We Agreed to Dismiss; You Can’t Ask for Attorney’s Fees, Can You?

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The Answer Is Yes

In *Keith Mfg. Co. v. Butterfield*, decided April 7, 2020, the Federal Circuit held that, where parties stipulate to dismiss a case with prejudice, a party still can move for attorney’s fees. The court distinguished this stipulated dismissal situation from the one in *Microsoft Corp. v. Baker*, in which a single party voluntarily dismissed a complaint with prejudice.

Background

Larry Butterfield (“Butterfield”), a former employee of Keith Manufacturing Co. (“Keith”) filed for and obtained a patent. Keith sued Butterfield on five different grounds, including three patent issues and two state law issues, including trade secret misappropriation. After approximately 18 months of litigation, including the district court’s dismissal of the three patent-related grounds, the parties filed a Fed. R. Civ. P. 41(a)(1)(A)(ii) dismissal with prejudice stipulation, which does not require a court order, on the remaining state court grounds. The stipulation, which was two lines long, said nothing about costs or attorney’s fees. Butterfield filed a timely motion for attorney’s fees for the whole litigation, including the patent-related grounds.

In denying Butterfield’s motion, the district court relied on the Supreme Court’s decision in *Microsoft* to hold that a Fed. R. Civ. P. 54(d) motion for costs and/or attorney’s fees requires a judgment from the court, and that a voluntary dismissal with prejudice is not such a judgment. Butterfield appealed.

What’s a “Judgment”? Distinguishing This Case from *Microsoft Corp. v. Baker*

The Federal Circuit noted that Rule 54(d) “posits a relationship between a judgment and its appealability”. The court said that this relationship exists to minimize piecemeal appellate litigation. In a similar vein, the court noted that 28 U.S.C. §§ 1291 and 1295, which give appellate courts jurisdiction over final decisions from district courts, also are designed to guard against piecemeal appeals.

Looking at the *Microsoft* case, the Federal Circuit noted that the facts there involved a class-action
plaintiff’s voluntary dismissal with prejudice. The Supreme Court held that permitting such a voluntary dismissal could enable a plaintiff to circumvent § 1291 by starting and stopping district court proceedings. Such a process also would prevent against class-action defendants who may want to appeal an adverse certification ruling, but could not, while a class-action plaintiff could.[5]

Comparing the rule and the statute, the Federal Circuit noted that Rule 54(a), which defines a “judgment,” is not limited to a court order, but rather, says that a judgment “includes … any order from which an appeal lies.”[6] Consequently, a stipulated dismissal with prejudice can meet the requirements of Rule 54. The Court then differentiated the Microsoft case in three different ways. First, a stipulated dismissal with prejudice ends litigation, and does not invite parties to engage in piecemeal appellate litigation. Second, there is no threat to class action procedures, as the current case is not a class action. Third, allowing such a motion for attorney’s fees after a stipulated dismissal with prejudice does not affect the overall balance of the litigation.

Finally, the Federal Circuit noted similar reasoning in a Tenth Circuit Lanham Act (trade dress) decision that also distinguished Microsoft on similar bases.[7]

**Takeaways**

First, the stipulated dismissal in Keith was literally two lines long, saying nothing about parties bearing their own fees and costs incurred in the course of the litigation and settlement. If a party wants to seek attorney’s fees, the stipulation should be silent on fees and costs. A party wanting to avoid a motion for attorney’s fees should insist on the parties bearing their own fees and costs. Second, between the Keith decision, which was a patent and trade secret case, and the Xlear Lanham Act/trade dress case from the Tenth Circuit, most intellectual property areas are covered.

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[3] Ordinarily, one would expect an appeal of state law claims to go to a regional circuit. But the Ninth Circuit transferred the appeal to the Federal Circuit, likely because the attorney’s fee request pertained to patent litigation, and the Federal Circuit has exclusive jurisdiction in patent cases.

