavorable claim constructions and appealing from those constructions demonstrates good faith and does not render an action exceptional. *Starhome GmbH v. AT&T Mobility LLC*, 743 F.3d 849,854 (Fed. Cir. 2014).

2. The deference given district courts to decide fees motions is not absolute, a district court abuses its discretion when its ruling rests on an erroneous legal conclusion or on a clearly erroneous assessment of the evidence. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1748 n.2 (2014); *AdjustaCam, LLC v. Newegg, Inc.*, 861 F.3d 1353, 1358-59 (Fed. Cir. 2017).

3. The district court must consider the “totality of the circumstances,” including demonstrations of good faith, before determining whether a case is exceptional. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014).

V. CONCLUSION

This Court’s mandate is to identify and correct the errors committed by district courts. That did not happen in this case. Not one of the errors Appellant identified in its briefing was addressed in the Panel Decision. Because the panel overlooked or misunderstood the numerous factual and legal errors identified, including the critical error of misconstruing Appellant’s good faith decision to stipulate to non-infringement based on the district court’s claim construction as

evidence of misconduct, Appellant respectfully requests rehearing or rehearing *en banc* of the Panel Decision of January 5, 2021.

Respectfully submitted,

January 19, 2021

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NOTE: This disposition is nonprecedential.

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

**INNOVATION SCIENCES, LLC, FKA VIRGINIA
INNOVATION SCIENCES, INC.,**
Plaintiff-Appellant

v.

AMAZON.COM, INC.,
Defendant-Appellee

2020-1639

Appeal from the United States District Court for the
Eastern District of Virginia in No. 1:16-cv-00861-LO-MSN,
Judge Liam O'Grady.

Decided: January 5, 2021

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Before LOURIE, SCHALL, and MOORE, *Circuit Judges*.

PER CURIAM.

Innovation Sciences, LLC (“Innovation”) appeals from a decision of the United States District Court for the Eastern District of Virginia awarding attorney fees to Amazon.com, Inc. (“Amazon”). *See Innovation Scis., LLC v. Amazon.com, Inc.*, No. 1:16-cv-00861, 2020 WL 4934272 (E.D. Va. Feb. 18, 2020) (“*Fees Decision*”). We affirm.

BACKGROUND

This appeal marks the third time this case has come before this court. In its original complaint, Innovation accused Amazon of infringing eleven patents. The district court held that eight of those patents (“the ’492 patent family”) were directed to subject matter ineligible under 35 U.S.C. § 101. *Va. Innovation Scis., Inc. v. Amazon.com, Inc.*, 227 F. Supp. 3d 582 (E.D. Va. 2017) (“*101 Decision*”). We affirmed without opinion pursuant to Federal Circuit Rule 36. *See Va. Innovation Scis., Inc. v. HTC Corp.*, 718 F. App’x 988 (Fed. Cir. 2018).

The remaining three patents—U.S. Reissue Patent 46,140 (“the ’140 patent”), U.S. Patent 9,369,844 (“the ’844 patent”), and U.S. Patent 8,135,398 (“the ’398 patent”)—proceeded to claim construction. After claim construction, Innovation stipulated to noninfringement of the asserted claims of the ’844 patent, the district court granted summary judgment of noninfringement of the asserted claims of the ’398 patent, and the district court found that the asserted claim of the ’140 patent was directed to subject matter ineligible under 35 U.S.C. § 101. *See Va. Innovation Scis., Inc. v. Amazon.com, Inc.*, No. 1:16-cv-00861, 2017 WL 11500121 (E.D. Va. Dec. 22, 2017). Amazon moved for

attorney fees pursuant to 35 U.S.C. § 285, but the court declined to consider the motion until appeals were exhausted. *See Fees Decision*, 2020 WL 4934272, at *1.

Innovation appealed the district court's claim construction and summary judgment orders. We affirmed on all issues relating to the '398 and '140 patents. *See Innovation Scis., LLC v. Amazon.com Inc.*, 778 F. App'x 859, 871 (Fed. Cir. 2019). Regarding the '844 patent, we affirmed three of the four disputed claim constructions, reversed the remaining construction, and remanded the case because "the stipulation d[id] not specify whether our affirmance of all but one of the appealed constructions [wa]s dispositive." *Id.* On remand, Innovation stipulated to dismissal.

Once the deadline passed for Innovation to petition the Supreme Court for a writ of certiorari, Amazon renewed its motion for attorney fees. The district court granted Amazon's motion. The court found that this was an exceptional case. *Fees Decision*, 2020 WL 4934272, at *2. Specifically, the court found that "Innovation's lawsuit was substantively weak before claim construction," and "[f]ollowing the *Markman* hearing, . . . each claim was baseless." *Id.* The court thus concluded:

Innovation's litigation positions were so substantively weak after the claim construction occurred that this case stands out from others. First, Innovation should have known each of its claims had become baseless upon issuance of the *Markman* order. Second, continuing to litigate each claim was objectively unreasonable.

Id. at *3 (footnote omitted). Innovation appealed, and we have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

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, under the totality of the

circumstances, “stands out from others with respect to the substantive strength of a party’s litigating position” or “the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014).

We review a district court’s grant of attorney fees under 35 U.S.C. § 285 for abuse of discretion. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 561 (2014). Abuse of discretion is “a highly deferential standard of appellate review.” *Bayer CropScience AG v. Dow AgroSciences LLC*, 851 F.3d 1302, 1306 (Fed. Cir. 2017). To meet that standard, the moving party must show that the district court has made “a clear error of judgment in weighing relevant factors or in basing its decision on an error of law or on clearly erroneous factual findings.” *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1377 (Fed. Cir. 1998) (citing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1039 (Fed. Cir. 1992) (en banc) abrogated on other grounds by *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954 (2017)). “Because the district court lives with the case over a prolonged period of time, it is in a better position to determine whether a case is exceptional and it has discretion to evaluate the facts on a case-by-case basis.” *Raniere v. Microsoft Corp.*, 887 F.3d 1298, 1308–09 (Fed. Cir. 2018) (citing *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1351 (Fed. Cir. 2015)). Thus, “[w]e generally ‘give great deference to the district court’s exercise of discretion in awarding fees.’” *ThermoLife Int’l LLC v. GNC Corp.*, 922 F.3d 1347, 1356 (Fed. Cir. 2019) (quoting *Energy Heating, LLC v. Heat On-The-Fly, LLC*, 889 F.3d 1291, 1307 (Fed. Cir. 2018)).

I

Innovation argues that the district court abused its discretion in finding the case exceptional. We disagree. We have held that a district court is “within the scope of its

discretion in finding [a] case to be exceptional based on the weakness of [a party's] § 101 arguments and the need to deter similarly weak arguments in the future.” *See Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1377–78 (Fed. Cir. 2017). We have also frequently held that a case is exceptional when a party continues to litigate claims that have become baseless in view of a district court’s claim construction opinion. *See, e.g., Ad-justaCam, LLC v. Newegg, Inc.*, 861 F.3d 1353, 1360 (Fed. Cir. 2017); *Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306, 1326–29 (Fed. Cir. 2013). Based on those legal propositions, the district court did not abuse its discretion in finding this case exceptional.

Innovation asserted eleven patents against disparate technologies. Yet, eight of the patents, including more than two thirds of the asserted claims in the litigation, were held unpatentable on the pleadings. *See 101 Decision*, 227 F. Supp. 3d at 604–05. In holding those patents ineligible, the district court noted that the ’492 patent family’s “sweeping universe of preemption is its downfall.” *Id.* at 595. The district court was within its discretion when it relied on that earlier finding to determine that the case was “weak at inception.” *Fees Decision*, 2020 WL 4934272, at *2.

The district court did not stop there. Consistent with its obligation to consider the totality of the circumstances, the district court proceeded to consider the effects that the claim construction proceedings had on the remaining asserted claims. The court relied on the fact that Innovation was on notice from the claim construction opinion itself that the ’140 patent was legally insufficient either as patent ineligible subject matter or because it lacked written description. *Id.* The court further relied on the fact that Innovation continued to rely on infringement theories for the ’398 patent that were plainly inconsistent with two separate claim constructions. *Id.* at *3. And, for the ’844 patent, the court relied on the fact that Innovation failed to articulate an infringement theory. *Id.* In fact, the court

relied on our observation that Innovation’s lack of clarity regarding its infringement theory left us “with no choice but to remand” the case rather than affirm the final judgment. *Id.* On this record, we find no abuse of discretion in the district court’s conclusion that “Innovation’s litigation positions were so substantively weak after the claim construction occurred that this case stands out from others.” *Id.*

II

Before concluding, we must address one additional issue. In its responsive brief, Amazon argues:

The Section 101 issue was not close: the district court noted that the ’492 patent family claims “lacked any inventive concept and threatened a ‘sweeping universe of preemption.’” *And this Court found the ruling uncontroversial enough to merit summary affirmance under Federal Circuit Rule 36.*

Appellee Br. 17. (emphasis added). To the extent that argument attempts to tie the fact of an earlier Rule 36 affirmance without opinion to the later imposition of sanctions by the district court, we hasten to urge caution. To be sure, we take no issue with Amazon arguing that, *in this case*, the § 101 question was not close. Moreover, as explained above, we find no abuse of discretion in the district court’s reliance on the weakness of Innovation’s § 101 positions to support an award of attorney fees. However, we categorically reject the implication of Amazon’s argument that an affirmance by this court under Federal Circuit Rule 36 provides any information about whether a case was close, frivolous, or noncontroversial.

Federal Circuit Rule 36 allows the court to issue judgments of affirmance without issuing an opinion. Fed. Cir. R. 36. An affirmance issued under Rule 36 “simply confirms that the trial court entered the correct judgment.”

Rates Tech., Inc. v. Mediatix Telecom, Inc., 688 F.3d 742, 750 (Fed. Cir. 2012). In essence, the rule embodies a recognition of the reality that not every case has precedential value, and, especially in the context of Rule 36, not every case requires an opinion. *United States Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1556 (Fed. Cir. 1997) (“The Rule permits the court to dispense with issuing an opinion that would have no precedential value, when the circumstances of the rule exist.”). The history of a litigation and appeal in such cases ought to leave little doubt why the decision of the lower tribunal was affirmed.

But, importantly, nothing in the rule or in our precedent suggests that a summary affirmance under Rule 36 is an indication that a case was meritless, frivolous, or even weak. On the contrary, “[a]s we have explained on several occasions, ‘[a]ppeals whose judgments are entered under Rule 36 receive the full consideration of the court, and are no less carefully decided than the cases in which we issue full opinions.’” *Phil-Insul Corp. v. Airlite Plastics Co.*, 854 F.3d 1344, 1354 (Fed. Cir. 2017) (quoting *United States Surgical*, 103 F.3d at 1556). Accordingly, while our affirmance of the patent ineligibility of the ’492 patent family confirmed that the district court correctly decided that issue in this case, the fact that we decided to affirm without opinion under Rule 36 has no bearing on the strength or weakness of Innovation’s position or, ultimately, on whether Amazon should be entitled to attorney fees.

CONCLUSION

We have considered Innovation’s remaining arguments but we find them unpersuasive. We therefore *affirm* the district court’s decision to award attorney fees.

AFFIRMED

COSTS

Costs to Amazon.

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

**INNOVATION SCIENCES, LLC, FKA VIRGINIA
INNOVATION SCIENCES, INC.,**
Plaintiff-Appellant

v.

AMAZON.COM, INC.,
Defendant-Appellee

2020-1639

Appeal from the United States District Court for the
Eastern District of Virginia in No. 1:16-cv-00861-LO-MSN,
Judge Liam O'Grady.

JUDGMENT

THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

AFFIRMED

ENTERED BY ORDER OF THE COURT

January 5, 2021

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

CERTIFICATE OF FILING AND SERVICE

I hereby certify that, on January 19, 2021, I electronically filed the foregoing with the Clerk of Court using the CM/ECF System, which will send notice of such filing to all registered users.

I further certify that, upon acceptance and request from the Court, the required paper copies of the foregoing will be deposited with United Parcel Service for delivery to the Clerk, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, 717 Madison Place, N.W., Washington, D.C. 20439.

Respectfully submitted,

January 19, 2021

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B); Fed. Cir. R. 32(b); Fed. R. App. P. 32(f); because:

this brief contains 3,354 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b).

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this brief has been prepared in proportionally space typeface using Microsoft Word in 14-point Times New Roman.

Respectfully submitted,

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