

No. _____

**In The
Supreme Court of the United States**

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

Petitioner,

v.

FACEBOOK, INC.,

Respondent.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Numerous federal statutes and rules provide for an award of attorneys' fees or costs to the "prevailing party." The "touchstone" of the prevailing party inquiry is the "material alteration of the legal relationship of the parties" that is "marked by 'judicial *imprimatur*.'" See *CRST Van Expedited, Inc. v. EEOC*, 136 S. Ct. 1642, 1646 (2016) (quoting *Texas State Teachers Ass'n v. Garland Indep. Sch. Dist.*, 489 U.S. 782, 791-92 (1989) and *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 605 (2001)). This case concerns the question of whether the dismissal of a case for mootness can ever satisfy the "prevailing party" standard. In *Rice Services Ltd. v. United States*, 405 F.3d 1017, 1027 n.6 (Fed. Cir. 2005), the Court of Appeals for the Federal Circuit found it "obvious" that "if the case was moot then the Dismissal Order had no effect on the parties' legal relationship and did not confer upon Rice 'prevailing party' status." *Id.* (citing *N. Carolina v. Rice*, 404 U.S. 244, 246 (1971)). In this case, however, the Federal Circuit held that Respondent Facebook, Inc. was a "prevailing party" entitled to costs under Federal Rule of Civil Procedure 54(d) because Petitioner B.E. Technology, L.L.C.'s complaint was dismissed for mootness. The court of appeals' conclusion was based on its misunderstanding of this Court's opinion in *CRST* and its formulation of a new prevailing party standard that ignores the "touchstone" reaffirmed in *CRST*. The question presented is:

Following this Court's decision in *CRST*, does the standard for determining whether a defendant is a "prevailing party" require the "material alteration of the legal relationship of the parties" marked by "judicial *imprimatur*," or, as the Federal

Circuit held, is any “rebuffing” of the plaintiff, with or without a material alteration of the legal relationship between the plaintiff and the defendant, sufficient?

**PARTIES TO THE PROCEEDINGS AND
RULE 29.6 STATEMENT**

All parties to the proceedings are listed in the caption.

Petitioner B.E. Technology, L.L.C. is a Delaware limited liability company with no parent corporation. No publicly held company owns 10% or more of its stock.

RELATED PROCEEDINGS

The proceedings in the federal trial and appellate courts identified below are directly related to the above-captioned case in this Court.

B.E. Technology, L.L.C. v. Facebook, Inc., Case No. 2:12-cv-02769-JPM-tmp (W.D. Tenn.). The Western District of Tennessee dismissed this case as moot on December 20, 2017.

B.E. Technology, L.L.C. v. Facebook, Inc., Case No. 18-2356 (Fed. Cir.). The Federal Circuit entered judgment in this appeal on October 9, 2019. The Federal Circuit denied Petitioner's combined petition for panel rehearing and rehearing en banc on December 26, 2019.

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PETITION FOR WRIT OF CERTIORARI

B.E. Technology, L.L.C. respectfully petitions for a writ of *certiorari* to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The disposition of the court of appeals (App. 1-11) is reported at 940 F.3d 675. The opinion of the district court affirming the clerk's order taxing costs (App. 12-16) is reported at 2018 U.S. Dist. LEXIS 135277. The clerk's order taxing costs (App. 17-27) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on October 9, 2019. A combined petition for panel rehearing and rehearing en banc was denied on December 26, 2019. App. 13-14. On March 19, 2020, the Court issued an order extending the deadline to file any petition for a writ of *certiorari* to 150 days from the date of the order denying a timely petition for rehearing. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

RULE INVOLVED

Federal Rule of Civil Procedure 54

(d) Costs; Attorney's Fees

(1) Costs Other Than Attorney's Fees. Unless a federal statute, these rules, or a court order provides otherwise, costs—other than attorney's fees—should be allowed to the prevailing party. But costs against the United States, its officers, and its agencies may be imposed only to the extent allowed by law. The clerk may tax

costs on 14 days' notice. On motion served within the next 7 days, the court may review the clerk's action.

INTRODUCTION AND STATEMENT OF THE CASE

Under the “American Rule,” the parties to a lawsuit are ordinarily required to bear their own attorneys’ fees and costs. In various contexts, Congress has authorized different outcomes by allowing fees or costs to be awarded to the “prevailing party,” or otherwise allowing fee or cost recovery. “Prevailing party,” the term commonly used in fee-shifting statutes, is interpreted and applied consistently in the statutes and rules in which it appears. *See CRST Van Expedited, Inc. v. EEOC*, 136 S. Ct. 1642, 1646 (2016) (“Congress has included the term ‘prevailing party’ in various fee-shifting statutes, and it has been the Court’s approach to interpret the term in a consistent manner.”). Relevant here, Federal Rule of Civil Procedure 54(d) allows the award of costs to the “prevailing party” in lawsuits filed in federal district courts.

As explained in greater detail below, the Court of Appeals for the Federal Circuit held Respondent Facebook, Inc. (“Facebook”) to be a prevailing party because Petitioner B.E. Technology, L.L.C.’s (“B.E.”) complaint was dismissed after the dispute between B.E. and Facebook became moot. Mootness arose as a result of the Federal Circuit’s affirmance of a final written decision by the Patent Trial and Appeal Board in favor of Microsoft Corporation (“Microsoft”) that determined the patent claims asserted by B.E. against Microsoft, Facebook, and others to be

invalid. *See B.E. Tech., L.L.C. v. Google, Inc.*, Nos. 2015-1827, 2015-1828, 2015-1829, 2015-1879, 2016 U.S. App. LEXIS 20591, at *3 (Fed. Cir. Nov. 17, 2016).

The Federal Circuit determined that Facebook was a prevailing party because “the district court dismissed the claims it had before it, albeit for mootness.” App. 9. This, the court said, “placed a judicial *imprimatur* upon B.E.’s claim for patent infringement,” although the dismissal order did no more than bring the proceeding to an end without a resolution. *Id.*

The B.E. Infringement Litigation

B.E. sued Facebook for infringement of six claims of U.S. Patent No. 6,628,314 (“’314 patent”) on September 7, 2012, in the United States District Court for the Western District of Tennessee. *See* App. 2. B.E. filed separate lawsuits against Microsoft, Google Inc. (“Google”), Apple Inc. (“Apple”), and others, in the same court.

Facebook, Microsoft, and Google filed petitions for *inter partes* review of the ’314 patent. *See id.* The petitioners alleged that certain prior art, and combinations of prior art, rendered the challenged claims anticipated under 35 U.S.C. section 102 and obvious under 35 U.S.C. section 103. Facebook’s petition did not include any art asserted by either of the other petitioners. Apple, and some of the other district court defendants, did not seek *inter partes* review. Shortly after the petitions were filed, the district court stayed all of the cases filed by B.E. App. 2.

The Patent Trial and Appeal Board eventually issued Final Written Decisions in the *Microsoft*, *Facebook*, and *Google* proceedings determining that claims 11-22 of the ’314 patent are unpatentable, each based on different prior art,

and combinations of prior art, cited in the respective petitions. *See* App. 3. B.E. appealed, and the Federal Circuit issued an opinion affirming the decision in the *Microsoft* case. *Id.* The court of appeals did not address the merits of the other Board decisions. *See B.E. Tech., L.L.C.*, 2016 U.S. App. LEXIS 20591, at *3.

Because of the *Microsoft* affirmance, the Federal Circuit dismissed B.E.'s other appeals as moot, and ordered the remaining petitions, including Facebook's petition, "dismissed" for the same reason. *Id.* ("Because we affirm based on Microsoft's petition, we do not address the merits of Google's and Facebook's parallel petitions and dismiss them as moot."). *See generally A. L. Mechling Barge Lines, Inc. v. United States*, 368 U.S. 324, 329 (1961) ("We think the principle enunciated in *Munsingwear* at least equally applicable to unreviewed administrative orders, and we adopt its procedure here. The District Court should have vacated the order which it declined to review.") (citing *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39 (1950)). The Federal Circuit thus did not consider the distinct arguments made by Facebook in support of its attack on the '314 patent, and Facebook's administrative success was eliminated as a result of the Federal Circuit's direction that its petition be dismissed. *See Munsingwear*, 340 U.S. at 39-40 (vacatur "eliminates a judgment, review of which was prevented through happenstance"). *See also Deakins v. Monaghan*, 484 U.S. 193, 200 (1988) (vacatur "strips the decision below of its binding effect").

As the Federal Circuit recognized in its opinion in this case, the affirmance of the *Microsoft* decision rendered the B.E./Facebook dispute moot. *See* App. 9; *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013).

Subsequent Proceedings In District Court

Following the mootness dismissal of B.E.'s *Facebook* appeal, Facebook filed a motion for judgment on the pleadings pursuant to Federal Rule of Civil Procedure 12(c). App. 3. "The standard for deciding a Rule 12(c) motion is the same as a Rule 12(b)(6) motion to dismiss." *SAP Am., Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1166 (Fed. Cir. 2018) (applying Fifth Circuit law). Like a Rule 12(b)(6) dismissal, a Rule 12(c) dismissal is an adjudication of a claim. *See Hart v. Bayer Corp.*, 199 F.3d 239, 242 (5th Cir. 2000) (Rule 12(c)) ("grant of judgment on the pleadings in favor of defendants . . . constituted the final adjudication of the case"); *Taha v. Int'l Bhd. of Teamsters, Local 781*, 947 F.3d 464, 472 (7th Cir. 2020) ("A dismissal under Rule 12(b)(6) is an adjudication on the merits."). Facebook's motion requested the dismissal of the claims with prejudice and an award of costs under Rule 54(d) on the theory that Facebook was the "prevailing party." App. 3. *See* Defendant Facebook, Inc.'s Motion for Judgment on the Pleadings and Memorandum in Support of the Motion at 2, *B.E. Tech. v. Facebook, Inc.*, No. 2:12-cv-02769-JPM-tmp (W.D. Tenn. Mar. 28, 2017), ECF No. 84.

B.E. explained that a mootness dismissal, rather than an adjudication of B.E.'s claims, was required. *See* Plaintiff's Memorandum in Opposition to Facebook, Inc.'s Motion for Judgment on the Pleadings at 2-3, *B.E. Tech., L.L.C.*, No. 2:12-cv-02769-JPM-tmp (W.D. Tenn. April 25, 2017), ECF No. 85. In reply, Facebook

insisted on a dismissal of the complaint with prejudice, specifically arguing that “dismissal with prejudice is required to protect Facebook’s status as the prevailing party.” See Defendant Facebook, Inc.’s Reply in Support of its Motion for Judgment on the Pleadings (“Rule 12(c) Reply”) at 5, *B.E. Tech.*, No. 2:12-cv-02769-JPM-tmp (W.D. Tenn. May 9, 2017), ECF No. 86. Facebook also asserted that a dismissal with prejudice was needed to prevent B.E. from filing a new lawsuit based on claims that had not been asserted in district court or cancelled in the administrative proceedings. See *id.* at 1. Facebook did not attempt to establish that the district court had the power to adjudicate B.E.’s claims following mootness.

Recognizing that “when a [patent] claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot[,]” see *Fresenius*, 721 F.3d at 1340, the district court rejected Facebook’s request for a dismissal of B.E.’s claims with prejudice, and dismissed the case as moot. See Order Dismissing Claims as Moot (“Dismissal Order”) at 4, *B.E. Tech.*, No. 2:12-cv-02769-JPM-tmp (W.D. Tenn. Dec. 20, 2017), ECF No. 87. See also App. 28. The court purported to do so under Rule 12(c). Dismissal Order at 3.

Facebook had acknowledged that it could not be a “prevailing party” in the absence of a dismissal with prejudice, but Facebook then filed a motion for an award of costs pursuant to Rule 54(d), claiming it was the “prevailing party” in a case dismissed as moot. See Defendant Facebook, Inc.’s Motion for Costs at 1, *B.E. Tech.*, No. 2:12-cv-02769-JPM-tmp (W.D. Tenn. Jan. 3, 2018), ECF No. 89.

Contradicting its prior concession (and massaging the facts), Facebook argued it was the “prevailing party” because the “invalidity ruling and subsequent dismissal and judgment” entered by the district court made it the prevailing party. *Id.* at 3. But the “invalidity ruling” to which Facebook referred had been “eliminated” when the Federal Circuit ordered Facebook’s petition for *inter partes* review dismissed, see *Munsingwear*, 340 U.S. at 39-40, and neither the mootness dismissal order, nor the “judgment”¹ did anything more than bring the case to an end because no case or controversy remained.

The Costs Orders

The Clerk of the Western District of Tennessee concluded that the mootness dismissal rendered Facebook the “prevailing party,” and taxed costs against B.E. in the amount of \$4,424.20. App. 24, 27. Following B.E.’s request for review of the Clerk’s order, the district court agreed that Facebook was the “prevailing party.” See App. 12. In doing so, the court misinterpreted *CRST*, and took the unprecedented step of concluding that an order dismissing a case as moot results in “prevailing party” status for the defendant. App. 13-15.

The district court stated that it found no authority squarely addressing the effect of a dismissal for mootness, App. 15, and it did not apply the “material alteration” standard required by *CRST*, *Buckhannon*, and *Texas State Teachers Association*. Instead, the court observed that a defendant has “fulfilled its primary objective whenever the plaintiff’s challenge is rebuffed, irrespective of the precise

¹ The “judgment” to which Facebook referred states that “all pending claims are hereby DISMISSED AS MOOT.” App. 28.

reason for the court’s decision.” App. 14 (citing *CRST*, 136 S. Ct. at 1651). The court thus applied a rule making the determinative factor not whether the plaintiff’s claims were resolved, or whether a judicial decision materially altered the legal relationship between the parties, but whether it could be said that the defendant “fulfilled its primary objective,” even if no relief was provided, and nothing decided, by the district court.

“Rebuffing,” not a formal or common legal term, found its way into the analysis of prevailing party disputes, but the only “rebuffing” concept mentioned in *CRST* involved the effect of an actual “decision” of a claim. *See CRST*, 136 S. Ct. at 1651. *CRST* was explicit that the “decision” must be one by which “the case is resolved in the defendant’s favor, whether on the merits or not.” *Id.* at 1652. The district court mistook this Court’s background reference to the defendant “fulfilling its objective” as a replacement of the “material alteration” standard confirmed earlier in *CRST*. From this, the district court recognized a prevailing party in a case that was not “resolved,” “on the merits” or otherwise.

B.E.’s Appeal To The Federal Circuit

B.E. appealed the “prevailing party” determination to the Court of Appeals for the Federal Circuit. The Federal Circuit had recognized in *Rice Services Ltd. v. United States*, 405 F.3d 1017, 1027 n.6 (Fed. Cir. 2005) (citing *N. Carolina v. Rice*, 404 U.S. 244, 246 (1971)) that a mootness dismissal “obviously” has “no effect on the parties’ legal relationship” and does not result in prevailing party status. That was not the outcome this time.

Facebook Asserts That It “Invalidated B.E.’s Patent.”

Although Facebook’s petition for *inter partes* review was ordered dismissed following affirmance of the PTAB’s *Microsoft* decision, Facebook contended that it had prevailed in *inter partes* review. Facebook argued that it was “immaterial to the prevailing party analysis that Facebook invalidated B.E.’s patent claims in *inter partes* review rather than in district court[.]” See Responsive Brief of Appellee Facebook, Inc. at 9, *B.E. Tech. v. Facebook, Inc.*, No. 18-2356 (Fed. Cir. Jan. 25, 2019).² But Facebook did not “invalidate B.E.’s patent claims,” the affirmed decision in the *Microsoft* case did.

The Federal Circuit’s New “Prevailing Party” Standard

The Federal Circuit affirmed the district court’s award of costs. App. 2. The court issued a unanimous opinion, and Judge Plager wrote a concurring opinion. The court did not cite or apply the “material alteration” standard, App. 8, and there was no argument in the court’s short opinion that the mootness dismissal altered the legal relationship between B.E. and Facebook. See App. 2-11. The court did not address its prior recognition in *Rice Services* that a mootness dismissal has “no effect on the parties’ legal relationship and [does] not confer . . . ‘prevailing party’ status.” 405 F.3d at 1027 n.6.

² The courts of appeals have unanimously held that “prevailing” for “prevailing party” purposes means prevailing in the proceeding in which “prevailing party” status is sought. See, e.g., *Klamath Siskiyou Wildlands Ctr. v. United States BLM*, 589 F.3d 1027, 1033, 1035 (9th Cir. 2009); *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); *Thomas v. Buckner*, 697 F. App’x 682, 682-83 (11th Cir. 2017) (success in administrative forum mooting district court proceeding insufficient). Facebook did not cite any authority supporting its suggestion that success in an administrative forum would have been sufficient to make it a “prevailing party” entitled to recovery of its district court costs under Rule 54(d).

The court advanced a new standard inconsistent with the standard established and reaffirmed by this Court, but purporting to be derived from *CRST*.

Essentially echoing the district court’s “rebuffing” concept, the court of appeals asserted that “Facebook obtained the outcome it sought via the mootness dismissal;³ it rebuffed B.E.’s attempt to alter the parties’ legal relationship in an infringement suit.” App. 9. The court said that “*CRST* explains that a defendant, like Facebook, can prevail by ‘rebuffing’ plaintiff’s claim, irrespective of the reason for the court’s decision.” *Id.* “That language,” rather than the “material alteration” standard, “squarely controls here, and B.E. fails to point to any controlling authority suggesting otherwise.” *See id.*

The court recognized that the only action impacting the relationship between B.E. and Facebook occurred before the Patent Trial and Appeal Board, rather than in the litigation in which Facebook sought prevailing party status, but it did not appear to credit the *Microsoft* decision. Regardless, it was not important that Facebook had not obtained any relief in district court. That did “not change the fact that the district court dismissed the claims it had before it, albeit for mootness.” *Id.* The mootness dismissal, apparently conceptualized as a “rebuffing” of B.E. by Facebook, was thought to “place[] a judicial *imprimatur* upon B.E.’s claim for patent infringement.” *Id.*

³ As noted above, the “outcome” actually sought by Facebook was a dismissal with prejudice, based on an explicit concession that a dismissal with prejudice was essential to Facebook’s claim to be the “prevailing party.” *See* Rule 12(c) Reply at 5. *Cf.* Brief for Petitioner at 29, *CRST Van Expedited, Inc. v. EEOC*, No. 14-1375, (Jan. 19, 2016) (quoting *Hewitt v. Helms*, 482 U.S. 755, 760 (1987)) (dismissal with prejudice “is ‘the stuff of which legal victories are made’ for the defense bar”).

REASONS FOR GRANTING THE PETITION

I. The Federal Circuit's New Standard Is In Conflict With The "Material Alteration" Standard Adopted And Reaffirmed By This Court.

Certiorari should be granted because the Federal Circuit's new "fulfillment of objective" or "rebuffing" test, and its conclusion that a mootness dismissal confers prevailing party status, conflict with the established legal standard for determining whether a litigant is a "prevailing party."

It is well-settled 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 (quoting *Texas State Teachers Ass'n v. Garland Indep. Sch. Dist.*, 489 U.S. 782, 791-92 (1989)). "This change must be marked by 'judicial *imprimatur*.'" *CRST*, 136 S. Ct. at 1646 (quoting *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 605 (2001)). The new standard adopted by the Federal Circuit conflicts with the standard adopted and applied by this Court in *CRST*, *Buckhannon*, and *Texas State Teachers Association*. The court of appeals appears to have understood this Court to have altered or abandoned the "touchstone" it explicitly confirmed in *CRST*.

The Federal Circuit's misunderstanding of *CRST* is reflected throughout its *B.E.* opinion, but particularly in its application of the following passage from *CRST*.

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. Under *CRST*, and under the “material alteration” standard, the resolution of a lawsuit in the defendant's favor is sufficient to confer prevailing party status if it is “on the merits” or “if the court's final judgment rejects the plaintiff's claim for a nonmerits reason.” Contrary to the Federal Circuit's *B.E.* opinion, there are no prevailing parties in cases that are not decided.

In this passage, the Court referred to a “disposition” of a claim that is accomplished by a judicial “decision,” and embodied in a “final judgment” that “rejects” the plaintiff's claim. See *United States v. Seventy Thousand Six Hundred Seventy Dollars (\$70,670.00) in United States Currency*, 929 F.3d 1293, 1303 (11th Cir. 2019) (“What matters is that the claimants have not obtained a ‘final judgment reject[ing] the [government's] claim’ to the defendant funds.”) (citing *CRST*, 136 S. Ct. at 1651). In a succeeding passage, the *CRST* Court referred to situations in which “the case is resolved in the defendant's favor, whether on the merits or not.” 136 S. Ct. at 1652 (“Congress must have intended that a defendant could recover fees expended in frivolous, unreasonable, or groundless litigation *when the case is resolved in the defendant's favor*, whether on the merits or not.”) (emphasis added); *id.* at 1653 (“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.”) (emphasis added).

The only new ground broken in the cited passage and in the balance of *CRST* is that the “decision” accomplishing the “disposition” need not be “on the merits.” That is all the petitioner sought. *See* Brief for Petitioner at 40, *CRST*, No. 14-1375, (Jan. 19, 2016) (“District courts should be free to determine that a plaintiff should pay the defendant’s costs of litigating claims that were, for example, clearly barred by res judicata, a statute of limitations, or an ironclad immunity.”); *id.* at 28 (“The paradigm of a ‘prevailing party’ is ‘[a] party in whose favor a judgment is rendered.’ There is no question that the district court rendered judgment in favor of *CRST* with respect to the claims at issue here. Accordingly, *CRST* is the ‘prevailing party’ with respect to those claims.”) (citations and internal quotation marks omitted). *See id.* at 30 (“Because a defendant who obtains a judgment in its favor is plainly a ‘prevailing party,’ the central issue in this case is whether a district court has discretion to award fees to such a prevailing defendant when the decision rests on ‘non-merits’ grounds.”). But the Federal Circuit perceived a drastic change in the governing standard that produces prevailing parties in the absence of a “final judgment” that “rejects” the plaintiff’s claim.

1. The Federal Circuit perceived in this passage what it termed an overriding “common sense approach” divorced from the “material alteration” standard, and substituting “common sense” for the objective standard actually confirmed in *CRST*. *See* App. 9.

The *CRST* Court observed that “[c]ommon sense undermines the notion that a defendant cannot ‘prevail’ unless the relevant disposition is on the merits,” *CRST*,

136 S. Ct. at 1651, and “common sense” makes equally clear that the defendant is not the “prevailing party” every time a case is “dismissed, albeit for mootness.” “Common sense” does not justify ignoring the established “touchstone” simply because the defendant claims to be the “prevailing party.” *See* 10 Moore’s Federal Practice – Civil § 54.171 (2020) (summarizing cases holding various types of dismissals cannot render the defendant the “prevailing party”).

Following *CRST*, “prevailing party” remains a “legal term of art” that must be given a consistent legal meaning. *See Buckhannon*, 532 U.S. at 603. The “prevailing party” is not one who fits colloquial or non-legal concepts of success or “prevailing.” *See id.* at 615 (Scalia, J., concurring) (the “prevailing party” is “[n]ot the party that ultimately gets his way because his adversary dies before the suit comes to judgment; not the party that gets his way because circumstances so change that a victory on the legal point for the other side turns out to be a practical victory for him; and not the party that gets his way because the other side ceases (for whatever reason) its offensive conduct.”). *CRST* did not adopt an overriding “common sense approach” that justifies disregard of the established standard, or provides a foundation for the conclusion that a mootness dismissal satisfies the “material alteration” standard. After *CRST*, as before, the words “prevailing party” “must be accorded their *legal* meaning.” *See id.*

2. The Federal Circuit mistook the *CRST* Court’s comments for the adoption of a “fulfillment of objective” replacement of the “material alteration” standard. Tellingly, the court of appeals did not consider whether the mootness

dismissal of B.E.’s complaint accomplished a material alteration of the legal relationship between Facebook and B.E. Instead, the court determined that Facebook had “fulfilled its objective” because the case came to an end with no relief for B.E. “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.” App. 9.

To make matters worse, the court of appeals credited Facebook for “rebuffing” B.E. although Facebook obtained no relief in district court, or in *inter partes* review, with the decision in Facebook’s favor not reviewed due to mootness, and its petition accordingly dismissed. *See B.E. Tech., L.L.C.*, 2016 U.S. App. LEXIS 20591, at *3. *See generally A. L. Mechling Barge Lines*, 368 U.S. at 329; *Munsingwear*, 340 U.S. at 39.

3. Proceeding from a focus on the fulfillment of objectives, the Federal Circuit’s new standard dispenses with the need for an adjudication. Rule 54(d) allows an award of costs to the “prevailing party,” but the Federal Circuit has created a regime in which it is not necessary that anyone “prevail,” or obtain any relief of any kind. A mootness dismissal is now treated as if it were a “decision” of a case. *See* App. 9.

B.E. is already being read to create prevailing parties in cases that are not decided. *Konami Gaming v. Mark Studios, LLC*, No. 2:14-cv-01485-JAD-BNW, 2020 U.S. Dist. LEXIS 44699, at *3-4 (D. Nev. Mar. 16, 2020) (“Federal Circuit decisions interpreting *CRST* suggest that Marks Studios can be a prevailing party absent a

final judgment.”). Even on this basic point, a conflict has emerged, as other courts understand the ongoing requirement of an adjudication for “prevailing party” status. *See* §70,670.00, 929 F.3d at 1303.

The Federal Circuit has subsequently confirmed that it deems a mootness dismissal a “decision,” and finds a mootness dismissal sufficient to make the defendant a prevailing party. In *O.F. Mossberg & Sons, Inc. v. Timney Triggers, LLC*, 955 F.3d 990, 993 (Fed. Cir. 2020), the court stated that “[n]either *CRST*, nor *Raniere*, nor *B.E. Technology* went so far as to hold that one could become a prevailing party without a final court decision.” But that is exactly what happened in *B.E.*, where the case was dismissed as moot without being decided.

4. The court of appeals also perceived a formal alternative to the “material alteration” standard in this Court’s reference to the defendant’s desire to “prevent” the alteration the plaintiff seeks. The Federal Circuit stated that, although the case was not decided, “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.” App. 9 (emphasis added). *See* App. 15 (the district court held that “Facebook nonetheless obtained the outcome it sought: *rebuffing B.E.’s attempt to alter the parties’ legal relationship.*”) (emphasis added). The Federal Circuit took the idea that defeating an “attempt to alter” is or might be sufficient from the *CRST* Court’s comments about the differing postures of plaintiffs and defendants. The Court said “[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." *CRST*, 136 S. Ct. at 1651. From this, the court of appeals created a distinct legal standard uniquely applicable to defendants and not requiring any actual alteration of a legal relationship. *CRST*, and prior cases, do not support the idea that there are separate standards for "plaintiff" and "defendant" cases. *See Mr. L v. Sloan*, 449 F.3d 405, 405-06 (2d Cir. 2006) (Sotomayor, J.).

The "attempt to alter" standard was also derived in part from *Raniere v. Microsoft Corp.*, 887 F.3d 1298 (Fed. Cir. 2018), a case in which the Federal Circuit held a dismissal with prejudice for lack of standing sufficient to render the defendant a prevailing party. Before pointing out that the dismissal was "with prejudice," and thus an adjudication sufficient by any measure to make the defendant a prevailing party, *see id.* at 1306, the court of appeals observed that, following *CRST*, a court 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.'" *See Raniere*, 887 F.3d at 1306 (quoting *CRST*, 136 S. Ct. at 1646, 1651). *CRST* did not hold that the "rebuffing" of an "attempt to alter," by way of a judicial or other act that does not actually "alter" a relationship, is sufficient.

Conceptualizing the defendant's objective as defeating the plaintiff's "attempt to alter" the legal relationship transforms the "material alteration" standard. Success for the defendant also results in an alteration of the parties' legal relationship. *See Restatement (Second) of Judgments* §§ 18 (rule of merger), 19 (rule of bar). The permanent extinguishment of the plaintiff's claim, not a fleeting

“rebuffing” that does not bar repetitive litigation, is the defendant’s objective, as argued in *CRST*. See Brief for Petitioner at 29, *CRST*, No. 14-1375, (Jan. 19, 2016) (quoting *Hewitt*, 482 U.S. at 760).

The Federal Circuit has subsequently applied the new “attempt to alter” standard in another precedential opinion involving a mootness dismissal, this time in a case involving a “prevailing party” dispute under 35 U.S.C. section 285. In *Dragon Intellectual Property, LLC v. DISH Network LLC*, 2019-1283, 2020 U.S. App. LEXIS 12690 (Fed. Cir. 2020), the court of appeals explained its decision in *B.E.* as follows.

We held that “even though the mootness decision was made possible by winning a battle on the merits before the PTO,” Facebook was a prevailing party because it “rebuffed B.E.’s attempt to alter the parties’ legal relationship in an infringement suit.”

Dragon, 2020 U.S. App. LEXIS 12690, at *5. The court of appeals thus confirmed that the “rebuffing” of an “attempt to alter” a legal relationship is sufficient, and that the “touchstone” established by this Court does not provide the “prevailing party” benchmark under the standard adopted in *B.E.*

A judgment for the defendant alters the parties’ legal relationship. The judgment does so through the extinguishment of the plaintiff’s claim, rather than its vindication, but the existence of an “alteration” is no less clear or significant. See Restatement (Second) of Judgments §§ 18, 19. The *CRST* Court’s discussion of litigation objectives occurred in a context in which the resolution of a case in the defendant’s favor was assumed. See *CRST*, 136 S. Ct. at 1652, 1653. That a defendant might be content with success that is not “on the merits,” as the *CRST*

Court observed, does not mean that it is content with an outcome that does not include an alteration of the legal relationship of the parties. The court of appeals looked past the fact that a defendant does not actually “rebuff” the plaintiffs’ attempt to alter the parties’ relationship without successfully contesting the claim to decision.

The Federal Circuit’s new test would make every defendant in every case that ends without the entry of a judgment for the plaintiff the prevailing party. The newly discovered “prevailing parties” would include, absurdly, the defendant in *Buckhannon* and the government in *Rice Services*. The Federal Circuit’s new test would also resolve the question left open in *CRST* and hold every termination, with or without prejudice, and with or without any preclusive impact, to create a “prevailing party,” regardless of the circumstances. *See CRST*, 136 S. Ct. at 1653 (“The Court leaves these legal and factual issues for the Court of Appeals to consider in the first instance.”).

5. The Federal Circuit’s new standard is in conflict with the recognition in other cases that *CRST* did not change the longstanding “prevailing party” standard, and did not disturb the “touchstone” of that inquiry. *See, e.g., E. Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899, 906-07 (8th Cir. 2016) (“The Supreme Court has said that the touchstone of the prevailing party inquiry must be the material alteration of the legal relationship of the parties[]”) (quoting *CRST*, 136 S. Ct. at 1646); *United States v. Thirty-Two Thousand Eight Hundred Twenty Dollars & Fifty-Six Cents (\$32,820.56) in United States Currency*, 838 F.3d 930, 936 (8th Cir.

2016) (citing *CRST*, 136 S. Ct. at 1651) (“A defendant need not prevail *on the merits* to be a prevailing party, but we see no basis in the text of CAFRA or other authority to say that a CAFRA claimant, even if analogous to a civil defendant, may recover fees without any judicially sanctioned change in the relationship between parties.”) (citation omitted). *See also* 10 Moore’s Federal Practice – Civil § 54.171 (2020) (“As applied to defendants, the prevailing party requirement essentially mirrors the requirement as applied to plaintiffs.”); *Mr. L*, 449 F.3d at 405-06.

O.F. Mossberg & Sons and *Dragon* show that *B.E.* is not a one-off aberration whose effects will be limited. The Federal Circuit has created a separate legal standard applicable only to defendants, and inconsistent with the actual standard this Court has adopted and reaffirmed. *Certiorari* should be granted to prevent the further spread of the Federal Circuit’s mistaken new standard, in cases subject to the jurisdiction of the Federal Circuit and beyond.

II. The Federal Circuit’s “Rebuffing” Standard Is Inconsistent With *Munsingwear* And Basic Principles Of Mootness.

A. The Federal Circuit’s New Standard Conflicts With The *Munsingwear* Rule.

Seventy years ago in *Munsingwear*, this Court explained how cases that become moot during the pendency of an appeal should be addressed. The proper course of action, absent narrow circumstances not claimed to be present in this case, is to dismiss the appeal, remand for dismissal of the case as moot, and vacate any underlying judgment. *See id.* The *Munsingwear* rule is grounded in “fairness” considerations. *See Camreta v. Greene*, 563 U.S. 692, 712 (2011). It is not appropriate that a judgment that cannot be reviewed because of intervening

mootness should produce the consequences normally attendant upon the resolution of a lawsuit. “The point of vacatur” is thus “to prevent an unreviewable decision ‘from spawning any legal consequences[.]’” *Id.* at 713 (quoting *Munsingwear*, 340 U.S. at 40-41). Under the Federal Circuit’s “rebuffing” standard, “legal consequences” will routinely occur, even in cases such as *Dragon* that precisely fit the *Munsingwear* paradigm.

Lost in the *B.E.* shuffle is the “point” of vacatur. Behind the *Munsingwear* rule is an understanding that ordinary “legal consequences” do not ensue when a judgment is vacated.⁴ Because damage awards, cost and fee awards, and other consequences do not follow when a judgment is vacated, vacatur is enough to prevent their “spawning.” But according to *B.E.*, the point of vacatur is not attainable because important legal consequences follow as a matter of course when a case is dismissed for mootness.

A “prevailing party” determination is a “legal consequence” of a judgment, and so are the cost awards and attorneys’ fees awards that result from “prevailing party” determinations in many types of federal lawsuits. *See, e.g.*, 15 U.S.C. § 1117; 17 U.S.C. § 505; 35 U.S.C. § 285. In several of these types of cases, the “prevailing party” can be awarded hundreds of thousands, or millions, of dollars. *See, e.g.*, *Kilopass Tech., Inc. v. Sidense Corp.*, 82 F. Supp. 3d 1154, 1175 (N.D. Cal. 2015) (\$5,535,945.54 under 35 U.S.C. § 285); *Humphreys & Partners Architects, L.P. v.*

⁴ A 2019 non-precedential Federal Circuit opinion recognized that the protection afforded by the *Munsingwear* rule extends to “the collateral effects of a case that is mooted before an appellate determination on the merits.” *See Valspar Sourcing, Inc. v. PPG Indus., Inc.*, 780 F. App’x 917, 921 (Fed. Cir. 2019).

Lessard Design, Inc., 152 F. Supp. 3d 503, 527 (E.D. Va. 2015) (total of \$1,848,583.22 under 17 U.S.C. § 505); *River Light V, L.P. v. Lin & J Int'l, Inc.*, No. 13-cv-3669-DLC, 2015 U.S. Dist. LEXIS 82940, at *40 (S.D.N.Y. June 25, 2015) (\$1,019,629.80 under 15 U.S.C. § 1117); *Hynix Semiconductor Inc. v. Rambus Inc.*, 697 F. Supp. 2d 1139, 1155 (N.D. Cal. 2010) (\$764,839.93 under Fed. R. Civ. P. 54(d)). These are important “legal consequences,” and *Munsingwear* teaches that they do not ensue when a case is dismissed as moot. The Federal Circuit held otherwise in this case.

The threat to the *Munsingwear* rule is even more explicit in the Federal Circuit’s subsequent *Dragon* opinion. *Dragon* is on all fours with the *Munsingwear* paradigm. Judgments were entered, the cases in which they were entered became moot during direct appeal, and the judgments were vacated. See *Dragon*, 2020 U.S. App. LEXIS 12690, at *3. Relying on *B.E.*, the Federal Circuit held the parties in whose favor judgment had been entered to be prevailing parties. “If anything,” the Federal Circuit stated, the vacated judgments that had been “eliminated” and “stripped of their binding effect” by *Munsingwear*-driven vacatur “further support[] holding that they are prevailing parties.” *Dragon*, 2020 U.S. App. LEXIS 12690, at *6-7.

B. *B.E.* Is In Conflict With The Numerous Cases Explaining The Nature And Effect Of Mootness.

The Federal Circuit’s *B.E.* opinion is also in conflict with the decisions of this Court on the nature and effect of mootness. Until now, it had been unchallenged that a defendant could not be a “prevailing party” in a case dismissed as moot. Even

the Federal Circuit had found that “obvious.” Under the new standard adopted in *B.E.*, that has suddenly changed.

Mootness doctrine derives from the Article III limit on the power of the federal courts to “cases or controversies.” *See Already, LLC v. Nike, Inc.*, 568 U.S. 85, 90 (2013) (citing *DaimlerChrysler Corp. v. Cuno*, 547 U. S. 332, 341 (2006)) (“Article III of the Constitution grants the Judicial Branch authority to adjudicate ‘Cases’ and ‘Controversies.’ In our system of government, courts have ‘no business’ deciding legal disputes or expounding on law in the absence of such a case or controversy.”); *Church of Scientology v. United States*, 506 U.S. 9, 12 (1992) (quoting *Mills v. Green*, 159 U.S. 651, 653 (1895)) (“It has long been settled that a federal court has no authority ‘to give opinions upon moot questions or abstract propositions, or to declare principles or rules of law which cannot affect the matter in issue in the case before it.’”). “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). Intervening mootness deprives the federal courts of the power to adjudicate, *see U.S. Bancorp Mortg. Co. v. Bonner Mall P’ship*, 513 U.S. 18, 21 (1994), and cases that become moot must therefore be dismissed as such. *See Genesis HealthCare Corp. v. Symczyk*, 569 U.S. 66, 72 (2013).

Facebook asked the district court to alter its legal relationship with B.E. by dismissing the case with prejudice, and the court properly refrained from doing so. The Federal Circuit’s opinion in this case makes the absence of the adjudication sought by Facebook irrelevant. *B.E.* creates prevailing parties in situations in which

the court lacks the power to resolve disputes or alter relationships. *See* App. 9. *See also O.F. Mossberg & Sons*, 955 F.3d at 993 (“And in [*B.E.*], we held that a dismissal for mootness imparts sufficient judicial imprimatur to satisfy the prevailing party inquiry.”).

III. This Case Provides An Opportunity For The Court To Consider The Role Of Preclusion In “Prevailing Party” Analysis.

The Federal Circuit’s adoption of an alteration-less standard also provides an occasion for consideration of an issue left open in *CRST*, whether a preclusive determination is required to satisfy the “material alteration” standard. *CRST*, 136 S. Ct. at 1653. Following the abandonment of its “on the merits” position in *CRST*, the Commission belatedly argued that a preclusive disposition is necessary, and the Court chose not to resolve whether that is so.

The legal standard that was reaffirmed in *CRST* requires a “material” alteration of a legal relationship. Suppose a case is dismissed without prejudice, with the plaintiff free to refile the next day. Even if it is accurate to assert that a legal relationship has been “altered” in that situation, the “alteration” is surely not “material.”

Many cases, before and after *CRST*, have found the “material alteration” standard not to be satisfied by decisions lacking preclusive effect. *See, e.g., Alief Ind. Sch. Dist. v. C.C. ex rel. Kenneth C.*, 655 F.3d 412, 418-19 (5th Cir. 2011); *\$70,670.00*, 929 F.3d at 1303. The Federal Circuit portrayed *B.E.*’s secondary argument that a mootness dismissal does not meet the governing standard because

it is not preclusive a matter of “form over substance.” App. 9. Were that so, it would not have been necessary for this Court to hold the issue open in *CRST*.

B.E. has already been cited as lining up on the “preclusion is not required” side of the question. *See Citi Trends, Inc. v. Coach, Inc.*, 780 F. App’x 74, 79 (4th Cir. 2019). Understood that way, *B.E.* stands in conflict with pre-*CRST* decisions by five courts of appeals, including one by the Federal Circuit, *see Cactus Canyon Quarries, Inc. v. Fed. Mine Safety & Health Review Comm’n & Sec’y of Labor*, 820 F.3d 12, 19 (D.C. Cir. 2016); *Alief Ind. Sch. Dist.*, 655 F.3d at 418-19; *United States v. Milner*, 583 F.3d 1174, 1196-97 (9th Cir. 2009); *RFR Indus. v. Century Steps, Inc.*, 477 F.3d 1348, 1353 (Fed. Cir. 2007); *Szabo Food Serv., Inc. v. Canteen Corp.*, 823 F.2d 1073, 1076-77 (7th Cir. 1987), and post-*CRST* decisions by the Fifth Circuit and three additional courts of appeals. *See, e.g., \$70,670.00*, 929 F.3d at 1303; *Cortés-Ramos v. Sony Corp. of Am.*, 889 F.3d 24, 25-26 (1st Cir. 2018); *Dunster Live, LLC v. Lonestar Logos Mgmt. Co., LLC*, 908 F.3d 948, 951 (5th Cir. 2018); *\$32,820.56*, 838 F.3d at 937.

This conflict, and the problems *B.E.* will engender if followed by other courts, provides another basis for the grant of *certiorari*.

IV. The “Prevailing Party” Inquiry Presents Important Questions Applicable Across Many Areas Of Federal Law.

A search performed by Justice Scalia at the time of *Buckhannon* showed “at least 70” appearances of the term “prevailing party” in the United States Code. *See Buckhannon*, 532 U.S. at 611 (Scalia, J., concurring). This Court has made clear that the phrase is to be construed consistently, so the conflict created by this case is

far reaching, and could disrupt the application of numerous statutes and rules other than Rule 54(d). *See CRST*, 136 S. Ct. at 1646.

The Federal Circuit's *B.E.* decision will also confuse district courts that encounter the administrative cancellation of patent claims and are obligated to follow Federal Circuit precedent. At least two district courts have already attempted to make sense of *B.E.*, and it can be expected that many more will be placed in a position in which they must do so. *See Konami Gaming*, 2020 U.S. Dist. LEXIS 44699, at *3-4; *Capella Photonics, Inc. v. Cisco Sys.*, No. 14-cv-03348-EMC, 2019 U.S. Dist. LEXIS 223332, *9-12 (N.D. Cal. December 31, 2019). In *Capella Photonics*, a district court issued a cogent analysis of the state of the law, and was then presented with an argument that its analysis was incorrect, based on the subsequent decision in *B.E.* *Compare Capella Photonics, Inc. v. Cisco Sys.*, No. 14-cv-03348-EMC, 2019 U.S. Dist. LEXIS 152427, at *14 (N.D. Cal. Sep. 6, 2019) ("While the IPR proceedings before the PTAB did change the legal relationship between the parties, recovery of costs therein must be decided in those proceedings, not in this Court. Thus, the Court declines to bestow prevailing party status upon Defendants in this litigation.") *with Capella Photonics*, 2019 U.S. Dist. LEXIS 223332, *9-12.

There are various absurd implications of the Federal Circuit's new standard. Suppose patentee A files an infringement action against B and obtains a judgment for, say, \$10,000,000. Meanwhile, C obtains cancellation of the claims asserted against B in *inter partes* review while B's appeal from the judgment against it is

pending. As a result, B's appeal is dismissed without being decided, and, pursuant to *Munsingwear*, the judgment against B is vacated, and *A v. B* is dismissed as moot. Under *B.E.*, B has "fulfilled its primary objective," and it is a prevailing party.

What happens when, as in *Buckhannon*, a statute alleged to require the defendant to act in a manner it has not is repealed? The plaintiff's "attempt to alter the legal relationship of the parties" has been "rebuffed," and, as in *Buckhannon*, the defendant will not be required to alter its behavior. Under the Federal Circuit's *B.E.* opinion, the defendant is a "prevailing party."

And what of the situation in which a plaintiff seeking injunctive relief, or pursuing a damage claim that does not survive, dies during the pendency of a case? Here, too, the defendant's "primary objective" has been "fulfilled," and it is the prevailing party.

As outlandish as these examples are, the result in each follows from the analysis employed by the Federal Circuit in this case. If it is true that a dismissal, "albeit for mootness," creates a "prevailing party," nothing in *B.E.* provides a basis on which these outcomes might be avoided.

A further complication is present. Because of the Federal Circuit's exclusive jurisdiction over patent cases, no other court of appeals will be called upon to address the impact of mootness arising in the context of the administrative cancellation of patents involved in contemporaneous infringement litigation.

History shows that even fundamental errors by the Federal Circuit have a tendency to persist. See, e.g., *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717

F.2d 1380, 1389-90 (Fed. Cir. 1983), *overruled by In re Seagate Tech., LLC*, 497 F.3d 1360, 1365 (Fed. Cir. 2007), *overruled by Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016); *BP Chemicals Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993) and *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376, 1380 (Fed. Cir. 2004), *overruled by MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n.11 (2007); *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005), *overruled by Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 548 (2014). This Court's role is not to correct all of the errors made by the Federal Circuit, but the Federal Circuit's exclusive jurisdiction presents both a unique opportunity for doctrinal deviation and a uniquely difficult context for overcoming errors.

This case presents as effective and timely a vehicle as any for avoiding the problems that will result from the Federal Circuit's misreading of *CRST*, and its adoption of a flawed new legal standard. The Court has the opportunity directly to address the errors on which the Federal Circuit standard is based, and to prevent similar misreading of *CRST* in other cases. A conflict with longstanding decisions of this Court and with decisions by other courts of appeals exists, and *B.E.* has already been relied on by the Federal Circuit on multiple occasions. Further confusion of the settled law is likely to result if *certiorari* is not granted.

CONCLUSION

For the foregoing reasons, the petition for a writ of *certiorari* should be granted.

Respectfully submitted,

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