

PRINCETON DIGITAL IMAGE CORP. v. OFFICE DEPOT INC., Appeal No. 2018-1006 (Fed. Cir. January 22, 2019). Before Dyk, Taranto and Stoll. Appealed from D. Del. (Judge Stark).

Background:

Princeton Digital Image Corp. (PDIC) owns a patent directed to encoding digital images in JPEG file format. PDIC licensed the patent to Adobe Inc. and, in the licensing agreement, PDIC promised not to sue Adobe's customers for any claims arising from the licensed product. PDIC sued nine of Adobe's customers for patent infringement, alleging that the customers' encoding of JPEG images on their respective websites infringed the patent. Adobe intervened to defend its customers, on grounds that PDIC breached the licensing agreement because the customers' use of Adobe products to display images on their websites was within the scope of PDIC's promise not to sue. PDIC dismissed each of the infringement actions, and litigation continued regarding Adobe's breach of contract claim.

In the breach of contract action, Adobe sought damages including: (i) defense fees, which include Adobe's attorney's fees incurred in defending its customers; and (ii) affirmative fees, which include the fees incurred from bringing the breach of contract claim itself. PDIC moved for summary judgment on the issues of liability and damages. Regarding the issue of liability, the district court held that there were genuine issues of material fact precluding summary judgment. Regarding the issue of damages, the district court held that Adobe could collect its defense fees, but could not recover the affirmative fees incurred to vindicate its contract rights. The district court ordered Adobe to disclose its defense fees, but found that Adobe's submissions did not properly separate the defense fees from the affirmative fees.

After failed attempts to identify the "purely defense fees," and in an effort to secure an appealable decision, Adobe requested that the district court enter judgment in favor of PDIC. Although the district court specifically stated "that there are purely defensive damages that can be proven on this record," it granted Adobe's request to enter judgment in favor of PDIC. Adobe appealed, alleging that the district court erred in limiting the damages for the breach of contract claim.

Issue/Holding:

Did the judgment entered by the district court constitute a final decision thereby providing jurisdiction to the Federal Circuit to hear the appeal from the district court? No, dismissed.

Discussion:

The Federal Circuit found that the district court's judgment in favor of PDIC was not a final decision on the merits. Thus, the Federal Circuit held that it lacked jurisdiction to hear the appeal. The Federal Circuit considered the Supreme Court's ruling in *Microsoft v. Baker*, which held that "unless the district court has conclusively determined . . . that the plaintiff has failed to satisfy a required element of the cause of action, a voluntarily [sic] dismissal lacks finality." Here, the district court determined that Adobe could probably prove damages as well as the other elements of its breach of contract claim. Thus, the district court's judgment was not final, and the Federal Circuit lacked jurisdiction.