

ALERT

Federal Circuit Patent Bulletin: *AIA Am., Inc. v. Avid Radiopharms.*

August 14, 2017

"[R]equests for attorney's fees under [35 U.S.C.] § 285 are equitable and do not invoke the Seventh Amendment right to a jury trial."

On August 10, 2017, in *AIA Am., Inc. v. Avid Radiopharms.*, the U.S. Court of Appeals for the Federal Circuit (Newman, Lourie, Hughes*) affirmed the district court's award under 35 U.S.C. § 285 of \$3,943,317.70 in attorney fees to Avid after ruling based on a jury verdict that AIA lacked standing to assert U.S. Patents No. 5,455,169 and No. 7,538,258, which related to the "Swedish mutation" associated with early-onset familial Alzheimer's disease. The Federal Circuit stated:

A litigant has a right to a jury trial if provided by statute, or if required by the Seventh Amendment. With no right to a jury trial provided in the statute, AIA relies solely on the Seventh Amendment. The Seventh Amendment preserves the right to a jury trial for "[s]uits at common law." The phrase "suits at common law" refers to suits in which only legal rights and remedies were at issue, as opposed to equitable rights and remedies. A legal remedy requires a jury trial on demand, while an equitable remedy does not implicate the right to a jury trial. A two-step inquiry determines whether a modern statutory cause of action involves only legal rights and remedies. First, we must "compare the statutory action to 18th-century actions brought in the courts of England prior to the merger of the courts of law and equity." "Second, we examine the remedy sought and determine whether it is legal or equitable in nature." The Supreme Court has stressed the second step of this test is the more important of the two.

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Turning to the first step, the nature of the claim, English courts for centuries have allowed claims for attorney's fees in both the courts of law and equity. But when brought in the courts of law, judges, not juries, determined attorney's fees. Therefore, since either a judge in the court of law or an equity court would determine attorney's fees, this implies that attorney's fees generally do not involve legal rights. As to the second step, the nature of the remedy, the fact that the relief sought is monetary does not necessarily make the remedy "legal." In the context of attorney's fees, when attorney's fees are themselves part of the merits of an action, they are regarded as a "legal" remedy. For example, a lawyer's fee claim against a client is a question for the jury, and a claim for attorney's fees under a contractual indemnification provision is a contractual "legal right" that is also a question for the jury. By contrast, when attorney's fees are awarded pursuant to a statutory prevailing party provision, they are regarded as an "equitable" remedy because they raise "issues collateral to and separate from the decision on the merits." Since Avid sought fees as a prevailing party under 35 U.S.C. § 285, the attorney's fees in this action are properly characterized as an equitable remedy. [R]equests for attorney's fees under § 285 are equitable and do not invoke the Seventh Amendment right to a jury trial.

Despite the foregoing, AIA argues that if a decision on attorney's fees involves considerations of a party's state of mind, intent, and culpability, then those questions must be presented to a jury under the Seventh Amendment. AIA, however, has pointed to no cases finding that once an issue is deemed equitable, a Seventh Amendment right to a jury trial may still attach to certain underlying determinations. Nor does AIA's argument fit within the Supreme Court's framework of when the right to a jury trial attaches to a claim. In 18th-century England, if a claim was in the court of equity, the equity court had the discretion to submit a claim to a jury but was never required to submit any issue to a jury, regardless of whether it was deciding issues of state of mind, intent, and culpability. Finally, AIA's position is at odds with other statutory prevailing party provisions. In sum, AIA's right to a jury trial under the Seventh Amendment was not violated. . . .

Finally, AIA argues that its due process was violated because the district court did not give AIA the opportunity to submit evidence regarding its intent, state of mind, or culpability. Contrary to AIA's argument, the district court provided both parties the opportunity to fully brief the motion seeking attorney's fees and allowed both parties to submit any additional evidence and affidavits. The district court also held a hearing on the motion where AIA was allowed to present arguments. To the extent AIA believes its due process was violated because the district court did not allow it to present evidence regarding intent to a jury, AIA was not entitled to a jury trial on the issue of attorney's fees. Accordingly, the district court did not deprive AIA of due process. Because there is no right to a jury trial for attorney's fees under § 285, because the district court did not err by making factual findings not foreclosed by the jury's verdict, and because AIA was not deprived of due process, we affirm.