

2011-1363, -1364

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ROBERT BOSCH LLC,

Plaintiff-Appellant,

v.

PYLON MANUFACTURING CORP.,

Defendant-Cross Appellant.

Appeal from the United States District Court for the District of
Delaware in Case No. 08-CV-0542, Judge Sue L. Robinson

**BRIEF FOR THE UNITED STATES OF AMERICA AS
AMICUS CURIAE ON HEARING *EN BANC* IN SUPPORT OF
DEFENDANT-CROSS APPELLANT**

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STATEMENT OF INTEREST

The United States respectfully submits this amicus brief pursuant to Fed. R. App. P. 29(a) and this Court's order of August 7, 2012. Congress has charged the United States Patent and Trademark Office (PTO), an agency of the Department of Commerce, with responsibility for examining patent applications, issuing patents, and advising the President on domestic and international issues of patent policy. *See* 35 U.S.C. 1 *et seq.* The United States accordingly has a strong interest in the efficient administration of the U.S. patent system, including the proper interpretation of Section 1292(c)(2). The United States respectfully urges the Court to adhere to its longstanding interpretation of that provision, which Congress enacted to enable defendants in patent infringement cases to appeal judgments of infringement liability before incurring the expense and delay of a damages trial.

QUESTION PRESENTED

The United States will address the following question, as framed in this Court's order of August 7, 2012:

Does 28 U.S.C. § 1292(c)(2) confer jurisdiction on this Court to entertain appeals from patent infringement liability determinations when a trial on damages has not yet occurred?¹

SUMMARY OF THE ARGUMENT

When a district court has entered a judgment of patent infringement liability but a trial on damages has not yet occurred, the case is “final except for an accounting” and this Court therefore has jurisdiction to hear an appeal.

Long before Congress enacted the predecessor to Section 1292(c)(2) in 1927, courts understood and routinely used the term “accounting” to refer to a calculation of *both* profits and damages in patent infringement cases. Section 1292(c)(2)'s use of the term reflects that common understanding, as the text and history of the statute confirm. And that is the interpretation that courts – including multiple panels of this Court – have given the statute since then. Bosch's contrary reading, which would limit the meaning of “accounting” to the calculation of an infringer's profits, disregards that history and would render the statute essentially

¹ The United States takes no position on the second question presented in the Court's August 7, 2012 order.

irrelevant to modern patent infringement litigation. This Court should reject Bosch's reading and preserve interlocutory jurisdiction pursuant to Section 1292(c)(2).

ARGUMENT

I. **As Used in Section 1292(c)(2), the Term "Accounting" Encompasses a Calculation of a Patentee's Damages.**

As a general matter, this Court's appellate jurisdiction, like the jurisdiction of the regional courts of appeals, is governed by the final judgment rule. *See, e.g.*, 28 U.S.C. 1295(a)(1) (granting this Court jurisdiction over any "appeal from a final decision of a district court of the United States . . . in any civil action arising under . . . any Act of Congress relating to patents"). For more than eighty years, however, Congress has provided an exception to that rule for bifurcated patent infringement cases, enabling this Court to review a district court's rulings regarding patent validity and infringement without awaiting the outcome of an expensive, complex, and time-consuming damages trial. 28 U.S.C. 1292(c)(2). This Court has faithfully adhered to that understanding of Section 1292(c)(c) since the Court was created. It should decline the invitation to overturn that settled understanding now.

A. Congress Used the Term “Accounting” To Encompass Damages as Well as Profits.

In 1927, Congress enacted the predecessor statute to Section 1292(c)(2) to confer interlocutory appellate jurisdiction over patent infringement judgments that were final except for “an accounting.” As originally enacted, the statute provided that, “when in any suit in equity for the infringement of letters patent for inventions, a decree is rendered which is final except for the ordering of an accounting, an appeal may be taken from such decree to the circuit court of appeals . . .” 28 U.S.C. 227a (1927). The Senate Report accompanying Section 227a makes clear that Congress understood the “accounting” process to encompass *both* a calculation of the defendant’s profits and any award of compensatory damages:

Under the present statutes where an equity suit for infringement of letters patent results in a decree for the plaintiff, if the patent at the time of entry of the decree is still alive, the court orders an injunction to restrain further infringement and *refers the cause to a master to ascertain plaintiff’s damages and defendant’s profits*. Upon the entry of such a decree an appeal from the order granting the injunction may be taken immediately, and it is the general practice to suspend all proceedings *under the accounting* until the court of appeals has determined the questions of validity of the patent and infringement. If the court holds against the plaintiff on either of these questions, it reverses the decree of the lower court, and there is, of course, *no accounting*.

S. Rep. No. 69-1319, at 1 (1927) (emphasis added).

Congress thus used the term “accounting” in a manner consistent with the general definition of the word – a reckoning of the total sum for which the

infringer was accountable to the patentee, including both damages and profits. *See* Noah Webster, A CONDENSED DICTIONARY OF THE ENGLISH LANGUAGE 4 (N. Porter ed. 1910) (providing “a reckoning” as first definition for “account”); *see also* BLACK’S LAW DICTIONARY 18 (2d ed. 1910) (indicating that the term “accounting” may refer to any requirement for the “rendition of an account, either voluntarily or by order of a court”).

B. Prior to 1927, Courts Routinely Used the Term “Accounting” To Encompass Damages as Well as Profits.

Congress’s use of the term “accounting” to encompass a determination of both damages and profits reflects the consistent usage of that term by the federal courts since long before 1927.

Until 1870, as Bosch argues, the term “accounting” in patent infringement cases referred only to the calculation of an infringer’s profits. In 1853, the Supreme Court held that a patentee’s damages due to patent infringement were not recoverable in proceeding in equity. *See Livingston v. Woodworth*, 56 U.S. (15 How.) 546 (1853). In that case, the district court had instructed a special master to perform an accounting, and the special master had returned with an award that included both profits and damages. *Id.* at 556, 559. The Supreme Court rejected the inclusion of damages in the award, reasoning that damages could not be awarded in an equity proceeding. *Id.* at 559-60. In the course of its ruling, however, the Court used the word “account” in a sense that would grammatically

encompass damages. *See id.* at 559 (referring to the special master’s admission “that the account is . . . constructed upon . . . the theory of awarding damages to the complainants”). The Court’s holding was merely that an “account” in an equity proceeding, under the patent laws of that period, was “restrict[ed] . . . to the actual gains and profits of the appellants.” *Id.* at 560.

From 1853 until 1870, therefore, an “accounting” in equity did conform to Bosch’s proposed construction, for the simple reason that this was all a special master *could* award. But, Congress abrogated this aspect of *Livingston* in the 1870 Patent Act by authorizing an award of damages in proceedings in equity. Act of July 8, 1870, Ch. 230, § 55, 16 Stat. 201 (“[T]he claimant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby . . .”).

After 1870, courts consistently used the terms “account” and “accounting” to refer to the special master’s determination of *both* profits and damages. *See, e.g., Cornely v. Marckwald*, 131 U.S. 159, 160 (1889) (referring to district court’s “ordering a reference to a master to take an account of profits and damages”); *Smith v. Vulcan Iron Works*, 165 U.S. 518, 524 (1897) (upholding ability of adjudicated infringer to take immediate appeal from an injunction prior to special master’s “account of profits and damages”); *Henry v. A.B. Dick Co.*, 224 U.S. 1, 41 (1912) (referring to “an accounting for damages for past infringement” in patent

case); *Westinghouse Elec. & Mfg. Co. v. Wagner Elec. & Mfg. Co.*, 225 U.S. 604, 608 (1912) (“The case was therefore referred to a master to state an account of damages and profits...”); *Lovell-McConnell Mfg. Co. v. Automobile Supply Mfg. Co.*, 235 U.S. 383, 386 (1914) (referring to “an accounting for damages and profits” in patent case); *Yesbera v. Hardesty Mfg. Co.*, 166 F. 120, 121 (6th Cir. 1908) (“[A] reference to the master to take an account of profits and damages was included in the decree.”); *Andrews v. Creegan*, 7 F. 477, 478 (C.C.S.D.N.Y. 1881) (“[T]he act of 1870 (Rev. St. Sec. 4921) provides for an accounting for damages as well as profits, and there may be damages to be accounted for in this case.”).

Bosch is therefore mistaken in insisting that the term “accounting” in Section 1292(c)(2) refers exclusively to the traditional equitable remedy of an “accounting for profits,” and that Section 1292(c)(2) must therefore exclude any calculation of damages. The historical evidence demonstrates the contrary. After the 1870 Patent Act authorized equity courts to award both damages and profits, courts consistently used the term “accounting” in patent infringement cases to refer to the entire calculation of the defendant’s monetary liability to the patentee, including damages. That historical practice, which had already prevailed for more than half a century by 1927, is by itself sufficient reason to conclude that Congress intended the term “accounting” in Section 1292(c)(2) to encompass damages proceedings. *See Morissette v. United States*, 342 U.S. 246, 263 (1952) (when

Congress uses a term that has a settled judicial meaning, “it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind unless otherwise instructed.”). And as the 1927 Senate Report makes clear, that is how Congress itself actually understood the term when it enacted the predecessor provision to Section 1292(c)(2). *See* S. Rep. No. 69-1319, at 1 (describing the “accounting” at issue in the legislation as the process by which the district court “refers the cause to a master to ascertain *plaintiff’s damages and defendant’s profits*” (emphasis added)).

C. After 1927, Courts Continued to Refer to Damages Determinations as “Accountings.”

After Congress enacted 28 U.S.C. 227a in 1927, courts continued to use the term “accounting” to refer to the final, total monetary recovery to the patentee, regardless of whether that recovery involved damages, an infringer’s profits, or a combination. Indeed, courts continued to use the term “accounting” to describe damages awards in patent infringement cases even after Congress amended the Patent Act to eliminate the infringer’s profits as a measure of the patentee’s recovery. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505 (1964). For example, in *McCullough v. Kammerer Corp.*, a case specifically addressing Section 227a, the Supreme Court recounted that the district court ordered “[a]n accounting for profits and damages[.]” 331 U.S. 96, 97 (1947).

Other post-1927 Supreme Court decisions likewise refer to an “accounting” for damages in intellectual property infringement cases. *See, e.g., General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 650 (1983) (stating that case was “referred to a Special Master for an accounting,” and that the special master determined a reasonable royalty rate based on a hypothetical negotiation between the parties); *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 336 U.S. 271, 276 (1949) (noting that district court had “concluded that the respondent was entitled to . . . an accounting for profits and damages”); *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 398 (1947) (stating that district court had “ordered an accounting to determine royalties due for the period prior to termination of the license contract, and for infringement damages thereafter”); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 241 (1944) (reciting that the plaintiff had prayed “for an accounting for profits and damages”); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 115 (1938) (referring to circuit court’s “directions to order an accounting for damages and profits” in trademark case) (citation omitted).

Similarly, before the creation of this Court, the regional courts of appeals routinely used the term “accounting” to refer to the calculation of damages in patent infringement cases. *See, e.g., Russell Box Co. v. Grant Paper Box Co.*, 179 F.2d 785, 787 (1st Cir. 1950) (explaining that the statutory grant of jurisdiction

over appeals from judgments that are “final except for accounting” “clearly gives appellate jurisdiction of decrees of validity and infringement entered in advance of a determination of the amount of either the damages or the profits, or both, to be awarded.”); *Maxon Premix Burner Co. v. Eclipse Fuel Eng’g Co.*, 471 F.2d 308, 313 n.6 (7th Cir. 1972) (stating that “the district court denied treble damages but awarded injunctive relief and an accounting of actual damages.”); *Miller Hatcheries v. Buckeye Incubator Co.*, 41 F.2d 619, 620 (8th Cir. 1930) (explaining that the trial court held for defendants on their counterclaim and that defendants “were entitled to recover as damages reasonable compensation for the use of the improvements involved, and referring this matter of accounting to the special master”); *Icyclair, Inc., v. District Court of U.S. for Southern District of California, Central Division*, 93 F.2d 625, 626 (9th Cir. 1937) (district court entered a decree holding “the patents valid and infringed by defendants, enjoining defendants from further infringing them, and referring the case to a special master for the purpose of taking an account of profits and damages”).

D. This Court Has Always Interpreted “Accounting” To Encompass a Determination of Damages.

Finally, this Court has always held that an “accounting” in Section 1292(c)(2) encompasses a trial on damages. *See, e.g., Central Admixture Pharmacy Services, Inc. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1353 (Fed. Cir. 2007) (“Since the district court’s infringement judgment is final as

to all issues except for a determination of damages, we have jurisdiction under 28 U.S.C. § 1292(c)(2).”); *Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1343 n.2 (Fed. Cir. 2001) (“‘Accounting,’ as used in the statute, refers to infringement damages pursuant to 35 U.S.C. § 284.”); *In re Calmar, Inc.*, 854 F.2d 461, 464 (Fed. Cir. 1988) (explaining that the purpose of Section 1292(c)(2) was to permit a stay of a damages trial during an appeal); *H.A. Jones Co. v. KSM Fastening Sys., Inc.*, 745 F.2d 630, 631-32 (Fed. Cir. 1984) (finding that jurisdiction under Section 1292(c)(2) was proper when the district court entered a final judgment of infringement but stated that the issue of damages would be decided at a later date).

That Bosch cannot cite any case from this, or any, court that holds to the contrary strongly militates against accepting Bosch’s novel reinterpretation. As the Supreme Court has emphasized, principles of *stare decisis* have “special force” in statutory interpretation because it is always within Congress’s authority to correct any error of judicial construction. *See, e.g., John R. Sand & Gravel Co. v. United States*, 552 U.S. 130, 139 (2008); *Watson v. United States*, 552 U.S. 74, 82-83 (2007). The Court has also stressed the importance of stability and clarity in jurisdictional rules, because litigation over where to litigate is “particularly wasteful.” *Grupo Dataflux v. Atlas Global Group, L.P.*, 541 U.S. 567, 582 (2004). This Court, and the regional courts of appeals before it, long ago resolved—in published, precedential decisions—that, first its predecessor, and then Section

1292(c)(2) authorize interlocutory appeals from liability judgments in patent infringement cases. Congress has repeatedly amended the Patent Act over the intervening decades, including most recently in the comprehensive reforms of the Leahy-Smith America Invents Act, without disturbing that settled interpretation. *Cf. Motorola, Inc. v. United States*, 729 F.2d 765, 770 (Fed. Cir. 1984) (explaining that where “Congress was fully aware of judicial constructions of a prior statute during the enactment of subsequent legislation encompassing that prior statute, our interpretation of the subsequent legislation must include the prior judicial constructions unless they were explicitly revoked by Congress”). This Court should not do so now.

II. Bosch’s Reading of Section 1292(c)(2) Would Frustrate the Purposes of the Statute and Render It Largely Irrelevant in Modern Patent Litigation.

A. Bosch Ignores Congress’s Intent To Permit An Immediate Appeal Even When No Injunction Has Been Awarded.

Bosch’s argument also disregards one of Congress’s basic objectives in enacting the original legislation in 1927. At the time Congress enacted Section 227a, adjudicated infringers in many cases *could already appeal* liability issues prior to litigating damages and profits. Specifically, since 1891, litigants could bring an immediate appeal upon issuance of an injunction without awaiting a damages determination. *See Vulcan Iron Works*, 165 U.S. at 524-25 (explaining that, after creation of the United States Circuit Courts of Appeals in 1891, an

adjudicated infringer had the ability to take an immediate appeal from an injunction prior to any determination of “profits and *damages*”) (emphasis added)); *cf.* 28 U.S.C. 1292(a)(1).

Congress enacted the 1927 provision in order to extend the right to an immediate appeal after a liability finding to cases in which no injunction could be issued because of patent expiration. As the Senate Report explains:

If the patent expires before the entry of the decree by the lower court so that no injunction is ordered, there can be, under the present statutes, no appeal until after the accounting is completed and a final decree is entered. If then on appeal the court of appeals determines that the patent is invalid or is not infringed, the whole expense of the accounting is wasted.

See S. Rep. No. 69-1319, at 1; *accord Brick v. A. I. Namm & Sons, Inc.*, 21 F.2d 179, 180 (E.D.N.Y. 1927) (explaining that the “difficulty” of having to litigate profits and damages prior to appeal in a case of an expired patent “has now been overcome by this new law”).

Bosch’s interpretation would frustrate that statutory purpose. Under Bosch’s reading of Section 1292(c)(2), an adjudicated infringer of an expired patent would *still* have to litigate damages prior to bringing an appeal. Bosch offers no explanation for why Congress would have enacted a statute that required an adjudicated infringer to litigate damages (but not profits) prior to bringing an appeal, in contravention of Congress’s clear intent to create parity between cases involving patents in force and those involving expired patents.

B. The Rationale For Permitting Interlocutory Appeals Remains Just As Strong Today As It Was in 1927.

While the available remedies for patent infringement have changed since 1927, the rationale behind Section 1292(c)(2)'s grant of appellate jurisdiction still holds strong. Congress enacted the 1927 statute to allow a court of appeals to review patent validity and infringement questions before the parties and the district court had to undertake the expensive, time-consuming, and complex process of determining the appropriate sum to award the patentee as a remedy. *See McCullough*, 331 U.S. at 98-99. The legislative history behind Section 227a explained that the purpose of the statute was "to obviate the cost of an accounting in the event the case is reversed on appeal." H.R. Rep. No. 69-1890, at 1 (1927).

Damages calculations in patent infringement cases today are no less time-consuming, expensive, or complex. And it still makes sense to defer that process until liability has been definitively decided by the appellate court. As the district court below observed, in her experience, "discovery disputes related to document production on damages and the *Daubert* motion practice related to damages experts are a drain on scarce judicial resources," (Bifurcation Order, No. 08-CV-542, DE 123, at 1 (D. Del. Aug. 26, 2009)), even without considering "the mischief that lawyers can perpetrate with extravagant damages figures or the hyperbole that can accompany claims of willfulness." *Id.* at 1 n.1; *see also* H.R. Rep. No. 69-1890, at 1 -2 (reproducing 1927 letter from Judge Evan Evans of the Seventh

Circuit, in which the judge describes a pending appeal for which the accounting had cost the litigants \$50,000, and observes that “[i]f the patent should be declared invalid, all of this expense on this account will have been for naught,” and that “[n]ot only will it have been a useless expense to the litigants, but it has taken much of the court's time.”).

Damages trials in modern patent infringement litigation require the parties and the district court to devote significant time and resources to resolving the myriad technical, economic, and legal difficulties involved in determining a patentee’s compensation under 35 U.S.C. § 284. Recent opinions from this Court underscore the requirement that patentees offer a detailed, fact-based analysis to support a request for damages. *See, e.g., Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1311-18 (Fed. Cir. 2011) (rejecting reasonable royalty evidence based on the “25 percent rule”); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869-73 (Fed. Cir. 2010) (rejecting a reasonable royalty rate based on licenses with no relation to the claimed invention); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336-39 (Fed. Cir. 2009) (addressing the entire market value rule).

Congress’s decision in 1927 to authorize interlocutory appeals on liability issues therefore remains eminently sensible and important today. Indeed, because this Court reviews claim construction rulings *de novo* and claim interpretation is often dispositive on issues of infringement and invalidity, an appeal on the liability

issues may significantly narrow the scope of any necessary damages calculation—or even render a damages determination moot. The Court should therefore adhere to its longstanding interpretation of Section 1292(c)(2), which not only conserves judicial resources at the district court level but also safeguards the interests of defendants accused of infringement by avoiding the high cost of a damages assessment in instances when liability was not upheld on appeal.

C. Bosch’s Argument Concerning Design Patents Is Incorrect and Would Render Section 1292(c)(2) Essentially Irrelevant.

Bosch insists that its interpretation of Section 1292(c)(2) would not render the statute vestigial because an infringer’s profits are still a measure of recovery in design patent cases. Section 289 of the Patent Act, entitled “Additional Remedy for Infringement of Design Patent,” provides that an infringer of a design patent “shall be liable to the owner to the extent of his total profit, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties.” 35 U.S.C. § 289.

That justification for severely restricting Section 1292(c)(2) is plainly insufficient. Indeed, Section 289 does not even refer to an “accounting”—an odd omission if, as Bosch contends, Section 1292(c)(2)’s principal remaining function in American patent law were to permit interlocutory appeals in bifurcated design patent cases. Nor does Bosch point to any reason to believe that Congress intended Section 1292(c)(2) to retain so little relevance in modern patent litigation. As we

have discussed, the reasons that prompted Congress in 1927 to authorize interlocutory appeals of patent validity and infringement without first conducting a damages proceeding remain equally (if not more) compelling today. Absent any indication that Congress believes the relevant policy considerations have changed, there is no basis for altering the longstanding interpretation that the courts have given to that provision.²

² In addition, Rule 62(a) of the Federal Rules of Civil Procedure uses the term “accounting” in relation to patent cases. Fed. R. Civ. P. 62(a). Rule 62, which was last amended in 2009, refers to an “accounting” in an action for patent infringement, and in no way is expressly limited to design patent cases. Bosch fails to offer any explanation regarding why a Rule in the Federal Rules of Civil Procedure would include a provision specifically devoted to such a narrow issue as a remedy available only for design patent infringement, without specifically mentioning this limitation.

CONCLUSION

For the foregoing reasons, the Court should reaffirm that 28 U.S.C. 1292(c)(2) confers jurisdiction on this Court to entertain appeals from patent infringement liability determinations when a trial on damages has not yet occurred.

Respectfully submitted,

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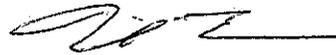
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RULE 32(a)(7)(C) CERTIFICATE OF COMPLIANCE

I certify pursuant to Fed. R. App. Proc. 32(a)(7) that the foregoing BRIEF FOR THE UNITED STATES OF AMERICA AS AMICUS CURIAE ON HEARING EN BANC IN SUPPORT OF DEFENDANT-CROSS APPELLANT complies with the type-volume limitation required by the Court's rule. The total number of words in the foregoing brief, excluding the table of contents and the table of authorities, is 3,972 words as calculated using the Word® software program.



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CERTIFICATE OF SERVICE

I hereby certify that on November 7, 2012, I caused copies of the foregoing BRIEF FOR THE UNITED STATES OF AMERICA AS AMICUS CURIAE ON HEARING *EN BANC* IN SUPPORT OF DEFENDANT-CROSS APPELLANT to be filed with the Court. In addition, I caused copies to be served upon the following counsel by first-class U.S. mail:

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