

Fed. Circ. Says It Can't Award Atty Fees Tied To PTAB Cases

By Ryan Davis

Law360 (June 4, 2020, 9:34 PM EDT) -- The Federal Circuit said Thursday that it cannot award attorney fees for allegedly unreasonable conduct during a Patent Trial and Appeal Board case, saying such awards are only available for judicial proceedings and rejecting drugmaker Almirall's bid for fees from rival Amneal.

Almirall SA argued that Amneal Pharmaceuticals Inc.'s failed inter partes review challenge to its acne drug was so "exceptional" that it should have to pay attorney fees, which the Federal Circuit said appeared to be the first time it has been asked to consider how the fee-shifting statute applies to IPR appeals.

While Almirall said the law authorizes the Federal Circuit to award fees incurred during PTAB proceedings before an appeal is filed, the court disagreed. It said it can award fees related to district court infringement actions, but "appeals from the board are a different matter."

The statute says "the court" may award fees, and that "speaks only to awarding fees that were incurred during, in close relation to, or as a direct result of, judicial proceedings," the Federal Circuit said.

"This language is simply inconsistent with Almirall's position that we can award fees incurred for work in patent office proceedings before this court has ever asserted its jurisdiction," it said.

Amneal had moved to voluntarily dismiss its appeal of the PTAB's decision that it hadn't shown Almirall's patent is invalid. Almirall said it would agree on the condition that it was awarded fees, but the Federal Circuit granted the dismissal motion and denied the fee request.

As it prepared to market a generic version of Almirall's acne medication Aczone, Amneal challenged two of the patents on the drug in inter partes reviews. Almirall then filed an infringement suit in district court.

According to the Federal Circuit, Almirall offered Amneal a covenant not to sue over one of the patents during settlement talks, but the parties could not finalize a deal. The IPR on that patent proceeded and the PTAB upheld the patent.

Amneal appealed, but then moved to dismiss the appeal. That led Almirall to argue that Amneal should have to pay its fees associated with the IPR and the appeal, saying that because Amneal knew it wouldn't be sued over that patent, its decision to continue the IPR was "exceptional."

"It is beyond reasonable that trial was justified once Almirall offered to assure Amneal it would not sue for infringement," it said.

Amneal told the Federal Circuit that Almirall's position was "extraordinary," and that just because Almirall offered not to sue doesn't mean Amneal was bound to drop its IPR.

The Federal Circuit did not get into the merits of whether fees were warranted, and instead concluded its authority to award fees extends only to district court and appellate litigation, not PTAB cases.

"Almirall is impermissibly seeking fees that were incurred for work at the patent office before this case was commenced," it said. It noted that the PTAB has its own means for regulating misconduct, including awards of attorney fees.

Attorneys for the parties could not immediately be reached for comment Thursday.

The patent at issue is U.S. Patent No. 9,161,926.

Judges Alan Lourie, Timothy Dyk and Jimmie Reyna sat on the panel for the Federal Circuit.

Amneal is represented by Dennies Varughese, Adam LaRock and Byron Pickard of Sterne Kessler Goldstein & Fox PLLC.

Almirall is represented by James Trainor and Elizabeth Hagan of Fenwick & West LLP.

The case is Amneal Pharmaceuticals et al. v. Almirall LLC, case number 20-1106, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Adam LoBelia.