

No. 19-211

In the
Supreme Court of the United States

TIME WARNER CABLE, INC.; TIME WARNER CABLE, LLC;
TIME WARNER ENTERTAINMENT COMPANY, L.P.; TIME
WARNER ENTERTAINMENT-ADVANCE/NEWHOUSE
PARTNERSHIP; TWC COMMUNICATIONS LLC; and TIME
WARNER CABLE INFORMATION SERVICES (KANSAS), LLC,
Petitioners,

v.

SPRINT COMMUNICATIONS COMPANY, L.P.,
Respondent.

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

PETITIONERS' REPLY BRIEF

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REPLY BRIEF

Sprint denies that the Federal Circuit takes an anything-goes approach to apportionment, but one would search Sprint’s brief in vain for any limiting principle that either it or the Federal Circuit would acknowledge. So long as the jury is instructed to “apportion,” and the plaintiff’s expert testifies he considered “apportionment,” then—in Sprint’s and the Federal Circuit’s view—any number the jury awards is necessarily “apportioned.” This Court’s precedent requires more. Sprint repeats a “no rigid rules” mantra throughout its brief, but the rule Petitioners seek is the one Congress enacted and that this Court applied in dozens of decisions between 1853 and 1915: the patent owner “must in every case give evidence tending to separate or apportion ... between the patented feature and the unpatented feature,” *Garretson v. Clark*, 111 U.S. 120, 121 (1884), to ensure that damages “compensate *for the infringement*,” 35 U.S.C. §284 (emphasis added)—*i.e.*, “for the use made *of the invention* by the infringer,” *id.*, and no more.

As this case demonstrates, the Federal Circuit has all but abandoned that rule. The Federal Circuit’s guiding star is not statutory text or this Court’s precedent, but a list of nonexclusive factors from a 1970 district court case. “Apportionment” has become a meaningless platitude, recited on the way to rubber-stamping any number a jury writes on a verdict sheet. The apportionment principle was important a century ago to ensure that patent damages on mop-heads and stone breakers did not extend beyond the value of the patented features. The principle is even more important today in a world of artificial intelligence,

biologic drugs, and VoIP services. Two Terms ago, *EVE-USA* made clear that the Federal Circuit was internally divided about what apportionment requires, and this Court called for but did not receive the Solicitor General's views on that subject. The same internal division remains, and this Court's intervention is necessary to resolve the conflict.

Sprint calls this case "fact-bound," but in reality, it is a uniquely excellent vehicle. For one, this is the rare case where we know exactly how the jury calculated damages. Sprint's demand for damages relied entirely on a royalty rate that was reverse-engineered from an unappealed verdict from another case, using unapportioned VoIP service revenue. The jury gave Sprint precisely the number it asked for. In opposing certiorari, Sprint notes that it also showed other, higher numbers to the jury (to make the number it requested seem low), but those numbers were irrelevant here in a way that might be more easily obscured in another case. Showing a plethora of high numbers to a jury—to make the demand seem low and to insulate the verdict from appellate scrutiny—is a common tactic of experienced plaintiff's lawyers. It will be present in nearly every case, but rarely as transparent as it is here.

Sprint's opposition to reviewing the second question presented only confirms the need for review. Under this Court's precedent, 35 U.S.C. §112's written description demands *substantive* disclosure of what is claimed, to ensure that the claims do not reach beyond what the inventor actually invented. The written description requirement is not a word-search, and cannot be satisfied by hints about what the inventor

may have had in mind but did not disclose. As Judge Mayer's dissent makes clear, the straightforward mismatch between the narrow disclosure and broad claims makes this case an excellent vehicle.

Sprint invented a narrow PSTN-to-ATM interface, but overreached with broad claims to technology it never invented, and overreached again with damages on technology it never patented. The Federal Circuit let Sprint get away with both tactics for reasons that undermine this Court's longstanding precedent and the statutory text. Both questions presented warrant this Court's review.

I. The Federal Circuit's Retreat From Enforcing Apportionment Warrants Review.

A. Federal Circuit Precedent is Split and Fails to Consistently Require Apportionment.

Apportionment ensures that patentees receive royalties only on what they patented. The rule of *Garretson* enforces the statutory directive that patentees should receive damages “*for the infringement,*” measured by “the use made of *the invention* by the infringer.” 35 U.S.C. §284 (emphasis added). Underlying Sprint's opposition is the argument that the rule this Court articulated in *Garretson* is no rule at all. Thus, Sprint contends that “*Garretson* did not impose any rigid rules as to *how* a patentee must ‘separate or apportion’ the value of a patented invention” BIO.17, and goes on to suggest that “apportionment” is satisfied if a jury believes that the amount requested is reasonable.

Most Federal Circuit panels treat *Garretson's* holding as a meaningless slogan, and focus instead on

a list of fifteen factors from a 1970 district court case, *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp 1116 (S.D.N.Y. 1970). Pet.21-24; Intel.Amicus.6-14. It is no answer to say, as Sprint does, that the Federal Circuit's departure from text and precedent is not a "rigid rule." Petitioners seek review not to establish any new "rigid rule," but to restore the "true rule" of apportionment that the Federal Circuit has abandoned. *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 445 (1885).

Sprint contends that this Court's cases teach to "eschew any rigid formula ... in all patent contexts." BIO.27-28. If that is the message the Federal Circuit received, it is wrong. In each case Sprint cites, this Court struck down tests not for violating a freestanding anti-rigidity principle, but for departing from precedent and statutory text.

Nautilus (cited at BIO.28) rejected the Federal Circuit's "insolubly ambiguous" standard because it was *insufficiently rigorous* and failed to enforce the definiteness requirement of 35 U.S.C. §112(b). *Nautilus, Inc v. Biosig Instruments, Inc.*, 572 U.S. 898, 911-12 (2014). And in *Halo*, the Court took care to explain that, though it overruled the Federal Circuit's test for enhancing damages, what remained was not unfettered discretion for trial courts. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1931-32 (2016). "Discretion is not whim," the Court explained, and 180 years of decisions on enhanced damages provided guidance and narrowed "the channel of discretion." *Id.* at 132; *see also, e.g., Bilski v. Kappos*, 561 U.S. 593, 612-13 (2010) ("guideposts" in this Court's precedent applying 35 U.S.C. §101); *eBay Inc. v. MercExchange*,

L.L.C., 547 U.S. 388, 391-92 (2006) (equitable principles and historic practice supply test for injunction and guide discretion).

So too here. Statutory text entitles patentees to damages only for “the infringement.” 35 U.S.C. §284. Precedent, including *Garretson* and dozens of cases between 1853 and 1915, requires apportionment “in every case,” *Garretson*, 111 U.S. at 120-21, as “the true rule” of damages, *Dobson*, 114 U.S. at 445. Here, as in every case Sprint cites reversing the Federal Circuit, BIO.27-28, that court has once again ventured off in a different direction, contrary to the statute and precedent.

Sprint also has no answer for the Federal Circuit’s internal division on the meaning of “apportionment.” The same division was manifest two Terms ago in *EVE-USA*. Pet.24-26. Sprint resists the comparison, but defends the result in this case by repeating the *EVE-USA* majority’s precise arguments. In Sprint’s view, and in the view of six concurring judges in *EVE-USA*, evidence of consumer demand and lack of acceptable noninfringing alternatives is “apportionment.” And in the view of the dissenting judges in *EVE-USA*, it is not. Compare BIO.15 (asserting consumer demand for PSTN connectivity and absence of noninfringing alternatives), with *Mentor Graphics Corp. v. EVE-USA, Inc.*, 870 F.3d 1298, 1300 (Fed. Cir. 2017) (Stoll, J., concurring) (contending that proof of consumer demand and noninfringing alternatives is apportionment), and *id.* 1301 (Dyk, J., dissenting) (contending the opposite).

The internal division on the Federal Circuit persists, and the majority view on that court cannot be

right. Replacing the rule of apportionment with the general idea of reasonableness (according to the so-called “*Georgia-Pacific* factors”) thwarts Congress’ will and ultimately smacks of “th’ol’ totality-of-the-circumstances test (which is not a test at all but merely assertion of an intent to perform test-free, ad hoc, case-by-case evaluation).” *ABC v. Aereo, Inc.*, 573 U.S. 431, 461 (2014) (Scalia, J., dissenting). This is not the first case in which the Federal Circuit has affirmed unapportioned royalty awards, and absent this Court’s intervention, it will not be the last.

B. Apportionment is Important, and This Case Presents an Excellent Vehicle.

As the amicus brief and commentary explain in greater detail, the apportionment principle is more important than ever. *See* Pet.25-29; Intel.Amicus.14-22. In 2019, products and services are increasingly complex, and more likely to implicate hundreds or thousands of patents, and nine-figure damage awards are becoming commonplace.

Sprint does not deny any of this, BIO26-27, but contends that this case is “fact-bound” and that review would require this Court to reweigh evidence. In reality, this case is an excellent vehicle. To the extent the specific facts matter here, they only confirm that the royalty is based on more than what Sprint patented.

For one thing, this is the rare case where we know how the jury calculated damages. Sprint’s damage calculation was based entirely on a royalty rate reverse-engineered from a verdict in another case. Sprint asked for \$139.8 million here, and the jury awarded precisely that number. Pet.9-11. Sprint

notes that its damages expert testified about other, higher numbers that Sprint sprinkles throughout its brief. *E.g.*, BIO.5, 7-9, 16, 26. And Sprint notes that it submitted two “real-world” licenses that it calls “data points.” BIO.14.

But the district court specifically rejected any contention that the licenses supported Sprint’s demand. Pet.10 n.2. And as Sprint admitted at argument on appeal, *see* Pet.11, none of this other evidence affected the royalty rate calculation itself; it reflected that Sprint might have demanded higher rates than it did. Sprint points to this to suggest that the jury verdict was, in its view, generally reasonable. That is not the test. The statute and precedent require more. Royalty damages must be both “reasonable,” 35 U.S.C. §284, and *apportioned* to the patented invention—*i.e.*, “reasonable royalt[ies] for the use made *of the invention* by the infringer,” *id.* (emphasis added), not for other things the patentee did not invent.

Sprint’s remaining arguments have nothing to do with apportionment. Sprint emphasizes that the jury found willful infringement. *See* BIO.1, 10, 13, 16, 23 & n.5, 26, 27 & n.6. There is no “willfulness” exception to apportionment. Royalty damages are compensatory, not punitive, and willfulness is relevant only to the enhancement clause of §284. *Halo*, 136 S. Ct. at 1932. The district court declined to enhance damages, CA-Appx.6737-44, and Sprint did not cross-appeal. Sprint also suggests that it could have asked for a holdup royalty from Petitioners. BIO.8 (“billions hinged on infringing Sprint’s patents”); BIO.15-16 (Petitioners had to either

“[f]orgo[] connectivity altogether” or take Sprint’s offer of a holdup royalty)—which is presumably the argument Sprint is also making in the eight lawsuits it is pursuing against other VoIP companies. Pet.34 & n.7. The threat of numerous patentees pursuing holdup royalties against the same complex products and services is precisely the problem that only apportionment can alleviate. Otherwise, contrary to 35 U.S.C. §284, productive companies are left to choose between foregoing productive activity altogether or paying extortionate royalties. Pet.25-28; Intel.Amicus.15-22.

II. The Federal Circuit’s Retreat From Enforcing The Written Description Requirement Warrants Review.

Under this Court’s precedent, the written description requirement is substantive, not semantic. It requires disclosure sufficient to confirm that the inventor actually invented what is claimed. An inventor may not disclose a single solution to a problem, and then claim every solution. *See, e.g., Holland Furniture Co. v. Perkins Glue Co.*, 277 U.S. 245, 256 (1928); *Incandescent Lamp Patent*, 159 U.S. 465, 472 (1895). That is true even if the inventor may have thought about, or not expressly excluded, undisclosed subject matter. In the seminal *O’Reilly v. Morse*, 56 U.S. (15 How.) 62 (1854) decision, the inventor was clearly thinking about a broad range of inventions beyond the disclosed telegraph. Yet the court invalidated the eighth, broadest claim, which claimed electromagnetic transmission of messages generally, without “limit ... to the specific machinery, or parts of machinery, described in the foregoing

specifications and claims.” *Id.* at 112 (quoting claim); *id.* at 119-21 (invalidating claim as “deriv[ing] no aid from the specification filed” and explaining that inventor “can lawfully claim only what he has invented and described.”). The written description requirement is necessary to enforce the *quid pro quo* at the heart of the patent system by preventing such overclaiming.

As Judge Mayer’s dissent explained, this case “involves a remarkable mismatch between the narrow patent disclosures and the exceedingly broad claims.” App.22. The majority resolved that mismatch relying on semantics, not substance. It upheld the patent based on evidence that “IP technology is *not expressly excluded*” from the patent, and that evidence showed that “*the inventor ‘was clearly thinking about’*” broader technologies than ATM. App.15, 16 (emphases added).

Sprint’s defense of that decision only confirms the majority’s error. Sprint cites the breadth of “the term ‘broadband’” (BIO.4, 9), the phrase “such as” (BIO.4) (emphasis omitted), and the patent’s statement that the ATM technology actually disclosed might work on a network that “*could be any type of telecommunications network that operates using network elements, signaling, and connections.*” *Id.* Sprint then rhetorically asks, “Does this Court want to be faced with making factual decisions about what concepts such as ‘broadband’ and ‘network’ meant at the time of the application in 1994?” BIO.33. That misses the point. The point is that the panel majority did not affirm on the basis that the patents’ specifications clearly *disclose* the full scope of what

they purportedly claimed; the majority instead found it was enough that the specifications did not clearly *exclude* that technology, since there was some evidence the inventor was at least “thinking about” it.

That turns the written description requirement on its head. If patentees are free to claim whatever they are “thinking about,” did “not expressly exclude[],” or “could be” done with their disclosure, then §112’s written description requirement is a dead letter. Wordplay, rather than substance, would control. Sprint denies that the Federal Circuit majority announced any “new rule,” but the problem with the majority’s approach is precisely that it is *not* new and represents a departure from what Congress required.

This Court has granted review of Federal Circuit decisions that did not announce “new rules,” but applied erroneous, longstanding old rules. *See, e.g., Nautilus*, 572 U.S. at 901 (“insolubly ambiguous” test); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 407 (2007) (teaching-suggestion-motivation test); *eBay*, 547 U.S. at 391 (presumption of entitlement to an injunction). It should do the same here. Section 112’s written description requirement is yet one more provision of the Patent Act that the Federal Circuit has weakened by departing from this Court’s precedent. *See* Pet.35. Both in upholding and invalidating patents, the Federal Circuit has divided on whether the test is substantive or semantic. *Synthes USA, LLC v. Spinal Kinetics, Inc.*, 734 F.3d 1332, 1349 (Fed. Cir. 2013) (“[T]he written-description requirement is about support in substance, not about labels.”) (Taranto, J., dissenting).

Sprint emphasizes that the Federal Circuit sat en banc in *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336 (Fed. Cir. 2010), and contends that the import of the written description requirement “has been settled patent law for at least a half century.” *Ariad* belies that notion. In 2010, the Federal Circuit needed to sit en banc to contend with factions of judges who thought that §112 either **(1)** did not impose a written description requirement at all, or **(2)** contained an unwritten caveat limiting that requirement to claims added to a patent application after filing. *Id.* at 1342 (stating questions for en banc court); *Univ. of Rochester v. G.D. Searle & Co., Inc.*, 375 F.3d 1303 (Fed. Cir. 2004) (five separate opinions respecting denial of rehearing en banc); *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306 (Fed. Cir. 2003) (panel opinion with two concurring opinions debating whether written description requirement applies to all claims or only non-original claims); *Enzo Biochem, Inc. v. Gen-Probe Inc.*, 323 F.3d 956 (Fed. Cir. 2002) (four separate opinions respecting denial of rehearing en banc). And even the en banc proceedings resulted not in “settled patent law,” but in five separate opinions, including a majority opinion that stated the standard three different ways, then remarked that “whatever the specific articulation, the test requires” yet a fourth way of articulating the standard. 598 F.3d at 1351.

As this case illustrates, the written description requirement is anything but “settled patent law.” BIO.28. The Federal Circuit remains at sea regarding the meaning of that requirement. The result is that patentees like Sprint can draft claims and extract damages for technologies they never invented, based

only on oblique references in the patent specification which show only that the inventor did not intend to *exclude* those technologies, not that the inventor actually invented them. This case is an excellent vehicle because of the clarity of Sprint's and the majority's reliance on wordplay over substance. It should not legally matter whether Sprint presented its wordplay through "expert" testimony about what its inventor was thinking about and did not expressly exclude. This Court's precedent requires more. *Cf. KSR*, 550 U.S. at 426-27 ("conclusory affidavit addressing the question of obviousness" did not preclude summary judgment). What is claimed must actually "be the same as what is *disclosed* in the specification," not merely *not excluded* from the specification. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 736 (2002).

CONCLUSION

This Court should grant the petition.

Respectfully submitted,

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