IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

RAI STRATEGIC HOLDINGS, INC. and R.J. REYNOLDS VAPOR COMPANY,

Plaintiffs and Counterclaim Defendants,

v.

ALTRIA CLIENT SERVICES LLC; Philip Morris USA INC.; and Philip Morris PRODUCTS S.A.,

Defendants and Counterclaim Plaintiffs.

Case No. 1:20-cv-00393-LMB-TCB

REYNOLDS'S RESPONSE TO MOTION TO LIFT THE STAY
ON PHILIP MORRIS PRODUCTS, S.A.'s CLAIM FOR PERMANENT INJUNCTION

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INTRODUCTION

Philip Morris Products, S.A. ("PMP") has moved to lift the stay on its request for injunctive relief. (Dkt. 1372). Judge O'Grady entered that stay on June 7, 2021, pursuant to a motion from Reynolds, which had questioned the need for further proceedings on this issue in light of the initial determination by Chief Administrative Law Judge Cheney in the parallel ITC matter, finding the IQOS product (on which PMP's irreparable harm claim primarily rests) to infringe Reynolds's patents and recommending that importation of that product into the United States be barred. (Dkt. 649, 702.) Judge O'Grady observed at the time that "Judge Cheney's initial ITC determination, subject to final approval and appeal, undercuts the irreparable harm undergirding PMP's claim for injunctive relief." (Dkt. 702.) Accordingly, he directed the parties to complete the remaining fact discovery around the injunction claim, but otherwise held all further proceedings, including expert discovery, in abeyance. (*Id.*) Since that Order was entered, the full Commission of the ITC upheld Judge Cheney's initial determination, affirming the finding that the IQOS product infringes Reynolds's valid patents, and further directing that importation of IQOS into this country is banned.

Despite its firm belief that there is no good faith basis for PMP to even seek a permanent injunction in view of the record and the stringent requirements set forth in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), Reynolds does not object to lifting the stay entered by Judge O'Grady. But Reynolds does oppose PMP's effort to place the issue of injunctive relief—which would have devastating consequences to Reynolds—before this Court based on a record that is not fully developed. As discussed briefly below, there is no basis for the Court to rule, without even seeing PMP's motion, that no further discovery will be appropriate on this critical issue. Further, there is no basis to allow PMP to delay its related request for an ongoing royalty

until after the injunction request is fully briefed and decided; the ongoing royalty bears directly on the adequacy of legal remedy prong of the *eBay* test, and the issues should be considered together.

ARGUMENT

I. THE COURT SHOULD WITHHOLD ANY RULING ON FURTHER DISCOVERY UNTIL AFTER PMP'S INJUNCTION MOTION IS FILED.

PMP represents in its memorandum that "the parties agree that no further formal discovery (*e.g.*, depositions and discovery requests), whether fact or expert, on injunctive relief is necessary." (Dkt. 1372 at 5.) That statement does not accurately reflect Reynolds's position.

There is no dispute among the parties that it is proper to include declarations from fact and/or expert witnesses as part of the injunction briefing. PMP is apparently ambivalent about whether it will use such declarations and "takes no position" in its motion as to their necessity. Dkt. 1372 at 5-6. But it has no quarrel if Reynolds elects to do so. Indeed, PMP has previously acknowledged to the Court that resolution of injunction requests typically "involves some affidavits or perhaps something from an expert and that's also done in the context of the briefing to the Court." (Dkt. 1372, Ex. A, 6/8/22 Hrg. Tr., at 44:23-25.) Caselaw uniformly confirms that such declarations are appropriate. *See, e.g.*, *Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1368 (Fed. Cir. 2013) (vacating district court's causal nexus findings and remanding because district court should have considered expert's survey evidence in determining whether to grant patentee's motion for permanent injunction: "Here, the district court never reached that [causal nexus] inquiry because it viewed Dr. Hauser's survey evidence as irrelevant. That was an abuse of discretion."); *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1326 (Fed. Cir. 2008) (noting "Stryker submitted an opposition memorandum [to Acumed's motion for a permanent injunction] supported by the declarations of five physicians"); *BASF Plant Sci., LP v. Commonwealth Sci. & Indus. Rsch. Organisation*, No. 2:17-CV-503-HCM, 2019 WL 8108116, at *14 (E.D. Va. Dec. 23, 2019), *aff'd*

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