

Philip Morris Wins \$10.8M From RJ Reynolds In Patent Trial

By Ryan Davis

Law360 (June 15, 2022, 5:21 PM EDT) -- An Eastern District of Virginia jury on Wednesday found that R.J. Reynolds infringed two Philip Morris patents on vaping technology, awarding \$10.76 million in damages in a clash between the two tobacco giants.

Following a five-day trial that began June 8 in Alexandria before U.S. District Judge Leonie Brinkema, the jurors began deliberations on Tuesday, but did not reach a verdict. They resumed deliberations Wednesday and returned a verdict in favor of Philip Morris against its fierce rival R.J. Reynolds, which is part of British American Tobacco.

The jury found that R.J. Reynolds' Vuse Alto vaping device literally infringed a Philip Morris patent on a compact heater for vaporizing fluids, and awarded \$8 million in damages.

It also found that a different R.J. Reynolds product, the Vuse Solo G2, literally infringed a second Philip Morris patent on technology for preventing the leakage of condensation in a vaping device, and awarded \$2.76 million in damages.

The jurors found that the Vuse Alto did not infringe the leakage prevention patent, either literally or under the doctrine of equivalents, while also rejecting R.J. Reynolds' argument that the patent is invalid as obvious.

Earlier in the week, Judge Brinkema granted judgment as a matter of law to R.J. Reynolds on Philip Morris' claim that the infringement of the patents was willful. If willfulness had been found by the jury, the judge could have chosen to increase the damages award by up to three times.

Philip Morris had asked the jury to award \$37 million in damages. The company now intends to ask the court to impose an injunction barring sales of the products found to infringe. If an injunction is not imposed, Philip Morris may seek a compulsory license to the patents, which could require R.J. Reynolds to pay a rate amounting to two or three times the royalty rate used by the jury to reach its damages award.

A Philip Morris International spokesperson said in a statement Wednesday that "we are grateful to the jury for their verdict that the two accused devices from BAT's U.S.-based R.J. Reynolds affiliates infringed the two PMI patents asserted in the case."

"We believe this is yet another demonstration of PMI's position as the clear innovation leader in new

technologies that can help smokers switch to better alternatives. This ruling rejects an attempt by BAT to free-ride on our hard work and investment," the statement said.

R.J. Reynolds said in a statement Wednesday that "we intend to vigorously defend the issues remaining before the court, and, as necessary, appeal the decision to the United States Court of Appeals for the Federal Circuit for further review."

Kingsley Wheaton, chief marketing officer for BAT, added that the company is committed to reduced risk alternative products, and said, "We remain confident in the strength of our global multi-category patent portfolio and will continue to robustly defend it across the globe."

The trial is one part of a wide-ranging patent dispute between the two companies over what the tobacco industry calls "reduced risk alternatives" to cigarettes.

The case in Virginia actually began in 2020 when R.J. Reynolds sued Philip Morris over patents for a different type of technology, known as heat-not-burn products. R.J. Reynolds alleged infringement by Philip Morris' IQOS products, which heat tobacco but do not burn it. The company says IQOS produces fewer harmful chemicals than traditional cigarettes.

That led Philip Morris to file counterclaims against R.J. Reynolds, alleging infringement of its patents on vaping technology, which heats liquid with nicotine into a vapor. The counterclaims went to trial, resulting in Wednesday's verdict. The R.J. Reynolds Vuse product at issue in the trial is one of the two top-selling vaping brands, along with Juul.

R.J. Reynolds' infringement claims in Virginia over the heat-not-burn products have been stayed pending the outcome of inter partes reviews of the patents. R.J. Reynolds also filed a case against Philip Morris over those patents at the U.S. International Trade Commission.

Last year, the ITC found that Philip Morris infringed R.J. Reynolds' heat-not-burn patents, and issued an **exclusion order** banning the IQOS products from being imported into the U.S.

Philip Morris has appealed that ruling to the Federal Circuit. It filed its opening brief in March, arguing that the ITC wrongly decided "to bar products with important health benefits for millions of Americans," without consulting with the U.S. Department of Health and Human Services on the public health implications, which the company said was required by law.

The Patent Trial and Appeal Board has invalidated some of R.J. Reynolds' patents in challenges by Philip Morris, and R.J. Reynolds has appealed.

BAT also has pending patent suits against Philip Morris over IQOS in numerous countries in Europe and Asia. In addition, Philip Morris' parent company Altria has filed a separate patent suit against R.J. Reynolds over Vuse in the Middle District of North Carolina, which is pending.

The patents at issue are U.S. Patent Nos. 9,814,265 and 10,104,911.

Philip Morris is represented by Maximilian Grant, Clement Naples, Greg Sobolski, Lawrence Gotts, Thomas Yeh, Dale Chang and Brett Sandford of Latham & Watkins LLP.

R.J. Reynolds is represented by David Maiorana, Ryan McCrum, John Normile, Alexis Smith, Stephanie

Parker, Anthony Insogna, William Devitt and Sanjiv Laud of Jones Day and Charles Molster of the Law Offices of Charles B. Molster III PLLC.

The case is Philip Morris Products SA v. R.J. Reynolds Vapor Co., case number 1:20-cv-00393, in the U.S. District Court for the Eastern District of Virginia.

--Editing by Kelly Duncan.

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