

Keywords: consent judgment, attorney fees

General: District court abused its discretion in denying award of attorneys' fees to intervenor in contempt proceedings against infringement defendants, since intervenor's motion for fee award was not untimely, since mere fact that party voluntarily intervened does not preclude award of attorneys' fees, and since award was proper under applicable state law.

International Rectifier Corp. v. Samsung Electronics Co.
76 U.S.P.Q.2d 1506 (U.S. Court of Appeals, Fed. Cir.)
September 23, 2005

I. Facts

International Rectifier sued Samsung for patent infringement and, ultimately, entered into a consent judgment with Samsung. The consent judgment specified, *inter alia*, that the prevailing party in any subsequent litigation was entitled to its reasonable attorney fees and that the consent judgment was governed by federal law and California state law. Subsequently, International Rectifier brought a contempt proceeding against Samsung for violations of a permanent injunction contained in the consent judgment. Ixys intervened due to an allegation that Ixys was aiding, abetting, or otherwise acting in concert with Samsung. The district court entered a judgment holding Samsung in contempt, but the judgment did not mention or dispose of International Rectifier's claim against Ixys. On appeal to the Federal Circuit, the Federal Circuit reversed the judgment and held there was no evidence to support the allegations against Ixys. Following the remand, Samsung and Ixys filed separate motions for attorney fees. Samsung sought approximately 1.3 million dollars in attorney fees and approximately \$100,000.00 in costs. The district court only awarded Samsung \$650,000.00 in attorneys and \$45,000.00 in costs, noting that the case had been "terribly over-lawyered" and that Samsung took no risk in defending the matter. For a variety of reasons the district court denied Ixys's motion in entirety. Both Samsung and Ixys appealed the district court's judgment relating to attorney fees.

II. Issues

- A. Should Federal Circuit law or regional circuit/state law apply to the award of attorney fees pursuant to a provision in a consent judgment?
- B. Did the district court properly reduce Samsung's fee award?
- C. Did the district court properly deny Ixys's fee award?

III. Discussion

- A. The Federal Circuit found that regional circuit/state law properly applies to an attorney fee award pursuant to a provision in a consent judgment. International Rectifier cited case law holding that the Federal Circuit applies its own law to the award of attorney fees. Samsung argued that the interpretation of an attorney fee provision in a consent judgment is not unique to patent law and cited case law relating to the interpretation of such provisions in arbitration clauses and settlement agreements. While the Federal Circuit agreed that its own law is properly applied to the award of attorney fees under 35 U.S.C. § 285, the Federal Circuit agreed with Samsung that the award of attorney fees pursuant to a consent judgment provision

is subject to regional circuit law and state law, if relevant. Since the consent judgment expressly stated that it was governed by federal law and California state law, the Federal Circuit chose to apply the law of the Ninth Circuit and California state law.

- B. No. The Federal Circuit noted that the U.S. Supreme Court has made clear that although district courts have discretion in determining the amount of a fee award, it remains important that the district courts provide a “concise but clear explanation” of the reasons for the fee award. Furthermore, the Federal Circuit noted that the Ninth Circuit has explained that large fee requests are subject to heightened scrutiny. The Federal Circuit found that the district court had not provided “a concise but clear explanation” of how it had arrived at its fee reductions. Specifically, the Federal Circuit found that the district court’s conclusion that Samsung bore no risk in defending the lawsuit was clearly erroneous, because Samsung stood to lose its business relationship with Ixys and, despite Ixys’s indemnification agreement with Samsung, there was always some risk that Ixys could not or would not pay. In regard to the district court’s conclusion that the case was “terribly over-lawyered,” the Federal Circuit found that the district court had failed to make any specific findings to support this conclusion. Hence, the Federal Circuit vacated the district court’s judgment and remanded the case for further findings consistent with the Federal Circuit’s opinion.
- C. No. The district court’s reasons for denying Ixys’s request for attorney fees included: the determination that Ixys’s involvement was “purely voluntary;” Ixys did not substantially contribute to the resolution of the issues; and Ixys was not entitled to attorney fees under the consent judgment because it was not a party to that agreement. In regard to the conclusion that Ixys’s participation was “purely voluntary,” the determination of a sanction against Samsung was the only portion of the litigation that could even arguably be said to have been voluntary, so the award of attorney fees could not be precluded on that basis. In regard to the issue of whether Ixys substantially contributed to the issues of the case, the Federal Circuit found that the district court had made no findings to substantiate its conclusion in this regard. Finally, in regard to the issue of whether Ixys was entitled to attorney fees pursuant to the consent judgment, the Federal Circuit evaluated several California state law cases, as well as Section 1717 of the California Civil Code, and concluded that a party prevailing on a contract and, thus, entitled to attorney fees, shall be entitled to such attorney fees regardless of whether the party was an actual party to the contract. In other words, if one party is entitled to attorney fees under a contract if that party prevails, the other party shall similarly be entitled to attorney fees if the first party does not prevail.

IV. Conclusion and practice commentary

Specifically include a choice of law statement in all agreements.