UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Clim-A-Tech Industries, Inc., **Civil No. 14-1496 (MJD/SER)**

Plaintiff,

v. **ORDER**

William A. Ebert and Sunwest Supply, Inc.,

Defendants.

Gerald E. Helget, Michael M. Sawers, and Kristine M. Boylan, Esqs., Briggs & Morgan, PA, Minneapolis, Minnesota, for Plaintiff.

Lisa Anne Smith, Peter B. Goldman, and Shijie Feng, Esqs., DeConcini McDonald Yetwin & Lacy, P.C., Tucson, Arizona, for Defendants.

Johnathan R. Maddox, Esq., Henson & Efron, PA, Minneapolis, Minnesota, for Defendants.

STEVEN E. RAU, United States Magistrate Judge

The above-captioned case comes before the undersigned on Defendants William A. Ebert and Sunwest Supply, Inc.'s (collectively "Defendants") Motion for Award of Attorneys' Fees and Related Non-Taxable Expenses ("Motion for Fees") [Doc. No. 32]. This matter has been referred to the undersigned for resolution pursuant to 28 U.S.C. § 636(b)(1)(A) and District of Minnesota Local Rule 72.1. For the reasons stated below, the Court denies the Motion for Fees.

I. BACKGROUND

Plaintiff Clim-A-Tech Industries, Inc. ("Clim-A-Tech") filed a complaint on May 13, 2014, and filed an amended complaint on August 27, 2014. (Declaratory J. Compl.) [Doc. No. 1]; (Am. Declaratory J. Compl., "Am. Compl.") [Doc. No. 8]. Clim-A-Tech is "a Minnesota corporation with a principal place of business" in Hopkins, Minnesota. (Am. Compl. ¶ 1). It is "a

. . . worldwide supplier of plastic profile extrusions and die-cut flexible components to small and large window [and] door companies, appliance manufacturers, [the] recreational industry, technology sector, refining/mining industry, retail and other industrial/commercial markets." (*Id.* ¶ 7). Defendant William A. Ebert ("Ebert") is "a resident of the State of Arizona and is the named inventor and owner of U.S. Patent No. 6,746,581" (the "'581 Patent"), which is at issue in this case. *See* (*id.* ¶ 2). Sunwest Supply, Inc. ("Sunwest") is "an Arizona corporation with a principal place of business" in Tucson, Arizona. (*Id.* ¶ 3).

In lieu of answering, Defendants filed a Motion to Dismiss for Lack of Personal Jurisdiction and Subject Matter Jurisdiction and Motion in the Alternative to Transfer Venue ("Motion to Dismiss") [Doc. No. 15]. Defendants contended that this Court lacked general and specific personal jurisdiction over both Ebert and Sunwest. (Mem. of Law in Supp. of Mot. to Dismiss) [Doc. No. 17 at 3–12]. Additionally, Defendants contended that this Court lacked subject matter jurisdiction over the matter because the Court lacked personal jurisdictional over the patent owner, Ebert. (Mot. to Dismiss at 2). Finally, Defendants argued that even if the Court found that jurisdiction existed, the case should be transferred to the District of Arizona pursuant to 28 U.S.C. § 1404(a). (*Id.* at 3). Clim-A-Tech responded to the Motion to Dismiss, requesting a stay of the case, jurisdictional discovery, or a settlement conference with the Court. (Pl.'s Combined Resp. to Defs.' Mot. to Dismiss and Mot. to Stay, or in the Alternative for Leave to Conduct Limited Disc.) [Doc. No. 25].

On November 3, 2014, the Court heard oral argument on the Motion to Dismiss and on Clim-A-Tech's alternative requests as set forth in its response. (Minute Entry Dated Nov. 3, 2014) [Doc. No. 27]. On April 22, 2015, this Court issued its Report & Recommendation recommending that Defendants' Motion to Dismiss be granted to the extent Defendants sought

dismissal for lack of personal jurisdiction. (Report & Recommendation Dated Apr. 22, 2015, "Report & Recommendation") [Doc. No. 29]. The Court recommended denying as moot all other aspects of the motion. (*Id.*) Clim-A-Tech did not file any objections to the Report & Recommendation. On May 11, 2015, the Honorable Michael J. Davis adopted the Report & Recommendation in full, granting Defendants' Motion to Dismiss and dismissing without prejudice Clim-A-Tech's Amended Complaint. (Order Dated May 11, 2015, "May 2015 Order") [Doc. No. 30]

Defendants subsequently filed the instant Motion for Fees on May 26, 2015. After briefing was complete, the Court took the motion under advisement on the papers. (Text Only Entry Dated Aug. 3, 2015) [Doc. No. 44]. Because Defendants are not prevailing parties, the Court declines to award fees.

II. DISCUSSION

Defendants brought their Motion for Fees under the attorney fees provision of the Patent Code, 35 U.S.C. § 285. Under section 285, a court, in a patent proceeding, may award reasonable attorney fees to the prevailing party in exceptional cases. Thus, two requirements are necessary for any award of fees in this case: 1) Defendants must be a prevailing party; and 2) the case must be exceptional. *Id.*

Defendants contend 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." (Mem. of Law in Supp. of Mot. for Fees, "Mem. in Supp. of Fees") [Doc. No. 37 at 14–15].

A. Legal Standard

In a patent case, Federal Circuit case law governs the issue of whether a party is prevailing. *SSL Servs., LLC v. Citrix Sys.*, 769 F.3d 1073, 1086 (Fed. Cir. 2014). *Shum v. Intel Corp.*, 629 F.3d 1360, 1367 (Fed. Cir. 2010), discusses a two-part inquiry. First, the party must have "received at least some relief on the merits." *Id.* Second, 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." *Id.* (internal quotation marks omitted); *see also Farrar v. Hobby*, 506 U.S. 103, 111–12 (1992) ("[A] plaintiff 'prevails' when actual relief on the merits of his claim materially alters the legal relationship between the parties by modifying the defendant's behavior in a way that directly benefits the plaintiff."). "Jurisdiction to resolve cases on the merits requires both authority over the category of claim in suit (subject-matter jurisdiction) and authority over the parties (personal jurisdiction), so that the court's decision will bind them." *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 577 (1999); *see Falkirk Mining Co. v. Japan Steel Works, Ltd.*, 906 F.2d 369, 372 (8th Cir. 1990) ("Before a district court can reach the merits of a dispute and enter legally binding orders, it must determine as a threshold matter whether it possesses personal jurisdiction over the defendants.").

While an involuntary dismissal may serve as adjudication on the merits, the Federal Rules of Civil Procedure clearly state that a dismissal for lack of jurisdiction is an exception to this general rule. Fed. R. Civ. P. 41(b) ("Unless the dismissal order states otherwise, a dismissal under this subdivision (b) and any dismissal not under this rule—except one for lack of jurisdiction, improper venue, or failure to join a party under Rule 19—operates as an adjudication on the merits."). Furthermore, "dismissal without prejudice is a dismissal that occurs without an adjudication on the merits" as it "leaves the parties as though the action had never been brought." *Graves v. Principi*, 294 F.3d 1350, 1356 (Fed. Cir. 2002). In effect,

dismissals without prejudice permit the plaintiff to amend the complaint. *Chamberlain Grp., Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178, 1189 (Fed. Cir. 2004). Dismissal of a claim **with** prejudice, however, constitutes an adjudication on the merits. *Power Mosfet Techs., L.L.C. v. Siemens AG*, 378 F.3d 1396, 1416 (Fed. Cir. 2004); *see also Pragmatus Telecom LLC v. Newegg Inc.*, No. 2014–1777, 2015 WL 4603727, at *2 (Fed. Cir. July 31, 2015).

B. Analysis

Defendants argue that they were the prevailing party because the Court's dismissal for lack of personal jurisdiction demonstrates that they prevailed with respect to the tortious interference claim in Count IV of the Amended Complaint. (Mem. in Supp. of Fees at 14–16). Defendants contend that lack of personal contacts in Minnesota for jurisdictional purposes is equivalent to an absence of tortious interference with respect to Clim-A-Tech's Minnesota customers. (*Id.*). This contention, however, ignores the fact that the dismissal of the Amended Complaint was for jurisdictional reasons, not substantive reasons. *See* (May 2015 Order). The Court did not reach a determination on the merits—indeed, it did not have the power to do so. *See Ruhrgas AG*, 526 U.S. at 577 (noting a lack of jurisdiction results in a lack of authority to make decisions on the merits). Thus, under Federal Circuit law, Defendants have failed to satisfy the first prong of the "prevailing party" analysis. *See Shum*, 629 F.3d at 1367; *see also, e.g., Draper, Inc. v. MechoShade Sys., Inc.*, No. 1:10-CV-1443, 2013 WL 5487285, at *1 (S.D. Ind. Sept. 30, 2013) (denying a motion for attorneys' fees in patent case when the moving party was found not to be a "prevailing party" because the case was dismissed for lack of personal jurisdiction); *Catalina Mktg. Int'l, Inc. v. Coolsavings.com, Inc.*, No. 00-C-2447, 2004 WL 421739, at *2 (N.D. Ill. Feb. 5, 2004) (denying defendants' motion for attorneys' fees under 35

U.S.C. § 285 where the case was dismissed for lack of personal jurisdiction, precluding defendants from being a "prevailing party").

Defendants further contend dismissal of the case resulted in a material change in the relationship of the parties by modifying Clim-A-Tech's behavior to the direct benefit of the Defendants; the dismissal, Defendants argue, meant they were not liable for the tortious interference claim. (Mem. in Supp. of Fees at 14–16). Dismissal of the action, however, did not change the relationship of the parties. The case was dismissed **without prejudice** on jurisdictional grounds. (May 2015 Order). As such, nothing in the dismissal order prevents Clim-A-Tech from conducting further investigations, discovering evidence sufficient to establish personal jurisdiction in Minnesota, and refiling the complaint in the District of Minnesota. *See generally* (May 2015 Order); *see also Graves*, 294 F.3d at 1356 (noting a dismissal without prejudice leaves the parties as though the action had never been brought). Nor does the dismissal on jurisdictional grounds prevent Clim-A-Tech from pursuing the same claims asserted in the Amended Complaint in another jurisdiction. *Catalina Mktg.*, 2004 WL 421739, at *2 ("[Plaintiff] is free to file suit, making identical allegations, in another court."). In this manner, the dismissal without prejudice does not change the legal relationship of the parties and at most, permits an amendment to the complaint regarding jurisdictional allegations. *See Shum*, 629 F.3d at 1367; *Chamberlain Grp., Inc.*, 381 F.3d at 1189. Thus, Defendants were not the "prevailing party" because the Court's dismissal of Clim-A-Tech's Amended Complaint without prejudice did not result in a material change to the relationship between the parties.

In sum, dismissal on jurisdictional grounds without prejudice precludes Defendants from gaining "prevailing party" status. Because 35 U.S.C. § 285 allows for an award of attorneys' fees only to a "prevailing party," Defendants are not entitled to attorneys' fees, and the Court need

not address whether this case is "exceptional." *See Robinson v. Bartlow*, No. 3:12-CV-00024, 2014 WL 2468817, at *5 (W.D. Va. June 3, 2014) (stating that determination of whether the case is exceptional is not necessary when the determination that defendants were not prevailing parties was a dispositive issue where the cause of action was dismissed for lack of personal jurisdiction).

Based on the foregoing, this Court concludes that Defendants have failed to establish themselves as the "prevailing party" as required under 35 U.S.C. § 285. This Court therefore denies Defendants' Motion for Fees.

III. CONCLUSION

Based on all the files, records, and proceedings herein, **IT IS HEREBY ORDERED** that Defendants William A. Ebert and Sunwest Supply, Inc.'s Motion for Award of Attorneys' Fees and Related Non-Taxable Expenses [Doc. No. 32] is **DENIED**.

Dated: September 3, 2015

s/Steven E. Rau
STEVEN E. RAU
United States Magistrate Judge