



Attorneys' Fees Award for Plaintiff's Inadequate Pre-Suit Infringement Investigation Affirmed Even Though Trial Court Never Reached Merits of Infringement

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In 2013, ThermoLife International, LLC ("ThermoLife") brought a patent infringement suit against two dietary supplement manufacturers, Hi-Tech Pharmaceuticals, Inc. ("Hi-Tech") and Vital Pharmaceuticals, Inc. ("Vital"). ThermoLife accused Hi-Tech and Vital of infringing four patents related to methods and chemical compositions for improving vascular function and physical performance. The district court bifurcated infringement and invalidity, holding first the bench trial on invalidity. At the bench trial, the district court held all four patents invalid for anticipation or obviousness, removing the need for a further trial on infringement.

Hi-Tech and Vital then filed a motion for attorneys' fees, arguing that the case was "exceptional" under 35 U.S.C. § 285 because ThermoLife's presuit infringement investigation was inadequate as to one of the claims of the four asserted patents. The district court agreed and awarded \$1.3 million in attorneys' fees to Hi-Tech and Vital.

ThermoLife appealed the award of attorneys' fees on multiple grounds, all of which the Federal Circuit rejected. First, ThermoLife argued that the district court's "exceptional case" determination was flawed because it was based on infringement issues and infringement was not fully litigated. The Federal Circuit acknowledged that, while it was "unusual" to base an award of attorneys' fees on issues that were not actually litigated before the court, it was not erroneous to do so as long as due process and other procedural rights were respected in deciding the question. Here, ThermoLife did not point to any way in which its due process or procedural rights were violated.

ThermoLife further argued that it did not have sufficient notice that the defendants considered the infringement allegations baseless. The Federal Circuit held, however, that early notice, while important in many exception case analyses, is not a rigid prerequisite to obtaining attorneys' fees—it is merely one factor the district can consider in deciding whether to make an award. In this case, it made sense to avoid retroactive imposition of a notice requirement because all parties to the litigation, including several defendants not present in the appeal, agreed to a bifurcated schedule that gave priority to the validity issues.

The Federal Circuit further held that the district court did not err in determining that ThermoLife's presuit investigation was inadequate for lack of testing. Whether presuit testing of an accused product is required depends on the circumstances of the particular case, including "the availability of the products at issue, the existence and costs of testing, and whether other sufficiently reliable information exists." Here, there was undisputed evidence that the accused dietary supplements were readily available and that "simple tests" were available to determine how much of a claimed amino acid was present in the accused supplements. Further, although there was some evidence that ThermoLife relied on product advertising and labeling in its presuit infringement analysis, ThermoLife itself criticized the accuracy of the labels and advertisements. Thus, the Federal Circuit concluded, it was not erroneous for the district court to find that ThermoLife's failure to test the accused products was unreasonable.

Finally, ThermoLife challenged four additional findings made by the district court in support of its conclusion that ThermoLife engaged in a "pattern of action" that supported its exceptional case determination. Specifically, the district court found that (i) ThermoLife was only a very small participant in the market, (ii) ThermoLife brought the suit just a few months before three of the patents were set to expire, (iii) ThermoLife brought many suits and (iv) most of the suits settled for "seemingly small amounts." The Federal Circuit held that these facts alone would not be sufficient to show misconduct sufficient to support an exceptional case finding, and stressed that low settlement amounts could be the result of various legitimate considerations. Nevertheless, because ThermoLife's presuit investigation was so inadequate, the Federal Circuit held that the district court's consideration of additional factors did not undermine the ultimate determination that it was an exceptional case.

Practice Tip: A complete and thorough presuit investigation should be performed for all accused products before a suit is filed. This may include product testing when the product is

publicly available and testing is the only reliable means by which infringement can be determined.

ThermoLife Int'l LLC v. GNC Corp., Nos. 2018-1657, 2018-1666, slip op. (Fed. Cir. May 1, 2019).

Categories

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