

No. 16-\_\_

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IN THE  
*Supreme Court of the United States*

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EON CORP. IP HOLDINGS LLC,  
*Petitioner,*  
v.  
SILVER SPRING NETWORKS, INC.,  
*Respondent.*

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On Petition for a Writ of Certiorari  
to the United States Court of Appeals  
for the Federal Circuit

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**PETITION FOR A WRIT OF CERTIORARI**

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## QUESTION PRESENTED

In *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394 (2006), this Court held that absent a motion under Fed. R. Civ. P. 50(b), a court of appeals is without power to set aside a jury verdict and order entry of judgment as a matter of law (JMOL). In *Ortiz v. Jordan*, 562 U.S. 180 (2011), the Court expanded on that ruling by explaining that a court similarly lacks power to order JMOL on the basis of an argument raised at summary judgment, but not renewed in a Rule 50 motion. However, *Ortiz* left undecided whether that prohibition applies to “purely legal” arguments, a question upon which the courts of appeals were then, and continue to be, deeply divided.

The issue arises with particularly clarity in the Federal Circuit in the context of claim construction. The Federal Circuit has asserted the power to order JMOL on the basis of a claim construction never presented in any Rule 50 motion, on the theory that claim construction presents a pure question of law that the Federal Circuit must determine independently. See, e.g., *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 64 F.3d 1553, 1560 (Fed. Cir. 1995). The Question Presented is:

Whether the Federal Circuit erred in ordering entry of judgment as a matter of law on a ground not presented in a Rule 50 motion in the district court, even though the ground presented a purely legal question.

**CORPORATE DISCLOSURE STATEMENT**

Petitioner EON Corp. IP Holdings LLC is a wholly owned subsidiary of EON Corporation (formerly known as TV Answer, Inc., of Herndon, Virginia).

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## **PETITION FOR A WRIT OF CERTIORARI**

Petitioner EON Corp. IP Holdings LLC (EON) respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

### **OPINIONS BELOW**

The opinion of the court of appeals (Pet. App. 1a-36a) is published at 815 F.3d 1314. The opinion of the district court (Pet. App. 37a-78a) is unpublished but available at 2014 WL 6466663.

### **JURISDICTION**

The judgment of the court of appeals was entered on February 29, 2016. Pet. App. 1a. The court of appeals denied petitioner's timely petition for rehearing en banc on May 26, 2016. Pet. App. 79a-80a. On August 12, 2016, the Chief Justice extended the time to file this petition through October 21, 2016. No. 16A152. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

### **RELEVANT PROVISION OF THE FEDERAL RULES OF CIVIL PROCEDURE**

Federal Rule of Civil Procedure 50 provides:

- (a) **Judgment as a Matter of Law.**
  - (1) *In General.* If a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue, the court may:
    - (A) resolve the issue against the party; and

(B) grant a motion for judgment as a matter of law against the party on a claim or defense that, under the controlling law, can be maintained or defeated only with a favorable finding on that issue.

(2) **Motion.** A motion for judgment as a matter of law may be made at any time before the case is submitted to the jury. The motion must specify the judgment sought and the law and facts that entitle the movant to the judgment.

- (b) **Renewing the Motion After Trial; Alternative Motion for a New Trial.** If the court does not grant a motion for judgment as a matter of law made under Rule 50(a), the court is considered to have submitted the action to the jury subject to the court's later deciding the legal questions raised by the motion. No later than 28 days after the entry of judgment—or if the motion addresses a jury issue not decided by a verdict, no later than 28 days after the jury was discharged—the movant may file a renewed motion for judgment as a matter of law and may include an alternative or joint request for a new trial under Rule 59. In ruling on the renewed motion, the court may:
- (1) allow judgment on the verdict, if the jury returned a verdict;
  - (2) order a new trial; or
  - (3) direct the entry of judgment as a matter of law.
- (c) **Granting the Renewed Motion; Conditional Ruling on a Motion for a New Trial.**

- (1) ***In General.*** If the court grants a renewed motion for judgment as a matter of law, it must also conditionally rule on any motion for a new trial by determining whether a new trial should be granted if the judgment is later vacated or reversed. The court must state the grounds for conditionally granting or denying the motion for a new trial.
  - (2) ***Effect of a Conditional Ruling.*** Conditionally granting the motion for a new trial does not affect the judgment's finality; if the judgment is reversed, the new trial must proceed unless the appellate court orders otherwise. If the motion for a new trial is conditionally denied, the appellee may assert error in that denial; if the judgment is reversed, the case must proceed as the appellate court orders.
- (d) **Time for a Losing Party's New-Trial Motion.** Any motion for a new trial under Rule 59 by a party against whom judgment as a matter of law is rendered must be filed no later than 28 days after the entry of the judgment.
  - (e) **Denying the Motion for Judgment as a Matter of Law; Reversal on Appeal.** If the court denies the motion for judgment as a matter of law, the prevailing party may, as appellee, assert grounds entitling it to a new trial should the appellate court conclude that the trial court erred in denying the motion. If the appellate court reverses the judgment, it may order a new trial, direct the trial court to determine whether a new trial should be granted, or direct the entry of judgment.

## STATEMENT OF THE CASE

This petition presents the Court an opportunity to resolve a question upon which the circuits are deeply divided and which this Court noted, but did not resolve, in *Ortiz v. Jordan*, 562 U.S. 180 (2011): whether a court of appeals may order judgment as a matter of law on a ground not raised in a Rule 50 motion in the district court, so long as the ground presents a “pure” question of law. *See, e.g., Feld v. Feld*, 688 F.3d 779, 781-82 (D.C. Cir. 2012) (describing circuit conflict).

### I. Legal Background

1. Federal Rule of Civil Procedure 50(a)(1) provides a mechanism for a party to request entry of judgment as a matter of law before the case is submitted to the jury. The motion “must specify . . . the law and facts that entitle the movant to the judgment,” Fed. R. Civ. P. 50(a)(2), and demonstrate that “a reasonable jury would not have a legally sufficient evidentiary basis to find for” the other side, *id.* 50(a)(1).

If the district court denies or postpones ruling on a Rule 50(a) motion, the party may “file a renewed motion for judgment as a matter of law” under Rule 50(b). “Because the Rule 50(b) motion is only a renewal of the preverdict motion, it can be granted only on grounds advanced in the preverdict motion.” Fed. R. Civ. P. 50 advisory committee’s note to 2006 amendment; *see also Exxon Shipping Co. v. Baker*, 554 U.S. 471, 485 n.5 (2008) (same).

If the district court concludes that the evidence was insufficient under a proper understanding of the law, it may, in its discretion, either order a new trial

or judgment as a matter of law in the movant's favor. Fed. R. Civ. P. 50(b)(2)-(3).

In *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394 (2006), this Court reaffirmed more than fifty years of precedent holding that absent a proper Rule 50(b) motion, an appellate court is “without power to direct the District Court to enter judgment contrary to the one it had permitted to stand.” *Id.* at 400-01 (quoting *Cone v. West Virginia Pulp & Paper Co.*, 330 U.S. 212, 218 (1947)).

This limitation on appellate authority is “an essential part of the rule, firmly grounded in principles of fairness,” efficiency, and the Seventh Amendment. *Id.* at 401 (quoting *Johnson v. N.Y., New Haven & Hartford R.R. Co.*, 344 U.S. 48, 53 (1952)). The Rule ensures that the non-moving party is afforded a fair opportunity to cure the alleged deficiency. *See, e.g., Cone*, 330 U.S. at 217; Fed. R. Civ. P. 50 advisory committee’s note to 1991 amendment (sixth paragraph). It further permits the district judge who oversaw the trial to judge the sufficiency of the evidence in the first instance and to exercise informed discretion in deciding whether any insufficiency should result in a new trial or, instead, entry of judgment against the verdict winner. *Unitherm*, 546 U.S. at 401. And the Rule enforces the Seventh Amendment’s limitations on the role of appellate courts in reviewing the findings of civil juries. *See id.* at 403 n.4 (explaining that the Seventh Amendment limits courts of appeals to reviewing a trial court’s sufficiency-of-the-evidence determination and precludes an appellate court from “itself determin[ing] the issues of fact and direct[ing] a judgment for the defendant”).

Although *Unitherm* confronted a party's complete failure to make any Rule 50(b) motion at all, the same rule applies when a party files a Rule 50(b) motion that omits the ground upon which it seeks JMOL on appeal. *See, e.g., Perdoni Bros., Inc. v. Concrete Sys., Inc.*, 35 F.3d 1, 4 (1st Cir. 1994) (“[A]ppellate review may be obtained only on the specific ground stated in the motion for [JMOL].” (citations omitted)); 9B C. Wright & A. Miller, *Federal Practice and Procedure* § 2536 (3d. ed. 2008) (same).

2. Notwithstanding these settled principles, some courts of appeals have invented an exception for “purely legal” arguments that, if accepted, render the evidence presented at trial clearly insufficient. *See, e.g., Feld v. Feld*, 688 F.3d 779, 781-82 (D.C. Cir. 2012) (laying out circuit conflict). These courts justify the exception on their belief that the “rationale for requiring a Rule 50 motion does not apply to purely legal questions.” *Id.* at 782.

This Court confronted that purported exception in *Ortiz v. Jordan*, 562 U.S. 180 (2011), but did not resolve its legitimacy. The defendants in that case asked the Sixth Circuit to reverse a jury verdict on a purportedly “purely legal” ground – entitlement to qualified immunity – they had raised in an unsuccessful motion for summary judgment but had not renewed in their Rule 50 motions. *Id.* at 183.

This Court first addressed the “threshold question” of whether “a party, as the Sixth Circuit believed, [may] appeal an order denying summary judgment after a full trial on the merits.” *Id.* at 183-84. The Court held that the “answer is no.” *Id.* at 184.

The Court then considered whether the Sixth Circuit's error was simply one of labelling, "incorrectly placing its ruling under a summary-judgment headline" rather than ruling that the evidence was insufficient in light of the proper resolution of the defendants' legal claim. *Id.* at 185. But that option was unavailable because the defendants failed to renew their legal objection through a proper Rule 50(b) motion, leaving the "appellate court . . . 'powerless' to review the sufficiency of the evidence after trial." *Id.* at 189 (quoting *Unitherm*, 546 U.S. at 405).

The Court acknowledged the defendants' argument that their attack on the jury verdict raised an "issue of a 'purely legal nature'" for which an exception should be made to the usual *Unitherm* rule. *Id.* at 190. But the Court concluded it "need not address this argument" because the defendants' qualified immunity claims in that case "hardly present[ed] 'purely legal' issues," but rather turned on factual disputes about what actually happened. *Id.* at 190-91.

3. The validity of the exception for "purely legal" arguments was the subject of a circuit split before *Ortiz* and remains so to this day. *See Feld*, 688 F.3d at 781-82; *infra* pp. 17-23. The issue arises in the context of many different kinds of legal claims. In the Federal Circuit, the question takes on particular importance in cases concerning the construction of patent claims.

The proper construction of a patent claim is a question of law for the court. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). The Federal Circuit has extrapolated from this principle

that its members have an “independent obligation to construe the terms of the patent [and] need not accept the constructions proposed by either party.” *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1323-24 (Fed. Cir. 2008). The court has further reasoned that it must then judge the sufficiency of the evidence against its own claim construction: “If there is an error in claim construction, we independently construe the claim to determine its correct meaning, and then determine if the facts presented at trial can support the appealed judgment.” *Function Media, L.L.C. v. Google Inc.*, 708 F.3d 1310, 1316 (Fed. Cir. 2013) (citation and internal quotation marks omitted).

Under this procedure, the Federal Circuit may order entry of JMOL on the basis of a claim construction never raised in a Rule 50 motion. *See, e.g., Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 64 F.3d 1553, 1560 (Fed. Cir. 1995), *cert. denied*, 518 U.S. 1020 (1996); *see also Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 77 F.3d 450, 451 (Fed. Cir. 1996) (Mayer, J., concurring in denial of rehearing en banc) (objecting to practice); *id.* 456-57 (Newman, J.) (dissenting from denial of rehearing en banc) (same). Indeed, that is what happened in this case.

## **II. Factual Background**

Plaintiff EON Corp. IP Holdings LLC (EON) owns three patents, developed in house by parent EON Corporation’s lead engineer Gilbert M. Dinkins. The patents relate to a two-way interactive communications network system for enabling communications between local subscribers and a base station. Pet. App. 2a. The patents identify a wide

range of uses for the invention, including interactive television, wireless fax machines, “meter reading, inventory control in soft drink dispensing machines, and site alarms for remote monitoring of open doors, fires, failure, temperature, etc.” *Id.* 3a-4a.

As relevant to this petition, the claims require a subscriber unit that is “portable” or “mobile” (the parties agree that both terms have the same meaning, *see id.* 4a & n.1). Examples in the patent include both battery-operated devices that could be used while traveling in a car, as well as devices, such as a monitoring unit attached to a soda dispenser or a television, which cannot be operated while in motion and may not ever actually be moved, but are capable of being easily relocated. *Id.* 4a-5a.

Defendant Silver Spring Network’s (SSN’s) accused network contains electricity meters that communicate wirelessly with utility companies over a proprietary wireless network deployed and managed by SSN. As Judge Bryson described without contradiction from the panel majority below, the wireless meters “can be, and are, easily carried and installed by hand.” Pet. App. 23a. Illustrating the process using a picture of a similar device entered into the record by respondent SSN, *see id.*, Judge Bryson explained:

[A] technician installs the meter by plugging it into a socket in an electrical box on the side of the customer’s house. The technician then slips a retaining collar over the meter and bolts the collar to the electrical box to secure the meter.



The meters are plugged into and removed from the socket by hand, with no tools necessary. After the meter is plugged into the socket, a retaining ring is placed over the meter. The retaining ring is then bolted to the electrical box, securing the meter against theft. A590, at 76:11-25. . . .

The record reflects that a technician can easily carry one of the meters to a customer's house, open the locking collar by removing a single bolt, remove the old meter by hand, plug in a new meter by hand, plug the meter into the house's electrical system, and replace the locking collar by tightening a single bolt, all in a matter of minutes.

*Id.* at 24a-26a.

### **III. District Court Proceedings**

EON sued SSN for patent infringement in the Eastern District of Texas. A principal question in the case was whether SSN's meters were "portable" or "mobile" within the meaning of the patent.

1. Early in the case, the district court held a “*Markman*” hearing to construe the relevant terms of the patent claims. SSN proposed a construction of “portable” and “mobile” with two relevant parts. The first part required that the subscriber units be “capable of being easily and conveniently moved from one location where the subscriber unit is operable to a second location where the subscriber unit is operable.” Pet. App. 5a. SSN explained that this language tracked the contemporaneous “dictionary definitions” the district court had relied upon in determining the plain meaning of “portable” and “mobile” in a related case involving the same patents. C.A. J.A. 1153 n.10.

Importantly, as Judge Bryson described and the majority below did not seriously contest, the meters meet that ordinary definition. Although they are bolted to a building to prevent tampering or theft, the meters are easily unbolted and disconnected in a matter of minutes without the use of any tools. Pet. App. 25a (citing testimony of an SSN employee). Once removed, the meters easily can be taken to another location, installed without tools, and put into operation again. *Id.* 25a-26a. They are, thus, portable in the same sense as a television, soda dispenser, or fuse. *Id.*

That, no doubt, is why SSN included an additional requirement in its claim construction proposal, insisting that the unit *also* be “designed to operate without a fixed location.” Pet. App. 5a.

The district court rejected SSN’s proposed construction, explaining that in ordinary use, “portable” and “mobile” mean “‘capable of being carried or moved about,’ or ‘capable of being easily

and conveniently transported.” C.A. J.A. 307 (quoting *Merriam-Webster’s Collegiate Dictionary* 907 (10th ed. 1999) and *McGraw-Hill Dictionary of Scientific and Technical Terms* 1550 (5th ed. 1994)); see also Pet. App. 22a (Bryson, J., dissenting) (describing district court’s construction). Having examined “the use of the terms throughout the ‘101 and ‘546 Patents, and their description in the specification,” the court concluded that “these terms require nothing more than an interpretation consistent with their plain and ordinary meaning.” C.A. J.A. 308.<sup>1</sup>

2. After the jury returned an infringement verdict for EON, SSN moved for judgment as a matter of law. As relevant here, SSN argued in its Rule 50 motions that the evidence was insufficient under “[1] Silver Spring’s proposed claim construction or [2] a plain and ordinary meaning construction.” SSN Rule 50(b) Motion at 9.<sup>2</sup> The district court denied the motion, noting among other things that SSN’s own expert testified that the meters were “portable” in “the very broadest sense”

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<sup>1</sup> Because the court concluded that the claim terms were used in their plain and ordinary sense, it declined to give the jury any specific instruction on their meaning. See, e.g., *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1291 (Fed. Cir. 2015) (holding that when “the plain and ordinary meaning of the disputed claim language is clear, the district court [does] not err by declining to construe the claim term” for the jury).

<sup>2</sup> See docket entry number 636 in *Eon Corp. IP Holdings, LLC v. Landis+Gyr, Inc., et al.*, No. 6:11-cv-00137-JDL (E.D. Tex.).

and would take “maybe a few minutes’ to remove.” Pet. App. 45a-46a.

#### **IV. Court Of Appeals Proceedings**

A divided panel of the Federal Circuit reversed and ordered JMOL in SSN’s favor on the basis of the panel majority’s own claim construction.

1. The majority first agreed with SSN that the district court should have given the jury an explicit instruction on the proper construction of the terms “portable” and “mobile.” See Pet. App. 7a-11a. Ordinarily, such an error would result in, at most, a new trial under proper jury instructions. *Id.* 12a n.3. But the majority concluded that the instructional error did not require a retrial because “the terms ‘portable’ and ‘mobile’ cannot be construed as covering the accused meters in this case.” *Id.* 15a.

As Judge Bryson noted, the panel majority “does not state what it regards as the proper construction.” Pet. App. 26a. But for purposes of this petition, the important point is that the panel did not adopt either of the claim constructions raised in SSN’s Rule 50 motions, which argued solely that there was insufficient evidence under the district court’s dictionary definition or under SSN’s proposed “designed to operate without a fixed location” alternative.

Thus, the majority rejected the district court’s construction of the terms “portable” and “mobile” as having a “plain and ordinary meaning” that closely parallels “the dictionary definitions.” Pet. App. 13a. The panel did not deny that, in ordinary usage, a device can be described as “portable” or “mobile” so long as it is “capable of being easily and conveniently

transported.” C.A. J.A. 307. Nor did it dispute Judge Bryson’s demonstration that the meters in this case fell within that definition because they are easily moved in a matter of minutes without tools, transported to another location, and put into use with equal ease. *Id.* 23a-26a (Bryson, J., dissenting). Instead, the panel faulted Judge Bryson and the district court for ignoring the special context in which the terms were used in these patents. *Id.* 13a. Claim terms should not be construed in “some abstract sense,” the majority wrote, but rather “in the context of the patent.” *Id.* 13a (citation omitted).

But the panel also declined to embrace SSN’s alternative construction that added the requirement that the devices be “designed to operate without a fixed location.” After setting forth that construction in describing the proceedings below, Pet. App. 5a, the panel never mentioned it again. And when Judge Bryson opined that the majority had “essentially adopt[ed] Silver Spring’s construction,” *id.* 21a, by requiring that “the meter must actually be moved in the course of its typical use,” *id.* 26a, the majority denied it. *See id.* 18a (noting “actual movement” interpretation and declaring “we do not import such requirements into the claims”).<sup>3</sup>

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<sup>3</sup> Although the panel’s refusal to state what construction it adopted makes it difficult to say for certain, it appears the majority adopted a claim construction SSN expressly disavowed below. Specifically, the panel appears to have concluded that a device can only be “portable” or “mobile” if it is capable of being used while actually in motion. For example, the panel emphasized that the “patents consistently describe the ‘portability’ feature of the invention as the *movement* of a low-

Applying its own unarticulated construction, the panel concluded that SSN's meters "do not meet the claim requirements of portability and mobility." Pet. App. 19a. And because it was convinced that no reasonable jury could have concluded otherwise, it ordered entry of judgment as a matter of law on respondent's behalf. *Id.*

2. Judge Bryson dissented. As relevant here, the dissent concluded that the district court correctly construed the claims as adopting the plain and ordinary meaning of "portable" and "mobile." Pet. App. 22a-23a.<sup>4</sup> Judge Bryson then explained that

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power subscriber unit across cell boundaries, with good digital synchronous communication contact throughout the network." *Id.* 15a (emphasis added). The panel also rejected "Eon's argument that a meter 'moves' from one geographic zone to another when it switches communications paths," *id.* 18a, an argument that would have been irrelevant if movement while in operation were not required. *See id.* The majority explained that "[e]very reference to movement in the specification is to *physical movement* throughout a geographic area." *Id.* (emphasis added). "Eon's theoretical view that 'portable' and 'mobile' do not require physical movement strays much too far afield from the claimed invention." *Id.*

SSN not only failed to raise an "operable-while-moving" construction in its Rule 50 motions, it specifically disavowed that construction in the district court and in its appeal briefs. *See* C.A. J.A. 1156; SSN C.A. Reply Br. 22.

<sup>4</sup> Judge Bryson further rejected the majority's caricature of EON's position as insisting that "mobile" and "portable" would "include anything that was movable, which could include a house, perhaps, but not a mountain." Pet. App. 14a. He explained that the majority was misquoting EON's expert, who was defining the word "movable," while maintaining that to be

there “is no room for doubt that the accused meters would qualify as mobile and portable under the ordinary meaning of those terms.” Pet. App. 20a-21a; *see also* Pet. App. 22a-26a (detailing the trial evidence regarding portability).

3. EON petitioned for rehearing en banc, arguing that the panel’s entry of JMOL on the basis of a claim construction not presented in SSN’s Rule 50 motion was consistent with Federal Circuit precedent, *see Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 64 F.3d 1553, 1560 (Fed. Cir. 1995), but inconsistent with this Court’s decision in *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394 (2006). The petition was denied. Pet. App. 79a-80a.

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“portable” or “mobile” an item must be *easily* moved. *Id.* 35a n.5.

**REASONS FOR GRANTING THE WRIT****I. The Courts Of Appeals Remain Deeply Divided Over The Question This Court Left Open In *Ortiz*.**

The courts of appeals are deeply divided over whether to recognize a “purely legal issue” exception to *Unitherm*: Three circuits reject the exception, while six embrace it and one other has adopted a hybrid approach. The division is longstanding, widely acknowledged, and will not be resolved absent this Court’s intervention.

**A. Three Circuits Reject Any Exception To *Unitherm*.**

***First Circuit.*** In *Ji v. Bose Corp.*, 626 F.3d 116 (1st Cir. 2010), the First Circuit held that “in order to preserve its challenge for appeal, a disappointed party must restate its objection in a motion for judgment as a matter of law.” *Id.* at 127. The court explained that it had “not recognized an exception to this rule, as some circuits have done, when a party’s challenge is based on a circumscribed legal error, as opposed to an error concerning the existence of fact issues.” *Id.* “Instead, our rule is that even legal errors cannot be reviewed unless the challenging party restates its objection in a motion for JMOL.” *Id.* at 128.

Just last year, the First Circuit reaffirmed its position in the face of the circuit conflict, noting that while other circuits have recognized an exception for purely legal errors, “we have declined to do so, and the Supreme Court has not resolved this question,” citing *Ortiz*. *Jones ex rel. United States v. Mass. Gen.*

*Hosp.*, 780 F.3d 479, 488 n.3 (1st Cir. 2015) (citation omitted).

***Fourth Circuit.*** In *Chesapeake Paper Products Co. v. Stone & Webster Engineering Corp.*, 51 F.3d 1229 (4th Cir. 1995), the Fourth Circuit refused to consider a party’s request to set aside a jury verdict on the basis of legal arguments raised in a summary judgment motion but not renewed after trial in a Rule 50 motion. The court viewed drawing a distinction between legal and factual issues a “dubious undertaking” made unnecessary by the fact that “a party that believes the district court committed legal or factual error in denying summary judgment has [other] adequate remedies,” including “mov[ing] for judgment as a matter of law under Fed. R. Civ. P. 50 and then seek[ing] appellate review of the motions if they are denied.” *Id.* at 1235-36.

In *Varghese v. Honeywell International, Inc.*, 424 F.3d 411 (4th Cir. 2005), the court applied its *Chesapeake* precedent to refuse to consider another purely legal issue on appeal, despite the defendant’s claim that “a JMOL motion was not the appropriate avenue for its legal challenge and that appellate review of the pretrial denial of summary judgment [wa]s therefore proper.” *Id.* at 422. The court “recognize[d] that several other circuits have taken a different approach on this issue, allowing appeals from a denial of summary judgment after a trial where the summary judgment motion raised a legal issue and did not question the sufficiency of the evidence.” *Id.* at 423. But those circuits’ “approach simply conflicts with our own.” *Id.*

***Fifth Circuit.*** The Fifth Circuit likewise has held that a court of appeals “would have jurisdiction

to hear an appeal of the district court’s legal conclusions following a jury trial . . . only if the party restated its objection in a Rule 50 motion.” *Blessey Marine Servs., Inc. v. Jeffboat, L.L.C.*, 771 F.3d 894, 898 (5th Cir. 2014) (emphasis omitted). The court “acknowledge[d] that other circuits will review purely legal issues decided on summary judgment without considering the kind of trial conducted,” but concluded that it was bound to apply a contrary rule under Fifth Circuit precedent. *Id.* at 897.

**B. Six Circuits Continue To Apply A “Purely Legal” Exception After *Ortiz*.**

1. The Second, Third, Sixth, Seventh, D.C., and Federal Circuits continue to apply their pre-*Ortiz* exceptions for purely legal challenges to jury verdicts not raised in a proper Rule 50 motion.

***Second Circuit.*** See *Rothstein v. Carriere*, 373 F.3d 275, 284 (2d Cir. 2004) (although “a Rule 50 motion is required to preserve a challenge to the sufficiency of the evidence,” when an objection is based “on a question of law, the rationale behind Rule 50 does not apply, and the need for such an objection is absent”); see also *Stampf v. Long Island R.R. Co.*, 761 F.3d 192, 201 n.2 (2d Cir. 2014) (reaffirming circuit rule in aftermath of *Ortiz*, noting this Court did not resolve question in that case).

***Third Circuit.*** See *Frank C. Pollara Grp., LLC v. Ocean View Inv. Holding, LLC*, 784 F.3d 177, 187 (3d Cir. 2015) (“In light of *Ortiz*, it is clear that, if an earlier dispositive argument is not renewed through motions for judgment as a matter of law under Rule 50(a) and Rule 50(b), the litigant propounding the argument may not seek appellate review of a decision

rejecting it, *unless that argument presents a pure question of law* that can be decided with reference only to undisputed facts.” (emphasis added)).

**Sixth Circuit.** See *In re AmTrust Fin. Corp.*, 694 F.3d 741, 751 (6th Cir. 2012) (“The district court’s [contract] ambiguity ruling was a pure question of law. Thus, under this circuit’s longstanding precedent, the district court’s decision ‘may be appealed even in the absence of a post-judgment motion.’ (citations omitted)); see also *id.* at 750 (explaining that *Ortiz* did not alter this precedent because “[d]espite summarizing its ruling in unfortunately broad language, the opinion in *Ortiz* was actually limited to cases where summary judgment is denied because of factual disputes”) (footnote omitted)).

**Seventh Circuit.** See *Lawson v. Sun Microsystems, Inc.*, 791 F.3d 754, 761 (7th Cir. 2015) (“[A]lthough a Rule 50 motion ordinarily is required to preserve a challenge to the sufficiency of the trial evidence, questions of contract interpretation are different. They involve pure questions of law unrelated to the sufficiency of the trial evidence, so it’s not necessary for summary-judgment losers to relitigate purely legal issues of contract interpretation in a motion under Rule 50(a) or (b).” (citations omitted)), *cert. denied*, 136 S. Ct. 796 (2016); see also *id.* at 761 n.2 (noting that there is “a split of authority on this point,” and that the “Supreme Court did not resolve the question in *Ortiz*”).

**D.C. Circuit.** See *Feld v. Feld*, 688 F.3d 779, 783 (D.C. Cir. 2012) (“[W]e hold a Rule 50 motion is not required to preserve for appeal a purely legal claim rejected at summary judgment.”); *id.* at 781-83

(surveying circuit conflict); *id.* at 781-82 (concluding that *Ortiz* left the issue “open”).

***Federal Circuit.*** The Federal Circuit has applied the same exception for purely legal questions, sometimes as a matter of applying regional circuit precedent, *see, e.g., Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306, 1340 (Fed. Cir. 2013) (applying Seventh Circuit precedent with respect to breach of warranty claims), and sometimes as a matter of Federal Circuit law when the standard implicates matters within the Federal Circuit’s exclusive jurisdiction, such as claim construction.

It is thus settled in the Federal Circuit that when a panel “determine[s] on appeal that a trial judge has misinterpreted a patent claim, we independently construe the claim to determine its correct meaning, and then determine if the facts presented at trial can support the judgment as a matter of law.” *Seachange Int’l, Inc. v. C-COR Inc.*, 413 F.3d 1361, 1379 (Fed. Cir. 2005) (citing *Exxon Chem.*, 64 F.3d at 1559-60); *see also, e.g., Function Media, L.L.C. v. Google Inc.*, 708 F.3d 1310, 1316 (Fed. Cir. 2013) (same). When the panel determines that the facts at trial, compared against the panel’s independent construction, do not support the jury’s verdict, the Federal Circuit may order JMOL, even though the prevailing party did not present the panel’s *sua sponte* construction to the district court in a Rule 50 motion. *See, e.g., Exxon Chem.*, 64 F.3d at 1560; *see also Finisar Corp. v. DirecTV Grp., Inc.*, 523 F.3d 1323, 1332-33 (Fed. Cir. 2008) (“Literal infringement is a question of fact, reviewed for substantial evidence when tried to a jury. . . . If no reasonable jury could have found infringement under

the proper claim construction, this court may reverse a district court's denial of JMOL without remand."), *cert. denied*, 555 U.S. 1070 (2008).

### **C. The Eighth Circuit Has Adopted A Hybrid Approach.**

The Eighth Circuit's precedent has been in conflict but seems to have evolved into a hybrid approach.

In *Lopez v. Tyson Foods, Inc.*, 690 F.3d 869 (8th Cir. 2012), an Eighth Circuit panel resolved an intracircuit conflict by applying then-recent en banc precedent requiring such conflicts to be resolved in favor of the earlier precedent. *See id.* at 875. Under the earlier of the circuit holdings, a "denial of summary judgment is not appealable after a final judgment regardless of whether the issue is factual or 'purely legal.'" *Id.* (citing *Metro. Life Ins. Co. v. Golden Triangle*, 121 F.3d 351 (8th Cir. 1997)).

However, two years later, another panel took a more nuanced view of that prior precedent. In *New York Marine & General Insurance Co. v. Continental Cement Co.*, 761 F.3d 830 (8th Cir. 2014), the panel concluded that a "closer examination of our opinion in *Metropolitan Life* reveals that we did not indiscriminately foreclose all appeals taken from the denial of an issue raised at summary judgment." *Id.* at 838. Instead, the decision "recognized a distinction" between issues going to the "merits of a claim and one involving preliminary issues, such as a statute of limitations, collateral estoppel, or

standing.” *Id.* To that list, the panel added “choice of law” questions. *Id.*<sup>5</sup>

## **II. This Case Presents The Court An Opportunity To Resolve The Conflict.**

This case presents the Court an opportunity to resolve the long-standing conflict noted, but not resolved, in *Ortiz*, in the especially important context of the claim construction disputes in the Federal Circuit.

### **A. The Federal Circuit’s Decision Cleanly Presents The Question Upon Which The Circuits Are Divided.**

The Federal Circuit’s decision in this case directly implicates the circuit conflict. As discussed, in ordering JMOL on the basis of a claim construction of the panel’s own invention, the court of appeals necessarily awarded Rule 50 relief on a basis respondent never raised in its Rule 50 motions. Whether Rule 50 permits appellate courts to order JMOL on the basis of its resolution of such legal questions in the absence of a Rule 50 motion raising

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<sup>5</sup> A few days later, another panel issued a decision holding that a defendant’s failure to renew a state statutory immunity defense in her Rule 50(b) motion did not preclude appellate review of her unpreserved request for JMOL on immunity grounds because the issue “did not concern the sufficiency of the evidence but rather the district court’s interpretation of an Iowa statute.” *Duban v. Waverly Sales Co.*, 760 F.3d 832, 835 (8th Cir. 2014). That decision – which did not cite any of the court’s prior conflicting decisions on the topic – is presumably ineffective to overrule the earlier on-point precedent of *Metropolitan Life*, as construed by *New York Marine*.

the same argument is precisely the question upon which the circuits are divided and which this Court left open in *Ortiz*.

To be sure, many of the cases in the circuit conflict cast the question as whether a court may review the denial of summary judgment after trial, while in this case, SSN sought reversal of the district court's denial of its motion for JMOL. But *Ortiz* makes clear that this is simply a distinction in nomenclature. See 562 U.S. at 184-85. What the Federal Circuit is authorized to do under its *Exxon Chemical* precedent, and what it did in this case, amounts to an exercise of the same power claimed by the circuits that embrace the "purely legal" exception to *Unitherm*. In both contexts, the court of appeals will order that judgment be entered in a party's favor on a ground never raised in a Rule 50 motion because the ground can be characterized as purely legal. Deciding whether that is correct will resolve the circuit conflict.

**B. Whether The Federal Circuit May Order JMOL On The Basis Of Its Own Construction Of A Claim Is A Question That Independently Warrants Review.**

The *Ortiz* question arises in this case in a particularly important context. The court of appeals disregarded the limits Rule 50 places on its authority in the course of judging the sufficiency of the evidence against a claim construction the panel developed *sua sponte*, exercising its supposed "independent obligation to construe the terms of [the] patent." *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1323-24 (Fed. Cir. 2008). Whether the court has that

obligation, and may act upon it to order JMOL on a construction never presented in a Rule 50 motion would warrant this Court's review on its own; that deciding that issue would resolve the lingering *Ortiz* split makes the case for this Court's review overwhelming. See Mitchell G. Stockwell, *Limiting Claim Construction Challenges After Ortiz v. Jordan*, 39 AIPLA Q.J. 225 (2011) ("*Limiting Claim Construction*").

1. Whether its panels may order JMOL on the basis of their own independent claim construction is a recurring question of substantial importance and internal controversy within the Federal Circuit.

Every appeal of the sufficiency of the evidence to support a patent infringement verdict necessarily starts with a construction of the relevant patent claims. See, e.g., *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454 (Fed. Cir. 1998) (en banc) (explaining that to decide a JMOL infringement appeal, "the court determines the scope and meaning of the patent claims asserted, and then the properly construed claims are compared to the allegedly infringing device" (citation omitted)). Whether the court of appeals upholds the district court's JMOL decision frequently turns on which claim construction the appellate panel adopts. Whether the panel's choice of constructions is limited by Rule 50, therefore, is a question of broad practical importance.

At the same time, the Federal Circuit's practice of disregarding the claim constructions presented in the trial court, particularly in the context of considering JMOL, has been a subject of controversy within the Federal Circuit itself and criticism by legal commentators. See *Exxon Chem. Patents, Inc. v.*

*Lubrizol Corp.*, 77 F.3d 450, 451 (Fed. Cir. 1996) (Mayer, J., concurring in denial of rehearing en banc); *id.* 456-57 (Newman, J.) (dissenting from denial of rehearing en banc); *Seal-Flex, Inc. v. Athletic Track and Court Constr.*, 172 F.3d 836, 852 (Fed. Cir. 1999) (en banc) (Bryson & Newman, JJ., concurring); *Cybor*, 138 F.3d at 1473-78 (Fed. Cir. 1998) (en banc) (Rader, J., dissenting in part and concurring the judgment); *see also, e.g., Limiting Claim Construction, supra; Conflicts in Federal Circuit Patent Law Decisions*, 11 Fed. Cir. B.J. 723, 747-50 (2001); William C. Rooklidge & Mathew F. Weil, *Judicial Hyperactivity: The Federal Circuit's Discomfort with Its Appellate Role*, 15 Berkeley Tech. L.J. 725, 735-39, 745-48 (2000).

2. Review is further warranted because the Federal Circuit's precedent in this area is incoherent.

In *Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098 (Fed. Cir. 2003), the Federal Circuit held that it would violate both Rule 50 and the Seventh Amendment for a *district court* to “enter JMOL on grounds not raised in the pre-verdict JMOL” motion. *Id.* at 1107. Applying that rule to the claim construction context, the Federal Circuit has held that it “is improper for the district court to adopt a new or more detailed claim construction in connection with the JMOL motion.” *Hewlett-Packard Co. v. Mustek Sys., Inc.*, 340 F.3d 1314, 1320 (Fed. Cir. 2003); *see also Wi-Lan, Inc. v. Apple Inc.*, 811 F.3d 455, 465 (Fed. Cir. 2016) (same). At the same time, the Federal Court has held that a “*party* may not introduce new claim construction arguments *on appeal* or alter the scope of the claim construction positions it took below.” *Conoco, Inc. v. Energy &*

*Env'tl. Int'l, L.C.*, 460 F.3d 1349, 1358-59 (Fed. Cir. 2006) (emphasis added) (collecting authorities).

Accordingly, under Federal Circuit precedent, a defendant's failure to propose a particular claim construction in a Rule 50 motion prevents the trial court from considering entering JMOL on that basis, and the defendant cannot raise that ground on appeal, but the Federal Circuit itself is compelled to reverse the district court's seemingly proper denial of JMOL if the panel decides *sua sponte* that the defendant's belated construction was right after all and the evidence insufficient under that interpretation of the patent.

### **III. Review Is Warranted Because Federal Circuit Precedent Conflicts With *Unitherm*, Violates Rule 50, And Undermines Litigants' Seventh Amendment Rights.**

The source of the incoherence in the Federal Circuit's precedent is its erroneous disregard of the limits Rule 50 and *Unitherm* impose on its appellate authority.

1. In the absence of a proper Rule 50 motion, an "appellate court [is] without power to direct the District Court to enter judgment contrary to the one it had permitted to stand." *Unitherm*, 546 U.S. at 400-01 (alteration in original) (citation omitted). That is because a court of appeals' only source of authority for ordering JMOL is its power to overturn a district court's denial of a proper Rule 50 motion. *See id.* at 402 & n.4 (noting that the Seventh Amendment precludes an appellate court from judging the sufficiency of the evidence in the first

instance) (citing *Balt. & Carolina Line, Inc. v. Redman*, 295 U.S. 654, 658 (1935)).

There is no basis for an exception for purportedly “purely legal” arguments. Indeed, describing a JMOL request as “purely legal” is misleading. Legal error in itself is no basis for JMOL; a court of appeals is empowered to order JMOL only if the evidence is insufficient under a proper understanding of the law. *See* Fed. R. Civ. P. 50. Accordingly, whatever the basis of a party’s disagreement with the district court, the court of appeals ultimately must decide that the evidence is insufficient to support the jury’s verdict before it may order entry of JMOL. *See, e.g., Weisgram v. Marley Co.*, 528 U.S. 440, 443-44 (2000) (defendant successfully argued on appeal that expert evidence should have been excluded, then sought JMOL as a remedy on the theory that without the testimony, the evidence was insufficient); *Neely v. Martin K. Eby Constr. Co.*, 386 U.S. 317, 327 (1967) (giving similar examples of issues of law raised in JMOL motions).

Nothing in the text of Rule 50 permits a distinction between insufficiency arguments that accept the district court’s legal rulings and those that depend on a claim of legal error. Indeed, no court seriously argues otherwise. Instead, courts that embrace the “purely legal” exception say that the exception comports with the rationale of the rule, if not its text. *See, e.g., Rothstein*, 373 F.3d at 284; *Feld*, 688 F.3d at 782.

But courts do not have the power to invent exceptions to the clear text of the federal rules simply because they think it would make sense in light of the rule’s rationale. Thus, in *Johnson*, this Court

rejected the assertion that courts of appeal have authority to “enter judgment for parties who . . . had made no timely motion for [JMOL].” 344 U.S. at 53. It noted that it had been asked to amend Rule 50 in 1946 to provide appellate courts that power. *Id.* “We did not adopt the amendment then,” the Court explained, and it refused to do so in *Johnson* “under the guise of interpretation.” *Id.* at 53-54.

In any event, those claiming that the rationale for requiring a Rule 50 motion does not apply to purely legal questions are mistaken.

*First*, a principal purpose of requiring parties to “specify . . . the law and facts that entitle the movant to” JMOL prior to the close of evidence, Fed. R. Civ. P. 50(a)(2), is to ensure “the responding party may seek to correct any overlooked deficiencies in the proof,” Fed. R. Civ. P. 50 advisory committee’s note to 1991 amendment (sixth paragraph). That purpose is thwarted whenever a court of appeals enters JMOL on a ground not presented in a Rule 50 motion, regardless of whether the ground can be described as factual or legal. For example, a number of courts of appeals will grant JMOL if they decide the evidence was insufficient under the correct interpretation of a contract, reasoning that contract construction is a “purely legal” question. *See, e.g., Lawson*, 791 F.3d at 761; *In re AmTrust Fin. Corp.*, 694 F.3d at 751. But a party’s failure to assert its proposed contract construction in a Rule 50 motion deprives the opposing party of the opportunity to respond to that objection by introducing evidence under which it would prevail even on the other side’s interpretation of the contract. The same is true of claim construction. If warned that the defendant views the

evidence to be insufficient under its preferred claim construction, the plaintiff may respond by introducing evidence that the accused device infringes the patent as construed by the court *or* by the defendant.

*Second*, the court of appeals' conclusion that the district court committed a legal error does not eliminate the need to measure the evidence at trial against the proper legal standard. And nothing in the legal nature of the error changes the reality that the "judge who saw and heard the witnesses and has the feel of the case" is in the best position to compare the evidence to the law in the first instance. *Unitherm*, 546 U.S. at 401 (citation omitted).

*Third*, even if it were absolutely clear that the evidence was insufficient under a correct understanding of the governing law, there is still the question whether to order a new trial or JMOL. Rule 50 reflects a considered judgment that the trial court is best suited to make that decision, subject to deferential review on appeal. *See Unitherm*, 546 U.S. at 401. There is no reason to think that the court of appeals is somehow better suited to make that discretionary judgment in the first instance when (but only when) the insufficiency can be attributed to some kind of legal error.

2. The Federal Circuit's practice of entering JMOL on the basis of its own *sua sponte* claim construction is even less defensible.

At least in most circuits applying the "purely legal" exception, the party seeking JMOL on appeal must have presented its legal objection at some point in the lower court proceedings (*e.g.*, at summary

judgment) and renew it on appeal. *See, e.g., Feld*, 688 F.3d at 782. But the Federal Circuit has convinced itself that because it has a duty to conduct an independent claim construction, neither form of preservation is required. There is no basis in patent law or the federal rules for this extraordinary departure from both Rule 50 and ordinary principles of waiver and judicial neutrality. *See Judicial Hyperactivity, supra*, at 735-39, 745-48, 751-52.

The Federal Circuit's principal justification for the practice is that claim construction is a "question of law." *Praxair*, 543 F.3d at 1323. But so is the proper construction of a contract or statute, the admissibility of evidence, questions of pre-emption, or any number of other issues that are routinely deemed waived if not properly preserved in the trial court. There is no general rule that courts have an obligation to decide questions of law independently, to the extent of disregarding the positions the parties have taken at trial or on appeal. *See, e.g., Exxon Shipping Co.*, 554 U.S. at 487.

Instead, this Court has repeatedly stressed that the fair and orderly disposition of litigation requires consistent enforcement of the rules governing presentation of claims and, in particular, Rule 50. *See, e.g., id.* at 487 n.6; *Mohasco Corp. v. Silver*, 447 U.S. 807, 826 (1980) ("[I]n the long run, experience teaches that strict adherence to the procedural requirements specified by the legislature is the best guarantee of evenhanded administration of the law."); *Johnson*, 344 U.S. at 52 (noting that Rule 50 was enacted "to provide a precise plan to end the prevailing confusion about directed verdicts and motions for judgments notwithstanding verdicts").

The Federal Circuit has also noted that the proper construction of a claim can be of interest to third parties outside the litigation. *See, e.g., Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1302 (Fed. Cir. 1999). But, again, the same is true of the proper construction of a statute or commonly used language in, say, an insurance contract. Nothing in the Patent Act or Rule 50 supports a special exception for claim construction. In any event, if a court questions the correctness of the constructions preserved in a Rule 50 motion, it may note that hesitation in its opinion or issue an unpublished, non-precedential disposition.

At the same time, the Federal Circuit's *sua sponte* claim construction practice is particularly unfair to litigants. Claim construction frequently defines the scope of the case, and many district courts adopt the process suggested by the Federal Judicial Center, holding claim construction before the close of discovery and summary judgment. *See* Fed. Judicial Ctr., Patent Case Mgmt. Jud. Guide § 2.1.3.2.3 to .4, at 2-21 to 2-24 (3d ed. 2016).<sup>6</sup> That early claim construction routinely prevents the development of a record on the rejected constructions. Once a district court construes a term, that construction becomes the law of the case. *See Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1371 n.2 (Fed. Cir. 2007). Litigants often are then barred from pursuing discovery or otherwise attempting to support a rejected construction. For example, expert discovery (and eventual testimony) based on rejected

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<sup>6</sup> Available at <http://ssrn.com/abstract=2637605>.

constructions is not permitted. *See CytoLogix Corp. v. Ventana Med. Sys., Inc.*, 424 F.3d 1168, 1172 & n.4 (Fed. Cir. 2005) (citing *Frank's Casing Crew v. PMR Techs., Ltd.*, 292 F.3d 1363 (Fed. Cir. 2002)). And courts may prevent litigants from presenting other evidence at trial supporting a rejected construction as well. *See, e.g., Transamerica Life Ins. Co. v. Lincoln Nat'l Life Ins. Co.*, 597 F. Supp. 2d 897, 912 (N.D. Iowa 2009).

As a consequence, through no fault of its own, a party with very convincing evidence to meet the other side's construction may nonetheless suffer JMOL on appeal when the Federal Circuit judges the sufficiency of the evidence against a claim construction the appellate panel developed for the first time after trial.

This result is incompatible with the Seventh Amendment right to a jury trial. As *Unitherm* noted, the Seventh Amendment limits courts of appeals to reviewing the *district court's* sufficiency-of-the-evidence determination for legal error. 546 U.S. at 402 n.4. Appellate courts may not, themselves, judge the sufficiency of the evidence in the first instance. *Id.* Yet, when the court of appeals changes the legal standard (here, through its *sua sponte* independent construction of a claim) against which the evidence is judged, and then decides whether the evidence is sufficient in light of that revised standard, it is not in any meaningful sense reviewing the district court's sufficiency-of-the-evidence decision. It is making in the first instance a sufficiency-of-the-evidence determination the district court never had occasion to make because the verdict challenger never presented the underlying claim construction argument in a

Rule 50 motion. In doing so, the Federal Circuit removes an important procedural requirement that allows a *jury* to be the first and most important audience for the evidence of infringement.

**CONCLUSION**

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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October 21, 2016

**APPENDIX A**

**United States Court of Appeals  
for the Federal Circuit**

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**EON CORP. IP HOLDINGS LLC,**  
*Plaintiff-Appellee*

**v.**

**SILVER SPRING NETWORKS, INC.,**  
*Defendant-Appellant*

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2015-1237

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Appeal from the United States District Court for  
the Eastern District of Texas in No. 6:11-cv 00317-  
JDL, Magistrate Judge John D. Love.

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Decided: February 29, 2016

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appellee. Also represented by CATHERINE  
BENTLEY HARRIS, JOHN L. HENDRICKS,  
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Before PROST, *Chief Judge*, BRYSON and HUGHES, *Circuit Judges*.

Opinion for the court filed by *Chief Judge* PROST.

Dissenting opinion filed by *Circuit Judge* BRYSON.

PROST, *Chief Judge*.

Eon Corp. IP Holdings LLC (“Eon”) filed this suit against Silver Spring Networks, Inc. (“Silver Spring”), a utility services network provider, alleging that Silver Spring infringed three of Eon’s patents relating to networks for two-way interactive communications. Following a five-day trial, the jury found the asserted claims valid and infringed, and awarded Eon \$18,800,000. On Silver Spring’s motion for judgment as a matter of law, the district court reversed the jury verdict as to one of the three patents but upheld it as to the other two. The court also remitted the damages award to \$12,990,800.

Silver Spring appeals to us, raising challenges regarding claim construction, infringement, and damages. Because we find that no reasonable jury could have found that Silver Spring’s utility meters infringe the two remaining patents, we reverse.

## I

Eon asserted three patents in this suit: U.S. Patent No. 5,388,101 (“101 patent”), U.S. Patent No. 5,481,546 (“546 patent”), and U.S. Patent No. 5,592,491 (“491 patent”). All three relate to a two-way interactive communication network system for enabling communications between local subscribers and a base station. The ’101 and ’546 patents, which share the same specification, describe various problems with the prior art networks: in the presence of heavy subscriber activity, exchanges could get jammed, thereby preventing real-time communications; and base stations were unable to service low-power subscriber units that transmitted in only the milliwatt power range. The ’101 and ’546 patents describe overcoming these problems by using synchronously timed communications (to overcome the jamming problems), and by adding local remote receivers throughout a base station area (to overcome the inability of low-power subscriber units to reach the base station). The third asserted patent, the ’491 patent, incorporates by reference the ’101 patent, and adds onto that network system an additional modem feature, which can be used as an alternate communication path when the subscriber is otherwise unable to communicate into the network.

Eon’s patents describe various contexts in which the described networks might be useful. These contexts include broadcast television programs, wireless facsimile services, pay-per-view services, and when the subscriber unit is located poolside, in the basement, or in some other location where it would otherwise lack ability to receive transmissions.

See '101 patent col. 10 ll. 65–67; '491 patent col. 1 ll. 48–53, col. 5 ll. 57–60. Most touted in the patents is the provision of “interactive video data service[s]” that have “[c]apacity for heavy audience participation without substantial delays during peak loading conditions . . . in a manner compatible with the FCC licensing conditions for interactive video data service.” '101 patent col. 3 ll. 12–16. For example, the patents discuss “live video programs viewed nationwide, such as world series baseball games,” and how such television broadcasts are “interactive for individual subscriber participation.” *Id.* at col. 1 ll. 51–54. In addition to these contexts, the patents also scatter, in a handful of places, references to other contexts in which the invention might be useful: meter reading, inventory control in soft drink dispensing machines, and site alarms for remote monitoring of open doors, fires, failure, temperature, etc. *Id.* at col. 6 ll. 5–17.

In all the claims found to be infringed, the subscriber unit is required to be either “portable” or “mobile.”<sup>1</sup> The specification provides guidance about what the “portable” and “mobile” terms mean. For example, the patents describe how “low-cost portable battery-operated milliwatt transmitter subscriber units may be moved throughout the base station

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<sup>1</sup> The claims at issue are claims 19 and 20 of the '101 patent, and claims 1 and 2 of the '491 patent. The parties agree that the terms “portable” and “mobile” carry the same meaning and can be construed the same.

geographical area . . . .” *Id.* at col. 4 ll. 6–11. They use the term “hand-off” to describe the movement of portable units “from cell to cell” and “as fringe areas are encountered.” *Id.* at col. 8 l. 63–col. 9 l. 3. And they state that “[t]he portability feature made possible by this invention permits such a unit to be moved next door or put into a car or van for movement within or across cell boundaries with good digital synchronous communication contact within the nationwide network of cells.” *Id.* at col. 11 ll. 6–11. The stated advantages of the invention include “long life battery operated portable subscriber units . . . which can be moved through the cell territory,” and overcoming “interfering signals” and “busy signals” that can be “frustrating to the potential using audience.” *Id.* at col. 2 ll. 16–20, col. 6 ll. 1–4, col. 9 ll. 29–30.

In Silver Spring’s system, the accused “portable” and “mobile” subscriber units are electric watt-hour utility meters that are attached to the exterior walls of buildings. During claim construction proceedings, Silver Spring proposed that the terms “portable” and “mobile” be construed as “capable of being easily and conveniently moved from one location where the subscriber unit is operable to a second location where the subscriber unit is operable, and designed to operate without a fixed location.” J.A. 306. In other words, Silver Spring sought a construction for “portable” and “mobile” that “do[es] not cover fixed or stationary products that are only theoretically capable of being moved.” J.A. 307. Eon argued that neither term needed construction, and both could simply be given their plain and ordinary meaning.

The district court agreed with Eon. The court explained that the terms “do not require construction because their meanings are clear in the context of the claims and will be readily understandable to the jury.” J.A. 308. In the court’s view, Silver Spring was “asking for nothing the plain and ordinary meaning of the terms cannot do on their face—distinguish from ‘stationary’ or ‘fixed.’” J.A. 307. In deciding the claims needed no construction beyond plain and ordinary meaning, the district court concluded that it had “resolved the parties’ claim scope dispute.” J.A. 308.

During trial, the parties’ experts disputed the meaning of the “portable” and “mobile” limitations. For example, Silver Spring’s expert testified that the terms required that a subscriber unit could be “easily moved from one location to another,” J.A. 791, while Eon’s expert testified that the terms merely meant that a subscriber unit must be “capable of being easily moved . . . but not that it actually has to move,” J.A. 616. Eon’s expert essentially opined that the terms would include anything that was movable, including a house, which can be moved “lock, stock, and barrel.” J.A. 641. In the expert’s view, “that’s the kind of the world we’re living in . . . everyone is sort of—increasingly there are more and more things that are mobile.” *Id.*

Following the five-day trial, the jury found the asserted claims valid and infringed. On Silver Spring’s motion for judgment as a matter of law, the court reversed the jury verdict as to the ’546 patent (for reasons unrelated to the “portable” and “mobile” limitations), but upheld it as to the ’101 and ’491

patents, rejecting Silver Spring's argument that the evidence did not support the jury's finding that Silver Spring's meters meet the "portable" and "mobile" limitations.

Silver Spring appeals a number of issues regarding claim construction, infringement, and damages. We have jurisdiction pursuant to 28 U.S.C. § 1295. The district court's denial of a motion for judgment as a matter of law is reviewed de novo. *Mirror Worlds, LLC v. Apple Inc.*, 692 F.3d 1351, 1356 (Fed. Cir. 2012); *Med. Care Am., Inc. v. Nat'l Union Fire Ins. Co.*, 341 F.3d 415, 420 (5th Cir. 2003). The district court's claim construction is reviewed under the standard set forth in *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015). The jury's infringement determination is a question of fact reviewed for substantial evidence. *Mirror Worlds*, 692 F.3d at 1356.

## II

We begin with Silver Spring's challenge regarding the "portable" and "mobile" limitations, which is two-fold. First, Silver Spring argues that the court's decision not to construe the terms improperly delegated to the jury the task of determining claim scope, in violation of *O2 Micro International, Ltd. v. Beyond Innovation Technology Co.*, 521 F.3d 1351 (Fed. Cir. 2008). Second, Silver Spring argues that no reasonable jury could have found infringement, as the plain and ordinary meaning of the terms cannot encompass Silver Spring's products. Eon responds that the court was correct in not further construing the claim terms, and that the jury's verdict is supported by the evidence.

We agree with Silver Spring on both points. In *O2 Micro*, this court held that “[w]hen the parties present a fundamental dispute regarding the scope of a claim term, it is the court’s duty to resolve it.” 521 F.3d at 1362. This duty resides with the court because, of course, “the ultimate question of construction [is] a legal question.” *Teva*, 135 S. Ct. at 842; *see also O2 Micro*, 521 F.3d at 1360 (“[T]he court, not the jury, must resolve that dispute.” (citing *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (en banc), *aff’d* 517 U.S. 370 (1996))). Thus, “[a] determination that a claim term ‘needs no construction’ or has the ‘plain and ordinary meaning’ may be inadequate when a term has more than one ‘ordinary’ meaning or when reliance on a term’s ‘ordinary’ meaning does not resolve the parties’ dispute.” *O2 Micro*, 521 F.3d at 1361.

Of course, a court need not attempt the impossible task of resolving all questions of meaning with absolute, univocal finality. Such an endeavor could proceed ad infinitum, as every word—whether a claim term itself, or the words a court uses to construe a claim term—is susceptible to further definition, elucidation, and explanation. We have therefore often observed that “a sound claim construction need not always purge every shred of ambiguity.” *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 806 (Fed. Cir. 2007); *see also Vivid Techs., Inc. v. Am. Science & Eng’g, Inc.*, 200 F.3d 795, 803, (Fed. Cir. 1999) (“[O]nly those terms need be construed that are in controversy, and only to the extent necessary to resolve the controversy.”); *PPG Indus. v. Guardian Indus. Corp.*, 156 F.3d 1351, 1355 (Fed.

Cir. 1998) (“[A]fter the court has defined the claim with whatever specificity and precision is warranted by the language of the claim and the evidence bearing on the proper construction, the task of determining whether the construed claim reads on the accused product is for the finder of fact.”); *Function Media, L.L.C. v. Google, Inc.*, 708 F.3d 1310, 1326 (Fed. Cir. 2013) (“Nearly every patent case will involve some amount of ‘word games,’ because claims and claim constructions are, after all, just words.”). Indeed, we noted in *O2 Micro* that there are limits to the court’s duties at the claim construction stage. 521 F.3d at 1362. For example, courts should not resolve questions that do not go to claim scope, but instead go to infringement, *Lazare Kaplan Int’l, Inc. v. Photoscribe Techs., Inc.*, 628 F.3d 1359, 1376 (Fed. Cir. 2010), or improper attorney argument, *Verizon Servs. Corp. v. Cox Fibernet Va., Inc.*, 602 F.3d 1325, 1334 (Fed. Cir. 2010).

Thus, a district court’s duty at the claim construction stage is, simply, the one that we described in *O2 Micro* and many times before: to resolve a dispute about claim scope that has been raised by the parties. *O2 Micro*, 521 F.3d at 1360 (“When the parties raise an actual dispute regarding the proper scope of [the] claims, the court, not the jury, must resolve that dispute.”); *AFG Indus., Inc. v. Cardinal IG Co.*, 239 F.3d 1239, 1247 (Fed. Cir. 2001) (“It is critical for trial courts to set forth an express construction of the material claim terms in dispute.”); *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356, 1366 (Fed. Cir. 2004) (“[T]he district court must instruct the jury on the meanings to be attributed to

all disputed terms used in the claims in suit so that the jury will be able to ‘intelligently determine the questions presented.’” (citation omitted); *see also Every Penny Counts, Inc. v. Am. Express Co.*, 563 F.3d 1378, 1383 (Fed. Cir. 2009) (“[T]he court’s obligation is to ensure that questions of the scope of the patent claims are not left to the jury. In order to fulfill this obligation, the court must see to it that disputes concerning the scope of the patent claims are fully resolved.” (citation omitted)); *TNS Media Research, LLC v. Tivo Research & Analytics, Inc.*, No. 2014-1668, 2015 WL 5439002, at \*22 (Fed. Cir. Sept. 16, 2015) (“[W]hen a determinative claim construction dispute arises, a district court must resolve it.”).

Here, the court did not resolve the parties’ dispute by instructing the jury that the claims should be given their plain and ordinary meaning. During claim construction, the parties actively disputed the scope of the “portable” and “mobile” terms. The crucial question was whether, as Silver Spring argued, the terms should not be construed so broadly such that they covered “fixed or stationary products that are only theoretically capable of being moved.” J.A. 307. By determining only that the terms should be given their plain and ordinary meaning, the court left this question of claim scope unanswered, leaving it for the jury to decide. This was legal error. *O2 Micro*, 521 F.3d at 1362.<sup>2</sup>

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<sup>2</sup> Although the court somewhat acknowledged the importance of context in determining claim scope, *see*

The dissent contends that the court did, in fact, resolve the parties' dispute by rejecting Silver Spring's "special definition" in favor of plain and ordinary meaning. Dissent at 12. But simply rejecting one proposed construction does not mean that a general jury instruction to give terms their plain and ordinary meaning resolves the relevant dispute. The court remained obligated to provide the jury with a clear understanding of the disputed claim scope—and the continuing debate as to the meaning of "portable" and "mobile" during the trial belies the court's boilerplate assertion that it did so. Indeed, the dissent acknowledges that under *O2 Micro*, "an instruction giving a term its 'plain and ordinary meaning' may be inadequate when the term has more than one ordinary meaning or when reliance on the term's ordinary meaning does not resolve the parties' dispute." *Id.* (citing *O2 Micro*, 521 F.3d at 1361). Those are precisely the circumstances of this case.

Having concluded that the court erred by simply instructing the jury to give the terms "portable" and "mobile" their plain and ordinary meaning, we next consider whether remand for a new trial is appropriate. Here, it is clear that no remand is necessary because, when the claim terms are properly construed, no reasonable jury could have

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J.A. 308 (finding the terms' meanings clear "in the context of the claims" and precluding the parties from interpreting the terms "in a manner inconsistent with this opinion"), the court's error lied in failing to provide the necessary context to the jury.

found that Silver Spring's electric utility meters infringe.<sup>3</sup>

We begin, as *Phillips* instructs, with the principle that claims terms are generally given their ordinary and customary meaning. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). The ordinary meaning of a claim term is not “the meaning of the term in the abstract.” *Id.* at 1321. Instead, “the ‘ordinary meaning’ of a claim term is its meaning to the ordinary artisan after reading the entire patent.” *Id.*; see also *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1352 (Fed. Cir. 2001) (“The claims are directed to the invention that is described in the specification; they do not have meaning removed from the context from which they arose.”); *Toro Co. v. White Consol. Indus., Inc.*, 199 F.3d 1295, 1299 (Fed. Cir. 1999) (“Determining the limits of a patent claim requires understanding its terms in the context in which they were used by the inventor, considered by the examiner, and understood in the field of the invention.”).

A party is, therefore, “not entitled to a claim construction divorced from the context of the written description and prosecution history.” *Nystrom v. TREX Co., Inc.*, 424 F.3d 1136, 1144–45 (Fed. Cir.

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<sup>3</sup> The dissent contends that, assuming the court erred in failing to construe the claims, “the remedy would be, at most, a new trial.” Dissent at 11. But a new trial is not necessary when, as here, the record evidence does not support an infringement verdict under the correct construction of the claims.

2005). Ordinary meaning is not something that is determined “in a vacuum.” *Medrad, Inc. v. MRI Devices Corp.*, 401 F.3d 1313, 1319 (Fed. Cir. 2005). To the contrary, “a word describing patented technology takes its definition from the context in which it was used by the inventor.” *Anderson v. Int’l Eng’g & Mfg., Inc.*, 160 F.3d 1345, 1348–49 (Fed. Cir. 1998).

The dissent runs afoul of these proscriptions by concluding that the “portable” and “mobile” terms have a settled “plain and ordinary meaning,” writing that “the close parallelism of all the dictionary definitions indicates there is only one plain and ordinary meaning,” and relying in part on an example not found in the patents, an ordinary household fuse. Dissent at 12. This approach is problematic for at least two reasons. First, it is evident from the parties’ dispute that there is not a single, accepted meaning of the terms—indeed, a significant portion of the trial was devoted to testimony aimed at elucidating the metes and bounds of the “portable” and “mobile” terms. More importantly, however, the question is not whether there is a settled ordinary meaning of the terms in some abstract sense of the words. Rather, as we recently explained, “The only meaning that matters in claim construction is the meaning in the context of the patent.” *Trs. of Columbia Univ. v. Symantec Corp.*, No. 2015-1146, 2016 WL 386068, at \*3 (Fed. Cir. Feb. 2 2016).

Here, the common disclosure of the ’101 and ’491 patents provides extensive guidance about the terms “portable” and “mobile.” The specification describes

the claimed units as “low-cost portable battery operated milliwatt transmitter subscriber units” that “may be moved throughout the base station geographical area.” ’101 patent col. 4 ll. 6–11; *see also id.* at col. 6 ll. 20–21 (explaining that the portable units may be moved “to different locations in a house, office, or car”). It differentiates the claimed “portable” and “mobile” units from other, non-claimed “fixed” and “stationary” units. *Id.* at col. 1 ll. 16– 18 (“[T]he subscriber units comprise low energy, *stationary and mobile*, digital transceivers.” (emphasis added)). And it describes how, during movement across cell boundaries, the portable units maintain “good digital synchronous communication contact within the nationwide network of cells.” *Id.* at col. 11 ll. 6–11. In sum, the specification’s guidance on the claimed “portable” and “mobile” units is that they are low-power, battery operated units that are easily transported between different locations in a house, office, car, or throughout a cell territory.

This guidance from the specification belies Eon’s position at trial that the claim terms “portable” and “mobile” should be broadly interpreted as including, essentially, anything that is theoretically capable of being moved. Before the jury, Eon’s experts testified that “portable” simply meant something that was “capable of being easily moved . . . but not that it actually has to move.” J.A. 616. Their testimony was that the terms would include anything that was movable, which could include a house, perhaps, but not a mountain. J.A. 641. Eon’s position was, essentially, that because Silver Spring’s meters *could*

be moved, they satisfied the claims' portability feature.

Eon's position is completely untethered to the context of the invention in this case. Although the terms "portable" and "mobile" might theoretically, in the abstract, be given such a broad meaning, they cannot be construed that way in the context of the '101 and '491 patents. *Phillips*, 415 F.3d at 1321. The patents consistently describe the "portability" feature of the invention as the movement of a low-power subscriber unit across cell boundaries, with good digital synchronous communication contact throughout the network. This context must be considered in determining the ordinary meaning, as the "construction that stays true to the claim language and most naturally aligns with the patent's description of the invention will be, in the end, the correct construction." *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1250 (Fed. Cir. 2003).

Read in their appropriate context, the terms "portable" and "mobile" cannot be construed as covering the accused meters in this case. The evidence showed that Silver Spring's electric utility meters are affixed to the exterior walls of buildings by being "bolt[ed] . . . down"; that they are connected via a wire containing "240 volts"; and they are secured in place via an additional "locking collar" and "tamper seal." J.A. 559. The meters are "not the owner of the house's property," but instead are the "electric utility's property," who "don't want the meters to be moved . . . [or] in any way tampered with." *Id.* A certified electrician is required to install

or remove a meter. J.A. 559, 521. The meters are not intended to be moved from building to building, they are usually left in place for fifteen years, and there was no evidence that a meter was ever detached from one building and reattached to another. J.A. 559, 521, 791. Put simply, the meter is “[b]olted to the house. That’s where it’s used. It doesn’t change.” J.A. 592. Under no permissible construction of the terms “portable” and “mobile”—given their ordinary meaning in the context of the ’101 and ’491 patents—could a reasonable jury have found that Silver Spring’s electric utility meters infringe the asserted claims.

Both Eon and the dissent make much of passing references in the specification; Eon relies on references to “meter reading” and the dissent relies on references to “inventory control in soft drink dispensing machines” and “site alarms.” These minor mentions in the specification do not warrant a broader construction of the claims’ portability requirement. Taking these items in order of relevance, Eon argues that the specification’s few references to “meter reading” are an express disclosure that “meters” such as Silver Spring’s meet the claims’ portability requirement. But the specification does not say what Eon contends. What the specification actually says is that portable subscriber units “may be moved through the base station geographical area *for reliably performing such functions as meter reading.*” ’101 patent col. 4 ll. 8–12 (emphasis added). Thus, what the patents describe is that a portable battery-operated subscriber unit may be brought *to the location of the meter* for reading it.

The patent therefore indicates that electric utility meters such as Silver Spring's are *not* the portable subscriber units recited in the claims.

Likewise, with respect to the specification's references to "inventory control in soft drink dispensing machines" and "site alarms," the specification's brief discussion of such embodiments—once in the abstract and twice in the body—is so limited that it is impossible to tell what component of such embodiments is the portable feature. *See* '101 patent abstract, col. 6 ll. 5–8, col. 10 ll. 25–28. Certainly, the patents do *not* state, as the dissent seems to assume, that the portable feature of these embodiments are the soft drink dispensing machines and alarm devices *themselves*. Dissent at 7–8. The most that can be gleaned from the specification's limited references to these embodiments is that there may be *some* portable aspect involved in the overall system.

The remainder of the relied-upon portions of the specification are similarly deficient in supporting a broader construction. The dissent states that "the '491 specification refers to the subscriber units as having the capacity 'to collect data from a number of home appliances, etc,'" arguing that "that is exactly the function that is performed by the accused meters in this case." *Id.* at 10 (quoting '491 patent col. 6 ll. 1–2). But the dissent ignores the thrust and context of the cited paragraph, which is directed to specific advantages for things such as "wireless facsimile service" and "pay-per-view services," or in circumstances "when the subscriber unit is located, for example, at a poolside," or when "numerous

subscriber units placed within homes located, for example, along a single street or within the same neighborhood.” 491 patent col. 5 ll. 55–67. Those examples do not support the dissent’s broad construction of the claims’ portability requirement.

Nor are we persuaded by Eon’s argument that “a meter ‘moves’ from one geographic zone to another when it switches communication paths from its primary access point to its secondary access point due to some other obstruction to the communication.” Eon’s Br. 31–32. There is no support whatsoever in the specification for Eon’s assertion. Every reference to movement in the specification is to physical movement throughout a geographic area. Eon’s theoretical view that “portable” and “mobile” do not require physical movement strays much too far afield from the claimed invention.

In sum, nothing in the specification supports a conclusion that the claims’ portability feature is broad enough to include Silver Spring’s accused devices. The crux of the dissenting opinion seems to rest on the small size of the meters and the fact that they can be installed by hand, and on charges that we erroneously require “actual movement” and “battery operation” as part of the claim terms’ ordinary meaning. Dissent at 3–7. But we do not import such requirements into the claims. Rather, we simply read the claims in the context of the specification— which describes movement of portable units across cell boundaries to facilitate (for example) mobile viewing of world series baseball games—to conclude that utility meters, which spend their fifteen-year lifespan

attached to the side of a single house, do not meet the claim requirements of portability and mobility.

III

We find unpersuasive the remainder of Eon's arguments regarding the portability feature, including those relating to waiver. Because no reasonable jury could have found that Silver Spring's devices are "portable" and "mobile" in the context of the claimed invention, we reverse the judgment below, and do not reach Silver Spring's additional arguments.

**REVERSED**

**United States Court of Appeals  
for the Federal Circuit**

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**EON CORP. IP HOLDINGS LLC,**  
*Plaintiff-Appellee*

**v.**

**SILVER SPRING NETWORKS, INC.,**  
*Defendant-Appellant*

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2015-1237

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Appeal from the United States District Court for the Eastern District of Texas in No. 6:11-cv 00317-JDL, Magistrate Judge John D. Love.

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BRYSON, *Circuit Judge*, dissenting.

The majority holds that “no reasonable jury could have found that Silver Spring’s devices are ‘portable’ and ‘mobile’ in the context of the claimed invention.” I disagree.

There is no room for doubt that the accused meters would qualify as mobile and portable under the ordinary meaning of those terms, and the majority does not suggest otherwise.<sup>1</sup> The central

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<sup>1</sup> As the majority opinion notes, the parties agree that for the purposes of this case the terms “mobile”

question in this case is whether the specifications of the '101 and '491 patents demonstrate that the patentee intended to depart from the plain meaning of those terms, *i.e.*, “capable of being easily and conveniently transported,” and to adopt the meaning proposed by Silver Spring, *i.e.*, “capable of being easily and conveniently moved . . . and *designed to operate without a fixed location.*” The majority essentially adopts Silver Spring’s construction, and in particular the final clause requiring that the device be “designed to operate without a fixed location.”<sup>2</sup> I do not agree that the specifications of the two patents

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and “portable” carry the same meaning and can be construed the same. For simplicity, I will generally use the term “portable” to refer to both terms.

<sup>2</sup> The majority criticizes the district court’s claim construction as too broad, but it never explicitly sets forth what it regards as the correct claim construction. The majority insists that its construction does not require “actual movement” or “battery operation” of the claimed devices. Elsewhere, however, the majority states (1) that the specifications’ “guidance” is that the portable units “are low-power, battery operated units that are easily transported between different locations,” and (2) that the patents “consistently describe the ‘portability’ feature of the invention as the movement of a low-power subscriber unit across cell boundaries.” Without the aid of an explicit construction, it seems fair to interpret the majority’s construction as generally equivalent to Silver Spring’s.

support that restrictive definition. Instead, I conclude that the district court properly determined that the terms “portable” and “mobile” were used in their ordinary sense in the patent, and that the court properly instructed the jury to give those terms their ordinary meaning. For that reason, I disagree with the majority’s decision that the evidence, viewed in light of the proper construction of the claims, was insufficient to support the jury’s verdict.

## I

The district court determined that the plain and ordinary meaning of the terms “mobile” and “portable” is captured by two dictionary definitions to which the court referred: “capable of being carried or moved about,” *Merriam-Webster’s Collegiate Dictionary* 907 (10th ed. 1999); and “capable of being easily and conveniently transported,” *McGraw-Hill Dictionary of Scientific and Technical Terms* 1550 (5th ed. 1994). Other courts have reached similar conclusions as to the ordinary meaning of those terms. *See, e.g., Orica Explosives Tech., Pty., Ltd. v. Austin Powder Co.*, No. CV-07-03337, 2008 WL 3914983, at \*7 (C.D. Cal. Aug. 21, 2008) (“‘[P]ortable’ should be given its ordinary meaning of ‘capable of being carried.’”); *Rosen’s Inc. v. Van Diest Supply Co.*, No. 03-3206, 2004 WL 692253, at \*9 (D. Minn. Mar. 30, 2004) (The ordinary meaning of the term ‘portable’ is ‘capable of being carried’ or ‘easily or conveniently transported.’) (quoting *Webster’s Third New International Dictionary* 1768 (1993)); *Google, Inc. v. Network-1 Techs., Inc.*, No. IPR2015-347 (P.T.A.B. June 23, 2015) (slip op. at 8-9) (“For purposes of this decision, we construe ‘portable’

according to its ordinary meaning as ‘capable of being easily and conveniently transported.’”). I agree with the district court that those dictionary definitions capture the plain and ordinary meaning of these terms, and applying those definitions I agree with the district court that the evidence was sufficient to support the jury’s verdict.

The jury heard extensive testimony over four days of trial on the question whether the accused Silver Spring meters are mobile or portable. A video of the installation of the type of meters at issue was played for the jury at trial and relied upon by Silver Spring’s expert for his description of how the meters are typically installed. That video shows that the accused meters are smaller than a volleyball and can be, and are, easily carried and installed by hand. One image from the video shows the meter before it is installed:



Defendant’s Exhibit #146.

24a

Another image from the same video shows one of the meters installed on an electrical box attached to the outside of a building:



The video, as well as testimony at trial describe the installation process. As shown by the video, a technician installs the meter by plugging it into a socket in an electrical box on the side of the customer's house. The technician then slips a retaining collar over the meter and bolts the collar to the electrical box to secure the meter.



The meters are plugged into and removed from the socket by hand, with no tools necessary. After the meter is plugged into the socket, a retaining ring is placed over the meter. The retaining ring is then bolted to the electrical box, securing the meter against theft. A590, at 76:11-25.

The majority regards the presence of the retaining ring and bolt as evidence that the meters are not portable. In my view, the fact that the meters need to be secured to the electrical box supports the jury's finding that the meters are portable or mobile. A Silver Spring employee testified that the meters are locked down because the utilities "don't want the meters to be moved" or "tampered with." A559, at 139:4-11. Thus, the meters are locked to the electrical box precisely because they are easy to move and carry off, and they need to be secured in order to reduce the risk of loss.

The record reflects that a technician can easily carry one of the meters to a customer's house, open the locking collar by removing a single bolt, remove

the old meter by hand, plug in a new meter by hand, plug the meter into the house's electrical system, and replace the locking collar by tightening a single bolt, all in a matter of minutes. That evidence provides strong support for the jury's conclusion in this case that the meters are portable or mobile.

## II

Although the majority holds that "under no permissible construction" could the meters be mobile or portable, it does not state what it regards as the proper construction, nor does it describe the boundaries of what it would consider a "permissible" construction. The majority faults the district court for failing to resolve the parties' dispute as to whether the mobile or portable limitation requires that the meters be more than "only theoretically capable of being moved." The opinion focuses on the fact that the accused meters are bolted into place with the locking collars and are typically left in place for 15 years. From that discussion, it seems that the majority is suggesting that in order to be "portable," the meter must actually be moved in the course of its typical use.

Actual movement in the course of ordinary use is clearly not part of the plain meaning of the term "portable." Many objects are deemed "portable" even though they are not designed to be moved repeatedly during use. Consider an ordinary household fuse. Such fuses are very small, and they can be replaced within seconds when needed. Typically a fuse is purchased and installed in a fuse box where it remains for its entire useful lifetime, potentially many years. The advantages of the fuse's portability

are that it can easily be removed when it malfunctions and that a replacement can be carried by hand to the fuse box and easily installed in place of the old fuse. The fact that fuses are not typically moved from place to place during their useful lives does not make them any less portable. For the same reason, it is improper to suggest that the accused devices in this case are not “portable” simply because they are not moved from place to place during the ordinary course of their operation.

The majority’s main contention is that the specifications of the ’101 and ’491 patents give the terms “mobile” and “portable” some special, restrictive meaning. The majority draws from the specification the conclusion that mobile or portable units are “low-power battery operated units that are easily transported between different locations in a house, office, car, or throughout a cell territory.”

There are several problems with that conclusion. To begin with, there is nothing in either of the patents that requires the subscriber units to be battery operated, and not even Silver Spring argues to the contrary. Moreover, the characterization of the claimed devices as being “easily transported between different locations” does not exclude the accused meters. The evidence shows that the meters can easily be transported from place to place for purposes of installation or removal, even though once they are installed they are not expected to be moved until they are replaced.

In order to exclude the accused meters from the reach of the claims, it is necessary to construe the term “portable” to require that the subscriber units

actually be moved from place to place in the course of their operation. While the specifications at various points describe functions that could be performed by a device that was expected to be moved in the course of its operation, there is nothing in the specifications to suggest that such movement during operation is a necessary feature of the claimed subscriber units.

To the contrary, the specifications contain examples of subscriber units that clearly would not be expected to be moved during their ordinary operation. For example, the specification of the '101 patent states that the "portable subscriber units" can perform such services as "inventory control in soft drink dispensing machines." '101 patent, col. 6, ll. 7-8. Soft drink dispensing machines are typically left in place for long periods of time, so the incorporated subscriber units that keep track of the machine's inventory would not be moved as part of their ordinary operation. The '101 specification also describes the use of subscriber units for "site alarms for remote monitoring of open doors, fires, failures, temperature, etc." *Id.*, col. 6, ll. 14-15. Again, such monitoring devices would typically be installed in the appropriate place for monitoring and would not be expected to be moved during their regular operation. The '101 specification describes one advantage of the portability of such devices as being that they could be moved to different locations in a house or office if the need arose. *Id.*, col. 6, ll. 19-21. While portability is a benefit of the invention because it can make redeployment of such a device simple, that does not mean that the devices are necessarily expected to be moved during their ordinary operation, much less

that they would not be deemed “portable” if they were expected to stay in the same location for an extended period of time.<sup>3</sup>

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<sup>3</sup> The majority discounts the references to inventory control devices in soft drink dispensing machines and site alarms for remote monitoring of conditions in a home, on the ground that “it is impossible to tell what component of such embodiments is the portable feature.” The specification of the ’491 patent, however, states that in a remote monitoring system, the subscriber units are “placed within homes” and are therefore “able to collect data from a number of home appliances, etc.” ’491 patent, col. 5, line 65, through col. 6, line 2. That explanation makes clear that the “subscriber unit,” the component at issue, is installed in the home and monitors appliances. The function of monitoring appliances in a home would not entail frequent movement of the device.

The specification of the related ’546 patent is instructive as to the role of the subscriber unit in monitoring items such as soft drink dispensing machines. It describes the device as featuring “an automatic monitoring control mode for relaying an alarm or inventory reading at a subscriber’s coin operated vending machine.” ’546 patent, col. 9, ll. 63-65. That description of a device that relays alarms as to theft or other problems with the machine along with information regarding inventory clearly contemplates that the monitoring device will be associated with the dispensing machine for long

Although the majority contends that the specification “differentiates the claimed ‘portable’ and ‘mobile’ units from other, non-claimed ‘fixed’ and ‘stationary’ units,” the ’101 specification does not support that distinction. Figures 9A and 9B of the ’101 patent “illustrate portable subscriber units afforded by the invention.” ’101 patent, col. 10, ll. 3-4. The portion of the ’101 specification that describes those figures refers to the use of portable subscriber units to perform “automatic monitoring” functions such as “relaying an alarm or inventory reading at a subscriber’s coin operated vending machine.” *Id.*, col. 10, ll. 26-28. Again, those “monitoring” functions would not typically entail the subscriber unit being moved during ordinary operation, yet the functions are nonetheless said to be performed by the portable subscriber units depicted in Figures 9A and 9B, and described in columns 10 and 11 of the ’101 specification.<sup>4</sup>

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periods of time, even though it can be redeployed to another machine if the owner chooses to move it.

<sup>4</sup> The Brief Description of the Drawings portion of the ’101 specification characterizes Figure 9A as depicting a block circuit diagram of a subscriber unit that performs “fixed or mobile communication services,” ’101 patent, col. 4, ll. 61-63, such as alarm monitoring or inventory reporting. But that simply identifies the communication services provided; it does not mean that “fixed” communication services cannot be performed by “portable” subscriber units. As noted, the specification at columns 10 and 11

The specification of the '491 patent provides further evidence that the terms "portable" and "mobile" should not be construed restrictively. In discussing the functions of a subscriber unit, which is described as being capable of being moved, *see* '491 patent, col. 3, ll. 26-29; col. 4, ll. 30- 36, 45-50; col. 5, ll. 61-63, the '491 specification refers to the subscriber units as having the capacity "to collect data from a number of home appliances, etc." *Id.*, col. 6, ll. 1-2. That is exactly the function that is performed by the accused meters in this case, and it is a function that would not ordinarily entail moving the subscriber unit during its operation. That example of a function of a mobile subscriber unit is another indication that the patent terms "portable" and "mobile" were not intended to have the restrictive meaning assigned to them by the majority.

The majority notes that many of the examples discussed in the specifications involve devices that are designed to operate without a fixed location. That is true, but it is beside the point. The ordinary meaning of portable, i.e., something "capable of being easily and conveniently transported," obviously includes devices that are moved in the course of their operation. The question is whether the meaning of the term "portable," as used in the patents, is *limited* to such devices. As to that question, it doesn't matter that many of the examples involve devices that are designed to operate without a fixed location. What

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indicates that portable subscriber units perform precisely those "fixed" communication functions.

matters is that the specifications contain references to devices that are easily transported, but are not ordinarily moved in the course of their operation. The specifications' references to such devices belie the majority's restrictive definition of "portable."

In sum, the specification indicates that the patentee did not use the terms "portable" and "mobile" in a more restrictive sense than is suggested by their ordinary meaning. Because that ordinary meaning—something capable of being easily and conveniently transported— would clearly apply to the accused devices in this case, I disagree with the majority's holding that the evidence cannot support the jury's conclusion to that effect.

### III

The majority also faults the district court for instructing the jury to interpret the terms "portable" and "mobile" according to their ordinary meanings rather than defining the terms for the jury. Notably, even if the court erred in that respect, the remedy would be, at most, a new trial, not the judgment entered today, which ends the case. Beyond that, however, I do not agree that the district court erred by directing the jury to apply the ordinary meaning of the terms.

If I am correct in finding that the '101 and '491 patents use the terms "portable" and "mobile" in accordance with their ordinary meaning, the question as to the correctness of the district court's instruction comes down to whether, even after the court concluded that the terms were used in their ordinary sense, the court was nonetheless required to provide a separate definition of those terms for the jury.

While it is sometimes unclear how far a court must go in a patent case by way of defining claim terms, there is ordinarily no obligation to provide a special definition for terms that have a widely understood ordinary meaning, as long as the court is persuaded that the patent uses the terms in that ordinary sense.

The majority cites *O2 Micro International Ltd v. Beyond Innovation Technology Co.*, 521 F.3d 1351 (Fed. Cir. 2008), for the proposition that it was improper for the court to rely on the plain and ordinary meaning of the two terms at issue. But *O2 Micro* did not state that principle in such unqualified terms. Instead, the court explained that an instruction giving a term its “plain and ordinary meaning” may be inadequate when the term has more than one ordinary meaning or when reliance on the term’s ordinary meaning does not resolve the parties’ dispute. *Id.* at 1361.

In this case, the close parallelism of all of the dictionary definitions indicates that there is only one plain and ordinary meaning of the terms “mobile” and “portable.” Moreover, the district court’s instruction that the jury should give those terms their plain and ordinary meaning resolved the parties’ dispute, because it was clear that Eon was relying on the plain meaning of the terms and Silver Spring was relying on a special definition of the terms that it claimed to be supported by the language of the patents. Having concluded that use of the plain and ordinary meaning of the terms was sufficient to resolve the parties’ dispute as to their meaning, the district court permissibly declined Silver Spring’s request to define the terms. *See Summit 6, LLC v.*

*Samsung Elecs. Co.*, 802 F.3d 1283, 1291 (Fed. Cir. 2015) (“The district court rejected Samsung’s argument that ongoing activity is required—the heart of the parties’ disagreement—and declined to further construe the term because it was a ‘straightforward term’ that required no construction. . . . Because the plain and ordinary meaning of the disputed claim language is clear, the district court did not err by declining to construe the term.”); *Biotec Biologische Naturverpackungen GmbH & Co. KG v. Biocorp, Inc.*, 249 F.3d 1341, 1349 (Fed. Cir. 2001) (district court did not err in failing to construe the term “melting” when “the meaning of ‘melting’ does not appear to have required ‘construction,’ or to depart from its ordinary meaning”).

Beyond that, the district court did not simply leave the parties to define the term “portable” as they saw fit. In its claim construction opinion, the court referenced the dictionary definitions of the term (“capable of being carried or moved about” and “capable of being easily and conveniently transported”), and the court directed that “the parties may not interpret [the terms portable and mobile] in a manner inconsistent with this opinion.”

As directed, the parties complied with the court’s order and interpreted the term in accordance with the dictionary definitions quoted by the court. Silver Spring’s infringement expert testified that “I think in that context, one way of characterizing mobile is to say whether they’re easily moved. And I think that’s an understanding of—a person of ordinary skill in the art would have had of that term as it was used in 1992.” Eon’s infringement expert testified similarly,

saying, “According to the Court’s construction, you do not have to operate the subscriber unit while it’s being moved, that’s correct. . . . So what the Court was saying—saying is that mobile means capable of being easily moved. So the capability needs to be there, but not that it actually has to move.”<sup>5</sup>

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<sup>5</sup> The majority quotes a passage from the cross-examination of Eon’s expert in which counsel for Silver Spring questioned the expert about the meaning of the word “movable”:

Q. By your logic, everything is movable, right? You can move the Eiffel Tower, right? You could?

A. Well, I don’t—I mean, I think you know, mountains are not moved. Lots of things are not movable. I mean, you know—you know, I mean, there are things that are not movable, right?

Q. You’ve seen houses—houses can be moved, right?

A. Well, yeah. I mean houses are—are moved.

Q. Your house is not a mobile device, is it? . . .

A. Well, my house, you know, it can be—you know. . . . [I]f you have an antique home, they lift these things lock, stock, and barrel, and move them, right?

Counsel’s questions in that cross-examination were directed to what is “movable,” not what is “capable of being easily moved,” which both parties’

There may be questions at the margin as to whether particular objects are “mobile” or “portable,” but in this case, the accused meters were plainly portable and mobile in the ordinary sense of those terms, for the reasons explained above. Assuming, again, that the majority is incorrect in assigning those terms a special, restrictive definition based on the language of the patents in suit, it is difficult to believe that instructing the jury with the actual language of the ordinary dictionary definitions identified by the district court could possibly have led to a different outcome in this case. Under these circumstances, I disagree with the majority that the district court committed reversible error by simply telling the jury to interpret those terms according to their ordinary meanings. I respectfully dissent.

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experts testified was the meaning of “portable” in the context of this case. Eon’s expert’s testimony on cross-examination therefore does not in any way conflict with the definition of “portable” that he gave on direct examination and that the district court directed the parties to adhere to.

**APPENDIX B**

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

<b>EON CORP. IP</b>	<b>§ CIVIL ACTION NO.</b>
<b>HOLDINGS, LLC</b>	<b>§ 6:11-CV-317-JDL</b>
<b><i>Plaintiff,</i></b>	<b>§</b>
	<b>§ JURY TRIAL</b>
<b>v.</b>	<b>§ DEMANDED</b>
	<b>§</b>
<b>LANDIS+GYR INC.,</b>	<b>§</b>
<b>ET AL.,</b>	<b>§</b>
<b><i>Defendants</i></b>	<b>§</b>

**MEMORANDUM OPINION AND ORDER**

Before the Court is: 1) Plaintiff EON Corporation IP Holdings, LLC's ("EON") Motion for Judgment as Matter of Law (Doc. No. 621); and 2) Defendant Silver Spring Network, Inc.'s ("SSN") Motion for Judgment as a Matter of Law, New Trial, and Judgment on Equitable Defense of Joint and Several Liability (Doc. No. 636).<sup>1</sup> For the reasons stated below, EON's Motion for Judgment as a Matter of

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<sup>1</sup> Also before the Court is Plaintiff EON's Motion for Prejudgment Interest (Doc. No. 622) and Motion for Attorney Fees (Doc. No. 640). These motions will be addressed by the Court in a separate order.

Law (Doc. No. 621) is **DENIED AS MOOT**. SSN's Motion for Judgment as a Matter of Law, New Trial and Judgment on Equitable Defense of Joint and Several Liability (Doc. No. 636) is **GRANTED IN PART** and **DENIED IN PART**.

#### **BACKGROUND**

EON filed suit on June 17, 2011, alleging that SSN infringed U.S. Patent Nos. 5,388,101 (the "101 Patent"); 5,481,546 (the "546 Patent"); and 5,592,491 (the "491 Patent") (collectively, the "patents-in-suit"). Generally, the patents "relate[] to an interactive two-way data service network for conveying synchronously timed digital messages point to point through the network." '101 Patent at 1:8-10. SSN answered, denying infringement and alleging invalidity pursuant to 35 U.S.C. §§ 101, 102, and 103 (Doc. No. 50 at 10). EON proceeded to trial on June 2, 2014, asserting claims 1, 9, 19, and 20 of the '101 patent; claims 1, 2, 3, and 5 of the '546 patent; and claims 1, 2, 5, and 7 of the '491 patent against SSN (Doc. No. 618).

At trial, SSN denied infringement and alleged that the asserted claims were invalid as anticipated. *See* Tr. 6/5/14 P.M. 3:1-156:1. At the close of SSN's case, EON moved for judgment as a matter of law ("JMOL") on the issue of validity, which the Court granted in part as to claims 9, 19, and 20 of the '101 patent, and claims 1 and 2 of the '491 patent. Tr. 6/6/14 A.M. 111:13-115:14. On June 6, 2014, the jury found the remaining asserted claims valid, and that SSN directly infringed claims 19 and 20 of the '101 patent, claim 3 of the '546 patent, and claims 1 and 2 of the '491 patent (Doc. No. 618 at 2, 3). To

compensate EON for SSN's infringement, the jury awarded EON \$18,800,000 in damages. *Id.* at 4.

## LEGAL STANDARDS

### I. Judgment as a Matter of Law

A renewed motion for judgment as a matter of law ("JMOL") is a challenge to the legal sufficiency of the evidence supporting the jury's verdict. *Power-One, Inc. v. Artesyn Tech., Inc.*, 556 F. Supp. 2d 591, 593 (E.D. Tex. 2008) (citing *Flowers v. S. Reg'l Physician Servs.*, 247 F.3d 229, 235 (5th Cir. 2001)). Rule 50 provides that judgment as a matter of law is appropriate if the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue. Fed. R. Civ. P. 50(a)(1). In ruling on a renewed motion for JMOL, the court may allow judgment on the verdict, if the jury returned a verdict; order a new trial; or direct the entry of judgment as a matter of law. Fed. R. Civ. P. 50(b).<sup>2</sup> A post-trial motion for JMOL should be granted only when the facts and inferences so conclusively favor one party "that reasonable jurors could not arrive at a contrary verdict." *TGIP, Inc. v. AT&T Corp.*, 527 F. Supp. 2d 561, 569 (E.D. Tex. 2007) (citing *Tol-O-Matic, Inc. v. Proma Produkt-Und Mktg. Gesellschaft m.b.H.*, 945 F.2d 1546, 1549

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<sup>2</sup> In order to advance a renewed motion for judgment as a matter of law under Rule 50(b), the movant must raise the same arguments during trial, in a Rule 50(a) motion for judgment as a matter of law. Fed. R. Civ. P. 50 (a)-(b).

(Fed. Cir. 1991)). “If reasonable persons in the exercise of impartial judgment could differ in their interpretations of the evidence, then the motion should be denied.” *Id.* Thus, a jury’s verdict may be overturned if, viewing the evidence and inferences therefrom in the light most favorable to the party opposing the motion, there is no legally sufficient evidentiary basis for a reasonable jury to find as the jury did.<sup>3</sup> *Guile v. United States*, 422 F.3d 221, 225 (5th Cir. 2005) (citing *Delano-Pyle v. Victoria County*, 302 F.3d 567, 572 (5th Cir. 2002)). The court may not make credibility determinations, nor weigh the evidence. *Power-One*, 556 F. Supp. 2d at 594 (citing *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000)).

## II. New Trial

Under Federal Rule of Civil Procedure 59, a new trial may be granted to any party to a jury trial on any or all issues “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” “A new trial may be granted, for example, if the district court finds the verdict is against the weight of the evidence, the damages

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<sup>3</sup> Because a motion for judgment as a matter of law is a procedural matter not unique to patent law, the law of the regional circuit governs under Rule 50(b). *See SynQor, Inc. v. Artesyn Techs.*, 709 F.3d 1365, 1373 (Fed. Cir. 2013) (“This court reviews the grant or denial of a motion for JMOL under the law of the regional circuit . . .”).

awarded are excessive, the trial was unfair, or prejudicial error was committed in its course.” *Smith v. Transworld Drilling Co.*, 773 F.2d 610, 612–13 (5th Cir. 1985). The Court is required to view the evidence “in a light most favorable to the jury’s verdict, and [] the verdict must be affirmed unless the evidence points so strongly and overwhelmingly in favor of one party that the court believes that reasonable persons could not arrive at a contrary conclusion.” *Dawson v. Wal-Mart Stores, Inc.*, 978 F.2d 205, 208 (5th Cir. 1992).

**EON’S MOTION FOR JUDGMENT AS A  
MATTER OF LAW OF NO INVALIDITY**

At the close of the SSN’s case, EON moved for JMOL on the issue of validity, which the Court granted in part as to claims 9, 19, and 20 of the ‘101 patent, and claims 1 and 2 of the ‘491 patent. Tr. 6/6/14 A.M. 111:13-115:14. The jury found the remaining asserted claims valid (Doc. No. 618). Thus, EON prevailed on the issue of validity as to all asserted claims. Despite prevailing on the issue of validity at trial EON filed the instant renewed motion for JMOL on June 10, 2014 (Doc. No. 621). EON’s arguments focus on the sufficiency of the evidence offered by SSN’s expert, Dr. Almeroth. Specifically, EON argues that Dr. Almeroth: (1) applied inconsistent claim interpretations of the patents-in-suit (Doc. No. 621 at 3); (2) failed to sufficiently identify a specific structure for the asserted means-plus function claims, *id.* at 5; (3) failed to provide an element-by-element invalidity analysis, *id.* at 7; and (4) relied on uncorroborated

witness testimony, rendering his opinion legally insufficient. *Id.* at 8.

EON's renewed motion for JMOL merely seeks to confirm its favorable outcome on the issue of validity at trial. Accordingly, because EON prevailed on the issue of validity as to all asserted claims, EON's renewed motion for JMOL is **DENIED AS MOOT**.

**SILVER SPRING'S MOTION FOR JUDGMENT  
AS A MATTER OF LAW, MOTION FOR NEW  
TRIAL, AND JUDGMENT ON EQUITABLE  
DEFENSE OF JOINT AND SEVERAL  
LIABILITY**

SSN moves for JMOL, or in the alternative a new trial, on the following grounds:

- No Reasonable Juror Could Find That SSN Smart Meters are "Portable" and "Mobile"
- The Verdict Contains Irreconcilable Conflicts As to Claims 2 and 3 of the '546 Patent and Claims 1 and 2 of the '491 Patent
- No Reasonable Juror Could Find That There are Multiplexed Synchronously Related Data Messages As Required by Claim 3 of the '546 Patent and Claims 1 And 2 of the '491 Patent
- No Reasonable Juror Could Find that Silver Spring's Relays are "Receive Only Stations" as Required by Claim 20 of the '101 Patent
- EON Cannot Recover Damages for Alleged Infringement of Claim 3 of the '546 Patent

Before the Certificate of Reexamination Issued on October 4, 2011

- No Legally Sufficient Evidence Supports EON's Claimed Reasonable Royalty or the Jury's Damages Award
- The Court Should Grant Judgment in Favor of Silver Spring on its Equitable Defense of Joint and Severable Liability
- EON's Counsel Made Impermissible Comments During Closing Arguments

## **I. Infringement of the '101 and '491 Patents**

### **a. Applicable Law**

To prove infringement, the plaintiff must show the presence of every element or its equivalent in the accused device. *Lemelson v. United States*, 752 F.2d 1538, 1551 (Fed. Cir. 1985). Determining infringement is a two-step process. First, the claim must be properly construed to determine its scope and meaning. Second, the construed claim must be compared to the accused device or process. *Absolute Software, Inc. v. Stealth Signal, Inc.*, 659 F.3d 1121, 1129 (Fed. Cir. 2011) (citing *Carroll Touch, Inc. v. Electro Mech. Sys., Inc.*, 15 F.3d 1573, 1576 (Fed. Cir. 1993)). "A determination of infringement is a question of fact that is reviewed for substantial evidence when tried to a jury." *ACCO Brands, Inc. v. ABA Locks Mfr. Co.*, 501 F.3d 1307, 1311 (Fed. Cir. 2007).

### **b. Analysis**

SSN argues that EON failed to produce any evidence to support the jury's finding of infringement as to the '101 and '491 patents because "the accused electric and gas meters that are permanently

attached and locked to buildings are not ‘mobile’ or ‘portable’ devices that communicate with the network ‘when moved through different geographic zones’ as required by the claims.”<sup>4</sup> (Doc. No. 636 at 1). SSN also asserts that EON failed to show that the accused meters include facilities for communicating from the subscriber units when moved through different geographic zones,<sup>5</sup> and that EON’s closing argument “misled the jurors[,] causing them to arrive at an irrational verdict . . . .” (Doc. No. 636 at 6). SSN asks the court to “grant judgment as a matter of law in favor of Silver Spring, or alternatively, grant a new trial because the jury’s infringement verdict was against the great weight of the evidence under either Silver Spring’s proposed construction or the Court’s determination that no construction was required.” (Doc. No. 636 at 10).

EON argues that it presented sufficient evidence to support the jury’s finding, focusing primarily on

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<sup>4</sup> The “mobile” element is found in claims 1 and 9 of the ‘101 patent, and claims 1 and 2 of the ‘491 patent. The “portable” element is found in claims 19 and 20 of the ‘101 patent. The Court declined to construe these terms, deciding that they require nothing more than their plain and ordinary meaning (Doc. No. 249 at 21).

<sup>5</sup> SSN failed to raise this issue in its Rule 50(a) motion at trial, and the Court will not consider it here. *See* Fed. R. Civ. P. 50 (a)-(b).

Dr. Kevin Almeroth's<sup>6</sup> testimony on cross examination. While declining to characterize the accused meters as mobile, Dr. Almeroth acknowledged that the meters were portable:

Q. Is it portable?

A. I think you can carry it around, but—

Q. Well, how about answer yes or no before you give an explanation on this one?

A. Well, the—in the very broadest sense, yes, you can carry it around. **It's portable.**

Tr. 6/5/14 P.M. at 87:14-88:6. He also testified that it would take “maybe a few minutes” to remove one of the meters, *see id.* at 89:14-16, and that the meters do not have to be operational when they are physically moved. *See id.* at 77:8-15. EON also offered the following testimony from Dr. Harry Bims:<sup>7</sup>

Q. Okay. So do you understand that—or what's your opinion with regard to the mobile and the portable elements being met by the meters that have the communication modules in them in Silver Spring's network?

A. So my opinion is that the mobile element is found in the Silver Spring products, especially in light of reading the patent specification in terms of how the—the patent talks about mobility.

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<sup>6</sup> Dr. Almeroth served as SSN's testifying expert on infringement and validity at trial.

<sup>7</sup> Dr. Bims served as EON's testifying expert on infringement at trial.

Q. And what's—what's your understanding with regard to any difference between the term "mobile" and "portable" as it's used in the patents and—and as it's been interpreted through the Court's claim construction?

A. Well, in the Court's definition, the term "portable" and "mobile" are one and the same.

Tr. 6/5/14 P.M. 180:20-181:10. Viewing the foregoing testimony as a whole, there is sufficient evidence to support the jury's verdict of infringement as to the '101 and '491 patents. Dr. Almeroth's testimony as to the portability of the accused meters, coupled with the testimony of Dr. Bims, wherein he equates the terms "portable" and "mobile," provided a sufficient evidentiary basis to support the jury's finding.

EON next argues that it did not mislead the jury, and that even if it did, SSN waived its opportunity to challenge any improper argument because it failed to object during trial. *See* Doc. No. 647 at 11. In *Nissho-Iwai Co. v. Occidental Crude Sales, Inc.*, 848 F.2d 613, 619 (5th Cir. 1988) the Fifth Circuit found that the plaintiff's failure to object to the impropriety of the defendant's closing argument barred it "from urging the improper arguments as grounds for a new trial after the jury had returned its verdict." (citing *Computer Sys. Eng'g, Inc. v. Qantel Corp.*, 740 F.2d 59, 69 (1st Cir. 1984)). Neither SSN's briefing, nor the trial record reveal any attempt by SSN to object to EON's closing argument. Thus, SSN waived its opportunity to object to the alleged impropriety of EON's closing arguments when it remained silent and let the case go to the jury.

Accordingly, SSN's motion for judgment as a matter of law, or in the alternative, a new trial, as to infringement of the '101 and '491 patents is **DENIED**.

## **II. Irreconcilable Conflicts in the Jury's Verdict**

SSN argues that the jury's verdict contains irreconcilable legal conflicts as to the infringement findings relating to claims 2 and 3 of the '546 patent and claims 1 and 2 of the '491 patent. First, SSN asserts that since the jury found independent claim 2 of the '546 Patent not infringed, but dependent claim 3 infringed,<sup>8</sup> the verdict cannot exist "as a matter of basic patent law." (Doc. No. 636 at 1). Next, SSN argues that the verdict is irreconcilable as to the jury's finding of infringement as to claims 1 and 2 of the '491 patent because the jury found claim 1 of the '546 Patent not infringed, since EON allegedly presented claim 1 of the '491 patent as being "functionally dependent" on claim 1 of the '546 patent. *Id.* at 13. In light of the alleged irreconcilable conflicts, SSN moves for JMOL, or in the alternative, a new trial. *Id.* at 14. SSN further argues that "the jury's inconsistent findings on infringement impact the damages verdict and require a new trial as to damages." *Id.*

EON's principal response is that the jury returned a general verdict, and that SSN waived any objections to the verdict when it failed to object to the alleged inconsistencies before the jury was dismissed (Doc. No. 647 at 12).

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<sup>8</sup> Claim 3 is dependent on claim 2.

**a. Applicable Law**

The Federal Circuit reviews the question of allegedly inconsistent jury verdicts under the law of the regional circuit. *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1343 (Fed. Cir. 2009); *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1302 (Fed. Cir. 2002). In the Fifth Circuit, a party need not object to the jury's inconsistent verdict prior to the dismissal of the jury if the verdict is *special* and falls under Federal Rule of Civil Procedure Rule 49(a). See *Mercer v. Long Mfg. N.C., Inc.*, 671 F.2d 946, 947–48 (5th Cir.1982) (“We know of no case in this Circuit holding that inconsistencies in special verdicts pursuant to Rule 49(a) are waived if not raised prior to release of the jury.”); see also *id.* at 948 n.1 (explaining that waiver does not apply to verdicts under Rule 49(a) but does apply to verdicts under Rule 49(b)). However, the Federal Circuit has found that under Fifth Circuit law, “[i]f the verdict falls under Rule 49(b), which covers general verdicts and general verdicts ‘with written questions on one or more issues of fact,’ waiver applies if no objection is raised before the jury is dismissed.” *Function Media, L.L.C. v. Google, Inc.*, 708 F.3d 1310, 1328 (Fed. Cir. 2013) (citing *Stancill v. McKenzie Tank Lines, Inc.*, 497 F.2d 529, 533–35 (5th Cir.1974) (“By failing to object to the form of the verdict and answers at the time they were announced by the jury, both parties waived any objection to inconsistencies under Rule 49(b).”). Importantly, *Function Media* was a patent case involving a claim that the verdicts of non-infringement and invalidity were irreconcilable. See *id.* at 1327; accord *L&W, Inc. v. Shertech, Inc.*, 471

F.3d 1311, 1318-19 (Fed. Cir. 2006) (applying Sixth Circuit waiver rule in the context of patent case involving alleged irreconcilable verdict) (“Under Sixth Circuit law, a party waives its objection to inconsistency in a jury’s verdict if the party had adequate opportunity to object but failed to do so. . . . Thus, we hold that the parties waived their objections to inconsistency in the jury’s findings on claims 7 and 10 by failing to object at trial.”).

While Rule 49 does not define the term “general verdict,” it is commonly known as “[a] verdict by which the jury finds in favor of one party or the other, as opposed to resolving specific fact questions.” BLACK’S LAW DICTIONARY (9th ed. 2009). “The theoretical distinction between general and special verdicts is that general verdicts require the jury to apply the law to facts, and therefore require legal instruction, whereas special verdicts compel the jury to focus exclusively on its fact finding role.” Charles Alan Wright & Arthur R. Miller, 9B Federal Practice and Procedure § 2503 n. 1 (3d ed. 2008).

**b. Analysis**

Immediately following the presentation of the jury’s verdict, the Court asked the parties whether they wished to address anything further.

THE COURT: All right. Anything further at this time from the Plaintiff?

MR. DACUS: No, nothing from the Plaintiff.

THE COURT: From the Defendant?

MR. MOORE: No, Your Honor. Thank you.

THE COURT: Thank you. We are adjourned.

Tr. 6/6/14 P.M. 115:4-10. SSN remained silent and did not object to the jury’s alleged inconsistent

verdict at trial. Tr. 6/6/14 P.M. 115:5-10. SSN argues that the jury returned a special verdict under Rule 49(a), and that it was not required to object prior to the jury's dismissal (Doc. No. 651 at 8).

The Court finds that the verdict in this case was general under Rule 49(b). Unlike a special verdict, the jury form here did not require the jury to resolve specific factual questions. Rather the jury was asked to decide "Yes" or "No" as to infringement and invalidity for each of the asserted claims; "they did not decide factual issues and leave for the Court a determination of liability as in a special verdict." *Giddy Up, LLC v. PRISM Graphics, Inc.*, No. 3:060-CV-0948-B, 2008 WL 656504 at \*3 (N.D. Tex. Mar. 12, 2008) (holding that jury rendered general verdict and that defendant waived objection to inconsistency in verdict by failing to object prior to jury's dismissal); *see also Function Media*, 708 F.3d at 1329 (finding jury verdict general under Rule 49(b) where jury answered yes or no questions on each asserted claim).

Since the Court finds that the jury rendered a general verdict, and that SSN failed to object to the inconsistency prior to dismissal of the jury, SSN has waived its objections. It is impermissible for SSN to claim in its post-verdict JMOL that the jury's verdict contains "irreconcilable legal conflicts" that are "a matter of basic patent law," yet have failed to object to such an obvious defect at trial. *See Function Media*, 708 F.3d at 1330 ("It would be improper to allow FM to now argue inconsistencies require an entirely new trial when it failed to object at the only time when an inconsistency could have been cured.");

*see also L & W, Inc.*, 471 F.3d at 1319 ) (“[T]he verdict was a simple one and the issue of inconsistency between the verdicts as to [the independent claim and its dependent claim] should have been obvious.”).

Accordingly, SSN’s motion for JMOL, or in the alternative, a new trial, regarding the alleged inconsistencies in the jury’s verdict is **DENIED**.

### **III. Evidence of the “Transmission of Multiplexed Synchronously Related Data Messages” in SSN’s Accused Network**

#### **a. Claim 3 of the ‘546 Patent**

SSN argues that claim 3 of the ‘546 patent “requires full two-way communication of data messages synchronized in an upstream and downstream direction,” and that EON failed to present any evidence establishing that SSN’s network transmits data messages in a downstream direction (Doc. No. 636 at 17-18). EON does not take issue with SSN’s reading of claim 3, but argues that “SSN itself presented evidence that access points in the SSN [n]etwork send data messages to the meters in the system and vice versa.”<sup>9</sup> (Doc. No. 647 at 29).

The Court finds that EON has failed to present sufficient evidence establishing that the SSN network transmits data messages in a downstream direction as required by claim 3 of the ‘546 patent. Notably, during his discussion of claims 2 and 3 of

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<sup>9</sup> For purposes of its infringement argument, EON asserted at trial that SSN’s access point device is a base station and that the meters in the SSN network are subscriber units.

the '546 patent, EON's infringement expert, Dr. Bims, testified that "in the Silver Spring system, the smart meters transmit their information regarding meter readings, for example, into the network on what we call the upstream path, and then *control signals* down from the headquarters to the meters." Tr. 6/3/14 P.M. 27:12-16 (emphasis added). Moreover, in discussing how the SSN network functions, Dr. Bims explicitly negates the possibility that the SSN network transmits data messages in a downstream direction to the meters.

Q. Does the Silver Spring system ever transmit a meter reading from the base station down to the subscriber unit through the receiver?

A. Not to my knowledge.

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A. So, yes, in my review of the Silver Spring technical documents, messages like [REDACTED]

Tr. 6/3/14 A.M. 122:2-10.

On cross-examination, Dr. Bims was similarly careful to note that control signals – not data messages – are sent in a downstream direction from the access point to the meters.

Q. Right. And then we talked about downstream routing. Now we're talking about when messages are sent from an access point to a Silver Spring meter. That's downstream routing, right?

A. Yes.

Q. Okay. And we agree that the—the access point does send messages to meters in Silver Spring's system, right?

A. Control signals, yes.

*Id.* at 83. EON fails to point to any other testimony and offers no explanation as to why its own expert's testimony is inconsistent with its position that the SSN network transmits data messages in a downstream direction.

Accordingly, SSN's motion for JMOL as to non-infringement of claim 3 of the '546 patent is **GRANTED**.

**b. Claims 1 and 2 of the '491 Patent**

SSN's argument is premised on its subjective reading of claims 1 and 2 of the '491 patent. It asserts that those claims require the “transmission of ‘multiplexed synchronously related data messages’ from [] a base station to subscriber units and also [the] receipt of such data messages [] by a base station from the subscriber units.” (Doc. No. 636 at 20). SSN argues that EON failed to present evidence that there are data messages in the SSN network transmitted in a downstream direction that are synchronously related to data messages sent in an upstream direction (Doc. No. 636 at 18). EON responds, arguing that claims 1 and 2 of the '491 patent do not require the base station to transmit data messages in a downstream direction to subscriber units (Doc. No. 647 at 25).

The parties' dispute centers on the “base station processing and communication unit” element in claim 1 of the '491 patent.

base station data processing and communication unit for transmitting to a set of said subscriber units contained within said local base station geographic area associated with said local base station repeater cell and receiving from a subset of said set of local subscriber units multiplexed synchronously related digital data messages of variable lengths for point-to-point communication between said local base station repeater cell and said subset of said local subscriber units

'491 Patent 6:28-37. At trial, EON's expert, Dr. Bims, outlined the interaction of the base station, subscriber units, and the receive-only receiver elements contained in the asserted claims: "[t]he base station . . . communicates with what the claims call a subscriber unit . . . . The subscriber units communicate to receivers . . . [a]nd that receiver, in turn, relays information back to the base station over . . . a wireless route." Tr. 6/3/14 A.M. 82:5-19. On cross-examination, Dr. Bims testified that claims 1 and 2 of the '491 patent do not require the transmission of data messages from the base station to the subscriber units.

Q. So what we have here is basically a flow. Base station sends a message to subscriber unit. Subscriber unit responds by sending a message to remote receiver. And then that gets forwarded on back to the base station. That's the EON patent Path A, right?

A. **So I think we need to qualify here that the base station is sending control**

**messages and signals to the subscriber unit.** The—the subscriber unit is responding by sending digital data messages back in to the network.

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A. Correct. **Digital data messages, such as meter readings, do not flow towards the subscriber unit.**

Tr. 6/3/14 P.M. 61:8-24. He then explained how the foregoing claim elements are present in SSN's accused network. Tr. 6/3/14 A.M. 96:12-125:15.

The Court finds that the claim language does not foreclose Dr. Bims' interpretation, i.e., it is not clear that the claims require the transmission of data messages from the base station to the subscriber units. While SSN's interpretation of the claim language may be reasonable, it has failed to show that Dr. Bims' interpretation is so unreasonable that this issue is one of law rather than fact. Accordingly, the jury was entitled to accept Dr. Bims' reading of the claims, including his assertion that there is no requirement that data messages flow in a downstream direction from the base station to the subscriber units.

In addition, Dr. Bims testified that the SSN communication modules [REDACTED].<sup>10</sup>

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<sup>10</sup> In the Claim Construction Order (Doc. No. 249), the Court construed the term "synchronously related" as "related in time and/ or frequency."

Q. Okay. And what's the – what's the next term that we're going to consider?

A. So the next term is synchronously related. This term was defined by the – the Court to mean related in time and/or frequency.

Q. And what's the evidence of that occurring in the Silver Spring network?

A. So in the Silver Spring network, their technical documents describe these NIC which are network cards or communication modules are [REDACTED]

Q. Okay. And what's the next term we're going to discuss?

A. So turning to the deposition from George Flammer, who is the Silver Spring chief scientist, when asked the – the question about [REDACTED]

Q. Do you have additional evidence also that supports that?

A. So, again, for the base station broadcast signal term, there are additional documents produced by Silver Spring, which as you can see here talk about [REDACTED]

Q. Okay. And you have another slide for this?

A. Yes. So in this slide it shows that the – the meter or smart meter has to [REDACTED]

Tr. 6/3/14A.M. 110:16-112:19.

In viewing Dr. Bims' testimony as a whole, the jury had a sufficient evidentiary basis to conclude that the SSN network involved the transmission of

multiplexed synchronously related data messages as required by claims 1 and 2 of the '491 patent.

Accordingly, SSN's motion for JMOL as to infringement of claims 1 and 2 of the '491 patent is **DENIED**.

#### **IV. Evidence of "Receive Only Stations" in SSN's Accused Network**

Claim 20 of the '101 patent requires "receive only stations located in said zones for reception of transmissions from subscriber units located in the respective zones." '101 Patent 14:44-47. SSN moves for JMOL on the basis that EON failed to present sufficient evidence that there are receive only stations in SSN's accused network (Doc. No. 636 at 22). EON argues that "SSN tries to limit the claims by requiring the base station to send data messages to the subscriber unit *via the remote receiver*." (Doc. No. 647 at 30) (emphasis in original).

##### **a. Analysis**

At trial, EON presented testimony from Dr. Bims in support of the proposition that the relay device in the SSN network meets the "receive only station" requirement. Tr. 6/3/14 A.M. 120:14-122:10. As discussed above, Dr. Bims specifically noted that the SSN system does not transmit data messages from the access point in a downstream direction to the meters *through* the relay. Tr. 6/3/14 A.M. 121:19-22. He asserted that only "control signals" are sent downstream to the meter; not data messages. *Id.* at 122:2-10. This interpretation is consistent with the Court's Claim Construction Order. *See* Doc. No. 249 at 7-8.

Therefore, the Court finds that EON presented sufficient evidence that the relay device in the SSN network meets the “receive only station” requirement in claim 20 of the ‘101 patent.

Accordingly, SSN’s motion for JMOL as to non-infringement of claim 20 of the ‘101 patent is **DENIED**.

#### **V. Damages for Claim 3 of the ‘546 Patent in Light of Reexamination**

At trial, the jury found that SSN infringed claim 3 of the ‘546 patent (Doc. No. 618). Claim 3 is dependent on claim 2. SSN argues that Claim 2 of the ‘546 Patent was substantially amended in a reexamination proceeding and that as a result, “EON’s maximum recovery for any infringement of claim 3 of the ‘546 Patent must be limited to the period commencing October 4, 2011, the date the Reexamination Certificate issued, through October 26, 2012, the date the ‘546 Patent expired.” (Doc. 636 at 23). However, as discussed above, the Court finds that, as a matter of law, EON failed to produce sufficient evidence to support the jury’s finding of infringement as to claim 3 of the ‘546 patent.

Accordingly, SSN’s motion for a new trial on damages in light of the reexamination of claim 2 of the ‘546 patent is **DENIED AS MOOT**.

#### **VI. Damages**

SSN moves for JMOL, a vacatur of the damages verdict, or in the alternative, a new trial, on grounds that EON failed to present sufficient evidence supporting a reasonable royalty rate or the jury’s damages award. Specifically, SSN claims: 1) Mr. Lindsay’s expert opinion on the reasonable royalty

rate lacks a sufficient evidentiary basis because it is based on dissimilar agreements rather rights comparable to the patents-in-suit, and also because he failed to use the most reliable evidence of a reasonable royalty; 2) Mr. Lindsay improperly applied the Entire Market Value Rule; 3) Mr. Lindsay failed to offer a damages opinion for infringement of less than all three patents-in-suit; and 4) EON's closing arguments with respect to its claimed damages was misleading and prejudicial to the jury (Doc. No. 636 at 24-32).

**a. Applicable Law**

The damages statute, 35 U.S.C. § 284, sets the floor for “damages adequate to compensate for [patent] infringement” at “a reasonable royalty for the use made of the invention by the infringer.” The burden of proving damages falls on the patentee. *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1381 (Fed. Cir. 2003). Calculation of a reasonable royalty requires determination of two separate and distinct amounts: 1) the royalty base, or the revenue pool implicated by the infringement; and 2) the royalty rate, or the percentage of that pool “adequate to compensate” the plaintiff for the infringement. *See Cornell Univ. v. Hewlett-Packard Co.*, 609 F. Supp. 2d 279, 286 (N.D.N.Y. 2009). A reasonable royalty is based on a hypothetical negotiation that takes place between the patentee and the infringer on the date infringement began. *Unisplay, S.A. v. American Electronic Sign Co., Inc.*, 69 F.3d 512, 517 (Fed. Cir. 1995). “Although this analysis necessarily involves an element of approximation and uncertainty, a trier of fact must have some factual basis for a determination

of a reasonable royalty.” *Id.* The trial court has discretion to discern the reliability of methods used to arrive at a reasonable royalty. See *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 926 F.2d 1161, 1164 (Fed. Cir. 1991) (“[D]ecisions underlying a damage theory are discretionary with the court, such as, the choice of an accounting method for determining profit margin, or the methodology for arriving at a reasonable royalty.”) (internal citations omitted)).

#### **b. Analysis**

##### **1. Reasonable Royalty Rate**

SSN first argues that “Mr. Lindsay’s damages opinion is unsupported by the evidence because his sole basis for a starting point royalty [REDACTED] the communication module price is a non-comparable 2005 manufacturing agreement between Silver Spring and [REDACTED] (Doc. No. 636 at 24). At trial, Mr. Lindsay testified that he used SSN’s communication modules as a royalty base. Tr. 6/3/14 P.M. 163:24-15.

Q. Can you explain to the jury why?

A. Right. As we've heard about the last few days, there's a variety of components in Silver Spring's smart energy platform. They have the relays, the access points, these communication modules that go into these meters.

And rather than focusing on those other components or even the revenue that those components generate, I limited it to just the communication modules that go into it. And there's a couple of reasons.

One is, as we'll see in some of these documents, Silver Spring refers to that communication module, one, as the key that turns those smart meters on. It takes them from your standard traditional meters to your intelligent meters, and it kind of establishes that two-way communication in a network.

So to me, that's a good indicator of their extent of use, how many of these modules have they sold. It's also something they track. If you were to look at their SEC filings or quarterly releases, they talk about how many intelligent endpoints they have out in the marketplace, and that's the number of these communication modules.

So I limited my analysis to just that component and the number of those components that have been sold.

Tr. 6/4/14 A.M. 8:3-9:2. Thus, Mr. Lindsay used the communication module as a royalty base because he found that it was an integral component of SSN's accused network, and therefore served as a reasonable indicator of the extent of SSN's infringing activity.

In forming his opinion on a reasonable royalty rate, Mr. Lindsay testified that he considered the following: 1) a 2005 agreement with [REDACTED] 2) a 2008 agreement with [REDACTED] 3) a 2010 agreement with [REDACTED] 4) eight settlement agreements involving the patents-in-suit entered into by EON; and 5) various settlement agreements entered into by SSN. *See id.* at 21:25-37:24. He ultimately determined that the hypothetical

negotiation between EON and SSN would have occurred in 2007, *id.* at 13:3-9, and that based on the 2005 [REDACTED] agreement, the appropriate royalty rate [REDACTED] *See id.* at 31:16-34:24.

SSN takes issue with the fact that Mr. Lindsay's reasonable royalty calculations are primarily based on the [REDACTED] agreements, arguing that those "were meant to compensate Silver Spring for various rights, such as technological 'know-how' and intellectual property rights that were not patent-specific." (Doc. No. 636 at 25-26). At trial, Mr. Lindsay fully acknowledged that the hypothetical negotiation would involve only bare patent licenses, rather than additional rights such as "know-how" and other intellectual property rights. Tr. 6/4/14 A.M. 25:13-25. However, he testified that he gave more weight to the [REDACTED] agreement because it would have been contemplated by the parties at the time of the 2007 hypothetical negotiation, as opposed to the later 2008 and 2010 agreements. *Id.* at 39:2-7. Mr. Lindsay further testified that he discounted the reliability of EON's settlement agreements involving the patents-in-suit because such payments are "not intended to reflect either the rate of a reasonable royalty, an established royalty, or an established base upon which royalties should be paid." *Id.* at 23:3.

Q. And why—why is it important in your mind that these were settlements of litigation?

A. Well, if you remember at the beginning, we're talking about a hypothetical negotiation where patents are valid and they're enforceable and they're infringed, right?

We're making that assumption. Well, that's not the assumption when these settlement agreements are negotiated.

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A. So settlement agreements, just by their nature, are influenced by litigation. There are costs. There are risks. There are uncertainties on what's going to happen. And all of those factors can influence the—the willingness to enter into settlement negotiations. Like I said, there's no assumption of infringement. So it's not comparable to a hypothetical negotiation where you have a willing licensor and a willing licensee for valid and infringed patents.

Realizing that the royalty rate in the [REDACTED] agreement was based on more than bare patent rights, Mr. Lindsay testified that he adjusted his reasonable royalty calculation downward.

Q. We—I think we've walked through those numbers from [REDACTED] agreement. In your analysis, did you feel it was necessary to adjust those numbers that result from [REDACTED] agreement? And if so, can you talk to the jury about why and how?

A. Yes, I did. Remember what I mentioned early on about this—about the EON Silver Spring being a bare patent license. It wouldn't be one where they would get the technology and know-how and support of

what parts you need and how to get those parts. That's not part of it.

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*Id.* at 39:2-18. He then explained how he adjusted the calculation downward to reach a per-unit royalty of [REDACTED] the SSN communication modules. Tr. 6/4/14 A.M. 39:8-43:24.

SSN claims that Mr. Lindsay's damages opinion is flawed because he "disregarded EON's own comparable licensing agreements for the '101, '546 and '491 patents . . . ." (Doc. No. 636 at 27). SSN cites *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 872 (Fed. Cir. 2010), arguing that EON disregarded the most reliable evidence in the record. However, SSN reads *ResQNet* more broadly than is warranted. In that case, the Federal Circuit decided that "the most reliable license *in this record* arose out of litigation." 594 F.3d 860, 872 (Fed. Cir. 2010) (emphasis added). *ResQNet* was decided in the context of its own record; it does not establish a rule that every damages expert must only weigh past settlement licenses involving the specific patents in suit to arrive at a reasonable royalty. Moreover, post-*ResQNet*, the reliability of settlement agreements derived from litigation can be questioned. Notably, in *ResQNet* itself, the Federal Circuit observed that in certain instances, settlement agreements may have questionable relevance because "the hypothetical reasonable royalty calculation occurs before litigation and that litigation itself can skew the results of the hypothetical negotiation." *Id.* at 872; see also *Small v. Nobel Biocare USA, LLC*, 808 F. Supp. 2d 584, 591 (S.D.N.Y. 2011) (observing that *ResQNet* "cautions that such settlements may be

of minimal relevance in light of the possibility that litigation can skew the results of a hypothetical negotiation.”); *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 77 (Fed. Cir. 2012) (acknowledging the Federal Circuit’s “longstanding disapproval of relying on settlement agreements to establish reasonable royalty damages.”). Given the inherent uncertainty surrounding the reliability of settlement licenses, Mr. Lindsay was not required to assign special or controlling weight to EON’s settlement agreements in calculating a reasonable royalty rate. Mr. Lindsay’s testimony reflects a conservative and practical approach, wherein he methodically explained why he gave more weight to the [REDACTED] agreement, and why he discounted the EON settlement agreements involving the patents-in-suit. Tr. 6/4/14 A.M. 38:19-43:24.

It is important to note that the licenses SSN points to were not “disregarded,” but rather weighed by Mr. Lindsay, and presented to the jury for consideration. SSN is simply unsatisfied with *how* he weighed them in comparison to the [REDACTED] agreement. The Federal Circuit does “not discount all agreements regarding the technology at issue other than licenses addressing the price terms and circumstances at issue in the case at bar.” *SSL Servs., LLC v. Citrix Sys., Inc.*, No. 2013-1419, 2014 WL 5137552 (Fed. Cir. Oct. 14, 2014). In *SSL*, the plaintiff’s damages expert relied on agreements that supplied distribution rights to a specific software product, but did not provide a bare patent license. *See id.* at \*16. The agreements merely referenced the patent at issue as “intellectual property that was

relevant to the technology underlying the agreements.” *Id.* Nevertheless, the Federal Circuit agreed with the district court’s finding that “the agreements [were] sufficiently ‘comparable’ to be probative of the hypothetical negotiation’ as they involve[d] the actual parties, relevant technology, and were close in time to the date of the hypothetical negotiation.” *Id.* (citing *SSL Servs., LLC v. Citrix Sys., Inc.*, 940 F. Supp. 2d 480, 489-90 (E.D. Tex. 2013)). The Court further observed that “SSL’s expert expressly addressed the differences between the license negotiations and any hypothetical negotiations, thereby clarifying for the jury where such differences might exist and the limited value of such evidence.” *Id.* at 17. Like the expert in *SSL*, Mr. Lindsay specifically addressed the differences between the [REDACTED] license agreement negotiations and a hypothetical negotiation involving only bare patent licenses, allowing the jury to make a reasoned assessment. Nothing prevented SSN from challenging Mr. Lindsay’s reliance on the [REDACTED] agreement by way of cross-examination at trial. Clearly, the jury did not wholly credit Mr. Lindsay’s analysis, as it rejected his conclusion that a reasonable royalty would amount to \$56.4 million.

In addition, this case does not involve the obvious inflation tactics that were an underlying concern in *ResQNet* and *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1329 (Fed. Cir. 2009). Here, SSN’s *entire network* is the infringing product. Rather than attempting to calculate damages based on the entire SSN network, EON’s damages theory

was based a single component: the communications module. Presumably, Mr. Lindsay's damages calculation would have been higher had he chosen to base the royalty rate on SSN's infringing network as a whole.

Q. And you know from testimony and from the work you've done that in fact Silver Spring sells access points, relays, the—the UtilityIQ—

A. Right.

Q. —SaaS system—

A. Right.

Q. —all of which is accused, correct?

A. That's what I understand.

Q. And all of which they derive money or revenues from?

A. Yes.

Q. What I'm understanding you to say is you've limited your damages analysis to just the communication modules that they sell.

A. That's exactly right. That's the communication modules.

Tr. 6/4/14 A.M. 9:12-10:2. In contrast to the circumstances in *ResQNet* and *Lucent*, Mr. Lindsay's royalty rate calculation was not a superficial attempt at inflating the verdict. Rather, it was a practical approach aimed at ascertaining a royalty rate for an entire system or network with several revenue generating components.

## **2. Entire Market Value Rule**

In addition, the Court rejects SSN's arguments based on the Entire Market Value Rule ("EMVR"). "The entire market value rule allows a patentee to

assess damages based on the entire market value of the accused product [if] the patented feature creates the ‘basis for customer demand’ or ‘substantially create[s] the value of the component parts.’” *Uniloc USA Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (citing *Lucent*, 580 F.3d at 1336; *Rite-Hite*, 56 F.3d at 1549-50). Thus, the EMVR is inapplicable here because, as outlined above, Mr. Lindsay did not calculate the royalty rate on the value of the accused product, which is the entire SSN network as a whole. Rather, he calculated the royalty based on a component of the SSN network: the communication module.

### **3. Infringement of Less Than All Three Patents-in-Suit**

At trial, the jury found that SSN directly infringed claims 19 and 20 of the ’101 patent, claim 3 of the ’546 patent, and claims 1 and 2 of the ’491 patent (Doc. No. 618 at 2). As outlined above, the Court vacates the jury’s infringement finding as to claim 3 of the ’546 patent. Anticipating a finding of non-infringement as to one of the three patents-in-suit, SSN asks the Court to vacate the damages award or to grant a new trial on the issue of damages because Mr. Lindsay failed to offer a damages opinion for infringement of less than all three patents-in-suit. (Doc. No. 636 at 14-17, 32). In support of its argument for a new trial, SSN relies primarily on *Verizon Servs. Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295, 1309-10 (Fed. Cir. 2007), wherein the Federal Circuit held that a new trial on damages was appropriate in light of the fact that a new trial was required on the issue of infringement. The Court held

that the general rule requires a new trial as to damages where the jury renders a “single verdict on damages, without breaking down the damages attributable to each patent.” *Id.* (citing *Memphis Cmty. Sch. Dist. v. Stachura*, 477 U.S. 299 (1986)). However in *Verizon*, the Federal Circuit observed that there was no reason to depart from the general rule because the parties did not address it in their post-verdict briefing. *Id.*

In contrast to the parties in *Verizon*, EON has provided sufficient justification for the Court to depart from the general rule. First, EON points to the fact that SSN made no objection to the apportionment of damages on the jury verdict form. Even in its responsive briefing SSN admits that it “does not object to the form of the verdict or apportionment of damages . . . .” (Doc. No. 651 at 12). In addition, Mr. Lindsay testified that his damages model was structured such that it would remain the same regardless of the number of claims or patents that were found infringed. Tr. 6/4/14 A.M. 95:17-96:22. He testified that he structured the damages model this way because EON viewed the three patents-in-suit as interrelated. *Id.* at 96:16-19. Moreover, as EON points out, SSN fails to explain why its damages expert, Mr. Blakewell, offered single lump sum damages amount that remained the same regardless of the number of claims or patents found to be infringed. *See* Doc. No. 655 at 8.

Accordingly, despite the Court’s vacatur of the jury’s finding of infringement as to the ‘546 patent, SSN is not entitled to a new trial on the issue of damages.

#### 4. EON's Closing Arguments

SSN waived any argument as to the impropriety of EON's closing arguments by failing to object during the argument or to move for a mistrial before the case was submitted to the jury. *See Nissho-Iwai Co. v. Occidental Crude Sales, Inc.*, 848 F.2d 613, 619 (holding that plaintiff was barred "from urging the improper arguments as grounds for a new trial after the jury had returned its verdict."). Even if SSN had timely objected to EON's closing argument, it would have to show that EON's argument irreparably prejudiced the verdict or that the jury failed to follow the Court's instructions. *See id.* SSN has failed to make that showing.

Accordingly, SSN's motion for JMOL, or alternatively a new trial as to damages is **DENIED**.

#### VI. SSN's "Equitable Defense of Joint and Several Liability"

On August 8, 2013, EON executed a settlement agreement (the "Agreement") with Landis+Gyr ("L+G"), dismissing L+G from the instant lawsuit (Doc. No. 636-4 at 15). The agreement required, *inter alia*, L+G to pay EON [REDACTED] covering certain L+G products which EON alleged to be infringing. *See id.* at 8. SSN claims that those products include L+G electric meters, which incorporate SSN's communication modules (Doc. No. 636 at 33). Thus, SSN asserts that it is entitled to JMOL on its self-titled "equitable defense of joint and several liability" to prevent EON "from seeking an impermissible 'double recovery' from Silver Spring for the same communication modules incorporated into L+G meters." *Id.* EON responds, arguing that: 1) SSN

failed to produce any evidence of its sales of the communication modules to L+G; 2) there is no such thing as an equitable defense of joint and several liability; 3) SSN is not a licensee nor an implied licensee under EON's agreement with L+G; and 4) EON is not obtaining a double recovery. *See* Doc. No. 647 at 38-48.

**a. Analysis**

On May 20, 2014, the Court held a hearing to consider several motions submitted by the parties (Doc. No. 593). The Court denied SSN's motion for leave to file an amended answer as to its defense of patent exhaustion, but allowed SSN leave to assert an argument based on (what SSN characterized as) joint and several liability. *Id.* at 62. In addition, the Court noted that it would open to addressing the issue of whether EON granted SSN an implied license. *Id.* at 65. To the extent that SSN raises the defense of patent exhaustion in the instant motion, the Court finds that it is inapplicable for the same reasons considered at the May 20, 2014 hearing. Moreover, the Court finds that SSN's argument premised on joint and several liability is similarly inapposite. It is black letter law that joint and several liability is a mechanism for a plaintiff to obtain full recovery from joint tortfeasors, whereby "each liable party is individually responsible for the entire obligation." BLACK'S LAW DICTIONARY (9th ed. 2009). SSN's attempt to assert joint and several liability as a *defense* is inappropriate, especially in

light of the fact that SSN is the only liable party in this action.<sup>11</sup>

The only remaining argument SSN has raised is best characterized as an implied license defense.<sup>12</sup> SSN asserts that under Section 9 of the Agreement, “EON was fully compensated for the alleged joint infringement by L+G and Silver Spring arising from the sale of L+G electric meters containing Silver Spring’s communication modules that were provided to utilities for use in automated meter reading networks.” (Doc. No. 636 at 35). The crux of SSN’s argument is that it qualifies as a Licensee Supplier

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<sup>11</sup> SSN argues that “[t]he issue here is whether L+G are jointly and severally liable for infringing EON’s patents, namely by selling L+G meters containing Silver Spring communication modules.” (Doc. 636 at 36). That issue was not before the jury, and thus, there was no finding of liability as to L+G. Accordingly, the Court will not address that issue here.

<sup>12</sup> In order to determine whether EON granted SSN an implied license, the Court must interpret relevant terms of the EON-L+G Agreement. In the Fifth Circuit, “[a] settlement agreement is a contract,” and “the interpretation of an unambiguous contract is a question of law . . . .” *Alford v. Kuhlman Elec. Corp.*, 716 F.3d 909, 912 (5th Cir. 2013). (internal citations omitted). Since the Court finds that the relevant portions of the Agreement are unambiguous, it will construe those portions as a matter of law.

under the Agreement, and that EON granted a full release to L+G and its Licensee Suppliers for all past sales of L+G meters containing SSN communication modules in exchange for [REDACTED] *See id.* at 37.

Under Section 1.8 of the agreement, a Licensee Supplier is defined as [REDACTED] (Doc. No. 636-4 at 7) (emphasis added). The Licensed Product at issue is L+G electric meters. The record is undisputed that SSN [REDACTED] communication modules that were incorporated into the L+G meters.<sup>13</sup> (Dresslhuys Decl. at ¶ 13). Thus, the Court finds that SSN falls within the definition of a Licensee Supplier under the settlement agreement.

Under Section 9.2 of the Agreement, EON granted a release and dismissal of all claims against Licensee Suppliers [REDACTED] *Id.* at 16. Finally, in consideration of the entire Agreement, L+G agreed to pay to [REDACTED] EON. *Id.* at 9. Therefore, L+G's payment necessarily compensated EON for SSN's activities in connection with the Licensed Product, viz., supplying communication modules that were incorporated into L+G electric meters.

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<sup>13</sup> EON asserts that this is a disputed fact, yet has failed to offer any evidence to the contrary. At the May 20, 2014 hearing, the Court made it clear that the parties could request additional discovery on the damages issue, specifically in regard to the settlement agreement at issue here. Tr. 5/20/14 63:12-19. EON's failure to challenge SSN's evidence does not create a factual dispute.

EON asserts that the "L+G Agreement was unambiguously, expressly and painstakingly written to exclude SSN and other defendants in this case from any license to EON's patents." (Doc. 647 at 45). EON first points to Section 11.1 of the Agreement which provides:

[REDACTED]

(Doc. No. 636-4 at 17-18) (emphasis added). EON claims that "the language could not be more clear that the rights, release, covenant and license in the L+G Agreement excludes SSN and its products, even if SSN sells those products to L+G." (Doc. No. 647 at 46). EON overlooks the importance of the phrase [REDACTED] in Section 11.1. The issue here is not whether the Agreement conferred rights to SSN with respect to *Third Party Products*; rather the issue is whether the Agreement conferred rights to SSN with respect to *Licensed Products* (L+G meters). The payment L+G provided to EON under the settlement was (at least in part) in consideration of rights conferred to Licensee Suppliers such as SSN with respect to the Licensed Products. Thus, EON's reliance on Section 11.1 of the Agreement is misplaced.

Next, EON asserts that the Agreement excludes SSN from being a Licensee Supplier EON citing Section 10:

[REDACTED]

(Doc. No. 636-4 at 17) (emphasis added). Under Section 1.8 of the Agreement [REDACTED] *Id.* at 7. Third Party products are defined as [REDACTED] and the agreement states that [REDACTED] *Id.* at 8

(emphasis added). EON argues that these provisions show that the Agreement was "specifically drafted to carve out any license to SSN or any other manufacturer that has not taken a license from EON, even if that manufacturer's products somehow subsequently become combined with L+G's products." (Doc. No. 647 at 46-47). Again, EON's reliance on these provisions is misplaced. First, SSN is not asserting that it is a Licensee Supplier for *Third Party Products*; rather, it is claiming to be a Licensee Supplier with respect to the *Licensed Products* (L+G meters). Section 10 focuses on Third Party sales of Third Party Products; the issue here is the sale of Licensed Products.

The Court finds that SSN falls within the definition of a Licensee Supplier under the Agreement. By the terms of the Agreement, EON was compensated and SSN was released with respect to SSN's [REDACTED] communication modules that were incorporated into the L+G meters. It is undisputed that SSN sold [REDACTED] communication modules during the relevant time period. The jury awarded EON \$18,800,000 based on SSN's sale of those [REDACTED] communication modules. Thus, EON's damages calculations including the [REDACTED] communication modules SSN sold to L+G resulted in a double recovery.

"There is a strong presumption in favor of affirming a jury award of damages. The damage award may be overturned only upon a clear showing of excessiveness . . . . However, when [the] court is left with the perception that the verdict is clearly excessive, deference must be abandoned." *Giles v.*

*Gen. Elec. Co.*, 245 F.3d 474, 488 (5th Cir. 2001) (quoting *Eiland v. Westinghouse Elec. Corp.*, 58 F.3d 176, 183 (5th Cir.1995)). Where the Court finds that the jury’s verdict is excessive it may grant a “remitter, or if the plaintiff chooses not to accept the remitted award, a new trial on the issue of damages alone.” *Id.* In determining the amount of the remitter, the Fifth Circuit follows the “maximum recovery rule,” whereby damages are reduced to the maximum amount a reasonable jury could have awarded. *Id.* at 489 (citing *Dixon v. Int’l Harvester Co.*, 754 F.2d 573, 590 (5th Cir.1985)). “Of course, [the Court’s] reassessment of damages cannot be supported entirely by rational analysis, but involves an inherently subjective component.” *Eiland*, 58 F.3d at 183.

Here, the jury awarded EON \$18,800,000 for SSN’s infringing sales [REDACTED] of communication modules. However, because the Court finds that EON was compensated for [REDACTED] communication modules SSN sold to L+G— [REDACTED] —the jury’s damages award must be remitted to prevent EON from obtaining an excessive recovery. Therefore, the Court adjusts EON’s damages award downward [REDACTED] to \$12,990,800. Accordingly, EON may either accept the remitted award or request a new trial on the issue of damages.

#### **VII. EON’s Comments Regarding Willful Infringement**

SSN moves for a new trial on the basis that EON made misleading and prejudicial references to SSN’s alleged willful infringement. Specifically, SSN claims

that “EON’s closing argument impugning Silver Spring’s post-filing conduct was . . . inaccurate, irrelevant, prejudicial to the jury, and in violation of the Court’s decision to grant judgment as a matter of law [in favor of SSN] on EON’s willful infringement claim.” (Doc. 636 at 40). The Court will not address the merits of this argument, because it finds that SSN waived any objection it may have had to EON’s closing argument. As discussed above, failure to object to the impropriety of the closing argument bars a party “from urging the improper arguments as grounds for a new trial after the jury ha[s] returned its verdict.” *Nissho-Iwai Co. v. Occidental Crude Sales, Inc.*, 848 F.2d 613, 619 (5th Cir. 1988) (citing *Computer Sys. Eng’g, Inc. v. Qantel Corp.*, 740 F.2d 59, 69 (1st Cir. 1984)). In addition, even where a party timely objects, a new trial is only warranted if the improper arguments “irreparably prejudice a jury verdict or if the jury fails to follow instructions.” *Id.* Neither SSN’s briefing, nor the trial record reveal any attempt by SSN to object to EON’s closing arguments. Moreover, SSN has not even attempted to show that the statements made during EON’s closing irreparably prejudiced the jury verdict or caused the jury to ignore the Court’s instructions.

Accordingly, SSN’s motion for a new trial on the basis that EON’s counsel made impermissible comments during closing arguments is **DENIED**.

#### **CONCLUSION**

EON’s Motion for Judgment as a Matter of Law (Doc. No. 621) is **DENIED AS MOOT**. SSN’s Motion for Judgment as a Matter of Law, New Trial and Judgment on Equitable Defense of Joint and Several

Liability (Doc. No. 636) is **GRANTED IN PART** and **DENIED IN PART**.

EON may either accept the remitted damages award or request a new trial on the issue of damages within **ten days** from the issuance of this memorandum opinion and order.

So ORDERED and SIGNED this 21<sup>st</sup> day of October, 2014.

/s/ John D. Love  
John D. Love  
United States Magistrate Judge

**APPENDIX C**

**United States Court of Appeals  
for the Federal Circuit**

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**EON CORP. IP HOLDINGS LLC,**  
*Plaintiff-Appellee*

**v.**

**SILVER SPRING NETWORKS, INC.,**  
*Defendant-Appellant*

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2015-1237

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Appeal from the United States District Court for  
the Eastern District of Texas in No. 6:11-cv 00317-  
JDL, Magistrate Judge John D. Love.

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**ON PETITION FOR REHEARING EN BANC**

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Before PROST, *Chief Judge*, NEWMAN,  
LOURIE, BRYSON\*, DYK, MOORE, O'MALLEY,

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\* Circuit Judge Bryson participated only in the  
decision on the petition for panel rehearing.

REYNA, WALLACH, CHEN, HUGHES, and STOLL,  
*Circuit Judges*\*\*.

PER CURIAM.

**ORDER**

Appellee EON Corp. IP Holdings LLC filed a petition for rehearing en banc. A response to the petition was invited by the court and filed by appellant Silver Spring Networks, Inc. The petition was first referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on June 2, 2016.

FOR THE COURT

May 26, 2016

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of the court

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\*\* Circuit Judge Taranto did not participate.