ROYAL PALM PROPERTIES, LLC V. PINK PALM PROPERTIES, LLC: ELEVENTH CIRCUIT HOLDS AS A MATTER OF FIRST IMPRESSION THAT DISTRICT COURTS NOT REQUIRED TO DECLARE A PREVAILING PARTY IN MIXED JUDGMENT CASES

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In *Royal Palm Properties, LLC v. Pink Palm Properties, LLC*, the United States Court of Appeals for the Eleventh Circuit addressed as a matter of first impression whether district courts must declare a prevailing party for purposes of assessing attorneys' fees and costs, or whether civil lawsuits can "end in a tie."[1] Plaintiff-Appellee, Royal Palm Properties, LLC ("Royal Palm") brought suit against Defendant-Appellant, Pink Palm Properties, LLC ("Pink Palm") for allegedly infringing on its registered service mark in violation of the Lanham Act.[2] Pink Palm denied Royal Palm's infringement claim and filed a counterclaim, seeking to invalidate Royal Palm's trademark.[3] After a jury trial and an appeal, Pink Palm successfully defended against the infringement claim, and Royal Palm successfully defended against the invalidation claim.[4] In an opinion by Judge Wilson, the Eleventh Circuit held that in a "mixed judgment" case, where there is "no material alteration in the legal relationship between the parties," district courts are not required to declare a prevailing party (i.e., a "winner").[5]

Royal Palm and Pink Palm are competing real estate companies that buy and sell homes in Boca Raton, Florida.[6] After Pink Palm allegedly used Royal Palm's service mark in a website posting, Royal Palm sued Pink Palm for trademark infringement in the United States

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[1] 38 F.4th 1372, 1373 (11th Cir. 2022) [*Royal Palm II*].

[2] *Id.* at 1373–74. The Lanham Act provides a civil cause of action for trademark infringement. *See* 15 U.S.C. § 1114.

[3] *Royal Palm II*, 38 F.4th at 1374.

[4] *See* Royal Palm Properties, LLC v. Pink Properties, LLC, 950 F.3d 776, 781, 786, 790 (11th Cir. 2020) [*Royal Palm I*].

[5] *Royal Palm II*, 38 F.4th at 1378, 1380.

[6] *See Royal Palm I*, 950 F.3d at 780–81.

District Court for the Southern District of Florida.[7] Pink Palm filed a counterclaim seeking to invalidate Royal Palm's trademark because it allegedly lacked "distinctiveness."[8] These claims were tried before a jury, which returned a split decision.[9] Specifically, the jury found that Royal Palm's service mark was valid but Pink Palm had not infringed upon it.[10]

After the verdict, Pink Palm moved for judgment as a matter of law as to the invalidity of Royal Palm's trademark.[11] The district court granted Pink Palm's motion and overturned the jury's finding that the trademark was valid.[12] At this point, Pink Palm had successfully defended against the infringement claim and succeeded in invalidating Royal Palm's trademark.[13] As the prevailing party, Pink Palm filed a motion requesting costs under Fed. R. Civ. P. 54(d)(1) and attorneys' fees under the Lanham Act.[14] Subsequently, Royal Palm appealed to the Eleventh Circuit in *Royal Palm I*.[15] Ultimately, the Eleventh Circuit reversed the district court's ruling and reinstated the jury's verdict as to the validity of Royal Palm's trademark.[16]

Notwithstanding its loss on appeal in *Royal Palm I*, Pink Palm renewed its motion seeking costs and attorneys' fees as the prevailing party when the case returned to the district court.[17] The district court observed that "each [p]arty prevailed on a central issue and that each [p]arty lost on a central issue in this case."[18] Because the parties reached a "split judgment," the district court found that neither party had prevailed and declined to award costs and fees to Pink Palm.[19] After this ruling, Pink Palm appealed.[20]

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[7] *Id.* at 781*; see* Royal Palm Properties, LLC v. Pink Properties, LLC, No. 17-80476-CV-DMM, 2018 WL 9684337, at *1 (S.D. Fla. Aug. 20, 2018), *rev'd*, 950 F.3d 776 (11th Cir. 2020).

[8] *Royal Palm*, 2018 WL 9684337, at *1–2.

[9] *Royal Palm II*, 38 F.4th at 1375.

[10] *Royal Palm*, 2018 WL 9684337, *1; *Royal Palm II*, 38 F.4th at 1375.

[11] *Royal Palm*, 2018 WL 9684337, at *1.

[12] *Id.* at *6.

[13] *Id.*

[14] *Royal Palm*, 17-cv-80476-DMM, 2019 WL 4687043, at *1 (S.D. Fla. Aug. 9, 2019).

[15] Royal Palm I, 950 F.3d 776, 780 (11th Cir. 2020).

[16] *Id.* at 790.

[17] *Royal Palm*, 17-80476-CV, 2021 WL 1056621, at *1 (S.D. Fla. Feb. 17, 2021).

[18] *Id.* at *3.

[19] *Royal Palm*, 2021 WL 1056621, at *5; Royal Palm II, 38 F.4th 1372, 1374 (11th Cir. 2022).

[20] *Royal Palm II*, 38 F.4th at 1375.

On appeal in *Royal Palm II*, the Eleventh Circuit addressed as a matter of first impression, whether a court must name a prevailing party, or a "winner," at the conclusion of a civil case or if a district court can declare no prevailing party when the judgment is "mixed."[21] The court began its analysis by noting that a "prevailing party" is defined as "[a] party in whose favor a judgment is rendered, regardless of the amount of damages awarded."[22] The United States Supreme Court has held that to reach "prevailing party status," (1) the party be awarded some relief by the court,[23] and (2) the resolution of the issue between the parties must materially alter the legal relationship between them.[24]

Next, the court addressed whether there can be multiple prevailing parties in a case like this one where Pink Palm and Royal Palm each succeeded in obtaining some form of relief.[25] Looking at the language in Rule 54(d), the court concluded that the use of "the" prevailing party instead of "a" prevailing party, or in the alternative, "the prevailing parties," eliminated the possibility of naming multiple prevailing parties in a civil case.[26] Specifically, the court found that the plain language of Rule 54(d) "unequivocally restricts the number of prevailing parties to one."[27]

Determining whether a court must name a prevailing party in *every* action has resulted in a circuit split between the Federal Circuit and other circuits.[28] The Federal Circuit has held that a court must declare a single prevailing party, even in mixed judgment cases.[29] Specifically, the Federal Circuit's decision in *Shum v. Intel Corp.* held that the singular prevailing party in each case is the party awarded relief that

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[21] *Id.* at 1373, 1378.

[22] *Id.* at 1376 (citing *Prevailing Party*, BLACK'S LAW DICTIONARY (11th ed. 2019)). The term appears both in Fed. R. Civ. P. 54(d) and in the Lanham Act. *Id.* at 1376–77.

[23] *Id.* at 1377 (citing Buckhannon v. Bd. & Care Home, Inc., v. W. Va. Dep't of Health & Hum. Res., 535 U.S. 598, 603 (2001)).

[24] *Id.* (citing Tex. State Tchrs. Ass'n v. Garland Indep. Sch. Dist., 489 U.S. 782, 792–93 (1989)).

[25] *Id.* at 1378.

[26] Royal Palm II, 38 F.4th 1372, 1378 (11th Cir. 2022); *see* Fed. R. Civ. P. 54(d)(1); *see also* Shum v. Intel Corp., 629 F.3d 1360, 1367 (Fed. Cir. 2010) (noting that if the Supreme Court "intended for there to be multiple prevailing parties, it could easily have said so, substituting 'parties' for 'party.'").

[27] *Royal Palm II*, 38 F.4th at 1378.

[28] *Id.* at 1378–79.

[29] *Id.* at 1379 (citing *Shum*, 629 F.3d at 1367 ("[E]ven in mixed judgment cases, punting is not an option.")).

"materially alters the legal relationship of the parties."[30] Yet, the Eighth Circuit has found circumstances where neither party prevails.[31]

In *Royal Palm II*, the Eleventh Circuit declined to adopt the approach taken by the Federal Circuit in *Shum* for multiple reasons. First, requiring a district court to name a prevailing party in every case would require the court to revisit the "catalyst theory," which the Supreme Court has "explicitly rejected."[32] The catalyst theory "allows an award where there is no judicially sanctioned change in the legal relationship of the parties."[33] Second, the court disagreed with the Federal Circuit's "logical leap" made in *Shum*, which assumes there is an alteration in the parties' legal relationship in every case.[34] As the Eleventh Circuit pointed out, there are certain cases in which the parties' legal relationship is not altered.[35]

In the instant case, Royal Palm asserted a trademark infringement claim against Pink Palm, and Pink Palm asserted a counterclaim to invalidate Royal Palm's mark.[36] However, after the verdict and appeal, neither party's legal relationship changed because the jury found that Pink Palm did not infringe on Royal Palm's mark and also found Royal Palm's mark to be valid.[37] In other words, the outcome restored the "status quo ante" between the parties because Royal Palm retained its valid trademark, and Pink Palm was not liable for infringement.[38]

The Eleventh Circuit adopted the reasoning of the Eighth Circuit's decision in the factually similar case *East Iowa Plastics, Inc. v. PI, Inc*.[39] In that case, because the court found no "material alteration in the parties' relationship where both parties brought unsuccessful

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[30] *Id.* (citing *Shum*, 629 F.3d at 1637).

[31] *Id.*; *see* E. Iowa Plastics, Inc. v. PI, Inc., 832 F.3d 899, 907 (8th Cir. 2016) (finding no prevailing party where parties "achieve[d] a dead heat")).

[32] *Royal Palm II*, 38 F.4th at 1380 (stating that requiring a court to name a prevailing party in every circumstance, despite no alteration in the legal relationship of the parties, would "contravene Supreme Court prevailing party precedent").

[33] *Id.* (internal quotation marks omitted) (quoting Buckhannon v. Bd. & Care Home, Inc., v. W. Va. Dep't of Health & Hum. Res., 535 U.S. 598, 605 (2001)).

[34] *Id.* at 1379.

[35] *Id.*; *see* Schlobohm v. Pepperidge Farm, Inc., 806 F.2d 578, 584 (5th Cir. 1986) (finding under the facts of the case that the court "cannot say that either party prevailed"); *see also* Srybnik v. Epstein, 230 F.2d 683, 686 (2d Cir. 1956) (explaining that awarding neither party prevailing party costs is appropriate "where the defendant counter-claims for affirmative relief and neither party prevails on its claim").

[36] *Royal Palm II*, 38 F.4th at 1373.

[37] *Id.* at 1374.

[38] *Id.* at 1374, 1379 (quoting E. Iowa Plastics, Inc. v. PI, Inc., 832 F.3d 899, 906–07 (8th Cir. 2016).

[39] 832 F.3d 899; *Royal Palm II*, 38 F.4th at 1381.

claims," it concluded that there was no prevailing party.[40] The Eighth Circuit reasoned that "[w]here the parties achieve a dead heat, we don't see how either can be declared a prevailing party."[41] The Eleventh Circuit found this reasoning persuasive, stating that it makes sense to adopt this rule because it "allows room for scenarios where neither party satisfies the 'minimum' alteration-of-the-legal-relationship requirement for prevailing party status."[42] Finding no prevailing party in *Royal Palm* also makes sense because both parties essentially ended in the same position in which they started.[43]

Because neither Royal Palm nor Pink Palm "won" the claims they asserted, the Eleventh Circuit held that when the parties' legal relationship does not change materially, there is no prevailing party.[44] Specifically, this decision clarified the meaning of "prevailing party" in Rule 54(d) for purposes of awarding attorneys' fees and costs in a mixed judgment case.[45] This decision makes clear that under certain circumstances, an action can result in a legal "tie."[46] Further, when a district court finds no prevailing party because the parties' legal statuses did not change, the court may deny a party attorneys' fees and costs.[47]

In conclusion, in *Royal Palm II*, the Eleventh Circuit held "[n]othing in Rule 54, nor in Supreme Court precedent, requires the district court to arbitrarily name a winner in such instances where neither party crosses the threshold to prevailing party status."[48] Therefore, the district court correctly denied Pink Palm's motion for costs because neither Royal Palm nor Pink Palm reached "prevailing party status."[49]

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[40] *E. Iowa Plastics*, 832 F.3d at 906–07.

[41] *Id.* at 907 (internal quotation marks omitted).

[42] *Royal Palm II*, 38 F.4th at 1379–80; *see* Tex. State Tchrs. Ass'n v. Garland Indep. Sch. Dist., 489 U.S. 782, 792 (1989).

[43] *See Royal Palm II*, 38 F.4th at 1381.

[44] *Id.* at 1374–75, 1381.

[45] *Id.* at 1379, 1382.

[46] *Id.* at 1382.

[47] *Id.* at 1380; *see* Buckhannon v. Bd. & Care Home, Inc., v. W. Va. Dep't of Health & Hum. Res., 535 U.S. 598, 605 (2001) (noting that Supreme Court precedents "counsel against holding that the term 'prevailing party' authorizes an award of attorneys' fees without a corresponding alteration in the legal relationship of the parties.").

[48] *Royal Palm II*, 38 F.4th at 1380.

[49] *Id.* at 1381–82.