NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

UCP INTERNATIONAL COMPANY LIMITED, GLOBAL UNITED ENTERPRISES LIMITED,
Plaintiffs-Cross-Appellants

v.

BALSAM BRANDS INC., BALSAM INTERNATIONAL UNLIMITED COMPANY,
Defendants-Appellants

2018-2231, 2018-2253

Appeals from the United States District Court for the Northern District of California in No. 3:16-cv-07255-WHO, Judge William H. Orrick, III.

Decided: September 19, 2019

PATRICIA LYNN PEDEN, Burke, Williams & Sorensen, LLP, Oakland, CA, argued for plaintiffs-cross-appellants.

DEANNE MAYNARD, Morrison & Foerster LLP, Washington, DC, argued for defendants-appellants. Also represented by SETH W. LLOYD; ROSE S. LEE, Los Angeles, CA; LENA HUGHES, New York, NY; MICHAEL ALLEN JACOBS,

San Francisco, CA; MARC N. BERNSTEIN, The Business Litigation Group, P.C., San Francisco, CA.

Before WALLACH, CLEVENGER, and TARANTO, *Circuit Judges*.

CLEVENGER, *Circuit Judge*.

The instant appeal is the companion to concurrently issuing Appeal No. 18-1256 ("the Merits Appeal"), where we determined that the U.S. District Court for the Northern District of California misconstrued the "pivot joint" claim term of U.S. Patent Nos. 8,062,718 ("the '718 patent) and 8,993,077 ("the '077 patent") (collectively, "the Patents-in-Suit"). *See UCP Int'l Co. v. Balsam Brands, Inc.*, No. 2018-1256, slip op. at 27 (Fed. Cir. Sept. 19, 2019). We presume familiarity with our opinion in the Merits Appeal which recites the same technology and patents as the instant appeal. We, therefore, only recite the facts necessary to understand the issues on appeal here.

Cross-Appellants UCP International Company and Global United Enterprises (collectively, "UCP") sued Appellants Balsam Brands Inc. and Balsam International Unlimited (together, "Balsam") in the district court seeking a declaratory judgment of non-infringement of all claims of the Patents-in-Suit. The district court granted UCP's motion for summary judgment of non-infringement and subsequently awarded limited attorney fees under 35 U.S.C. § 285 to UCP.

Balsam appeals from the district court's award of limited attorney fees, arguing that, if we reverse or vacate the district court's judgment in the Merits Appeal, then we also must reverse the district court's attorney fees award. UCP cross-appeals on the ground that the district court abused its discretion in not awarding all the fees UCP requested in its motion. For the reasons that follow, we reverse the

district court's attorney fees award and dismiss UCP's cross-appeal.

BACKGROUND

After the district court granted UCP's motion for summary judgment of non-infringement, UCP moved for attorney fees, expert fees, and the attorney fees it incurred in pursuing merits fees ("fees-on-fees"). Specifically, UCP sought an award of attorney fees from both the litigation between Balsam and Frontgate, *Balsam Brands Inc. v. Cinmar, LLC*, No. 3:15-cv-04829-WHO (N.D. Cal.) ("the Frontgate Litigation"), and its declaratory judgment action against Balsam, *UCP Int'l Co. Ltd. v. Balsam Brands Inc.*, No. 16-CV-07255-WHO (N.D. Cal.) ("the Declaratory Judgment Litigation"). UCP also sought an award of its expert fees from the Frontgate Litigation, and an award of fees-on-fees from the Declaratory Judgment Litigation. UCP based its entitlement to an award of attorney fees from the Frontgate Litigation on the fact that it was contractually obligated to indemnify Frontgate in that action, and it should, therefore, be able to recover its fees spent defending against Balsam's purportedly meritless infringement claims in that action.

The district court granted-in-part and denied-in-part UCP's motion for attorney fees. The district court denied UCP's request for attorney fees from the separate Frontgate Litigation because it found that UCP was not a "prevailing party" in that action, as is required to award attorney fees under 35 U.S.C. § 285. The district court also determined that Frontgate could not recover the expert fees from the Frontgate Litigation under 28 U.S.C. § 1927 or the court's inherent power. The district court then determined that UCP was entitled to only limited attorney fees under § 285 based on Balsam's conduct in the Declaratory Judgment Litigation. The limited fees the district court awarded were for Balsam's decision to hire Judge Orrick's former law firm partner "to prompt [his] recusal and

avoid [his] findings and conclusions that the Frontgate claim construction order would apply in [the] declaratory judgment case." *UCP Int'l Co. Ltd. v. Balsam Brands Inc.*, No. 16-CV-07255-WHO, 2018 WL 2938855, at *7 (N.D. Cal. June 12, 2018).

In a separate order after receiving additional submissions from the parties regarding fees spent litigating the recusal issue and fees-on-fees, the district court awarded UCP $43,475 in fees for litigating the recusal issue, and $2,345 in fees-on-fees based on UCP limited success in its motion for attorney fees.

Balsam appeals from the district court's decision to award limited attorney fees only on the ground that, if we decided to reverse or vacate the district court's judgment of non-infringement in the Merits Appeal, then we also must reverse the district court's award of attorney fees under § 285 because UCP will no longer be a "prevailing party" as the statute requires. UCP cross-appeals on the ground that the district court abused its discretion in failing to award UCP all of its attorney fees incurred in the Declaratory Judgment Litigation, and its attorney fees and expert fees incurred in indemnifying its customer, Frontgate, in the Frontgate Litigation. It claims entitlement to such fees regardless of whether we reverse or vacate the district court's judgment in the Merits Appeal.

We have jurisdiction to consider Balsam's appeal and UCP's cross-appeal under 28 U.S.C. § 1295(a)(1).

DISCUSSION

I

Pursuant to § 285 "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285; *see Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 482 (Fed. Cir. 2016). We review all aspects of a district court's § 285 determination for an abuse of discretion. *Highmark Inc. v. Allcare*

Health Mgmt. Sys., Inc., 572 U.S. 559, 564 (2014). The statute imposes "one and only one constraint on district courts' discretion to award attorney's fees in patent litigation: The power is reserved for 'exceptional' cases." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 552 (2014).

The district court determined that UCP was "entitled to attorney fees incurred in filing and defending the motion to disqualify" counsel and that the case was "exceptional" under § 285 for "Balsam's conduct resulting in [the district court judge's] temporary recusal." *Balsam,* 2018 WL 2938855 at *7. Balsam asserts that the attorney fees award must be reversed if the declaratory judgment in UCP's favor is reversed or vacated. UCP asserts in response that, even if we were to reverse or vacate the district court's judgment in the Merits Appeal, we could still affirm the district court's award of attorney fees because the award was not "tied to the non-infringement judgment." Cross-Appellants' Br. at 50. UCP argues that the award of fees was, instead, "a result of Balsam's litigation misconduct." *Id.* UCP also argues in the alternative that we could affirm the district court's award of attorney fees on other grounds because "[c]ourt[s] have the inherent power to sanction misconduct." *Id.* at 51.

"By its terms, [§ 285] requires that the recipient of attorney fees be a 'prevailing party.'" *RFR Indus., Inc. v. Centrury Steps, Inc.*, 477 F.3d 1348, 1353 (Fed. Cir. 2007). A party "prevails" when it receives "relief on the merits" that "materially alters the legal relationship between the parties by modifying" the defendant's behavior in a way that "directly benefits" the plaintiff. *SSL Servs., LLC v. Citrix Sys., Inc.*, 769 F.3d 1073, 1086 (Fed. Cir. 2014) (quoting *Farrar v. Hobby*, 506 U.S. 103, 111–12, (1992)). In this case, the district court awarded fees only after granting UCP's motion for summary judgment of non-infringement. Where we vacate or reverse the judgment in the Merits Appeal, we must also reverse the fee award. *See Mankes v.*

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