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

PHILIP MORRIS PRODUCTS S.A. Plaintiff, v. R.J. REYNOLDS VAPOR COMPANY Defendant.	Case No. 1:20-cv-00393-LMB-WEF **ORAL ARGUMENT REQUESTED**

REPLY IN SUPPORT OF PHILIP MORRIS PRODUCTS S.A.'S CROSS-MOTION TO LIFT THE STAY AS TO U.S. PATENT NO. 9,901,123

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I. INTRODUCTION

RJRV does ***not*** dispute that, under the plain language of 28 U.S.C. § 1659(a), the '123 patent stay should be lifted when the ITC's determination becomes "final," and that the ITC's determination is now final. And RJRV does ***not*** dispute that the purpose of the stay—namely, to suspend the '123 patent proceedings here until the ITC made its final determination—has been satisfied. Those concessions should be dispositive. There is no longer a need or basis for the statutory stay. This Court should lift that stay so that PMP can proceed here with its strong invalidity challenge to asserted claims 27-30 of the '123 patent.

Despite these concessions, and under the guise of judicial "efficiency," RJRV asks the Court to delay any proceedings on claims 27-30 of the '123 patent. There should be no confusion, however, that RJRV's real aim is to further its commercial objective of keeping Philip Morris' FDA-authorized HNB Products out of the hands of U.S. consumers. But, lifting the stay would serve judicial efficiency because the issues to be resolved are narrow and straightforward. As the ITC recognized, "Reynolds has stipulated that … [PMP's primary prior art reference] Morgan discloses each limitation of claims 27-30 except one,"—namely, a centered heater. *Certain Tobacco Heating Articles & Components Thereof*, Inv. No. 337-TA-1199, 2021 WL 2333742, at *27 (May 14, 2021). PMP has prior art that discloses this very element of the asserted claims. In other words, PMP only needs a ***single*** finding of fact, whether from the Court or the jury, to invalidate the asserted claims. If RJRV wants "efficiency," the stay should be lifted and the issues should be bifurcated in order to promptly resolve invalidity—and, only if it remains necessary, to resolve issues of infringement and damages.

The Court should reject RJRV's opposition for four reasons. First, RJRV argues that PMP's cross-motion somehow ignores Judge O'Grady's December 2020 order, which RJRV

contends stayed "the entire action." Dkt. 1488 at 5. That is factually incorrect. That order expressly stayed the '542 and '268 patents "pending the PTAB's decision." Dkt. 432. It did not address (or mention) the '123 patent. *Id.*

Second, RJRV argues the stay should remain in effect until ***after*** pending Federal Circuit appeals on two patents (the '542 and '915) because it "***may*** result in multiple additional trials." Dkt. 1488 at 1. But those two patents are ***not*** from the same patent family as the '123; they relate to distinct technical subject matter. As it previously held, this Court cannot rely "on speculation about the Federal Circuit's decision" or "weigh in on the strength of [RJRV's] appeal[s]" (which are weak). Dkt. 1471 at 7. Indeed, the probabilities of the Federal Circuit reversing the PTAB's invalidation of one patent is small (around 10 %) and the odds of the Federal Circuit doing so on two patents is negligible (around 1%). There is no reason to hold validity proceedings on the '123 patent in abeyance for appeals of unrelated patents that the PTAB already invalidated.

Third, RJRV asserts that, even if PMP invalidates the asserted claims of the '123 patent in this Court, "[r]ecission of an exclusion order is not automatic." Dkt. 1488 at 9 n.4 (citing no caselaw or other legal authority). That is legally erroneous. The ITC's exclusion orders ***only*** "continue[] in effect ***until the conditions that led to the order no longer exist***." *Certain Composite Wear Components & Prods. Containing Same*, Inv. No. 337-TA-644, Comm'n Op. at 8 (Feb. 10, 2011). As a matter of law, a "district court's invalidity ruling" after "issuance of [] remedial orders … ***substantially change[s]*** the circumstances under which the [exclusion] orders were issued," such that they are rescinded as a matter of course. *Id.* at 9.

Finally, when RJRV contends that PMP is "exaggerating" the harm to it and U.S. adult tobacco consumers if the '123 patent proceedings—and thus the Limited Exclusion Order—remain stayed, it is talking out of both sides of its mouth. The Court will recall that RJRV recently

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