IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

ALTRIA CLIENT SERVICES LLC,	)	
	)	
Plaintiff,	)	
	)	
v.	)	1:20-cv-472
	)	
R.J. REYNOLDS VAPOR COMPANY,	)	
	)	
Defendant.	)	

MEMORANDUM OPINION AND ORDER

OSTEEN, JR., District Judge

Before this court is Defendant's Motion for Relief from Judgment and Ongoing Royalty Order and Request for Indicative Ruling, (Doc. 611). For the reasons stated herein, this court denies Defendant's motion to the extent it seeks vacatur of the judgment of infringement, damages, pre- and post-judgment interest, and royalties accrued prior to Reynolds' acquisition of its sublicense from JUUL. Additionally, pursuant to Federal Rule of Civil Procedure 62.1, this court indicates that, to the extent it requests relief from the ongoing royalty award, this court finds Defendant's motion poses a substantial issue.

Altria Client Services LLC's Motion for Additional Oral Argument on Defendant's Motion for Relief from Judgment, (Doc. 643), will be denied.

I. **FACTUAL BACKGROUND**

In May of 2020, Plaintiff Altria Client Services LLC ("Altria") sued Defendant R.J. Reynolds Vapor Company ("Reynolds") for infringing a variety of Altria's patents related to e-vapor technology and smokeless pouches. (See Complaint ("Compl.") (Doc. 1) ¶ 2.) After significant pre-trial motions practice, the following claims were tried by a jury in early fall 2022: claims 1, 9, and 10 regarding U.S. Patent Number 10,299,517 ("the '517 patent"), claim 19 regarding U.S. Patent Number 10,485,269 ("the '269 patent"), and claim 24 regarding U.S. Patent Number 10,492,541 ("the '541 patent") (together, the "Asserted Patents"). (See Jury Verdict (Doc. 458) at 2–3.)[1] All claims revolved around the use of Altria's patents in Reynolds' "VUSE Alto" e-vapor product. (See Def.'s Opening Br. in Supp. of Mot. for Relief from J. ("Def.'s Br.") (Doc.

[1] All citations in this Memorandum Opinion and Order to documents filed within the court refer to the page numbers located at the bottom right-hand corner of the documents as they appear on CM/ECF.

615) at 6; see also Pl.'s Opp'n to Def.'s Mot. for Relief from J. ("Pl.'s Opp'n") (Doc. 622) at 6.)[2]

On September 7, 2022, following a seven-day trial, the jury found that Reynolds had infringed the Asserted Patents and awarded Altria $95,233,292 in damages for Reynolds' past infringement through June 30, 2022. (Jury Verdict (Doc. 458) at 3, 5.) The damages amount was based on a 5.25% royalty rate proposed by Altria at trial. (Mem. Op. and Order Granting in Part and Den. in Part Altria's Mot. for an Award of Ongoing Royalty ("Ongoing Royalty Order") (Doc. 579) at 1.) On September 30, 2022, the parties entered into a joint stipulation, where Reynolds agreed, inter alia, "to incorporate as part of the judgment a running royalty of 5.25% on positive net sales of VUSE Alto pods and power units from July 1, 2022 through the date of judgment." (Joint Stipulation (Doc. 470) at 2–3; see also Final J. (Doc. 473) at 2.)

Following the entry of judgment, Altria moved for an ongoing royalty award, (Pl.'s Mot. for an Award of Ongoing

[2] Throughout this opinion, this court has cited the unredacted versions of the parties' briefing. The redacted versions of the briefs can be found at the following docket entries: Reynolds' redacted opening brief is Document 612, Altria's redacted opposition brief is Document 620, Reynolds' redacted reply is Document 625, and Altria's redacted supplemental brief is Document 640. There are pending motions to seal the unredacted versions of these documents.

Royalty (Doc. 474)), specifically requesting a rate of "10.5% of positive net sales of VUSE Alto products manufactured in, sold in, imported into, or exported from the United States" for the life of the patents. (Pl.'s Proposed Order (Doc. 474-1) at 1.) The court granted the motion, but rejected Altria's requested rate, instead imposing the existing 5.25% rate for the life of the patents. (Ongoing Royalty Order (Doc. 579) at 18.)

Additionally, Reynolds filed a series of motions challenging the jury's verdict, all of which were denied in January of 2023. (Doc. 575.) This case was initially handled by a different court in the Middle District of North Carolina but was reassigned to this court on July 15, 2024. (Docket Entry 07/15/2024.)

Reynolds now moves, under Rule 60(b), for relief from 1) the judgment of infringement, damages, pre- and post-judgment interest, and accrued royalties, and 2) the ongoing royalty order. (Def.'s Mot. for Relief from J. and Ongoing Royalty Order and Req. for Indicative Ruling ("Def.'s Mot.") (Doc. 611) at 3.) Reynolds contends this relief is warranted as a result of an apparent change in relationship between Altria and JUUL, resulting in JUUL's sale of a license to Reynolds. (Def.'s Br. (Doc. 615) at 8–11.)

In 2018, prior to the dispute with Reynolds, Altria entered into a relationship agreement with JUUL Labs ("JUUL"), (see Altria-JUUL Relationship Agreement (Doc. 615-2)), as well as a licensing agreement that granted JUUL a broad sublicensable license for much of its intellectual property ("Altria-JUUL IP Agreement" or "the overarching licensing agreement"), (see Altria-JUUL Intellectual Property License Agreement ("Altria-JUUL IP Agreement") (Doc. 110-2)), including the Asserted Patents, (see id. at 10–152). Altria and JUUL continued to have a business relationship in the years that followed. (See Trial Tr., Day 3 (Doc. 564) at 93 (Altria's expert explained that "there was an investment of cash and a contribution of technology [by Altria] in order for an ownership interest in JUUL.").)[3]

Altria and JUUL's relationship deteriorated in the years since, including Altria's exercise of its option to be released from its JUUL non-competition obligation in September 2022, (see Altria 10-Q (Doc. 615-3) at 15), JUUL suing Altria for infringement in June 2023, (see Altria 10-Q (Doc. 615-6) at 35),

[3] The parties dispute what level of control, if any, Altria was able to exert over JUUL. (See Def.'s Br. (Doc. 615) at 17 (explaining that during trial, there existed a "relationship agreement giving Altria control over JUUL"). But see Pl.'s Opp'n (Doc. 622) at 23 ("Altria in fact had no control over or ability to control JUUL.").)

and Altria's affiliate, NJOY, suing JUUL in August 2023, (id.).[4] In the midst of these events, the Altria-JUUL licensing agreement was amended on March 3, 2023, (Doc. 615-5), but the key provisions regarding the Asserted Patents remained unchanged, (see Altria 8K March 3, 2023 (Doc. 615-4) at 3 (Altria-JUUL license agreement "will remain in force solely with respect to e-vapor intellectual property of Altria as of or prior to the Effective Date [of March 3, 2023].")).

On December 13, 2023, over 14 months after judgment was entered in Altria's favor and nearly 11 months after the district court awarded Altria an ongoing royalty, Reynolds entered into a license agreement with JUUL ("2023 JUUL-Reynolds Agreement") in exchange for a one-time payment of $[redacted]. (Def.'s Br. (Doc. 615) at 11.) This agreement purports to grant Reynolds a sublicense with retroactive and prospective application, authorizing prior and future use of Altria's Asserted Patents. (See 2023 JUUL-Reynolds Agreement (Doc. 615-7)

[4] Even without these exhibits, this court finds it reasonable to assume that the Altria-JUUL business relationship has deteriorated based on the fact, discussed below, that JUUL has now engaged in a licensing relationship with Altria's adversary, Reynolds.

at 4.)[5] As a result, Reynolds contends in its motion that 1) the judgment of infringement, damages, pre- and post-judgment interest, and accrued royalties, and 2) the ongoing royalty award should be vacated. (Def.'s Mot. (Doc. 611) at 3.)

II. PROCEDURAL HISTORY

Altria filed its complaint against Reynolds on May 28, 2020, asserting nine counts of patent infringement.[6] (Compl. (Doc. 1).) On January 5, 2021, Altria filed an amended complaint against Reynolds.[7] (First Amended Complaint ("Am. Compl.") (Doc. 46).) The court held a Markman hearing on April 28, 2021, (Docket Entry 4/28/2021), and subsequently issued a memorandum opinion laying out its claim construction ruling on May 12, 2021, (Doc. 79).

On October 22, 2021, the court approved the parties' partial settlement agreement, whereby they each dismissed claims

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[5] The license states: "[redacted]" (2023 JUUL-Reynolds Agreement (Doc. 615-7) at 5.)

[6] U.S. Smokeless Tobacco Company was originally an additional plaintiff in this case, but its claims against Reynolds did not go to trial and are therefore not relevant to Reynolds' 60(b) motion.

[7] The amended complaint added Modoral Brands, Inc. as an additional defendant, but the claims against Modoral did not go to trial and are therefore not relevant to Reynolds' 60(b) motion.

and counterclaims against one another. (Doc. 178.) On November 8, 2021, the court granted the parties’ joint pre-trial stipulation, in which Altria dropped its claims of willful infringement and agreed it would not seek enhanced damages or attorney fees. (Doc. 186 at 1–2.)

A seven-day jury trial between Altria and Reynolds was held from August 29, 2022, to September 7, 2022. (See Docket Entry 08/29/2022 (Day 1); Docket Entry 08/30/2022 (Day 2); Docket Entry 08/31/2022 (Day 3); Docket Entry 09/01/2022 (Day 4); Docket Entry 09/02/2022 (Day 5); Docket Entry 09/06/2022 (Day 6); Docket Entry 09/07/2022 (Day 7).) The jury returned a verdict in favor of Altria on September 7, 2022 and awarded $95,233,292 in damages. (Jury Verdict (Doc. 458).) The court issued final judgment on October 5, 2022. (Final J. (Doc. 473).) The parties jointly moved to stay execution of the judgment during the pendency of any post-judgment motions or appeal, which the court granted. (Doc. 493.) Reynolds filed a variety of post-trial motions, all of which were denied in early 2023. (Doc. 575).

On October 5, 2022, Altria moved for an award of ongoing royalty, requesting a rate of 10.5%. (Proposed Royalty Order (Doc. 474-1) at 1.) On January 27, 2023, the court granted the award of an ongoing royalty, but denied the request of 10.5%, instead imposing the rate of 5.25% found by the jury at trial. (Ongoing Royalty Order (Doc. 579) at 18.)

Reynolds filed a notice of appeal to the Federal Circuit on February 10, 2023, (Notice of Appeal (Doc. 581)), and later filed the instant motion on July 3, 2024, requesting an indicative ruling regarding relief from judgment and the ongoing royalty order, (Def.'s Mot. (Doc. 611)), along with a supporting brief, (Def.'s Br. (Doc. 615)). Altria responded in opposition on August 14, 2024. (Pl.'s Opp'n (Doc. 622).) Reynolds replied on August 28, 2024. (Def.'s Reply (Doc. 627).)

The parties jointly moved for oral argument on Reynolds' motion, (Doc. 623), which this court granted, (Doc. 624). Oral argument took place on October 29, 2024. (See Docket Entry 10/29/2024; see also Oral Arg. Tr. (Doc. 638).) On November 26, 2024, Altria moved for additional oral argument on Reynolds' motion, (Pl.'s Mot. for Oral Arg. (Doc. 643)).

III. STANDARDS OF REVIEW

This case is currently pending appeal at the Federal Circuit. (See Notice of Appeal (Doc. 581).) Although it is well-established that "an appeal divests a trial court of jurisdiction over 'those aspects of the case involved in the appeal,'" Fobian v. Storage Tech. Corp., 164 F.3d 887, 890 (4th Cir. 1999) (citation omitted), "[t]his principle . . . is not without exceptions." Id. Notably, the Fourth Circuit in Fobian established an exception for Rule 60(b) motions, explaining that "when a Rule 60(b) motion is filed while a judgment is on appeal, the district court has jurisdiction to entertain the motion, and should do so promptly." Id. at 891. But the district court is somewhat limited in how it may rule on the motion. If the motion is meritless, the court may deny it and "any appeal from the denial can be consolidated with the appeal from the underlying order." Id. If, however, the court "is inclined to grant the motion, it should issue a short memorandum so stating. The movant can then request a limited remand from this court for that purpose." Id.

The crux of the Fobian holding has since been codified in Federal Rule of Civil Procedure 62.1(a). Fed. R. Civ. P. 62.1(a); see Daulatzai v. Maryland, 340 F.R.D. 99, 102 (D. Md. 2021). Under Rule 62.1(a), this court is empowered to 1) defer considering the motion, 2) deny the motion, or 3) state that it would grant the motion if the court of appeals remands for that purpose or that the motion raises a substantial issue. Fed. R. Civ. P. 62.1(a). In line with the governing standards, Reynolds requests an indicative ruling from this court under Rule 62.1(a)(3). (Def.'s Br. (Doc. 615) at 6–7.)

Pursuant to Rule 62.1(a)(2), this court finds that Reynolds' Rule 60(b) motion for vacatur of the judgment of infringement, damages, pre- and post-judgment interest, and royalties accrued prior to Reynolds' acquisition of its sublicense from JUUL is without merit and denies it. However, pursuant to Rule 62.1(a)(3), this court believes, and therefore finds, that Reynolds' Rule 60(b) motion for vacatur of the ongoing royalty award raises a substantial issue.

IV. ANALYSIS

As an initial matter, Altria recently filed a motion requesting additional oral argument on Reynolds' Rule 60(b) motion. (Doc. 643.) This request comes after oral argument was held on Reynolds' motion and after the parties submitted supplemental briefing. This court does not believe additional oral argument will aid the court at this juncture. The parties' arguments and supplemental briefing were sufficient to clarify the process and reasoning supporting the judgment and order awarding an ongoing royalty. Because this court's findings in this order are limited to recognizing a substantial issue, this court anticipates additional proceedings will be necessary and further argument now is premature. Altria's motion for additional argument will be denied.

With respect to the merits of Reynolds' Rule 60(b) motion, Reynolds moves for relief from judgment and relief from the court's ongoing royalty award. (Def.'s Mot. (Doc. 611) at 1.) Rule 60(b) permits a court to "relieve a party . . . from a final judgment, order, or proceeding" on the basis of any of six enumerated grounds. Fed. R. Civ. P. 60(b). Specifically, Reynolds cites Rule 60(b)(5) for relief from the ongoing royalty award and Rule 60(b)(6) for relief from the judgment and damages award. (Def.'s Br. (Doc. 615) at 6–7.)[8]

A. Threshold Requirements under Rule 60(b)

In order to obtain relief under Rule 60(b), a movant must first establish several threshold showings: timeliness, lack of unfair prejudice to the opposing party, and a meritorious

[8] Reynolds clarified at oral argument that its (b)(5) argument corresponds with its request for prospective relief from the ongoing royalty award and its (b)(6) argument corresponds with its request for retroactive relief from the judgment and damages award. (See Oral Arg. Tr. (Doc. 638) at 13–14).

defense.[9] United States v. Welsh, 879 F.3d 530, 533 (4th Cir. 2018). Then, "[o]nce the movant has met the threshold showings, [it] must satisfy one of the six enumerated grounds for relief under Rule 60(b)." Nat'l Credit Union Admin. Bd. v. Gray, 1 F.3d 262, 266 (4th Cir. 1993). The parties primarily dispute the threshold factors of timeliness and prejudice.

1. Timeliness

The timeliness of a Rule 60(b) motion is governed by Federal Rule of Civil Procedure 60(c)(1), which requires that motions be made "within a reasonable time." Fed. R. Civ. P. 60(c)(1). The movant bears the burden of establishing timeliness, Moses v. Joyner, 815 F.3d 163, 166 (4th Cir. 2016),

[9] Some cases in the Fourth Circuit additionally require "exceptional circumstances" as a threshold showing. See Dowell v. State Farm Fire & Cas. Auto. Ins. Co., 993 F.2d 46, 48 (4th Cir. 1993); Wells Fargo Bank, N.A. v. AMH Roman Two NC, LLC, 859 F.3d 295, 299 (4th Cir. 2017); Coomer v. Coomer, 2000 WL 1005211, at *4 (4th Cir. July 20, 2000) (table decision). But others do not. See United States v. Welsh, 879 F.3d 530, 533 (4th Cir. 2018); Park Corp. v. Lexington Ins. Co., 812 F.2d 894, 896 (4th Cir. 1987); Nat'l Credit Union Admin. Bd. v. Gray, 1 F.3d 262, 264 (4th Cir. 1993) ("A fourth threshold showing 'exceptional circumstances,' is sometimes noted, . . ."); Holland v. Va. Lee Co., Inc., 188 F.R.D. 241, 248 n.11 (W.D. Va. 1999); United States v. Bissonnette, 16-cv-1070, 2021 WL 1438309, at *5 (E.D. Va. Mar. 24, 2021) ("[C]ase law does not uniformly suggest that [exceptional circumstances] is a threshold requirement" for Rule 60(b) motions.). Because this showing is required at the merits stage of a Rule 60(b)(6) motion this court will address it, if necessary, in conjunction with that specific ground for relief. See Holland, 188 F.R.D. at 248 n.11.

and the clock starts "from the time the party is deemed to have notice of the grounds for its Rule 60(b) motion." Holland v. Va. Lee Co., Inc., 188 F.R.D. 241, 248 (W.D. Va. 1999) (quoting Jones v. City of Richmond, 106 F.R.D. 485, 489 (E.D. Va. 1985)). Determining what constitutes a reasonable time frame depends on "the facts of each case" and for motions under Rule 60(b)(5) and Rule 60(b)(6), "there is no set time period distinguishing timely from untimely motions," id., although "the moving party must offer a 'valid reason' for any delay." United States v. Bissonnette, 16-cv-1070, 2021 WL 1438309, at *4 (E.D. Va. Mar. 24, 2021) (quoting Nat'l Org. for Women v. Operation Rescue, 47 F.3d 667, 669 (4th Cir. 1995)). But ultimately, there is no bright line rule, as the timeliness inquiry "reflect[s] the considerable latitude of judgment our system reposes in trial courts." Moses, 815 F.3d at 167.

Reynolds contends that its Rule 60(b) motion, filed on July 3, 2024, is timely because it was filed approximately six months after it obtained a sublicense from JUUL on December 13, 2023 and during that intervening time Reynolds was engaged in out-of-court negotiations with Altria. (Def.'s Br. (Doc. 615) at 13–15.) Altria argues that the motion is not timely because Reynolds waited nearly a year after judgment to obtain the sublicense from JUUL, and further, that the parties were not engaged in complex negotiations as Reynolds claims, but only "sporadic communications." (Pl.'s Opp'n (Doc. 622) at 12–13.)

Because timeliness is measured from the time the movant acquires notice of the grounds for its Rule 60(b) motion, this court's timeliness inquiry begins from December 13, 2023, when Reynolds acquired the sublicense from JUUL that forms the basis of its motion.[10] Therefore, there was a six-month and twenty-day gap between Reynolds' gaining notice of the grounds for its motion and the filing of the motion itself. To justify this delay, Reynolds explains that the "six-month period . . . is a reasonable one for a complex matter between two sophisticated companies acting against the backdrop of interrelated intellectual-property disputes." (Def.'s Br. (Doc. 615) at 14–15.) In support, Reynolds cites to Bissonnette, which found that a delay in filing of over two years was reasonable where the movant "attempted to negotiate an out-of-court modification to the Consent Decree [for more than twelve months] . . . before litigating the matter." 2021 WL 1438309, at *4.

[10] Accordingly, Altria's argument that this motion is not timely because Reynolds "waited nearly eleven months before even securing its purported sublicense from JUUL in December 2023," (Pl.'s Opp'n (Doc. 622) at 11), misses the point. Additionally, Altria fails to demonstrate that any action or inaction by Reynolds before the sublicense was acquired was unreasonable; it appears none of the parties anticipated JUUL's willingness to issue a license to Reynolds during the trial or even thereafter.

Altria argues that Bissonnette can be distinguished because in that case, the parties communicated on "numerous occasions" and the delay in filing overlapped with the COVID-19 pandemic — an extenuating circumstance not present here. (Pl.'s Opp'n (Doc. 622) at 13–14 (citing Bissonnette, 2021 WL 1438309, at *4).) Altria also cites to an out-of-circuit case where the court found a motion untimely despite ongoing negotiations between the parties. (Id. at 12–13 (citing La Barbera v. Whitney Trucking, Inc., 245 F.R.D. 142, 146 (S.D.N.Y. 2007)).) Finally, Altria contends that even if negotiations constitute a valid reason for delay, discussions between the parties did not begin until March 2024, nearly three months after Reynolds acquired the sublicense from JUUL, and Reynolds has offered "no explanation whatsoever for this initial period of delay." (Id. at 12.)

Equipped with "considerable latitude" in making this determination, Moses, 815 F.3d at 167, this court finds Reynolds' motion to be timely. Although Reynolds waited nearly seven months after acquiring the sublicense from JUUL to file its Rule 60(b) motion, Reynolds has explained that the reason for this delay was rooted in a desire to "resolve the dispute privately and without court intervention." (Def.'s Br. (Doc. 615) at 14.) While Altria disputes the intensity with which Reynolds pursued this extrajudicial resolution, this court finds the undisputed fact that the parties engaged in some back-and-forth discussion regarding out of court settlement during this time frame to be sufficient to justify the delay, especially considering the motion concerns complex intellectual property disputes, a large damages award, and novel issues of law.[11]

2. Prejudice

Prejudice is often examined in conjunction with timeliness, although this particular factor is "of lesser importance," Nat'l Credit Union, 1 F.3d at 265, and while it should be considered, courts "should not give controlling consideration to this prong," Vinten v. Jeantot Marine Alls., S.A., 191 F. Supp. 2d 642, 652 (D.S.C. 2002) (citing Nat'l Credit Union, 1 F.3d at 265). Further, although the vacatur of a judgment will always "prejudice" the originally prevailing party by imposing additional legal costs and extending the proceedings, this garden variety prejudice is not sufficient to defeat a Rule 60(b) motion. See Nat'l Credit Union, 1 F.3d at 265; see also Werner v. Carbo, 731 F.2d 204, 207 (4th Cir. 1984).

Altria argues that it has been prejudiced by this motion because it "invested substantial resources to defend the

[11] These complexities also justify the initial time period between December 2023 and March 2024, where Reynolds had acquired the license but had not yet engaged Altria in settlement discussions.

validity of its patents and to challenge Reynolds' infringement" and because the litigation "has also consumed substantial judicial resources." (Pl.'s Opp'n (Doc. 622) at 15.) Additionally, Altria contends that it has been prejudiced by Reynolds' delay because in the intervening time period, Altria, its counterparties, and the market have already differentially valued the patents as a result of the judgment. (Id. at 14–15.) Reynolds argues that Altria has not suffered any prejudice because the parties stipulated to a stay of execution of the judgment pending resolution of the appeal and therefore, "[t]he status quo now is the same as it was in December 2023." (Def.'s Br. (Doc. 615) at 16.)[12]

This court finds that Altria is not prejudiced by this motion nor the timeliness of its filing. While Altria has asserted that it expended great cost in obtaining the judgment, this is merely a "normal inconvenience[] parties suffer when 'any judgment is vacated.'" Cavalieri v. Virginia, No. 20-6287, No. 20-7134, 2022 WL 1153247, at *2 (4th Cir. Apr. 19, 2022) (discussing Werner, 731 F.2d at 207). Finally, Altria's bare

[12] Altria takes issue with this argument, explaining that it "violates Reynolds' stipulation . . . that '[n]othing in the[e] stipulation' to stay enforcement of the judgment 'shall be used against Altria in connection with its request for an ongoing royalty.'" (Pl.'s Opp'n (Doc. 622) at 14 (citing Doc. 493 at 2).) This court agrees and therefore will not consider this argument in the prejudice analysis.

assertion that the market has differentially valued the patents as a result of the judgment, unaccompanied by any objective evidence, does not support a finding of prejudice. (See Pl.'s Opp'n (Doc. 622) at 15.)

3. **Meritorious Defense**

The meritorious defense prong is, in some instances, discussed by courts briefly without significant analysis. See, e.g., Werner, 731 F.2d at 207. The origins of the meritorious defense prong appear tied to Rule 60(b) relief from default judgments. See Compton v. Alton S.S. Co., Inc., 608 F.2d 96, 102–03 (4th Cir. 1979); see also In re Stone, 588 F.2d 1316, 1319 (10th Cir. 1978) (cited by Compton) (explaining that for Rule 60(b) motions, "[i]n the case of default judgments, courts have established the further requirement that a movant demonstrate the existence of a meritorious defense"). As a result, its application to other forms of Rule 60(b) relief is sometimes awkward in cases like this, because the merits of the issue are the basis of the requested relief, not a prong of the analysis. See Werner, 731 F.2d at 207 (explaining that the movant had a meritorious defense because "it made [such] a showing . . . in the first trial of this case"). Because this case does not concern a default judgment, but rather the continued propriety of a judgment and prospective remedy in the face of new facts, this threshold prong will not be evaluated separately from the question of whether Reynolds is entitled to relief on the asserted grounds.

Because Reynolds' motion is timely and does not prejudice Altria, this court will evaluate whether Reynolds has satisfied "one of the six enumerated grounds for relief under Rule 60(b)." Nat'l Credit Union, 1 F.3d at 266.

B. Rule 60(b)(5): Ongoing Royalty Award

Reynolds argues that the ongoing royalty order imposed by the court on January 27, 2023, (Ongoing Royalty Order (Doc. 579) at 1), must be vacated as a result of its sublicense with JUUL, which now authorizes it to use the Asserted Patents. (Def.'s Br. (Doc. 615) at 23.) Reynolds, in requesting this relief, relies on the provision in Rule 60(b)(5) which permits a court to relieve a party from a final order if "applying it prospectively is no longer equitable." Fed. R. Civ. P. 60(b)(5); (Oral Arg. Tr. (Doc. 638) at 12–13.) This rule is rooted in "the historic power of a court of equity to modify its decree in the light of changed circumstances." Hudson v. Pittsylvania Cnty., Va., No. 4:11cv043, 2014 WL 10402067, at *1 (W.D. Va. Aug. 4, 2014).

As an initial matter, the parties dispute the characterization of the ongoing royalty award. Altria argues that this "compulsory license" functions like a contract between the parties — a contract that obligates Reynolds, regardless of whether it bought the same rights from someone else. (Pl.'s Opp'n (Doc. 622) at 25–26); (Pl.'s Suppl. Mem. (Doc. 642) at 27.) As Altria sees it, "Reynolds would have to abide by its decision to purchase the same rights twice" and "[t]he fact that [the court] mandated a compulsory license should not entitle that license to less respect than if the parties had agreed to it voluntarily." (Pl.'s Opp'n (Doc. 622) at 26.) Reynolds, however, argues that "[t]here is no license agreement," (Oral Arg. Tr. (Doc. 638) at 38), but rather "the ongoing royalty order is an exercise of [the court's] equitable discretion in the first place, and it is always subject to revision and modification," (id. at 37).

An ongoing royalty award is a remedy often imposed as an alternative to a permanent injunction prohibiting infringement. See 4 Annotated Patent Digest § 32:161. This ongoing award resembles a contract between the parties — in setting the award, the court considers the rate found by the jury at trial (which itself is often the product of a hypothetical bargaining negotiation between the parties) and the parties' relative economic circumstances. See XY, LLC v. Trans Ova Genetics, L.C., 890 F.3d 1282, 1296–98 (Fed. Cir. 2018). But despite its likeness to a bargained-for contract, the power to impose an ongoing royalty award arises from 35 U.S.C. § 283, which provides district courts the discretion to "grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." 35 U.S.C. § 283; see Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1314 (Fed. Cir. 2007); see also Apple, Inc. v. Samsung Elecs. Co., Ltd., No. 12-cv-00630, 2014 WL 6687122, at *4 n.2 (N.D. Cal. Nov. 25, 2014) ("§ 238 governs ongoing royalties") (explaining Paice). "[A]n ongoing royalty is based on infringement that has not yet occurred," GoTV Streaming, LLC v. Netflix, Inc., No. 2:22-cv-07556, 2023 WL 6192744, at *11 (C.D. Cal. Sept. 11, 2023), and "[w]rongs that have not yet occurred are dealt with by forward-looking remedies such as an injunction." Allergan Sales, LLC v. UCB, Inc., No. 2:15-cv-01001, 2016 WL 8222619, at *1 (E.D. Tex. Nov. 7, 2016).

As both parties have acknowledged, there is no relevant authority regarding how this court should respond to the situation at hand — where an adjudicated infringer subject to a court-ordered compulsory royalty later acquires the rights to use the patents at issue from a third party. The crux is this: a contract is negotiated by the parties, but a remedy is imposed by the court. And while Altria is correct to note that a party may not unilaterally modify a contract once executed, a court does have the power to modify an injunction. See Hudson v. Pittsylvania Cnty., Va., 774 F.3d 231, 234 (4th Cir. 2014) (explaining that courts of equity have the power to "modify or vacate their decrees 'as events may shape the need'") (citation omitted). In other words, the ongoing royalty award is properly characterized as a prospective injunction, subject to modification by the court. Accordingly, this court will evaluate whether Reynolds has made a sufficient showing under Rule 60(b)(5) to justify modification or vacatur of the ongoing royalty award.

Rule 60(b)(5)'s provision permitting vacatur or modification of a judgment if "applying it prospectively is no longer equitable" requires the movant to show "a significant change either in factual conditions or in law [that] renders continued enforcement detrimental to the public interest." Welsh, 879 F.3d at 536–37 (quoting Horne v. Flores, 557 U.S. 433, 447 (2009)). "A significant change is one that pertains to the underlying reasons for the injunction." Moon v. GMAC Mortg. Corp., No. C08-969Z, 2008 WL 4741492, at *2 (W.D. Wash. Oct. 24, 2008). Notably, however, courts have denied Rule 60(b)(5) motions where "the changed circumstances were contemplated at the time the decree was entered." 11 Fed. Prac. & Proc. Civ § 2863 (3d ed.). But the Rule "does not foreclose modifications based on developments that, in hindsight, were things that 'could' happen. . . . The focus of Rule 60(b)(5) is not on what was possible, but on what the parties and the court reasonably anticipated." United States v. W. Elec. Co., Inc., 46 F.3d 1198, 1205 (D.C. Cir. 1995).

Additionally, in ruling on a 60(b) motion, courts must "delicately balance 'the sanctity of final judgments . . . and the incessant command of the court's conscience that justice be done in light of [a]ll the facts.'" Welsh, 879 F.3d at 536 (quoting Compton, 608 F.2d at 102); see also id. at 537 n.3 (explaining that Rule 60(b)(5) requires consideration of the public interest and other "various interests at stake," given its equitable nature).[13]

[13] In articulating the Rule 60(b)(5) standard, Altria cites to United States v. Swift & Co., which states that "[n]othing less than a clear showing of grievous wrong evoked by new and unforeseen conditions should lead us to change what was decreed after years of litigation with the consent of all concerned." (Pl.'s Opp'n (Doc. 622) at 17 (quoting Swift, 286 U.S. 106, 119 (1932).) More recent Supreme Court decisions have rejected this as a blanket rule, instead explaining that Rule 60(b)(5) "permits a less stringent, more flexible standard." Rufo v. Inmates of Suffolk Cnty. Jail, 502 U.S. 367, 380 (1992). Additionally, Altria cites Aikens v. Ingram for the proposition that Rule 60(b) is subject to "very strict interpretation," (Pl.'s Opp'n (Doc. 622) at 16 (quoting Aikens, 652 F.3d 496, 501 (4th Cir. 2011) (en banc)), but this quote, in context, was referencing the catchall provision of Rule 60(b)(6) and not (b)(5).

In making the determination of what is "equitable," district courts have "wide latitude to decide whether changes in facts and law dictate modification of a prior judgment." Major Media of Se., Inc. v. City of Raleigh, 930 F.2d 23, 1991 WL 49653, at *1 (4th Cir. Apr. 9, 1991) (per curiam) (unpublished table decision). "The hallmark of equity . . . is its flexibility," Thompson v. U.S. Dep't of Hous. & Urb. Dev., 404 F.3d 821, 830 (4th Cir. 2005), because "a court's equity power lies in its inherent capacity to adjust remedies in a feasible and practical way," id. (quoting Freeman v. Pitts, 503 U.S. 467, 487 (1992)).

This court has reviewed the findings made by the district court in crafting the ongoing royalty award. (Ongoing Royalty Order (Doc. 579).) While the court used the jury's rate of 5.25% as a starting point, (id. at 2–3), the court ultimately found that "neither the parties' respective bargaining positions after the verdict nor any changed circumstances support[ed] increasing the 5.25% royalty rate as determined by the jury," (id. at 18). Effectively adopting the jury's rate, the court ordered Reynolds to pay Altria "an ongoing royalty of 5.25% of positive net sales of the VUSE Alto for the life of the Pod Patents." (Id. at 21.)

In the time since the ongoing royalty order was issued, Reynolds obtained a sublicense from JUUL to use the Asserted

Patents. Reynolds argues that this sublicense constitutes a "significant change" that warrants vacatur of the prospective royalty award because "a party that has a license to a patent is authorized and does not infringe the patent." (Def.'s Br. (Doc. 615) at 16–17.) Altria argues that this is not a significant change in circumstances because "the Altria-JUUL license agreement (and the possibility of a sublicense Reynolds believes it allows) was before the jury" when it determined the 5.25% royalty rate. (Pl.'s Opp'n (Doc. 622) at 19.) Reynolds responds that the possibility of a sublicense was not foreseeable, because "Altria and JUUL were aligned against Reynolds through trial and judgment in this case." (Def.'s Reply (Doc. 627) at 11.) Further, Reynolds contends that the Altria-JUUL license was admitted at trial only to "demonstrate the lack of marking and potentially the lack of value of the patents." (Id. at 12.)

At this stage in litigation, the newly acquired sublicense at least appears to be a relevant factual change. It undermines the reason for the royalty award, which was imposed because Reynolds continued to infringe patents it was not otherwise authorized to use.[14] (Ongoing Royalty Order (Doc. 579) at 2 ("[Reynolds] actually does not argue that there should be no award of ongoing royalties, and it is doubtful [Reynolds] could have done so successfully considering the Alto continues to infringe the Pod Patents.").) Additionally, there is a separate question of whether JUUL's issuance of a sublicense to a third party (Reynolds) has decreased the market value of the patent. It may very well be that the subsequent increase in the number of existing licenses to the Asserted Patents has diluted the Patents' value in ways not anticipated at the time the order was entered.[15]

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[14] Altria argues that Reynolds' support for 60(b)(5) relief comes from distinguishable cases where a patent was later ruled invalid or unenforceable. (Pl.'s Opp'n (Doc. 622) at 20–21.) The distinction between invalidity and noninfringement is acknowledged by this court, but both patent invalidity and patent noninfringement eliminate the need for an ongoing royalty award. For invalidity, this is because there is no patent to be infringed in the first place, and for noninfringement, this is because a royalty is not required when an entity is authorized to use the relevant patents.

[15] Notably, at trial, Altria's counsel explained that despite having a license, "JUUL does not use the pod patents." (See Pl.'s Suppl. Mem. (Doc. 642) at 14.)

But even considering these potentially significant changes, there remain too many open questions to say with certainty at this point whether this court should modify or vacate the award. The record, even with the assistance of the parties' briefing, does not provide sufficient clarity on whether these changes were foreseeable at the time of trial or at the time of the court's order, a question which is critical to the Rule 60(b)(5) inquiry.[16] See Agostini v. Felton, 521 U.S. 203, 216–17 (1997) (explaining that high cost of complying with permanent injunction did not constitute a significant factual change because petitioner and the court were aware of the possibility of those costs at the time the permanent injunction was entered). Nor is this court able, on this record, to make a determination of any market effect or changed circumstances that have occurred as a result in the apparent change of relationship between JUUL and Altria resulting in JUUL's willingness to license Reynolds to use the patented technology.

While the parties have acknowledged that the jury had access to the 2018 Altria-JUUL Agreement, which explicitly

[16] Courts usually look to what was contemplated at the time the decree was entered. Thompson v. U.S. Dep't of Hous. & Urb. Dev., 220 F.3d 241, 248 (4th Cir. 2000). In this case, that would be what the district court contemplated when it ordered the ongoing royalty rate. But because the court adopted the jury's findings in doing so, what the jury considered when it decided on a 5.25% rate is also relevant to this inquiry.

provided [redacted], (<u>see</u> Altria-JUUL IP Agreement (Doc. 110-2) at 3), it is not clear whether any relevant decisionmaker considered the possibility of JUUL issuing a sublicense to Reynolds — or whether this was even a viable option, given the disputed nature of the Altria-JUUL relationship.[17] Nor is it clear whether anyone considered that JUUL could potentially dilute the value of the Patents by issuing sublicenses to <u>any</u> third party, even if not to Reynolds.[18]

Finally, because the ongoing royalty award is equitable in nature, this court must weigh the "various interests at stake." <u>Welsh</u>, 879 F.3d at 537 n.3. More information is needed regarding

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[17] Reynolds, in its supplemental briefing to the court, stated that "the sublicensing right that Altria provided to JUUL in the Altria-JUUL License was not addressed or referenced at trial in any way." (Def.'s Suppl. Mem. (Doc. 639) at 6–7.) Nor was there any mention in the court's royalty order of JUUL's right to sublicense or how that unilateral power could affect the value of the patents. (<u>See</u> Ongoing Royalty Order (Doc. 579).)

[18] Additionally, although two comparable non-exclusive licenses were presented at trial, there was no discussion of whether these licenses had similar sublicensing rights. (Def.'s Suppl. Mem. (Doc. 639) at 6–7 ("[T]he word 'sublicense' does not appear in the trial record.").) Accordingly, without more information, this court cannot definitively determine whether the possibility that a <u>licensee</u> would unilaterally convey rights to third parties was contemplated at trial or at the time of the court's order. This is especially true considering the ambiguities surrounding Altria and JUUL's relationship at these times.

the interests implicated here, including whether the JUUL-Reynolds agreement is the result of arms-length bargaining in a changed market or whether it reflects something else. Either conclusion must be weighed against the interest in finality of judgments and the freedom to contract in a changing market.

The questions raised by Reynolds' acquisition of a sublicense from JUUL present substantial issues on the question of Rule 60(b)(5) relief from the ongoing royalty award and warrant an evidentiary hearing upon remand to this court.

C. Rule 60(b)(6): Judgment and Damages

Reynolds contends that the sublicense it acquired from JUUL is retroactive, thus "extinguish[ing] any purported infringement of the Asserted Patents by Reynolds prior to December 13, 2023," in addition to any future infringement. (Def.'s Br. (Doc. 615) at 23–24.) Therefore, according to Reynolds, the judgment of infringement, the $95,233,292 damages award against it, and the ongoing royalties that accrued prior to the sublicense should be vacated. (See id.) Reynolds seeks this relief via Rule 60(b)'s catchall provision, (6), which permits the court to "relieve a party . . . from a final judgment" for "any other reason that justifies relief." Fed. R. Civ. P. 60(b)(6); (Def.'s Br. (Doc. 615) at 17–18). However, Rule 60(b)(6) is only available where "the movant demonstrates extraordinary circumstances." Justus v. Clarke, 78 F.4th 97, 106 (4th Cir. 2023) (citation omitted).

Whether Reynolds' now-acquired sublicense to use the Asserted Patents merits relief under Rule 60(b)(6) rests on two questions. First, this court must determine whether JUUL was even contractually authorized to issue retroactive sublicenses to third parties. Second, even if JUUL's sublicense to Reynolds is enforceable, this court must consider whether that sublicense constitutes an "extraordinary circumstance" capable of warranting vacatur of a prior judgment under Rule 60(b)(6).

1. Whether JUUL was permitted to issue retroactive sublicenses

This court must first address a preliminary question of contract interpretation — whether the 2018 Altria-JUUL Agreement gave JUUL the authority to issue retroactive sublicenses. Altria argues that JUUL did not have this authority, because it is "not authorized by the terms of the Altria-JUUL license agreement." (Pl.'s Opp'n (Doc. 622) at 27.) Reynolds disagrees, arguing that Altria "did not place any restrictions on JUUL's right to sublicense," (Def.'s Reply (Doc. 627) at 15), and thus "JUUL was and is free to grant retroactive and prospective sublicenses to the Asserted Patents," (id. at 17).

The relevant provisions of the 2018 Altria-JUUL Agreement are as follows.

[redacted]

[redacted]

(Altria-JUUL IP Agreement (Doc. 110-2) §§ 2.1, 2.3.)

The parties' interpretative disagreement hinges on a difference of opinion regarding the applicable governing law. Reynolds argues that the agreement should be interpreted according to Delaware contract law, because the agreement states that it is governed by Delaware law. (Def.'s Br. (Doc. 615) at 20); Altria-JUUL IP Agreement (Doc. 110-2) § 3.11.) Therefore, according to Reynolds, because there is nothing in the agreement that limits JUUL's right to grant a retroactive sublicense and because Delaware contract law urges courts to enforce contracts as written, the court should not supply a prohibition on retroactive sublicensing where the contract does not include one. (See Def.'s Br. (Doc. 615) at 25–26; Oral Arg. Tr. (Doc.

638) at 15–18 (citing Glaxo Grp. Ltd. v. DRIT LP, 248 A.3d 911 (Del. 2021).) To support this argument, Reynolds cites to a case from the Southern District of New York, Canon Inc. v. Tesseron Ltd., 146 F. Supp. 3d 568 (S.D.N.Y. 2011). (Def.'s Br. (Doc. 615) at 24); Oral Arg. Tr. (Doc. 638) at 15, 20–21.) In Canon, the court explained that "[c]onstruction of a patent 'licensing agreement is solely a matter of state law,'" Canon, 146 F. Supp. 3d at 577 (citation omitted), and applied New York contract law to find that "[t]he presence of two sublicensing restrictions and the absence of a provision prohibiting retroactive sublicensing demonstrates that these sophisticated parties chose not to include one." Id. at 578.

Altria, on the other hand, argues that even if the contract itself is governed by Delaware law, the question of retroactivity is governed by Federal Circuit precedent, which presumes that "[p]atent licenses are prospective unless the parties make them retroactive with clear language." (Pl.'s Opp'n (Doc. 622) at 27–28 (quoting Oyster Optics, LLC v. Infinera Corp., 843 Fed. App'x 298, 302 (Fed. Cir. 2021)).) According to Altria, because the agreement does not include such language, JUUL was not permitted to issue retroactive sublicenses. (Id.) In response to this point, Reynolds argues that "Altria conflates the retroactivity of the Altria-JUUL license with the grant of a retroactive license from JUUL to Reynolds." (Def.'s Reply (Doc. 627) at 16.)

Additionally, Altria cites Ethicon, Inc. v. U.S. Surgical Corp., which held that patent co-owners cannot "deprive the other co-owner of the right to sue for accrued damages for past infringement" by granting a license to a third party. (Pl.'s Opp'n (Doc. 622) at 27 (quoting Ethicon, 135 F.3d 1456, 1467 (Fed. Cir. 1998)).) Reynolds argues this caselaw is inapplicable because "JUUL is not a co-owner of the Asserted Patents; it is a licensee with the unfettered right to sublicense." (Def.'s Reply (Doc. 627) at 16.)

As an initial matter, this court agrees with Reynolds that the question of whether the overarching licensing agreement between Altria and JUUL is retroactive is irrelevant. (See Def.'s Reply (Doc. 627) at 16.) As explained by Reynolds, JUUL acquired its rights to the Asserted Patents in December 2018. (Id.) Altria's patents issued, and Reynolds' infringement began, in May 2019. (Id.) Therefore, JUUL's sublicense to Reynolds, which purports to authorize Reynolds' past infringement, beginning in 2019, does not go beyond the temporal scope of JUUL's rights to the patents, which began in 2018. The ultimate question, therefore, is not whether the Altria-JUUL license itself is retroactive, but rather whether Altria conveyed JUUL the right to issue retroactive sublicenses.

The question presented — how courts should interpret the scope of a sublicensing right — is a novel issue of law. In Oyster Optics, the Federal Circuit explained that there is a presumption against licenses with retroactive effect, absent "clear language" to the contrary. 843 Fed. App'x at 302. The Federal Circuit has yet to explicitly address whether the same presumption should apply when interpreting whether a licensor's grant to a licensee of the right to sublicense permits that licensee to issue retroactive sublicenses.[19] But this court sees no reason why the presumption against retroactive licenses should not apply with the same force when determining the breadth of a sublicensing right. The concern with retroactivity in the licensing context is animated by the idea that licensees should not be able to unilaterally extinguish a licensor's right to sue third party infringers for past infringement. See Spinelli v. Nat'l Football League, 903 F.3d 185, 198 (2d Cir.

[19] The Federal Circuit has, however, implicitly recognized that retroactive sublicenses are permissible. See High Point SARL v. T-Mobile USA, Inc., 640 Fed. App'x 917, 927 (Fed. Cir. 2016). Although in High Point, unlike the facts presented here, the right to convey retroactive sublicenses was explicitly granted to the licensee in the overarching agreement. Id. at 927–28.

2018).[20] The same concern would be present if the court were to assume that Altria intended, without clearly stating, that JUUL was permitted to convey retroactive sublicenses.

Canon is the only case identified by the parties and this court where the right to convey retroactive sublicenses was inferred from an overarching license that did not explicitly convey it. 146 F. Supp. 3d at 578. But there are several issues with relying heavily on Canon's analysis and holding. Most importantly, Canon pre-dates Oyster Optics and therefore does not invoke or consider Oyster Optics' "clear language" standard and instead merely interprets the contract according to general state contract law — resulting in what appears to be a lower level of interpretative scrutiny than demanded by the presumption against retroactivity conveyed in Oyster Optics. Id. at 577–79.

Additionally, Canon's finding of a retroactive sublicense rested on a distinction from an earlier Second Circuit case, Davis v. Blige, 505 F.3d 90 (2d Cir. 2007), which held that

[20] Spinelli ultimately held that retroactive copyright licenses were not permissible at all. 903 F.3d at 198–99. Although the Federal Circuit has acknowledged that retroactive licenses are permissible, Spinelli's concerns surrounding retroactivity remain relevant here, in the opinion of this court.

copyright licenses could only apply prospectively.[21] Canon explained that Davis dealt specifically with co-owners and therefore was not applicable in the sole owner context because sole owners can "impose contractual limitations on the right of a licensee to grant a sublicense or a sublicense with retroactive effect." Canon, 146 F. Supp. 3d at 577. But a more recent Second Circuit case, Spinelli v. Nat'l Football League, held that Davis applies with equal force in the sole-owner context. 903 F.3d at 198 (explaining that where sole owner photographers provided broad licenses to the Associated Press ("AP"), with right to sublicense, AP's attempted retroactive sublicense to the NFL was invalid because it would have extinguished photographers' "right to sue the NFL for copyright infringement"). Accordingly, since Canon, the Second Circuit has emphasized the policy concerns related to retroactive licensing in any context, leaving Canon's guidance of questionable persuasive value.[22]

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[21] "Although patent and copyright law function somewhat differently, courts considering one have historically looked to the other for guidance where precedent is lacking." Davis, 505 F.3d at 104.

[22] Additionally, in Canon, the overarching license expressly acknowledged that it applied retroactively and the court, in finding that the sublicensing right was also retroactive, explained that "the ability to sublicense retroactively is woven into the fabric of the Agreement." Canon, 146 F. Supp. 3d at 578. The 2018 Altria-JUUL Agreement is not [redacted].

In sum, this court finds that Oyster Optics´ heightened textual standard applies to JUUL's sublicensing right. But determining the contours of that heightened textual requirement is less clear. This court has not identified any cases following Oyster Optics that discuss whether the "clear language" threshold has been met in the context of licenses. The standard of evaluation remains novel, and this court's guidance is limited to the analysis of "clear language" that took place in Oyster Optics itself.

In Oyster Optics, Oyster Optics, LLC ("Oyster") sued Coriant USA Inc., Coriant North America, and Coriant Operations, Inc. (collectively, "Coriant") and Infinera Corporation ("Infinera") for patent infringement. 843 Fed. App'x at 299. Eventually the parties settled, and as part of the settlement agreement, "Oyster granted Coriant and its 'Affiliates' a license to several patents." Id. The license also included a release for "any and all claims" based on the licensed patents, "arising from activities in the United States up to June 27, 2018 — the effective date of the Agreement." Id. Oyster then separately sued Infinera for infringement. Id. But while the case was pending, Infinera acquired Coriant, and thus claimed it was now a beneficiary of the Coriant settlement agreement as an "affiliate." Id. at 299–300.

The Federal Circuit agreed that Infinera was an Affiliate and therefore a beneficiary of the settlement agreement. Id. at 301. More importantly, the Federal Circuit held that the settlement agreement was retroactive and constituted a defense to the pending claims against Infinera. Id. at 302. This holding was based on the agreement's explicit statement that it "extend[ed] to any 'Licensed Product,' which includes products made, used, or sold 'at any time' by Coriant and its Affiliates." Id. The court held that this "clear language ma[de] the license fully retroactive." Id. Additionally, the court emphasized that the license contained no temporal limitations. Id.

Unlike the agreement in Oyster Optics, Altria's grant of a sublicensing right to JUUL [redacted]. (See Altria-JUUL IP Agreement (Doc. 110-2) at 3.) Further, if JUUL could issue retroactive sublicenses, it would permit JUUL to extinguish past liability for the infringement of Altria's patents, which undermines Altria's [redacted]. (See Pl.'s Opp'n (Doc. 622) at 9 (citing Altria-JUUL IP Agreement (Doc. 110-2) at § 2.3, § 2.5).)

To put it succinctly, the Altria-JUUL license does not contain the clear language to overcome the presumption against retroactivity and therefore does not convey JUUL the power to retroactively sublicense the Asserted Patents to Reynolds. Accordingly, the portion of the JUUL-Reynolds sublicense purporting to apply retroactively is not valid. Because the basis for Reynolds' Rule 60(b)(6) argument for vacatur of the damages award and past accrued royalty award against it depends entirely on its purported retroactive sublicense from JUUL, this court denies that request for relief.

2. Whether a retroactive sublicense could undo a prior judgment of infringement under Rule 60(b)(6)

As explained above, the Altria-JUUL Agreement did not convey JUUL the right to issue retroactive sublicenses. But even assuming it did, such a sublicense would only provide Reynolds a defense to a claim of infringement. As explained by Altria at oral argument, "a nonexclusive license is simply a covenant not to sue."[23] (Oral Arg. Tr. (Doc. 638) at 23.) Cases within the Federal Circuit support this proposition. See Intell. Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc., 248 F.3d 1333, 1345 (Fed. Cir. 2001); Ortho Pharm. Corp. v. Genetics Inst., Inc., 52 F.3d 1026, 1032 (Fed. Cir. 1995); see also Canon, 146 F. Supp. 3d 568, 575 (S.D.N.Y. 2015) ("[A] nonexclusive license, in its

[23] It is undisputed that both the Altria-JUUL license and the JUUL-Reynolds sublicense are nonexclusive.

barest form, is just 'a covenant by the patent owner not to sue the licensee for making, using, or selling the patented invention and under which the patent owner reserves the right to grant similar licenses to other entities.'").

In other words, even assuming Reynolds does have a valid retroactive sublicense to the Asserted Patents, all it holds is an affirmative defense to an action for infringement. And while it is established that a license constitutes an affirmative defense to a claim of infringement, see, e.g., AlexSam, Inc. v. Aetna, Inc., 119 F.4th 27, 36 (Fed. Cir. 2024), the question of whether this defense can be asserted after judgment of infringement has been entered implicates the weighty interest in the finality of judgments and the narrow bounds of Rule 60(b)(6).

As explained above, "relief under Rule 60(b)(6) is available only in 'extraordinary circumstances.'" Buck v. Davis, 580 U.S. 100, 123 (2017) (citation omitted). Extraordinary circumstances may include "the risk of injustice to the parties and the risk of undermining the public's confidence in the judicial process." Id. (cleaned up). The party seeking relief bears a heavy burden, and must show that "without such relief, an extreme and unexpected hardship would occur." Coleman v. York Cnty. Det. Ctr., No. 1:20-cv-4369, 2022 WL 19929999, at *1

(D.S.C. Sept. 16, 2022) (citation omitted); see also Cox v. Horn, 757 F.3d 113, 115 (3d Cir. 2014). And "[a]n unexpected hardship [under Rule 60(b)(6)] 'rarely exist[s] when a party seeks relief from a judgment that resulted from the party's deliberate choices.'" Forest Lab'ys, LLC v. Sigmapharm Lab'ys, LLC, No. 14-1119, 2019 WL 3574249, at *5 (D. Del. Aug. 6, 2019).

Reynolds has failed to meet this high bar. Reynolds relies solely on a later-acquired defense to an already adjudicated claim. And the judgment Reynolds seeks to have vacated resulted from its own choice to use the patents without a license or a defense at that time. While this court acknowledges that perhaps Reynolds was unable to acquire a sublicense from JUUL during the pendency of trial, Reynolds has not explained why it could not obtain a license from Altria prior to infringement or trial.

Reynolds' acquisition of a license after the judgment against it was entered does not constitute "extreme and unexpected hardship" demanding vacatur of the judgment. When an entity infringes a patent and has no license to assert as an affirmative defense prior to the entry of judgment, a judgment of infringement and corresponding damages cannot be described as a surprise. "To say the least, [the defendant] took a calculated risk that did not turn out the way it expected." Louisville Bedding Co. v. Pillowtex Corp., 455 F.3d 1377, 1380 (Fed. Cir.

2006). Rule 60(b)(6) relief was intended to be highly selective. See Aikens v. Ingram, 652 F.3d 496, 501 (4th Cir. 2011) ("To give Rule 60(b)(6) broad application would undermine numerous other rules that favor the finality of judgments . . . ."). Reynolds' later-acquired sublicense does not meet the high standard for vacatur required by Rule 60(b)(6).

V. CONCLUSION

For the foregoing reasons, Altria's motion for additional oral argument, (Doc. 643), will be denied. Reynolds' motion for relief from judgment will be denied in part, but the court finds that the request for relief from the ongoing royalty award presents a substantial issue and this court so indicates. All other requested relief will be denied.

IT IS THEREFORE ORDERED that Plaintiff's Motion for Additional Oral Argument, (Doc. 643), is **DENIED.** Defendant's Motion for Relief from Judgment and Ongoing Royalty Order and Request for Indicative Ruling, (Doc. 611), is **DENIED** as to the request for relief from the judgment of infringement, damages, pre- and post-judgment interest, and royalties accrued prior to Reynolds' acquisition of the sublicense. Further, this court hereby **INDICATES** that the request for relief from the ongoing royalty award presents a substantial issue.

This the 27th day of November, 2024.

William L. Osteen, Jr.

United States District Judge