

FUTURE LINK SYSTEMS, LLC v. REALTEK SEMICONDUCTOR CORPORATION,
Appeal No. 2023-1056, 2023-1057 (Fed. Cir. September 9, 2025). Before Reyna, Bryson, and
Stoll. Appealed from W.D. Tex (Judge Albright).

Background:

Future Link, a non-practicing entity, filed an infringement suit against Realtek in 2021. During discovery, in March 2022, Future Link produced a licensing agreement it had entered in 2019 with MediaTek, a competitor of Realtek, which provided that MediaTek would pay Future Link a lump sum if Future Link filed a lawsuit against Realtek. On March 31, 2022, Future Link and Realtek entered into a licensing agreement, and Future Link voluntarily dismissed the case without prejudice. In April 2022, Realtek allegedly learned of the pay-to-sue clause and filed motions for sanctions and requesting recovery of fees and costs under Rule 11 sanction, Rule 54(d) which provides cost shifting, except attorney’s fees, in favor of a prevailing party, and 35 U.S.C. § 285 which provides fee shifting in favor of the prevailing party in exceptional patent cases. The district court denied all motions but still sanctioned Future Link using its inherent power by converting its voluntary dismissal into a dismissal *with* prejudice. In denying the motions under §285 and Rule 54(d), the court held that Realtek was not a “prevailing party.” Realtek appeals the decision arguing that it became the prevailing party when the voluntary dismissal was converted into a dismissal *with* prejudice under §285 and Rule 54(d).

Issue/Holding:

Did the district court err in holding that Realtek was not a prevailing part under §285 and Rule 54(d)? Yes, vacated and remanded.

Discussion:

A prevailing party is consistently interpreted between §285 and Rule 54(d), and the inquiry turns on whether a material alteration of legal relationship of the parties has occurred. A favorable ruling on the merits is not required. Realtek argues it became the prevailing party when the court’s sanction order converted the voluntary dismissal into a dismissal with prejudice, preventing the claims from being asserted again and thus materially altering the legal relationship of the parties. Future Link argues that the licensing agreement altered the parties’ legal relationship, not the court’s sanction order.

The Federal Circuit states that its precedents are clear that a dismissal *with* prejudice has necessary judicial implications that materially alter the legal relationship of the parties. In *Highway Equipment*¹, a dismissal with prejudice based on plaintiff’s covenant not to sue was sufficient to make the defendant a prevailing party under §285. Future Link’s case clearly ended with dismissal of its claims with prejudice, extinguishing its ability to sue again on those claims. “Perhaps the district court did not intend to make Realtek a prevailing party [by its sanction order]...But our case law is clear.” The Federal Circuit thus vacated the district court’s denial of motions and remanded for the district court to consider whether the case is exceptional under §285 and whether the cost should be shifted under Rule 54(d).

¹ 469 F.3d 1027 (Fed. Cir. 2006).