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**BRIEF**

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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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**EN BANC BRIEF OF DEFENDANT CROSS-APPELLANT  
PYLON MANUFACTURING CORP.**

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October 29, 2012

## CERTIFICATE OF INTEREST

Counsel for Defendant-Cross Appellant Pylon Manufacturing Corp. hereby certifies the following:

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

PYLON MANUFACTURING CORP.

2. The name of the real party in interest (if the party named in the caption is not the real party interest) represented by me is:

PYLON MANUFACTURING CORP.

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:

QUALITOR, INC.

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:

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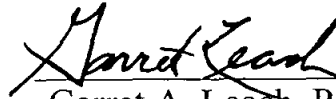
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## TABLE OF CONTENTS

	Page
STATEMENT OF RELATED CASES .....	1
JURISDICTIONAL STATEMENT .....	3
STATEMENT OF THE ISSUES .....	4
STATEMENT OF THE CASE .....	5
STATEMENT OF THE FACTS.....	6
SUMMARY OF THE ARGUMENT .....	7
STANDARD OF REVIEW .....	10
ARGUMENT .....	11
I.    “An Accounting” As Codified In 1292(c)(2) Refers To A Trial And Discovery On Profits <i>And</i> Damages, Including Willfulness.....	12
A.    The Prevailing Practice By 1927 Reveals That An Accounting Was A Trial To Determine Profits <i>And</i> Damages .....	12
B.    Congress Codified The Prevailing Practice In 1927.....	18
C.    Willfulness Has Always Been Relevant Only To The Collateral Assessment Of Enhanced Damages .....	22
D.    Congress Has Never Altered The Meaning Of “An Accounting” As Used In 1292(c)(2) .....	25
1.    The 1948 Amendment Expanded Interlocutory Jurisdiction To Civil Actions At Law.....	26
2.    When Congress Created This Court In 1982, It Reaffirmed That 1292(c)(2) Jurisdiction Is More Than A Vestige Of Equity .....	28

E.	Bosch Has Not Identified A Single Court That Construed “An Accounting” As Used In 1292(c)(2) And Its Predecessor Provisions As Limited To The Remedy Of Profits .....	29
II.	Bosch’s Interpretation Effectively Eliminates Interlocutory Jurisdiction Under 1292(c)(2) And Is Therefore Erroneous .....	31
III.	This Court’s Jurisdiction Is Defined By Statute And Can Be Changed Only By Congress .....	32
	CONCLUSION .....	34

## TABLE OF AUTHORITIES

	Page(s)
<b>Cases</b>	
<i>Andrews v. Creegan</i> , 7 F. 477 (1881).....	15, 16
<i>Austin-Western Road Machinery Co. v. Disc Grader &amp; Plow Co.</i> , 291 F. 301 (8th Cir. 1923).....	17, 23
<i>Bard Peripheral Vascular v. W.L. Gore &amp; Assoc.</i> , 682 F.3d 1003 (Fed. Cir. 2012).....	33
<i>Beckwith v. Malleable Iron Range Co.</i> , 195 F. 291 (D. Wis. 1912) .....	17
<i>Bettcher Indus., Inc. v. Bunzl USA, Inc.</i> , 661 F.3d 629 (Fed. Cir. 2011).....	11
<i>Brennan v. Dowagiac Mfg. Co.</i> , 162 F. 472 (6th Cir. 1908).....	17
<i>Callaway Golf Co. v. Acushnet Co.</i> , 576 F.3d 1331 (Fed. Cir. 2009).....	30
<i>Cannon v. Univ. of Chicago</i> , 441 U.S. 677 (1979).....	12
<i>Carson Inv. Co. v. Anaconda Copper Mining Co.</i> , 26 F.2d 651 (9th Cir. 1928).....	22
<i>Cent. Admixture Pharmacy Services, Inc. v. Advanced Cardiac Solutions, P.C.</i> , 482 F.3d 1347 (Fed. Cir. 2007).....	30
<i>Central Ark. Maint., Inc. v. United States</i> , 68 F.3d 1338 (Fed. Cir. 1995).....	33
<i>Collins v. Hupp Motor Car Corp.</i> , 22 F.2d 27 (6th Cir. 1927).....	24

<i>Contoco Int'l, Inc. v. Rubbermaid Comm'l Prods., Inc.</i> , 665 F.2d 820 (8th Cir. 1981).....	31
<i>Duplate Corp. v. Triplex Safety Glass Co.</i> , 81 F.2d 352 (3d Cir. 1935) <i>aff'd as modified</i> , 298 U.S. 448 (1936).....	25
<i>Eldred v. Ashcroft</i> , 537 U.S. 186 (2003).....	13
<i>Fourco Glass Co. v. Transmirra Products Corp.</i> , 353 U.S. 222 (1957).....	27
<i>General Motors Corp. v. Devex Corp.</i> , 461 U.S. 648 (1983).....	28
<i>Hitachi Home Elec. (Am.), Inc. v. United States</i> , 661 F.3d 1343, 1352 (Fed. Cir. 2011).....	10
<i>Horvath v. McCord Radiator &amp; Mfg. Co.</i> , 100 F.2d 326 (6th Cir. 1938).....	24
<i>Icyclair, Inc. v. Dist. Ct. Of United States For S. Dist. of Cal.</i> , 93 F.2d 625 (9th Cir. 1937).....	21
<i>In re Bailey</i> , 182 F.3d 860 (Fed. Cir. 1999).....	31
<i>In re Calmar</i> 854 F.2d 461 (Fed. Cir. 1988).....	30
<i>In re Seagate Tech.</i> , 497 F.3d 1360 (Fed. Cir. 2007) (en banc).....	25
<i>Lederer v. Garage Equip. Mfg. Co.</i> , 235 F. 527 (7th Cir. 1916).....	17
<i>Loveladies Harbor, Inc. v. United States</i> , 27 F.3d 1545 (Fed. Cir. 1994).....	33
<i>Markham v. Cabell</i> , 326 U.S. 404 (U.S. 1945).....	31



<i>McCullough v. Kammerer Corp.</i> , 331 U.S. 96 (1947).....	19, 21
<i>McLemore v. S. Implement Mfg. Co.</i> , 227 F. Supp. 272 (N.D.Miss. 1964).....	24
<i>Motorola Inc. v United States</i> , 729 F.2d 765, 770 (Fed. Cir. 1984).....	28
<i>Nike v. Wal-Mart</i> , 138 F.3d 1437 (Fed. Cir. 1998).....	22, 31
<i>O’Nate v. Bahr</i> , 67 F.2d 180 (9th Cir. 1933).....	21
<i>Overman Cushion Tire Co. v. Goodyear Tire &amp; Rubber Co.</i> , 66 F.2d 361 (2d Cir. 1933).....	24
<i>P.P. Mast &amp; Co. v. Superior Drill Co.</i> , 154 F. 45 (6th Cir. 1907).....	23
<i>Pandrol USA, LP. v. Airboss Ry. Prods., Inc.</i> , 320 F.3d 1354 (Fed. Cir. 2003).....	10
<i>Patterson-Ballagh Corp. v. Moss</i> , 201 F.2d 403 (9th Cir. 1953).....	24
<i>Pyle Nat. Co. v. Lewin</i> , 92 F.2d 628 (7th Cir. 1937).....	23
<i>Randall May Int’l, Inc. v. DEG Music Products, Inc.</i> , 378 Fed. Appx. 989 (Fed. Cir. 2010).....	30
<i>Read v. Portec</i> , 970 F.2d 816 (Fed. Cir. 1992).....	25
<i>Respironics, Inc. v. Invacare Corp.</i> , 303 Fed. Appx. 865 (Fed. Cir. 2008).....	30
<i>Robert Bosch LLC v. Alberee Products Inc. et al</i> , No. 1:12-cv-00574-LPS (D. Del.).....	2
<i>Robert Bosch LLC v. Corea Autoparts Producing Corp.</i> , No. 2:10:cv-1924-RLH-RJJ (D. Nev.).....	1

<i>Robert Bosch LLC v. Jiujiang Yada Traffic Equip. Co.</i> , No. 2:11-cv-01762-PMP-RJJ (D. Nev.) .....	2
<i>Robert Bosch LLC v. Pylon Mfg. Corp.</i> , 659 F.3d 1142 (Fed. Cir. 2011).....	1, 5
<i>Robert Bosch LLC v. Unipoint Electric Mfg. Co.</i> , No. 2:10-cv-1932-RHR-LRL (D. Nev.) .....	1
<i>Robinson v. Shell Oil Co.</i> , 519 U.S. 337 (1997).....	11
<i>Safe Cabinet Co. v. Globe-Wernicke Co.</i> , 63 F.2d 492 (7th Cir. 1933).....	21
<i>Saf-Gard Prods., Inc. v. Serv. Parts, Inc.</i> , 532 F.2d 1266 (9th Cir. 1976) .....	31
<i>Schmuck v. United States</i> , 489 U.S. 705 (1989).....	13
<i>Special Devices, Inc. v. OEA, Inc.</i> 269 F.3d 1340 (Fed. Cir. 2001).....	30
<i>SRI Int'l, Inc. v. Advanced Tech. Labs.</i> , 1994 WL 712487 (Fed. Cir., Dec. 21, 1994).....	25, 30
<i>Tilghman v. Proctor</i> , 125 U.S. 136 (1888).....	23
<i>Trans-World Mfg. Corp. v. Al Nyman &amp; Sons, Inc.</i> , 750 F.2d 1552 (Fed. Cir. 1984).....	30
<i>United States v. Brown</i> , 333 U.S. 18 (U.S. 1948).....	31
<i>UNR Indus., Inc. v. United States</i> , 962 F.2d 1013 (Fed. Cir. 1992) (en banc).....	27, 30, 33
<i>View Eng'g, Inc. v. Robotic Vision Sys., Inc.</i> , 115 F.3d 962 (Fed. Cir. 1997).....	10

<i>W. Silo Co. v. Morris</i> , 33 F.2d 285 (8th Cir. 1929).....	22
<i>W.L. Gore &amp; Assocs., Inc. v. Carlisle Corp.</i> , 529 F.2d 614 (3d Cir. 1976).....	31
<i>Westinghouse Elec. Co. v. Wagner Elec. Co.</i> , 225 U.S. 604 (1912).....	17
<i>Yesbera v. Hardesty Mfg. Co.</i> , 166 F. 120 (6th Cir. 1908).....	16
<b>Statutes</b>	
28 U.S.C. § 1292.....	26
28 U.S.C. § 1292(c)(2).....	3, 4, 6
28 U.S.C. § 227.....	18, 19
28 U.S.C. Form 16 (1940).....	20
28 U.S.C.A. § 1292(4).....	24
<b>Other Authorities</b>	
<i>Accounting In Patent Cases</i> , 22 J. Pat. Office Soc’y 654 (1940).....	20
<i>Appeals and Appellate Procedure in Patent Litigation</i> , 16 J. Pat. Office Soc’y 136 (1934).....	20
<i>Appeals From Interlocutory And Final Decrees In The United States Circuit Courts Of Appeal</i> , 19 Boston U. L. Rev. 377 (1939).....	20
<i>Problems in Profits And Damages In Patent Accountings</i> , 2 Virginia L. Rev. 507 (1915).....	13
<i>Remedies For Patent Infringement</i> , 13 AIPLA Q. J. 380 (1985).....	32
<i>The Burden Of Proof In Accounting Proceedings In Patent Suits</i> , 35 Annu. Rep. A.B.A. 890 (1912).....	13

*The Law Of Patents As Illustrated By Leading Cases* (1914),  
 Vol. II, Part XIX, Accounting, Profits and Damages ..... 16

*The Law Of Patents For Useful Inventions*,  
 Vol. III, § 1155 (1890)..... 15

*The Patent Laws Of The United States Of America*  
 (1904) § 573 ..... 16

*The Trial Of Patent Accountings in Open Court*,  
 36 Harvard L. Rev. 33 (1922)..... 14, 15

**NOTES**

Unless otherwise indicated, all *emphasis* appearing in this brief has been added.

## STATEMENT OF RELATED CASES

Defendant-Appellee/Cross-Appellant Pylon Manufacturing Corp. ("Pylon") supplements the Statement of Related Cases of Plaintiff-Appellant/Cross-Appellee, Robert Bosch LLC ("Bosch") as follows:

(1) in Appeal No. 2011-1096, this Court issued a decision from the same district court proceeding, *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142 (Fed. Cir. 2011), on October 12, 2011, directing the district court to enter an appropriate permanent injunction;

(2) the case of *Robert Bosch LLC v. Corea Autoparts Producing Corp.*, No. 2:10-cv-1924-RLH-RJJ (D. Nev.) was transferred to the Eastern District of Michigan in September 2011 and is now captioned as *Robert Bosch LLC v. Corea Autoparts Producing Corp.*, No. 2:11-cv-14019-JAC-MAR (E.D. Mich.);

(3) the case of *Robert Bosch LLC v. Unipoint Electric Mfg. Co.*, No. 2:10-cv-1932-RHR-LRL (D. Nev.) was dismissed in August 2011 contemporaneously with the corporate acquisition of Unipoint by Bosch;

(4) Robert Bosch LLC filed a complaint in the U.S. International Trade Commission on October 26, 2011, presently pending institution as Docket No. 2852, seeking initiation of a Section 337 investigation regarding Certain Wiper Blades and naming as potential respondents ADM21 Co., Ltd., ADM21 Co. (North America) Ltd., Alberee Products, Inc., API Korea Co., Ltd., Cequent Consumer

Products, Inc., Corea Autoparts Producing Corporation, Danyang UPC Auto Parts Co., Ltd., Fu-Gang Co., Ltd., PIAA Corporation USA, Pylon Manufacturing Corp., RainEater, LLC, Scan Top Enterprise Co., Ltd., and Winplus North America Inc., and involving U.S. Patent Nos. 6,675,434 and 6,944,905, at issue in this appeal;

(5) the case of *Robert Bosch LLC v. Jiujiang Yada Traffic Equip. Co.*, No. 2:11-cv-01762-PMP-RJJ (D. Nev.), was filed on Nov. 2, 2011 and involves U.S. Patent No. 6,944,905, at issue in this appeal; and

(6) the case of *Robert Bosch LLC v. Alberee Products Inc. et al*, No. 1:12-cv-00574-LPS (D. Del.), was filed on May 4, 2012 and involves U.S. Patent Nos. 6,675,434 and 6,944,905, at issue in this appeal.

## **JURISDICTIONAL STATEMENT**

For the reasons set forth herein, this Court has jurisdiction pursuant to 28 U.S.C. § 1292(c)(2).

## STATEMENT OF THE ISSUES

1. 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?

2. 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?



## STATEMENT OF THE CASE

In August 2008, Bosch filed suit against Pylon in the District of Delaware, asserting various claims of patent infringement. A357. Pylon asserted its own claim of patent infringement as a counterclaim. A399. On August 26, 2009, the District Court granted Pylon's motion to bifurcate liability from damages (including willfulness) over Bosch's opposition, staying discovery on those issues. SA1-3.

On March 23, 2011, after a jury trial on liability and motions for judgment as a matter of law, the District Court entered judgment on issues concerning liability.<sup>1</sup> Bosch appealed and Pylon cross-appealed.

Bosch moved to dismiss both its appeal and Pylon's cross-appeal, which this Court denied on August 1, 2011. Bosch sought reconsideration of its motion, which this Court denied on October 24, 2011, in a non-precedential order written by Judge Prost. On July 9, 2012, the parties argued the substantive issues before a panel of this Court comprising Chief Judge Rader, Judge O'Malley, and Judge Reyna. On August 7, 2012, this Court on its own action granted a hearing *en banc* to determine whether it has jurisdiction over this appeal under 1292(c)(2), requesting supplemental briefing and inviting amicus participation.

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<sup>1</sup> The District Court also denied Bosch's motion for permanent injunction. Bosch appealed and, on October 13, 2011, this Court reversed. *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142 (Fed. Cir. 2011).

## STATEMENT OF THE FACTS

At the outset of this litigation, the District Court granted Pylon's motion for bifurcation of liability and damages over Bosch's opposition. In a short memorandum order, Judge Robinson stated that "bifurcation is appropriate, if not necessary, in all but exceptional patent cases," citing the "substantial patent docket"—including 89 pending patent cases—that she and her colleagues have carried "for the last decade." SA1. Judge Robinson explained that, "in [her] experience, discovery disputes related to" damages are "a drain on scarce judicial resources." *Id.*

To that end, Judge Robinson concluded that "bifurcation promotes the just and efficient resolution of what damages, if any, should be awarded by (1) giving the parties ... the first opportunity to translate the Federal Circuit's final legal decision on liability into practical commercial consequences; or (if the parties cannot resolve the matter) (2) giving the damages jury a focused dispute to resolve." SA2. On willfulness, Judge Robinson determined that "willfulness is of no moment unless and until the district court, in its sole discretion, chooses to increase damages by reason of the finding; willfulness is a damages issue, not a liability issue." SA3. Willfulness also "requires qualitatively and quantitatively different proof than does infringement." SA2.

## SUMMARY OF THE ARGUMENT

Judge Robinson's memorandum opinion bifurcating liability from damages and willfulness echoes the precise judicial efficiency concerns that led Congress, in 1927, to enact the predecessor of 1292(c)(2). That statute conferred on courts of appeals interlocutory jurisdiction over patent cases in equity after a final determination on liability but before any resolution on issues related to profits and damages, including enhanced damages. Quite simply, Congress sought to prevent "the great burden of expense to litigants" of a trial on profits and damages in the event that an appellate court ultimately overturned the judgment on liability. H.R. Rep. No. 1890, 69<sup>th</sup> Cong., 2d Sess. (1927). That was not only the principal, but also the singular, concern of Congress.

More fundamentally, however, the words "an accounting," as used in 1292(c)(2), had a clear and unambiguous meaning when Congress first wrote them in 1927 based on the prevailing practice at the time, and that meaning has never changed. "An accounting" was a trial on profits *and* damages, including the collateral assessment of whether to enhance damages based on willfulness. Case law, treatises, and other legal texts reveal that, in patent equity cases prior to and in the years after 1927, the prevailing practice was for courts to first conduct a trial on liability and then, in the event of a finding of liability, enter an injunction and order a special master to conduct an accounting of profits *and* damages. That was the

meaning of “an accounting” that Congress enacted in 1927, and that is the meaning that survives today.

Bosch ignores this rich history while clinging to a hypertechnical, and ultimately erroneous, interpretation of the words “an accounting” to mean only *the remedy* of awarding the infringer’s profits to the patentee. To be sure, “an account” or “an accounting” may also refer to an assessment of an infringer’s profits, but that was not the meaning enacted in 1292(c)(2). Such an interpretation effectively eliminates 1292(c)(2) jurisdiction for utility patent cases and thus cannot stand. Nothing in the legislative history suggests that Congress was concerned with the distinction between jury trials, on the one hand, and trials before a master, on the other. Nor does it suggest any distinction between the procedures and evidence necessary for an account of profits, on the one hand, and an account of damages, on the other. Bosch’s narrow reading is also belied by a century of contrary precedent, and not supported by a single case from any court at any time.

Congress ratified and reaffirmed, time and again, the consistent judicial interpretation that 1292(c)(2) conferred appellate interlocutory jurisdiction in patent cases prior to a determination on damages and willfulness, including when Congress closely analyzed the jurisdictional authority that it would give to this Court at the time of its creation. That courts, including this one, have always

interpreted “an accounting” to broadly encompass a trial on damages and willfulness reveals that their interpretation has always been the exact meaning of “an accounting” that Congress enacted in 1927 and that persists today.

This Court should reject Bosch’s attempt to rewrite history and effectively eliminate 1292(c)(2) interlocutory jurisdiction.

## STANDARD OF REVIEW

This Court conducts an independent review of its own jurisdiction. *View Eng'g, Inc. v. Robotic Vision Sys., Inc.*, 115 F.3d 962, 963 (Fed. Cir. 1997). Standing is jurisdictional, is reviewed *de novo*, and may be addressed at any time in the proceedings. *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1367 (Fed. Cir. 2003). This Court reviews questions of statutory interpretation *de novo*. *Hitachi Home Elec. (Am.), Inc. v. United States*, 661 F.3d 1343, 1352 (Fed. Cir. 2011).

## ARGUMENT

Statutory interpretation focuses on “the language itself, the specific context in which that language is used, and the broader context of the statute as a whole.” *Robinson v. Shell Oil Co.*, 519 U.S. 337, 341 (1997). This Court’s “first step in interpreting a statute is to determine whether the language at issue has a plain and unambiguous meaning with regard to the particular dispute in the case.” *Bettcher Indus., Inc. v. Bunzl USA, Inc.*, 661 F.3d 629, 644 (Fed. Cir. 2011) (citation omitted). If the statutory language is “unambiguous” and the statutory scheme “coherent and consistent,” then the “inquiry must cease.” *Robinson*, 519 U.S. at 340.

In 1927 when Congress passed the predecessor statute of 1292(c)(2), the words Congress used had a plain and unambiguous meaning: “an accounting” was a full trial with discovery before a special master on profits *and* damages, including willfulness. That meaning is evident from the prevailing practice at the time, and from the use of the term “accounting” by courts, treatises, and other contemporary legal texts. And that meaning has not changed—“an accounting” under 1292(c)(2) still refers to the practice of assessing *both* the infringer’s profits *and* the plaintiff’s damages, including whether those damages should be enhanced for willfulness. Accordingly, this Court has interlocutory jurisdiction to hear

patent cases in which there has been a final determination on liability, but no determination on damages-related issues.

**I. “An Accounting” As Codified In 1292(c)(2) Refers To A Trial And Discovery On Profits *And* Damages, Including Willfulness**

Bosch contends that “an accounting” as used in 1292(c)(2) means the calculation of an infringer’s profits, a traditional remedy in equity. Bosch Br. 11. To be sure, the assessment of an infringer’s profits by a court in equity was and still is included in an “accounting” or an “account” of profits. But Bosch ignores the rich history of section 1292(c)(2) and its predecessor statute, which reveals that what was known as an “accounting” or “patent accounting”—ordered by a court in equity to be made by a special master after a determination on liability—carried a broader meaning. In that context, “an accounting” referred to a full trial on profits *and* damages, including willfulness, that involved discovery, the taking of evidence, and other procedures associated with modern trial practice.

**A. The Prevailing Practice By 1927 Reveals That An Accounting Was A Trial To Determine Profits *And* Damages**

“It is always appropriate to assume that our elected representatives, like other citizens, know the law” and are “aware of [a] prior interpretation.” *Cannon v. Univ. of Chicago.*, 441 U.S. 677, 696-98 (1979). An “evaluation of congressional action” taken at a particular time, therefore, “must take into account its contemporary legal context.” *Id.* at 698-99. Thus, “prevailing practice at the



time of [a statute's] promulgation informs [an] understanding of its terms.” *Schmuck v. United States*, 489 U.S. 705, 719 (1989). “A page of history is worth a volume of logic.” *Eldred v. Ashcroft*, 537 U.S. 186, 200 (2003).

Here “[t]he nature of that prevailing practice is clear.” *Schmuck*, 489 U.S. at 719. At one time, a patentee could recover damages only in courts at law; courts in equity could award only an injunction and the infringer’s profits, but not damages.<sup>2</sup> By 1870, however, Congress removed that distinction, giving courts in equity the power in patent infringement cases to assess and award *both* profits and damages, as well as to enhance damages:

[T]he claimant [complainant] shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby ... and the court shall have the same powers to increase the same ....

Act of July 8, 1870, ch. 230, § 55, 16 Stat. 21.<sup>3</sup> In the years prior to 1927, it was common practice for courts in equity to first conduct a trial in open court on

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<sup>2</sup> H.A. Toulmin, Jr., *Problems in Profits And Damages In Patent Accountings*, 2 Va. L. Rev. 507, 508 (1915).

<sup>3</sup> See also Toulmin, *supra*, at 507-9 (describing the “subject of patent accounting” as “logically arrange[d] into two major divisions, the one based upon profits, and the other based upon damages”); *id.* at 509, 513 (listing the “various measures of recovery” in a patent accounting as including a “reasonable royalty,” “sales lost by reason of the infringement,” “certain profits,” “savings made,” “increased cost of doing business,” and noting that “the court had the power in a suit in equity to increase the damages the complainant had sustained”); Arthur L. Morsell, *The Burden Of Proof In Accounting Proceedings In Patent Suits*, 35 Annu. Rep. A.B.A. 890, 893 (1912).

infringement and validity, and, upon a finding of liability, issue an injunction and order a special master to conduct an accounting of the infringer's profits and the patentee's damages.<sup>4</sup> One commentator explained:

The decree for the accounting has already decided that the defendant has invaded plaintiff's exclusive right to make, use, and sell the patented invention and is a wrong-doer ... The issue to be tried therefore is solely *what damages, if any, the plaintiff has suffered, or what profits, if any, defendant has obtained by his infringement.*

Dike, *supra*, at 38. But the "patent accounting, that ancient bugbear of parties and of conscientious counsel," was time consuming and expensive.<sup>5</sup> It "lasts for half a generation and costs each party as much or more than the amount involved."<sup>6</sup> "The patent accounting is only the trial of certain issues, and the steps which it includes differ only from those of other trials in that the peculiar nature of the issues has developed a special procedure, which is so highly specialized that it obscures the essential objects of the action."<sup>7</sup> Moreover:

The imposition of triple damages for wilful infringement which ought to be a strong deterrent of infringement has, *under the present*

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<sup>4</sup> George P. Dike, *The Trial Of Patent Accountings in Open Court*, 36 Harv. L. Rev. 33, 38 (1922).

<sup>5</sup> *Id.* at 33.

<sup>6</sup> *Id.* at 33; *see also* Morsell, *supra*, at 890 ("Perhaps there is no branch of the patent law which is so unsatisfactory to litigants as the lengthy, tedious, and expensive accounting proceedings following a successful decision on behalf of the complainant in an infringement suit.").

<sup>7</sup> Dike, *supra*, at 38.

*practice*, lost its force because of the probability that no award of damages will ever be reached ....<sup>8</sup>

Thus, despite its acknowledged problems, the “accounting” or “patent accounting” was well known by 1927 as the procedure in which a special master determined an infringer’s profits, a patentee’s damages, and whether those damages should be enhanced based on willful infringement.

Other contemporary legal texts confirm the understanding of an “accounting” as a trial on damages and profits, including willful infringement. In Robinson’s 1890 Patent Treatise, a section called “Account Ordered If Infringement Proved: By whom Taken,” explains:

The Defendant may be *ordered to account* whenever he has been found guilty of infringement .... *An account, when ordered*, is taken by a master appointed for that purpose by the court, who, having given notice to the parties or their counsel of the day fixed for the hearing, receives evidence presented, and from it makes his computation of *the profits which the defendant has received or the damage which the plaintiff has sustained*.

William C. Robinson, *The Law Of Patents For Useful Inventions*, Vol. III, § 1155, 530-31 (1890); *id.* at 530-31 n.1, quoting *Andrews v. Creegan*, 7 F. 477, 478 (1881) (“[T]he act of 1870 ... provides for an accounting for damages as well as profits, and there may be damages to be accounted for in this case.”). The next section, entitled “Procedure in Taking an Account,” states:

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<sup>8</sup> *Id.* at 46.

All inquiries into the *damages or profits* resulting from the infringement are within [the master's] powers, and in pursuing these he may be led into numerous investigations ....

*Id.* § 1156, 533. On “Evidence on the Accounting,” Robinson sets forth the procedural rules the masters would apply in an accounting, noting that the plaintiff bears the burden of proving “damages and profits.” *Id.* § 1157, 535-36.

Walker's 1904 Treatise also makes clear that an accounting concerns both profits and damages, which may be enhanced by a master in an accounting:

Wherever equity has jurisdiction to decree an account of the defendant's profits, *it also has jurisdiction to assess the damages which the complainant sustained on account of the defendant's infringement.* ... Where *the accounting* shows no such profits, but does show such damages, the court will enter a decree for the amount of the latter. Where *the accounting* shows both profits and damages, and shows the latter to equal or exceed the former, a decree will be entered for the amount of the damages, or *any sum not exceeding three times that amount.*

Albert H. Walker, *The Patent Laws Of The United States Of America* § 573, 451 (1904).

Likewise, Rogers' 1914 Treatise describes case after case in which a court in equity ordered an accounting of *both* profits and damages. Walter F. Rogers, *The Law Of Patents As Illustrated By Leading Cases*, Vol. II, Part XIX, Accounting, Profits and Damages, at 1651 (1914) (“[A] reference to the master to take an account of profits and damages was included in the decree.”) (quoting *Yesbera v. Hardesty Mfg. Co.*, 166 F. 120 (6th Cir. 1908)); *id.* at 1660 (“This case comes here

... from a decree rendered by the court below on an accounting for profits and damages sustained by the plaintiff ....”) (quoting *Brennan v. Dowagiac Mfg. Co.*, 162 F. 472 (6th Cir. 1908)); *id.* at 1682 (noting “the cardinal rule of patent accountings” is “the complainant has the burden of proof as to profits and damages”) (quoting *Beckwith v. Malleable Iron Range Co.*, 195 F. 291 (D. Wis. 1912)); *id.* at 1694 (“The case was therefore referred to a master to state an account of damages and profits arising from the infringement....”) (quoting *Westinghouse Elec. Co. v. Wagner Elec. Co.*, 225 U.S. 604 (1912)).

Reported cases published prior to 1927 likewise reveal that “an accounting” was a trial by a master on profits and damages. *Austin-Western Road Machinery Co. v. Disc Grader & Plow Co.* is informative. 291 F. 301 (8th Cir. 1923). There, the court noted that “[u]pon the accounting,” “the special master found” that the defendant “had made no profits,” that the plaintiff “had suffered no damages through lost sales or hurtful competition,” but that “\$20 was a reasonable royalty to be paid for each infringement.” *Id.* “The special master found further that the infringement had been deliberate and wanton, and recommended an additional allowance of 15 per cent of the” total judgment. *Id.* See also *Lederer v. Garage Equip. Mfg. Co.*, 235 F. 527, 529 (7th Cir. 1916) (“This is an appeal from an interlocutory decree finding [the asserted patent] valid and infringed, enjoining

appellant from further infringement thereof, and referring the case to a master for *an accounting of profits and damages.*”).

Put simply, under the prevailing practice before 1927, a special master could take an “account” of profits, an “account” of damages, or an “account” of both, and the procedure in which this occurred was generally referred to as an “accounting”—no matter which theory of relief the patentee sought. That distinction is neatly captured by the separate index categories listed in Walker’s 1904 Treatise:

<b>ACCOUNT</b> of damages, how taken, 573. of profits, how taken, 711–750.
<b>ACCOUNTINGS</b> before masters, 739–743. stay of, pending appeals from injunctions, 696 <i>a</i> .

Walker, *supra*, at 715.

#### **B. Congress Codified The Prevailing Practice In 1927**

Upon this prevailing practice, Congress enacted 28 U.S.C. § 227a in 1927 to confer interlocutory jurisdiction on the courts of appeals after a trial on liability but prior to an accounting of profits and damages, including enhanced damages.

Section 227a 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 accompanying Senate Report explained that “the ordering of an accounting” by a court in equity upon a finding of infringement, is when the court “refers the cause to a master to ascertain plaintiff’s damages and defendant’s profits.” S. Rep. 1319, 69th Cong. 2d Sess. (1927).

There is no dispute that the purpose of that interlocutory jurisdiction statute was to streamline patent litigation by saving the parties the time and expense of an accounting in the event liability is reversed on appeal. The House Report set forth that purpose, stating:

[L]egislation of this nature is needed to prevent *a great burden of expense to litigants* in actions to determine the validity of patents, where an accounting is involved. Under present procedure appeals may be taken from the interlocutory decree upholding the patent but not until a full accounting has been made to the court. Under this bill such appeal can be taken from such interlocutory decree ... *so as to obviate the cost of an accounting in the event the case is reversed on appeal.*

H.R. Rep. No. 1890. The Senate Report likewise emphasized that “the whole expense of the accounting is wasted” when an appellate court reverses on liability after an accounting. S. Rep. No. 1319; *see also McCullough v. Kammerer Corp.*, 331 U.S. 96, 98 (1947) (“The object of this 1927 amendment ... was to make sure that parties could take appeals in patent equity infringement suits without being compelled to await a final accounting.”).

Courts and commentators alike regarded the 1927 statute as conferring interlocutory jurisdiction on courts of appeals after a judgment on liability, but

before a determination on profits or damages. One commentator drew a distinct line between the “disposition” of “plaintiff’s right and the defendant’s liability,” and the “relief prayed for,” which included “a reference to a master for an accounting of damages and profits.”<sup>9</sup> In doing so, he echoed the Congressional concern, noting that the “purpose of permitting an immediate appeal from interlocutory decrees in patent causes is to avoid the expense of an accounting which might become unnecessary in the event that the court of appeals finally adjudicates the patent to be invalid or not infringed.”<sup>10</sup> He also recognized that a “court cannot consider the question of increased damages in the absence of the master’s report.”<sup>11</sup> Even the model “Complaint for infringement of patent,” appended to the U.S. Code, instructed plaintiffs to “demand[]” in their complaint for patent infringement a “an accounting for profits and damages.” 28 U.S.C. Form 16 (1940).

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<sup>9</sup> L.H. Amdur, *Appeals and Appellate Procedure in Patent Litigation*, 16 J. Pat. Office Soc’y 136, 140 (1934); see also C.W. Porter, *Appeals From Interlocutory And Final Decrees In The United States Circuit Courts Of Appeal*, 19 B. U. L. Rev. 377, 380 (1939) (referring to the “ordering of the accounting,” as used in the statute, as an order seeking “an accounting to determine the amount of the plaintiff’s damages or defendant’s profits”); C.C. Montgomery, *Accounting In Patent Cases*, 22 J. Pat. Office Soc’y 654, 654 (1940) (“The interlocutory judgment finding a patent valid, and infringed usually refers the matter of an accounting of the damages and gains or profits to a master.”).

<sup>10</sup> Amdur, *supra*, at 141-42.

<sup>11</sup> *Id.* at 144 n.26.



Courts agreed. In *Icyclair, Inc. v. Dist. Ct. Of United States For S. Dist. of Cal.*, for example, the court found that the district court decree, which “[held] the patents valid and infringed” and “referr[ed] the case to a special master for the purpose of taking an account of profits and damages,” was a “final decree, except for the ordering of an accounting.” 93 F.2d 625, 626 (9th Cir. 1937). Likewise, in *McCullough*, the Court noted that the district court had held the patent at issue “valid and infringed,” and thereafter “ordered” “[a]n accounting for profits and damages.” 331 U.S. at 97. Though the Court grappled with whether the District Court’s ruling on defendant’s license defense was “final,” the Court never questioned whether the outstanding assessment of damages had any effect on jurisdiction. *Id.* See also *Safe Cabinet Co. v. Globe-Wernicke Co.*, 63 F.2d 492, 493-94 (7th Cir. 1933) (“[A]n interlocutory decree was entered ... that plaintiff is entitled to an accounting of profits and damages ... [and that] this cause be referred to master ... to ascertain, state and report to the Court, the gains and profits derived by defendant ... and the damages which the plaintiff has sustained thereby.”); *O’Nate v. Bahr*, 67 F.2d 180, 180 (9th Cir. 1933) (“The interlocutory decree ... directed that plaintiff recover ... the profits received by the said defendants and the damages sustained by the plaintiff ... and that an accounting be had to determine the same; that the cause be referred to [the master] ‘to ascertain such profits and damages and report the same to this court.’”); *W. Silo Co. v. Morris*, 33 F.2d 285,

285-86 (8th Cir. 1929) (“[T]he court below entered a decree adjudging the patent valid [and infringed] ... and that there be an accounting before a named master to determine the amount of damages plaintiff was entitled to recover. The bill prayed for ... profits and damages to be ascertained by an accounting.”); *Carson Inv. Co. v. Anaconda Copper Mining Co.*, 26 F.2d 651, 653 (9th Cir. 1928) (“[A] decree was entered, sustaining the patents adjudged infringed, awarding perpetual injunction, ordering an accounting of damages and profits, and referring the case to a master to take the accounting.”).

Against this backdrop, it is clear that the “ordering of an accounting,” as codified in § 227a, and as interpreted in the years since, referred broadly to a determination on profits and damages, including enhanced damages, and was not limited to the assessment of profits. *See Nike v. Wal-Mart*, 138 F.3d 1437, 1444 (Fed. Cir. 1998) (construing a statute based in part on “consistent” “judicial interpretation,” “the great weight of authority,” and the “widespread contemporary use of” a disputed statutory term).

### **C. Willfulness Has Always Been Relevant Only To The Collateral Assessment Of Enhanced Damages**

The doctrine of willfulness has guided whether to enhance damages since long before the enactment of 1292(c)(2) or any of its predecessors. Indeed, by 1870, courts in equity had the same power as courts at law to enhance damages. Act of July 8, 1870, ch. 230, § 55, 16 Stat. 21; *see also Tilghman v. Proctor*, 125

U.S. 136, 148-49 (1888) (construing the damages statute to “authorize[] [a] court sitting in equity to award and to treble any damages that the plaintiff has sustained in excess of the defendant’s profits”).

Prior to the enactment of the 1927 statute, courts in equity considered the issue of willfulness at the same time, or after, they considered questions on damages. In *P.P. Mast & Co. v. Superior Drill Co.*, for example, after a finding of liability and affirmance on appeal, the court in equity ordered a “master to state and report an account” that would include “an ascertainment of damages” and an “ascertainment of the profits realized by the defendant.” 154 F. 45, 46 (6th Cir. 1907). In his stated findings, the master reported first that the infringement was willful: “I find ... [t]hat the infringement by defendant ... was deliberate, wanton, and continuous.” *Id.* at 47. Likewise, in *Austin-Western*, the special master, upon a mandate to take an accounting after an appeal affirming the liability of the defendant, found “that the infringement had been deliberate and wanton, and recommended an additional allowance” over the assessed damages. 291 F. at 302.

Even after the 1927 statute, it was the prevailing practice of equity courts in patent actions to reserve an evaluation of willfulness until *after* a determination of liability, as part of an accounting for damages. *See e.g., Pyle Nat. Co. v. Lewin*, 92 F.2d 628, 631-32 (7th Cir. 1937) (noting the “universal practice for the District Court to make” a determination of enhanced damages “only after the amount and

character of the damages have been stated” and “in connection with the accounting and not before”); *Patterson-Ballagh Corp. v. Moss*, 201 F.2d 403, 408 (9th Cir. 1953) (“The reason for allowing appeals in patent infringement cases from interlocutory orders under 28 U.S.C.A. § 1292(4) is to prevent useless waste of time and money for an accounting where a patent has been improperly held valid and infringed by a lower court. Determination of ancillary questions relating to the scope of damages, attorneys’ fees and willful infringement can well await final judgment.”) (collecting cases); *Overman Cushion Tire Co. v. Goodyear Tire & Rubber Co.*, 66 F.2d 361, 361 (2d Cir. 1933) (affirming enhanced damage award based on master’s findings that infringement was willful); *McLemore v. S. Implement Mfg. Co.*, 227 F. Supp. 272, 277-78 (N.D. Miss. 1964) (“Plaintiff is entitled to an accounting of damages for infringement ... the court will withhold a determination as to whether the infringement has been willful .... Jurisdiction as to both matters will be specifically reserved.”); *Horvath v. McCord Radiator & Mfg. Co.*, 100 F.2d 326, 329 (6th Cir. 1938) (“[The Master] found ... that the infringement was not willful.”); *Collins v. Hupp Motor Car Corp.*, 22 F.2d 27, 32 (6th Cir. 1927) (“By a formal finding of fact, the master declared that he was not satisfied ‘that plaintiffs have sustained the burden of proving, by a fair preponderance of the evidence, their claim that defendant has been guilty of willful infringement.’”); *Duplicate Corp. v. Triplex Safety Glass Co.*, 81 F.2d 352, 353 (3d

Cir. 1935) *aff'd as modified*, 298 U.S. 448 (1936) (“Thereupon an accounting was ordered by the District Court and referred to a special master. ... The master found that the defendants were innocent infringers and that they had made no profits from their manufacture and sale of laminated glass.”).

To this day, willfulness remains a necessary antecedent to an enhancement of damages, but is not itself sufficient to require enhanced damages. *In re Seagate Tech.*, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (en banc); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 830-31 (Fed. Cir. 1992). “Because patent infringement is a strict liability offense, the nature of the offense is only relevant in determining whether enhanced damages are warranted.” *Seagate*, 497 F.3d at 1368. For that reason, “[w]illfulness is a finding related only to the amount of damages, not to the existence of liability.” *SRI Int’l, Inc. v. Advanced Tech. Labs.*, 1994 WL 712487, at \*1 (Fed. Cir. Dec. 21, 1994) (rejecting challenge to this Court’s jurisdiction under 1292(c)(2) prior to a trial on damages and willfulness). It “comes into play, if at all, in determining the amount of damages owed the patentee.” *Id.* at \*2.

**D. Congress Has Never Altered The Meaning Of “An Accounting” As Used In 1292(c)(2)**

Since 1927, courts and Congress have never distinguished an accounting of profits from an accounting of damages for purposes of 1292(c)(2). The subsequent history of 1292(c)(2) makes clear that the broad meaning of “an accounting” that

Congress originally enacted is the same meaning that “an accounting” carries today.

**1. The 1948 Amendment Expanded Interlocutory Jurisdiction To Civil Actions At Law**

In 1948, Congress amended the interlocutory appeal statute. That change was necessitated by other developments in the law of patent damages, including the merger of law and equity in 1938 and the subsequent revision of the patent damages statute in 1946. Notably, while the 1946 revision to the damages statute may have removed the *remedy* of the infringer’s profits, it did not eliminate the procedure of *an accounting* for damages and enhanced damages.

Thus, in 1948, the meaning of an accounting as a full trial on damages and damages-related issues was carried forward when Congress expanded interlocutory appellate jurisdiction under section 227a to *all* patent cases, substituting for the phrase “suit[s] in equity” the phrase “civil actions.” H.R. Rep. 308, 80<sup>th</sup> Cong., 1st Sess., A111 (1948) (“In subsection (3), which is based on section 227a of title 28, U.S.C., 1940 ed., words ‘civil actions’ were substituted for ‘suits in equity’ ....”).

That change placed the statute in essentially its current form:

The courts of appeals shall have jurisdiction of appeals from ... (4)  
Judgments in civil actions for patent infringement which are final  
except for accounting.

28 U.S.C. § 1292 (1948).

By expanding interlocutory jurisdiction to courts at law but leaving the statute otherwise intact, Congress retained the notion that “an accounting” referred to a trial on patent damages, even if the equitable remedy of an accounting of profits was no longer available. In addition, given the merger of law and equity, the expansion of interlocutory jurisdiction to courts of law necessarily expanded the concept that an accounting could be tried before a jury, as used in courts of law, *or* a master, as historically used in courts of equity. Neither the statute nor the legislative history draws any distinction between the jury on the one hand and the master on the other; it was the complexity of the issue that was the focus, not the ultimate decision-maker. Where a statute is changed in “phraseology” only, “[n]o changes in substantive law may be presumed ... unless an intent to make such changes is clearly expressed.” *UNR Indus., Inc. v. United States*, 962 F.2d 1013, 1022 (Fed. Cir. 1992) (en banc); *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 227-28 (1957). On that count, Bosch is correct: the “simplest explanation” is that the meaning of “an accounting” as used in the 1927 statute, *i.e.*, a full trial on profits or damages, was left unchanged, and “an accounting” under the statute still referred to a trial on damages and damages-related issues. Bosch Br. 15.

Further, where “Congress was fully aware of judicial constructions of a prior statute during the enactment of subsequent legislation encompassing that prior

statute, [an] interpretation of the subsequent legislation must include the prior judicial constructions unless they were explicitly revoked by Congress.” *Motorola Inc. v United States*, 729 F.2d 765, 770 (Fed. Cir. 1984) (citation omitted). Thus, even were there ambiguity as to the meaning of “an accounting” in 1927, Congress’ affirmation of the consistent judicial interpretation of those words to mean a full assessment of profits and damages compels rejection of Bosch’s narrow interpretation of 1292(c)(2). Even after the 1948 enactment of the modern version of 1292(c)(2) and the elimination of infringer’s profits as a remedy, the use of the term “accounting” has not changed. *See, e.g., General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 650-51 & n.3 (1983) (noting that the district court “referred [the case] to a Special Master for an accounting” who in turn “selected a [reasonable] royalty rate,” awarded plaintiff damages, and considered whether to award “multiple damages and attorney’s fees”).

**2. When Congress Created This Court In 1982, It Reaffirmed That 1292(c)(2) Jurisdiction Is More Than A Vestige Of Equity**

When Congress created this Court in 1982, it carefully analyzed and considered the scope of jurisdiction that it would confer. In fact, Congress identified the court’s “nationwide jurisdiction” as one of the Act’s key purposes. S. Rep. No. 97-275 (1982) at 2 (emphasizing the creation of “an appellate forum capable of exercising *nationwide jurisdiction*”); *see also* H.R. Rep. No. 97-312 at



17 (same). To that end, Congress created a separate committee charged with determining the precise scope of jurisdiction to give the new court. S. Rep. No. 97-275 at 3.

Of the various jurisdictional statutes that Congress reviewed, it expressly considered 1292(c)(2) and decided that its jurisdiction should be placed exclusively in the hands of the Federal Circuit. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat 25. Given the close scrutiny that 1292(c)(2) received at the time, together with Congress's purpose of creating a court with the appropriate amount of nationwide jurisdiction, Congress would certainly have removed 1292(c)(2) jurisdiction if it were, as Bosch contends, obsolete as a vestige of equity after the elimination of the remedy of an infringer's profits. *See infra* Sec. II (addressing design patent jurisdiction). It did not.

**E. Bosch Has Not Identified A Single Court That Construed “An Accounting” As Used In 1292(c)(2) And Its Predecessor Provisions As Limited To The Remedy Of Profits**

Bosch does not cite a single case—from *any* jurisdiction at *any* time—that supports its narrow reading of 1292(c)(2). Instead, Bosch seeks to downplay the significance of the many cases in which this Court and other courts have taken interlocutory jurisdiction under 1292(c)(2) prior to a determination on damages or willfulness, arguing that those cases refer to 1292(c)(2) only in dicta or “in other contexts.” Bosch Br. 18. Bosch incorrectly assumes that, despite “the duty of a

court to actively police its jurisdictional boundaries,” every court that has expressly or impliedly considered the issue was wrong. *See UNR Indus.*, 962 F.2d at 1022. To the contrary, all the authority from the last eighty years points in a single direction: 1292(c)(2) confers interlocutory appellate jurisdiction after a determination on liability but before a determination on damages and related issues.

This Court has consistently noted or assumed that it had jurisdiction under 1292(c)(2) where there is a judgment on liability but prior to a determination on damages and enhanced damages. *See, e.g., 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. Appx. 989, 993 (Fed. Cir. 2010); *Respironics, Inc. v. Invacare Corp.*, 303 Fed. Appx. 865, 869 (Fed. Cir. 2008); *Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1343 n.2 (Fed. Cir. 2001); *SRI Int’l, Inc.*, 1994 WL 712487, at \*1; *In re Calmar*, 854 F.2d 461, 464 (Fed. Cir. 1988); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1558 (Fed. Cir. 1984); *Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1353 (Fed. Cir. 2007).

Likewise, prior to this Court’s formation, no regional circuit court ever adopted Bosch’s view that “an accounting” was exclusively an equitable exercise by a special master on profits, and not a trial on damages. *See, e.g., Contico Int’l*,

*Inc. v. Rubbermaid Comm'l Prods., Inc.*, 665 F.2d 820, 821 & n.3 (8th Cir. 1981);  
*Saf-Gard Prods., Inc. v. Serv. Parts, Inc.*, 532 F.2d 1266, 1268 (9th Cir. 1976);  
*W.L. Gore & Assocs., Inc. v. Carlisle Corp.*, 529 F.2d 614, 617 (3d Cir. 1976).

## **II. Bosch's Interpretation Effectively Eliminates Interlocutory Jurisdiction Under 1292(c)(2) And Is Therefore Erroneous**

“The process of interpretation [] misses its high function if a strict reading of a law results in the emasculation or deletion of a provision which a less literal reading would preserve.” *Markham v. Cabell*, 326 U.S. 404, 409 (1945). “No rule of construction necessitates [an] acceptance of an interpretation resulting in patently absurd consequences.” *United States v. Brown*, 333 U.S. 18, 27 (1948). This Court is averse to construing a “jurisdictional statute” “in a narrow and, in fact, hypertechnical manner” that is “contrary to ... common sense.” *In re Bailey*, 182 F.3d 860, 869 (Fed. Cir. 1999).

Here, Bosch seeks to read 1292(c)(2) out of the U.S. Code and reduce an entire prong of this Court's interlocutory jurisdiction to only infrequently-litigated design patents cases. *See* Bosch Br. 15-16. Not only is Bosch's contention based on a misreading of the statute's history and a “hypertechnical” interpretation of the word “accounting,” but it leads to the type of “patently absurd consequences” that the correct interpretation avoids. “To view it otherwise would be to accept that a major substantive change was made in silence or by implication.” *Nike*, 138 F.3d at 1445. Design patents are a niche area of the law of intellectual property and

their protection overlaps with that of copyright and trademark. Regardless, the number of infringement cases brought across the country for design patents pales in comparison to those brought on utility patents.

*First*, if Congress intended to eliminate interlocutory jurisdiction in all but design patent cases, surely it would have said so. An “absence of any significant legislative history” recognizing such “patently absurd consequences” of a statute is “indicative that Congress considered that there was no such problem as is now sought to be injected in the statutory wording.” *Brown*, 333 U.S. at 27. Congress has not “silently abandoned” an entire area of interlocutory jurisdiction. *See Nike*, 138 F.3d at 1445.

*Second*, if anything, it is the continued availability of the remedy of the infringer’s profit for design patent infringement that is likely the “historical mistake,” not the language of 1292(c). According to Professor Chisum, the “[r]etention of the equitable remedy of an accounting for profits for design patents is probably a historical mistake.” D. Chisum, *Remedies For Patent Infringement*, 13 AIPLA Q. J. 380, 389 n.60 (1985).

### **III. This Court’s Jurisdiction Is Defined By Statute And Can Be Changed Only By Congress**

Bosch and the amici refer to the expansion of this Court’s jurisdiction, but it is Bosch’s narrow misreading of 1292(c)(2) that would improperly detract from the interlocutory jurisdiction that Congress defined. *Central Ark. Maint., Inc. v.*

*United States*, 68 F.3d 1338, 1341 (Fed. Cir. 1995) (“All federal courts, except of course the Supreme Court, are creatures of statute, with jurisdictional reach only so far as Congress allows.”). “Courts cannot create exceptions to jurisdictional grants not expressed in the statute.” *Loveladies Harbor, Inc. v. United States*, 27 F.3d 1545, 1551 (Fed. Cir. 1994). Because this Court’s jurisdiction is fixed by statute, it is irrelevant whether a district court *should* consider willfulness at the time of the infringement trial or wait until after an appeal on liability. *See UNR Inus.*, 962 F.2d at 1022 (explaining that “the state of a trial court’s docket ... has no role in determining the existence of jurisdiction”).

Nevertheless, Bosch’s and the amici’s concerns over the relationship between the infringement trial and the objective willfulness determination are overstated. In light of the Court’s recent holding that objective willfulness is a question of law made by a judge on the record of the infringement trial, *Bard Peripheral Vascular v. W.L. Gore & Assoc.*, 682 F.3d 1003 (Fed. Cir. 2012), a district court may well elect in its discretion to rule on objective willfulness at the close of the infringement trial. However, nothing would prevent that court from deferring on the question of subjective willfulness—the prong of willfulness that, as Judge Robinson notes, is unrelated to the “complex technical issues regarding infringement and validity” and requires evidence that is both “intrusive and inflammatory.” SA2-3 & n.3.

In the end, these procedural determinations are left to the discretion of the district courts and have no bearing on this Court's jurisdiction, as a district court can, consistent with the purpose of 1292(c)(2), conduct a trial on liability in the first instance, and defer a trial on damages and enhanced damages until after the parties appeal issues relating to liability.

### CONCLUSION

For the reasons above, this Court has jurisdiction under 1292(c)(2) over this appeal.

October 29, 2012

Respectfully submitted,



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**UNITED STATES COURT OF APPEALS**

**FOR THE FEDERAL CIRCUIT**

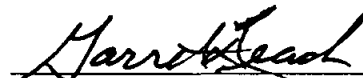
**ROBERT BOSCH V. PYLON MANUFACTURING CORP, 2011-1363, -1364**

**CERTIFICATE OF SERVICE**

I hereby certify that on October 29, 2012, I caused the original and 30 copies of **EN BANC BRIEF OF DEFENDANT CROSS-APPELLANT PYLON MANUFACTURING CORP.** to be served on the Clerk of the United States Court of Appeals for the Federal Circuit by overnight delivery Federal Express and two copies to the following individuals by electronic mail and overnight delivery via Federal Express:

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**CERTIFICATE OF COMPLIANCE  
WITH RULE 32(A)(7)(B)**

I certify that this brief complies with the type-volume limitation specified under Fed. R. App. P. 32(a)(7)(B), and I have relied on the word count from the word processing system used to prepare this brief to state that the number of words in this brief is 6,918.

Date: October 29, 2012

  
Garret A. Leach, P.C.