No. 18-2356

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

B.E. TECHNOLOGY, L.L.C.,

Plaintiff – Appellant,

v.

FACEBOOK, INC.,

Defendant – Appellee.

On Appeal From the United States District Court
Western District of Tennessee
Case No. 2:12-cv-02769

CORRECTED COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC

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CERTIFICATE OF INTEREST

Counsel for Appellant B.E. Technology, L.L.C. certifies the following:

1. The full name of every party or amicus represented by me is:

B.E. Technology, L.L.C.

2. The name of the real party in interest represented by me is:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

N/A

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

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5. The Title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be affected by this court's decision in the pending appeal:

N/A

Date: November 19, 2019

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STATEMENT OF COUNSEL

Based on my professional judgment, I believe the panel decision is contrary to the following decision(s) of the Supreme Court of the United States or the precedent(s) of this Court:

Legal Standard for Prevailing Party Status

CRST Van Expedited, Inc. v. EEOC, 136 S. Ct. 1642, 1646 (2016)

Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res., 532 U.S. 598, 604-05 (2001)

Winters v. Wilkie, 898 F.3d 1377, 1384 (Fed. Cir. 2018)

Robinson v. O'Rourke, 891 F.3d 976, 981 (Fed. Cir. 2018)

Raniere v. Microsoft Corp., 887 F.3d 1298, 1306 (Fed. Cir. 2018)

Intervening Mootness

Camreta v. Greene, 563 U.S. 692, 712-13 (2011)

United States v. Munsingwear, Inc., 340 U.S. 36, 40-41 (1950).

Mootness and Article III Jurisdiction

Genesis HealthCare Corp. v. Symczyk, 569 U.S. 66, 72 (2013)

Already, LLC v. Nike, Inc., 568 U.S. 85, 90 (2013)

Momenta Pharms., Inc. v. Bristol-Meyers Squibb Co., 915 F.3d 764, 770 (Fed. Cir. 2019)

Canadian Lumber Trade Alliance v. United States, 517 F.3d 1319, 1338 (Fed. Cir. 2008)

Absence of District Court Power to Alter Legal Relationships in Moot Cases

North Carolina v. Rice, 404 U.S. 244, 246 (1971)

Based on my professional judgment, I believe this appeal requires an answer to one or more precedent-setting questions of exceptional importance.

1. How does the established legal standard for the determination of prevailing party status apply in a case dismissed as a result of intervening mootness?

2. When, if ever, can a litigant be deemed the "prevailing party" in a case dismissed as moot?

4. Whether the dismissal for mootness resulting from the intervening administrative cancellation of asserted claims alters the legal relationship of the parties.

5. Whether the panel's conclusion that Facebook "prevailed" can be squared with the Supreme Court teaching on the nature and effect of intervening mootness.

6. Whether patent cases present an occasion for departing from the requirement that to "prevail" for purposes of Rule 54(d) and fee shifting statutes, a litigant must prevail in the proceeding in which it

seeks prevailing party status.

/s/Daniel J. Weinberg
Attorney of Record for Appellant
B.E. Technology, L.L.C.

I. ARGUMENT IN SUPPORT OF REHEARING.

Appellee Facebook Inc. ("Facebook") obtained no relief in district court, and the district court order dismissing the case as moot did not "alter the legal relationship" between Facebook and Appellant B.E. Technology, L.L.C. ("B.E.").

Facebook also did not obtain any relief in the *inter partes* review proceeding. Facebook's brief claimed that it had, but the panel opinion recognizes that Facebook's petition was ordered dismissed by this Court after a decision by the Board in favor of Microsoft Corporation ("Microsoft") was affirmed.

The panel opinion also notes that the district court properly dismissed the case as moot, over Facebook's insistence that it be dismissed with prejudice. Facebook not only sought a dismissal with prejudice, it explicitly acknowledged that a dismissal with prejudice was essential to its claim to "prevailing party" status. *See* Appx30.

Although Facebook obtained no relief in district court, the panel held Facebook a "prevailing party" entitled to recover costs under Federal Rule of Civil Procedure 54(d).

Under the Supreme Court's decisions in *CRST Van Expedited, Inc. v. EEOC*, 136 S. Ct. 1642 (2016), and *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598 (2001), a litigant is a "prevailing party" only when there is a judicial decision in its favor that "materially alters the legal relationship between the parties." *See Raniere v. Microsoft Corp.*, 887 F.3d 1298, 1306 (Fed. Cir. 2018). A decision of the case, not a dismissal for mootness, is essential. "One does not prevail in a suit that is never determined." *Buckhannon*, 532 U.S. at 620 (Scalia, J., concurring).

As this Court has recognized, a mootness dismissal has "no effect on the parties' legal relationship" and cannot confer "'prevailing party' status." *Rice Services Ltd. v. United States*, 405 F.3d 1017, 1028 n.6 (Fed. Cir. 2005) (citing *North Carolina v. Rice*, 404 U.S. 244, 246 (1971)). The panel's conclusion that a dismissal order with "no effect on the parties' legal relationship" conferred prevailing party status is inconsistent with the legal standard.

A. The Panel Did Not Correctly Apply The Governing Legal Standard.

The question presented was whether the mootness dismissal order was a judicial decision that "materially alter[ed] the legal relationship

between the parties." *CRST*, 136 S. Ct. at 1646; *Buckhannon*, 532 U.S. at 604-05; *Raniere*, 887 F.3d at 1306. A mootness dismissal does not "alter the legal relationship of the parties," and various courts have joined the Federal Circuit in recognizing that it does not. *Rice Services*, 405 F.3d at 1028 n.6; *Kiser v. Kamdar*, 752 F. App'x 272, 273-76 (6th Cir. 2018); *Providence Pediatric Med. Daycare, Inc. v. Alaigh*, 672 F. App'x 172, 176 (3d Cir. 2016); *Lamberty v. Conn. State Police Union*, No. 3:15-cv-378 (VAB), 2019 U.S. Dist. LEXIS 151998, at *22 (D. Conn. Sep. 6, 2019); *Keith Mfg., Co. v. Butterfield*, 256 F. Supp. 3d 1123, 1135-36 (D. Or. 2017); *Samsung Elecs. Co. v. Rambus Inc.*, 440 F. Supp. 2d 495, 504 n.7 (E.D. Va. 2006). The panel did not counter *Rice Services* or demonstrate how a mootness dismissal could satisfy the legal standard.

B. The Panel Misapprehended *CRST*.

CRST reaffirmed the standard formalized in *Buckhannon*. The "touchstone of the prevailing party inquiry must be the material alteration of the legal relationship of the parties." *CRST*, 136 S. Ct. at 1646. The alteration in the parties' legal relationship "must be marked by 'judicial *imprimatur*.'" *Id.* at 1646. The judicial *imprimatur* is provided by a "decision" that alters the parties' legal relationship.

Raniere, 887 F.3d at 1306.

A mootness dismissal does not "alter the legal relationship of the parties," but the panel held Facebook the "prevailing party" based on the notion that the termination of the case "rebuffed" B.E.'s attempt to alter the legal relationship of the parties. "Rebuffed," as used in *CRST*, does not include mootness dismissals.

CRST considered whether a defending party must succeed "on the merits" or whether it is sufficient that a material alteration of the legal relationship of the parties is achieved on another basis. The Supreme Court's conclusion was that a decision "on the merits" is not needed. But the Court did not provide any support for the idea that a mootness dismissal could ever satisfy the standard.

The panel misunderstood a passage in which the Court explained its reasoning. The Supreme Court stated:

> Common sense undermines the notion that a defendant cannot "prevail" unless the relevant disposition is on the merits. Plaintiffs and defendants come to court with different objectives. A plaintiff seeks a material alteration in the legal relationship between the parties. A defendant seeks to prevent this alteration to the extent it is in the plaintiff's favor. The defendant, of course, might prefer a judgment vindicating its position regarding the substantive merits of the

> plaintiff's allegations. The defendant has, however, fulfilled its primary objective whenever the plaintiff's challenge is rebuffed, *irrespective of the precise reason for the court's decision*. The defendant may prevail *even if the court's final judgment rejects the plaintiff's claim* for a nonmerits reason.

CRST, 136 S. Ct. at 1651 (emphasis added). The panel read the language "irrespective of the precise reason for the court's decision" to eliminate the requirement of a "decision," and a "judgment" that "rejects the plaintiff's claim."

The panel applied *CRST* as if the Court had said "irrespective of the reason for the termination of the proceeding." But there must be a "decision" resolving the case, and that decision must "reject the plaintiff's claim." *See Robinson v. O'Rourke*, 891 F.3d 976, 981 (Fed. Cir. 2018). There is no "rejection of the plaintiff's claim" when a district court dismisses a case as moot because it no longer satisfies the "case or controversy" requirement. The court does not "decide" the case, or affirm or "reject" any position of any party when it acknowledges its loss of power.

This Court has noted that "*CRST* did not change the requirement that a plaintiff must achieve a 'material alteration in the legal

relationship between the parties' in order to be considered a prevailing party." *Winters v. Wilkie*, 898 F.3d 1377, 1384 (Fed. Cir. 2018). *CRST* also "did not abandon the 'material alteration' test in assessing whether a defendant prevails—it remains fundamental that the 'touchstone of the prevailing party inquiry must be the material alteration of the legal relationship of the parties,' where '[t]his change must be marked by 'judicial *imprimatur*[.]'" *Ward Mgmt. Dev. Co., LLC v. Nordic PCL Constr., Inc.*, No. 17-00568 JMS-RLP, 2019 U.S. Dist. LEXIS 8163, at *15 (D. Haw. Jan. 14, 2019).

B.E. was not "rebuffed" by Facebook, and it was not rebuffed by a "final judgment" by the district court that "rejected" anything. Facebook is not a "prevailing party."

C. The Panel Misapprehended The Significance Of The Proceeding Ending With No Relief For B.E.

Under *Buckhannon* and *CRST*, "prevailing" means (a) obtaining a judicial decision, (b) that decides the case, and (c) alters the legal relationship of the parties to one's benefit.

There are, as the Supreme Court noted in *CRST*, different paradigms applicable to plaintiffs and defendants. But there is only one legal standard. A plaintiff "prevails" when there is a decision in the case

that affords it at least some relief. A defendant "prevails" when a judicial decision denies relief to the plaintiff. Adjudication occurs, and the legal relationship of the parties is altered, "irrespective of the precise reason for the court's decision." So a dismissal with prejudice, an adjudication under Federal Circuit law, *Highway Equip. Co. v. FECO, Ltd.*, 469 F.3d 1027, 1035 (Fed. Cir. 2006), is sufficient, even where a lack of standing is involved. *See Raniere*, 887 F.3d at 1307. A final judgment based on laches alters the legal relationship of the parties to a breach of contract dispute just as a judgment based on a finding of no breach. But the laches judgment satisfies the test because of the alteration of the parties' legal relationship, not because it is fair to say that the defendant's objective was achieved.

D. The Panel Failed To Perceive The Substantive Difference Between A Mootness Dismissal And An Adjudication.

The panel appeared to consider the difference between a judicial decision adjudicating a claim and a mootness dismissal insignificant. "No principle is more fundamental to the judiciary's proper role in our system of government than the constitutional limitation of federal-court jurisdiction to actual cases or controversies." *Momenta Pharms., Inc. v.*

Bristol-Meyers Squibb Co., 915 F.3d 764, 767 (Fed. Cir. 2019) (citations omitted). *See Already, LLC v. Nike, Inc.*, 568 U.S. 85, 90 (2013). "An actual controversy must be extant at all stages of review, not merely at the time the complaint is filed." *Alvarez v. Smith*, 558 U.S. 87, 92 (2009); *Camreta v. Greene*, 563 U.S. 692, 701 (2011); *Momenta*, 915 F.3d at 770. "If a case does not 'present a case or controversy' due to developments during litigation, those claims become moot." *Momenta*, 915 F.3d at 770 (internal quotation marks omitted) (quoting *Canadian Lumber Trade Alliance v. United States*, 517 F.3d 1319, 1338 (Fed. Cir. 2008)). A moot case must be dismissed as moot. *See Genesis HealthCare Corp. v. Symczyk,* 569 U.S. 66, 72 (2013); *Target Training*, 645 F. App'x at 1022.

One situation in which a case becomes moot and "must, therefore, be dismissed" occurs when patent claims asserted in district court are cancelled in administrative proceedings. *See Fresenius*, 721 F.3d at 1347.[1] The panel majority accepted the outcome dictated by *Fresenius*, but did not correctly understand the significance of a mootness

[1] Contrary to *Fresenius*, Judge Plager's concurring opinion incorrectly states that the proper response to the cancellation of asserted claims is a motion to dismiss under Federal Rule of Civil Procedure 12(b)(6).

dismissal. Mootness completely eliminates the possibility that a court might take action altering legal relationships.

The difference between a mootness dismissal and an adjudication sufficient to alter legal relationships is illustrated by the longstanding rule providing for the vacatur of a judgment in a case that becomes moot during an appeal. *See United States v. Munsingwear, Inc.*, 340 U.S. 36, 39-40 (1950). This rule is grounded in "fairness" considerations. *See Camreta*, 563 U.S. at 712. "The point of vacatur is to prevent an unreviewable decision from 'spawning legal consequences . . . .'" *Id.* at 713 (quoting *Munsingwear*, 340 U.S. at 40-41).

If the panel were correct, what would be the purpose of the *Munsingwear* rule? "Prevailing party" status and the costs and attorneys' fees that might go along with it would follow the mootness dismissal, despite vacatur of the judgment. Since *Munsingwear*, however, it has been understood that these consequences and the other consequences associated with adjudication do not flow from a mootness dismissal.

E. The Panel Misunderstood The Requirement Of "Judicial Imprimatur."

In *Buckhannon*, the Supreme Court explained that "[a]

defendant's voluntary change in conduct, although perhaps accomplishing what the plaintiff sought to achieve by the lawsuit, lacks the necessary judicial *imprimatur* on the change." 538 U.S. at 605. The panel misidentified the mootness dismissal as a judicial *imprimatur*. A mootness dismissal does not place the court's *imprimatur* on a change in a legal relationship. A mootness dismissal occurs because the court has lost the power to provide an *imprimatur*. *See Already*, 568 U.S. at 90; *Church of Scientology v. United States*, 506 U.S. 9, 12 (1992).

An *imprimatur* is an "[o]fficial approval or license to print or publish, especially as granted by a censor or ecclesiastical authority." *See* https://www.thefreedictionary.com/imprimatur. *See id.* ("Official approval; sanction: Does their idea get your imprimatur"; "A mark of official approval: a directive bearing the imprimatur of high officials."). When a court dismisses a case as moot, it does not "approve" anything. The court simply acknowledges that it has no power to proceed. "Approval" is neither the function of a mootness dismissal nor a power a court has when a case has become moot.

F. The Panel's Suggestion That Adjudication In Another Forum In A Proceeding Involving Other Parties Could Be Sufficient Is Incorrect.

There is a sentence in the panel opinion pointing to the fact that an aspect of the merits of B.E.'s claim was resolved in the *Microsoft* proceeding. If the suggestion is that success in another forum is sufficient to make a litigant a "prevailing party," the suggestion is erroneous. *See Thomas v. Buckner*, 697 F. App'x 682, 682-83 (11th Cir. 2017) (success in administrative forum mooting district court proceeding insufficient); *Klamath Siskiyou Wildlands Ctr. v. United States BLM*, 589 F.3d 1027, 1033, 1035 (9th Cir. 2009) ("Undeterred, Klamath makes a novel argument. It reaches outside the confines of this lawsuit and claims our own decision in *Boody* as the source of its prevailing party status in this case."); *Lui v. Comm'n on Adult Entm't Establishments*, 369 F.3d 319, 327-28 (3d Cir. 2004); *Quinn v. Missouri*, 891 F.2d 190, 194 (8th Cir. 1989).

But there is a bigger problem if the panel considered Microsoft's success relevant to its decision. Facebook was not a party to the *Microsoft* case, and Facebook cannot claim to have prevailed in district

court because Microsoft prevailed in a different proceeding.[2]

G. The Opinion Would Unjustifiably Extend "Prevailing Party" Status.

Under the opinion, an *inter partes* review petitioner whose position was rejected by the Board would be rewarded with "prevailing party" status in district court if another petitioner was successful. So would a petitioner whose challenge to the asserted claims was upheld by the Board, but not considered by this Court because it was mooted by the successful challenge of another. All petitioners, and all other defendants in all district court cases in which administratively cancelled claims are asserted, are "prevailing parties" under the panel's opinion. This is not possible under the governing legal standard.

Apple Inc. ("Apple"), a defendant in another case filed by B.E., did not seek *inter partes* review. But Apple is a "prevailing party" under the opinion because B.E.'s case against Apple was dismissed as moot. If B.E. was "rebuffed" in a manner of significance in the *Facebook* case, B.E. was "rebuffed" in the same way in the *Apple* case.

[2] The panel opinion states that the mootness dismissal "was made possible by winning a battle on the merits before the PTO." Microsoft, not Facebook, won that battle.

If the "rebuffing" that occurs when a case becomes moot is sufficient, the defendant in *Buckhannon* was a "prevailing party." So was the government in *Rice Services*. And so is the defendant in a case in which the plaintiff's death renders a case moot. There are no degrees or kinds of mootness, and no classes of moot cases in which the termination of the proceeding for lack of a case or controversy alters the legal relationship of the parties.

II. ARGUMENT IN SUPPORT OF REHEARING EN BANC.

If panel rehearing is not granted, rehearing *en banc* is necessary to address the inconsistency between the panel opinion and the legal standard for "prevailing party" status, its conflict with the law explaining the nature and effect of mootness, and its conflict with other circuits.

A. The Opinion Is Inconsistent With The "Prevailing Party" Standard And This Court's Recognition That A Mootness Dismissal Has "No Effect" On Legal Relationships.

CRST explains that "'the touchstone of the prevailing party inquiry must be the material alteration of the legal relationship of the parties.'" *CRST*, 136 S. Ct. at 1646. The mootness dismissal involved here did not alter any legal relationships. Because the case was moot,

the court had no power to alter any legal relationships. *See, e.g.*, *Already*, 568 U.S. at 90.

The panel's determination that a mootness dismissal that could not alter legal relationships results in "prevailing party" status is in conflict with *CRST*, *Buckhannon*, and the long-settled law explaining the impact of mootness on the power of a federal court.

The opinion is also inconsistent with this Court's recognition in *Rice Services*, which the panel did not acknowledge, that a mootness dismissal has "no effect on the parties' legal relationship" and cannot confer "'prevailing party' status." 405 F.3d at 1028 n.6. *See also supra,* I.A.

B. The Opinion Is In Conflict With The Decisions Holding That Non-Preclusive Terminations Do Not Alter Legal Relationships.

One reason a mootness dismissal does not alter the legal relationship of the parties is because a mootness dismissal has no preclusive effect. *See Pujol v. Shearson/American Express, Inc.*, 829 F.2d 1201, 1209 n.3 (1st Cir. 1987). Many courts have held that a dismissal without prejudice does not result in a material alteration of the legal relationship of the parties. *United States v. $70,670.00 in*

United States Currency, 929 F.3d 1293, 1303 (11th Cir. 2019) ("a dismissal without prejudice places no 'judicial imprimatur' on 'the legal relationship of the parties,' which is 'the touchstone of the prevailing party inquiry.'"); *Dunster Live, LLC v. Lonestar Logos Mgmt. Co., LLC*, 908 F.3d 948, 951 (5th Cir. 2018); *RFR Indus. v. Century Steps, Inc.*, 477 F.3d 1348, 1353 (Fed. Cir. 2007). *See* 10 Moore's Federal Practice – Civil § 54.171.

The opinion is in conflict with *$70,670.00* and the other cases recognizing that a "material alteration" is not possible in the absence of a preclusive decision.

C. The Opinion Cannot Be Squared With The *Munsingwear* Rule.

It has been the practice of the federal courts to dismiss appeals in cases that become moot during the pendency of an appeal, and to remand for dismissal of the case as moot. *See Munsingwear, Inc.*, 340 U.S. at 40. "The point of vacatur is to prevent an unreviewable decision from 'spawning legal consequences . . . .'" *Camreta*, 563 U.S. at 713. But the panel opinion holds that a mootness dismissal produced "prevailing party" status and entitlement to cost recovery. This conclusion cannot be reconciled with the direction by the Supreme Court that moot cases

be dismissed so that no legal consequences result.

D. The Panel's Misinterpretation Of *CRST* And *Buckhannon* Will Produce Chaos If Not Corrected.

As explained in Section I.C, the panel read the requirement of a "decision" out of *CRST*, and held that any termination of a case, "irrespective of whether it materially altered the legal relationship of the parties" sufficient.

The panel also misinterpreted the *Buckhannon* requirement that the required "material change in the legal relationship of the parties" be "marked by judicial *imprimatur*, mistakenly identifying a mootness dismissal as an *imprimatur*.

As a result of these and the other errors noted above, the panel opinion would eliminate the "touchstone" of "prevailing party" status and create "prevailing parties" where the law does not find them.

E. The Opinion Creates A Need For Answers To Various Questions Of Exceptional Importance.

The Supreme Court has held that the legal term of art "prevailing party" must be given a consistent meaning across the body of federal law. *See Raniere*, 887 F.3d at 1305-06. The term is used in Rule 54(d) and in many fee shifting statutes. The panel opinion casts doubt on the previously settled answers to various questions that are essential to the

application of Rule 54(d) and the fee shifting statutes. If rehearing is not granted, and the *en banc* Court does not intervene, the result will be chaos.

1. The established legal standard for the determination of prevailing party status requires a judicial decision that effects a "material alteration of the legal relationship of the parties." The panel has held a mootness dismissal sufficient to produce a "prevailing party." How is that possible as the result of an act that this Court has identified as having "no effect" on legal relationships? *See Rice Services*, 405 F.3d at 1028 n.6.

2. A court dismissing a case for mootness does nothing to "alter the legal relationship of the parties." But the panel opinion says a prevailing party was produced here. This raises the question of when and how a litigant can be deemed the "prevailing party" in a case dismissed as moot.

3. The panel opinion presents the result produced by a dismissal and an adjudication as no different in substance. An adjudication affects legal relationships. A court has no power to adjudicate when a case becomes moot. How is it that a mootness

dismissal can be said to be merely different in "form" from an adjudication?

4. *Fresenius* required the dismissal of the district court proceeding for mootness. How could the mootness dismissal alter the legal relationship of the parties?

5. Intervening mootness eliminates a court's power to alter legal relationships. How can the panel's conclusion that Facebook "prevailed" be squared with the consistent Supreme Court teaching on the nature and effect of mootness?

6. The panel mentioned the resolution of issues related to the merits of B.E.'s claims in the *Microsoft* case. If this was intended as a ruling that success in another proceeding in a different forum is sufficient under Rule 54(d), is there a basis for departing from the requirement that to "prevail," a litigant must prevail in the proceeding in which it seeks "prevailing party" status? And can Microsoft's success in a proceeding in another forum make Facebook a prevailing party?

III. CONCLUSION.

The panel opinion is inconsistent with the governing legal standard, and with this Court's recognition that a mootness dismissal

cannot satisfy the standard. Rehearing or rehearing *en banc* is required to correct the panel's errors, and to avoid the confusion.

Respectfully submitted,

Date: November 19, 2019

DANIEL J. WEINBERG
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/s/Daniel J. Weinberg
Daniel J. Weinberg
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B.E. Technology, L.L.C.

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

1. This petition complies with the type-volume limitation of Fed. R. App. P. 35(b)(2)(A). This petition contains 3,885 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 35(c)(2).

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6). This brief has been prepared in a proportionally spaced typeface using Microsoft Word in 14 point Century Schoolbook.

Date: November 19, 2019

DANIEL J. WEINBERG
KAYLA A. ODOM
FREITAS & WEINBERG LLP

/s/Daniel J. Weinberg
Daniel J. Weinberg
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B.E. Technology, L.L.C.

CERTIFICATE OF SERVICE

It is certified that copies of the foregoing has been served via electronic mail transmission addressed to the persons at the address below:

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B.E. Technology, L.L.C.

ADDENDUM

October 9, 2019 Opinion

United States Court of Appeals for the Federal Circuit

B.E. TECHNOLOGY, L.L.C.,
Plaintiff-Appellant

v.

FACEBOOK, INC.,
Defendant-Appellee

2018-2356

Appeal from the United States District Court for the Western District of Tennessee in No. 2:12-cv-02769-JPM-tmp, Chief Judge Jon P. McCalla.

Decided: October 9, 2019

DANIEL J. WEINBERG, Freitas & Weinberg LLP, Redwood Shores, CA, argued for plaintiff-appellant. Also represented by KAYLA ANN ODOM.

EMILY E. TERRELL, Cooley LLP, Washington, DC, argued for defendant-appellee. Also represented by HEIDI LYN KEEFE, Palo Alto, CA; ORION ARMON, Broomfield, CO.

Before LOURIE, PLAGER, and O'MALLEY, *Circuit Judges.*

Opinion for the court filed by *Circuit Judge* LOURIE.

Concurring opinion filed by *Circuit Judge* PLAGER.

LOURIE, *Circuit Judge*.

B.E. Technology, L.L.C. ("B.E.") appeals from a decision of the United States District Court for the Western District of Tennessee affirming the Clerk's Order finding Facebook, Inc. ("Facebook") to be the prevailing party in their lawsuit and taxing $4,424.00 in costs against B.E. *B.E. Tech., LLC v. Facebook, Inc.*, No. 2:12-cv-2769-JPM-TMP, 2018 WL 3825226, at *1 (W.D. Tenn. Aug. 10, 2018) ("*Decision*"). For the reasons detailed below, we affirm.

BACKGROUND

On September 7, 2012, B.E. filed suit in the Western District of Tennessee accusing Facebook of infringing claims 11, 12, 13, 15, 18, and 20 of its U.S. Patent 6,628,314 ("the '314 patent"). Approximately a year into the case, Facebook and two other parties B.E. had also accused of infringement, Microsoft and Google, filed multiple petitions for *inter partes* review of the asserted claims. The district court stayed its proceedings in this case pending the outcome of the Board's review. *B.E. Tech., LLC v. Amazon Digital Servs., Inc.*, No. 2:12-cv-2767-JPM-TMP, 2013 WL 12158571, at *1 (W.D. Tenn. Dec. 6, 2013).

The Board instituted review of the '314 patent and held the claims unpatentable in three final written decisions. *See Google, Inc. v. B.E. Tech., LLC*, Nos. IPR2014-00038, IPR2014-00699, 2015 WL 1735099, at *1 (P.T.A.B. Mar. 31, 2015); *Microsoft Corp. v. B.E. Tech., LLC*, Nos. IPR2014-00039, IPR2014-00738, 2015 WL 1735100, at *1 (P.T.A.B. Mar. 31, 2015) ("*Microsoft Decision*"); *Facebook, Inc. v. B.E. Tech., LLC*, Nos. IPR2014-00052, IPR2014-00053, IPR2014-00698, IPR2014-00743, IPR2014-00744, 2015 WL 1735098, at *2 (P.T.A.B. Mar. 31, 2015). B.E. appealed, and we affirmed the *Microsoft Decision*, dismissing the remaining appeals as moot. *B.E. Tech., LLC v. Google, Inc.*, Nos. 2015-1827,

2015-1828, 2015-1829, 2015-1879, 2016 WL 6803057, at *1 (Fed. Cir. Nov. 17, 2016).

Facebook then moved in the district court for judgment on the pleadings under Fed. R. Civ. P. 12(c), seeking a dismissal with prejudice and costs under Rule 54(d). B.E. agreed that dismissal was appropriate but argued that the claims should be dismissed for mootness, rather than with prejudice. The district court ultimately agreed with B.E., issuing an Order holding that, "[i]n light of the cancellation of claims 11–22 of the '314 patent, B.E. no longer ha[d] a basis for the instant lawsuit" and that its patent infringement "claims [were] moot." J.A. 37. As for costs, the court initially declined to award Facebook costs because the request was lodged before entry of judgment. J.A. 39.

Facebook renewed its motion for costs after judgment was entered, and this time the district court awarded costs under Rule 54(d). The Clerk of Court held a hearing on the motion and ultimately taxed $4,424.20 in costs against B.E. B.E. sought review by the court, and the court affirmed. In its decision, the court relied on *CRST Van Expedited, Inc. v. E.E.O.C.*, 136 S. Ct. 1642 (2016), to hold that, although the case was dismissed for mootness, Facebook "obtained the outcome it sought: rebuffing B.E.'s attempt to alter the parties' legal relationship." *Decision*, 2018 WL 3825226, at *2. The court thus held Facebook to be the prevailing party in B.E.'s lawsuit and affirmed the Clerk's order.

B.E. timely appealed, and we have jurisdiction under 28 U.S.C. § 1295(a).

DISCUSSION

The Federal Rules of Civil Procedure provide that "[u]nless a federal statute, these rules, or a court order provides otherwise, costs—other than attorney's fees—should be allowed to the *prevailing party*." Fed. R. Civ. P. 54(d)(1) (emphasis added). The district court determined here that

Facebook was the prevailing party, and we review the court's interpretation of the term "prevailing party" *de novo*, *Highway Equip. Co. v. FECO, Ltd.*, 469 F.3d 1027, 1032 (Fed. Cir. 2006), and apply Federal Circuit law, *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182 (Fed. Cir. 1996). We interpret the term consistently between different fee-shifting statutes, *CRST*, 136 S. Ct. at 1646, and between Rule 54(d) and 35 U.S.C. § 285, *Raniere v. Microsoft Corp.*, 887 F.3d 1298, 1307 n.3 (Fed. Cir. 2018) ("We have treated the prevailing party issue under Rule 54 and § 285 in a similar fashion."); *see Manildra Mill*, 76 F.3d at 1182 ("By establishing a single definition of prevailing party in the context of patent litigation, we promote uniformity in the outcome of patent trials.").

The parties' dispute centers entirely around the definition of "prevailing party." B.E. argues that, because the case was dismissed as moot based on the Board's decision, which we affirmed, Facebook did not "prevail" in the district court. According to B.E., once the asserted claims were cancelled, the district court action lacked a live case or controversy, and the court's dismissal lacked the requisite judicial *imprimatur* to render Facebook the prevailing party. Appellant's Br. 11 (citing *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 600 (2001)).

Facebook responds that the district court properly determined that it was the prevailing party because it successfully "rebuffed B.E.'s claims." Appellee's Br. 7 (citing *CRST*, 136 S. Ct. at 1651). According to Facebook, the court's dismissal of the case, albeit not on the merits, provided the required judicial *imprimatur*. *Id.* at 15.

We agree with Facebook that it is the prevailing party. In making that determination, we look to the Supreme Court's guidance on the interpretation of that term. In *Buckhannon*, the issue concerned whether a party has prevailed when it "failed to secure a judgment on the merits or

a court-ordered consent decree, but has nonetheless achieved the desired result because the lawsuit brought about a voluntary change in the defendant's conduct." 532 U.S. at 600. Several circuits had recognized a "catalyst" theory, where a party could prevail without judicially sanctioned change in the legal relationship of the parties, provided that the litigation brought about the desired result through a voluntary change in the defendant's conduct. *Id.* at 601–02. In rejecting this theory, the Court established that some manner of judicial relief is required for a party to prevail. *Id.* at 605. A defendant's voluntary change in conduct, even if it "accomplish[es] what the plaintiff sought to achieve by the lawsuit, lacks the necessary judicial *imprimatur* on the change." *Id.* Thus, the Court stated, a "plaintiff who, by simply filing a nonfrivolous but nonetheless potentially meritless lawsuit (it will never be determined), has reached the 'sought-after destination' without obtaining any judicial relief" would not be a prevailing party. *Id.* at 606. A decision with judicial *imprimatur* is required to give rise to prevailing party status.

Almost fifteen years later, in *CRST*, the Court considered whether a defendant could be declared the prevailing party absent a judgment on the merits. 136 S. Ct. 1642, 1651. The issue there presented itself in the context of Title VII of the Civil Rights Act of 1964, which provides that a court may allow the "prevailing party" a "reasonable attorney's fee." *Id.* at 1646 (quoting 42 U.S.C. § 2000e–5(k)). CRST had obtained a dismissal of all of the claims against it, including 67 claims that were dismissed for failure to meet presuit obligations. The district court held that CRST was the prevailing party, but the Eighth Circuit vacated its decision, holding that, for CRST to be eligible for fees, there must have been a favorable judicial decision on the merits. The Eighth Circuit also commented that a case has not been decided on the merits if it was dismissed for lack of subject matter jurisdiction, on res judicata grounds, or based on the statute of limitations.

The Court disagreed, holding that a merits decision is not a prerequisite to a finding of prevailing party status. The Court explained that "[c]ommon sense undermines the notion that a defendant cannot 'prevail' unless the relevant disposition is on the merits." *Id.* Instead, it held that a "defendant has . . . fulfilled its primary objective whenever the plaintiff's challenge is rebuffed, irrespective of the precise reason for the court's decision," and that a "defendant may prevail even if the court's final judgment rejects the plaintiff's claim for a nonmerits reason." *Id.*

In so holding, the Court noted that one purpose of the fee-shifting provision is to deter the bringing of lawsuits without foundation. It recognized that various courts had awarded fees after nonmerits dispositions where a claim was "frivolous, unreasonable, or groundless if the claim is barred by state sovereign immunity, or is moot." *CRST*, 136 S. Ct. at 1652–53 (internal citations omitted). And the Court commented that awarding fees in these frivolous cases made good sense. In such cases, "significant attorney time and expenditure may have gone into contesting the claim," and "Congress could not have intended to bar defendants from obtaining attorney's fees in these cases on the basis that, although the litigation was resolved in their favor, they were nonetheless not prevailing parties." *Id.* at 1653. Accordingly, a defendant can be deemed a prevailing party even if the case is dismissed on procedural grounds rather than on the merits.

We have applied *CRST* in interpreting the term "prevailing party" as implicated by attorney fees in an exceptional case under 35 U.S.C. § 285. In *Raniere v. Microsoft Corp.*, 887 F.3d 1298 (Fed. Cir. 2018), the defendants secured dismissal of the plaintiff's claims for lack of standing in district court and sought to be declared the prevailing party. We explained that in identifying a prevailing party, we must consider whether the district court's decision "effects or rebuffs a plaintiff's attempt to effect a 'material alteration in the legal relationship between the parties.'" *Id.*

at 1306 (quoting *CRST*, 136 S. Ct. at 1646, 1651). Although the dismissal in *Raniere* was not based on the substantive merit of the plaintiff's claim, we held that a merits decision was not required after *CRST*. Given that the defendants expended "significant time and resources," "prevented Raniere from achieving a material alteration of the relationship between them" with a "decision marked by judicial *imprimatur*," and "received all relief to which they were entitled," we held that the district court did not err in finding them to be prevailing parties. *Id.* at 1306–07 (citation omitted).

Here, unlike *Raniere*, Facebook obtained a dismissal for mootness, not for lack of standing. But that distinction does not warrant a different result. The PTO instituted review of the asserted claims and found them unpatentable. We affirmed the Board's decision, and the claims were cancelled. Facebook moved for judgment that the case be dismissed on the pleadings, and, citing *Fresenius*, the district court appropriately did so on the ground of mootness. As the district court held, Facebook obtained the outcome it sought via the mootness dismissal; it rebuffed B.E.'s attempt to alter the parties' legal relationship in an infringement suit. This is true even though the mootness decision was made possible by a winning a battle on the merits before the PTO.

B.E. maintains that mootness has no preclusive effect and could not alter the legal relationship between the parties. But that argument puts form over substance and conflicts with the common-sense approach outlined in *CRST*. *CRST* explains that a defendant, like Facebook, can prevail by "rebuffing" plaintiff's claim, irrespective of the reason for the court's decision. That language squarely controls here, and B.E. fails to point to any controlling authority suggesting otherwise. That the merits of the decision cancelling the claims occurred in the PTO rather than the district court does not change the fact that the district court dismissed the claims it had before it, albeit for mootness.

It thereby placed a judicial *imprimatur* upon B.E.'s claim for patent infringement.

CONCLUSION

We have considered the parties' remaining arguments but find them unpersuasive. Accordingly, for the reasons above, we affirm the district court's award of costs to Facebook under Fed. R. Civ. P. 54(d).

AFFIRMED

COSTS

Costs to Facebook.

United States Court of Appeals for the Federal Circuit

B.E. TECHNOLOGY, L.L.C.,
Plaintiff-Appellant

v.

FACEBOOK, INC.,
Defendant-Appellee

2018-2356

Appeal from the United States District Court for the Western District of Tennessee in No. 2:12-cv-02769-JPM-tmp, Chief Judge Jon P. McCalla.

PLAGER, *Circuit Judge*, concurring.

I fully concur in and join the court's decision. That it is clearly correct can be seen had Facebook moved for, and been granted, not a "moot" dismissal, but a dismissal under Fed. R. Civ. P. 12(b)(6) on the ground that, once the asserted patent claims had been determined to be invalid, the plaintiff failed to state a claim upon which relief can be granted. That leaves no doubt that Facebook prevailed in the infringement suit and avoids any litigation about litigation.