

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

AGIS SOFTWARE DEVELOPMENT	§	
LLC,	§	
<i>Plaintiff,</i>	§	
v.	§	Case No. 2:21-cv-00072-JRG-RSP
	§	(LEAD CASE)
T-MOBILE USA, INC. and T-MOBILE	§	
US, INC.,	§	
<i>Defendants.</i>	§	

ORDER

Before the Court is the Motion for Attorneys’ Fees under 35 U.S.C. § 285 and Entry of Bill of Costs filed by Defendant Lyft, Inc. **Dkt. No. 372**.

I. Background

On January 29, 2021, Plaintiff AGIS Software Development LLC brought claims of patent infringement against Lyft. Case No. 2:21-cv-00024-JRG-RSP, Dkt. No. 1. The case against Lyft was later consolidated with the above-captioned case for pre-trial purposes. Case No. 2:21-cv-00024-JRG-RSP, Dkt. No. 11. After consolidation, Lyft moved to dismiss AGIS’s claims for improper venue. Dkt. No. 30. On January 19, 2022, the Court adopted the Report and Recommendation (Dkt. No. 212) and dismissed the claims against Lyft for improper venue. Dkt. No. 334. Lyft now moves for its costs and attorneys’ fees.

II. Legal Standard

The Federal Rules of Civil Procedure provide that “[u]nless a federal statute, these rules, or a court order provides otherwise, costs—other than attorney’s fees—should be allowed to the prevailing party.” *Id.* at 54(d)(1). Rule 54(d)(1) “creates ‘a strong presumption’ in favor of awarding costs to a prevailing party, and ‘a district court may neither deny nor reduce a prevailing

party's request for cost[s] without first articulating some good reason for doing so.” *U.S. ex rel. Long v. GSDMIdea City, L.L.C.*, 807 F.3d 125, 128 (5th Cir. 2015) (quoting *Manderson v. Chet Morrison Contractors, Inc.*, 666 F.3d 373, 384 (5th Cir. 2012)). Federal Circuit law governs the determination of whether a party is a “prevailing party.” *VirnetX Inc. v. Apple Inc.*, 324 F.Supp.3d 836, 872 (E.D. Tex. 2017) (citing *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182 (Fed. Cir. 1996)).

Pursuant to the Patent Act, in “exceptional cases,” a district court “may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. “An exceptional case is simply one that stands out from others with respect to the substantive strength of a party's litigating position District courts may determine whether a case is exceptional in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014).

III. Analysis

Beginning with the issue of costs, the parties primarily dispute whether Lyft is a prevailing party and thus eligible for its fees under Rule 54(d)(1). As to attorney fees, Lyft argues that this case is exceptional based on the combination of AGIS’s deficient pre-suit investigation and AGIS’s behavior after this Court issued the Report and Recommendation recommending dismissal for improper venue. The Court will address these issues in turn.

a. Prevailing Party

Lyft asserts that it is the prevailing party because it successfully “rebuffed” AGIS’s infringement suit. Dkt. No. 372 at 6 (citing *Dragon Intellectual Prop., LLC v. Dish Network LLC*, 956 F.3d 1358, 1361 (Fed. Cir. 2020)). In response, AGIS argues that Lyft is not entitled to its costs because the Court did not declare Lyft a prevailing party. Dkt. No. 374 at 6.

The Federal Circuit has recently clarified that “a defendant can be deemed a prevailing party even if the case is dismissed on procedural grounds rather than on the merits.” *Dragon*, 956 F.3d at 1361 (quoting *B.E. Tech., L.L.C. v. Facebook, Inc.*, 940 F.3d 675, 678-79 (Fed. Cir. 2019)). However, in *Dragon* the case was dismissed as moot because the patents had been invalidated by the PTAB. There was no chance that the plaintiff could refile in another federal court. Similarly, in *B.E. Tech* the Federal Circuit explained “That the merits of the decision cancelling the claims occurred in the PTO rather than the district court does not change the fact that the district court dismissed the claims it had before it, albeit for mootness.” *Id.* at 679.

In *Dunster Live, LLC v. LoneStar Logos Management Company, LLC*, 908 F.3d 948, 951 (5th Cir. 2018), the Court held:

“In the words of the standard the Supreme Court has announced for determining prevailing party status, a dismissal that allows for refiling does not result in a “material alteration of the legal relationship of the parties.” *Buckhannon*, 532 U.S. at 604, 121 S.Ct. 1835; see *Alief*, 655 F.3d at 418 (citing *Milner*, 583 F.3d at 1196–97). A dismissal without prejudice thus does not make any party a prevailing one.”

Other courts have reached the same result. In *McKnight v. 12th & Division Properties, LLC*, 709 F.Supp.2d 653 (M.D. Tenn. 2010), the court held that “a defendant in a case that is involuntarily dismissed without prejudice is not a prevailing party for purposes of Rule 54(d).” Similarly, in *Cadkin v. Loose*, 569 F.3d 1142 (9th Cir. 2009), the court held that “because the plaintiffs in this lawsuit remained free to refile their copyright claims against the defendants in federal court following their voluntary dismissal of the complaint we hold the defendants are not prevailing parties.”

The dismissal in this case was done in lieu of transfer just because the parties had not adequately briefed the issue of a transferee court, since the focus of the motion was improper venue

rather than inconvenient venue. The plaintiff is clearly free to refile in a proper venue. There is no prevailing party at this stage.

b. Attorneys' Fees

Although the Court is confident that Lyft is not a prevailing party, it will nonetheless address attorneys' fees. Lyft argues that this case is exceptional under § 285 because AGIS's pre-suit investigation was deficient and AGIS needlessly caused Lyft to incur additional litigation costs by refusing to stay the case after the issuance of the Report and Recommendation. Dkt. No. 372 at 9-10.

The Court does not find this case exceptional. Lyft argues that if AGIS had been more thorough in verifying that Lyft no longer utilized an "Express Drive" location in Plano, Texas, AGIS would have known venue was not proper in this District. However, it was only after the parties engaged in venue discovery and the Court held an evidentiary hearing that the Court was able to determine that AGIS did not offer sufficient evidence to establish that the Express Drive location was being utilized by Lyft at the time of filing. If AGIS's theories of venue were as deficient as Lyft argues, there would have been no need for the Court to engage in such a thorough review of the record to determine venue was improper.

Furthermore, the Court heard arguments and evidence on AGIS's other venue theories in an effort to better understand these theories. Although the Court ultimately found these other theories conflicted with Federal Circuit authority concerning venue, the Court arrived at this conclusion after reviewing AGIS's arguments and evidence. Again, if AGIS's theories were so deficient to be exceptional, the Court would have been able to reject AGIS's other theories outright, not only after a thorough review of the arguments and evidence offered by AGIS.

Next, although Lyft emphasizes that AGIS could have verified that the Express Drive location was not in operation *at the time suit was filed*, the Federal Circuit has acknowledged that there is a circuit split as to the exact timing for determining venue. *In re Google LLC*, 949 F.3d 1338, 1340 n.1 (Fed. Cir. 2020). Although the Court found that venue is determined at the time of filing, AGIS was not clearly wrong under Federal Circuit authority to argue that this Court determine venue using a different timing.

Finally, AGIS's refusal to agree to stay the case does not support a finding of exceptionality. There is no requirement that parties stay a case pending the district court's decisions after a report and recommendation is issued. Thus, the Court finds this argument unpersuasive and finds that this case is not exceptional.

IV. Conclusion

Accordingly, the Motion is **DENIED**.

SIGNED this 3rd day of October, 2022.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE