UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

F4W, INC.,

Plaintiff,

v. **Case No: 6:12-cv-1539-Orl-28KRS**

TRACSTAR SYSTEMS, INC. and COBHAM, PLC.,

Defendants.

REPORT AND RECOMMENDATION

TO THE UNITED STATES DISTRICT COURT:

This cause came on for consideration without oral argument on the following motion filed herein:

MOTION:	**TRACSTAR SYSTEMS, INC.'S MOTION FOR ATTORNEYS FEES (Doc. No. 80)**
FILED:	**November 21, 2014**

In this motion, Defendant TracStar Systems, Inc. ("TracStar") seeks an award of attorney's fees under 35 U.S.C. § 285. Doc. Nos. 80, 81. Plaintiff F4W, Inc. ("F4W") opposes the requested relief. Doc. No. 85, 86. For the reasons discussed herein, I respectfully recommend that the Court find that TracStar is not a prevailing party and, therefore, that it is not eligible for an award of attorneys' fees under § 285.

I. BACKGROUND.

Plaintiff F4W, Inc. ("F4W") and Defendant TracStar Systems, Inc.'s ("TracStar") sell competing mobile satellite systems. Doc. No. 1 ¶ 14; Doc. No. 10 ¶ 75; Doc. No. 13 ¶ 75. On October 11, 2012, F4W filed a complaint in this Court. It alleged that TracStar's TracComm, TracWireless, TracVoice, and ICS Tactical Incident Communications System ("TICS Fly-Away") devices infringed U.S. Patent Nos. 7,546,139 ("'139 patent") and 8,175,632 ("'632 patent").[1] Doc. No. 1 ¶¶ 21–24, 26–27, 31–32. The '139 patent related to a system and method for establishing and maintaining communications across disparate networks. Doc. No. 1-3, at 1. The '632 patent concerned a kit for establishing and maintaining communications across disparate networks. Doc. No. 1-2, at 1.

On November 21, 2012, TracStar filed its answer. It denied liability and asserted counterclaims for invalidity and declarations of non-infringement of the '139 and '632 patents, tortious interference with contractual relations, tortious interference with business relationships, defamation, injurious falsehood, and violation of Florida's Deceptive and Unfair Trade Practices Act. Doc. No. 10.[2] F4W filed a response to TracStar's answer and counterclaims on December 21, 2013. Doc. No. 13.

During the *Markman* hearing, the parties informed the Court that the patents at issue were under re-examination by the United States Patent and Trademark Office ("PTO"). Doc. No. 90, at 20:14–18. On or about December 20, 2013, the PTO had issued a non-final office action on the '632 patent, concluding that Claims 1 through 4 were rejected as anticipated by or, in the alternative, rendered obvious by prior art that existed in June 2005. Doc. No. 48-4. The same day, the PTO issued a non-final office action on the '139 patent, rejecting Claims 1 through 16 as anticipated by the same piece of prior art. Doc. No. 48-5.

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[1] The complaint alleged that Defendant Cobham, PLC also infringed these patents. Doc. No. 1. Only TracStar has moved for an award of attorneys' fees.

[2] TracStar later filed an amended answer and counterclaims. Doc. No. 35.

On March 19, 2014, the PTO issued a final office action rejecting Claims 1 through 4 of the ’632 patent as anticipated by or, in the alternative, rendered obvious by prior art. Doc. No. 81-16, at 10. The PTO similarly rejected Claims 1 through 16 of the ’139 patent as anticipated by prior art. Doc. No. 81-17, at 11, 17. On May 19, 2014, F4W requested reconsideration of the final office actions. Doc. Nos. 81-7, 81-8. Over F4W’s objection, this Court entered a stay on May 22, 2014, pending a validity ruling from the PTO. Doc. No. 58, 59.

On June 11, 2014, the PTO informed F4W that its responses failed to overcome the rejections and that, unless an appeal was filed, an ex parte re-examination certificate would be mailed in due course. Doc. No. 81-9, at 4; Doc. No. 81-10, at 4. F4W did not appeal these determinations. Doc. No. 85, at 2.

The Court lifted its stay on September 3, 2014. Doc. No. 68. F4W’s claims were then voluntarily dismissed with prejudice by a stipulation filed by the parties pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii). In the stipulation, TracStar “reserve[d] the right to seek all attorneys’ fees, costs and expenses incurred in connection with F4W, Inc.’s claims.” Doc. No. 71, at 1. Because the stipulation was self-executing, the Court found that the claims by F4W against TracStar had been dismissed with prejudice. Doc. No. 74. In the same document, the Court reserved “jurisdiction to address remaining counterclaims and any assertion by TracStar of the right to attorneys’ fees.” *Id.* The Clerk of Court was not directed to, and did not, issue a judgment.

The parties subsequently stipulated to dismissal of TracStar’s counterclaims without prejudice pursuant to Rule 41(a)(1)(A)(ii). TracStar’s again asserted “the right to seek all attorneys’ fees, costs and expenses incurred in connection with F4W’s previously dismissed claims." Doc. No. 77, at 1. Once again, no judgment was entered because the stipulation was self-executing.

On November 21, 2014, TracStar filed its motion for attorneys' fees. It argues that it is a prevailing party for purposes of § 285 because it "obtained a dismissal with prejudice of all of F4W's claims." Doc. No. 80, at 4–5. It further argues that this matter is an "exceptional" case within the meaning of § 285. Doc. No. 80, 81. F4W filed a response in opposition to that motion. Doc. Nos. 85, 86.

The motion for attorneys' fees has been referred to me for issuance of this Report and Recommendation.

II. DISCUSSION

Attorneys' fees are not automatically recoverable in a patent case. Instead, under 35 U.S.C. § 285, a district court may award attorneys' fees to a prevailing party in "exceptional cases." To award fees under that statute, the Court must find that the party seeking fees is a prevailing party. *Gentry Gallery v. Berkline Corp.*, 134 F.3d 1473, 1480 (Fed. Cir. 1998); *see also DH Tech., Inc. v. Synergystex Int'l, Inc.*, 154 F.3d 1333, 1344 (Fed. Cir. 1998) (vacating an exceptional-case determination, in part, because "the prevailing party ha[d] not yet been determined"). Although F4W did not argue that TracStar was not a prevailing party, the Court has the obligation to determine whether TracStar is a prevailing party. *Cf. SSL Servs., LLC v. Citrix Sys., Inc.*, 769 F.3d 1073, 1086 (Fed. Cir. 2014)(stating that the determination of a prevailing party in a patent case is governed by Federal Circuit law, and that the determination of the prevailing party is reviewed *de novo*).

In *Buckhannon Bd. & Care Home, Inc. v. West Virginia Dep't of Health & Human Resources*, 532 U.S. 598, 600 (2001)("*Buckhannon*"), the United States Supreme Court considered whether the term prevailing party "includes a party that has 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." In that case, the petitioners filed a complaint for declaratory relief under the Fair Housing Amendments Act of 1988 ("FHAA") and the Americans with Disabilities Act ("ADA"), seeking a ruling that certain provisions of West Virginia law violated these federal statutes. *Id.* at 600-01. After the complaint was filed, the West Virginia legislature enacted two bills eliminating the challenged West Virginia law. *Id.* at 601. Thereafter, the respondents moved to dismiss the case as moot, which motion was granted. The petitioners then sought an award of attorney's fees under the FHAA and the ADA, arguing that they were prevailing parties because the lawsuit brought about a voluntary change in the respondents' conduct (the "catalyst theory"). *Id.* The district court, following the law of the United States Court of Appeals for the Fourth Circuit, denied the motion, finding that the petitioners were not prevailing parties because they did not obtain an enforceable judgment, consent decree, or settlement giving them some of the legal relief sought. *Id.* at 602. The Supreme Court accepted certiorari because of disagreement among Courts of Appeals on the application of the catalyst theory in a prevailing party analyses. *Id.*

The Supreme Court rejected use of the catalyst theory in a prevailing party analysis. Id. at 605. It reasoned that a party's voluntary change in conduct lacked "the necessary judicial imprimatur on the change" to establish a prevailing party. *Id.* While the Supreme Court held that the catalyst theory was not a permissible basis for an award of attorney's fees under the FHAA and ADA, *id.* at 609, the *Buckhannon* rejection of the catalyst theory has since been applied to many prevailing party fee statutes. *See, e.g., Loggerhead Turtle v. Cnty. Council of Volusia Cnty.*, *Fla.*, 307 F.3d 1318, 1324-25 & n.8 (11th Cir. 2002)(distinguishing prevailing party fee statutes from fee statutes authorizing a court to award fees whenever appropriate).

The Federal Circuit has applied *Buckhannon* to the prevailing party fee provision of the Patent Act, 35 U.S.C. § 285. *Highway Equip. Co. v. FECO, Inc.*, 469 F.3d 1027 (Fed. Cir. 2006)("*FECO*"). In *FECO*, the plaintiff, Highway Equipment Co., filed a complaint alleging that the defendant, FECO, was infringing its patent. FECO filed counterclaims that included a request for a declaratory judgment of non-infringement and invalidity of the patent. *Id.* at 1030. Ultimately, Highway Equipment Co. filed a covenant under which it agreed not to sue FECO for infringement of the patent-at-issue. *Id.* Thereafter, FECO sought an order dismissing Highway Equipment Co.'s claims pursuant to Federal Rule of Civil Procedure 41(a)(2). The court dismissed the entire action under Rule 41(a)(2) in light of the filing of the covenant. *Id.* at 1031. The district court found that the defendant was a prevailing party for purposes of § 285 but that the case was not exceptional. It entered a final judgment dismissing the claims and counterclaim with prejudice based on the covenant. *Id.*

With respect to the prevailing party finding, the *FECO* court concluded "that as a matter of patent law, the dismissal with prejudice, based on the covenant and granted pursuant to the district court's discretion under Rule 41(a)(2), has the necessary judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties, such that the district court properly could entertain FECO's fee claim under 35 U.S.C. § 285." *Id.* at 1035. In support of this finding, the court cited several cases applying the *Buckhannon* test. *Id.* at 1035-36.

The Federal Circuit also applied the *Buckhannon* test in *RFR Industries, Inc. v. Century Steps, Inc.*, 477 F.3d 1348, 1352–53 (Fed. Cir. 2007). In that case, RFR Industries, Inc. ("RFR") filed a complaint against Century Steps, Inc. ("Century"), alleging patent infringement. RFR voluntarily dismissed the case under Rule 41(a)(1)(i) (the predecessor to current Rule 41(a)(1)(A)(i)), before Century served its answer. Century then filed a motion for attorney's fees under § 285. Relying on *Buckhannon*, the Federal Circuit held that "a plaintiff's voluntary dismissal without prejudice pursuant to Rule 41(a)(1)(i) does not bestow 'prevailing party' status upon the defendant. In order for a defendant to be said to have 'prevailed' as the result of a Rule 41 dismissal, the dismissal must have sufficient judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties." *Id.* at 1353 (quoting *FECO,* 469 F.3d at 1034, and *Buckhannon*, 532 U.S. at 605)(internal quotation marks omitted). The Federal Circuit provided two reasons to support its holding: the voluntary dismissal was without prejudice; and, the voluntary dismissal under Rule 41(a)(1)(i) was not "judicially sanctioned" because it did not require a court order. *Id.*

In the present case, TracStar relies on *FECO* as the basis for its argument that it is a prevailing party because F4W stipulated to dismissal of its claims with prejudice. Doc. No. 80 at 4. However, as discussed above, *FECO* involved a stipulation for dismissal under Rule 41(a)(2), which became effective only by entry of a court order. In this case, the claims between the parties were dismissed by stipulation under Rule 41(a)(1)(A)(ii). The claims were dismissed simply by filing the stipulations – no Court approval was needed or given, and no judgment was entered. Therefore, because there was no alteration in the legal relationship between the parties in the form of a judgment or consent decree, *FECO* is not applicable in the present case.[3]

[3] TracStar also cited *Power Mosfet Technologies, LLC v. Siemens AG*, 378 F.3d 1396 (Fed. Cir. 2004). Doc. No. 80, at 4. The request for attorney's fees and costs in that case arose after entry of a final judgment by the district court following a bench trial. *Id.* at 1406. While TracStar is correct that the Federal Circuit stated in that case that a party which had all claims against it dismissed with prejudice is a prevailing party, *id.* at 1416, the analysis is inapposite to the present case because there was no stipulation for dismissal under any provision of Rule 41.

The argument that TracStar should be considered a prevailing party because F4W stipulated to dismissal of its claims with prejudice is also unavailing. The Federal Circuit has stated as follows:

> Merely stating that there has been an alteration in the legal relationship of the parties as the Court of Federal Claims did, however, is insufficient, by itself, to avoid running afoul of the Supreme Court's pronouncement in *Buckhannon*; our precedent requires that there must be an actual, court-ordered alteration in the legal relationship in the parties in the form of an entry of judgment or a consent decree.

Chapman Law Firm Co. v. Greenleaf Constr. Co., 490 F.3d 934, 939 (Fed. Cir. 2007)("*Greenleaf*")(citing *Brickwood Contractors, Inc. v. United States*, 288 F.3d 1371, 1380 (Fed. Cir. 2002)). In *Greenleaf,* the Court of Federal Claims found that a party's proposed corrective action was reasonable and essentially rendered the case moot. Nevertheless, the court issued a judgment so that the plaintiff could have the opportunity to apply for an award of attorney's fees under the Equal Access to Justice Act ("EAJA"), 28 U.S.C. § 2412. *Id.* at 938-39. The Federal Circuit held that the Court of Federal Claims erred by entering the judgment. It reasoned as follows:

> Although securing attorney fees may understandably affect a party's litigation strategy, the availability of EAJA fees is not an appropriate consideration for a court when determining how to dispose of a case. When, during the course of litigation, it develops that the relief sought has been granted or that the questions originally in controversy between the parties are no longer at issue, the case should generally be dismissed.

Id. at 939.

Based on this authority, I recommended that the Court find that TracStar is not a prevailing party for purposes of a fee award under § 285 under the law of the Federal Circuit.

This recommendation is also supported by decisions of courts in the Eleventh Circuit. In *Johnson v. Pringle Development Inc.*, No. 5:05-cv-37-Oc-10GRJ, 2006 WL 2189542 (M.D. Fla. Aug. 1, 2006)("*Pringle*"), the Honorable Wm. Terrell Hodges considered whether there was a prevailing party under the Lanham Act after the parties filed a joint stipulation for dismissal with prejudice pursuant to Rule 41(a)(1)(ii)(the predecessor to current rule 41(a)(1)(A)(ii)). In the joint stipulation, the defendants reserved the right to seek the attorneys' fees and costs incurred in connection with defending the action. The court entered an order dismissing the case pursuant to the stipulation and directed the Clerk to enter a judgment. *Id.*, at * 1. Thereafter, defendants moved for an award of attorney's fees under the prevailing party fee provision of the Lanham Act, 15 U.S.C. § 1117(a), and for taxable costs.

Judge Hodges concluded that the defendants were not prevailing parties, reasoning as follows:

> A joint stipulation of dismissal filed pursuant to Rule 41(a)(1) – with or without prejudice – is effective upon filing and requires no further action by the district court. Actions taken by the Court or the Clerk relating to the dismissal that follow the filing of the joint stipulation do not affect its intended result. Indeed, the Court has no power to deny a dismissal effectuated pursuant to Rule 41(a)(1), nor may the Court condition such a dismissal.

Id. at *2. Judge Hodges distinguished a Rule 41(a)(1)(ii) dismissal from a Court ordered dismissal under Rule 41(a)(2), such as the dismissal entered in *FECO*, as follows:

> "Rule 41(a)(2) operates in a way that is significantly different from Rule 41(a)(1)(ii)." Indeed, unlike a Rule 41(a)(1)(ii) dismissal, a voluntary dismissal under Rule 41(a)(2) requires a substantial role by the court for its effectuation: the plaintiff must move in writing to dismiss the action; the court must exercise discretion to approve or disapprove the motion; the court must decide whether to impose conditions on the moving party; and the dismissal is not valid unless

> the parties obtain a court order. Thus, a Rule 41(a)(2) dismissal has the "judicial imprimatur" that a Rule 41(a)(1) dismissal lacks.

Id. (quoting *Bryant v. MV Transp., Inc.*, 231 F.R.D. 480, 482 (E.D. Va. 2005)).

This Court followed the rationale of *Pringle* in *Gibson v. Walgreen Co.*, No. 6:07-cv-1053-Orl-28KRS, 2008 WL 2607775 (M.D. Fla. July 1, 2008). In that case, the parties filed a stipulation of dismissal of one defendant with prejudice pursuant to Rule 41(a)(1)(ii). The stipulation expressly provided that it did not affect the dismissed defendant's ability to seek attorney's fees and costs. The Court entered an order dismissing the case pursuant to the parties' stipulation. Thereafter, the dismissed defendant filed a proposed Bill of Costs, which was taxed by the Clerk of Court. The plaintiff then moved to vacate the taxation of costs. *Id.*, at * 1. The Court found that the dismissed defendant was not a prevailing party because the change in the parties' relationship was voluntary and occurred before the Court dismissed the case pursuant to the stipulation. It found that the order dismissing the case was ministerial only and did not add any judicial imprimatur to the dismissal. *Id.*, at * 1, 3.

Finally, the fact that TracStar "reserve[d] the right to seek all attorneys' fees, costs and expenses incurred in connection with F4W, Inc.'s claims," Doc. No. 71, in no way establishes that TracStar is actually entitled to such fees as a prevailing party. The "reservation of rights provided [TracStar] with no new rights, but merely shielded from extinguishment any rights [it] may have had." *Pringle*, 2006 WL 2189542, at * 3. Moreover, "the language in the stipulation has been given full effect because [TracStar has] sought fees . . . ; it has simply turned out that [TracStar] never obtained the status of a prevailing party and never had the right to *recover* fees . . . pursuant to that status." *Id.* (emphasis in original).

If the Court finds that TracStar is not a prevailing party in this case, it has no discretion to award attorneys' fees under § 285. Consequently, this Court need not reach the question of whether TracStar met its burden of establishing that this case is "exceptional" within the meaning of § 285.

III. RECOMMENDATION

For the foregoing reasons, I respectfully **RECOMMEND** that the Court **DENY** TracStar's Systems, Inc.'s Motion for Attorneys Fees (Doc. No. 80).[4]

Failure to file written objections to the proposed findings and recommendations contained in this report within fourteen (14) days from the date of its filing shall bar an aggrieved party from attacking the factual findings on appeal.

Recommended in Orlando, Florida on April 3, 2015.

Karla R. Spaulding
KARLA R. SPAULDING
UNITED STATES MAGISTRATE JUDGE

Copies furnished to:
Presiding District Judge
Counsel of Record
Unrepresented Party
Courtroom Deputy

[4] Should the Court not adopt this recommendation, the motion for a determination of whether this is an "exceptional case" under § 285 should be recommitted to the undersigned for issuance of a Report and Recommendation.