No. 12-1163

In the Supreme Court of the United States

HIGHMARK INC., PETITIONER

v.

ALLCARE HEALTH MANAGEMENT SYSTEMS, INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES
AS AMICUS CURIAE SUPPORTING PETITIONER

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QUESTION PRESENTED

Section 285 of the Patent Act provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. 285. The question presented is as follows:

Whether a district court's determination that a party's litigating position is objectively baseless for purposes of Section 285 is subject to de novo review on appeal.

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INTEREST OF THE UNITED STATES

This case concerns the operation of 35 U.S.C. 285, which authorizes district courts to award attorney's fees in lawsuits under the Patent Act. The United States Patent and Trademark Office is responsible for issuing patents and—through the Secretary of Commerce—advising the President on issues of patent policy. See 35 U.S.C. 2(a)(1) and (b)(8). Several other agencies of the federal government also have a strong regulatory interest in improving the efficacy of the patent system and in reducing the costs and burdens of patent litigation. The extent to which prevailing parties may recover attorney's fees has potentially significant bearing on the incentives for parties to pursue abusive claims and defenses in patent infringement litigation. The United States therefore

has a substantial interest in the Court's resolution of the question presented.

STATEMENT

This case involves the standard of appellate review that applies to a district court's discretionary decision to award fees under the Patent Act, 35 U.S.C. 285. Here, the Federal Circuit reversed part of a fee award after concluding, based on its de novo review of the question, that the district court had erred in characterizing one of respondent's infringement allegations as objectively baseless.

1. The Patent Clause of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries." U.S. Const. Art. I, § 8, Cl. 8. Title 35 establishes the statutory framework governing the issuance of patents, and it grants a patentee "remedy by civil action for infringement of his patent." 35 U.S.C. 281. The Act also authorizes a prevailing party in a patent action to seek attorney's fees. 35 U.S.C. 285.

a. Until 1946, patent lawsuits were subject to the "American Rule," under which "[e]ach litigant pays his own attorney's fees, win or lose." *Marx* v. *General Revenue Corp.*, 133 S. Ct. 1166, 1175 (2013) (citation omitted; brackets in original); see, *e.g.*, *Teese* v. *Huntingdon*, 64 U.S. (23 How.) 2, 8 (1860). That year, Congress enacted a new provision declaring that a district court could, in its discretion, award reasonable attorney's fees to the prevailing party. Act of Aug. 1, 1946 (1946 Act), ch. 726, 60 Stat. 778 (35 U.S.C. 70 (1946)). The provision was not intended to make fee-shifting "an ordinary thing in patent suits," but it granted broad discretion to award fees, both to deter

infringement and "to prevent a gross injustice to an alleged infringer." S. Rep. No. 1503, 79th Cong., 2d Sess. 2 (1946) (1946 Senate Report).

In the Patent Act of 1952, Congress reorganized the patent laws and, in doing so, made non-substantive changes to the fee-shifting provision "for purposes of clarification only." *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 653 n.8 (1983). As revised and codified at 35 U.S.C. 285, the new provision declared that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." That version of Section 285 remains in effect today.

b. The Federal Circuit has interpreted Section 285 to make fee awards appropriate in a range of circumstances, including when a losing plaintiff's legal or factual claims are so unreasonable that it would be grossly unjust to force the prevailing defendant to pay his own fees. See, *e.g.*, *iLOR, LLC* v. *Google, Inc.*, 631 F.3d 1372, 1376-1378 (2011); *Brooks Furniture Mfg., Inc.* v. *Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (2005). The court has held that to obtain fees under Section 285 in such cases, the defendant must prove—by clear and convincing evidence—that the plaintiff's claim was both (1) "objectively baseless," and (2) brought in "subjective bad faith." *iLOR*, 631 F.3d at 1376.

In *Octane Fitness, LLC* v. *Icon Health & Fitness, Inc.*, cert. granted, No. 12-1184 (oral argument scheduled for Feb. 26, 2014), this Court is now considering whether this two-prong test unduly restricts fee awards in these circumstances. The United States has filed an amicus brief in *Octane*, arguing that the Court should reject the two-prong test in favor of a broader and more flexible inquiry into whether, under the totality of circumstances present in each case, it would

be grossly unjust for the prevailing defendant to pay his own fees. Under any test, however, this Court will need to determine the standard of review that applies to a district court's determination that a Section 285 fee award is appropriate because of the unreasonableness of the losing party's legal or factual arguments.

2. This case is an infringement action involving a patent relating to the healthcare industry.

a. Petitioner Highmark, Inc., is a non-profit Blue Cross Blue Shield Plan that provides health insurance to its members. Pet. 5. Petitioner administers its plans using a system of "utilization review"—the process by which a health insurer determines whether to approve payment for treatment given to particular patients. Pet. App. 2a-3a, 46a; see *id.* at 75a-76a (describing petitioner's system).

Respondent Allcare Health Management Systems, Inc., is the owner of U.S. Patent No. 5,301,105 (filed Apr. 8, 1991) (the '105 patent). Pet. App. 2a. The '105 patent is directed to "managed health care systems" that connect patients with physicians, medical facilities, insurers, and banks, particularly for purposes of utilization review. *Id.* at 2a-3a. The patent's claims generally cover a method for determining "whether utilization review is necessary in a particular instance" and "whether a recommended treatment is appropriate," and also for "prevent[ing] authorization and payment" for the treatment until it has been approved. *Id.* at 3a.

b. In April 2002, respondent threatened legal action against petitioner, alleging that petitioner's system of utilization review infringed the '105 patent. Pet. App. 45a. Petitioner sued respondent, seeking a declaratory judgment of invalidity, noninfringement,

and unenforceability. *Id.* at 47a. Respondent counterclaimed for infringement, asserting specifically that petitioner's system infringed claims 52, 53, and 102 of the patent. *Ibid.* Respondent eventually withdrew its infringement allegations with respect to claim 102, and the court granted petitioner summary judgment of non-infringement of claims 52 and 53. Respondent appealed to the Federal Circuit, which affirmed without written opinion. 329 Fed. Appx. 280; Pet. App. 5a-6a.

c. While the merits appeal was pending, petitioner filed a motion in the district court seeking attorney's fees under Section 285. The district court granted the fee request in April 2010. Pet. App. 6a.[1]

In finding that the case was "exceptional" under Section 285, the district court stated that respondent had engaged in numerous instances of "vexatious" and "deceitful" conduct over the course of the litigation. Pet. App. 90a. Specifically, it concluded that respondent had "maintained infringement claims well after such claims had been shown by its own experts to be without merit" and had "asserted defenses it and its attorneys knew to be frivolous." *Ibid.* The court ultimately awarded petitioner approximately $4.9 million in attorney's fees and costs under Section 285. *Id.* at 169a.

d. Respondent appealed the fee award to the Federal Circuit. On appeal, a divided panel affirmed in part and reversed in part. Pet. App. 14a-31a.

The panel majority first addressed the standard of review applicable to a district court's decision to

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[1] Petitioner also initially obtained sanctions against respondent under Fed. R. Civ. P. 11, but the district court vacated the sanctions in August 2010. Pet. App. 103a-152a.

award fees on the ground that a party's litigating position was frivolous. It began by noting that circuit precedent requires proof that the position is both (1) "objectively baseless," and (2) brought in "subjective bad faith." Pet. App. 8a. Relying on *Professional Real Estate Investors, Inc.* v. *Columbia Pictures Industries, Inc.*, 508 U.S. 49 (1993), and *Bard Peripheral Vascular, Inc.* v. *W.L. Gore & Associates, Inc.*, 682 F.3d 1003 (Fed. Cir. 2012), cert. denied, 133 S. Ct. 932 (2013), the panel held that objective baselessness is "a question of law based on underlying mixed questions of law and fact" and, as such, is reviewed "de novo" and "without deference" on appeal. Pet. App. 9a & n.1 (quoting *Bard*, 682 F.3d at 1005). The panel also noted that the existence of subjective bad faith "is reviewed under a deferential standard" for "clear error." *Id.* at 10a n.1, 12a.

Applying those standards, the panel affirmed the district court's fee award with respect to the allegation that petitioner's system infringed claim 102 of the '105 patent. See Pet. App. 14a-18a. The panel reversed the award with respect to claim 52, however, concluding that respondent's allegation of infringement under claim 52 was not objectively unreasonable. *Id.* at 19a-22a. Specifically, the panel determined—contrary to the judgment of the district court—that "[respondent]'s argument with respect to [claim 52] was not 'so unreasonable that no reasonable litigant could believe it would succeed.'" *Id.* at 21a-22a (quoting *iLOR*, 631 F.3d at 1378). The panel majority also ruled that none of respondent's alleged litigation misconduct rendered the case exceptional. *Id.* at 23a-31a.

Judge Mayer dissented in part. Pet. App. 31a-43a. He rejected the majority's view that "no deference is

owed to a district court's finding that the infringement claims asserted by a litigant at trial were objectively unreasonable." *Id.* at 31a. He would have held that "reasonableness is a finding of fact which may be set aside only for clear error." *Ibid.*; see also *id.* at 35a. Judge Mayer noted that this Court has prescribed deferential standards of review for awards of attorney's fees against the United States under the Equal Access to Justice Act (EAJA), 28 U.S.C. 2412(d) (2006 & Supp. V 2011), and for orders imposing sanctions under Federal Rule of Civil Procedure 11. Pet. App. 37a-38a (citing *Pierce* v. *Underwood*, 487 U.S. 552, 565 (1988), and *Cooter & Gell* v. *Hartmarx Corp.*, 496 U.S. 384, 401 (1990)). He added that "[e]ncouraging relitigation of factual disputes on appeal is an enormous waste of the litigants' resources and vitiates the critically important fact-finding role of the district courts." *Id.* at 33a.

e. The Federal Circuit denied rehearing en banc, with five judges dissenting. Pet. App. 179a-214a.

Judge Dyk—the author of the panel opinion—concurred in the denial of review, elaborating on the rationale previously articulated by the panel majority. Pet. App. 182a-190a. Judge Moore, joined by four other judges, filed a dissent that criticized the panel for "deviat[ing] from precedent, invad[ing] the province of the fact finder, and establish[ing] a review standard for exceptional case findings in patent cases that is squarely at odds" with this Court's decisions in *Pierce* and *Cooter & Gell*. *Id.* at 191a-203a. Judge Reyna also dissented, likewise criticizing the panel decision for violating circuit precedent and adopting a non-deferential de novo standard of review for trial court determinations of objective baselessness. *Id.* at

203a-214a (joined in part by Judge Rader and in full by the other three dissenters).

SUMMARY OF ARGUMENT

I. When deciding what standard of review to apply to a particular type of trial-court determination, this Court considers (1) any statutory direction provided by Congress, (2) the history of appellate practice with respect to the determination, and (3) the need to promote the sound functioning of our judicial system. *Pierce* v. *Underwood*, 487 U.S. 552, 558-560 (1988). All three guideposts point to a unitary abuse-of-discretion standard for reviewing fee awards under Section 285.

A. Congress has long vested district courts with broad discretion to determine when fee awards are necessary to prevent gross injustice in appropriate patent cases. The 1946 version of the fee-shifting provision was explicit in this respect. Appellate courts interpreting that provision consistently acknowledged the discretion of district courts over fee awards and reviewed such awards deferentially. Congress reaffirmed that understanding when it enacted Section 285 in 1952.

This Court's precedents make clear that when Congress clearly vests the district court with discretion over a particular decision, the court's exercise of that discretion must be reviewed deferentially on appeal. That principle generally applies even to a trial court's subsidiary analysis of mixed questions of law and fact, including its determination that a party's litigating position is so unreasonable that it justifies a fee award in a particular case. See, *e.g.*, *Christiansburg Garment Co.* v. *EEOC*, 434 U.S. 412, 421, 423 (1978). All aspects of a Section 285 fee award, includ-

ing the trial court's determination that a case is "exceptional" due to a party's baseless litigating position, therefore must be reviewed for abuse of discretion.

B. Until the decision below, there was a long and unbroken historical tradition of reviewing Section 285 fee awards deferentially. For three decades after Section 285 was passed, the regional circuits consistently reviewed such awards for abuse of discretion. The Federal Circuit continued that approach after it assumed exclusive jurisdiction over patent appeals in 1982. It was not until this case that the Federal Circuit first broke with 60 years of practice and announced that baselessness determinations should be reviewed de novo. The prior tradition of deferential review strongly supports an abuse-of-discretion standard.

C. Functional considerations confirm that deferential review is most likely to promote the sound administration of justice. In *Pierce* and *Cooter & Gell* v. *Hartmarx Corp.*, 496 U.S. 384 (1990), this Court addressed the proper standard of review that applies to fee awards under EAJA and Rule 11, respectively. In both cases, the Court confronted essentially the same issue it faces here—whether appellate courts should defer to trial-court determinations that a party's argument is so unreasonable that its adversary should be granted attorney's fees. In both, the Court concluded that deferential review was appropriate because baselessness determinations involve a fact-intensive analysis that the trial court is best positioned to conduct. The Court should follow the same approach here.

II. Even under the abuse-of-discretion standard, appellate courts remain free to reverse decisions

premised on a pure error of law. The Court in *Cooter & Gell* said so explicitly, 496 U.S. at 402, and this Court's subsequent decisions confirm that "[t]he abuse of discretion standard includes review to determine that the discretion was not guided by erroneous legal conclusions." *Koon* v. *United States*, 518 U.S. 81, 100 (1996). Although appellate courts must defer to trial-court determinations that a party's argument is unreasonable under the particular circumstances of the case, they need not defer to the trial court's misstatement of the law or (in patent cases) the court's flawed claim construction.

III. Rather than defer to the district court's firsthand assessment of the case, the Federal Circuit applied de novo review to the court's baselessness determination under Section 285. That approach is inconsistent with this Court's precedents and with the text and history of Section 285. This Court should clarify that Section 285 awards are subject to unitary abuse-of-discretion review on appeal, and should remand the case for further consideration under that standard.

ARGUMENT

The Federal Circuit has recognized that a district court's ultimate decision to award attorney's fees under Section 285 must be reviewed for abuse of discretion. See, *e.g.*, *Monolithic Power Sys., Inc.*, v. *O2 Micro Int'l Ltd.*, 726 F.3d 1359, 1365 (2013). The court in this case nevertheless applied de novo review to the district court's subsidiary determination that respondent's litigating position was "objectively baseless," on the theory that the baselessness determination is a legal conclusion. This Court should reject that approach and hold that a unitary abuse-of-

discretion standard governs appellate review of all aspects of a fee award under Section 285.

I. SECTION 285 FEE AWARDS ARE SUBJECT TO A UNITARY ABUSE-OF-DISCRETION STANDARD OF REVIEW ON APPEAL

In *Pierce* v. *Underwood*, 487 U.S. 552 (1988), this Court explained that, "[f]or purposes of standard of review, decisions by judges are traditionally divided into three categories, denominated questions of law (reviewable *de novo*), questions of fact (reviewable for clear error), and matters of discretion (reviewable for 'abuse of discretion')." *Id.* at 558. To determine the category in which a particular trial-court determination falls, it is necessary to consider (1) whether a "clear statutory prescription" speaks to the standard of review, (2) whether a "historical tradition" addresses the standard, and (3) whether "as a matter of the sound administration of justice, one judicial actor is better positioned than another to decide the issue in question." *Id.* at 558-560 (quoting *Miller* v. *Fenton*, 474 U.S. 104, 114 (1985)). Here, all three criteria strongly support reviewing all aspects of Section 285 fee awards for abuse of discretion.

A. Section 285 Grants District Courts Discretionary Authority Over Fee Awards

1. The text and history of Section 285 establish Congress's intent to vest district courts with broad discretion when deciding whether to make fee awards in patent cases.

a. Section 285 declares that a district court "may award" attorney's fees "in exceptional cases." 35 U.S.C. 285. Unlike some other federal fee-shifting statutes, this language does not dictate the criteria

the court must consider when deciding whether to award fees.[2] Rather, the statement that a court "may award" fees empowers the court to exercise judgment in deciding whether fees are justified in any particular case. As this Court has recognized in interpreting similar fee-shifting provisions, "[t]he word 'may' clearly connotes discretion." *Martin* v. *Franklin Capital Corp.*, 546 U.S. 132, 136 (2005) (brackets in original) (quoting *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517, 533 (1994)).

The only textual constraint on the district court's exercise of this discretion is the requirement that the case must be "exceptional." 35 U.S.C. 285. That language makes clear that the American Rule will continue to govern the allocation of fees in the mine run of patent-infringement disputes. But it places no limit on the district court's discretionary authority to determine when a losing party's litigating position is so unreasonable that it justifies such an award. The standard meaning of "exceptional" is "not ordinary," "uncommon," or "rare." *Webster's New International Dictionary of the English Language* 889 (2d ed. 1958); see *Noxell Corp.* v. *Firehouse No. 1 Bar-B-Que Rest.*, 771 F.2d 521, 526 (D.C. Cir. 1985) (Ginsburg, J., joined by Scalia, J.) (noting that the word "exceptional" in the identical fee-shifting provision of the Lanham Act, 15 U.S.C. 1117(a), "is most reasonably read to mean what the word is generally understood to indicate—uncommon, not run-of-the-mine").

b. The history and subsequent judicial implementation of the 1946 Act provide the backdrop against which Section 285 was enacted in 1952. The 1946 Act

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[2] Cf., *e.g.*, 28 U.S.C. 2412(d)(1)(A); 15 U.S.C. 1692k(a)(3).

stated that a court "may *in its discretion* award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case." 60 Stat. 778 (emphasis added). The accompanying Senate committee report noted "the discretion given the court" with respect to fees and the "general" terms of this delegation of authority. 1946 Senate Report 2. And Senator Claude Pepper—then serving as Chairman of the Committee on Patents—explained that the purpose of the provision was to "award[] to the court discretionary power to allow plaintiffs to recover attorneys' fees, if the court considers it proper to allow such recoveries." 92 Cong. Rec. 9188 (1946).

Consistent with this understanding, courts interpreted the 1946 provision to implement Congress's goal of empowering district judges. In the years following its enactment, they consistently described that provision as granting significant discretion to decide whether a fee award is appropriate. Thus, for example, the Second Circuit described the power to make such awards as "clearly discretionary," *Algren Watch Findings Co.* v. *Kalinsky*, 197 F.2d 69, 72 (1952); the Fourth Circuit explained that the decision to award fees "lies in the sound discretion of the trial court," *Orrison* v. *C. Hoffberger Co.*, 190 F.2d 787, 791 (1951); and the Seventh Circuit described that decision as "entirely a matter of discretion" for the district court, *Dixie Cup Co.* v. *Paper Container Mfg. Co.*, 174 F.2d 834, 836, cert. denied, 338 U.S. 867 (1949).[3] At the

[3] See, *e.g.*, *Dubil* v. *Rayford Camp & Co.*, 184 F.2d 899, 903 (9th Cir. 1950) (noting "discretionary power" of trial courts to award fees); *Blanc* v. *Spartan Tool Co.*, 178 F.2d 104, 105 (7th Cir. 1949) (same); see also, *e.g.*, *Lincoln Elec. Co.* v. *Linde Air Prods. Co.*, 74

same time, courts also repeatedly acknowledged that fees could appropriately be awarded when the losing party advanced arguments that were "unjustified," "unwarranted," "unreasonable," or "groundless" on the merits.[4]

The courts of appeals in this period consistently reviewed fee awards under a deferential abuse-of-discretion standard. The Seventh Circuit expressed the typical approach: "We think it clear that under the statute the question is one of discretion. The court exercised its discretion and that ends the matter unless we can say as a matter of law that there was a clear abuse of discretion." *Blanc* v. *Spartan Tool Co.*,

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F. Supp. 293, 294 (N.D. Ohio 1947) (noting that "[t]he court is invested with discretionary power" to make fee awards).

[4] See, *e.g.*, *Merrill* v. *Builders Ornamental Iron Co.*, 197 F.2d 16, 25 (10th Cir. 1952) (noting that "wholly unjustified litigation" can warrant a fee award); *Pennsylvania Crusher Co.* v. *Bethlehem Steel Co.*, 193 F.2d 445, 450-451 (3d Cir. 1951) (noting that a finding of "unjustified litigation" would be "adequate justification for awarding attorneys' fees"); *Park-In-Theatres* v. *Perkins*, 190 F.2d 137, 143 (9th Cir. 1951) (implying that a valid finding that a case was brought on "surmise and suspicion" could support a fee award); *Laufenberg* v. *Goldblatt Bros.*, 187 F.2d 823, 825 (7th Cir. 1951) (acknowledging that "unjustified litigation" could support a fee award); *Orrison*, 190 F.2d at 791 (upholding award when plaintiff had "no reasonable ground" for seeking new trial); *Vischer Prods. Co.* v. *National Pressure Cooker Co.*, 92 F. Supp. 138, 139 (W.D. Wis. 1950) (noting that fee award is appropriate when suit is brought "without justification" or is "wholly unfounded"); *Lincoln Elec. Co.*, 74 F. Supp. at 294 (denying fee award because action was not "absolutely unwarranted or unreasonable").

168 F.2d 296, 300, cert. denied, 335 U.S. 853 (1948). Other appellate courts followed the same approach.[5]

c. In 1952, Congress deleted the phrase "in its discretion" and added the "exceptional cases" language. Those changes did not curtail the scope of district courts' discretion. Rather, in enacting Section 285, Congress added the "exceptional cases" language "for purposes of clarification only." *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 652 n.8 (1983); see 7 Donald S. Chisum, *Chisum on Patents* § 20.03[4][c][i], at 20-464 (1999) (noting that "no change in meaning was intended" by the 1952 amendments).

The Senate Report on the 1952 bill stated that the new provision was "substantially the same as the corresponding provision in [the 1946 Act]," and that the "exceptional cases" language was inserted to "express[] the intention of the present [1946] statute as shown by its legislative history and as interpreted by the courts." S. Rep. No. 1979, 82d Cong., 2d Sess. 30 (1952). As noted above, the text, legislative history, and judicial interpretation of the 1946 provision all

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[5] See, *e.g.*, *Algren*, 197 F.2d at 72 (applying abuse-of-discretion standard and affirming award); *Orrison*, 190 F.2d at 791 (same); *Dubil*, 184 F.2d at 903 ("It is not the duty of the reviewing court to interfere with the exercise of the discretionary power confided to the trial courts by Congress to award attorney fees in proper cases except where there is an abuse of discretion amounting to caprice or an erroneous conception of law on the part of the trial judge."); *Dixie Cup Co.*, 174 F.2d at 836 (applying abuse-of-discretion review and explaining that "to justify a finding of abuse of discretion it is necessary to show that the order complained of was based upon an erroneous conception of the law or was due to the caprice of the presiding judge or to action on his part arbitrary in character").

make clear that the power to shift fees was entrusted to the discretion of the district court.

Consistent with that understanding, Chief Patent Examiner Federico testified that the term "exceptional cases" was "picked up from the reports in passing that first law [*i.e.*, the 1946 Act], which indicated that was what was meant, and the decisions of the courts that have followed that." *Patent Law Codification and Revision: Hearings Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 82d Cong., 1st Sess. 109 (1951). Federico further testified that "[w]hat [the phrase 'exceptional cases'] constitutes is left, and stays left, to the discretion of the court that is conducting the case." *Ibid.*[6]

2. The discussion above makes clear that Congress intended both Section 285 and the 1946 provision to give district courts broad discretionary power to award fees in appropriate cases. Under this Court's precedents, appellate courts therefore must review all aspects of such awards for abuse of discretion.

When a statute or some other source of legal authority clearly commits a decision to the discretion of the district court, that decision is reviewed on appeal for abuse of discretion. See *Pierce*, 487 U.S. at 558 (explaining that "matters of discretion" are reviewable for "abuse of discretion"). This is because discretion and deferential review are two sides of the same coin. As Judge Friendly observed, "the trial judge has

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[6] Accord, *e.g.*, P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 216 (1993); 98 Cong. Rec. 9097 (1952) (statement of Sen. Wiley) (noting that 1952 bill "simply constitutes a restatement of the patent laws of the United States); 98 Cong. Rec. at 9323 (statement of Sen. McCarran) (indicating that bill would "codif[y] the present patent laws").

discretion in those cases where his ruling will not be reversed simply because an appellate court disagrees." Henry J. Friendly, *Indiscretion About Discretion*, 31 Emory L.J. 747, 754 (1982).[7]

This Court has often recognized that clear grants of discretionary authority trigger deference on appeal. In *Pierce*, for example, the Court noted that the language of 42 U.S.C. 1988 (1988), which states that a trial court may award attorney's fees to prevailing civil rights litigants "in its discretion," itself answers "the question of what is the standard of appellate review." 487 U.S. at 558. The Court applied the same logic in *Denton* v. *Hernandez*, 504 U.S. 25, 33 (1992), where it addressed the proper standard for reviewing a district court's determination that a litigant's claim is "frivolous" for purposes of 28 U.S.C. 1915(d) (1994). The Court explained that "[b]ecause the frivolousness determination is a discretionary one, * * * a [Section] 1915(d) dismissal is properly reviewed for an abuse of that discretion." 504 U.S. at 33.

As *Denton* illustrates, the Court has equated discretion with deference even when the discretionary decision at issue requires the district court to assess the reasonableness of a party's legal argument. In such circumstances, the Court has consistently indicated that the district court's analysis of the degree to

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[7] See generally 1 Steven Alan Childress & Martha S. Davis, *Federal Standards of Review* § 4.01[1], at 4-3 (4th ed. 2010); Harry T. Edwards et al., *Federal Standards of Review: Review of District Court Decisions and Agency Actions*, 17, 19 (2d ed. 2013) (Edwards); Maurice Rosenberg, *Judicial Discretion of the Trial Court, Viewed from Above*, 22 Syracuse L. Rev. 635, 636-637 (1971).

which the litigant's position is reasonable is *itself* reviewed for abuse of discretion.

In *Christiansburg Garment Co.* v. *EEOC*, 434 U.S. 412 (1978) for example, the Court considered whether to award attorney's fees to a prevailing Title VII defendant under 42 U.S.C. 2000e-5(k). 434 U.S. at 421, 423. The statute allows for such awards "in [the trial court's] discretion," and the Court interpreted that language to require a finding that an unsuccessful plaintiff's legal claim was "frivolous, unreasonable, or without foundation." *Id.* at 421. The Court then applied abuse-of-discretion rather than de novo review to the trial court's assessment of the reasonableness of the plaintiff's argument. *Id.* at 424 (explaining that, in concluding that the plaintiff's position was not unreasonable or frivolous, "[t]he [district] court * * * exercised its discretion squarely within the permissible bounds of [Section 2000e-5(k)]").[8] In *Chambers* v. *NASCO*, 501 U.S. 32 (1991), the Court applied the same standard when reviewing the imposition of sanctions, under the district court's inherent (and discretionary) equitable powers, where part of the misconduct consisted of the party's filing of "frivolous" pleadings. *Id*. at 50, 55.[9]

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[8] The courts of appeals have subsequently applied the same standard to this determination. See, *e.g.*, *Garner* v. *Cuyahoga Cnty. Juvenile Ct.*, 554 F.3d 624, 637 (6th Cir. 2009); *LeBlanc-Sternberg* v. *Fletcher*, 143 F.3d 765, 770 (2d Cir. 1998); *Eichman* v. *Linden & Sons, Inc.*, 752 F.2d 1246, 1251 (7th Cir. 1985).

[9] See also, *e.g.*, *Whitney Bros.* v. *Sprafkin*, 60 F.3d 8, 11-15 (1st Cir. 1995) (applying abuse-of-discretion review to determination that claim was "frivolous" for purpose of fee award under court's inherent authority); *Blue* v. *United States Dep't of the Army*, 914 F.2d 525, 530, 538-539 (4th Cir. 1990) (same for award made under

These principles of deference fully apply here. Because Section 285 is a clear grant of authority to district courts, an award of fees is reviewable only for abuse of discretion, even when the award is premised on the baselessness of a party's litigating position.

B. There Is A Longstanding Historical Tradition Of Reviewing Section 285 Awards Deferentially On Appeal

In *Pierce*, this Court indicated that "historical tradition"—*i.e.*, a "long history of appellate practice" with respect to a particular type of trial-court determination—can inform the choice of the proper standard of appellate review. 487 U.S. at 558; see also 1 Steven Alan Childress & Martha S. Davis, *Federal Standards of Review* § 4.01[2], at 4-5 (4th ed. 2010) (Childress). A clear tradition stretching from 1952 until 2012 (when the Federal Circuit decided this case) confirms that Section 285 fee awards are reviewed deferentially.

1. Under the 1946 Act, appellate courts consistently reviewed fee awards in patent cases for abuse of discretion. See pp. 14-15 & note 5, *supra* (citing cases). The regional circuits continued to apply that deferential standard between 1952 (when Congress enacted Section 285) and 1982 (when Congress created the Federal Circuit).[10] The courts of appeals fol-

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inherent authority; Fed. R. Civ. P. 11, 16; and 28 U.S.C. 1927), cert. denied, 499 U.S. 959 (1991).

[10] See, *e.g.*, *Norton Co.* v. *Carborundum Co.*, 530 F.2d 435, 445 (1st Cir. 1976); *American Safety Table Co.* v. *Schreiber*, 415 F.2d 373, 380 (2d Cir. 1969), cert. denied, 396 U.S. 1038 (1970); *Omark Indus., Inc.* v. *Colonial Tool Co.*, 672 F.2d 362, 365 (3d Cir. 1982); *Western Elec. Co.* v. *Stewart-Warner Corp.*, 631 F.2d 333, 336 (4th Cir. 1980), cert. denied, 450 U.S. 971 (1981); *Hughes Aircraft Co.* v. *Messerschmitt-Boelkow-Blohm, GmbH*, 625 F.2d 580, 584-585 (5th

lowed that approach, moreover, even when reviewing a district court's determination of whether the plaintiff's suit was baseless or unfounded.[11]

2. When the Federal Circuit was given exclusive jurisdiction over patent appeals in 1982, it continued the decades-long tradition of reviewing Section 285 fee awards deferentially. Until its 2012 decision in this case, the court of appeals consistently reviewed "exceptional case" determinations under either a "clear error" or "abuse of discretion" standard, including when the issue was whether the losing party's litigation position was baseless or unjustified.[12] The

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Cir. 1980), cert. denied, 449 U.S. 1082 (1981); *Garrett Corp.* v. *American Safety Flight Sys., Inc.*, 502 F.2d 9, 22 (5th Cir. 1974); *Kearney & Trecker Corp.* v. *Cincinnati Milacron Inc.*, 562 F.2d 365, 374 (6th Cir. 1977); *Loctite Corp.* v. *Fel-Pro, Inc.*, 667 F.2d 577, 584 (7th Cir. 1981); *Bolt, Beranek & Newman, Inc.* v. *McDonnell Douglas Corp.*, 521 F.2d 338, 344 (8th Cir. 1975), cert. denied, 423 U.S. 1073 (1976); *Pickering* v. *Holman*, 459 F.2d 403, 408 (9th Cir. 1972); *Lam, Inc.* v. *Johns-Manville Corp.*, 668 F.2d 462, 476 (10th Cir.), cert. denied, 456 U.S. 1077 (1982); *Oetiker* v. *Jurid Werke GmbH*, 671 F.2d 596, 602 (D.C. Cir. 1982).

[11] See, *e.g.*, *Oetiker*, 671 F.2d at 602 (applying abuse-of-discretion review to such a determination); *Hughes*, 625 F.2d at 584-585 (same).

[12] See, *e.g.*, *Eon-Net LP* v. *Flagstar Bancorp*, 653 F.3d 1314, 1323-1324, 1326-1328 (Fed. Cir. 2011) (reviewing "objectively baseless" determination for clear error), cert. denied, 132 S. Ct. 2391 (2012); *Digeo, Inc.* v. *Audible, Inc.*, 505 F.3d 1362, 1366-1367 (Fed. Cir. 2007) (reviewing determination that case was not "baseless" or "frivolous" for clear error); *Phonometrics, Inc.* v. *Westin Hotel Co.*, 350 F.3d 1242, 1246-1248 (Fed. Cir. 2003) (reviewing determination that case was "unjustified" for clear error); *Pharmacia & Upjohn Co.* v. *Mylan Pharm., Inc.*, 182 F.3d 1356, 1358-1361 (Fed. Cir. 1999) (reviewing exceptional-case determination resting on "baseless[ness]" for clear error); *Haynes Int'l, Inc.* v. *Jessop Steel Co.*, 8 F.3d 1573, 1579-1580 (Fed. Cir. 1993) (reviewing

court never employed de novo review for this purpose, and its invocation of the deferential "clear error" standard communicated its understanding that the degree to which a claim is unreasonable is a question of fact subject to the factfinder's judgment.[13] The Federal Circuit panel in this case identified no sound justification for departing from that historical tradition of deference. See *Pierce*, 487 U.S. at 558.

C. The Sound Administration of Justice Favors an Abuse-of-Discretion Standard

1. In *Pierce*, this Court addressed the standard of review that applies to fee awards against the government under EAJA. The statute provides that fees "shall" be awarded to a party that prevails against the United States "unless the court finds that the position of the United States was substantially justified." 28 U.S.C. 2412(d)(1)(a). The Court recognized that whether the government's position was "substantially justified" presents a "mixed question[] of law and fact" that may ultimately turn on an "evaluation of the purely legal issue governing the litigation" on the merits. *Pierce*, 487 U.S. at 559-560. Nonetheless, it concluded that "deferential, abuse-of-discretion re-

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"frivolous[ness]" determination for abuse of discretion); *J.P. Stevens Co.* v. *Lex Tex Ltd.*, 822 F.2d 1047, 1050-1053 (Fed. Cir. 1987) (reviewing determination that litigation was not "unjustified" for abuse of discretion); *CTS Corp.* v. *Piher Int'l Corp.*, 727 F.2d 1550, 1558 (Fed. Cir.) (reviewing "frivolous[ness]" determination for abuse of discretion), cert. denied, 469 U.S. 891 (1984).

[13] The clear-error and abuse-of-discretion standards are effectively the same in this context. *Cooter & Gell* v. *Hartmarx Corp.*, 496 U.S. 384, 401 (1990) (explaining that "[w]hen an appellate court reviews a district court's factual findings, the abuse-of-discretion and clearly erroneous standards are indistinguishable").

view" of the "substantial justification" determination is appropriate because, as a "matter of the sound administration of justice," the trial court is better positioned to decide that issue. *Id.* at 558-560 (quoting *Miller*, 474 U.S. at 114). The Court described that determination as the type of "supervision of litigation" issue that typically receives abuse-of-discretion review in other contexts. *Id.* at 558 n.1.

The Court's analysis relied mainly on practical considerations. The Court noted that "some of the elements that bear upon" whether the government's position was justified "may be known only to the district court," and that, "[n]ot infrequently, the question will turn upon not merely what was the law, but what was the evidence regarding the facts." *Pierce*, 487 U.S. at 560. It recognized that the district court "may have insights not conveyed by the record," and that requiring appellate courts to acquire "full knowledge of the factual setting" would "often come at unusual expense." *Ibid.* The Court also noted that whether the government's position is substantially justified is different from the merits question of whether that position is correct, and that the "investment of appellate energy" in de novo review would not produce "the normal law-clarifying benefits that come from an appellate decision on a question of law." *Id.* at 561.

The Court in *Pierce* emphasized that conferring discretion on the trial judge in this context makes sense because of the "sheer impracticability" of formulating broad rules. 487 U.S. at 561-562 (noting that a "substantial justification" determination typically involves "multifarious, fleeting, special, narrow facts that utterly resist generalization") (quoting Maurice Rosenberg, *Judicial Discretion of the Trial Court,*

Viewed from Above, 22 Syracuse L. Rev. 635, 662 (1971)). It concluded that district courts need "flexibility" in conducting this fact-dependent analysis, and that deferential review is accordingly appropriate. *Id.* at 562-563. Finally, the Court noted that this approach would implement its longstanding view that a "request for attorney's fees should not result in a second major litigation." *Id.* at 563 (quoting *Hensley* v. *Eckerhart*, 461 U.S. 424, 437 (1983)).

2. In *Cooter & Gell* v. *Hartmarx Corp.*, 496 U.S. 384 (1990), this Court held that abuse-of-discretion review applies to similar determinations that a trial court makes when imposing sanctions for attorney misconduct under Federal Rule of Civil Procedure 11. Under the then-applicable version of the rule, sanctions were appropriate if the court determined that an attorney had made a baseless filing without first conducting a reasonable inquiry into the underlying facts, or had advanced legal arguments that were not "warranted by existing law or a good faith argument" for changing the law. Fed. R. Civ. P. 11, 480 U.S. 962 (1987) (amended 1993). The Court acknowledged that these matters—along with the ultimate question of whether the attorney's conduct violated Rule 11—involve "[l]egal issues." *Cooter & Gell*, 496 U.S. at 399. It nonetheless concluded that a trial court's imposition of Rule 11 sanctions, along with the subsidiary legal and factual determinations on which such sanctions are predicated, must be reviewed for abuse of discretion on appeal. *Id.* at 408.

As in *Pierce*, the Court relied principally on functional considerations favoring deference to the district court. Most importantly, it explained that "[r]ather than mandating an inquiry into purely legal questions,

such as whether the attorney's legal argument was correct, the Rule requires a court to consider issues rooted in factual determinations." *Cooter & Gell*, 496 U.S. at 401. It concluded that because of the district court's "[f]amiliar[ity] with the issues and litigants, [it] is better situated than the court of appeals to marshal the pertinent facts and apply the fact-dependent legal standard mandated by Rule 11." *Id.* at 402.

Relying heavily on *Pierce*, the Court emphasized that the deferential standard applies to appellate review of the district court's determination whether particular legal arguments were justified. *Cooter & Gell*, 496 U.S. at 403-404. The Court stressed the relatively slim benefit that de novo review of such issues would bring to the legal system as a whole. In particular, it noted that "[a]n appellate court's [de novo] review of whether a legal position was reasonable or plausible enough under the circumstances" would neither "establish clear guidelines for lower courts" nor "clarify the underlying principles of law." *Id.* at 405.[14]

3. A fee award under Section 285 implicates the same "supervision of litigation" considerations that this Court addressed in *Pierce* and *Cooter & Gell*. As in those cases, this Court should hold that appellate

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[14] As discussed at greater length at pp. 28-31, *infra*, the Court also explained that a trial court "would necessarily abuse its discretion if it based its ruling on an erroneous view of the law." *Cooter & Gell*, 496 U.S. at 405. The opinion as a whole made clear, however, that this category of error does not include a court's assessment that a party's litigating position was "frivolous." *Id.* at 399-405; see Childress § 4.01[2] n.43, at 4-9 (discussing *Cooter & Gell*).

review of Section 285 awards must proceed under a unitary abuse-of-discretion standard.

a. As in *Pierce* and *Cotter & Gell*, a district court's assessment of the reasonableness of a party's litigating position requires a fact-dependent analysis of that position in light of all of the circumstances present in the case. The Federal Circuit itself has recognized that, when a district court determines whether a party's position is objectively baseless, it must consider the "merits of the entire litigation determined 'based on the record ultimately made in the infringement proceedings.'" Pet. App. 12a (quoting *Bard Peripheral Vascular, Inc.* v. *W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1008 (Fed. Cir. 2012), cert. denied, 133 S. Ct. 932 (2013)). And many of the factors relevant to that determination "will turn upon not merely what was the law, but what was the evidence regarding the facts." *Pierce*, 487 U.S. at 560.

For example, whether a patent holder had good reason to believe that its patent had been infringed could depend on the "failure [of the patent holder] to conduct an adequate pre-filing investigation" of the alleged infringer's product. See Pet. App. 17a n.4; see also *id.* at 22a n.6. Or it could turn on the patent holder's decision to "ignore[] persuasive, publically-available evidence which clearly demonstrated that [the alleged infringer's] accused system failed to meet key elements of [the patent] claim." *Id.* at 39a-40a (Mayer, J., dissenting in part) (footnote omitted). It could also be affected by the district court's firsthand assessment of witness testimony on issues of patent validity, claim construction, and infringement.

The fact-intensive nature of the inquiry strongly supports deferential review on appeal. The district

court will likely have "insights not conveyed by the record, into such matters as whether particular evidence was worthy of being relied upon, or whether critical facts could easily have been verified" by the patent holder. *Pierce*, 487 U.S. at 560. Unlike an appellate court, the district court will have firsthand exposure to the witnesses, and will be in a far better position to assess their credibility. *Miller-El* v. *Cockrell*, 537 U.S. 322, 339 (2003). The trial judge therefore will be "[f]amiliar with the issues and litigants" and thus "better situated than the court of appeals to marshal the pertinent facts and apply the fact-dependent legal standard." *Cooter & Gell*, 496 U.S. at 402.

b. De novo appellate review of a district court's assessment of the objective strength of the losing party's legal arguments would also entail "unusual expense." *Pierce*, 487 U.S. at 560. It would require the court of appeals "to undertake the unaccustomed task of reviewing the entire record, not just to determine whether there existed the usual minimum support for the merits determination made by the fact-finder below, but to determine whether urging of the opposite merits determination" was objectively unjustified. *Ibid.* These concerns are especially acute in the context of patent litigation, which involves the application of highly technical legal doctrine to complex technologies and can generate long dockets typically stretching over several years.[15]

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[15] See generally, *e.g.*, Jonathan L. Moore, *Particularizing Patent Pleading: Pleading Patent Infringement In A Post*-Twombly *World*, 18 Tex. Intell. Prop. L.J. 451, 459-460 (2010); Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 908, 932-933

By contrast, deferring to determinations reached by courts "on the front lines of litigation" would "streamline the litigation process by freeing appellate courts from the duty of reweighing evidence and reconsidering facts already weighed and considered by the district court." *Cooter & Gell*, 496 U.S. at 404. Deferential review would also avoid "a second major litigation" simply for the purpose of allocating fees—a prospect this Court has strongly disfavored. *Pierce*, 487 U.S. at 563 (quoting *Hensley*, 461 U.S. at 437); see *Pennsylvania* v. *Delaware Valley Citizens' Council for Clean Air*, 483 U.S 711, 722 (1987) (noting that fee litigation "is often protracted, complicated, and exhausting" and "should be simplified to the maximum extent possible"). Reviewing fee awards for abuse of discretion would also promote efficiency and lower costs by "discourag[ing] litigants from pursuing marginal appeals." *Cooter & Gell*, 496 U.S. at 404; see *Hensley*, 461 U.S. at 437 (noting "the desirability of avoiding frequent appellate review of what essentially are factual matters").

c. Finally, de novo review of Section 285 fee awards is likely to generate few benefits. Just as in *Pierce* and *Cooter & Gell*, appellate decisions reviewing fee awards under Section 285 will not "produce the normal law-clarifying benefits that come from an appellate decision on a question of law," *Pierce*, 487 U.S. at 561, since the appellate court's inquiry will focus on whether particular merits arguments were reasonable, not on whether they were correct. See *Cooter & Gell*, 496 U.S. at 405 (rejecting de novo re-

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(2001); Gov't Accountability Office, *Report No. GAO-13-465, Intellectual Property: Assessing Factors That Affect Patent Infringement Litigation Could Help Improve Patent Quality* (Aug. 2013).

view because it would not "clarify the underlying principles of law" at issue on the merits). In these circumstances, where "probing appellate scrutiny will not contribute to the clarity of legal doctrine," deferential review is appropriate. *Salve Regina Coll.* v. *Russell*, 499 U.S. 225, 233 (1991) (citation omitted).

II. A UNITARY ABUSE-OF-DISCRETION STANDARD WILL NOT PRECLUDE CORRECTION OF PURE LEGAL ERROR

Although abuse-of-discretion review by definition involves deference to a district court's application of law to fact, such review does not entail deference to a court's pure legal error. As this Court explained in *Cooter & Gell*, a trial court "would necessarily abuse its discretion if it based its ruling on an erroneous view of the law." 496 U.S. at 405.[16] This rule comports with the Court's longstanding admonition that "a motion to [a court's] discretion is a motion, not to its inclination, but to its judgment; and its judgment is to be guided by sound legal principles." *Martin*, 546 U.S. at 139 (quoting *United States* v. *Burr*, 25 F. Cas. 30, 35 (C.C.D. Va. 1807) (No. 14,692d) (Marshall, C.J.)).[17]

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[16] See also, *e.g.*, *Koon* v. *United States*, 518 U.S. 81, 100 (1996) (holding that trial court "by definition abuses its discretion when it makes an error of law"); *Pullman-Standard* v. *Swint*, 456 U.S. 273, 287 (1982); Childress § 4.01[2], at 4-5; Edwards 73-74.

[17] Similarly, review of Section 285 awards for abuse of discretion would not preclude an appellate court from reversing a district court's clearly erroneous factual finding. See *Cooter & Gell*, 496 U.S. at 401, 405 (describing abuse-of-discretion and clearly-erroneous standard as "indistinguishable" with respect to factual findings, and noting that a "district court would necessarily abuse

As *Cooter & Gell* makes clear, a district court's ultimate determination that a party's filing was unreasonable or frivolous is not the sort of pure legal error that is reviewed without deference under the abuse-of-discretion standard. 496 U.S. at 399-405; Childress § 4.01[2] n.43, at 4-9 (discussing *Cooter & Gell*). This conclusion tracks the Court's precedents in other areas of law, where (as discussed above) appellate courts will deferentially review similar determinations. See, *e.g.*, *Denton*, 504 U.S. at 33 (addressing whether action is "frivolous" under 28 U.S.C. 1915(d) (1988)); *Chambers*, 501 U.S. at 50, 55 (addressing whether sanction is appropriate, in part for filing "frivolous" papers, under court's equitable powers); *Pierce*, 487 U.S. at 557-563 (addressing whether government's litigating position is "substantially justified" under 28 U.S.C. 2412(d)(1)(A)); *Christiansburg*, 434 U.S. at 421, 423 (addressing whether party's position is "frivolous, unreasonable, or without foundation" for purposes of 42 U.S.C. 2000e-5(k)). To the extent a Section 285 fee award turns on the district court's view that a party's litigating position is objectively baseless, that determination is subject to deferential review on appeal.

By contrast, no deference would be appropriate to a district court's reliance "on a materially incorrect view of the relevant law" in analyzing objective baselessness under Section 285. *Cooter & Gell*, 496 U.S. at 402. After all, "[t]he abuse-of-discretion standard includes review to determine that the discretion was not guided by erroneous legal conclusions." *Koon* v. *United States*, 518 U.S. 81, 100 (1996). Thus, if the

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its discretion if it based its ruling on * * * a clearly erroneous assessment of the evidence").

district court based its ruling that the losing party's position was unjustified on the court's misinterpretation of the Patent Act or other applicable statutes, or on an erroneous view of this Court's precedents, such an error would be reversible on appeal even under the abuse-of-discretion standard.

The same principle applies when the district court's analysis turns on a question of claim construction. Under current Federal Circuit precedent, the proper construction of a patent claim is a "pure issue of law" that, when reviewed on the merits, is subject to de novo review. *Cybor Corp.* v. *FAS Techs., Inc.*, 138 F.3d 1448, 1455 (1998) (en banc).[18] To the extent a district court relies on its own claim construction to conclude that a party's litigating position is baseless for purposes of Section 285, a reviewing court may assess without deference whether that claim construction is correct. In that context, the claim itself is analogous to the "relevant law," and a court's "materially incorrect" view of the claim is not entitled to deference. *Cooter & Gell*, 496 U.S. at 402. Similarly, no deference would be appropriate if the district court misconstrued the applicable rules of claim construction (*e.g.*, by ignoring definitions of claim terms provided in the specification, or by stating that an ambig-

[18] The Federal Circuit is now considering whether to overturn this rule. See *Lighting Ballast Control LLC* v. *Philips Elecs. N. Am. Corp.*, 500 Fed. Appx. 951 (2013) (per curiam) (ordering rehearing en banc and directing parties to address whether *Cybor* should be overruled). The United States has filed an amicus brief arguing that the ultimate construction of a claim is an issue of law, but that subsidiary factual findings made by a district court in the course of its claim construction must be reviewed for clear error under Federal Rule of Civil Procedure 52(a). See Gov't Amicus Br., *Lighting Ballast*, *supra* (No. 12-1014).

uous claim term should be construed without reference to the specification as a whole). If the reviewing court concludes that the district court's fee award was based on that court's erroneous claim construction, that pure legal error would constitute an abuse of discretion warranting reversal. By contrast, if the appellate and trial courts merely disagree over the extent to which the losing party's claim construction was reasonable, the trial court's determination is entitled to deference on appeal.

Understood in this way, abuse-of-discretion review affirms the appellate court's role in policing pure legal determinations, while protecting the district court's discretionary judgment with respect to the application of the law to concrete factual circumstances.

III. THE FEDERAL CIRCUIT'S ANALYSIS IS FLAWED, AND THE CASE SHOULD BE REMANDED

The Federal Circuit reversed part of the fee award in this case after concluding that respondent's claim was not objectively baseless. The Federal Circuit rejected the district court's contrary resolution of the baselessness issue, not because it believed that the district court had abused its discretion, but because it viewed the issue as a question of law subject to de novo review. The court of appeals' reasons for applying de novo review were mistaken, and the case should be remanded for application of the correct abuse-of-discretion standard.

The court of appeals held that, when a trial court awards fees because the losing party's position was "objectively baseless," that subsidiary determination presents a "question of law" that must be reviewed "without deference." Pet. App. 9a (citations omitted). That analysis is faulty. Rather, a district court's as-

sessment of the *degree* to which a party's litigation position is unreasonable or baseless presents a mixed question of law and fact reviewed for abuse of discretion on appeal. See pp. 17-18, 21-28, *supra*. As explained above, such deferential review is appropriate in the context of Section 285 because of the provision's text and drafting history, the consistent judicial practice of applying deferential review for more than six decades, and the same functional considerations that were implicated in *Pierce* and *Cooter & Gell*.

The Federal Circuit's various efforts to justify de novo review in this case are all unpersuasive. Most importantly, the court of appeals had no sound basis for relying on this Court's statement in *Professional Real Estate Investors, Inc.* v. *Columbia Pictures Industries, Inc.*, 508 U.S. 49 (1993) (*PRE*), that "[w]here * * * there is no dispute over the predicate facts of the underlying legal proceeding, a court may decide probable cause as a matter of law." *Id.* at 63; see Pet. App. 9a-10a n.1, 184a. As petitioner explains, that language (1) refers to the allocation of decisional authority between judge and jury, not between the trial and appellate courts, and (2) does not apply in circumstances where the relevant facts *are* in dispute, as they are here. Pet. Br. 41-44; see Pet. App. 193a-195a (Moore, J., dissenting). *PRE* also did not involve a district court's exercise of discretionary authority to make fee awards or impose sanctions in its supervisory role over litigation. *PRE* therefore does not cast doubt on the clear implications of more

closely analogous precedents, such as *Pierce*, *Cooter & Gell*, *Christiansburg*, *Denton*, and *Chambers*.[19]

The court of appeals' attempts to distinguish *Pierce* and *Cooter & Gell* are equally unavailing. The court rightly noted that there are some differences between fee awards under Section 285, on the one hand, and EAJA fees and Rule 11, on the other. Pet. App. 10a-11a n.1. But none of these differences changes the fact that the core inquiry in each context—the extent to which a party's litigating position is objectively reasonable—is a "mixed question[] of law and fact," to be determined through a careful analysis of the particular circumstances of each case. *Pierce*, 487 U.S. at 559-560.

Moreover, although the court of appeals seemed to assert that the objective-baselessness determination can never turn on disputable facts, Pet. App. 11a n.1, it failed to explain why this is so. As noted above, the particular facts of each case will bear heavily on whether a litigant's position was justified under the circumstances. See pp. 25-27, *supra*; see also Pet. App. 35a-37a (Mayer, J., dissenting in part); *id.* at 200a-201a (Moore, J., dissenting). Indeed, the court's own analysis of the reasonableness of respondent's position in this very case relied on the facts and circumstances at issue here. *Id.* at 14a-16a, 19a-26a.

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[19] Judge Dyk's cursory assertion (Pet. App. 186a) that Section 285's purpose was to "restrict the discretion in the district courts" is at odds with the history of that provision. See pp. 11-16, *supra*.

CONCLUSION

The judgment of the court of appeals should be vacated, and the case should be remanded for appellate review of the district court's fee award under an abuse-of-discretion standard.

Respectfully submitted.

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