



published: *Journal of Intellectual Property Law & Practice* published September 14, 2009

Sloppy dismissal orders lead to confusion

By Charles R. Macedo, Partner, Amster, Rothstein & Ebenstein LLP

Garber v Chicago Mercantile Exchange, Nos. 2009-1047,-1384, 2009 US App. LEXIS 13825, US Court of Appeals for the Federal Circuit, 26 June 2009

Stipulation of dismissal ‘Without Prejudice’ terminates cases and trumps later court ordered dismissal ‘With Prejudice’.

Legal context

US litigations can be voluntarily terminated in various ways:

1. The plaintiff may file a notice of voluntary dismissal before the opposing party files an answer or motion for summary judgment (Fed. R. Civ. P. 41(a)(1)(A)(i)).
2. All the parties who have appeared in a case may enter into a stipulation of dismissal (Fed. R. Civ. P. 41(a)(1)(A)(ii)).
3. A court may order a case to be dismissed ‘at the plaintiff’s request . . . on terms that the court considers proper’ (Fed. R. Civ. P. 41(a)(2)).

Under the first two methods, the case will be dismissed ‘without prejudice’ (ie can be brought again), as long as the plaintiff had not brought and dismissed previously the same claim (Fed. R. Civ. P. 41(a)(1)(B)). Under the third method, unless the order states otherwise, a dismissal is also ‘without prejudice’ (Fed. R. Civ. P. 41(a)(2)).

In *Garber v Chicago Mercantile Exchange*, 2009 US App. LEXIS 13825 (Fed. Cir. June 26 2009), the court considers what happens when, after a stipulation of dismissal without prejudice is entered, the court enters an order dismissing the case with prejudice.

Facts

In May 2004 Mr Garber, while being represented by counsel, filed a patent infringement action against Chicago Mercantile Exchange and the Chicago Board of Trade (collectively, ‘CME’). Six months later, shortly before the Court was scheduled to hold a claim construction hearing on 1 December 2004, Mr Garber’s counsel moved to withdraw from the case. The Court granted counsel’s motion to withdraw, cancelled the 1 December hearing, set a 15 December status conference, and entered an order stating: ‘If plaintiff does not secure counsel by [15 December], this case will be dismissed for want of prosecution’.¹ Having failed to obtain new counsel in a timely manner, Garber entered into an agreement with CME to dismiss the case without prejudice, which was filed with the Court including all remaining parties on 8 December. The agreement read as follows:

STIPULATION FOR DISMISSAL WITHOUT PREJUDICE

Plaintiff Howard B. Garber, Defendant Chicago Mercantile Exchange and Defendant Chicago Board of Trade, hereby stipulate and agree: 1) that all of their claims and counterclaims in this action should be DISMISSED

WITHOUT PREJUDICE, with each party to bear its own costs; and 2) that the Court may and should enter the following Order for Dismissal Without Prejudice.²

Attached to the stipulation was a proposed order which reads as follows:

ORDER FOR DISMISSAL WITHOUT PREJUDICE

Based on the foregoing stipulation of the parties, and based on all the files, records and proceedings herein, the Court being fully advised, IT IS HEREBY ORDERED THAT all claims and counterclaims of Plaintiff Howard B. Garber, Defendant Chicago Mercantile Exchange and Defendant Chicago Board of Trade, are hereby DISMISSED WITHOUT PREJUDICE, with each party bearing its own costs.³

On 17 December the District Court entered a minute order stating:

This lawsuit is dismissed *without prejudice* for want of prosecution pursuant to the prior order of this Court. Plaintiff is given until 1/18/05 to move to reinstate this case or this lawsuit may be dismissed without prejudice. Terminating case.

Thereafter on 9 February 2005 the District Court entered another minute order stating:

There being no motion by the plaintiff to reinstate this case, as directed by this Court's December 17, 2004 order, the case is hereby dismissed *with prejudice*. Docketing to mail notice.

Three years later, Mr Garber retained new counsel, who made a motion on 24 June 2008 to reinstate the case, despite the 9 February 2005 order dismissing the case with prejudice. One of the points made in this motion, not discussed on appeal, was:

Plaintiff was not aware until June 2008, that the Order dated February 9, 2005 had been entered dismissing the case 'with prejudice'.⁴

On 16 July 2008 the District Court denied Plaintiff's motion to reinstate the case.

MINUTE entry before the Honorable Ruben Castillo: Motion hearing held in open court on 7/16/2008. Plaintiff's motion pursuant to Fed.R.Civ.P. 60(b)(6) for relief from dismissal with prejudice or, alternatively, pursuant to Fed.R.Civ.P. 60(a) for relief for clerical mistake [60] is denied. Mailed notice(rao,)⁵

Thereafter, in response, the Court denied a motion for reconsideration stating:

MINUTE entry before the Honorable Ruben Castillo: After careful consideration, the Court in the exercise of its discretion, denies Plaintiff's motion for reconsideration of the Court's July 16, 2008 order [66] for all the reasons stated in defendant's memorandum in opposition. The Court expressly concludes Plaintiff has not been diligent in seeking relief from this Court's orders of 12/17/2004 and 2/9/2005. Mailed notice(rao,)⁶

The appeal to the US Court of Appeals for the Federal Circuit ensued.

Analysis

The Federal Circuit summarized the dispute as centring on whether the stipulation for dismissal without prejudice entered into by both parties was filed in the court under Rule 41(a)(1) or under Rule 41(a)(2). Since this issue raised a 'purely procedural question', the Federal Circuit looked to the law of the Seventh Circuit (the local regional circuit where the district court resides) to resolve this dispute.

On the one hand, there was no dispute that if the stipulation was filed under Rule 41(a)(1), the district court lacked jurisdiction to enter any subject order and the case would not be deemed dismissed with prejudice. On the other hand, '[i]f the stipulation was filed pursuant to Rule 41(a)(2), both parties concede that court action was required to dismiss the case and that the court enjoyed some discretion in doing so, although the parties disagree whether the court abused that discretion'.⁷

The Federal Circuit found 'the joint stipulation was filed pursuant to Rule 41(a)(1) and therefore divested the court of jurisdiction. Thus, [the subsequent dismissal orders] entered by the court were void *ab initio*'. The Court explained its straightforward rationale:

Rule 41(a)(1)(A) is labelled 'Dismissal of Actions: Voluntary Dismissal: By the Plaintiff: Without a Court Order.' Fed. R. Civ. P. 41(a)(1)(A). There are two methods by which this can be accomplished; only one is applicable here: '[T]he plaintiff may dismiss an action without a court order by filing . . . a stipulation of dismissal signed by all parties who have appeared.' Fed. R. Civ. P. 41(a)(1)(A)(ii). In this case, which concerns a document entitled 'Stipulation for Dismissal Without Prejudice' signed by all parties, there can be no serious dispute that there was a 'dismissal signed by all parties who have appeared'.⁸

The Federal Circuit rejected CME's attempt to characterize the stipulation as not intending to terminate the case immediately. The Court's rejection of this characterization focused on the fact that stipulation was 'a stipulation signed by all parties' thus governed by Rule 41(a)(1), rather than a case in which the parties had not formally entered into an agreement regarding dismissal as governed by Rule 41(a)(2). The Federal Circuit also relied upon Seventh Circuit precedent which evidences the lax standard necessary to meet Rule 41(a)(1)

Practical Significance

This case again warns of the risk of allowing sloppily worded legal documents to remain uncorrected. While in the end, the original stated intention of dismissing the case without prejudice was ultimately enforced by the parties, a lot of time and money were wasted fighting over whether an apparently unintended dismissal 'with prejudice' was enforceable.

Charles R. Macedo

Amster, Rothstein & Ebenstein LLP, New York, NY
Email: cmacedo@arelaw.com

Charles Macedo is the author of *The Corporate Insider's Guide to Patent Practice*, forthcoming from Oxford University Press in 2009.

1 *Garber v Chicago Merchantile Exchange*, No. 04-CV-03238, Order at 1 (November 24 2004) (Docket Item no. 53).

2 2009 US App. LEXIS 13825.

3 *Id.*

4 *Garber*, no. 04-CV-0328, Plaintiff's Motion for Relief from Dismissal at 3 (ND I11 June 24 2008 (Docket No. 60).

5 *Garber*, no. 04-CV-0328, Minute Entry, at 5 (ND I11, July 16 2008) (Docket Item no. 63).

6 *Garber*, no. 04-CV-0328, Minute Entry, at 1 (ND I11, October 3 2008) (Docket Item no. 78).

7 *Id.*

8 *Id.*

doi:10.1093/jiplp/jpp143