No. 17-625

IN THE

Supreme Court of the United States

MIROWSKI FAMILY VENTURES, LLC,

Petitioner,

v.

MEDTRONIC, INC., ET AL.,

Respondents.

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

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

In the Petition for a Writ of Certiorari, petitioner Mirowski Family Ventures (MFV) explained in detail that the court of appeals' decision is wrong, conflicts with this Court's decisions, and conflicts with decisions of other courts of appeals. Rather than joining issue on the merits of the decision below, respondent Medtronic attempts to throw up dust to create the appearance of vehicle problems. Those alleged vehicle problems are illusory. For the reasons given in the Petition and the reasons set forth below, this Court should grant the Petition.

I. Respondent's Waiver Argument Is Meritless Because The Court Of Appeals Plainly Passed Upon The Question Presented.

Medtronic's contention (BIO 9) that "MFV waived its timeliness objection" is meritless. Medtronic cannot dispute that the question presented was passed upon by the court of appeals. Pet. App. 2a, 11a-12a. The court of appeals expressly held that "Medtronic's claim for attorney fees was timely because its contractual entitlement to those fees was an element of damages proven at trial" and that Medtronic was not required to comply with Rule 54(d)(2)'s timely motion requirement because "Medtronic's claim for attorney fees falls within subparagraph (A)'s exception to Rule 54(d)(2)." *Ibid.* An issue is preserved for this Court's review if it was *either* raised *or* passed upon below. *See United States v. Williams*, 504 U.S. 36, 41 (1992); *Stevens v. Dep't of the Treasury*, 500 U.S. 1, 8 (1991). The question presented was *both* raised and passed upon below.

Medtronic made the same waiver argument in the court of appeals, *see* Medtronic C.A. Br. 27-28, and the

court of appeals correctly rejected it, *see* Pet. App. 11a ("Mirowski Family Ventures, Boston Scientific, and Guidant contend that Medtronic's motion for fees was untimely because it was not filed within fourteen days of judgment as required by Rule 54(d)(2)."). MFV raised its timeliness objection in its opening brief on appeal, MFV C.A. Br. 32, and later incorporated by reference Boston Scientific's discussion of that issue, MFV C.A. Response & Reply Br. 17; *see* Fed. R. App. P. 28(i) (permitting parties in cases involving multiple appellants or appellees to "adopt by reference a part of another's brief").

In support of its waiver argument, Medtronic purports to rely on several of this Court's decisions (BIO 9-10), but none of those decisions supports Medtronic's view. In *Meyer v. Holley*, 537 U.S. 280, 291 (2003), *City of Springfield v. Kibbe*, 480 U.S. 257, 258-259 (1987) (per curiam), and *Hoover v. Ronwin*, 466 U.S. 558, 574 n.25 (1984), the Court simply reiterated its longstanding rule that the Court will not decide a question that was neither *considered nor decided* by the court of appeals. As explained, that rule is not implicated here.

Similarly, Medtronic's citations (BIO 10) to court of appeals decisions declining to decide a question where an appellant did not raise it until the reply brief do not help Medtronic. Setting aside that the timeliness issue *was* raised in MFV's opening brief and was fully briefed in Boston Scientific's opening brief, nothing in this Court's cases, in the Federal Rules, in any statute, or in the United States Constitution precludes a court of appeals from deciding an argument that was raised for the first time in a reply brief (or at oral argument for that matter). It is true that courts of appeals very often decline to consider an issue that was

not raised in an opening brief. But that is not a jurisdictional rule. The Federal Circuit was not required to follow that practice in this case. Medtronic's arguments about whether MFV adequately preserved its timeliness objection were raised to and rejected by the court of appeals. They do not provide a basis for denying the Petition.

II. Respondent Does Not Meaningfully Contest That The Decision Below Conflicts With Decisions Of This Court Holding That Prevailing-Party Attorney's Fees Are Not Damages Even When Authorized By Contract.

MFV explained at length in the Petition that the decision below conflicts with this Court's decisions in *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196 (1988), and *Ray Haluch Gravel Co. v. Central Pension Fund of the International Union of Operating Engineers & Participating Employers*, 134 S. Ct. 773 (2014). In both of those decisions, the Court explained that prevailing-party attorney's fees are collateral to the action, not a merits issue or a form of damages. *Ray Haluch Gravel*, 134 S. Ct. at 780-783; *Budinich*, 486 U.S. at 200. In its Brief in Opposition, Medtronic devotes a mere two paragraphs in response—two paragraphs in which Medtronic does not mention either the decision in *Budinich* or the rule that prevailing-party attorney's fees are not a form of damages. It is not difficult to understand why Medtronic opts to ignore the holding in *Ray Haluch Gravel* that the treatment of prevailing-party fees as *collateral* to the merits rather than as a measure of damages or otherwise *part* of the merits does not depend on whether the fees are authorized by statute or by contract. *See* 134

S. Ct. at 780. That holding is fatal to the argument adopted by the court of appeals and advanced by Medtronic.

As discussed more fully below, the Federal Circuit is not alone in ignoring this Court's clear direction about how to treat prevailing-party attorney's fees under the Federal Rules. This Court's intervention is needed to establish uniformity in the federal-court treatment of such fees. Medtronic suggests (BIO 24) that uniformity is not important in this area because this Court recognized in *Ray Haluch Gravel* that some cases in which fees are authorized by contract are not governed by Rule 54(d)(2)'s timely motion requirement. Of course that is true. The Rule itself provides an exception to its requirements when "the substantive law requires th[e attorney's] fees to be proved at trial as an element of damages." Fed. R. Civ. P. 54(d)(2)(A). But as explained in the Petition (Pet. 2-3, 15-16, 26-29), that exception applies only when a party seeks contractual attorney's fees accrued in earlier *separate* litigation. The point of *Budinich* and *Ray Haluch Gravel* is that requests for prevailing-party attorney's fees must be treated consistently across federal-court litigation.

III. Respondent Does Not Meaningfully Contest That The Courts Of Appeals Are Divided On This Important and Recurring Question.

Medtronic's contention (BIO 15-20) that the courts of appeals are not deeply divided about the application of Rule 54(d)(2) to prevailing-party attorney's fees authorized by contract blinks reality.

A. As explained in the Petition (at 14-16), if this case had arisen in the Seventh Circuit, Medtronic's request for fees would have been untimely under Rule

54(d)(2) because that Court correctly held in *Rissman v. Rissman* that:

> What Rule 54(d)(2)(A) requires is that a party seeking legal fees among the items of damages—for example, fees that were incurred by the plaintiff before the litigation begins, as often happens in insurance, defamation, and malicious prosecution cases—must raise its claim in time for submission to the trier of fact, which means before the trial rather than after. Fees for work done during the case should be sought after decision, when the prevailing party has been identified and it is possible to quantify the award.

229 F.3d 586, 588 (7th Cir. 2000). That is the opposite of what the court of appeals held below. Pet. App. 12a ("Medtronic's claim for attorney fees falls within paragraph (A)'s exception to Rule 54(d)(2), because its contractual right to fees is an element of damages proven at trial.").

Medtronic's contention (BIO 16) that the above-quoted language was "dicta" while the true holding had to do with "rules governing pleadings and their liberal construction and amendment" is false. The court explained that: "*If* defendants needed to file a counterclaim, then the district court had ample authority to permit its filing." 229 F.3d at 588 (emphasis added). But the court *held* that no such counterclaim was required because the fees were sought for work done in litigating that very case, that the prevailing party correctly sought fees via a timely post-judgment motion, and that those parties were "entitled to a decision on the merits of their request for attorneys' fees"

based on that motion. *Ibid.* Medtronic's contentions to the contrary are puzzling to say the least.

Medtronic's remaining arguments seeking to dispute the entrenched circuit split are equally meritless. Medtronic recites (BIO 16-18) the holdings and procedural history of the cases that comprise the circuit split, but that recitation simply confirms that the courts are deeply divided about the legal question presented by the Petition: whether a party may seek contractual prevailing-party attorney's fees without filing a timely post-judgment motion under Rule 54(d)(2). As explained in the Petition (Pet. 14-20): the Seventh and Eighth Circuits have held that a prevailing party must seek fees by filing a timely motion pursuant to Rule 54(d)(2); the Fifth, Sixth, Ninth, Tenth, and Eleventh Circuits have held that whether a prevailing party must seek fees as a measure of damages at trial or through a post-judgment motion depends on how *state law* characterizes contractual prevailing-party fees; and the court below held that prevailing parties need not comply with Rule 54(d)(2)'s requirements when the prevailing-party fees are authorized by contract. "Circuit split" is the only way to characterize that state of play. The fact that *some* States characterize prevailing-party fees as collateral (as did this Court in *Budinich* and *Ray Haluch Gravel*) rather than as damages does not dilute the reality that the courts of appeals are starkly divided on a question of federal law about the applicability of a federal rule.

B. Medtronic misses the point when it argues (BIO 19) that the demonstrated circuit split "does not even pertain" to the question presented because the decisions that comprise the split merely "express varying views of the role that state substantive law plays

in determining whether a party may petition for attorney fees under Rule 54(d)(2)." That *is* the essence of the question presented. As explained in the Petition, the question presented is whether the fact that prevailing-party attorney's fees are authorized by contract rather than statute means that they are exempt from Rule 54(d)(2)'s timely motion requirement and should instead be treated as an element of damages governed by substantive state law pursuant to the exception in Rule 54(d)(2)(A). The unequivocal answer to that question—dictated by this Court's decisions in *Budinich* and *Ray Haluch Gravel*, by the text of Rule 54, and by common sense—should be no. But six courts of appeals hold to the contrary. This case presents a perfect opportunity to resolve that circuit split.

IV. Respondent's Vehicle Arguments Are Meritless.

Because it can neither defend the correctness of the decision below nor debunk the entrenched circuit split, Medtronic attempts to paint this case as a poor vehicle for resolving the circuit split. Medtronic's arguments are misplaced because none of the vehicle objections Medtronic now raises was raised in the court of appeals or formed a basis for the decision below. Medtronic's vehicle arguments are also meritless.

A. First, Medtronic suggests (BIO 4-5, 21-22) that the district court did not enter a final judgment that would have triggered the requirements of Rule 54(d)(2) until the court granted Medtronic's request for attorney's fees on May 27, 2015. That suggestion is meritless.

On April 12, 2011, the district court entered a final judgment pursuant to Rule 54(b) on Medtronic's claims of non-infringement, invalidity, and

unenforceability with respect to both patents at issue. Pet. App. 7a, 19a-20a. Medtronic does not dispute that (BIO 4), but contends that, because there were "remaining claims" at that point—namely, MFV's counterclaim against Medtronic and Medtronic's "claim" for attorney's fees—the Rule 54(b) certification was not a final judgment. Medtronic is wrong. First, because MFV's counterclaim was not governed by the contract that included the prevailing-party fees provision, the disposition of that claim would have no effect on Medtronic's entitlement to fees. In any case, even if the pendency of the counterclaim could have affected the finality of the court's earlier judgment, the counterclaim was dismissed by stipulation on May 18, 2011. Pet. App. 20a. But Medtronic did not file its request for attorney's fees (or a request for an extension of time to do so) within 14 days of April 12, 2011, or within 14 days of May 18, 2011. Second, Medtronic's contention that its "claim" for attorney's fees rendered the otherwise final judgment non-final perfectly encapsulates the legal error in the lower-court opinions: under this Court's binding precedents, Medtronic's "claim" for attorney's fees was not a substantive claim at all, but a request for collateral fees accrued in this litigation.

Medtronic tries to bolster its view that its request for attorney's fees was a substantive claim and an element of damages by explaining (BIO 4, 21-22) that questions remained unresolved about whether the contractual authorization of fees applied in this case and, if so, which party should be on the hook for paying the fees. Medtronic's logic leads nowhere, however, because Rule 54 itself contemplates that such fee-related liability questions will be resolved in the

course of ruling on a timely Rule 54(d)(2) motion, not as a separate phase of the underlying merits case. The Rule requires that a timely motion "specify the … grounds entitling the movant to the award," permits "an opportunity for adversary submissions on the motion," and authorizes the court to "decide issues of liability for fees before receiving submissions on the value of services." Fed. R. Civ. P. 54(d)(2)(B)(ii), (C). Medtronic therefor errs in contending that its request for fees was a merits "claim" because fee-liability questions remained.

B. Second, Medtronic argues (BIO 11-15) that the Court should deny the Petition because Rule 54(d)(2) "empowers district courts with the discretion to alter the procedure set forth in the rule." BIO 11. The Rule does grant district courts such discretion in certain circumstances, but it is fantasy to suggest that the district court exercised that discretion in this case. Medtronic did not ask the court to exercise its discretion to suspend the 14-day deadline and nothing in the decisions of the district court or court of appeals even hints that either court believed that the district court was exercising its discretion. Rather, both courts held that the 14-day deadline did not apply as a matter of law—not that it had been suspended by an exercise of discretion—because "Medtronic's claim for attorney fees … was an element of damages proven at trial." Pet. App. 2a; *see id.* at 20a (same). In any case, the Federal Circuit has elsewhere held that a party that wishes to alter the 14-day deadline in Rule 54(d)(2) must request an extension before the deadline has passed, absent extenuating circumstances. *See IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1385-1386 (Fed. Cir. 2005). The district court did not

alter the default deadline in this case; it held that the default deadline does not apply as a matter of law. That was error. Because the district court's discretion under Rule 54(d)(2)(B) played no role in the proceedings below, it is *not* "a separate basis for affirmance" in this case.*

Medtronic further argues (BIO 11) that the fact that a district court can extend the time for filing a motion for attorney's fees in some circumstances means that "[e]nsuring national uniformity" in the applicability of Rule 54(d)(2) "is not an 'important' question of federal law." That contention is baseless. The point of seeking review of the question presented is not that all requests for attorney's fees must be filed within the same timeframe—it is that the *rules* governing the filing of such requests must be uniform. As with many other default deadlines established in the Federal Rules, Rule 54(d)(2) (in combination with Federal Rule of Civil Procedure 6(b)) permits deviation from the 14-day default deadline when an extension is sought in the manner set forth in the Rules (which was not done here). But the approach adopted below would throw out the Rules-based framework entirely. That result cannot be reconciled with this Court's emphasis in *Budinich* and *Ray Haluch Gravel* on the importance of adopting a uniform rules-based approach to characterizing requests for attorney's fees in federal court.

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* Medtronic repeatedly refers (BIO 5-6 & n.4, 23) to a stay in the district court proceedings, perhaps hoping to give the impression that the stay order was the functional equivalent of the district court's suspending the 14-day deadline under Rule 54(d)(2). That is not so—the parties did not even seek a stay until January 2013, more than a year and a half after Rule 54(d)(2)'s 14-day deadline had passed.

C. Third, Medtronic errs in arguing (BIO 8, 11-12) that this is not an appropriate vehicle for deciding the question presented because the court of appeals' decision is unpublished and non-precedential. Even absent the decision below, there is an entrenched circuit split on the question presented. This Court routinely reviews unpublished decisions to resolve existing circuit splits. *See, e.g.*, *Manrique v. United States*, 137 S. Ct. 1266 (2017); *Beckles v. United States*, 137 S. Ct. 886 (2017); *Molina-Martinez v. United States*, 136 S. Ct. 1338 (2016); *Montanile v. Bd. of Trs. of Nat'l Elevator Indus. Health Benefit Plan*, 136 S. Ct. 651 (2016). The Court should so here as well.

* * *

In sum, this case presents an ideal vehicle to decide an important question of federal law on which the courts of appeals are divided. Medtronic's attempt (BIO 21) to hide behind this case's supposed "complicated procedural history" should be rejected. There is nothing complex about the relevant procedural history: a final judgment on the merits was issued in 2011, and, without seeking an extension of the 14-day deadline to file a motion for attorney's fees, Medtronic waited to file its fee request until 2014. That request was untimely. The court of appeals' decision to the contrary conflicts with decisions of this Court, deepens a circuit conflict, and was simply incorrect.

CONCLUSION

The Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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