

# JUDGE OR JURY?: THE FEDERAL CIRCUIT HOLDS THAT PATENT LITIGANTS DO NOT HAVE A SEVENTH AMENDMENT RIGHT TO A JURY TRIAL ON ATTORNEYS' FEES

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## U.S. Intellectual Property Litigation Alert

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In *AIA America, Inc. v. Avid Radiopharmaceuticals*, the Federal Circuit considered whether the Seventh Amendment provides the right to a jury trial to determine entitlement to attorneys' fees.<sup>[1]</sup>

During the case on the merits, the defendant argued that the plaintiff lacked standing to assert the patents-in-suit because the inventor's employer did not waive its ownership rights to the patents.<sup>[2]</sup> The Federal Circuit summarily affirmed that decision. <sup>[3]</sup>

On remand, back at the district court, the defendant moved for attorneys' fees.<sup>[4]</sup> The district court permitted briefing, evidence, declarations, and a hearing on whether the defendant was entitled to attorneys' fees and to determine the appropriate amount.<sup>[5]</sup> Ultimately, the court awarded nearly \$4 million in fees. <sup>[6]</sup>

The plaintiff again appealed the ruling to the Federal Circuit, not to challenge the amount awarded, but to challenge whether the defendant was entitled to its fees at all.<sup>[7]</sup> In particular, the plaintiff argued that the award of fees without a jury trial violated its constitutional rights under the Seventh Amendment because the decision was based on its "state of mind, intent, or culpability."<sup>[8]</sup>

The Seventh Amendment to the U.S. Constitution states:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law. <sup>[9]</sup>

In determining whether the Seventh Amendment right to a jury trial is applicable, courts generally apply the two-part test from *Tull v. United States*. First, a court must compare the action with the analogous action brought in the courts of England during the eighteenth century, prior to the merger of law and equity, and determine whether the action would have been tried to a jury in the law courts. Second, a court must look to the remedy sought and determine whether it is legal or equitable in nature.<sup>[10]</sup> According to the Supreme Court, the "second inquiry is the more important" in the analysis.<sup>[11]</sup>

In analyzing the first step of the *Tull* test with respect to the defendant's claim to attorneys' fees, the Federal Circuit determined that "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."<sup>[12]</sup> Looking at the second step, the Federal Circuit held that the "the fact that the relief sought is monetary" does not necessarily mean that the relief is legal (as opposed to equitable) in nature.<sup>[13]</sup> The problem with simply ending the inquiry there is that, in the context of attorneys' fees, some are awarded as part of the merits of the case or under an indemnification provision — and thus are legal remedies — while others are awarded pursuant to statute — and thus are equitable remedies. The defendant in *AIA* sought fees as the prevailing party under 35 U.S.C. § 285, which means that the fees are "properly characterized as an equitable remedy."<sup>[14]</sup> With the court having determined that both steps of the *Tull* test confirm that the defendant's request for fees was equitable, the plaintiff was not entitled to a jury trial under the Seventh Amendment.<sup>[15]</sup>

The Federal Circuit next considered the plaintiff's argument that it was nonetheless entitled to a jury on the state of mind, intent, and culpability determinations underlying the award of fees.<sup>[16]</sup> According to the Federal Circuit, this argument found no support in, and was actually contrary to, the law.<sup>[17]</sup> In particular, courts of equity in 18th-century England were "never required to submit any issue to a jury, regardless of whether it was deciding issues of state of mind, intent, and culpability."<sup>[18]</sup> The Federal Circuit also rejected the plaintiff's argument as being "at odds with other statutory prevailing party provisions," including Title VII.<sup>[19]</sup>

**Notes:**

1. No. 2016-2647, slip op. at 2 (Fed. Cir. Aug. 10, 2017).
2. Id. at 4.
3. *Alzheimer's Inst. of Am., Inc. v. Avid Radiopharms.*, 560 F. App'x 996 (Fed. Cir. 2014).
4. *AIA*, slip op. at 4.
5. Id.
6. Id.
7. Id.
8. Id. at 4–5.
9. U.S. CONST. amend. VII.
10. See *Tull v. United States*, 481 U.S. 412, 417–18 (1987).
11. *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S. 558, 565 (1990).
12. *AIA*, slip op. at 6.
13. Id.
14. Id.
15. Id.
16. Id. at 6–7.
17. Id. at 7.

18. Id. (citing *Garsed v. Beall*, 92 U.S. 685, 695 (1875)).

19. Id. (citing *Great Am. Fed. Sav. & Loan Ass'n v. Novotny*, 442 U.S. 366, 375 (1979)).

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