

US: TRADE MARKS



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Third Circuit rules on awarding attorneys' fees

In April, in *Octane Fitness, LLC v Icon Health & Fitness, Inc*, the US Supreme Court issued a decision that established the parameters for when a district court may award attorneys' fees to a prevailing party under Section 285 of the Patent Act. In September, in *Fair Wind Sailing, Inc v H Dempster et al*, the US Court of Appeals for the Third Circuit became the first circuit court to apply the *Octane Fitness* holding regarding fee shifting in a patent case to a case involving claims under the Lanham Act.

Fair Wind Sailing had filed a law suit against Virgin Island Sailing School and its co-founder alleging, among other things, trade dress infringement and unjust enrichment. The District Court determined that Fair Wind Sailing had failed to state claims for either trade dress infringement or unjust enrichment and, in turn, granted the defendant's motion to dismiss. In addition, the District Court awarded the defendants the entirety of their attorneys' fees. Fair Wind Sailing subsequently took appeal to Third Circuit.

In applying the ruling in *Octane Fitness* to *Fair Wind Sailing*, the Third Circuit took the position that, despite the fact that the *Octane Fitness* case dealt with a patent claim, the Supreme Court was sending a "clear message" that it was defining the term "exceptional" in the fee provision in both the Patent Act and the Lanham Act. The Third Circuit reasoned that the language in the Patent Act which provides that the Court may award reasonable attorney fees to the prevailing party in "exceptional" cases was identical to the language in the Lanham Act.

In *Octane Fitness*, the Court expanded the definition of the term exceptional in the fee shifting provision of the Patent Act. Prior to the ruling in *Octane Fitness*, a case was only deemed exceptional in limited circumstances,

namely, where a district court either found "litigation-related misconduct of an independently sanctionable magnitude" or determined that the litigation was both "brought in subjective bad faith" and "objectively baseless".

In the *Octane Fitness* decision, an "exceptional case" was defined to mean one that "stands out from others with respect to the substantive strength of a party's litigation position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated".

Therefore, as articulated by the Third Circuit, *Octane Fitness* gave the district courts the discretion, on a case-by-case basis, to determine whether a case was exceptional and did not require that the losing party's conduct suggest "bad faith, fraud, malice, [or] knowing infringement".

The Third Circuit affirmed the dismissal of Fair Wind Sailing's claims of both trade dress infringement and unjust enrichment. However, since the decision in *Octane Fitness* was issued while the appeal was pending, the Third Circuit remanded the decision on the payment of attorneys' fees to the District Court to determine whether the Fair Wind Sailing case was an "exceptional" one, applying the new definition of the term as established by the Supreme Court.

It remains to be seen whether the remaining circuit courts will follow the Third Circuit's lead in applying the *Octane Fitness* holding to cases involving Lanham Act claims. Nonetheless, the ruling serves as an important consideration to take into account when considering whether to initiate a law suit making allegations under the Lanham Act and in determining the forum for such allegations to be heard.