

CLIENT ALERT

District Court's Damages Rulings Were Not Appealable When There Was No Final Disposition of the Underlying Breach of Contract Claim

JANUARY 23, 2019

Princeton Digital Image Corp. v. Office Depot Inc., Nos. 2017-2597, 2017-2598, 2017-2600, 2017-2602, 2017-2605, 2017-2606, 2017-2609, 2017-2611, 2017-2612, 2017-2627, 2017-2628, 2017-2629, 2017-2630, 2017-2631, 2017-2632, 2017-2633, 2017-2634, and 2018-1006 (Fed. Cir. Jan. 22, 2019)

The Federal Circuit dismissed an intervenor's appeal as to unfavorable damages rulings for lack of jurisdiction because there had been no final decision on the merits of the underlying claim. The underlying claim was a breach of contract action brought against a patent owner that had licensed the intervenor and its customers for use of the intervenor's software, but then subsequently sued the customers for infringement of the licensed patent. The intervenor sought to recover its attorneys' fees in both defending its customers and bringing the breach of contract claim. After the patent owner dismissed the lawsuits against the customers, the intervenor unsuccessfully moved for attorneys' fees under 35 U.S.C. § 285 and sanctions under Federal Rule of Civil Procedure 11. On summary judgment, the district court ruled that the intervenor's damages were limited to fees incurred in defending its customers and that it could not recover fees in vindicating its contract rights. While recognizing that some portion of the intervenor's attorneys' fees were purely defensive, the court struck the intervenor's court-ordered filings that failed to adequately identify the purely defensive fees. Seeking an appealable judgment on the district court's damages, attorneys' fees, and sanctions rulings, the intervenor successfully moved the district court to enter judgment in favor of the patent owner. In its judgment, however, the district court reiterated that there were purely defensive damages that could be proven on the record.

On appeal, the Federal Circuit held that the district court's judgment did not constitute a final decision sufficient to grant it appellate jurisdiction. Consistent with *Microsoft v. Baker*, 137 S. Ct. 1702 (2017), voluntary dismissals do not constitute a final judgment where the district court ruling does not foreclose the plaintiff's ability to prove the required elements of a cause of action. The district court's rulings did not foreclose the intervenor's ability to prove either actual or nominal damages, and the district court's judgment actually acknowledged that the record supported the intervenor's entitlement to purely defensive damages. As such, the intervenor was required to proceed to trial on its breach of contract claim in order to obtain an appealable final decision on the merits. Because there was no final judgment in the case, the Federal Circuit also lacked jurisdiction to consider the district court's denial of attorneys' fees under § 285 and sanctions under Rule 11.

[A copy of the opinion can be found here](#)

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