

2011-1363, -1364

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**United States Court of Appeals  
for the Federal Circuit**

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ROBERT BOSCH LLC,

*Plaintiff-Appellant,*

v.

PYLON MANUFACTURING CORP.,

*Defendant-Cross Appellant.*

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

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**BRIEF OF AMICUS CURIAE INTELLECTUAL PROPERTY  
OWNERS ASSOCIATION ON HEARING *EN BANC* IN  
SUPPORT OF PLAINTIFF-APPELLANT**

RICHARD F. PHILLIPS, *President*  
KEVIN H. RHODES, *Chair*  
*Amicus Brief Committee*  
INTELLECTUAL PROPERTY OWNERS  
ASSOCIATION  
1501 M Street, NW  
Suite 1150  
Washington, DC 20005  
(202) 507-4500

ROBERT P. TAYLOR  
MONTY M. AGARWAL  
JAMES A. FOX  
ARNOLD & PORTER LLP  
Three Embarcadero Center  
7<sup>th</sup> Floor  
San Francisco, CA 94111  
(415) 471-3000

*Counsel for Amicus Curiae Intellectual Property Owners Association*

September 24, 2012

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT  
ROBERT BOSCH V. PYLON MFG CORP, 2011-1363, -1364

**CERTIFICATE OF INTEREST**

Counsel for the Intellectual Property Owners Association certifies the following:

1. The full name of every party or amicus represented by me is:

**INTELLECTUAL PROPERTY OWNERS ASSOCIATION**

2. The name of the real party in interest represented by me is:

**INTELLECTUAL PROPERTY OWNERS ASSOCIATION**

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

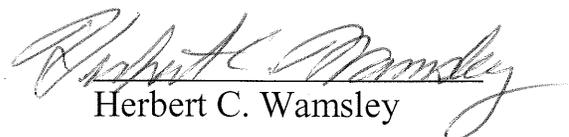
**INTELLECTUAL PROPERTY OWNERS ASSOCIATION**

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

RICHARD F. PHILLIPS, *President*  
KEVIN H. RHODES, *Chair*  
*Amicus Brief Committee*  
HERBERT C. WAMSLEY  
*Executive Director*  
INTELLECTUAL PROPERTY  
OWNERS ASSOCIATION  
1501 M Street, NW  
Suite 1150  
Washington, DC 20005  
(202) 507-4500

ROBERT P. TAYLOR  
MONTY M. AGARWAL  
JAMES A. FOX  
ARNOLD & PORTER LLP  
Three Embarcadero Center, 7<sup>th</sup>  
Floor  
San Francisco, CA 94111  
(415) 471-3000

Date: September 24, 2012

  
Herbert C. Wamsley

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The Intellectual Property Owners Association (IPO) submits this brief as amicus curiae pursuant to Federal Rule of Appellate Procedure 29(a) and Rule 29(a) of this Court to address the questions set forth by the Court in its Order of August 27, 2012 setting the case for hearing en banc. The Order provides that amicus briefs may be filed without leave of this Court.<sup>1</sup>

IPO supports the position of the Plaintiff-Appellant insofar as we believe that this Court does not have interlocutory appellate jurisdiction as to this case at this time because a determination of the fact of willfulness has not yet occurred. We support the position of Defendant-Appellee insofar as we believe that the Court does have interlocutory appellate jurisdiction under 28 U.S.C. §1292(c)(2) when only a trial on the quantum of damages has not occurred.

### **INTEREST OF AMICUS CURIAE**

Amicus curiae Intellectual Property Owners Association is a trade association representing companies and individuals in all industries and fields of technology that own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals involved in the association either through their companies or as inventors, authors,

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<sup>1</sup> No party's counsel authored this brief in whole or part; no party or party's counsel contributed money intended to fund preparing or submitting the brief; and no person other than amici, their members, or counsel contributed money intended to fund preparing or submitting the brief.

executives, law firms or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before Congress and government entities and has filed amicus curiae briefs in this Court and other courts on significant issues of intellectual property law. The IPO Board of Directors approved the filing of this brief.<sup>2</sup> A list of IPO board members can be found in the Appendix.

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<sup>2</sup> IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

## SUMMARY OF ARGUMENT

This Court's Order of August 7, 2012 granting hearing en banc asked for briefing on the following issues:

(a) 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 occurred?

(b) Does 28 U.S.C. § 1292(c)(2) confer jurisdiction on this Court to entertain appeals from patent infringement liability determinations when willfulness issues are outstanding and remain undecided?

### **Question (a).**

IPO submits that, where a trial has been deferred as to only the issue of damages, the case is nevertheless "final" within the meaning of Section 1292(c)(2), and this Court therefore has jurisdiction over an appeal with respect to the remainder of the case.

In 1927, Congress enacted Section 227a of the Judicial Code Act of Feb. 28, 1927, 44 Stat. 1261, ch.228, a predecessor version of Section 1292(c)(2), to allow the trial court in a patent case to defer the "accounting" portion of the trial until after the appeal process had concluded as to issues of infringement and validity. At the time of enactment, the most common measure of monetary damages was the infringer's profits from sales of the infringing product, as determined by an

“accounting” in a court of equity. The purpose of the 1927 statute was to permit the parties – with the cooperation of the trial court in bifurcating the issues for trial and in ruling on all of the post-trial motions essential for finality – to defer or obviate altogether the expense and disruption associated with the accounting phase of the trial.

Over the next 85 years, essentially the same statutory language was carried forward through several iterations and now finds expression in Section 1292(c)(2). Despite the fact that damage calculations no longer involve “an accounting” of an infringer’s profits, numerous decisions of this Court (and the regional circuit courts of appeals prior to the creation of this Court) have treated judgments as final for purposes of Section 1292(c)(2), even though a trial on the damage phase of the case had not occurred. As noted by this Court in *In re Calmar, Inc.*, 854 F.2d 461, 463-464 (Fed. Cir. 1988) (citing *McCullough v. Kammerer Corp.*, 331 U.S. 96, 98 (1947)):

[T]he policy underlying § 1292(c)(2) was to allow a district court to stay a damages trial pending appeal. As stated by the Supreme Court, ‘the object’ of the predecessor statute to Sec. 1292(c)(2) was to make sure that parties could take appeals in patent equity infringement suits without being compelled to await a final accounting. The reports of Congressional

committees on the measure called attention to the large expenses frequently involved in such accountings and the losses incurred where recoveries were ultimately denied by reversal of decrees on the merits.

IPO submits that the confirmation of Section 1292(c)(2) when Congress created the Federal Circuit in 1982, combined with decades of usage by the courts applying the provision to cases where damages were deferred, can only be construed as congressional acceptance that the settled meaning of the phrase “an accounting” includes the damage phase of a trial pursuant to 35 U.S.C. § 284.

**Question (b).**

Question (b) requires a more qualified response. There are two parts to the “willfulness issues,” as that term was used in the Court’s question. The first part – the determination of **whether** infringement was willful – is a fact issue, normally decided by the same jury (or judge sitting as trier of fact) that decides infringement and validity. This part of the willfulness inquiry is inextricably intertwined with infringement and validity and has little or nothing to do with the calculation of damages. The second part comes into play only **after** the infringement is determined to have been willful, and requires the trial court then to decide, in its discretion, whether and by how much the damage award should be enhanced. This

enhancement part of willfulness is appropriately considered only after the amount of actual damages is determined.

IPO submits that the answer to Question (b) should depend on whether the first part of the willfulness inquiry – determining as a matter of fact whether the infringement was willful – remains unresolved. In our view, a case is not “final except for an accounting” where, as is true in the case at bar, a determination of the fact of willfulness has been stayed or otherwise remains unresolved. In such situations, Section 1292(c)(2) would not confer appellate jurisdiction on this Court.

Determination of the fact of willfulness is not part of “an accounting” nor is it part of the damage phase of a trial. Determining whether infringement was “willful” under this Court’s precedents typically requires resolution of both legal and factual issues that are inseparable from the underlying question of liability and what the infringer knew or should have known as to its potential liability. Although Section 284 of the Patent Act permits the trial court to enhance damages based upon a finding that infringement was willful, nothing in the history or policy behind Section 1292(c)(2) suggests that the factual determination of willfulness itself was ever intended to be considered to be part of an “accounting.”

By contrast, where the trial court has – either through a jury trial or in some other fashion – resolved the fact of willfulness in favor of the patent owner, leaving only the issue of enhancement to be dealt with in connection with the calculation

of damages at some future date, the case should be considered “final” for the purpose of Section 1292(c)(2). It is certainly understandable, indeed it is essential, that a trial judge charged with the discretionary power to increase a damage award know the amount of that award before deciding whether and in what amount to do so.

## ARGUMENT

- I. **Section 1292(c)(2) Confers Jurisdiction on This Court to Entertain Appeals on Liability Issues, Even Though a Trial on Damages has not yet Occurred.**
  - A. **The Historical Development of Section 1292(c)(2) Shows That the Term “Accounting” Includes a Trial on Damages.**
    1. **The 1927 Origins of Section 1292(c)(2).**

Section 1292(c)(2) of Title 28, United States Code, originated as Section 227a of the Judicial Code, Act of Feb. 28, 1927, 44 Stat. 1261, ch. 228. At that time, law and equity were separate, and the 1927 statute provided for interlocutory appeals in patent infringement suits brought “in equity.” *Id.* The genesis of this patent specific interlocutory appeal provision was rooted in the experience of the courts in dealing with monetary remedies.

In the years leading up to enactment, the vast majority of patent suits were brought in equity, because there a patentee could recover both damages and an infringer’s profits. By contrast, an action at law was less inviting, because lost profits and established royalties were sometimes difficult to prove. *See, e.g.,*

*Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 648 (1915) (“While the number of drills sold by the defendants was shown, there was no proof that the plaintiff thereby lost the sale of a like number of drills or of any definite or even approximate number.”); 7 Donald S. Chisum, CHISUM ON PATENTS, §20.02[1][e] (2012) (availability of both profits and damages in equity “gave patentees an incentive to invoke equity jurisdiction, even where the interest in obtaining injunctive relief was either not primary or totally absent”); *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1567 (Fed. Cir. 1995) (en banc) (Nies, J., dissenting) (noting that after the 1870 amendments to the Patent Act, jury trials [*i.e.*, actions at law] “virtually disappeared” in patent cases), *rev’d on unrelated grounds*, 520 U.S. 17 (1997).

In these suits in equity, after a finding of infringement and validity, the common practice was to appoint a special master to examine the books of the infringer and undertake an accounting of profits. *Burdell v. Denig*, 92 U.S. 716, 720 (1875) (noting that determining the infringer’s profits was “very difficult . . . in a trial before a jury, but quite appropriate on a reference to a master, who can examine defendant’s books and papers, and examine him on oath, as well as all his clerks and [employees]”).

In 1922, the Patent Act was amended to allow for a reasonable royalty – “a reasonable sum as profits or general damages for the infringement” with the aid of

“opinion or expert testimony.” Act of Feb. 18, 1922, 42 Stat. 389, 392, ch. 58 § 8. Despite this change, accountings were still understood to be required in virtually all suits brought in equity, even where only a reasonable royalty, for instance, was sought. *See Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 243 F. Supp. 500, 522 n.19 (S.D.N.Y. 1965). In practice, the infringer’s profit remained the most common remedy sought, and the “accounting” was the procedural method of quantifying such profits. These accountings were cumbersome and lengthy proceedings.

Against this backdrop, Congress enacted the 1927 provision allowing for interlocutory appeals in cases where the liability issues were final. The original statute provided:

[W]hen 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...[provided that] the proceedings upon the accounting in the court below shall not be stayed unless so ordered by that court during the pendency of such appeal.

The statute’s purpose was “to prevent a great burden of expense to litigants in actions to determine the validity of patents, where an accounting is involved. ....

[Under the statute an] appeal[] may be taken...so as 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).

## **2. The 1938 Merger of Law and Equity and The 1946 Patent Act.**

Law and equity were merged in 1938. In 1948, the interlocutory appeal statute, original Section 227a, was updated to refer to a “civil action” rather than a “suit in equity.” Act of June 25, 1948, Pub. L. No. 80-773, 62 Stat. 869, ch. 726. In the interim, Congress substantially amended the monetary damage provisions of the Patent Act. Act of Aug. 1, 1946, Pub. L. No. 79-587, 60 Stat. 778. Among other things, the 1946 amendments were intended to end the practice of requiring an accounting in virtually all patent cases, even where the patent holder did not seek an infringer’s profits as a remedy. *See Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 654 (Fed. Cir. 1985) (“The legislative history of the 1946 amendments clearly indicates that one of its purposes was to eliminate the necessity of the traditional accounting to determine the infringer’s profits in all damages determinations, and to deter the use of such proceedings by successful patentees to harass the infringer.”); *see also Georgia-Pacific Corp.*, 243 F. Supp. at 522.

Today, the 1946 Act is commonly understood to have ended entirely the availability of the infringer’s profit as a remedy. This, however, was not necessarily the interpretation given to the change in the years immediately after the

1946 amendments took effect. The 1946 Act provided only for “general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefore.” 60 Stat. 776, ch. 776. The House Report on the bill that later became the 1946 Act, however, stated that “the bill would not preclude the recovery of profits as an element of general damages.” *Georgia-Pacific Corp.*, 243 F. Supp. at 526 (quoting the House Report).

As a result, courts interpreted the statutory framework to provide that, while an accounting for profit was no longer required, evidence of the infringer’s profit could be used as a measure of damages. *See Graham v. Jeoffroy Mfg., Inc.*, 253 F.2d 72, 74 (5th Cir. 1958) (“[T]he profits made by the infringer from his improper use of the infringing device may be the measure of the damages suffered, even though the statute does not prescribe that profits are to be recovered as such.”). In this setting, the statute providing for an interlocutory appeal as a matter right when all that remained was an accounting continued to have its original purpose.

This initial construction of the 1946 statute, allowing continued use of the infringer’s profits as a measure of recovery, however, ended with the Supreme Court’s 1964 ruling in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964). The *Aro* Court construed the 1946 amendment as eliminating the infringer’s profits as a form of recovery. In *Aro*, the Supreme Court determined that the term “damages” referred to the losses suffered by the

patent owner, and the term “profits” referred to the infringer’s gains. *Id.* at 505-06. The Court concluded that, because the statute did not specifically provide for the availability of an infringer’s profits as a form of recovery, Congress must have intended that an infringer’s profits would no longer be available. *Aro* thus put an end to the remedy of using an infringer’s profits as a basis for recovery and effectively ended the historical use of an “accounting.” *Id.* at 507-08. Because an infringer’s profits were no longer available as a remedy, there was no longer any use for the traditional accounting.

### **3. The Modern Era: Damages were Treated as “An Accounting” for Purposes of Interlocutory Appeals.**

While the nature of damages under the Patent Act underwent this series of changes – first by Congress in 1922 and 1946 and then through construction by the Supreme Court in *Aro* – the interlocutory appeal statute remained largely unchanged. The only significant change was promulgated as the Interlocutory Appeals Act, Pub. L. No. 85-919, 72 Stat. 1770, 1770 (1958) (codified at 28 U.S.C. §1292(b) (2006)). There, the patent specific interlocutory appeal provision was codified under Section 1292(a)(4) of Title 28, and new subsection 1292(b) was added to permit, for the first time, discretionary review of orders involving a controlling question of law. *See* 28 U.S.C. § 1292(b). No change, however, was made to the term “accounting” in Section 1292(a)(4).

In the years after *Aro*, and prior to the creation of the Federal Circuit, the regional circuit courts of appeals consistently held that the term “accounting” included the damages phase of a trial under Section 284. *See Contico Int’l, Inc. v. Rubbermaid Commercial Prods., Inc.*, 665 F.2d 820, 821 & n.3 (8th Cir. 1981) (when “the issue of damages was to be tried separately and at a later date,” the appellate court had jurisdiction under Section 1292(a)(4) [the predecessor to present § 1292(c)(2)]); *Saf-Gard Prods., Inc. v. Service Parts, Inc.*, 532 F.2d 1266, 1268 (9th Cir. 1976) (noting that the district court had “reserved damage determination until the accounting phase of the trial” and that the appeal had been brought “pursuant to the statute granting jurisdiction to review a patent case that is final except for an accounting”); *W.L. Gore & Assocs., Inc. v. Carlisle Corp.*, 529 F.2d 614, 617 (3rd Cir. 1976) (noting that a trial had been conducted on liability issues and not on damages, that “proceedings for an accounting for the infringement” had been stayed, and that the judgment appealed from was “final except as to the accounting”).

Allowing interlocutory appeals when all that remained was a damages phase trial was accepted practice when, in 1982, Congress created this Court. *See* Federal Courts Improvement Act of 1982, § 127, Pub. L. No. 97-164, 96 Stat. 25, 37–39. At that time, the patent specific interlocutory appeals provision was moved

from subsection 1292(a)(4) to 1292(c)(2), but no change was made to the term “accounting” in light of the accepted practice of the regional circuit courts.

From the outset, this Court has followed the practice of the regional circuit courts that formerly heard patent appeals as to the interpretation of Section 1292(c)(2). Thus, the Court has repeatedly allowed interlocutory appeals when all that remains is the damages phase. *See, e.g., Majorette Toys (U.S.) Inc. v. Darda, Inc. U.S.A.*, 798 F.2d 1390, 1391 (Fed. Cir. 1986) (“If an appeal in a patent case can come to this Court under § 1292(c)(2) after validity and infringement are determined but prior to determining damages...”); *In re Calmar*, 854 F.2d at 464 (dissolving a sanction order against a lawyer who had stated to a district judge that interlocutory appeals of validity and infringement rulings in patent cases were proper where the court had stayed a damages trial); *Cent. Admixture Pharmacy Servs., 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)”); *Respironics, Inc. v. Invacare Corp.*, 303 Fed. App’x. 865, 869 (Fed. Cir. 2008) (Court has jurisdiction under Section 1292(c)(2) when damages portion bifurcated and stayed); *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1337 (Fed. Cir. 2009); *Randall May Int’l, Inc. v. DEG Music Prods, Inc.*, 378 Fed. App’x. 989, 994 (Fed. Cir. 2010) (“an ‘accounting’ refers to infringement damages

pursuant to 35 U.S.C. § 284”). This Court has never held to the contrary – *i.e.*, that the term “an accounting” does not encompass a determination of damages pursuant to Section 284.

**B. Settled Principles of Statutory Construction Establish That “An Accounting” Includes Damages.**

Given the lengthy history of judicial interpretations of the term “accounting” as including the damages phase of a trial under 35 U.S.C. § 284, and given Congress’ continued use of that term when it codified the jurisdiction of this Court, there is no reason now to narrow this Court’s jurisdiction. When Congress employs a word or phrase that has settled meaning in the established jurisprudence, it is presumed that Congress intended such settled meaning to apply unless the statute suggests otherwise. The Supreme Court, in *Microsoft Corp. v. i4i Ltd. Partnership*, --U.S.--, 131 S.Ct. 2238 (2011), in an opinion by Justice Sotomayor, recently relied on this very point of statutory construction to reaffirm the evidentiary standard for overcoming the presumption of patent validity. *Id.* at 2246 (quoting *Neder v. United States*, 527 U. S. 1, 21, 23 (1999)):

Where Congress uses terms that have accumulated settled meaning under ... the common law, [we] must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of those terms. (quoting *Nationwide*

*Mut. Ins. Co. v. Darden*, 503 U. S. 318, 322 (1992); *Standard Oil Co. of N.J. v. United States*, 221 U. S. 1, 59 (1911)).

We submit that if Congress had intended to differentiate an “accounting” in equity from a calculation of damages pursuant to Section 284, it would have done so when it created this Court. Congress’ failure to do so must be interpreted as acquiescence in the prevailing usage at that time.

**C. The Underlying Rationale for Section 1292(c)(2) Continues to Have Vitality Today.**

The same compelling justification for delaying the damages phase of a patent trial that existed in 1927, 1948, 1958 or 1982 – i.e., these occasions on which Congress established and reconfirmed the right to an interlocutory appeal – continues to exist today. Today, trial courts often bifurcate damages and liability because of the complexity of both issues in modern patent cases. Bifurcation allows trial courts to focus lay jurors a narrower set of issues. By trying liability first and resolving all post trial motions, an interlocutory appeal allows (but importantly does not require) the trial judge to defer any further expenditure of judicial resources until all rights of appeal are exhausted as to a dispositive issue.<sup>3</sup> This is sometimes attractive, particularly if the trial court is not confident of the

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<sup>3</sup> It is worth emphasizing that trial courts can always avoid the interlocutory appeal provided by Section 1292(c)(2) by deferring final rulings on post trial motions and entry of judgment.

rulings it entered on claim construction. In the aftermath of the Supreme Court's ruling in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), making claim construction a matter of law, and this Court's rulings making claim construction reviewable *de novo*, it is well known that there exists a significant probability of reversal or at least modification of claim constructions made by the trial court. The high reversal rate can often render damages portion of the trial pointless. Interlocutory appeals on liability issues thus help preserve a legitimate interest of the parties and the trial court in obtaining a truly final determination of liability by this Court before expending the resources needed for a damages trial.

While the liability phase of a patent case can be extremely complex, expensive to prepare and try, and challenging for both the trial court and the jury, the damages phase can be equally complex, challenging and expensive. Damages trials are in many ways as complex as the accountings of the past, in light of the vast increase in the number and economic value of patent cases that has taken place since the formation of this Court, and also because of the enhanced role of the trial court in dealing with damages issues.

The nature of the evidence that bears on damages is often far removed from the evidence bearing on liability. Infringement and validity typically involve technical and scientific evidence as to the structure and operation of the patented technology and the accused product, whereas the damages phase often requires

evidence of complex issues of economics and accounting. A damages trial typically involves separate witnesses, including separate experts with differing fields of expertise. The accounting and economics data that often are the primary focus of a damages trial can be just as time consuming and expensive to present as a case on liability.

**D. Summary as to Question (a).**

In summary, IPO submits that Congress has long acquiesced in the view that where only damages remain unresolved, the case should be considered final and ripe for interlocutory appeal. We submit that the statute creating appellate jurisdiction, which has remained unchanged but fully effective to allow interlocutory appeals in such cases for 85 years, should continue to be so applied today. We believe that the underlying reasons for such interlocutory appeals are as relevant today as in 1927, if not more so. Had Congress wanted to differentiate an “accounting” in equity from a calculation of damages at law, it has had numerous opportunities to do so and should be presumed to have chosen otherwise.

**II. Determining the Fact of Willfulness is not Part of “An Accounting,” and Until This Issue is Resolved, Section 1292(c)(2) Does Not Permit an Interlocutory Appeal.**

In addressing the question of the Court’s interlocutory jurisdiction in situations where “willfulness issues” are not fully resolved, IPO believes that the Court should recognize an important distinction between the “fact of willfulness,”

*i.e.*, whether or not the infringement was willful, and the “enhancement” of damages that can result once willfulness is established. The “fact of willfulness” is not dissimilar from other factual issues; it is a question for the jury following the presentation of evidence. The question of “enhancement,” by contrast, is an equitable determination committed to the sound discretion of the trial court based on an assessment of the conduct of the infringer. The former inquiry has little or nothing to do with the quantum of damages. The latter is necessarily a part of the final amount that the infringer will be required to pay, but because it is a ruling made entirely by the trial court, it does not present the same issues as to finality for purposes of Section 1292(c)(2). Determining whether and in what amount to enhance is, for purposes here, similar to the determination of prejudgment interest, costs and in a proper case attorneys’ fees.

**A. A Judgment is Not “Final” if the Fact of Willfulness Remains to be Determined.**

Where there has been no determination as to whether infringement was willful, IPO submits that such a case is not yet “final except for an accounting” and that appellate jurisdiction pursuant to Section 1292(c)(2) should not attach. The origins of Section 1292(c)(2), and the policy considerations underlying its original enactment in 1927, show that Congress intended to create a narrow class of interlocutory appeals, as a matter of right, for a very specific purpose – to permit

deferral of a trial on **damages**. That right of appeal should not be expanded to include cases where additional issues remain unresolved.

Piecemeal appeals are not favored, either by this Court or by the larger judicial system as a whole, for a number of sound reasons.<sup>4</sup> They allow the appealing party to disrupt the normal progression of the proceeding. They discourage settlements that might otherwise occur. They often waste the time of the appellate court with issues that otherwise might become moot. Multiple appeals are less efficient than having the parties prepare and argue the entire case in a single set of briefs and before a single appellate panel. At some level, piecemeal appeals can also have the undesirable consequence of diminishing the esteem of the trial court in the eyes of the parties.<sup>5</sup> In the unusual case where the trial court, for some reason unique to a given case, wishes to stay the proceedings to seek guidance from this Court, the mechanisms of Section 1292(b) remain available in proper circumstances.

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<sup>4</sup> *Southern Ry. Co. v. Postal Telegraph-Cable Co.*, 179 U.S. 641, 643 (1901) (“The case is not to be sent up in fragments by successive writs of error”).

<sup>5</sup> Many of the reasons for not expanding the use of interlocutory appeals are identified in an article by William C. Rooklidge & Mansi H. Shah, *Creation of the Right to Interlocutory Appeal of Patent Claim Construction Rulings and Mandatory Stay Pending Appeal* (July 2007) (available at [docs.piausa.org/Interlocutory\\_Review\\_Paper.pdf](https://docs.piausa.org/Interlocutory_Review_Paper.pdf).) This article was written in response to proposed legislation that would have allowed a losing party to appeal a claim construction ruling in advance of the trial.

We recognize that some trial judges, to avoid confusion of the jury, often do choose to try the question of infringement separately from whether the infringement was willful. Under Federal Rule of Civil Procedure 42(b), trial courts are given wide discretion to manage the order of proof for the convenient presentation of evidence or to avoid prejudice, and there are no doubt many situations in which such bifurcation of issues for trial does make sense.<sup>6</sup> Use of such procedures, however, does not alter the fundamental issue currently before this Court, *i.e.*, whether a case is “final except for an accounting” within the meaning of Section 1292(c)(2) when these issues remain unresolved. We submit that to so hold would be to expand the ability of the parties to require this Court to accept an interlocutory appeal beyond what Congress intended. Put more simply, the fact that some judges might choose to try willfulness as part of a damages trial does not alter the fundamental lack of finality created by leaving willfulness unresolved.

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<sup>6</sup> Such situations would include where the infringer would prefer to offer into evidence an opinion of its patent lawyers that bears directly on the infringement or validity issues to be tried. Depending on the content of such opinion, one side or the other may be prejudiced by its admission into evidence prior to the jury’s deliberations on liability.

**B. Infringement and the Fact of Willfulness are Inextricably Intertwined With One Another.**

Whether the conduct of an infringer is willful is far more closely linked to the determination of infringement and validity than to the calculation of damages or a reasonable royalty. Conversely, the issue of willfulness will rarely if ever depend upon the determination of damages, nor is the bulk of the evidence on which the fact of willfulness is normally decided even relevant to the quantum of damages. These are substantially different inquiries – the former concerned with whether the infringer knew of the patent and acted recklessly, the latter either (i) related to the level of injury the patent owner may have suffered from the infringement, in the case of lost profits, or (ii) derived from the economics of the infringer’s industry, in the case of a royalty award.

After this Court’s en banc ruling in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), a finding that infringement was willful has depended upon three questions, all of which must be resolved in the proper sequence and in favor of the patent owner: 1) Was there infringement of a valid patent claim? 2) Were the defenses to liability raised by the accused infringer so contrived or insubstantial as to conclude that continuing infringement was “objectively” reckless? and 3) Once this “threshold objective standard is satisfied, [has] the patentee [demonstrated] that this objectively-defined risk...was either known or so obvious that it should have been known to the accused infringer[?].” *Id.* at 1371.

All three of these inquiries center around the question of liability, not the jury's calculation of the damage award.

In a typical patent trial, the liability phase will include preliminary rulings on claim construction, evidence of infringement offered by the patent owner, evidence rebutting the patent owner's showing of infringement, evidence of invalidity offered by the accused infringer, and rebuttal evidence offered by the patent owner on that issue. The entirety of this portion of the trial is directly relevant to the threshold question of whether the conduct of the accused infringer is objectively reckless under *Seagate*. A vigorous even though ultimately unsuccessful defense on either infringement or validity may well demonstrate that the objective test for willfulness is not met.<sup>7</sup> The same evidence may also be probative with respect to the subjective inquiry into what the infringer knew or should have known. Importantly, however, the evidence has little to do with determining the actual damages.

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<sup>7</sup> *Cohesive Technologies, Inc. v. Waters Corp.*, 543 F.3d 1351 (Fed. Cir. 2008) (“Because “rigid” was susceptible to a reasonable construction under which Waters’s products did not infringe, there was not an objectively high likelihood that Waters’s actions constituted infringement”), citing *Seagate*, 497 F.3d at 1371; *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010) (“This ‘objective’ prong of *Seagate* tends not to be met where an accused infringer relies on a reasonable defense to a charge of infringement); *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1336-37 (Fed.Cir.2009) (no willfulness where defendant “presented a substantial question” of noninfringement under the doctrine of equivalents, even though the jury found equivalence).”

In *Bard Peripheral Vascular, Inc., v. W.L. Gore & Assocs*, 682 F.3d 1003 (Fed. Cir. 2012), a panel of this Court recently considered the extent to which the trial judge, as opposed to the jury, should decide the threshold question, *i.e.*, whether the patent owner has demonstrated that the conduct of the infringer was objectively reckless, concluding that while this is a mixed issue of law and fact, the ultimate determination must be made by the trial judge. In so holding, the Court emphasized the close relationship between the evidence offered as to liability issues with that offered to show willfulness:

While the ultimate question of willfulness based on an assessment of the [knowledge] prong of *Seagate* may be a question of fact, *Seagate* also requires a threshold determination of objective recklessness. That determination entails an objective assessment of potential defenses based on the risk presented by the patent. Those defenses may include questions of infringement but also can be expected in almost every case to entail questions of validity that are not necessarily dependent on the factual circumstances of the particular party accused of infringement. (*Id.* at 1006).

**C. Evidence Offered to Show That Infringement was Willful May be Relevant to the Trial Judge’s Decision to Enhance, Which is a Separate Question From Quantum of Damages.**

Until the 2011 enactment of the America Invents Act (“AIA”), the Patent Act itself made no mention of willfulness. Inquiry into whether infringement was innocent or carried out with some degree of culpability exists in our jurisprudence only as a matter of decisional law.<sup>8</sup> Section 284 provides only that the trial court “may increase the damages up to three times the amount found or assessed,” but provides no statutory guidance for the exercise of that power.

This power of a trial court to enhance the actual damages has existed since the earliest days of the United States patent system. The statutory trebling of patent damages first appeared in the Patent Act of 1793 and initially was mandatory as the minimum award for patent infringement. *See*, Jon E. Wright, Comment, *Willful Patent Infringement and Enhanced Damages – Evolution and Analysis*, 10 GEO. MASON L. REV. 97, 99 (2001). In the Patent Act of 1836, Congress removed the mandatory aspect of trebling, but gave the district courts the discretionary power to “render judgment for any sum above the amount found by

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<sup>8</sup> *E.g.*, “Absent a statutory guide, we have held that an award of enhanced damages [under § 284] requires a showing of willful infringement. *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991); *see also*, *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996) (bad faith infringement, which is a type of willful infringement, is required for enhanced damages).

such verdict ... not exceeding three times the amount thereof, according to the circumstances of the case.” Patent Act of 1836, § 14, 5 Stat. 117, ch. 357; *Seagate*, 497 F.3d at 1368 n.3. That discretion has existed ever since, even as the manner of determining the quantum of damages went through significant changes, as detailed in Part I of this amicus brief.

At least as early as 1853, the Supreme Court distinguished infringers acting in “ignorance and good faith” from those acting as “wanton and malicious pirate[s].” *Seymour v. McCormick*, 57 U.S. 480, 488 (1853) (overturning lower court enhancement of damages for infringement). Following its creation in 1982, this Court has continued to draw the same distinction between innocent infringement and calculated indifference to the rights of the patent owner.<sup>9</sup> Moreover, the Court has emphasized that enhancement is a punitive sanction and not to be used merely because the trial judge believes that the damage award was inadequate to compensate the patent owner.<sup>10</sup> Conversely, willfulness, even when

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<sup>9</sup> *E.g.*, *Bard*, 662 F.3d at 1008; *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (affirming enhancement of damages where the infringer “acted in wanton disregard o ...patent rights”); *Underwater Devices Inc. v. Morrison-Knudsen*, 717 F.2d 1380, 1390-91 (Fed. Cir. 1983) (affirming the trebling of damages where defendant relied on an incompetent and late patent validity analysis).

<sup>10</sup> *See, e.g.*, *Beatrice Foods v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1579 (Fed. Cir. 1991) (reversing trial court’s enhancement for compensatory reasons).

found, does not automatically require enhancement of damages: “[t]hat the district court declined to impose increased damages...does not mean that the court found the infringement not willful.”<sup>11</sup>

In summary, although evidence related to willfulness is directly related to the trial court’s exercise of its discretionary power to increase an award after willfulness is established, that evidence rarely has any bearing on the actual calculation of damages that are determined in the “accounting” phase of the trial.

**D. There is no Reason to Expand Interlocutory Appellate Jurisdiction in Situations Where the Fact of Willfulness is Not Resolved.**

For all of the foregoing reasons, IPO submits that the case at bar is not final and that this Court is without jurisdiction to hear the appeal at this time. Although a finding that infringement was “willful” will, in a proper case, permit the trial judge to enhance a damage award pursuant to Section 284, that does not mean that the determination of willfulness itself is part of, or even closely related to, the accounting phase of the case. As noted, we believe this Court’s precedents are uniformly to the contrary. Where, however, only the question of enhancement by the trial judge remains open, along with the quantum of damages, as will normally

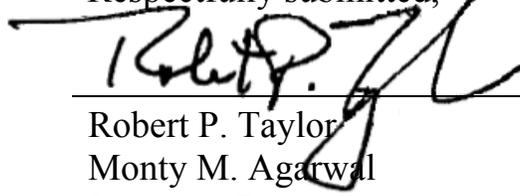
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<sup>11</sup> See *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1579 (Fed. Cir. 1986) (“That the district court declined to impose increased damages that *may* accompany a finding of willful infringement does not mean that the court found the infringement not willful.”) (emphasis in original).

will be the circumstance, we believe the case falls within the interlocutory appeal provision of Section 1292(c)(2) and is “final except for an accounting.”

Date: September 24, 2012

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert P. Taylor", is written over a horizontal line. The signature is stylized and cursive.

Robert P. Taylor  
Monty M. Agarwal  
James A. Fox  
Arnold & Porter LLP  
Three Embarcadero Center, 7th Floor  
San Francisco, California 94111

*Counsel for Amicus Curiae  
Intellectual Property Owners  
Association*

## **APPENDIX**

## APPENDIX

### Members of the Board of Directors Intellectual Property Owners Association

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Inc.

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Apple Inc.

Stuart L. Watt  
Amgen, Inc.

Paul D. Yasger  
Abbott Laboratories

**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT  
ROBERT BOSCH V. PYLON MFG CORP, 2011-1363, -1364  
CERTIFICATE OF SERVICE**

I, John C. Kruesi, Jr., being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by INTELLECTUAL PROPERTY OWNERS ASSOCIATION, Attorneys for Amicus Curiae, to print this document. I am an employee of Counsel Press.

On the **24th Day of September, 2012**, I served the within **Brief of Amicus Curiae Intellectual Property Owners Association** upon:

Gregory L. Hillyer  
Nicole D. Galli  
Feldman Gale, P.A.  
1700 Market Street, Suite 3130,  
Philadelphia, P A 19103  
GHillyer@FeldmanGale.com  
NGalli@FeldmanGale.com

Jeffrey D. Feldman  
Javier Sobrado  
Feldman Gale, P .A.  
One Biscayne Tower, 30th Fl.  
2 S. Biscayne Blvd.  
Miami, FL 33139  
JFeldman@FeldmanGale.com  
JSobrado@FeldmanGale.com

MarkA. Pals  
Christopher R. Liro  
Paul R. Steadman  
Kirkland & Ellis LLP  
300 North La Salle Street  
Chicago, IL 60654  
christopher.liro@kirkland.com  
mark.pals@kirkland.com  
paul.steadman@kirkland.com

Ashley B. Stitzer  
Stephen B. Brauerman  
Bayard, P .A.  
222 Delaware Avenue, Suite 900  
Wilmington, DE 19899  
astitzer@bayardlaw.com  
sbraerman@bayardlaw.com

*Counsel for Defendant-Cross Appellant Pylon Manufacturing Corp.*

Mark A. Hannemann  
Jeffrey S. Ginsberg  
KENYON & KENYON LLP  
One Broadway  
New York, NY 10004  
(212) 425-7200

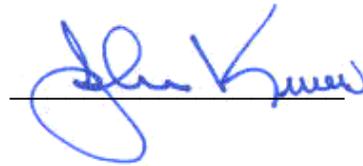
Susan A. Smith  
KENYON & KENYON LLP  
1500 K Street, N.W.  
Suite 700  
Washington, DC 20005  
(202) 220-4200

*Counsel for Plaintiff-Appellant Robert Bosch LLC*

**via Federal Express, overnight delivery**, by causing 2 true copies of it, enclosed in a properly addressed wrapper, to be deposited in an official depository of FedEx.

Unless otherwise noted, the 31 copies have been hand-delivered to the Court on the same date as above.

September 24, 2012

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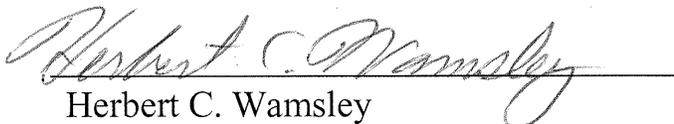
## CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(C), the undersigned hereby certifies that this brief complies with the type-volume limitation of Fed. R. App. P. 28.1(e)(2)(A)

1. Exclusive of the exempted portions of the brief, as provided in Fed. R. App. P. 32(a)(7)(B) and Fed. Cir. R. 32(b), the brief contains 6,348 words.

2. The brief has been prepared in proportionally spaced typeface using Microsoft Word 2007 in 14 point Times New Roman font. As permitted by Fed. R. App. P. 32(a)(7)(C), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

Date: September 24, 2012

  
Herbert C. Wamsley

*Counsel for Amicus Curiae  
Intellectual Property Owners  
Association*