

No. _____

**In The
Supreme Court of the United States**

—◆—
PRESIDIO COMPONENTS, INC.,

Cross-Petitioner,

v.

AMERICAN TECHNICAL CERAMICS CORP.,

Cross-Respondent.

—◆—
**On Cross Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

—◆—
CONDITIONAL CROSS PETITION

—◆—
GREGORY F. AHRENS
Counsel of Record
BRETT A. SCHATZ
WOOD HERRON & EVANS LLP
2700 Carew Tower
441 Vine Street
Cincinnati, Ohio 45202-2917
513-241-2324
gahrens@whe-law.com

QUESTION PRESENTED

Whether a court of appeals denies a prevailing party its right of trial by jury under the Seventh Amendment, when reversing the denial of a motion for judgment as a matter of law based on a classical fact issue without mentioning any evidence that supports the jury's verdict or construing any evidence in the prevailing party's favor, and making its own finding of fact for the first time on appeal?

The Seventh Amendment of the U.S. Constitution mandates that the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise reexamined in any Court of the United States. Those protections are abrogated if appellate courts do not strictly adhere to this Court's well-established substantial evidence review of a fact tried to a jury, which occurs as to all of the evidence, and all of that evidence must be construed in the prevailing party's favor. *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150-151 (2000) (“[I]n entertaining a motion for judgment as a matter of law, the court should review all of the evidence in the record . . . [and] the court must draw all reasonable inferences in favor of the nonmoving party. . . .”). As such, a motion for judgment as a matter of law must be denied unless, upon review of all of the evidence, construed in the prevailing party's favor, there is an absence of substantial evidence supporting a jury's verdict.

In this case, causation of lost profits was a classical fact tried to a jury, and therefore is protected by the

QUESTION PRESENTED – Continued

Seventh Amendment. However, the Federal Circuit reversed the district court's denial of a motion for judgment as a matter of law without mentioning, much less applying, the rule that all the evidence must be reviewed and construed in favor of the prevailing party. Moreover, none of the evidence supporting the jury's lost profit damages verdict was construed in favor of the prevailing party. Instead, the Federal Circuit made its own finding of fact for the first time on appeal, based on no supporting evidence or argument raised by the parties. The Federal Circuit supported its reversal by construing evidence in favor of the losing party. In doing so, the Federal Circuit abrogated the protections afforded by the Seventh Amendment, and gutted the rule established by the Court that to overturn a jury's verdict all evidence must be considered, and all evidence must be construed in favor of the prevailing party.

RULE 29.6 STATEMENT

Presidio Components, Inc. (“Presidio”) has no parent or publicly held company owning 10% or more of the corporation’s stock.

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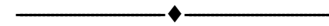
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Presidio respectfully submits this conditional cross petition for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit in this case.



OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the Federal Circuit reversing the denial of Petitioner's motion for judgment as a matter of law entered by the U.S. District Court for the Southern District of California is reported at 875 F.3d 1369, and reproduced at Pet. App. 1a-27a.

The opinion of the U.S. Court of Appeals for the Federal Circuit denying Presidio's petition for rehearing and rehearing en banc is reproduced at Pet. App. 102a-103a.

The relevant opinion and order of the U.S. District Court for the Southern District of California denying Petitioner's motion for judgment as a matter of law is reproduced at R. App. 1a-71a.



JURISDICTION

The district court had jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a). The court of appeals had jurisdiction based on 28 U.S.C. § 1295. That court entered its judgment on November 21, 2017. Pet. App. 28a. A timely petition for rehearing and rehearing en

banc was denied on January 26, 2018. Pet. App. 102a-103a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

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STATUTORY PROVISIONS INVOLVED

The Seventh Amendment of the U.S. Constitution provides: “In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of common law.”

Rule 50(a)(1) of the Federal Rules of Civil Procedure provides: “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 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.”

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INTRODUCTION

The Federal Circuit recently granted an en banc petition “to affirm [its] understanding of the appellate function as limited to deciding the issues raised on

appeal by the parties, deciding these issues only on the basis of the record made below, and as requiring appropriate deference be applied to the review of fact findings.” *Apple Inc. v. Samsung Elecs. Co., Ltd.*, 839 F.3d 1034, 1039 (Fed. Cir. 2016). The “appropriate deference” requires that “[t]he evidence must be viewed in the light most favorable to the nonmoving party, and all reasonable inferences must be drawn in favor of that party.” *Id.* at 1040; *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150-51 (2000). “[I]n entertaining a motion for judgment as a matter of law, the court should review all of the evidence in the record.” *Id.*

When courts of appeal stray from this Court’s explicit instructions, the harm to the public is manifest: “Duplication of the trial judge’s efforts in the court of appeals would very likely contribute only negligibly to the accuracy of fact determination at a huge cost in diversion of judicial resources. In addition, the parties to a case on appeal have already been forced to concentrate their energies and resources on persuading the trial judge that their account of the facts is the correct one; requiring them to persuade three more judges at the appellate level is requiring too much.” *Anderson v. City of Bessemer City*, 470 U.S. 564, 574-75 (1985).

In this case, the Federal Circuit strayed from this Court’s explicit instructions by not mentioning any of the evidence of record supporting the jury’s verdict, not construing any of that evidence in the prevailing party’s favor, and construing evidence in the losing party’s favor. Moreover, to support its reversal, the

Federal Circuit made a finding of fact for the first time on appeal, without basis in the record made below, in violation of the Seventh Amendment.

If left unreviewed, the Federal Circuit's decision will encourage courts of appeal to deprive litigants of their Seventh Amendment right to a trial by jury. It will also result in "a huge cost in diversion of judicial resources." *Anderson*, 470 U.S. at 574-75. Moreover, the consequence is precedent that no longer must a jury's verdict be afforded deference, no longer must all evidence be construed in the prevailing party's favor, even if the issue is one of pure fact, and no longer must the appellate court refrain from fact finding. Rather, the explicit instructions from the Court, *i.e.*, to overturn a jury's verdict all evidence must be considered and all evidence must be construed in favor of the prevailing party, are abrogated.



STATEMENT OF THE CASE

In February 2008, Presidio commenced a lawsuit in the U.S. District Court for the Southern District of California against Respondent American Technical Ceramics Corp. ("ATC") for infringement of U.S. Patent No. 6,816,356 ("the '356 patent"). Presidio accused ATC's 545L capacitor of infringement. (*Presidio I*). At trial, the jury returned a verdict that the 545L capacitor infringed the '356 patent and awarded lost profit damages based on lost sales of Presidio's Buried Broadband capacitor ("BB capacitor") caused by the

infringement. The district court upheld the jury's verdict, finding substantial evidence supporting the jury's lost profit damages award. Appx5356-5358. The lost profit damages award was upheld on appeal to the Federal Circuit, and ultimately a permanent injunction against the 545L capacitor was entered. Appx7342-7343.

In September 2014, Presidio commenced this lawsuit in the U.S. District Court for the Southern District of California against ATC for infringement of the '356 patent, through the product that replaced the 545L capacitor, *i.e.*, the 550 capacitor. (*Presidio II*). At trial, the jury returned a verdict that the 550 capacitor infringed the '356 patent. Appx293-297. As in *Presidio I*, the jury awarded lost profit damages based on lost sales of Presidio's BB capacitor caused by the infringement. *Id.* The district court upheld the jury's verdict, finding substantial evidence supporting the jury's lost profit damages award. R. App. 30a-39a.

Presidio established an entitlement to lost profits though the framework given in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1156 (6th Cir. 1978). R. App. 31a-34a. Regarding the second prong of the *Panduit* analysis – the absence of acceptable, non-infringing alternatives – the Parties presented fact witness testimony from both Presidio and ATC, expert witness testimony, and documentary exhibits. Specifically, both Presidio and ATC presented evidence on the acceptability and availability of an alleged acceptable, non-infringing alternative, *i.e.*, the 560L capacitor. The district court found that evidence sufficient

to support the jury's lost profit damages award, and the implicit finding that the 560L capacitor was not an acceptable and available substitute. R. App. 33a-34a.

With respect to whether the 560L was an acceptable substitute, an ATC witness admitted the 560L has performance "less good than the 550." Appx699, Appx709, Appx712-714, Appx718-719, Appx1285.

Presidio also presented evidence that the 560L was a "reduced performance" part. Appx735-736. And, while ATC witnesses and documents identified the Presidio "BB series" as "competitive," and identified Presidio "in the competition line" as the infringing "550L" and "550Z" products, no ATC documents, marketing materials, or presentations "touted [the 560L] as a competitive product for the buried broadband capacitor of Presidio." Appx1057, Appx699, Appx709, Appx712-714, Appx718-719.

Presidio also presented evidence suggesting that customers had not evaluated the 560L, and therefore had not concluded it was acceptable. A Presidio representative testified that he has never run into the 560L in the marketplace. Appx590-591. No Presidio representative had ever said the 560L is on the market (Appx590-591), and no customer had ever mentioned the 560L (Appx590-591). Rather, a Presidio representative testified he had never heard of the 560L and did not consider the 560L competitive to the Presidio BB capacitor. (Appx590-591).

Presidio also presented evidence that the 560L had not yet been proven to be acceptable to customers. Presidio presented evidence regarding minimal sales of the 560L relative to the infringing product, to only one customer, in view of the admission that the 560L is a “reduced performance” part. (Appx81, Appx296, Appx1056-1057, Appx1285, Appx735). Moreover, an ATC witness admitted that it had only great “expectations” about that product, admitting that “[i]t always takes a few months to get something going.” (Appx81, Appx1285-1287, Appx1056-1057).

Presidio also presented expert testimony regarding the hypothetical market in which the infringing 550 product was absent from the market. Presidio’s expert testified in the hypothetical market wherein “the 550 product was removed from the market” that “there are no acceptable non-infringing products” and “I’ve concluded that they wouldn’t be acceptable alternatives” (Appx1052, Appx1057, Appx1047-1049). Presidio’s expert also testified that “Presidio would have obviously the best available alternative” in the hypothetical market wherein “the 550 product was removed from the market.” (Appx1048-1049, Appx1052-1053).

Of this testimonial and documentary evidence pertaining to whether the 560L was an acceptable substitute, the only one mentioned by the Federal Circuit was ATC’s admission that the 560L is “not as good as” and “did not perform as well as” the infringing product. Pet. App. 17a-21a. Specifically, the panel noted that “the district court stated that ‘ATC’s own witness testified that the 560 capacitors are not as good as the 550

capacitors’” and that “[o]n appeal, Presidio argues that ‘the 560L product did not perform as well as the infringing 550 capacitor.’” Pet. App. 19a.

None of the other testimonial and documentary evidence recited above was mentioned by the Federal Circuit. And, none was construed in Presidio’s favor. The Federal Circuit also did not mention, much less apply to the evidence, the deferential review standard that “the court should review all of the evidence in the record” and “draw all reasonable inferences in favor of the nonmoving party,” Presidio. *Reeves*, 530 U.S. at 150-51.

In its decision, the Federal Circuit expressly construed other evidence in ATC’s favor. The Federal Circuit determined that “the fact that the 560L capacitor was not widely advertised when sold in a market with the 550 capacitor does not show a lack of availability. In a hypothetical market including the 550 capacitors, ATC *may have* chosen not to advertise the 560L capacitor.” Pet. App. 20a (emphasis added). The Federal Circuit offered this possible alternative interpretation of the evidence, and did so despite the evidence demonstrating that ATC did not just “not widely advertise[]” the 560L, but intentionally kept it from its website and the market. (Appx1056-1057, Appx1099, Appx1101).

It is at least equally tenable that ATC made a decision not to advertise the 560L and to keep it from customers because it had determined that the 560L was a reduced performance part and therefore would not meet customer needs, and would not be acceptable

to customers. This is supported by the evidence, summarized above, that (1) there are no ATC documents touting the 560L as competitive, (2) ATC had nothing more than “expectations” for the 560L as opposed to actual feedback or evidence of customer acceptance, and (3) ATC admitted to the reduced performance of the 560L. By construing the evidence of lack of advertising as indicating ATC *may* simply have chosen to avoid offering the 560L at the same time as the infringing product, as opposed to construing it as indicating a determination by ATC that the 560L would not meet customer needs and would not be acceptable to customers, the panel did not construe the evidence in Presidio’s favor. Rather, the panel improperly relied upon a construction of that evidence that favored ATC.

Without citing to any evidence in the record, the Federal Circuit’s decision also states that “[u]ndisputed evidence showed that the 560L capacitor . . . had lower insertion loss for at least some frequencies, which indicates better performance.” Pet. App. 20a. The finding that insertion loss at only some frequencies (as opposed to performance across a broadband of frequencies) indicates better performance, suggesting it renders the 560L an acceptable alternative, is not based on the record the duly and properly instructed jury had before it or a finding by the district court. The Federal Circuit’s decision also does not provide a citation that would support this finding of fact, because there is nothing in the record suggesting that customers would find better, or accept, a product that has lower insertion loss at only some, discrete frequencies.

The Federal Circuit impermissibly overturned the jury’s verdict through this fact finding. *Amadeo v. Zant*, 486 U.S. 214, 228 (1988) (criticizing “impermissible appellate factfinding”). Compounding the problem with the panel’s fact finding is that it is a construction of the evidence against Presidio, the prevailing party. That evidence, at least suggests, if not overwhelmingly demonstrates, that it is broadband performance, not performance at some, discrete frequencies, that the market demands and that customers deem acceptable. (Appx359, at Title of the patent-in-suit: “Integrated Broadband Ceramic Capacitor Array”; Dkt. 27, at 6: According to ATC, “[a]s its name suggests, the patent relates to a multilayer ceramic capacitor for use in broadband applications”; Dkt. 27, at 19-20: According to ATC, “[c]onsumers in this marketplace ‘are looking for a low insertion loss capacitor that works over a broad frequency range’”; Dkt. 27, at 58: According to ATC, “[c]onsumers in the market . . . seek capacitors with low insertion loss across a broad range of frequencies”; Dkt. 32, at 5: “Presidio was prompted to solve problems plaguing the capacitor industry; specifically for broadband frequency applications. . . .”). Both ATC and Presidio repeatedly argued that it is broadband performance, not performance at some, discrete frequencies, that customers deem acceptable. (Dkt. 27, at 6, 19-20, 58; Dkt. 32, at 5). Thus, the jury was well within its province to determine that a product that demonstrates better performance at only some, discrete frequencies, is not an acceptable alternative, because that does not demonstrate broadband performance.



REASONS FOR GRANTING THE CONDITIONAL CROSS PETITION

In this case, the Federal Circuit did not mention any of the evidence of record supporting the jury's verdict. The Federal Circuit also did not construe any of that evidence in the prevailing party's favor, and construed evidence in the losing party's favor. To support its reversal, the Federal Circuit made a finding of fact for the first time on appeal, without basis in the record made below.

The impact of this case pervades the entire federal court system. All district courts consider motions for judgment as a matter of law upon the conclusion of a jury trial. All courts of appeals review denials of motions for judgment as a matter of law. At the same time, all of these courts must provide litigants with the protections afforded by the Seventh Amendment of the U.S. Constitution, and must comply with this Court's well-established substantial evidence review standard for a fact tried to a jury.

Thus, all federal courts must afford a jury's verdict appropriate deference, requiring that the evidence must be viewed in the light most favorable to the non-moving party, and all reasonable inferences must be drawn in favor of that party. *Reeves*, 530 U.S. at 150-51. All federal courts must, when entertaining a motion for judgment as a matter of law, also "review all of the evidence in the record." *Id.* All federal courts of appeals must also afford litigants their Seventh Amendment right to have a jury – not an appellate

court – decide the facts. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 376-77 (1996).

If left unreviewed, the Federal Circuit’s decision will encourage federal courts to deprive litigants of their Seventh Amendment right to a trial by jury, and disregard explicit instructions of this Court relating to the deference that must be given to a jury’s verdict. It will also result in “a huge cost in diversion of judicial resources.” *Anderson*, 470 U.S. at 574-75.

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CONCLUSION

For the reasons stated herein, the Conditional Cross Petition should be granted.

Respectfully submitted,

GREGORY F. AHRENS

Counsel of Record

BRETT A. SCHATZ

WOOD HERRON & EVANS LLP

2700 Carew Tower

441 Vine Street

Cincinnati, Ohio 45202-2917

513-241-2324

gahrens@whe-law.com