2019-1745

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

DIEM LLC,

Plaintiff-Appellee,

v.

BIGCOMMERCE, INC.,

Defendant-Appellant.

Appeal from the United States District Court for the Northern District of California in Case No. 3:18-cv-05978-SI, Judge Susan Illston

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BigCommerce, Inc.'s Combined Petition for Panel Rehearing and Rehearing *En Banc*

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Feb. 18, 2020

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

DIEM LLC v. BIGCOMMERCE, INC.

Case No. 2019-1745

CERTIFICATE OF INTEREST

Counsel for the:
■ (petitioner) ☐ (appellant) ☐ (respondent) ☐ (appellee) ☐ (amicus) ☐ (name of party)

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
BIGCOMMERCE, INC.	BIGCOMMERCE, INC.	NONE

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:

WILLIAM LAMB (GILLIAM & SMITH LLP)

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 directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47. 4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).

Diem LLC v. BigCommerce, Inc. No. 3:18-cv-05978-SI (N.D. Cal. Sept. 28, 2018)

2/20/2020
Date

/s/ AMIT AGARWAL
Signature of counsel

AMIT AGARWAL
Printed name of counsel

Please Note: All questions must be answered

cc: ___________________________

Reset Fields

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I. Introduction

According to the Supreme Court, the phrase "prevailing party" bears a uniform meaning across fee-shifting statutes. *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."). The Federal Circuit has not respected that mandate. Its "prevailing party" jurisprudence has diverged from most sister circuits in contradiction of Supreme Court law.

II. Background

Diem LLC sued BigCommerce, Inc. for patent infringement. Midway into the litigation, the parties executed a contract governed by California contract law. Per the contract, if certain legal events occurred, BigCommerce was to pay $30,000.00 to Diem. Else, Diem was to dismiss its case with prejudice without BigCommerce having to pay any consideration.

The district court (NDCA) retained ancillary jurisdiction to enforce the parties' agreement, analyzed it, ruled in favor of BigCommerce, granted BigCommerce's motion, denied Diem's cross-motion, and dismissed Diem's patent lawsuit (1) with prejudice (2) without requiring BigCommerce to (a) pay consideration or (b) alter its products in any way. Thus, BigCommerce achieved what any civil defendant hopes to achieve—a costless dismissal of the plaintiff's case with prejudice. Post-

dismissal, BigCommerce pursued fees under 35 U.S.C. § 285. The district court denied BigCommerce's motion on the grounds that "there is no prevailing party because the parties executed a settlement agreement" and that it "need not reach whether the case is exceptional." (Appx17)

BigCommerce appealed. A panel from this Court affirmed the district court's judgment under R. 36. The district court cited the Federal Circuit case of *Exigent Tech., Inc. v. Atrana Solutions, Inc.*, 442 F.3d 1301, 1312 (Fed. Cir. 2006) which held that a party cannot be a "prevailing party" if the case was resolved by settlement (not incorporated by judicial decree) prior to any relief on the merits. Indeed, during oral argument, one of the panel members echoed this holding:

> *Settlement agreements, you would agree, under Buckhannon, are typically not included, in terms of the prevailing party case law . . . and the only thing they had to distinguish . . . was the Maher case . . . and they said . . . they kind of cabined it as a narrow exception for consent decrees . . . your argument depends on our extending the Maher case which is one of the few exceptions to Buckhannon to include not just consent decrees but what? . . . I think you're asking us to modify what the Supreme Court has told us.*

Oral Argument Recording at 11:20-12:12.

III. Fed. Cir. Rule 35(b)(2) Statement

Based on my professional judgment, I believe the panel's decision contradicts the Supreme Court decision of *CRST Van Expedited, Inc. v. EEOC*, 136 S.Ct. 1642 (2016).

/s/ Amit Agarwal

Pro bono counsel for BigCommerce, Inc.

IV. Point of law misapprehended by the panel of the court

The holding of *Buckhannon Board & Care Home, Inc. v. West Virginia Department of Health and Human Resources*, 532 U.S. 598 (2001).

V. Argument (for *en banc* and panel rehearing)

A. Under *CRST*, BigCommerce is the prevailing party.

CRST stated that "prevailing party" status requires (1) showing a material alteration of the legal relationship of the parties (2) marked by judicial imprimatur. 136 S.Ct. at 1646.

Material Alteration of Legal Relationship: The district court's order materially altered the legal relationship of the parties by ending a federal patent lawsuit with prejudice without requiring BigCommerce to pay any consideration, foreclosing Diem from any ability to sue BigCommerce for infringement of Pat. 7,770,122.

Judicial Imprimatur: The district court's retention of enforcement jurisdiction provided the requisite judicial imprimatur. *Richard S. v. Dep't of Developmental Servs. of Cal.*, 317 F.3d 1080, 1088 (9th Cir.2003) ("Through their legally enforceable settlement agreement and the district court's retention of jurisdiction, plaintiffs obtained a 'judicial imprimatur' that alters the legal relationship of the parties"); *Roberson v. Giuliani*, 346 F.3d 75, 84 (2nd Cir. 2003) ("we hold that the district court's retention of jurisdiction over the Agreement in this case provides sufficient judicial sanction to convey prevailing party status on plaintiffs"); *Raab v. City of Ocean City*, 833 F. 3d 286, 294 (3rd Cir. 2016) ("a district court's retaining ancillary jurisdiction over the settlement agreement . . . confers the judicial

imprimatur that is required for a plaintiff to become a prevailing party"); *Miraglia v. Board of Sup'rs of LA State Museum*, 901 F.3d 565, 577 (5th Cir. 2018) ("Other circuits have recognized that retention of jurisdiction to enforce change bears 'judicial imprimatur.'"). *CRST*, 136 S.Ct. at 1646 ("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.").

B. The panel's decision to deny BigCommerce "prevailing party" status turns on a misinterpretation of Supreme Court precedent.

The panel stated:

> *Settlement agreements, you would agree, under Buckhannon, are typically not included, in terms of the prevailing party case law . . . and the only thing they had to distinguish . . . was the Maher case . . . and they said . . . they kind of cabined it as a narrow exception for consent decrees . . . your argument depends on our extending the Maher case which is one of the few exceptions to Buckhannon to include not just consent decrees but what? . . . I think you're asking us to modify what the Supreme Court has told us.*

Oral Argument Recording at 11:20-12:12.

The panel is wrong to require BigCommerce to justify an extension or modification of *Buckhannon*; such extension/modification is unnecessary. The panel is wrong about Supreme Court law. In *CRST*, the Supreme Court clarified that it had "not set forth in detail how courts should determine whether a defendant has prevailed" and that it had "not articulated a precise test" for the same. 136 S.Ct. at 1646. Yet, the panel found a precise test in *Buckhannon Board & Care Home, Inc. v. West Virginia Department of Health and Human Resources*, 532 U.S. 598, 604 (2001) which, per the panel, foreclosed the designation of "prevailing party" status unless a party (1) secured relief on the merits or (2) a court order in the form of a consent decree. Virtually every circuit has squarely rejected the panel's interpretation of *Buckhannon*.

First Circuit: *Aronov v. Chertoff*, 536 F.3d 30, 40 (1st Cir. 2008) ("[W]e do not read *Buckhannon* so narrowly as to preclude all forms of judicial relief other than a judgment on the merits or a court order in the form of a consent decree, or one explicitly labeled as such, from satisfying the judicial imprimatur requirement.").

Second Circuit: *Roberson v. Giuliani*, 346 F.3d 75, 84 (2nd Cir. 2003) ("we hold that the district court's <u>retention of jurisdiction</u> over the Agreement in this case provides sufficient judicial sanction to convey prevailing party status on plaintiffs") (emphasis added).

Third Circuit: *Raab v. City of Ocean City*, 833 F. 3d 286, 294 (3rd Cir. 2016) ("a district court's <u>retaining ancillary jurisdiction</u> over the settlement agreement . . . confers the judicial imprimatur that is required for a plaintiff to become a prevailing party") (emphasis added).

Fourth Circuit: *Smyth ex rel. Smyth v. Rivero*, 282 F.3d 268, 281-82 (4th Cir. 2002) ("We doubt that the Supreme Court's guidance in Buckhannon was intended to be interpreted so restrictively as to require that the words "consent decree" be used explicitly. Where a settlement agreement is embodied in a court order such that the obligation to comply with its terms is court-ordered, the court's approval and the attendant judicial over-sight (in the form of continuing jurisdiction to enforce the agreement) may be equally apparent. We will assume, then, that an

order containing an agreement reached by the parties may be functionally a consent decree for purposes of the inquiry to which Buckhannon directs us, even if not entitled as such.”).

Fifth Circuit: *Miraglia v. Board of Sup’rs of LA State Museum*, 901 F.3d 565, 577 (5th Cir. 2018) (“Other circuits have recognized that retention of jurisdiction to enforce change bears ‘judicial imprimatur.’ For instance, the Second Circuit concluded that a plaintiff prevailed when a district court retained jurisdiction to enforce a settlement between the parties, even though the district court did not adopt or approve the settlement itself. *See Roberson v. Giuliani*, 346 F.3d 75, 82-83 (2d Cir. 2003). The Ninth Circuit similarly held that when a district court retains jurisdiction to oversee the execution of a settlement agreement, the plaintiff's success has sufficient judicial imprimatur; *Richard S. v. Dep't of Developmental Servs. of Cal.*, 317 F.3d 1080, 1088 (9th Cir.2003). Though those cases are settlement agreements, the dispositive feature in each was that the district courts retained jurisdiction to ensure compliance.”) (emphasis added);

Seventh Circuit: *Peterson v. Gibson*, 372 F.3d 862, 866-67 (“Many, including this court, have held that a settlement short of a consent decree may qualify if, for instance, the terms of the settlement were incorporated into the dismissal order and the order was signed by the court rather than the parties, or the order provided that

the court would retain jurisdiction to enforce the terms of the settlement.") (emphasis added).

Eighth Circuit: *Northern Cheyenne Tribe v. Jackson*, 733 F.3d 1083, 1085 at n.2 (8th Cir. 2006) (clarifying that its precedent does not limit prevailing party status under *Buckhannon* to those who obtain consent decrees and judgments on the merits).

Ninth Circuit: *Richard S. v. Dept. of Developmental Services*, 317 F.3d 1080, 1088 (9th Cir. 2003) ("Through their legally enforceable settlement agreement and the district court's retention of jurisdiction, plaintiffs obtained a judicial imprimatur' that alters the legal relationship of the parties.") (emphasis added).

Eleventh Circuit: *American Disability Association, Inc. v. Chmielarz*, 289 F.3d 1315, 1319 (11th Cir. 2002) ("In saying that 'a party is not a prevailing party for purposes of the ADA unless they obtain either (1) a judgment on the merits or (2) a court ordered consent decree,' the district court interpreted Buckhannon to stand for the proposition that a plaintiff could be a "prevailing party" only if it achieved one of those two results. That reading of Buckhannon, however, is overly narrow. Indeed, the Court did not say that those two resolutions are the only sufficient bases upon which a plaintiff can be found to be a prevailing party.").

This Court should align itself with its sister circuits. A close reading of *Buckhannon* supports this Court's sister circuits' interpretation. *Buckhannon*'s statement of its holding was as follows:

> Numerous federal statutes allow courts to award attorney's fees and costs to the "prevailing party." The question presented here is whether this term 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. We hold that it does not.

532 U.S. at 600 (colors added)

The above excerpt includes two parts: (i) "a party that has failed to secure a judgment on the merits or a court-ordered consent decree;" and (ii) "but has nonetheless achieved the desired result because the lawsuit brought about a voluntary change in the defendant's conduct." *Id.* If one were to disregard the existence of part two (in blue), the resulting holding would necessarily be broader. It would cover all parties who fail to secure (1) a judgment on the merits or (2) a court-ordered consent decree. It would not matter whether they achieved the desired result because (1) their lawsuit brought about a voluntary change in the defendant's conduct, *i.e.*, the catalyst theory; or (2) some other reason.

Buckhannon itself clarified the scope of its own holding when it stated, "we hold that the 'catalyst theory' is not a permissible basis for the award of attorney's fees . . . ." 532 U.S. at 610. By so holding, *Buckhannon* resolved a circuit split

surrounding the legitimacy of the catalyst theory. *Buckhannon* is precedent for the delegitimization of the catalyst theory.

Buckhannon's holding has no relevance to this appeal because BigCommerce never invoked anything resembling the catalyst theory. Put another way, BigCommerce never cited any BigCommerce-led action that induced a voluntary change in Diem's conduct in support of its "prevailing party" arguments in the lower court or before this Court. In fact, Diem refused to voluntarily do *anything* BigCommerce requested. A district court had to retain enforcement jurisdiction over the parties' settlement agreement, resolve the parties' dispute, rule in favor of BigCommerce, rule against Diem, which finally caused the dismissed of this case with prejudice. The catalyst theory has no bearing to the underlying case or this appeal.

C. The Federal Circuit's *Exigent* case is wrong.

In *Exigent*, the case that the district court cited in its opinion, this Court stated:

> An award of fees and costs was not proper unless Atrana was a prevailing party. 35 U.S.C. § 285 (2000). Atrana cannot be a prevailing party if the case was resolved by settlement (not incorporated by judicial decree) prior to any relief on the merits. *See Akers v. Nicholson*, 409 F.3d 1356, 1359 (Fed.Cir.2005); *Inland Steel Co. v. LTV Steel Co.*, 364 F.3d 1318, 1320-21 (Fed.Cir.2004).

Exigent Tech., Inc. v. Altrana Solutions, Inc., 442 F.3d 1301, 1312 (Fed. Cir. 2006). *Exigent* is wrong, no matter how interpreted. If *Exigent* held that merits-based relief is a requirement of "prevailing party" status, that contradicts Supreme

Court precedent. *CRST Van Expedited, Inc. v. EEOC*, 136 S.Ct. 1642, 1644 (2016) ("Held: A favorable ruling on the merits is not a necessary predicate to find that a defendant is a prevailing party."). And if *Exigent* held that absent merits-based relief, the only type of settlement that can support fee shifting is a consent decree, then the Federal Circuit is alone in how it reads Supreme Court precedent as compared to virtually every other circuit court in the country. The term "prevailing party" cannot mean one thing for 35 U.S.C. § 285 and something else in fee-shifting statutes outside of the Patent Act as interpreted by sister circuits. *CRST*, 136 S.Ct. at 1646 ("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.").

VI. Conclusion

This Court's "prevailing party" jurisprudence has diverged from sister circuits. This divergence contradicts Supreme Court precedent. This is correctible. The Court should grant this petition.

Dated: Feb. 18, 2020

Respectfully submitted,

/s/ Amit Agarwal

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NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

DIEM LLC,
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v.

BIGCOMMERCE, INC.,
Defendant-Appellant

2019-1745

Appeal from the United States District Court for the Northern District of California in No. 3:18-cv-05978-SI, Senior Judge Susan Y. Illston.

JUDGMENT

BRETT RISMILLER, Husky Finch, St. Louis, MO, argued for plaintiff-appellee.

AMIT AGARWAL, Tampa, FL, argued for defendant-appellant. Also represented by WILLIAM ROBERT LAMB, Gillam & Smith, LLP, Marshall, TX.

THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (PROST, *Chief Judge,* SCHALL and WALLACH, *Circuit Judges*).

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

February 6, 2020
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

CERTIFICATE OF SERVICE

I hereby certify that on Feb. 18, 2019, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

/s/ Amit Agarwal
Amit Agarwal

CERTIFICATE OF COMPLIANCE

I hereby certify that in reliance upon Microsoft Word 2010's word-count feature, the number of words in this document is 2,883. This complies with the word limitations prescribed in relevant procedural rules.

/s/ Amit Agarwal
Amit Agarwal