

OBTAINING ATTORNEY FEES IN INTELLECTUAL PROPERTY CASES: RULE 11 AND OTHER SANCTIONING MECHANISMS

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I. INTRODUCTION

In 1983, Congress amended Rule 11 to "revitalize the Rule by encouraging the use of sanctions where appropriate." [n2] Although the Rule has seen infrequent effective use in intellectual property cases, Rule 11 sanctions of over \$1.4 million dollars were imposed in one patent infringement case. Additionally, the Supreme Court approved Rule 11 sanctions of dismissal and an award of attorney fees in a recent copyright case. Such precedents provide guidelines for initiating litigation and justifying an award of attorney fees and costs pursuant to Rule 11. Other sanctioning machinery can also be successfully employed based on the same or similar facts as those that trigger Rule 11. Thus, given the high cost of litigating an intellectual property case, all groundless, vexatious, and bad faith conduct should be examined in light of the clear Congressional intent to deter such actions and to compensate the abused parties. Each of these points, as well as the proposed changes to Rule 11, are discussed in further detail below.

II. RULE 11 SANCTIONS IN PATENT INFRINGEMENT

The *Rafac v. Hitachi* [n3] Legacy and Rules 11 and 37

In September, 1987, Refac International Limited (Refac), an entity nationally renowned for purchasing and litigating patents, sued 118 *212 companies in the Central District of California. The complaint alleged infringement of three patents, all of which claimed different supporting circuitry for liquid crystal displays (LCDs). [n4] Refac asserted, and its experts later declared, that all current LCD products required bi-directional current in order to work properly and therefore infringed at least one of its basic LCD circuit patents.

Eleven months after the complaint was filed, the magistrate supervising discovery was persuaded to set a three month deadline for Refac to identify "which elements of which claim. . . [were] present in the accused devices," both literally and under the doctrine of equivalents. [n5] On the last day of the deadline, Refac responded. It served a claim chart which it called "An Element-By-Element Analysis of Why Patent No. 3,744,049 is

Infringed by Each Product Listed in the Case." [n6] As the Federal Circuit later noted, however, this claim chart "did not identify the elements of any specific product corresponding with the patent claim elements." [n7]

In February, 1989, DAK Industries Incorporated and Kawasaki Motors Corporation U.S.A. (Kawasaki) filed a motion seeking sanctions, including dismissal and attorney fees pursuant to Rule 11 and Rule 37 of the Federal Rules of Civil Procedure and to 28 U.S.C. section 1927, for violation of the supervising magistrate's earlier discovery order. Kawasaki argued: 1) that Refac's failure to provide an infringement analysis of the defendants' circuits was a willful violation of the court's discovery order and an attempt to reverse the burden of proof by forcing the defendants to prove non- infringement; 2) that Refac was in violation of the court's discovery order because it failed to actually examine the accused circuits; and 3) that Refac's complaint was not based on an actual comparison of the accused products to the asserted patent claims. [n8] Other defendants later joined the Kawasaki motion. Refac's opposition papers claimed that it had sufficiently defined infringement for purposes of discovery and that each defendant could decide whether to fight or to settle. [n9]

*213 In accordance with Kawasaki's urging, the magistrate found that Refac had failed to meet its duty as a plaintiff because it had failed to particularly identify exactly why each defendant infringed. He found that Refac had forced the defendants to labor "under a cloud" and that it "would be unjust to allow this action to continue." [n10] The magistrate, therefore, recommended dismissal of the case, a finding of non-infringement pursuant to Rule 37, [n11] and an inquiry as to whether or not Rule 11 had been violated. He also awarded attorney fees for the motion before him. The district judge affirmed the magistrate's findings and adopted his recommendations, with the exception that the judge declined to sanction Refac pursuant to Rule 11. [n12]

During the appeal before the Federal Circuit, Refac argued that the sanctions imposed by the lower court were beyond the range of permissible sanctions and were therefore an abuse of discretion. [n13] Kawasaki, in turn, cross- appealed the district court's refusal to impose Rule 11 sanctions. In a lengthy and fairly detailed opinion, the Federal Circuit affirmed the sanctions of dismissal, non-infringement, and attorney fees, and awarded further fees and double costs under Rule 38 of the Federal Rules of Appellate Procedure. It also remanded the case to the district court for a determination of the Rule 11 issue. The Federal Circuit commented that Rule 11 sanctions for an unfounded complaint would "normally be of greater impact than were the sanctions imposed below." [n14]

Kawasaki then renewed its original Rule 11 motion. Pursuant to the remand and the Federal Circuit's urging, the district court found that Refac was "guilty of a Rule 11 violation for filing the complaint . . . without first making reasonable factual inquiry." [n15] The district court held that Refac owed a duty to "reverse engineer" or otherwise examine the accused LCD circuits before filing. The court held that Refac simply had not:

engaged in any successful reverse engineering or inspection of circuit diagrams of accused products. In fact, Refac appears to admit a total lack of reverse engineering of

subject products by asserting that in connection with another suit it had attempted unsuccessfully to reverse engineer some *214 products of the defendants. It failed in this, but the record shows that it could have succeeded if it had purchased and used certain equipment. As an alternative, plaintiff could have demanded circuit diagrams from defendant, their vendors or the suppliers of the latter, but did not [n16]

The insufficiency of Refac's precomplaint investigation is shown by its inability (or disinclination) to obey the order of this Magistrate Judge to, in the words of the Federal Circuit, 'spell out a proper basis for charging infringement more than a year after bringing suit.' [n17]

The court found that the "appropriate sanction" for the Rule 11 violation would be "all of the expenses including attorney fees incurred by each defendant." [n18] Interestingly, the court found that Refac's attorneys were not guilty of violating Rule 11 because they were following the instructions of Refac, a very sophisticated patent litigator. The fees later awarded totaled over \$1.4 million dollars. [n19] The Refac case serves as one of the most dramatic examples of the extent to which sanctions can be imposed pursuant to Rule 11 and Rule 37 of the Federal Rules of Civil Procedure, as well as pursuant to Rule 38 of the Federal Rules of Appellate Procedure, and exemplifies how these statutes can turn upon the same facts.

The ramifications of the Refac decision were extensively reported in the New York Times, the Wall Street Journal, and the Los Angeles Times, as well as being discussed in industry journals. As one industry commentator noted: "Let those who use the threat of legal action to harass others into acquiescence take notice: a precedent has been set, a line has been drawn." [n20]

III. RULE 11 SANCTIONS IN COPYRIGHT INFRINGEMENT

In *Business Guides, Inc. v. Chromatic Communications Enterprises, Inc.*, [n21] the plaintiff asserted copyright protection over certain business directories. The plaintiff, Business Guides, had a practice of intentionally planting "seeds" (incorrect listings) in its directories so that the presence *215 of "seeds" in a competitor's directory would provide proof of copying. Business Guides alleged the presence of ten "seeds" in Chromatic's directory and sought a Temporary Restraining Order. The Temporary Restraining Order was supported by an affidavit signed by Business Guide's president.

Because the seed information was filed in camera, the court investigated the legitimacy of the seeds by calling the businesses listed as seeds and verifying the business addresses. The court discovered that nine of the seeds were actually legitimate addresses. [n22] The tenth "seed" had apparently been sent to Chromatic by a Business Guides employee. The magistrate recommended Rule 11 sanctions of dismissal and attorney fees because the plaintiff "knew or should have known" that its evidence of infringement was unreliable. [n23] The sanctions were awarded against Business Guides by the district court judge. [n24]

The case was appealed and the Ninth Circuit affirmed in pertinent part. [n25] The Supreme Court affirmed the Ninth Circuit decision and held that represented parties, as well as counsel and unrepresented parties, are subject to sanctions under the same objective standard for violating Rule 11. [n26] The Court affirmed the sanctions imposed on the plaintiff, but not those imposed on the attorney who filed the TRO's affidavits. [n27] The Court noted that the client is quite often in a better position to investigate the facts, and further noted that an attorney may reasonably rely on the factual representations of an experienced corporate client. [n28]

The Supreme Court cautioned district courts to "resist the temptation to use sanctions as a substitute for tort damages." [n29] Nevertheless, the Supreme Court affirmed the sanctions of dismissal and award of *216 attorney fees, thus illustrating the fact that if a violation relates to initiation of the litigation, fees for the entire action may still be justified. [n30]

IV. Rule 11 of the Federal Rules of Civil Procedure -- Language

Rule 11 provides in relevant part:

The signature of an attorney or party constitutes a certificate by the signer that the signer has read the pleading, motion, or other paper; that to the best of the signer's knowledge, information, and belief formed after reasonable inquiry it is well grounded in fact and is warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law, and that it is not interposed for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation. . . .

If a pleading, motion, or other paper is signed in violation of this rule, the court, upon motion or upon its own initiative, shall impose upon the person who signed, a represented party, or both, an appropriate sanction, which may include an order to pay to the other party or parties the amount of the reasonable expenses incurred because of the filing of the pleading, motion, or other paper, including a reasonable attorney's fee. [n31]

V. Rule 11 of the Federal Rules of Civil Procedure -- Standard of Conduct

Rule 11 includes an objective standard of professional conduct; "put bluntly, a pure heart no longer excuses an empty head." [n32] Inexperience or incompetence as well as willfulness can trigger Rule 11 sanctions. [n33] At least one court has interpreted this objective standard as including a "knew or should have known" analysis. [n34]

Also, under Rule 11, a document may not be interposed for an improper purpose, [n35] and pleadings are judged as of the time of filing. Three considerations regarding the standard of conduct under Rule 11 require further discussion. These considerations are: 1) what comprises reasonable inquiry; 2) what comprises improper purpose; and 3) what comprises the proper measure of sanctions.

*217 A. Reasonable Inquiry

Whether or not a reasonable inquiry has been made depends on factors such as:

Whether the signer of the documents had sufficient time for investigation; the extent to which the attorney had to rely on his or her client for the factual foundation underlying the pleading, motion, or other paper; whether the case was accepted from another attorney; the complexity of the facts and the attorney's ability to do a sufficient pre-filing investigation; and whether discovery would have been beneficial to the development of the underlying facts. [n36]

As discussed previously, the patent holder in *Refac International, Ltd., v. Hitachi, Ltd.*, [n37] failed to reverse engineer the circuitry at issue or to obtain circuit diagrams for inspection and thus failed to fulfill the reasonable inquiry standard. In some cases, however, failing to actually examine the accused product may be acceptable if adequate supporting documentation exists. [n38]

B. Improper Purpose

The improper purpose element of Rule 11 may stand alone as the basis for sanctions. The filing of any document for abusive purposes, such as to delay, to harass, or to increase the costs of litigation, can be used to invoke sanctions under Rule 11. [n39]

C. Proper Measure of Sanction

The central purpose of Rule 11 is to deter baseless filings. [n40] Other purposes of the Rule are compensation of the abused party, as well as punishment for litigation abuses. Deterrence, however, has been held as being the most important purpose. [n41] In *Business Guides, Inc. v. Chromatic Communications Enterprises, Inc.*, the Supreme Court held that *218Rule 11 monetary sanctions should not replace tort damages and should instead focus on the discrete event of the offending filing. [n42] If a complaint is not well grounded, however, it can be successfully argued that fees for the entire action are warranted. Thus, the "discrete event" can be the filing of a complaint, core issue interrogatories responses, answers to requests for admissions or even document demand responses.

In *Business Guides*, the U.S. Supreme Court dismissed the case and awarded the defendant its attorney fees. In *Refac*, \$1.4 million in fees and costs were awarded. In *Mercury Service, Inc. v. Allied Bank of Texas*, [n43] however, the court determined that monetary sanctions of \$1,500 were sufficient to punish a plaintiff for filings that cost \$75,000 and which proved violative of Rule 11. Thus, legal standards aside, the severity of the sanction rests upon the advocacy of the sanction seeker and the discretion of the sanctioning judge.

VI. SANCTIONS UNDER RULE 37 OF THE FEDERAL RULES OF CIVIL PROCEDURE

Rule 37 of the Federal Rules of Civil Procedure comprises the main cluster of sanctioning mechanisms for discovery and other abuses. Rule 37(b)(2) provides in relevant part:

(2) the court. . . may make such orders . . . as are just, and among others the following:

(A) An order that . . . designated facts shall be taken to be established for the purposes of the action. . . ;

(B) An order refusing to allow the disobedient party to support or oppose designated claims or defenses, or prohibiting that party from introducing designated matters in evidence;

(C) An order striking out pleadings or parts thereof, or staying further proceedings until the order is obeyed, or dismissing the action or proceeding or any part thereof, or rendering a judgment by default against the disobedient party. [n44]

Under Rule 37(d) of the Federal Rules of Civil Procedure, sanctions can be imposed for failure to respond to discovery requests even in the absence of a prior order. [n45] Rule 37 also mandates that the court "shall" award attorney fees and costs against the violating party or his counsel unless circumstances make an award unjust. Rule 37 sanctions as severe as dismissal can be applied without a showing of bad faith and on the *219 basis of mere "gross negligence." [n46] However, in *Ingalls Shipbuilding, Inc. v. United States*, [n47] the Federal Circuit indicated that intentional conduct is necessary to sustain severe sanctions pursuant to Rule 37. In *Ingalls*, the trial court sanctioned the government for evasive interrogatory answers by precluding the introduction of any evidence relating to the government's purported fraud. The Federal Circuit reversed the trial court, noting that the sanctions imposed equated to a "de facto dismissal" which should be reserved "to deter intentional abuse of the discovery process, not as a means to resolve the merits of a case." [n48]

Although Rule 37 is most often applied to orders to compel discovery, the Advisory Notes make clear that protective orders are within the scope of Rule 37. Thus any violation of a protective order can trigger Rule 37 sanctions. This was dramatically illustrated in *Hi-Tek Bags Ltd., v. Bobtron International, Inc.* [n49] In the *Hi-Tek* case, the district court imposed the sanction of dismissal for plaintiffs' violation of a protective order which was obtained as a result of an *ex parte* application for expedited discovery. The protective order provided that discovery would be conducted by plaintiffs' counsel without plaintiffs' presence. The court found that the plaintiffs had been present when the plaintiffs' counsel had obtained discovery pursuant to the discovery order. The court sanctioned the plaintiffs twenty-thousand dollars for this as well as other violations. Afterwards, plaintiffs' counsel filed and served an unsealed brief that included confidential pricing and sourcing information. Two of the defendants, *Boy London* and *Bobtron*, then moved to dismiss the case against them. The court found that the

unrestricted filing and serving of the confidential information constituted a second violation of the order and, as a sanction, dismissed the case. The Refac case, [n50] was cited as supporting precedent.

It is important to note that a causal connection between discovery sanctions under Rule 37 and sanctions pursuant to Rule 11 can be constructed from the same facts. A party's inability to answer written discovery requests to support its complaint can at once justify both Rule 37 sanctions as well as sanctions under Rule 11. [n51]

*220 Rule 37(b)(2)(A) is a seldom used but very lethal sanctioning tool since it allows the courts to "deem" certain facts admitted. [n52] Thus, whenever a discovery violation relates to a pivotal fact, 37(b)(2)(A) sanctions should be sought. In Refac, this mechanism was used to have the "fact" of non- infringement deemed admitted. [n53] Likewise, the sanction of excluding evidence pursuant to 37(b)(2)(B) can be equally fatal. [n54]

VII. ATTORNEY FEES PURSUANT TO 35 U.S.C. § 285

In addition to the courts' sanctioning power under Rule 11 and Rule 37, federal courts possess an inherent power to sanction bad faith litigation conduct. [n55] Attorney fees can be awarded to a prevailing party in a patent case under 35 U.S.C. § 285 whenever the case is proven to be exceptional. [n56] Exceptional circumstances include "inequitable conduct during prosecution of a patent, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit." [n57]

The purpose of 35 U.S.C. § 285 is to compensate. [n58]

The general rule is that when a wrong has been done, and the law gives a remedy, the compensation shall be equal to the injury The injured party is to be placed, as near as may be, in the situation he would have occupied if the wrong had not been committed. [n59]

*221 When used in connection with Rule 11, "frivolous" connotes a filing which is both baseless and made without a reasonable and competent inquiry. [n60] "Frivolousness" pursuant to 35 U.S.C. § 285 can be based upon facts which would also justify a Rule 11 violation if:

the patentee is manifestly unreasonable in assessing infringement, while continuing to assert infringement in court, an inference is proper of bad faith, whether grounded in or denominated wrongful intent, recklessness, or gross negligence. The alternative, abuse of the courts through manifestly unreasonable law suits based on uninvestigated allegations, would constitute a blot on the escutcheon of the law and a violation of Rule 11, Fed.R.Civ.P. [n61]

Thus, when seeking fees for frivolousness under section 285, the moving party should probably also seek fees pursuant to Rule 11. If the frivolousness is also reflected in evasive discovery responses, fees pursuant to Rule 37 should also be sought. [n62]

VIII. RULE 38 OF THE FEDERAL RULES OF APPELLATE PROCEDURE

An appeal is frivolous where "no basis for reversal in law or fact can be or is even arguably shown." [n63] This objective standard is reminiscent of the language of Rule 11, notwithstanding the lack of an "improper purpose" element.

Thus, Rule 11 and Rule 38 sanctions can turn on the same facts. In *Refac International, Ltd., v. Hitachi, Ltd.*, [n64] the court awarded attorney fees to defendant-appellees and doubled the costs for the appeal based on essentially the same foundational facts that later supported sanctions under Rule 11. [n65]

*222 IX. 28 U.S.C. § 1927

Section 1927 of title 28 of the United States Code mandates sanctions, including excessive costs, expenses and attorney fees against any attorney who multiplies the proceedings "unreasonably and vexatiously." Sanctions under section 1927 should be imposed whenever bad faith on the part of the attorney is shown. [n66]

Section 1927 is not necessarily tied to any particular document, and applies to conduct throughout the litigation, whereas Rule 11 applies only to signed papers. In this sense, section 1927 is similar to 35 U.S.C. § 285. Comprehensive sanctions under section 1927; however, may be more difficult to obtain in view of the clearly subjective bad faith standard which applies. [n67] Nevertheless, the same violations that would satisfy Rule 11 could help meet the requirement of the section 1927 bad faith standard. For example, the filing of a "baseless" document could present circumstantial evidence of a vexatious intent to multiply proceedings and to drive up costs, thus supporting sanctions under both Rule 11 and section 1927.

X. PROPOSED AMENDMENTS TO RULE 11

The Committee on Rules of Practice and Procedure of the Judicial Conference of the United States [n68] has proposed significant changes to Rule 11. Under the proposed rule, the certification duty, which presently is measured only at the time the paper is signed, would become a continuing duty. [n69] The signer would be subject to sanctions for maintaining a position no longer warranted by law or fact, regardless of the merit the position had at the time the paper was signed. [n70]

Certification will also include a representation that alleged or denied facts have, or will likely have, evidentiary support. Sanctions under the proposed rule "shall be limited to

what is sufficient to deter comparable *223 conduct by persons similarly situated." [n71] Significantly, monetary sanctions would not be awarded unless the court determines that the filed paper was interposed for an improper purpose. [n72]

The proposed rule would also allow sanctions to be assessed against the law firms, attorneys, or parties responsible for the violation, whether or not they signed the offending paper. [n73] This change would remove the limitations of the present rule, as interpreted by the Supreme Court in *Pavelic & LeFlore v. Marvel Entertainment Group*, [n74] which prevents sanctioning of a law firm for the conduct of one of its attorneys. The proposed rule would also allow a minimum twenty-one day opportunity to cure before sanctions could be imposed. [n75] While the court would maintain its power to sanction on its own initiative, under the proposed rule it must do so by way of an order to show cause. [n76]

CONCLUSION

The congressional and judicial intent of deterrence and compensation, as embodied in various sanctioning statutes and interpretative case law, provides clear opportunities of redress for abused litigants. Facts supporting a violation of a discovery order going to a core issue in an intellectual property case can justify sanctions pursuant to Rules 11 and 37, as well as an award of attorney fees under 35 U.S.C. § 285. Bad faith is not an absolute requirement for sanctions, but if present and distinct, it can support an award under Rule 37, under 35 U.S.C. § 285, under 28 U.S.C. § 1927, as well as supporting the improper purpose element of Rule 11. Although the Supreme Court has stated that Rule 11 should not be used as an outright fee- shifting mechanism, if the violation or abuse relates to a complaint or fundamental discovery issue, fees can be awarded for the entire action. Properly advocated, these statutes can become powerful leveling factors.

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[n2]. *Zaldivar v. City of Los Angeles*, 780 F.2d 823, 828 (9th Cir.1986).

[n3]. *Refac Int'l, Ltd. v. Hitachi, Ltd.*, 921 F.2d 1247 (Fed.Cir.1990).

[n4]. United States Patent Nos. 3,855,783 (the "703 patent"), 3,744,049 (the "049 patent") and 3,955,355 (the "355 patent").

[n5]. *Refac*, 921 F.2d at 1251.

[n6]. Id.

[n7]. Id.

[n8]. Id. at 1251-52.

[n9]. Refac Int'l, Ltd. v. Hitachi, Ltd., 1989 U.S. Dist. LEXIS 17173 (C.D.Cal. 1989).

[n10]. Id.

[n11]. The dispositive sanctions of dismissal and non-infringement were recommended to the district court judge in view of the constitutional limit on a magistrate's authority to act as an Article III judge.

[n12]. Refac Int'l, Ltd. v. Hitachi, Ltd., 921 F.2d 1247 (Fed.Cir.1990).

[n13]. Id. at 1254.

[n14]. Id. at 1257.

[n15]. Refac Int'l, Ltd. v. Hitachi, Ltd., 19 U.S.P.Q.2d 1855, 1859 (C.D.Cal. 1991).

[n16]. Id. at 1858.

[n17]. Id.

[n18]. Id. at 1859.

[n19]. See also *Loctite v. FelPro*, 667 F.2d 577 (7th Cir.1981) (holding that a plaintiff in a patent infringement action has a "duty to identify" the infringement with particularity in discovery and that dismissal is an "especially appropriate" sanction for failing to meet

this duty); cf. *Cambridge Prod., Ltd. v. Penn Nutrients, Inc.*, 22 U.S.P.Q.2d 1577 (N.D.Ind. 1990) (patent infringement suit filed after review of documentary material alone and without physical inspection of accused products did not violate Rule 11).

[n20]. David Lieberman, *Drawing the Line*, *Electronic Engineering Times*, July 1, 1991, at 25.

[n21]. 111 S.Ct. 922 (1991).

[n22]. *Business Guides, Inc. v. Chromatic Communications Enters., Inc.*, 119 F.R.D. 685, 688 (N.D.Cal. 1988).

[n23]. *Id.* at 687.

[n24]. *Business Guides, Inc. v. Chromatic Communications Enters., Inc.*, 121 F.R.D. 405 (N.D.Cal. 1989).

[n25]. *Business Guides, Inc. v. Chromatic Communications Enters., Inc.*, 892 F.2d 802, 814 (9th Cir.1989) (The Ninth Circuit affirmed the lower court's finding that the documents filed in that action violated Rule 11 but reversed the finding that certain oral representations made in court, in and of themselves, also violated Rule 11. Because the Ninth Circuit did not know if this would affect the sanctions imposed by the lower court, it remanded only for reconsideration of the sanctions awarded. The district court then reaffirmed the dismissal and attorney fees award).

[n26]. *Business Guides, Inc. v. Chromatic Communications Enters., Inc.*, 111 S.Ct. 922(1991).

[n27]. *Id.*

[n28]. *Id.*

[n29]. *Id.*

[n30]. *Id.* See also *Lloyd v. Schlag*, 884 F.2d 409 (9th Cir.1989) (Rule 11 sanctions imposed for lack of investigation into the failure to record a copyright transfer which was dispositive of the case); cf. *Princess Fabrics, Inc. v. CHF, Inc.*, 922 F.2d 99 (2d Cir.1990) (Rule 11 sanctions not imposed even though plaintiff's failed to investigate the dispositive issue of lack of copyright notice).

[n31]. Fed.R.Civ.P. 11.

[n32]. *Lancellotti v. Fay*, 909 F.2d 15, 20 (1st Cir.1990).

[n33]. *Cruz v. Savage*, 896 F.2d 626, 631 (1st Cir.1990).

[n34]. *Business Guides, Inc. v. Chromatic Communications Enters., Inc.*, 119 F.R.D. 685, 687 (N.D.Cal. 1988) *aff'd* in pertinent part, 892 F.2d 802 (9th Cir.1989) and 111 S.Ct. 922 (1991).

[n35]. *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384 (1990); *In re Grantam Bros.*, 922 F.2d 1438, 1441 (9th Cir.1991).

[n36]. *Lebovitz v. Miller*, 856 F.2d 902, 905 (7th Cir.1988); See also Amendments to the Federal Rules of Civil Procedure, Advisory Committee Note, 97 F.R.D. 165, 199 (1983).

[n37]. 19 U.S.P.Q.2d 1855-58 (C.D.Cal. 1991).

[n38]. *Cambridge Prods. Ltd. v. Penn Nutrients, Inc.*, 22 U.S.P.Q.2d 1571 (N.D.Ind. 1990).

[n39]. *In re Grantam Bros.*, 922 F.2d 1438, 1441 (9th Cir.1991); cf. *Sheet v. Yamaha Motor Corp.*, 891 F.2d 528 (5th Cir.1990) (sanctions may be imposed for well-grounded paper filed for improper purpose, although such sanctions would require very unusual circumstances). The improper purpose element of Rule 11 can also justify a fee award under 28 U.S.C. § 1927. *McMahon v. Shearson American Express, Inc.*, 896 F.2d 17, 23 (2d Cir.1990).

[n40]. *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384 (1990).

[n41]. *McMahon v. Shearson/American Express, Inc.*, 896 F.2d 17 (2d Cir.1990); *Brown v. Fed'n of State Medical Bds. of the United States*, 830 F.2d 1429 (7th Cir.1987).

[n42]. *Business Guides*, 111 S.Ct. at 934.

[n43]. 117 F.R.D. 147 (C.D.Cal. 1987) *aff'd* without opinion, 907 F.2d 154 (9th Cir.1990).

[n44]. Fed.R.Civ.P. 37.

[n45]. *Minnesota Min. & Mfg. Co. v. Eco Chem, Inc.*, 757 F.2d 1256, 1260- 61 (Fed.Cir.1985).

[n46]. *Cine Forty-Second Street Theater Corp. v. Allied Artists Picture Corp.*, 602 F.2d 1062, 1066 (2d Cir.1979).

[n47]. 857 F.2d 1448, 1451 (Fed.Cir.1988).

[n48]. *Id.*

[n49]. 24 U.S.P.Q.2d 1787 (C.D.Cal. 1992).

[n50]. See *Refac Int'l, Ltd. v. Hitachi, Ltd.*, 921 F.2d 1247 (Fed.Cir.1990).

[n51]. *Id.*

[n52]. See *Insurance Corp. of Ireland v. Compagnie des Bausites de Guinee*, 456 U.S. 694, 709 (1982).

[n53]. *Refac Int'l, Ltd. v. Hitachi, Ltd.*, 921 F.2d 1247-52 (Fed.Cir.1990).

[n54]. See *Ingalls Shipbuilding, Inc. v. United States*, 857 F.2d 1448 (Fed.Cir.1988).

[n55]. *Chambers v. NASCO*, 111 S.Ct. 2123, 2136 (1991) (district court not required to exhaust all other sanctioning avenues before exercising its inherent power). See also *North Am. Watch v. Princess Ermine Jewels*, 786 F.2d 1447, 1451 (9th Cir.1986).

[n56]. Attorney fees and costs are also recoverable under Section 1117 of the Lanham Act in situations analogous to section 285 awards. Section 505 of the Copyright Act allows for the award of fees "at the discretion of the court." In *Transgo, Inc. v. AJAC Transmission Parts Corp.*, 768 F.2d 1001, 1026 (9th Cir.1985), plaintiffs were awarded attorneys' fees under the Lanham Act, § 43(a) (15 U.S.C. § 1117), where defendants' violation of plaintiffs' trademark rights was extraordinary, malicious, wanton, and oppressive. In *Cooling Sys. and Flexibles v. Stuart Radiator*, 777 F.2d 485, 493 (9th Cir.1985), the defendants were awarded attorneys' fees under 17 U.S.C. § 505 because plaintiffs' action was both frivolous and conducted in bad faith.

[n57]. *Bayer Aktiengesellschaft v. Duphar Int'l Research B.V.*, 738 F.2d 1237, 1246 (Fed.Cir.1984); See also *Refac Int'l v. IBM Corp.*, 710 F.Supp. 569 (D.N.J. 1989) (citing *Bayer* and awarding fees for the filing of a patent suit on a patent that the plaintiff "knew or should have known was invalid.").

[n58]. *Albermarle Paper Co. v. Moody*, 422 U.S. 405, 418-19 (1975).

[n59]. 35 U.S.C.A. § 285 (West Supp.1992).

[n60]. *Townsend v. Holman Consulting Corp.*, 929 F.2d 1358 (9th Cir.1991).

[n61]. *Eltech Sys. Corp. v. PPG Indus., Inc.*, 903 F.2d 805 (Fed.Cir.1990).

[n62]. In *Loctite Corp. v. FeI-Pro, Inc.*, 667 F.2d 577, 583 (7th Cir.1981), the court imposed the sanction of dismissal for failing to obey a court order and "produce an essential element of the case, the specification of the infringing ingredients." The court also awarded the defendants' attorneys' fees pursuant to § 285. The court held, however, that because nearly all the fees awarded flowed from the plaintiff's failure to obey the court's discovery order and identify the infringing ingredients in the defendant's product, the award was also justified under Rule 37. *Id.* at 585.

[n63]. *Octocom Sys. v. Houston Computer Serv., Inc.*, 918 F.2d 937, 943 (Fed.Cir.1990) (quoting *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1554 (Fed.Cir.1983)).

[n64]. 921 F.2d 1247 (discussed *supra*).

[n65]. See also *Constant v. United States*, 929 F.2d 654 (Fed.Cir.1991), cert. denied 111 S.Ct. 2799 (1991). When seeking sanctions on appeal, however, the proper mechanism is Rule 38 of the Federal Rules of Appellate Procedure and not Rule 11. *Cooter & Gell*, 496 U.S. 384 (1990).

[n66]. See *Romero v. Pomona*, 883 F.2d 1418, 1429 (9th Cir.1989); *Soules v. Kauaians*, 849 F.2d 1176, 1185 (9th Cir.1988). See also *Optical Eyewear v. Styles Co.*, 760 F.2d 1045, 1048 (9th Cir.1985). Bad faith can be shown by the unnecessary driving up of the cost of litigation. See, e.g., *Lone Ranger Television, Inc. v. Program Radio Control Corp.*, 740 F.2d 718 (9th Cir.1983).

[n67]. *Dreiling v. Peugeot Motors of Am., Inc.*, 850 F.2d 1373 (10th Cir.1988) (a merely frivolous or improvident case is insufficient to invoke 28 U.S.C. § 1927).

[n68]. This body is often referred to as the Advisory Committee on Civil Rules.

[n69]. Fed.R.Civ.P. 11(b) (Proposed Official Draft 1991) (reprinted in Gregory P. Joseph, *Sanctions: The Federal Law of Litigation Abuse 1-5* (The Michie Company, Cum.Supp.1992)).

[n70]. *Id.*

[n71]. See *supra* at part (C)(2).

[n72]. See *supra* at part (C)(2)(A).

[n73]. See Melissa L. Nelken, American Bar Association, *Sanctions: Rule 11 & Other Powers* 7 (1992).

[n74]. 493 U.S. 120 (1989).

[n75]. See supra note 72.

[n76]. Fed.R.Civ.P. 11 (c)(1)(B) (Proposed Official Draft 1991), supra note 73.

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