No. 19-1323

In The Supreme Court of the United States

B.E. TECHNOLOGY, L.L.C.,

Petitioner,

v.

FACEBOOK, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

REPLY BRIEF FOR PETITIONER

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RULE 29.6 STATEMENT

The corporate disclosure statement included in the petition for a writ of *certiorari* remains accurate.

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REPLY BRIEF FOR PETITIONER

Respondent Facebook, Inc.'s ("Facebook") Brief in Opposition makes clear that the Federal Circuit did exactly what B.E. Technology, L.L.C. ("B.E.") asserted in its petition: The Federal Circuit adopted a new "rebuffing" test inconsistent with this Court's longstanding precedent and based on a surprising misreading of *CRST*. *Certiorari* should be granted to prevent the Federal Circuit's new "prevailing party" standard from disrupting the assessment of "prevailing party" status in a wide array of cases.

Facebook does not deny that the court of appeals applied a "rebuffing" standard, or that the court of appeals held that any "rebuffing" of an "attempt to alter a legal relationship" is as good as an actual alteration of a legal relationship. Facebook concedes that the court of appeals adopted and relied on this new standard. Br. in Opp. 10. *CRST* reaffirmed, however, that "the 'touchstone of the prevailing party inquiry must be the material alteration of the legal relationship of the parties.'" *CRST Van Expedited, Inc. v. EEOC*, 136 S. Ct. 1642, 1646 (2016) (quoting *Texas State Teachers Ass'n. v. Garland Independent School Dist.*, 489 U.S. 782, 792-93 (1989)). Having reaffirmed the "touchstone," *CRST* did not break new ground on a "rebuffing" standard, or adopt a test that simply examines whether a plaintiff succeeds in effecting the "material alteration."

Facebook's attempt to confine the court of appeals' new "prevailing party" standard to patent cases dismissed following administrative proceedings is not convincing. The Federal Circuit's *B.E.* decision did not rest on any idea unique to patent cases, or patent cases pending contemporaneously with administrative

cancellation proceedings. It was the "mootness dismissal" that made Facebook a prevailing party under the Federal Circuit's "rebuffing" test on the theory that "Facebook obtained the outcome it sought via the mootness dismissal; it rebuffed B.E.'s attempt to alter the parties' legal relationship in an infringement suit." App. 9. "That the merits of the decision cancelling the claims occurred in the PTO rather than the district court" was unimportant to the court of appeals. All that mattered was that "the district court dismissed the claims it had before it, albeit for mootness." *Id.*

I. Facebook Confirms That The Federal Circuit Adopted A New "Rebuffing" Standard Inconsistent With The "Material Alteration" Standard.

A. Facebook's Reliance On The New "Rebuffing" Standard.

As explained in B.E.'s petition, the Federal Circuit's *B.E.* decision set forth a new standard for determining whether a litigant is a prevailing party. Pet. 11-20. Facebook's brief in opposition confirms the adoption of a new standard. "The court of appeals concluded that Facebook was the prevailing party because it 'obtained the outcome it sought via the mootness dismissal; it rebuffed B.E.'s attempt to alter the parties' legal relationship in an infringement suit.'" Br. in Opp. 8. The only difference is that Facebook claims that the new standard originated in *CRST*. *See id.* at 10 ("Applying this Court's decision in *CRST*, the court of appeals explained that it 'must consider whether the district court's decision effects or rebuffs a plaintiff's attempt to effect a material alteration of the legal relationship between the parties.'"). This case presents a timely opportunity to correct this erroneous standard and the court of appeals' misunderstanding of *CRST*.

B. Other Courts Of Appeals Apply The "Material Alteration" Standard.

The other courts of appeals have not perceived a departure from the "material alteration" standard in *CRST*, and no court of appeals has ever adopted a "prevailing party" standard like the one created by the Federal Circuit. The Ninth Circuit recently rejected an argument that "the material-alteration requirement no longer applies to defendants seeking attorneys' fees" in light of *CRST*. *See Criminal Prods. v. Cordoba*, 808 F. App'x 585, 585-86 (9th Cir. 2020). "The Court in *CRST* held that a party could be a 'prevailing party' by obtaining a non-merits judgment; it did not hold that the material-alteration requirement no longer existed. Indeed, post-*CRST*, the material-alteration requirement continues to apply." *Id.* (citations omitted). The "material alteration" standard persists, and it must be satisfied by an adjudication by the court. *See E. Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899, 906-07 (8th Cir. 2016) (quoting *CRST*, 136 S. Ct. at 1646); *United States v. Thirty-Two Thousand Eight Hundred Twenty Dollars & Fifty-Six Cents ($32,820.56) in United States Currency*, 838 F.3d 930, 936 (8th Cir. 2016) (citing *CRST*, 136 S. Ct. at 1651).

C. Facebook's Misunderstanding of *Propak*.

Facebook goes so far as to contend that in *CRST*, this Court "specifically recognized that a circuit court had held that a defendant was the prevailing party when the plaintiff's claims were dismissed as 'moot.'" Br. in Opp. 15-16. *CRST* said no such thing. The *CRST* Court cited *EEOC v. Propak Logistics, Inc.*, 746 F.3d 145, 152 (4th Cir. 2014) as support for the idea that "[a] plaintiff's claim may be frivolous, unreasonable, or groundless,"—the *Christiansburg* standard—when the

claim is prosecuted although it is "moot." *CRST*, 136 S. Ct. at 1652-53. In *Propak*, the EEOC was faulted for pursuing an employment discrimination case even though some of the claimants could not be found and the relevant facility had been shut down, making pursuit of a remedy effectively, though not legally, "moot." *Propak*, 746 at 150. *Propak* did not involve Article III mootness. Indeed, the defendant obtained an adjudication in its favor under the equitable doctrine of laches. *Id.* at 149. The *Propak* court commented that because the case "effectively was moot at its inception" the Commission's pursuit of the case was "frivolous, unreasonable, or groundless," *see id.* at 152, but there was a never a suggestion of Article III mootness. The Federal Circuit's new standard is such a departure from the settled law that Facebook must resort to a claim that this Court has endorsed the proposition that there are "prevailing parties" in cases that succumb to intervening Article III mootness.

D. Facebook's Misunderstanding of *Munsingwear*.

Facebook attempts to respond to B.E.'s reference to the *Munsingwear* rule by citing lower court opinions that are inconsistent with *Munsingwear*. *See* Br. in Opp. 16 (citing *Diffenderfer v. Gomez-Colon*, 587 F.3d 445, 454 (1st Cir. 2009) and *Dahlem v. Bd. Of Educ. Of Denv. Pub. Sch.*, 901 F.2d 1508, 1513 (10th Cir. 1990)). In these cases, judgments or prior orders that were vacated were determined sufficient to render a litigant a prevailing party entitled to attorneys' fees, notwithstanding the requirements of the *Munsingwear* rule and this Court's opinion in *Lewis v. Continental Bank Corp.*, 494 U.S. 472 (1990). "An order vacating the judgment on grounds of mootness would deprive Continental of its claim for

attorney's fees under 42 U.S.C. § 1988 (assuming, arguendo, it would have such a claim), because such fees are available only to a party that 'prevails' by winning the relief it seeks, *see Rhodes v. Stewart*, 488 U.S. 1 (1988); *Hewitt v. Helms*, 482 U.S. 755 (1987)." *Lewis*, 494 U.S. at 480. *See id.* at 483 ("Since the judgment below is vacated on the basis of an event that mooted the controversy before the Court of Appeals' judgment issued, Continental was not, at that stage, a 'prevailing party' as it must be to recover fees under § 1988, *see Rhodes v. Stewart*, 488 U.S., at 3-4."). *See also Alioto v. Williams*, 450 U.S. 1012, 1013 (1981) (Rehnquist, J. dissenting from denial of *certiorari*) ("To treat respondents as 'prevailing parties' under § 1988 because they secured a preliminary injunction is to ignore the fact that petitioners exercised their right to appeal the entry of that order and the fact that the propriety of the injunction was being challenged on appeal at the time the case became moot and the appeal dismissed.").

The "point" of the vacatur required by the *Munsingwear* rule is "to prevent an unreviewable decision 'from spawning any legal consequences,' so that no party is harmed by what we have called a 'preliminary adjudication.'" *Camreta v. Greene*, 563 U.S. 692, 713 (2011) (quoting *United States v. Munsingwear, Inc.*, 340 U.S. 36, 40 (1950)). Facebook asserts that the "purpose" of the *Munsingwear* rule is to "clear the path for future relitigation." Br. in Op. 18. That is not what this Court said. *Munsingwear* vacatur clears the path, but the point of vacatur is to prevent "legal consequences" such as costs or attorneys' fees awards on the basis of a preliminary adjudication that was not reviewed on appeal due to intervening mootness.

Camreta, 563 U.S. at 713. That "point" cannot be overcome by the citation of erroneous lower court decisions.

II. The Federal Circuit's "Rebuffing" Standard Will Sow Widespread Confusion.

A. The Federal Circuit's *B.E.* Decision Has Far Reaching Effects.

Facebook seeks to minimize the impact of the Federal Circuit's adoption of a new and inconsistent "prevailing party" standard. Facebook argues that the court of appeals did not "hold categorically that a defendant is the prevailing party whenever the plaintiff's claims are dismissed as moot." Br. in Op. 2. But there are no limits on the court of appeals' "rebuffing" standard that would avert just such an outcome. Facebook does not explain how *B.E.* might be confined based on what the court of appeals actually decided. The court of appeals said Facebook prevailed because "Facebook obtained the outcome it sought via the mootness dismissal; it rebuffed B.E.'s attempt to alter the parties' legal relationship in an infringement suit." App. 9. It is of no consequence that the plaintiff's failure to alter the legal relationship was in an infringement suit, an antitrust suit, a copyright suit, a removed suit based on state law, or an environmental suit. According to *B.E.*, any "rebuffing" of the plaintiff is sufficient.

And, contrary to Facebook's suggestion, there are no classes of moot cases.

B. *B.E.* Is Not Patent-Specific Or Based On Success At The Patent Trial And Appeal Board.

Facebook also claims the Federal Circuit's *B.E.* reasoning is limited to a unique patent context. Facebook states the Federal Circuit's decision "hinged on the fact that B.E.'s infringement suit against Facebook was dismissed as moot following

Facebook's success in invalidating B.E.'s claims in *inter partes* review proceedings." Br. in Op. 9. The Federal Circuit's *B.E.* opinion does not attribute any significance to the fact that the case became moot following the decision in the Microsoft *inter partes* review. "That the merits of the decision cancelling the claims occurred in the PTO rather than the district court does not change the fact that the district court dismissed the claims it had before it, albeit for mootness." App. 9. All that matters under *B.E.* is "the fact that the district court dismissed the claims it had before it, albeit for mootness," and that can happen in any case pending in a district court.

Facebook's claim that the decision hinged on Facebook's "success" is ironic. The Federal Circuit ordered Facebook's *inter partes* review petitions dismissed when it affirmed the Board's *Microsoft* decision. *B.E. Tech., L.L.C. v. Google, Inc.*, Nos. 2015-1827, 2015-1828, 2015-1829, 2015-1879, 2016 U.S. App. LEXIS 20591, at *3 (Fed. Cir. Nov. 17, 2016). *See id.* at *8. Facebook resorts to claiming that the Federal Circuit did not mean what it clearly said when it twice ordered the petitions "dismissed." "Dismissal" of Facebook's petitions was to be expected under *A.L. Mechling Barge Lines, Inc. v. United States*, 368 U.S. 324, 329 (1961). Microsoft, not Facebook, succeeded in invalidating B.E.'s patent claims.

C. The "Prevailing Party" Standard Is Broadly Applicable And Consistently Applied.

Facebook suggests that the court of appeals' ruling is limited because it "involves Rule 54(d), not a statute enacted by Congress." Br. in Opp. 26. This Court has held that the same standard for determining the "prevailing party" will be applied consistently wherever that term is employed. *See Buckhannon Bd. & Care*

Home, Inc. v. W. Va. Dep't of Health & Human Res., 532 U.S. 598, 602-03 & n.4 (2001) (citing *Hensley v. Eckerhart*, 461 U.S. 424, 433, n.7 (1983)). The courts of appeals have similarly recognized this principle. *See, e.g.*, *Dunster Live, LLC v. Lonestar Logos Mgmt. Co., LLC*, 908 F.3d 948, 952-53 (5th Cir. 2018); *M.R. v. Ridley Sch. Dist.*, 868 F.3d 218, 224 (3d Cir. 2017); *Perez v. Westchester Cnty. Dep't of Corr.*, 587 F.3d 143, 149 n.5 (2d Cir. 2009); *T.D. v. La Grange Sch. Dist. No. 102*, 349 F.3d 469, 474-75 (7th Cir. 2003); *Brickwood Contractors, Inc. v. United States*, 288 F.3d 1371, 1377 (Fed. Cir. 2002). The standard does not change if a Federal Rule, as opposed to a Federal statute, provides the vehicle by which attorneys' fees or costs may be awarded to the "prevailing party." *See Dattner v. Conagra Foods, Inc.*, 458 F.3d 98, 101-02 (2d Cir. 2006) ("Indeed, several courts have applied *Buckhannon's* 'prevailing party' analysis to Rule 54(d) motions for costs.") (citing *Andretti v. Borla Performance Indus., Inc.*, 426 F.3d 824, 835-36 (6th Cir. 2005) and *Miles v. California*, 320 F.3d 986, 989 (9th Cir. 2003)). *See also Soley v. Wasserman*, 639 F. App'x 670, 679 (2d Cir. 2016) ("cases interpreting the meaning of 'prevailing party' for purposes of fee-shifting statutes are directly applicable for interpreting the same terminology in Rule 54(d)(1)."). *B.E.* thus cannot be confined.

III. Intervention By This Court Is Necessary To Avoid Proliferation Of The Federal Circuit's New "Prevailing Party" Standard.

The new "rebuffing" standard is already being relied on by the Federal Circuit as precedent requiring further departure from the settled law, *see, e.g.*, *Dragon Intellectual Prop., LLC v. Dish Network LLC*, 956 F.3d 1358, 1361-62 (Fed. Cir. 2020), and by district courts bound to follow the Federal Circuit, *Blair v. Alstom*

Transp., Inc., No. 1:16-cv-03391-PAE, 2020 U.S. Dist. LEXIS 139841, at *18 (S.D.N.Y. Aug. 5, 2020), *Konami Gaming v. Mark Studios, LLC*, No. 2:14-cv-01485-JAD-BNW, 2020 U.S. Dist. LEXIS 44699, at *3-4 (D. Nev. Mar. 16, 2020). It has been noted by another court of appeals as taking a position on the preclusion issue left open in *CRST*. *See Citi Trends, Inc. v. Coach, Inc.*, 780 F. App'x 74, 79 (4th Cir. 2019). It is "obvious" that moot cases do not produce "prevailing parties," *see Rice Services Ltd. v. United States*, 405 F.3d 1017, 1027 n.6 (Fed. Cir. 2005), and equally clear that the proliferation of the Federal Circuit's erroneous new standard must be prevented.

CONCLUSION

For the foregoing reasons and those in the petition, *certiorari* should be granted.

Respectfully submitted,

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