United States Court of Appeals for the Federal Circuit

ERICSSON INC., TELEFONAKTIEBOLAGET LM ERICSSON,
Plaintiffs-Appellees

v.

TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED, TCT MOBILE LIMITED, TCT MOBILE (US) INC.,
Defendants-Appellants

2018-2003

Appeal from the United States District Court for the Eastern District of Texas in No. 2:15-cv-00011-RSP, Magistrate Judge Roy S. Payne.

Decided: April 14, 2020

THEODORE STEVENSON, III, McKool Smith, PC, Dallas, TX, argued for plaintiffs-appellees. Also represented by WARREN LIPSCHITZ, NICHOLAS M. MATHEWS; JAMES A. BARTA, RAYINER HASHEM, JEFFREY A. LAMKEN, MICHAEL GREGORY PATTILLO, JR., MoloLamken LLP, Washington, DC.

LIONEL M. LAVENUE, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Reston, VA, argued for

defendants-appellants. Also represented by MICHAEL LIU SU, Palo Alto, CA; DAVID MROZ, Washington, DC.

Before PROST, *Chief Judge*, NEWMAN and CHEN, *Circuit Judges*.

Opinion for the court filed by *Chief Judge* PROST.

Dissenting opinion filed by *Circuit Judge* NEWMAN.

PROST, *Chief Judge*.

Appellants TCL Communication Technology Holdings, Limited, TCT Mobile Limited, and TCT Mobile (US) Inc., (collectively, "TCL") appeal the decision of the U.S. District Court for the Eastern District of Texas denying summary judgment that U.S. Patent No. 7,149,510 ("the '510 patent") is ineligible for patenting under 35 U.S.C. § 101. TCL also appeals the denial of its motion for a new trial on damages and challenges the jury's finding of willful infringement as not supported by substantial evidence. We reverse, hold that the '510 patent claims ineligible subject matter under 35 U.S.C. § 101, and do not reach the issues of damages or willfulness.

I

In February 2015, Ericsson Inc. and Telefonaktiebolaget LM Ericsson (collectively, "Ericsson") sued TCL for infringement of five patents. *See* J.A. 1000–04. Four patents were removed from the case following *inter partes* review proceedings, leaving only the '510 patent. TCL moved for summary judgment that the asserted claims of the '510 patent (then claims 1–5 and 7–11) were ineligible for patenting under 35 U.S.C. § 101. The district court denied the motion in November 2017, and the case proceeded to trial one month later. *See Ericsson Inc. v. TCL Commc'n Tech. Holdings, Ltd.*, 2017 WL 5137401 at *1, *7-8 (E.D. Tex. Nov. 4, 2017) ("Summary Judgment Decision").

The '510 patent generally claims a method and system for limiting and controlling access to resources in a telecommunications system. At trial, Ericsson argued that TCL infringed claims 1 and 5 of the '510 patent by making and selling smartphones that include the Android operating system. According to Ericsson, these Android-based products infringe the claims of the '510 patent because they include "a security system that can grant apps access to a subset of services on the phone, with the end user controlling the permissions granted to each app." Appellees' Br. 6 (internal quotations omitted). The jury found claims 1 and 5 infringed, awarded Ericsson damages, and further found that TCL's infringement was willful. J.A. 38–39.

Post-trial, TCL moved for renewed judgment as a matter of law and a new trial on damages and willfulness, among other issues. The district court initially agreed, concluding that Ericsson's damages theory was "unreliable" and ordering a new trial on damages. J.A. 3. Following Ericsson's motion for reconsideration, however, the district court reinstated the jury verdict, and denied TCL's motion for a new trial. *Id.* It also denied TCL's motion for judgment as a matter of law on willfulness, finding the jury's verdict supported by substantial evidence. *Id.* at 20.

TCL timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

II

Ericsson argues as a threshold matter that TCL has waived any right to appeal the issue of ineligibility under § 101 by failing to raise it in a motion for judgment as a matter of law under Federal Rule of Civil Procedure 50. *See* Appellees' Br. 21–25. We disagree for two independent

reasons. We discuss each in turn below.

A

The district court's § 101 opinion applied the two-step framework for patent eligibility first laid out in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), and further detailed in *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014). Patent eligibility under § 101 is an issue of law, although the inquiry may sometimes contain underlying issues of fact. *See Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018); *Intellectual Ventures I LLC v. Capital One Financial Corp.*, 850 F.3d 1332, 1338 (Fed. Cir. 2017). In denying summary judgment here the district court concluded, at step one, that the claims of the '510 patent "are not directed to an abstract idea" as a matter of law. Summary Judgment Decision at *7. That decision was based on the court's analysis of the claim language and a comparison to our existing caselaw, and was not dependent on any factual issues that were or could have been raised at trial. *See id.* at 70–71.

Although not in the § 101 context, we have addressed a similar procedural scenario in *Lighting Ballast Control LLC v. Philips Electronics North America Corp.*, 790 F.3d 1329, 1337 (Fed. Cir. 2015). In that case, an appellee argued that the appellant had "waived any argument . . . by failing to raise the issue in either its pre- or post-verdict motions for judgment as a matter of law." *Id.* at 1336–37. We noted that this may be true in cases where a motion for summary judgment is denied because "material issues of fact prevented judgment." *Id.* at 1337. But that was not the case in *Lighting Ballast*, nor is it here. Rather, in *Lighting Ballast*, "[w]hen the district court denied [the movant]'s motion for summary judgment, it did not conclude that issues of fact precluded judgment; it effectively entered judgment of validity to [the non-movant]," and that grant of judgment was appealable. *Id.*

The same is true in this case. The district court did not conclude that there were issues of fact precluding judgment. Once the district court held that the '510 patent was not directed to an abstract idea at step one, there was no set of facts that TCL could have adduced at trial to change that conclusion. *See* Summary Judgment Decision at *7. As a result, the district court effectively entered judgment of eligibility to Ericsson. "This is sufficient to preserve the issue for appeal." *Lighting Ballast*, 790 F.3d at 1338.

Ericsson argues that we are bound to apply Fifth Circuit law in this instance, and that therefore *Lighting Ballast* is inapplicable. Appellees' Br. 21–22. Even under Fifth Circuit law, however, the district court effectively granted summary judgment of eligibility to Ericsson, which we may review.

Relying on Fifth Circuit law, Ericsson cites *Feld Motor Sports, Inc. v. Traxxas, L.P.*, 861 F.3d 591, 596 (5th Cir. 2017), for the proposition that "following a jury trial on the merits, this court has jurisdiction to hear an appeal of the district court's legal conclusions in denying summary judgment, but only if it is sufficiently preserved in a Rule 50 motion." But the district court here did not merely deny summary judgment. Rather, consistent with Fifth Circuit precedent, it effectively granted summary judgment in favor of the non-moving party by deciding the issue and leaving nothing left for the jury to decide. *See Hudson v. Forest Oil Corp.*, 372 F.3d 742, 744 (5th Cir. 2004) ("the district court's decision to deny [a] motion for summary judgment was in effect a grant of summary judgment in favor of [non-movants]"). And when the district court's action amounts to an "effective . . . grant of summary judgment," the Fifth Circuit has treated the action akin to an express grant of summary judgment, and allowed an appeal accordingly. *See Luig v. North Bay Enters., Inc.*, 817 F.3d 901, 904–05 (5th Cir. 2016).

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