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Magistrate Judge Rau Offers Primer on “Prevailing Party” Status Under the Patent Act’s Attorney Fees Provision

Legal Update

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Patent law permits the award of legal fees to a “prevailing party” only in “exceptional cases.” 35 U.S.C. § 285. A recent decision from Magistrate Judge Rau applying the Patent Act’s attorney fees provision reminds litigants that demonstrating a case is “exceptional” in only one part of the equation. 35 U.S.C. § 285.

Because attorney fees can only be awarded under section 285 to a “prevailing party,” the first part of the analysis is to decide whether the moving party qualifies as a prevailing party under the Patent Act. Judge Rau’s order in *Clim-A-Tech Industries, Inc. v. Ebert*, 14-cv-1496, (D. Minn. Sep. 3, 2015) (Dkt. No. 45) provides an example of circumstances that are insufficient to confer prevailing party status.

In *Clim-A-Tech*, the plaintiff filed a declaratory judgment action for noninfringement and alleged that one of the defendants had tortiously interfered with its existing business contracts and prospective business relationships. Defendants moved to dismiss for lack of jurisdiction or to transfer venue. On May 11, 2015, the Court granted the motion to dismiss for lack of personal jurisdiction and dismissed the case without prejudice.

With the dismissal in hand, the defendants moved for attorney’s fees under Section 285. Judge Rau began his analysis by first looking at whether defendants qualified as a prevailing party. Judge Rau explained that to attain prevailing party status, a party must meet two factors: (1) the party must have received at least some relief on the merits and (2) the relief must materially alter the legal relationship between the parties by modifying one party’s behavior in a way that directly benefits the opposing party. Dkt. No. 45 at p. 4.

Defendants argued that they are the prevailing party because by failing to find sufficient contacts in the State of Minnesota to justify personal jurisdiction, the Court determined that defendants’ conduct could not rise to the level of liability for tortious interference with respect to any of Clim-A-Tech’s Minnesota customers. Judge Rau disagreed because defendants’ contention ignored the fact that the dismissal was for jurisdictional reasons, not substantive reasons. *Id.* at p. 5. Further, the dismissal

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was without prejudice such that there was no material change in the legal relationship between the parties. *Id.* at p. 6.

Because the defendants had failed to establish prevailing party status, Judge Rau declined to consider whether the underlying case was “exceptional” under Section 285, and denied the motion for attorney’s fees. *Id.* at p. 7.