No. 16-551

IN THE

Supreme Court of the United States

EON CORP. IP HOLDINGS LLC,

Petitioner,

v.

SILVER SPRING NETWORKS, INC.,

Respondent.

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

REPLY BRIEF FOR THE PETITIONER

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REPLY BRIEF FOR THE PETITIONER

Respondent acknowledges that in the Federal Circuit, an appellate panel is permitted to order entry of judgment as a matter of law (JMOL) on the basis of its own construction of a patent claim even it that construction was never advanced at trial or preserved in a Rule 50 motion. BIO 16, 18. The justification for that rule – that claim construction is a pure question of law – is the same justification offered by several other circuits for entertaining other purely legal grounds for JMOL on appeal, even though they were not raised in a Rule 50 motion. Respondent admits, however, that other circuits reject this "purely legal" issue exception to Rule 50, *see* BIO 7-8, creating a circuit conflict this Court acknowledged but left unresolved in *Ortiz v. Jordan*, 562 U.S. 180 (2011).

Respondent further does not dispute that this Court should resolve that conflict in an appropriate case. But respondent argues that the decision below does not implicate the conflict and otherwise presents a poor vehicle for resolving it. Those claims, as well as respondents' attempts to defend the Federal Circuit's practice, are meritless.

I. This Case Presents The Question Left Open In *Ortiz*, Over Which The Circuits Are Admittedly In Conflict.

1. Respondent starts its opposition by badly mischaracterizing the Question Presented, claiming it asks whether "every discrete legal issue must be relitigated *ad nauseam* at every stage of the case through postverdict motions in order to be eligible for consideration on appeal." BIO 7.

In fact, the Question Presented concerns only courts' authority to order a particular form of extraordinary relief (JMOL) that completely reverses a jury verdict and ends the case. *See* Pet. i. Petitioner does not contest, for example, that courts may consider the correctness of a jury instruction or admission of evidence regardless of whether the objection was restated in a Rule 50 motion because those errors do not result in JMOL. *Contra* BIO 7; *see, e.g.*, *Vazquez-Valentin v. Santiago-Diaz*, 459 F.3d 144, 147-48, 154 (1st Cir. 2006) (discussed at BIO 13, explaining that absent Rule 50 motion court could not order JMOL and was limited, instead, to considering evidentiary objections and ordering a new trial). Nor does petitioner argue that the Federal Circuit is always limited to the parties' proposals when construing patent claims. *Contra* BIO 14. Rule 50 has nothing to say, for example, about whether a claim construction error may be remedied by a new trial when it results in erroneous jury instructions. *See* BIO 7. Instead, we argue that the court may not order *JMOL* as a remedy for any perceived claim construction error unless it was asserted in a proper Rule 50 motion. Respondent's failure to acknowledge this distinction infects much of its opposition.

2. Respondent next contends that the circuit conflict left unresolved by *Ortiz* is "over whether an appellate court may review the district court's *denial of summary judgment* if the basis for the original request was 'purely legal' and is not restated in a motion under Rule 50(b)." BIO 7. That assertion mischaracterizes *Ortiz* and the conflicting lower court decisions.

a. As the petition explained, and respondent just ignores, *Ortiz* held unambiguously that the denial of summary judgment may *never* be appealed after trial, regardless of the nature of the issues:

> We granted review to decide a threshold question on which the Circuits are split: May a party, as the Sixth Circuit believed, appeal an order denying summary judgment after a full trial on the merits? *Our answer is* ***no***. The order retains its interlocutory character as simply a step along the route to final judgment.

562 U.S. at 183-84 (emphasis added, footnote & citation omitted); *see also id*. at 188. The interlocutory character of a summary judgment order arises from its timing, not the nature of the issues it decides.

The Court then addressed whether a defendant nonetheless may seek equivalent relief by asking the court of appeals to order *JMOL* on the ground that the evidence *at trial* was insufficient under the proper legal standards. 562 U.S. at 185; *see also* Pet. 6-7. In the context of *that* question, the prior summary judgment briefing was relevant only because it "preserved [the legal objection] for appeal." 562 U.S. at 189. The Court then went on to consider whether simple preservation is enough, or whether Rule 50 requires more. *Id*. at 189-92.

Accordingly, the question left open in *Ortiz* was whether a defendant, having preserved a purely legal objection *somewhere* in the lower court record, is nonetheless "obliged to raise that sufficiency-of-the-evidence issue by postverdict motion for judgment as a matter of law under Rule 50(b)." *Id*. at 191-92.

That is the question over which the circuits are divided and which is presented by this petition.

b. To be sure, that question arises most commonly when a defendant has raised its legal issue at summary judgment.[1] But the Question Presented can also arise when a defendant raised a purely legal argument at some other point in the proceedings, but not in a Rule 50 motion.

For example, in *Jurgens v. McKasy*, 927 F.2d 1552 (Fed. Cir. 1991), the court considered a purely legal question (whether a patent was invalid as obvious) that was presented for the first time in a Rule 50(b) motion. *Id*. at 1556. The Federal Circuit acknowledged that the failure to raise the objection in a prior Rule 50(a) motion ordinarily would mean that "the sufficiency of the evidence underlying presumed jury findings cannot be challenged through a JNOV motion or on appeal." *Id*. at 1557. But it applied the exception for purely legal issues, explaining that "[n]onobviousness is a conclusion of law." *Id*. at 1558; *see also id*. at 1557.[2]

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[1] To the extent some courts continue to characterize the question in such cases as whether the defendant is permitted to appeal the denial of summary judgment, that is simply an understandable shorthand with no real significance. *Ortiz*, 562 U.S. at 185 (explaining that court of appeals "erred, but not fatally, by incorrectly placing its ruling under the summary-judgment headline").

[2] Respondent's claim that the Federal Circuit does not apply the "purely legal" exception (BIO 14) is thus incorrect. *See also* Pet. 21-22. In so claiming, respondent also ignores the *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 64 F.3d 1553 (Fed. Cir. 1995), line of cases at the heart of this petition.

Conversely, the First Circuit, which is on the other side of the circuit conflict, has rejected attempts to litigate purely legal issues not raised in a Rule 50 motion whether the issue was raised in a summary judgment brief *or* through other "pertinent references" in the record, such as a "Joint Pretrial Memorandum, proposed jury instructions, objections to jury instructions, and closing argument." *Jones ex rel. United States v. Mass. Gen. Hosp.*, 780 F.3d 479, 489 (1st Cir. 2015) (brackets omitted).

3. The Federal Circuit's acknowledged practice of granting JMOL on the basis of its own claim construction directly implicates the circuit conflict and resolving its legality would eliminate the split. That is, the only justification for the Federal Circuit's practice is that claim construction presents a purely legal question for the court. *See* Pet. 31. Deciding whether there is an exception to Rule 50 for purely legal claims would resolve both the legality of the Federal Circuit's claim construction practice and whether defendants may seek JMOL on appeal on the basis of other purely legal claims raised at summary judgment but not reiterated in their Rule 50 motions.

II. The *Ortiz* Question Is Particularly Important In The Claim Construction Context.

Although respondent defends the Federal Circuit's current practice, it does not dispute that the lawfulness of that practice is a question of recurring importance to the patent bar. *See, e.g.*, Mitchell G. Stockwell, *Limiting Claim Construction Challenges After* Ortiz v. Jordan, 39 AIPLA Q.J. 225 (2011). Indeed, respondent admits that the Federal Circuit's

rule can lead to serious unfairness when JMOL is issued on a ground the losing party never had an opportunity to address with evidence at trial. BIO 22. Whether patent litigants are protected against that unfairness by the strict preservation requirements of Rule 50 or left to the discretion of particular appellate panels (as respodnent argues, *id.*) is a question this Court should resolve.

Respondent also has no answer to our showing that the Federal Circuit's current precedents in this area are incoherent. Pet. 26-27. Respondent does not dispute that those precedents preclude *parties* from seeking JMOL in the district court or on appeal on the basis of a new claim construction; they prohibit the *district court* from entering JMOL on the basis of a new claim construction; but they allow *the court of appeals* to reverse the district court's constrained ruling if the panel thinks the defendant's untimely construction was in fact correct (even if the defendant was prohibited from raising it in the district court, the district court was precluded from considering it, and the defendant was barred from suggesting it on appeal), or if the panel comes up with its own construction never even suggested below. *Id.*

This makes "perfect sense," respondent claims, BIO 19, even though it means that the court of appeals will adopt its independent constructions without the benefit of the views of the district court or briefing from the parties. (Why it makes perfect sense for the court of appeals to have this latitude, but not the district court, respondent does not say).

III. Respondent's Vehicle Objections Are Meritless.

Respondent also claims that this case is a poor vehicle for resolving any conflict, for three reasons, none of which has merit.

1. Respondent first argues that the Question Presented is not implicated because respondent did "all that Rule 50 and *Unitherm* require" by asserting in its Rule 50 motions that the patent was not infringed "under the *correct* construction" of the patent terms. BIO 9 (emphasis added). Even if respondent did not advance "the correct" construction in its motion, the argument goes, all Rule 50 requires is that the motion raise "the ultimate issue of infringement." *Id*. 14.

As an initial matter, it is important to note that the Federal Circuit had no need to decide any preservation issue because, as petitioner puts it, under Circuit precedent the question was "irrelevant." BIO 20. Certiorari would be warranted to correct that misimpression, and resolve the circuit conflict, even if the Federal Circuit might reach the same result after applying the correct legal standards.

In any event, respondent's claim that Rule 50 requires only the preservation of an "issue" (like "infringement") is wrong. Rule 50 requires the movant to "specify the . . . law and facts that entitle the movant to the judgment." Fed. R. Civ. P. 50(a)(2). "The requirement for specificity is not simply the rule-drafter's choice of phrasing." *Duro-Last, Inc. v. Custom Seal, Inc*., 321 F.3d 1098, 1107 (Fed. Cir. 2003). It is essential to ensuring "the responding party an opportunity to cure any deficiency in that

party's proof that may have been overlooked until called to the party's attention by a late motion for judgment." Fed. R. Civ. P. 50, advisory committee's note to 1991 amendment. That purpose is flouted if a defendant offers one claim construction at trial but a panel applies another one on appeal.

Accordingly, courts uniformly hold that under Rule 50 "appellate review may be obtained only on the *specific ground* stated in the motion." *Perdoni Bros., Inc. v. Concrete Sys., Inc.*, 35 F.3d 1, 4 (1st Cir. 1994) (citation & brackets omitted); *accord McCann v. Texas City Ref., Inc.*, 984 F.2d 667, 672 (5th Cir. 1993) ("Rule 50(a) requires a motion for a directed verdict to state the *specific grounds* for granting the motion.") (emphasis in original, footnote omitted).[3]

Consistent with this precedent, the Federal Circuit has held that it "is too late at the JMOL stage to argue for or adopt a new and more detailed interpretation of the claim language and test the jury verdict by that new and more detailed interpretation." *Wi-Lan, Inc. v. Apple Inc.*, 811 F.3d 455, 464-65 (Fed. Cir. 2016) (citation omitted). There is no reason to think the court would adopt a radically less demanding test for preservation for appeal, if the Circuit believed that such preservation was actually required.

2. Respondent also makes a limited attempt to suggest that the Federal Circuit may have applied respondent's claim construction without acknowledging it. BIO 20. But respondent's lack of

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[3] The allegedly contrary cases cited at BIO 10 do not even cite Rule 50.

enthusiasm for that argument is telling – the most it is willing to say is that Judge Bryson "assumed" that the majority had adopted respondent's construction "without explicitly saying so" and that this conclusion "was certainly warranted." *Id*. Respondent is then quick to argue that the question is, in any event, "irrelevant." *Id*.

In fact, respondent can point to nothing in the panel opinion to substantiate its claim that the majority adopted its construction. *See* Pet. 14 & n.3. As we explained in the petition, the majority specifically denied Judge Bryson's allegation that it had applied respondent's claim construction. Pet. 14. Respondent does not even attempt a response. *See* BIO 20. Respondent likewise presents no answer to our showing that the panel instead likely adopted a construction respondent specifically abandoned at trial and disavowed on appeal. Pet. 14 & n.3.

In the end, any ambiguity on this score is no reason to bypass an opportunity to resolve the *Ortiz* conflict: it would be open to the Court to simply answer the Question Presented and remand for the Federal Circuit to decide in the first instance whether respondent had preserved a viable basis for JMOL in its Rule 50 motion.

3. Respondent says that such a remand would be pointless because the Federal Circuit (or the district court) would just apply the panel's original construction again and reach the same result. BIO 20-21, 23-24. This odd claim is also meritless.

If this Court rejected the "purely legal" exception to Rule 50, it would vacate the Federal Circuit's decision, including its claim construction. On remand, the court of appeals would be limited to

deciding whether respondent is entitled to JMOL on either of the two claim constructions respondent preserved in its Rule 50 motions. If, as it appears, the court believed that neither construction was correct, it manifestly would *not* be free to then enter JMOL on the basis of its own alternative construction, given that this would be precisely what this Court had held impermissible under Rule 50.

Instead, as often happens when a defendant has failed to raise a potentially meritorious argument in its Rule 50 motions, the court would be compelled to affirm the jury verdict despite its misgivings or consider other grounds for providing different relief. *See, e.g.*, *Vazquez-Valentin*, 459 F.3d at 147-48; Pet. App. 7a-11a (addressing alternative ground for new trial). To be sure, in any retrial ordered on another ground, respondent might attempt to adjust its claim construction. But petitioner would then have a fair opportunity to respond to that new construction with evidence and arguments in the trial court, an opportunity not afforded when a court of appeals orders JMOL on the basis of a claim construction never presented in the Rule 50 motions below.

IV. Respondent's Arguments On The Merits Provide No Basis To Allow The Conflict To Persist.

Respondent's full-throated defense of the Federal Circuit's practice is a reason to grant certiorari, not deny it – the Court is assured of a thorough airing of this important question. But a few points warrant immediate response.

1. Respondent argues that purely legal arguments "do not constitute challenges to the sufficiency of the evidence" and "are thus not within

the ambit of Rule 50." BIO 11. As we have explained, however, that is not true when the defendant seeks *JMOL* on the basis of a purely legal argument. A request for a *new trial* based on the court's misconstruction of a claim in the jury instructions may present a purely legal question entirely apart from the sufficiency of the evidence – a finding of error can result in a new trial without any need to examin the evidence. But to order JMOL, the court must not only decide the abstract legal question, but must *also* compare the evidence against the correct legal standard. *See* Pet. 28; Pet. App. 15a-16a (doing exactly that in this case). That is why Rule 50 expressly requires the movant to "specify" the "law *and* facts" supporting JMOL. Fed. R. Civ. P. 50(a)(2) (emphasis added).

2. Respondent also claims that this Court already resolved the Question Presented in *Boyle v. United Techs. Corp.*, 487 U.S. 500 (1988). *See* BIO 12. But in that case, the Court confronted no Rule 50 issue, only the claim that "since the formulation of the [federal military contractor] defense adopted by the Court of Appeals differed from the *instructions* given by the District Court *to the jury*, the *Seventh Amendment* guarantee of jury trial required a remand for trial on the new theory." 487 U.S. at 513 (emphasis added).

Respondent's reliance (BIO 12) on *Neely v. Martin K. Eby Constr. Co.*, 386 U.S. 317 (1967), is likewise inapt, as the defendant in that case preserved his objection in a proper Rule 50 motion. *See id*. at 319.

3. Finally, respondent argues at length that courts are not limited to the parties' competing interpretations of legal documents like patents and

contracts. BIO 16-17. But in the very next breath respondent acknowledges that courts' freedom to declare the meaning of legal documents is constrained by preservation and waiver rules. BIO 17. Respondent thus simply begs the question presented by the petition – what is required to preserve a JMOL request for appeal? This Court should grant the petition and answer that question.

CONCLUSION

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

Respectfully submitted,

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