No. 17-___

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

PETITION FOR A WRIT OF CERTIORARI

Arthur I. Neustadt
OBLON, MCCLELLAND, MAIER & NEUSTADT LLP
1940 Duke St.
Alexandria, VA 22314
(703) 413-3000

Sidney J. Silver
SILVER, FREEDMAN, TAFF & TIERNAN LLP
3299 K St. NW
Washington, DC 20007
(202) 295-4500

Thomas C. Goldstein
Counsel of Record
Sarah E. Harrington
GOLDSTEIN & RUSSELL, P.C.
7475 Wisconsin Ave.
Suite 850
Bethesda, MD 20814
(202) 362-0636
tg@goldsteinrussell.com

QUESTION PRESENTED

Contracts—particularly corporate agreements—frequently provide for the prevailing party to receive its attorney's fees in the event of litigation. Federal Rule of Civil Procedure 54(d)(2)(A) provides: "A claim for attorney's fees . . . must be made by motion," unless "require[d]" by the substantive law "to be proved at trial as an element of damages." Such a "motion must[] be filed no later than 14 days after the entry of judgment," unless a statute or order provides otherwise. Fed. R. Civ. P. 54(d)(2)(B)(i).

The Question Presented, about which the courts of appeals are deeply divided, is:

May a party seek contractual prevailing-party attorney's fees without filing a timely post-judgment motion under Rule 54(d)(2)?

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

In addition to the parties identified in the caption, the following were parties to the proceedings below: Boston Scientific Corporation and Guidant Corporation.

Mirowski Family Ventures, LLC does not have a parent company, and no publicly traded company owns 10% or more of any of its stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Mirowski Family Ventures, LLC respectfully petitions for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit (Pet. App. 1a-15a) is published at 682 Fed. Appx. 921. The opinion of the district court (Pet. App. 16a-26a) is unreported and available at 2015 WL 3430123.

JURISDICTION

The judgment of the court of appeals was entered on April 4, 2017. Pet. App. 1a. The Federal Circuit denied petitioner's timely request for rehearing and rehearing en banc on June 1, 2017. Pet. App. 28a. On August 21, 2017, the Chief Justice extended the time to file this petition through September 29, 2017. On September 19, 2017, the Chief Justice further extended the time to file this petition through October 27, 2017. No. 17A197. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

RELEVANT RULE

Federal Rule of Civil Procedure 54(d) provides in relevant part:

> (2) Attorney's Fees.
>
> > (A) Claim to Be by Motion. A claim for attorney's fees and related nontaxable expenses must be made by motion unless the substantive law requires those fees to be proved at trial as an element of damages.

> (B) Timing and Contents of the Motion. Unless a statute or a court order provides otherwise, the motion must . . . be filed no later than 14 days after the entry of judgment.

INTRODUCTION

This Court has long recognized that federal-court practice affords different treatment to two distinct categories of attorney's fees: (1) "prevailing party" fees that were incurred in the present litigation; and (2) fees that were incurred in prior litigation that are sought as damages in later litigation. The former are "collateral" to the litigation—*i.e.*, "not part of the merits of the action to which the fees pertain." *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 200 (1988). The latter are central to the litigation in which they are requested; generally, they are sought as damages. That latter type of fees arises most commonly in contexts such as insurance, defamation, and indemnity disputes where the earlier-incurred fees are a measure of the damages and must therefore be pleaded and proved at trial.

For example, parties to a patent-license agreement might require the patent holder to indemnify the licensee for the costs of defending a third-party patent-infringement suit. If the licensee defends such a claim, and then sues the patent holder under the license agreement seeking reimbursement for attorney's fees expended in the prior and separate litigation, then under the governing substantive law, its previously incurred attorney's fees would be "damages" provable at trial in a suit under the license. *See Ray Haluch Gravel v. Cent. Pension Fund of the Int'l Union of Operating Eng'rs & Participating Emp'rs*,

134 S. Ct. 773, 783 (2014). Outside the context of patent litigation, imagine an insurance-coverage dispute. If the insured pays her attorneys to defend a tort action and then sues her insurer under the insurance policy for a wrongful failure to defend, the "damages" provided by "the substantive law" governing that contract action would include the attorney's fees the insured incurred. *See, e.g.*, *J.R. Simplot v. Chevron Pipeline Co.*, 563 F.3d 1102, 1115-1116 (10th Cir. 2009) ("This action is, at bottom, a legal action for compensatory damages resulting from a breach of contract. That the measure of damages happens to be attorneys' fees does not in and of itself change the nature of [the plaintiff's] claim."). Those damages obviously must be proved at trial, not in a post-judgment motion. If proven, the damages are then included in the court's final judgment. But where—as here—those damages are *not* proved at trial, a federal district court lacks authority to award and fix the amount of such damages in response to a motion filed long after entry of final judgment.

Federal Rule of Civil Procedure 54(d)(2) governs requests for attorney's fees. The Rule, which was amended in 1993 to conform to this Court's precedents, establishes two distinct procedures for requesting the two types of attorney's fees. A prevailing party must request fees incurred in the present litigation through a prompt post-judgment motion. By contrast, if "the substantive law requires those fees to be proved at trial as an element of damages"—as when the suit is brought to recover fees incurred in prior litigation—no additional post-judgment motion is required. Fed. R. Civ. P. 54(d)(2)(A).

In this case, respondent Medtronic sought and was awarded the first type of attorney's fees—*i.e.*, fees due to it as the prevailing party for work its attorneys did in *this* case. The basis for the fee award is a prevailing-party provision in the parties' contract. Medtronic never alleged that it was due fees for attorney work performed in some other matter, did not denominate its attorney's fees as damages to be proved at trial, and made no effort to prove the amount of such fees at trial.

Rule 54(d)(2) therefore required Medtronic to request fees through a motion filed within 14 days of the final judgment in its favor. But Medtronic did not file such a motion. Even after the judgment in its favor was affirmed on appeal and the case returned to the district court years after the original judgment, Medtronic waited months longer to seek its attorney's fees.

The Federal Circuit nonetheless held that Medtronic's fee request was timely, entitling it to millions of dollars in attorney's fees from petitioner. The court of appeals held as a matter of law that Rule 54(d)(2)'s requirement of a prompt post-trial motion never applies to attorney's fees awarded under a prevailing-party contract term. The court reasoned that such fees are an "element of damages" that are proven by the fact that the party prevailed in the lawsuit.

That holding is incorrect, conflicts with decisions of this Court, and deepens a circuit split. This Court should grant this Petition for a Writ of Certiorari and reverse.

STATEMENT OF THE CASE

This Petition presents the Court with the opportunity to resolve the circuit conflict over the procedure

required by Rule 54(d)(2) to secure attorney's fees pursuant to a contractual prevailing-party provision.

1. Federal Rule of Civil Procedure 54(d)(2) establishes the process for a party to seek attorney's fees in federal court. The request "must be made by motion unless the substantive law requires those fees to be proved at trial as an element of damages." Fed. R. Civ. P. 54(d)(2)(A). The motion "must[] be filed no later than 14 days after the entry of judgment," absent a statute or court order providing otherwise. Fed. R. Civ. P. 54(d)(2)(B)(i).

2. This case involves a claim for contractual prevailing-party attorney's fees awarded under a patent cross-licensing agreement. Pet. App. 2a-3a. Petitioner Mirowski Family Ventures, LLC (MFV or Mirowski) owns patents relating to an implantable cardioverter defibrillator, and entered into an exclusive license with Boston Scientific.[1] *Ibid.* Years later, Boston Scientific entered into a cross-licensing agreement (the Agreement) with respondent Medtronic. *Id.* at 3a.

The Agreement created a dispute-resolution procedure. Pet. App. 3a-5a. Boston Scientific would notify Medtronic of alleged infringement by Medtronic if it or Mirowski believed that a new Medtronic product infringed. *Id.* at 3a-4a. Under a further agreement,

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[1] The exclusive license was originally between Dr. Mirowski (the lead inventor) and Eli Lilly. Guidant, an Eli Lilly subsidiary, later stepped into Eli Lilly's shoes. Boston Scientific later acquired Guidant. MFV is the successor in interest to Dr. Mirowski's widow. *See* Pet. App. 2a-3a. We refer to Boston Scientific and MFV or Mirowski for simplicity.

MFV was permitted to directly notify Medtronic of alleged infringement rather than directing Boston Scientific to do so. *Id.* at 5a, 18a; *see generally Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 846-847 (2014). Medtronic in response would either pay the royalty or seek a declaratory judgment that no royalties were due. Pet. App. 3a-4a. "In any such litigation, the losing party shall pay all reasonable attorneys' fees and court costs for the winning party." *Id.* at 4a.

In 2007, MFV notified Medtronic of alleged infringement. Pet. App. 7a. Medtronic filed an action seeking a declaratory judgment of non-infringement and patent invalidity and unenforceability. *Ibid.* In 2010, the district court held a bench trial. *Id.* at 17a; *Medtronic*, 134 S. Ct. at 847.

Medtronic prevailed because the district court found that MFV and Boston Scientific did not prove infringement. *Medtronic*, 134 S. Ct. at 847; Pet. App. 7a, 19a. In the course of the proceedings, Medtronic never attempted to prove its entitlement to attorney's fees or the amount of its fees.

In April 2011, the district court entered a final judgment under Rule 54(b) with respect to the patents covered by the Agreement. Pet. App. 19a-20a. Medtronic did not file a motion requesting attorney's fees.

Soon thereafter, the parties stipulated to the dismissal of the remaining unrelated counterclaim in the case. Pet. App. 20a. Again, Medtronic did not file a motion requesting attorney's fees.

3. MFV appealed. The Federal Circuit vacated and remanded. *Medtronic, Inc. v. Bos. Sci. Corp.*,

695 F.3d 1266 (Fed. Cir. 2012). In turn, this Court reversed and remanded. *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014). On remand, the Federal Circuit affirmed the district court's non-infringement ruling in favor of Medtronic. *Medtronic, Inc. v. Bos. Sci. Corp.*, 558 Fed. Appx. 998 (Fed. Cir. 2014).

4. Four months after the Federal Circuit's decision—and three years after the judgment in its favor—Medtronic filed a status report with the district court, indicating that it would seek attorney's fees under the Agreement. Pet. App. 7a. The district court held that Medtronic's request was timely. *Id.* at 20a-22a.

The district court reasoned that Rule 54(d)(2)'s requirement that fees be sought through a post-trial motion, including its 14-day deadline, does not apply to prevailing-party attorney's fees authorized by contract. Pet. App. 20a. It further concluded that the prevailing party's failure to include attorney's fees as an issue in its pretrial order or to offer proof of the fees at trial was irrelevant, because the "only issue" that must be decided in order for the prevailing-party fee provision to apply was the "determination of the prevailing party." *Id.* at 22a. The court ordered MFV to pay just over $6 million in attorney's fees to Medtronic—the great majority of which were incurred in the first phase of this litigation in which Medtronic had prevailed years earlier. Dist. Ct. Doc. No. 310 (Aug. 26, 2015).

5. MFV appealed, and the Federal Circuit affirmed. Pet. App. 1a-15a. The court of appeals agreed with the district court that Medtronic was not required to file its fee request by motion under Rule 54(d)(2). *Id.* at 11a-12a. Instead, the court held that, because

the prevailing-party fees Medtronic sought were authorized by contract rather than by statute, the fees were an "element of damages" and exempted by Rule 54(d)(2)(A) from the requirement of filing a prompt post-judgment motion. *Id.* at 12a. Although Medtronic had not sought its fees—much less sought to prove the amount of its fees—in the trial proceedings, the court of appeals concluded as a matter of law "that Medtronic's claim for attorney fees was timely because its contractual entitlement to those fees was an element of damages proven at trial." *Id.* at 2a.

The Federal Circuit denied rehearing and rehearing en banc. Pet. App. 27a-28a. This Petition followed.

REASONS FOR GRANTING THE WRIT

I. The Decision Below Is Inconsistent With This Court's Precedents.

Although by default, courts in this country apply the "American Rule" whereby "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser," *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247 (1975), such fees are often authorized by statute or by agreement of the parties. At least one study indicates that corporate entities opt out of the American Rule in more than half of the contracts to which they are a party. *See* Theodore Eisenberg & Geoffrey P. Miller, *The English Versus the American Rule on Attorney Fees: An Empirical Study of Public Company Contracts*, 98 Cornell L. Rev. 327, 331-332 (2013).

This Court has twice held in a related context that prevailing-party attorney's fees are collateral to the action, not a merits issue or a form of damages. *Ray Haluch Gravel Co. v. Cent. Pension Fund of the Int'l*

Union of Operating Eng'rs & Participating Emp'rs, 134 S. Ct. 773, 780-783 (2014); *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 200-203 (1988); *see also White v. N.H. Dep't of Emp't Sec.*, 455 U.S. 445, 451-452 (1982). By contrast, the Federal Circuit's ruling in this case rests squarely on its holding that contractual prevailing-party fees are a form of damages necessarily proved at trial. Because that ruling is irreconcilable with this Court's precedent, certiorari should be granted and the judgment reversed.

A. In *Budinich*, this Court held that a pending post-judgment motion for prevailing-party attorney's fees did not affect the finality of the district court's judgment and therefore did not suspend the deadline to appeal. *See* 486 U.S. at 199 ("The question before us . . . is whether a decision on the merits is a 'final decision' as a matter of federal law under [28 U.S.C.] § 1291 when the recoverability or amount of attorney's fees for the litigation remains to be determined."); *see id.* at 198 (citing Fed. R. Civ. P. 54(a), which defines "judgment"). In a unanimous decision, the Court explained that, "[a]s a general matter, at least, . . . it is indisputable that a claim for attorney's fees is not part of the merits of the action to which the fees pertain" because "[s]uch an award does not remedy the injury giving rise to the action," "is often available to the party defending against the action," and at common law was "regarded as an element of 'costs' awarded to the prevailing party, . . . which are not generally treated as part of the merits judgment." *Id.* at 200 (citing 10 C. Wright et al., *Federal Practice and Procedure: Civil* § 2665 (1983)). The Court rejected arguments that the status of fees as either a merits issue

or a collateral issue should be governed by whether the statute or decisional law authorizing the fees deems them part of the merits judgment, emphasizing the need for "operational consistency and predictability in the overall application" of federal law governing finality. *Id.* at 201-202.

The fees in *Budinich* were authorized by statute. Nearly two decades later, this Court clarified that the same rule applies when a fee award is authorized by contract instead. *Ray Haluch Gravel*, 134 S. Ct. at 776 ("Whether the claim for attorney's fees is based on a statute, a contract, or both, the pendency of a ruling on an award for fees and costs does not prevent, as a general rule, the merits judgment from becoming final for purposes of appeal."). The party seeking fees in *Ray Haluch Gravel* tried to distinguish *Budinich* by arguing that "a district court decision that does not resolve a fee claim authorized by contract is not final for purposes of [28 U.S.C.] § 1291 because it leaves open a claim for contract damages" and because "contractual provisions for attorney's fees or costs of collection, in contrast to statutory attorney's fees provisions, are liquidated-damages provisions intended to remedy the injury giving rise to the action." *Id.* at 780. This Court specifically rejected that argument, explaining that "the Court in *Budinich* [had] rejected the very distinction the [party seeking fees] now attempt[s] to draw." *Ibid.* The Court again stressed the importance of "operational consistency and predictability" in this area and again rejected the contention that the treatment of the fee award should be governed by its characterization in the statutory or decisional law authorizing the fees. *Ibid.*

The Court made clear that its reasoning applied to prevailing-party attorney's fees, not requests for fees incurred in prior litigation and only later sought as damages. It explained that "the situation would differ if a party brought a freestanding contract action asserting an entitlement to fees incurred in an effort to collect payments that *were not themselves the subject of the litigation*," 134 S. Ct. at 783 (emphasis added), a situation that did not arise in that case and does not arise in this one.

B. Although *Ray Haluch Gravel* and *Budinich* directly involved the finality of a district court's judgment in light of a prevailing-party fee award, the reasoning of those decisions squarely implicates—and conflicts with—the ruling below regarding the manner of requesting such an award. This Court left no doubt that a determination of the amount of attorney's fees incurred in the same litigation in which the fee award is sought is not an element of damages or otherwise part of the merits decision in the case. *Ray Haluch Gravel*, 134 S. Ct. at 780-781; *Budinich*, 486 U.S. at 200. That is true regardless of whether the authorization of fees is statutory or contractual and regardless of whether the statutory or decisional law authorizing the fees characterizes the fees (or their amount) as damages or as part of the merits determination. *Ray Haluch Gravel*, 134 S. Ct. at 780. A court's calculation of the amount of attorney's fees due to a prevailing party is a matter that is collateral to the underlying case. *Budinich*, 486 U.S. at 200; *accord White*, 455 U.S. at 451.

The decision below is irreconcilable with those guiding principles. Relying solely on the fact that Medtronic's request for prevailing-party attorney's

fees was authorized by contract rather than by statute, the court of appeals concluded that Medtronic's "attorney fees were proven at trial as an element of damages" and that the fee request was therefore exempt from Rule 54(d)(2)'s requirement of a timely post-judgment motion. Pet. App. 12a. That chain of conclusions is incorrect and conflicts with this Court's decisions.

Although it is true that Medtronic established its *eligibility* for attorney's fees by prevailing on the claims underlying this action, the judgment in its favor neither declared that Medtronic is entitled to fees nor determined the amount of fees due. That makes sense because those are exactly the determinations that are made by the district court in resolving a motion for fees under Rule 54(d)(2). When Rule 54(d)(2)'s motion requirement applies (as it should in this case), the motion seeking fees must "specify the judgment and the statute, rule, or other grounds entitling the movant to the award" and must "state the amount sought or provide a fair estimate of it." Fed. R. Civ. P. 54(d)(2)(B)(ii), (iii).

This Court implicitly recognized in *Ray Haluch Gravel* that Rule 54(d)(2)'s post-judgment motion requirement applies when a prevailing party seeks fees authorized by contract. The party seeking fees in that case had argued that a fee award authorized by contract should be viewed as part of the merits judgment to avoid the "piecemeal litigation" that might arise if parties were required to file separate appeals from the merits decision and the fees decision. 134 S. Ct. at 781. The Court rejected that argument because Rule 54(d)(2), in conjunction with Federal Rule of Civil Procedure 58(e) (which permits a district court to toll the time for filing an appeal when a motion for attorney's

fees is pending), already "provide[s] a means to avoid a piecemeal approach in the ordinary run of cases where circumstances warrant delaying the time to appeal." *Ray Haluch Gravel*, 134 S. Ct. at 781. That is so precisely because Rule 54(d)(2) requires the *prompt* filing of a request for attorney's fees—and Rule 58(e) then permits a court to suspend the deadline for appealing the underlying merits decision when warranted. The Federal Circuit's assertion that the contractual basis for the prevailing-party fees in this case exempts the fees from the motion requirement of Rule 54(d)(2) created exactly the type of piecemeal litigation that the Rules are designed to avoid and that this Court has declared undesirable. The fact that the fees in this case are authorized by contract provides no support for the Federal Circuit's holding: "[T]he Court in *Budinich* rejected the very distinction" the Federal Circuit "now attempt[s] to draw," *id.* at 780—and rejected it again in *Ray Haluch Gravel*. Because the Federal Circuit erred in concluding that Rule 54(d)(2)'s requirement of a post-judgment motion does not apply to Medtronic's request for fees, it also erred in concluding that the time limit in that Rule does not apply.

II. The Courts Of Appeals Are Divided Over The Meaning Of A Central Provision Of The Federal Rules Of Civil Procedure.

The decision below deepens an entrenched conflict among the courts of appeals about the application of Rule 54(d)(2) to prevailing-party attorney's fees authorized by contract. This case presents the Court with a clean opportunity to resolve that important conflict over the frequently recurring issue of the proper procedure to seek prevailing-party attorney's fees.

The existence of a conflict on this question is problematic because of the inherent unfairness and uncertainty of permitting litigants in some jurisdictions to file a motion for fees years after a final judgment in their favor while litigants in other jurisdictions lose their right to do so if they do not file within 14 days. The Rules Committee itself explained that it added Subsection (d) to Rule 54 precisely in order to "harmonize and clarify procedures" governing "frequently recurring … litigation" over awarding prevailing-party attorney's fees. Fed. R. Civ. P. 54(d) Adv. Comm. Notes (1993).

A. Two courts of appeals have correctly held that, by its terms, Rule 54(d)(2)'s requirement of a post-judgment motion applies to requests for prevailing-party attorney's fees, whether such fees are authorized by statute or by contract. If the instant case had arisen in those jurisdictions, Medtronic's request for fees would have been rejected as untimely under the Rule.

In *Rissman v. Rissman*, 229 F.3d 586 (7th Cir. 2000) (Easterbrook, J.), the defendants filed a post-judgment motion for fees for prevailing in that very litigation. The district court denied the request on the ground that the defendants had been required to seek those fees as part of the merits of the case by filing a counterclaim. *Id.* at 587. The Seventh Circuit vacated the decision, holding that Rule 54(d)(2)'s post-judgment motion requirement applies to such requests for prevailing-party attorney's fees authorized by contract and awarded "for work done during the case." *Id.* at 588. The court acknowledged the Committee Notes relied on in the instant case by the Federal Circuit,

which state that the Rule does not "apply to fees recoverable as an element of damages, as when sought under the terms of a contract; such damages typically are to be claimed in a pleading and may involve issues to be resolved by a jury." Fed. R. Civ. P. 54(d) Adv. Comm. Notes (1993). But the Seventh Circuit correctly explained 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.

Rissman, 229 F.3d at 588.

The distinction embraced by the Seventh Circuit in *Rissman* is exactly the distinction this Court articulated in *Ray Haluch Gravel* and in *Budinich*. This Court has explained that fees incurred in the course of litigating the action to which the fees pertain are "not part of the merits of th[at] action," *Budinich*, 486 U.S. at 200, but that "the situation would differ if a party brought a freestanding contract action asserting an entitlement to fees incurred in an effort to collect payments that were not themselves the subject of the litigation," *Ray Haluch Gravel*, 134 S. Ct. at 783. Like the defendants in *Rissman*, respondent in the instant case seeks fees for work done in the course of *this* litigation. Although such fees "do[] not remedy the injury

giving rise to th[is] action," *Budinich*, 486 U.S. at 200, the Federal Circuit held that they are "an element of damages," Pet. App. 2a, 12a. On that basis, the Federal Circuit deemed Rule 54(d)(2)'s requirement of a timely motion to be inapplicable. That holding directly conflicts with *Rissman*.

The decision below also conflicts with a ruling from the Eighth Circuit, which similarly rejected reliance on the Advisory Committee Notes and held that Rule 54(d)(2) requires a post-judgment motion to request prevailing-party attorney's "'[f]ees for work done during the case.'" *Wiley v. Mitchell*, 106 Fed. Appx. 517, 523 (8th Cir. 2004) (per curiam) (quoting *Rissman*, 229 F.3d at 588) (brackets in original). In so holding, the Eighth Circuit rejected the losing party's reliance on other cases holding that Rule 54(d)(2) does not require a post-judgment motion to recover "attorneys' fees recoverable pursuant to the terms of a contract." *Id.* at 522. The Eighth Circuit's holding directly conflicts with the ruling below.[2]

Although no decision from the Fourth Circuit is directly on point, district courts within that jurisdic-

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[2] Although the opinion in *Wiley* is not binding, district courts in the Eighth Circuit rely on it as authoritative, requiring litigants seeking contractual prevailing-party fees to comply with Rule 54(d)(2)'s timing requirement. *See, e.g.*, *Farmers Coop. Soc'y v. Leading Edge Pork LLC*, No. 16-CV-4034, 2017 WL 3496498, at *1-2 (N.D. Iowa Aug. 15, 2017); *Nelson v. Frana Cos.*, No. 13-CV-2219, 2017 WL 2683957, at *1-2 (D. Minn. June 21, 2017); *Nat'l Union Fire Ins. Co. of Pittsburg v. Donaldson Co.*, No. 10-CV-4948, 2016 WL 4186930, at *4-5 (D. Minn. Aug. 8, 2016); *Coral Grp., Inc. v. Shell Oil Co.*, No. 05-CV-633, 2013 WL 4067625, at *2 (W.D. Mo. Aug. 12, 2013).

tion have held that attorney's fees authorized by a prevailing-party contract provision are collateral to the litigation, rather than a measure of damages, and are therefore subject to the requirements of Rule 54(d)(2). *See, e.g.*, *Route Triple Seven Ltd. P'ship v. Total Hockey, Inc.*, 127 F. Supp. 3d 607, 613-614 (E.D. Va. 2015); *Lawley v. Northam*, No. 10-CV-1074, 2013 WL 1786484, at *24-27 (D. Md. Apr. 24, 2013).

B. In conflict with the Seventh and Eighth Circuits, five courts of appeals erroneously hold that prevailing-party attorney's fees authorized by contract must be proved at trial—not through a post-judgment motion—*if* the state law governing the contract treats those fees as an element of damages. That is so even though this Court has made clear that the characterization of fees either as a merits issue pertaining to damages or as a collateral issue to be decided by a court after final judgment *should not* depend on how such fees are characterized by the underlying law that authorizes the award of fees. *Ray Haluch Gravel*, 134 S. Ct. at 780-781; *Budinich*, 486 U.S. at 201-202. Although the question whether fees are in fact authorized by a contract is likely to be governed by state law, the proper procedure for requesting such fees and determining their amount *in federal court* is a question of federal law that is governed by Rule 54(d)(2). Nevertheless, the Fifth, Sixth, Ninth, Tenth, and Eleventh Circuits hold that Rule 54(d)(2) does not contemplate a post-judgment motion for attorney's fees authorized by contract if the state law governing interpretation of the contract would characterize the fees as an element of damages.

In *Richardson v. Wells Fargo, N.A.*, for example, the Fifth Circuit held that the application of Rule

54(d)(2) depends not on whether the fees pertain to the litigation at hand but instead on whether such fees "are damages under [state] law." 740 F.3d 1035, 1037 (5th Cir. 2014); *see id.* at 1039-1040. Similarly, the Sixth Circuit held in *Dryvit Systems, Inc. v. Great Lakes Exteriors, Inc.* that Rule 54(d)(2) did not provide for a post-judgment motion to secure attorney's fees authorized by contract because, although such fees are "[t]ypically" considered "collateral to the merits and awarded after judgment by [Rule] 54(d)(2) motion," under the state law governing the contract in that case, "attorney's fees awarded by a 'prevailing party' contract clause are considered damages" that must be pleaded "at trial." 96 Fed. Appx. 310, 311-312 (6th Cir. 2004) (per curiam). The Ninth Circuit held in *Pabban Development, Inc. v. Sarl* that Rule 54(d)(2) required the prevailing party to request fees by motion because the losing party "did not demonstrate that Delaware law—the substantive law governing the parties' contract—requires attorney's fees awarded pursuant to a fee-shifting provision of a contract to be proven at trial as an element of damages." 673 Fed. Appx. 612, 615 (9th Cir. 2016); *accord Port of Stockton v. W. Bulk Carrier KS*, 371 F.3d 1119, 1120-1121 (9th Cir. 2004) (holding that whether the exception in Rule 54(d)(2)(A) applies is governed by state law). The Tenth Circuit applied the same rule in *Heavy Petroleum Partners, LLC v. Atkins*, 457 Fed. Appx. 735, 748 (10th Cir. 2012), and the Eleventh Circuit followed suit in *Sequoia Financial Solutions, Inc. v. Warren*, 660 Fed. Appx. 725, 728 (11th Cir. 2016).

Significantly, three of those five circuits (the Fifth, Ninth, and Eleventh) have applied that erroneous approach even *after* this Court's decision in *Ray*

Haluch Gravel should have made clear that the federal rules do not provide a basis for treating prevailing-party fees authorized by contract different from prevailing-party fees authorized by statute. *See* 134 S. Ct. at 780-782. And all five circuits have applied that rule in spite of the clear dictate in *Budinich* (later reinforced in *Ray Haluch Gravel*) that the applicability of federal law to a request for attorney's fees "should not turn upon the characterization of those fees by the statute or decisional law that authorizes them." *Budinich*, 486 U.S. at 201; *accord Ray Haluch Gravel*, 134 S. Ct. at 780.

C. In the proceedings below, the district court and Federal Circuit widened the circuit split by adopting a third rule whereby requests for prevailing-party attorney's fees governed by contract are *never* subject to Rule 54(d)(2), without reference to the state law that would govern interpretation of the contract. The Federal Circuit simply adopted the district court's erroneous interpretation of the Advisory Committee Notes to hold that a request for prevailing-party attorney's fees authorized by contract is a request for damages that must be "proven at trial," rather than by motion pursuant to Rule 54(d)(2). Pet. App. 2a, 12a.[3]

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[3] If the court of appeals had consulted Minnesota law (which governs the contract at issue here, *see* Pet. App. 13a), it would have discovered that, "[w]hen a party seeks attorney fees under the express provisions of a contract, the fees are an agreed element of damages available under the contract and are not collateral." *United Prairie Bank-Mountain Lake v. Haugen Nutrition & Equip., LLC*, 813 N.W.2d 49, 59 (Minn. 2012). As explained elsewhere in this Petition, however, that state law is properly regarded as irrelevant to whether Medtronic's request

Nothing in the text of the Rule or this Court's caselaw supports such a distinction. And, as explained at pp. 23-24, *infra*, the lower courts' reliance on the Advisory Committee Notes was misplaced.[4]

D. The division among the Courts of appeals directly undermines bedrock principles of federal practice. In *Budinich*, this Court stressed the importance of adopting a uniform rules-based approach to characterizing requests for attorney's fees in federal court. 486 U.S. at 202. The Court explained that "what is of importance here is not preservation of conceptual consistency in the status of a particular fee authorization as 'merits' or 'nonmerits,' but rather preservation of operational consistency and predictability in the overall application of [28 U.S.C.] § 1291." *Ibid.* The application of Section 1291 is not at issue in this case, but the same principles of "operational consistency" and "predictability," *Ray Haluch Gravel*, 134 S. Ct. at 780-781, should guide application of Rule 54(d)(2). Although most appellate decisions applying the state-law approach have held that Rule 54(d)(2) requires the party seeking fees to file a post-judgment motion within 14 days because attorney's fees are not considered under the relevant

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for fees should have been governed by Rule 54(d)(2)'s timely motion requirement.

[4] In a summary order, the Second Circuit appears to have adopted a similar approach, affirming a district court's denial of a Rule 54(d)(2) motion for attorney's fees and explaining that, "[b]ecause the district court properly identified that the [movants'] only ground for the recovery of attorney's fees was contractual, it was not error to deny this application [for fees] as inconsistent with the provisions of Rule 54(d)." *Town of Poughkeepsie v. Espie*, 221 Fed. Appx. 61, 62 (2d Cir. 2007).

state law to be an element of damages, at least one court of appeals decision reached the opposite conclusion. *Dryvit Sys., Inc.*, 96 Fed. Appx. at 312 (relying on Michigan law). Under the majority rule, the applicable rule will therefore vary not only among courts of appeals, but also within a single court of appeals depending on which state law governs a particular contract. For example, some district courts in the Third Circuit have relied on *Rissman* to hold that prevailing-party fees authorized by contract are subject to the requirements of Rule 54(d)(2),[5] while other district courts in that circuit have held that such fees must be proved as damages at trial when the underlying state law requires.[6]

Such a lack of predictability may unfairly deprive a prevailing party of the attorney's fees for which it contracted—*e.g.*, if a party fails to include a plea for attorney's fees as an element of its damages (as a defendant that ultimately prevails could easily do) and

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[5] *See, e.g.*, *Easter Roofing Sys., Inc. v. Simon Prop. Grp., Inc.*, No. 14-CV-717, 2016 WL 1367176, at *6 (M.D. Pa. Apr. 5, 2016); *Telecom S. Am., Inc. v. Presto Telecomms., Inc.*, No. 01-CV-680, 2003 WL 22462236, at *3 (E.D. Pa. Oct. 28, 2003).

[6] *See, e.g., Lehman Bros. Holdings, Inc. v. Gateway Funding Diversified Mortg. Servs., L.P.*, No. 11-CV-6089, 2015 WL 6378581, at *3 (E.D. Pa. Oct. 22, 2015) (holding that Rule 54(d)(2)'s timely motion requirement applies because "New York courts do not require that attorneys' fees be proven as an element of damages"); *Jamy Enters., LLC v. E&S Food Serv. Corp.*, No. 06-CV-5667, 2009 WL 3271482, at *3 (D.N.J. Oct. 9, 2009) ("[U]nder New Jersey law, a claim for attorney's fees pursuant to a contractual arrangement is an element of damages that must be pleaded and proved during trial."); *Sokoloff v. Gen. Nutrition Cos.*, No. 00-CV-641, 2001 WL 536072, at *8 (D.N.J. May 21, 2001) (same).

a court later determines that the state law governing the contract requires that attorney's fees be pleaded and proved at trial.

III. The Question Presented, On Which Courts Of Appeals Are Divided, Is Dispositive In This Case, Is Important, And Is Recurring.

The decision below directly implicates the question upon which the circuits are divided—and resolution of that question in petitioner's favor would definitively conclude this long-running litigation. Medtronic failed to file a motion for fees within 14 days of the original final judgment in its favor or even the reinstatement of that final judgment in its favor following appeal. The Federal Circuit excused the untimeliness of the motion by holding that Rule 54(d)(2) did not require Medtronic to file a motion at all. But if this case had arisen in the Seventh or Eighth Circuits, the motion would have been denied as untimely. If this case had arisen in the Fifth, Sixth, Ninth, Tenth, or Eleventh Circuits and the contract authorizing fees had been governed by the law of any of a number of other States, Rule 54(d)(2) would have applied to the request and the request would have been denied as untimely.

The division of authority should be resolved in light of the recurring and important nature of the issue. As the Advisory Committee Notes explain, Subsection (d) was added to Rule 54 precisely because attorney's fees were the subject of frequent litigation. Fed. R. Civ. P. 54(d) Adv. Comm. Notes (1993). Some of that litigation pertains to fees authorized by statute; but a good deal of it arises out of contracts with prevailing-party fee provisions. A 2013 study of more

than 2,000 fee clauses in the contracts of large corporations' public-securities filings revealed that, in approximately 60% of those contracts, the companies opted out of the default "American rule" that each party is responsible for its own fees. Eisenberg & Miller, *supra*, at 331-332.[7] Such a large-scale "opting out of the American rule," *ibid.*, illustrates the frequency with which the applicability of Rule 54(d)(2) to fee-shifting contract provisions arises and demonstrates that sophisticated parties often prefer to agree in advance about how future litigation fees should be handled. The existing uncertainty and conflict in the application of Rule 54(d)(2) in such circumstances undermines those preferences.

The Advisory Committee Notes further explain, moreover, that Subsection (d) was added to Rule 54 in order "to harmonize and clarify procedures that have been developed through case law and local rules." Fed. R. Civ. P. 54(d) Adv. Comm. Notes (1993). The division among courts of appeals (and within courts of appeals that determine the applicability of Rule 54(d) with reference to state law) directly undermines the clarity and harmony that is the purpose of Subsection (d). This case provides the perfect opportunity to impose the harmony intended by the Rule's drafters.

IV. Certiorari Is Also Warranted Because The Federal Circuit's Decision Is Erroneous.

The Federal Circuit's decision erroneously permits Medtronic to seek attorney's fees it incurred

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[7] By comparison, those companies opt out of litigation and into arbitration 11% of the time and opt out of jury trial in about 20%. Eisenberg & Miller, *supra*, at 331.

while litigating this case, even though Medtronic *neither* complied with the timely motion requirement of Rule 54(d)(2) *nor* complied with the exception to that rule (even were that exception available to it) by proving the amount of fees it is due as an element of damages at trial. The Federal Circuit's ruling is contrary to the Rule's plain text and its obvious purpose. It also is obviously wrong.

A. 1. The text of Rule 54 sets forth a general requirement that any "claim for attorney's fees . . . *must* be made by motion" and "*must* . . . be filed no later than 14 days after the entry of judgment." Fed. R. Civ. P. 54(d)(2)(A)-(B)(i) (emphases added). It is undisputed that Medtronic did not file a motion in compliance with the Rule. The district court entered its judgment pursuant to Rule 54(b) on April 12, 2011. Pet. App. 20a. Medtronic requested attorney's fees more than three years later, on July 28, 2014. *Id.* at 7a.[8]

The Federal Circuit held that Medtronic's fee request was not untimely under Rule 54(d)(2) because it fell within the only relevant exception in the Rule. Pet. App. 12a. That conclusion was error. The exception in Rule 54(d)(2) applies when three distinct requirements are satisfied: "[i] the substantive law requires [the requested] fees [ii] to be proved at trial [iii] as an element of damages." Fed. R. Civ. P. 54(d)(2)(A).

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[8] Medtronic does not dispute that, if a motion was required under Rule 54(d)(2), its fee request was untimely. The deadline to file the motion is 14 days unless "a statute or court order" specifies a later deadline. Fed. R. Civ. P. 54(d)(2)(B)(i). No such statute or order applies here and Medtronic has not suggested otherwise.

Medtronic's request does not satisfy any of those requirements, much less all of them.

First, "the substantive law" governing this case does not address Medtronic's fee request and certainly does not denominate contractual prevailing-party fees as "damages" to be proved at trial. The parties' dispute relates to patent validity and infringement. The ordinary rule under the patent laws is that each party pays its own attorney's fees. Indeed, that is a principal reason parties to a patent license would include a prevailing-party provision—*i.e.*, to depart from the rule provided by the substantive law. And certainly there is nothing in the substantive law that would direct the amount of fees Medtronic is entitled to recover under the contract—a determination that is at the heart of Medtronic's motion for fees. In holding that Medtronic's fee request fell within the exception in Rule 54(d)(2)(A), the Federal Circuit did not cite *any* substantive law—not the patent law that forms the substance of the parties' dispute nor the state law that would govern interpretation of the parties' contract. Pet. App. 12a. That is not surprising because no applicable substantive law designates Medtronic's prevailing-party fees as a measure of damages.

Second, Medtronic's fees were not "proved at trial"—indeed, Medtronic did not even *request* fees in the merits proceedings in the district court. After filing its operative complaint, and before the entry of judgment, Medtronic never mentioned a claim for contractual attorney's fees. More to the point, it would be difficult, if not impossible, for any party to prove *at trial* the amount of fees it will be due as a prevailing party in an ongoing case—because there is no prevailing party until there is a final judgment and because

whoever the prevailing party ends up being may well continue to incur fees up to the entry of a final judgment and beyond.

Third, Medtronic's fees were not an "element of damages." "Damages" are the party's recovery on its substantive claim. *See White*, 455 U.S. at 452; *Rissman*, 229 F.3d at 588. Costs, by contrast, are the party's expenditures related to litigating the case. *See Budinich*, 486 U.S. at 200 ("At common law, attorney's fees were regarded as an element of 'costs' awarded to the prevailing party . . . ."). Prevailing-party attorney's fees are the latter. *See* Fed. R. Civ. P. 54(d)(1) (setting forth the method for seeking "Costs Other Than Attorney's Fees"). That is most obvious when, as here, the fees are awarded to a party—the alleged patent infringer—that would have had to *pay* damages had it not prevailed and was never in a position to *recover* damages. As this Court explained in *Ray Haluch Gravel*, "[t]he premise that contractual attorney's fees provisions are always a measure of damages is unpersuasive, for contractual fee provisions often provide attorney's fees to prevailing defendants." 134 S. Ct. at 780.

2. As explained at pp. 7-12, *supra*, this Court has long distinguished between prevailing-party attorney's fees such as those Medtronic seeks and attorney's fees accrued in an action that is separate from (and predated) the action in which they are sought. The former are collateral to the merits while the latter are a measure of damages. That is so regardless of whether the fees are authorized by contract or statute. In erroneously concluding that Medtronic's request for fees was not subject to Rule 54(d)(2)'s timely motion

requirement, the Federal Circuit relied on the Advisory Committee Notes rather than on the text of the Rule. But the Notes do not support the court's ruling either. The Notes reiterate that the Rule's timely motion requirement does not apply to "fees recoverable as an element of damages," because "such damages typically are to be claimed in a pleading and may involve issues to be resolved by a jury." Fed. R. Civ. P. 54(d)(2) Adv. Comm. Notes (1993). As discussed, that exception does not apply to a request for fees as a prevailing party: nothing about such a request raises questions of pleading or proof prior to judgment, much less issues that would be put before a jury.

The Federal Circuit reached the opposite conclusion by relying on a single clause in one sentence of the Advisory Committee Notes. As one example of fees that are "an element of damages," the Notes mention fees "as when sought under the terms of a contract." Fed. R. Civ. P. 54(d)(2) Adv. Comm. Notes (1993). But the court wildly overread that phrase, which does not suggest that *all* fees sought under a contract are "damages." And in this case, as discussed, they obviously are not. Rather, the Notes encompass exactly the distinction this Court later drew in *Ray Haluch Gravel* by referring to a different form of contractual attorney's fees: those that a party incurs *antecedent* to the suit rather than in the course of the litigation in which the fees are sought. See pp. 2-3, *supra*. That type of damages must be proved at trial, not in a post-judgment motion—and, if proven, included in the court's final judgment. Because no such damages were proved at trial here, the district court lacked authority to award and fix the amount of what it viewed as damages in

response to a motion filed long after entry of final judgment.

In cases where the exception in Rule 54(d)(2)(A) applies, no separate motion or ruling by the district court is required for the fee request to be resolved and the issue litigated on appeal. The court's appealable judgment on the merits—which includes the "damages" awarded to a party—itself encompasses the court's ruling on those fees. *See* Fed. R. Civ. P. 54(c) (final judgment "grant[s] the relief to which each party is entitled"). One need look no further than the district court's original judgment disposing of this case. That judgment did not award Medtronic any "damages," including any attorney's fees. Nor did Medtronic attempt to prove its entitlement to fees as damages. Rather, the judgment found that Medtronic was not liable for patent infringement. Mirowski appealed from that judgment, but of course had no opportunity to dispute Medtronic's right to attorney's fees. Rather, years later, Medtronic sought and was awarded fees as a component of its costs of litigating the case.

If the Federal Circuit were correct that attorney's fees qualify as "damages" within the meaning of Rule 54(d)(2)(A) merely because a prevailing party proves its entitlement to fees by proving at trial that it is the prevailing party, the "damages" exception in Rule 54(d)(2)(A) would completely swallow the rule that a motion for attorney's fees is generally required. According to the court of appeals, Medtronic's putative right to fees converted the fees into "damages." But in *every* case to which Rule 54(d)(2) potentially applies, the party has an asserted "right" to the fees. The issues under the Rule are the form and timing of the fee

request. If contractual prevailing-party fees are "damages" exempt from the motion requirement, then so is every other form of attorney's fees. If that were true, a party would never be required to file a motion within 14 days of judgment.

B. The Federal Circuit's contrary decision also cannot be reconciled with the purposes for which Rule 54 was adopted: to provide "an opportunity for the court to resolve fee disputes shortly after trial, while the services performed are freshly in mind"; to "assure that the opposing party is informed of the claim before the time for appeal has elapsed"; and to "enable[] the court in appropriate circumstances to make its ruling on fee request in time for any appellate review of a dispute over fees to proceed at the same time as review on the merits of the case." Fed. R. Civ. P. 54 Adv. Comm. Notes (1993).

The ruling below obviously deprives the district court of the opportunity to consider the fee request while still familiar with the events justifying the services provided by the lawyers. Rather than two weeks after judgment, the court of appeals permitted Medtronic to submit its request three years later. Nothing in principle precludes similar delays from occurring in other cases that are appealed.

The Federal Circuit's ruling also inhibits the orderly appellate process by producing the piecemeal appeals the Rules are designed to avoid. The Federal Rules of Civil Procedure generally require the court clerk to "prepare, sign, and enter the judgment" when the court disposes of all parties' claims, Fed. R. Civ. P. 58(b)(1), which triggers the losing party's time to appeal, *see* Fed. R. App. P. 4(a). Under Rule 58(e), "[o]rdinarily, the entry of judgment may not be delayed, nor

the time for appeal extended, in order to . . . award fees. But if a timely motion for attorney's fees is made under Rule 54(d)(2), the court may act before a notice of appeal has been filed and become effective to order that the motion" defer the entry of an appealable judgment. Fed. R. Civ. P. 58(e).

Taken together, those provisions codify the holding of *Budinich* that a request for attorney's fees incurred in the course of litigating the case does not *itself*—without further action by the district court—defer a party's obligation to file a notice of appeal. *See* Fed. R. Civ. P. 58 Adv. Comm. Notes (1993). As the Court explained in *Ray Haluch Gravel*, the Rules "avoid a piecemeal approach" to deciding appeals from judgments and contractual claims for attorney's fees incurred in the litigation. 134 S. Ct. at 781. "Rule 54(d)(2) provides for motions claiming attorney's fees," while Rule 58(e) "provides that if a timely motion for attorney's fees is made under Rule 54(d)(2)" the court may "delay[] the running of the time to file an appeal." *Ibid.* The Court noted that the procedures set forth in the Rules "eliminate concerns over undue piecemeal appeals in the vast range of cases," including "some cases in which the fees are authorized by contract." *Id.* at 782. In support, the Court cited a treatise explaining that the Rule's requirement of a motion applies to fees under a contract, unless they are "an element of damages under the substantive law governing the action." *Ibid.*

The Federal Circuit's holding will necessarily produce the type of fragmented appeals that Rule 54(d)(2) was designed to avoid. The district court can ensure that the merits and attorney's fees are efficiently considered together in a single appeal only if (a) the fees

are awarded as damages as part of the judgment, or (b) the prevailing party files a motion that triggers the court's ability to defer the time to appeal. Neither option was available here because the fees Medtronic seeks are not an element of damages and because Medtronic did not file a request for fees until years after the merits decision was appealed.[9]

[9] The Rule's requirement of a prompt post-judgment motion also addresses any concern that the determination of attorney's fees should be deferred because the prevailing party may incur additional fees on appeal or the judgment may be reversed. The district court "may defer its ruling on the motion, or may deny the motion without prejudice, directing under subdivision (d)(2)(B) a new period for filing after the appeal has been resolved." Fed. R. Civ. P. 54 Adv. Comm. Notes (1993).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

Thomas C. Goldstein
Counsel of Record
Sarah E. Harrington
GOLDSTEIN & RUSSELL, P.C.
7475 Wisconsin Ave.
Suite 850
Bethesda, MD 20814
(202) 362-0636
tg@goldsteinrussell.com

Arthur I. Neustadt
OBLON, MCCLELLAND,
MAIER & NEUSTADT LLP
1940 Duke St.
Alexandria, VA 22314
(703) 413-3000

Sidney J. Silver
SILVER, FREEDMAN, TAFF
& TIERNAN LLP
3299 K St. NW
Washington, DC 20007
(202) 295-4500

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