Judge McKee (00:00):

University v. Wisconsin Alumni.

Deanne Maynard (00:42):

May it please the court, Deanne Maynard on behalf of Washington University. I'd like to reserve three minutes for rebuttal if I may.

Judge McKee (00:49):

Okay.

Deanne Maynard (00:49):

The judgment should be reversed and the case remanded for further proceedings. For this six-year period preceding the party's tolling agreement, the claims are timely for two independent reasons. First, under the well-settled periodic payments doctrine, each underpayment was itself a breach. And second—

Judge McKee (01:12):

But that only applies though, if the breach did not go to the essence of the contract, in which case is a single breach, is that right?

Deanne Maynard (01:17):

No, Your Honor. That's not correct.

Judge McKee (01:18):

That's not right?

Deanne Maynard (01:19):

That's not correct. And that's the error that the district court made.

Judge McKee (01:22):

Mm-hmm.

Deanne Maynard (01:22):

So the district court relied on a case called Siegel, which is a Wisconsin case that is not a periodic payments case. The Wisconsin Court has made clear since Siegel in the Jensen case that the total breach theory does not apply to periodic payments cases and that for all contracts where payments are due in installments, periodically, as in this case, the claims are themselves—any breach of the contractible duty is itself a separate breach for each—

Judge McKee (01:50):

So every breach treatment is a new statute of limitations?

Deanne Maynard (01:54):

Exactly. That's correct, Your Honor. And so at least for the period six years preceding the party's total agreement, which goes back even beyond that date for the royalties previous to that, those claims are timely under Wisconsin law dating back a hundred years, and it's accepted doctrine in most jurisdictions. And this court's recognize that in the MCI case.

Judge McKee (02:15):

It's Butler.

Deanne Maynard (02:15):

It's very settled doc—

Judge McKee (02:16):

You're saying it goes back to Butler.

Deanne Maynard (02:17):

It goes all the way back to Butler.

Judge McKee (02:18):

Whatever. Why didn't you just in your—you're arguing—subsumed in all of your arguments, in the echo of Estoppel or the continuing breach theory, is the position that they had a continuing congregation to reassess the fair value of the '815 patent. Is that right?

Deanne Maynard (02:38):

No, Your Honor. That's a separate argument for one—

Judge McKee (02:40):

You're not arguing about any of this. You're telling me I'm wrong about everything?

Deanne Maynard (02:44):

No, Your Honor.

Judge McKee (02:46):

Not everything. So which one of those two things am I not right about?

Deanne Maynard (02:50):

There are two. We have two. There are two—

Judge McKee (02:52):

Not going to answer the question. Go ahead.

Deanne Maynard (02:54):

I'm going try to answer your question, Your Honor.

Judge McKee (02:56):

Go ahead.

Deanne Maynard (02:56):

There are two separate reasons why.

Judge McKee (02:57):

Sometime today, you'll answer it?

Deanne Maynard (02:58):

Yes, sir. Hopefully in the next 30 seconds.

Judge McKee (03:00):

Okay.

Deanne Maynard (03:01):

There are two separate reasons why the claims dating back six years before the tolling agreement are timely. One is the periodic payment doctrine. Each payment itself was a separate breach. It was an underpayment. It was too low.

Judge McKee (03:12):

What was the—let me ask you this way. Maybe get an answer this way. According to your submission, what was their obligation arising out of that 1993 agreement? What were they obligated to do insofar as valuing the patent was concerned?

Deanne Maynard (03:25):

They were obligated under section 3(a)(3) of the agreement to set a value for the co-owned patent. That was a fair value. This is what the district court held and they have not—

Judge McKee (03:38):

A fair value has as of when?

Deanne Maynard (03:39):

A fair value relative—at least in 1998 when they set the value. And so, but we also believe there was an obligation under that agreement upon significant events to reassess whether the valuation was correct.

Judge McKee (03:56):

That's what I'm trying to get to. Okay. And that obligation arises from what language in the contract?

Deanne Maynard (04:03):

The—so that separate obligation arises under, directly under 3(a)(3), which requires that the calculation of the income that WARF is supposed to share with WashU be fair and a relative value as compared to the other licensed patents under their—

Judge McKee (04:19):

As of when? As of 1998? As of 2001? As during the life of the agreement? As of when is it supposed to be fairly valued?

Deanne Maynard (04:26):

Definitely, initially, in 1998, it had to be a fair value.

Judge McKee (04:30):

Do they have to recalculate it every year?

Deanne Maynard (04:32):

Not every year, Your Honor. But we—if upon significant events that would make clear the value is wrong, they would have to recalculate it. Under their view—

Judge McKee (04:41):

What's the significant event here, including the orange book?

Deanne Maynard (04:45):

Well, there were significant events. Yes, including the orange book. That's right. So including the—

Judge McKee (04:50):

I got something right. I got something right. That's good.

Deanne Maynard (04:53):

In 2000—there's multiple significant events within the six-year period, Your Honor, that triggered a duty to reassess the valuation. One is the one you mentioned, the listing in the orange book. One is in 2008, when WARF internally recognizes—renews its determination that the patent, this patent, the co-owned patent, directly covers the Zemplar product. WARF also joined Abbot in asserting this co-owned patent against eight generic companies to block competition in four of those cases this was—

Judge McKee (05:25):

What year was that?

Deanne Maynard (05:26):

That was in 2012, Your Honor.

Judge McKee (05:27):

Mm-hmm.

Deanne Maynard (05:28):

And then in 2012 and 2013, the other two solely WARF-owned patents that directly covers Zemplar expire and expired. And this was the only patent remaining—

Judge McKee (05:40):

So at that point, they became incredibly valuable.

Deanne Maynard (05:43):

I beg your pardon?

Judge McKee (05:43):

At that point, it became incredibly valuable.

Deanne Maynard (05:45):

It was incredibly valuable all along, Judge McKee.

Judge McKee (05:47):

[Laughs]. Why am I surprised that you say that?

Judge Hornak (05:50):

But doesn't that—if—the more you talk about 1998, doesn't that make Judge Sleets reasoning more and more accurate, even if we consider the—what do you call it? The installment payment doctrine or the periodic payment doctrine? Because at some point, if the flawed decision, whether it was flawed in good faith or it was flawed because your client was taken advantage of, if all of that happened in 1998, and there's not an automatic obligation to recalculate it each year when a periodic payment's made, does the installment payment doctrine really apply? Because isn't there some view that the 1998 decision becomes settled six years after that, because that's the reason there's a six-year statute of limitations?

Deanne Maynard (06:46):

No, Judge Hornak. It's quite clear under Wisconsin law that the periodic payment doctrine applies the periodic payments cases, even when the—

Judge Hornak (06:54):

Even when there's no duty to reexamine the calculation of that periodic payment because that's what you just said. You said there's no standing obligation each time a payment's made to recalculate. It's only if there's a significant event, whether it's the orange book or something else. So—

Deanne Maynard (07:09):

Yes.

Judge Hornak (07:09):

So there really is no statute of limitations.

Deanne Maynard (07:12):

There is a statute of limitations under the periodic payments doctrine, and it dates back six years from the time you sue or hear the tolling agreement. And Butler's a perfect example of that, Judge Hornak. So Butler's a Wisconsin Supreme court case. The employee in Butler claimed that years ago—

Judge McKee (07:27):

In Butler there was a specific time that which opinion was been made. It was very clear from the very beginning what the amount of that payment was. And it was clear the subsequent payments were less than the amount was agreed to.

Deanne Maynard (07:38):

That's right. But under the question Judge Hornak asked me, Judge McKee, if Judge Hornak's theory were correct, all of those claims would've been barred because the erroneous calculation was set more than 12 years before the suit. Yet Wisconsin allowed the employee to recover the eight-year difference for the six years before the suit. Noonan is another example. Noonan is a Wisconsin court appeals case. There, the erroneous calculation, the methodology was changed more than 15 years before the suit. It was annuity payments case. Yet the Wisconsin court of appeals held that the claims were timely for the six years before the suit. So no, Judge Hornak, as long—does not matter if—even if the event that makes the subsequent payments too low, even if that event occurred more than six years before the suit under the periodic

payment doctrine of Wisconsin, the plaintiff can recover at least for the six years.

Judge McKee (08:31):

I'm still—two things. One thing I just now thought of, I might—more than thought of. Do you know whether Wisconsin is a certification statute or a certification rule with Wisconsin Supreme court?

Deanne Maynard (08:41):

I don't know, Judge McKee, but there's no need to certify this. The law—Wisconsin about the period payments case is very clear.

Judge McKee (08:48):

Well, according to them, It's not so clear because they disagree with your reading. I'm not sure they disagree with you reading of Butler. They'll disagree with whether or not Butler applies in this context.

Deanne Maynard (08:56):

The only cases that the district court relied on, and then really the only two cases that the other side has, are inapplicable. One is Siegel, which is a continuous tort case. It's a—it's not a periodic payments case. It's a case about non-compete agreement, and the court—

Judge McKee (09:11):

You know what is—just to interrupt your answer. Let me just try to go back to the second part of our question. And depending on your answer, to Judge Hornak's question. If I'm correct, you said that there was not an obligation to regularly reassess the value at any set time to only upon the onset of certain events. And those events are not specified at anywhere in the agreement. Is that right?

Deanne Maynard (09:33):

The events are not specified in the agreement, but two points about that. The agreement does not allow them to set a non-relative value. It requires them to calculate the income based on a comparison between the value of the co-owned patent and the value of the other patents and expressly requires them to license the patent for the mutual benefit of both parties. And under their theory, Judge McKee, all the other patents could be held enforceable and invalid, and yet they wouldn't have to revalue. Even their expert conceded that upon certain events, they would have to revalue, like if someone were to challenge the event. So it's—there's nothing in the agreement that forbids revaluation, and the agreement requires a fair relative value, which is what the district court held and they have not challenged, but—

Judge McKee (10:18):

That changes over time. That's the problem here. If the fair amount value was fixed, there might still be a problem, but it would be dollars and cents. It wouldn't be the kind of money we're talking about. The problem here is that the fair amount value changed. It changed drastically. I guess, was it 2014, that the other patents that were supporting Zemplar expired?

Deanne Maynard (10:38):

In 2012 and 2013, I believe, Your Honor.

Judge McKee (10:41):

That's a gigantic change, but you're saying even before then there was a change in the value. The orange book was a change. At least some other changes I think are before the orange book.

Deanne Maynard (10:50):

Well, these are merits questions that you're asking, Judge McKee. Right now, what we are claiming is that at least for the six years before the tolling agreement, our claims are timely for two different reasons—

Judge McKee (10:57):

I'm trying to get to the nature of the contract. There may be a merits question.

Deanne Maynard (11:00):

Right.

Judge McKee (11:00):

But I'm trying to get to what were they obligated to do or the terms of the contract, because in my mind that goes to the continuing duty that you're saying they had to reassess the value of the patent.

Deanne Maynard (11:12):

Well, I just—I will answer that, but I want to make clear that there are two—

Judge McKee (11:14):

That question you will answer?

Deanne Maynard (11:16):

Yes, but there are yes—

Judge McKee (11:17):

[Laughs] Okay.

Deanne Maynard (11:17):

But there are two separate reasons why the six years are timely. One is the periodic payments doctrine applies here. And that's true regardless of whether you think they had any obligation to reassess the value. And secondly, because significant events occurred within that six-year period that we believe required them to reset the value, reassess the value. And those—that's enough to—

Judge Hornak (11:38):

Is that under the principle of good faith and fair dealing or some language in the contract?

Deanne Maynard (11:40):

Both, Your Honor. So if I could point you to the lang—first, the district court held under the good faith and fair dealing principle, and this is at A.21, that was required to exercise its authority to assign relative values fairly and in good faith. They have not appealed that. And that is the law of this contract. In 3.A3, it expressly requires WARF to apportion the income "in accordance with," and I'm sort of aligning out language, but to highlight the best part, "in accordance with such relative values assigned to patent rights in proportion to the total value represented by all patent rights included within such license." And so if they're going to pay the fair value to Wash U each year of the income that Wash U is entitled to, upon significant events that would call into question that their low valuation of this patent was obviously incorrect—

Judge Hornak (12:35):

But the logical extension of what you've told me the law of Wisconsin is on periodic and installment

payments is the accuracy or legitimacy of the amount of each payment is back up on the table every year. And for six years back from each of those payments.

Deanne Maynard (12:50):

Our claims as to six years back are timely under the period payments doctrine, whether you think—

Judge Restrepo (12:56):

But the payments don't change every year. They're tethered to significant events, correct? The recalculation of the payments is not tethered. It's tethered to significant events.

Deanne Maynard (13:02):

In our view, Your Honor, the duty to reassess the value is tethered to significant events—

Judge McKee (13:09):

And that's from 3.A3, that's where you're getting that?

Deanne Maynard (13:11):

From 3.A3 from the combination of 3.A3 and the provision in 2.B2 at A295 that required worth to license the co-owned patent to the mutual benefit of both parties. And to the extent WARF realized that it was grossly overvaluing its own patents and grossly undervaluing Wash U's patents to WARF's benefit at Wash U's expense. That's what we allege is a breach. And we alleged that—and whether you think that's right or not, whether they're going to win on the merits is not the question. The question before the party right now is whether the claims back six years are timely, and they are for two separate reasons. Whether you thought there was any duty to revalue or not because the initial assessment, if that was the only assessment that under Wisconsin law, still the claims back six years are timely. And as we believe, we have an—we've made a claim that they had an obligation to reassess the value of—

Judge McKee (14:02):

There's such a simple—probably not wrong here. There's such a simple drafting solution here, which is draft in a particular obligation to revalue—reassess the value of the patent at a certain date. And if the event—if upon that reassessment, they determined that prior evaluation was inappropriate to make a probated adjustment for the next payment, and just spell it out. And why isn't that what you're doing, what you're asking us to do—you asking us to put in that language in the contract and judicially amend the contract by inserting that kind of a clause.

Deanne Maynard (14:38):

Because the concept of the income, and measuring the income and the worth of this patent, as compared to the other patent already encompasses that concept. 3.A3 does not allow WARF the power to set a non-relative value. And our expert testified that in the industry, one would expect in this kind of contract to reassess the value upon the triggering of significant events. And as I said, WARF's expert acknowledged that with respect to—there were certain significance. And, in fact, they did revalue. They did, upon a significant event, they rejiggered their own patents calculation in it. And apparently not the Wash U one. So it's—

Judge McKee (15:24):

[**Inaudible**] caused them to rejigger their own.

Deanne Maynard (15:28):

What they say about it—

Judge McKee (15:31):

Mmhmm.

Deanne Maynard (15:31):

Is that they did it to prevent some of the owners—some of the inventors from getting double counting. But the point is they did revalue.

Deanne Maynard (15:41):

It wasn't set in stone. And so at this stage, we should be entitled to go back to the court and try to prove our claims on the merits. And I see I'm out of time, but if I could please address our equitable stop claim.

Judge McKee (15:52):

I was going to ask you to do that. Go ahead.

Deanne Maynard (15:54):

Thank you very much, because that would—we put it forth more than enough evidence to survive summary judgment that WARF should be a stop from a certain—

Judge McKee (16:04):

What is the equitable estoppel arguments?

Deanne Maynard (16:05):

The—their—

Judge McKee (16:07):

Let me ask this. What is the—what are the facts that would make you reliance upon the reasonable? Put it to you that way.

Deanne Maynard (16:15):

May I tell you the affirmative misstatements first, Judge McKee?

Judge McKee (16:18):

Sure, sure.

Deanne Maynard (16:19):

Because they—WARF made affirmative false statements to Wash U during the period that the district court concluded was the six-year period starting in 1998, when they knew that Wash U was trying to figure out how to assess its value as compared to the other patents in the portfolio. And it expressly Wash U requested the license, the Abbot license. And WARF replied, "We can't give it to you because of confidentiality provisions." That's a quote in the email at A171. We now know are no such confidentiality provision in the license. WARF expert admits that in the record at A1295 to 96. In 2001, also during the six years the district court found to be the first statute limitations period, Wash U again was trying to figure out how to assess whether its relative value was accurate and it ask WARF how it was calculating it.

Deanne Maynard (17:14):

WARF sent a letter, which is in the record at A1591 to 92 that contains multiple falsehoods, multiple falsehoods. First, it states that WARF attributed the compound patents. That's what the letter says, "the compound patents," that they are all allocated 70% of the royalties. That is not true. There is only one

compound patent and—there are only two patents that were treated in the 70% category. Only one of which was a compound patent, meaning that it was for a composition. The other patent was a method of treatment patent, just like the co-owned patent.

Judge Restrepo (17:53):

Was this information available to your client then?

Deanne Maynard (17:56):

No, Your Honor. Well, the letter, but not the proof that it's false.

Judge Restrepo (18:01):

What efforts did they take to look behind the letter? Did they take any—make any effort at all to look behind the letter or they just accept these representations is true? And does that make a difference?

Deanne Maynard (18:09):

They accepted the representations as true, as they were entitled to under the agreement—

Judge McKee (18:15):

But was it reasonable? It may have been entitled to do it, but that was my reasonable question. Given the nature of the industry, was it reasonable for them to do that?

Deanne Maynard (18:23):

Yes, Your Honor. These are two academic institutions engaged in research, and they had worked together to co-develop a patent. Wash U under the agreement was paying WARF 15% administrative fee to license the patent to the mutual benefit of both parties. And there was an express obligation in the contract that WARF cooperate with Wash U. Yes, Wash U should. The alternative rule is really unsavory. With the alternative rule and what they're really saying is Wash U should have believed that this other academic institution was lying to it about both the confidentiality of the license and about the way that they had calculated the royalties and should have sued them at that point.

Judge Restrepo (19:06):

Could another way of saying that would be that it's incumbent on Wash U to do their due diligence?

Deanne Maynard (19:10):

There was no way without the license to figure out what else was licensed within the license. And WARF's expert admits that—

Judge Hornak (19:21):

So you're saying your client was not obligated to say "prove it." When WARF says, "We can't tell you because of confidentiality provision," you're saying your client had no obligation for these relationship reasons to say, "prove it."

Deanne Maynard (19:34):

That's right, but no, not just for relationship reasons, Judge Hornak, but because the agreement entitled them to rely on WARF. Wash U was paying WARF 15% to license the patent for the mutual benefit of both parties. And that entitled Wash U as the junior party in the agreement to rely on WARF's being there to deal with it—

Judge McKee (19:58):

Certainly, I read it. Assuming even that the confidentiality explanation was legit; was or it wasn't. I was assuming that it was. You certainly could have—your client certainly could have asked them to attempt to get permission from Abbots with whatever protection they needed to have built into that protection, but allow them have to get Abbots to disclose that to you. My guess is that's done all the time, whether there's a confidentiality between two parties. There's a third party who's interested in the terms of that confidentiality agreement. And the third party says, "Look, go to your co-contractor and get their permission to disclose this to us and we'll give whatever protections they want in terms of any further disclosure, but get them to release this." That—you can argue that degree of due diligence, if you will, may not be required, may not be reasonable. In fact, you could argue that in fact would be unreasonable given the nature of the institutions, but why not do that?

Deanne Maynard (21:03):

Three points, Your Honor, in response to that. One, this discussion we're having here is all about disputed facts. All proceeding now—

Judge McKee (21:10):

That's the answer.

Deanne Maynard (21:10):

All proceeding now is to go back and have our day in court.

Judge McKee (21:13):

I don't need to hear the other two. Let's [**inaudible**]—

Deanne Maynard (21:14):

I would like to give—may I please give you the answers?

Judge McKee (21:18):

You've been going on for quite a while—I don't really need—because it is initially summary judgment. And this goes not disputed fact to answer the question. Now you can run the risk of delegating from the answer I just gave you. It seemed to be fine, which is what is easy to do. They score point and then they take away from insisting not saying more. You're welcome to do that if you want, but you don't really need to.

Deanne Maynard (21:37):

I would beg the court for a minute of rebuttal, if I may. I know I've used way more than my time.

Judge McKee (21:42):

Well, you did have rebuttal. Didn't you say?

Deanne Maynard (21:44):

I got asked for three minutes of rebuttal.

Judge McKee (21:45):

Okay. So you've got one out of the three minutes you can use.

Deanne Maynard (21:48):

Thank you very much.

Judge McKee (21:49):

Okay.

Robert Shaffer (21:54):

Good morning, Your Honor. It's Robert Shaffer behalf of WARF. May it please the court. With the court's indulgence, I'd like to start with what I think is on everyone's mind. And that is whether or not the periodic payment doctrine applies in this case. And our submission is that it does not apply for three reasons: first, and the court can dispose of this issue in the first instance, because Judge Sleet, who not only presided over this case up until the pretrial submissions, but also over the Zemplar hatch Waxman litigations for more than six years, correctly determined that this is a total breach case when the Washington University's allegations traced back to the only time in which WARF was obligated to set a relative value to the joint patent—

Judge McKee (22:36):

Assuming you're right. I just asked Ms. Maynard about that. And she said that even if you accept that it's a total breach case that wouldn't preclude the doctrine from applying. I may be wrong, but I think that's what you told me.

Robert Shaffer (22:46):

I don't think the Washington University disputes this in the brief that the Siegal applies. If it's a total breach case, if it's a material performance in the first instance, then the periodic payment does not apply. That's very clear that's in Siegal. I think they attempt to distinguish Siegal in the facts in that it's not a non-payment performance obligation, but, Your Honor, certainly this is a total breach case—

Judge Hornak (23:07):

So, your theory of why Judge Sleet's correct boils down to if you got it wrong and your worthy adversary says you culpably got it wrong and your client culpably got it wrong in 1998, as long as you hold your breath for six years in a day, you can continue to make contractually inappropriately low payments forever.

Robert Shaffer (23:34):

Well, Your Honor, I'd like to address that because—

Judge Restrepo (23:35):

Answer the question first.

Robert Shaffer (23:36):

Yes. No, in the first instance, I don't think it was contractually low, but yes—

Judge Hornak (23:43):

That's a fact question, but that's a trial question.

Robert Shaffer (23:45):

Excuse me, Your Honor. Yes, that's correct. That the relative value was set at 0.97% when it was originally licensed as part of a much larger portfolio of WARF solely owned patents to Abbot in 1998. And there was good reason for that original setting of that 0.97% relative value. Even though they may argue that it was unfairly low at this point—

Judge Hornak (24:06):

And that's why we have trials.

Judge Hornak (24:08):

And that's why we have trials, but I don't think it's in dispute. The only evidence that they can point to that's in dispute is what their experts say—

Judge McKee (24:15):

[**Inaudible**] [Laughs].

Robert Shaffer (24:15):

And expert testimony based on customary practice, when the terms of the inter-institutional agreement in this case are clear—and the follow up your point, Your Honor, there is no written obligation. There's no express obligation for WARF at any point in time to revisit the relative value that it set in the first instance—

Judge McKee (24:37):

Well, let me [**inaudible**] that. You're saying the obligation, the implied obligation of good faith does not require you to periodically reassess the value of the patent?

Robert Shaffer (24:46):

No, it's a little bit different than that, Your Honor. The implied covenant of good faith and fair dealing certainly cannot rewrite the terms that are expressed in the agreement. And we address that in summary, judge—

Judge Hornak (24:57):

So if it turns out that your client got away with it in 1998 and they successfully held their breath for six years and a day, tough.

Judge McKee (25:03):

Get over it.

Robert Shaffer (25:06):

I think that's right. I don't think that's a fair characterization of the facts—

Judge Hornak (25:10):

But that's what they allege.

Robert Shaffer (25:11):

That's what they allege.

Judge Hornak (25:12):

And we haven't had a trial, so we don't know what the real facts are.

Robert Shaffer (25:14):

Correct.

Judge Hornak (25:14):

We know what they say they can—they think they can prove. If it turns out that that's what they could prove, you're going to ask for a judgment in your favor, because you're going to say, "That's the way the cookie crumbles."

Robert Shaffer (25:25):

The statute of limitations applies. And Judge Sleet correctly determined that there was a total of material failure alleged—

Judge Hornak (25:34):

So you then get a license to make 20 more incorrect payments because they didn't do something within six years of 1998.

Robert Shaffer (25:41):

Well, I don't think that's exactly correct, Your Honor, because again, there's no express requirement for re-visitation and there's good reason for that. And it's not hypothetical and it's not anecdotal. They explained to the Washington University from the very first instance, and I'm at pages 1004 and 1005 of the record in which they explained that because it was very difficult to determine whether a given patent at a given point in time was used by a licensee that they needed flexibility in signing the relative value in the first place—

Judge Hornak (26:11):

But if you're right on the law, your answer to my question should be a bold vigorous, affirmative, "you got it Judge. That's exactly what can happen."

Robert Shaffer (26:18):

Well.

Judge McKee (26:18):

That's right.

Robert Shaffer (26:18):

That is exactly right, Your Honor. And—

Judge Restrepo (26:22):

So is Ms. Maynard wrong? When she says there was an obligation to revisit the value of these contracts, given significant events?

Robert Shaffer (26:29):

She is wrong, Your Honor. And here's why; they were given an opportunity to negotiate the terms of this agreement and during the negotiation and formation of the terms of this agreement to follow up on Judge McKee's point, they did negotiate for the right to use the patent for non-commercial purposes. They negotiated the right to use it for teaching and for research, but all of the commercial purposes were granted to WARF. And at that point in time, what did they not do? They did not ask WARF for any reason, whether it be a milestone based on some threshold of royalties, based on the sale Zemplar or some significant event, whatever that is, they did not ask for WARF to write that into the terms of the agreement. There's nothing expressed in the IIA whatsoever that says that WARF has to go back and revisit. And there's good reason. The WARF—

Judge McKee (27:15):

What, let's assume that's true. But what about the obligation for good faith? Let me give an example. Let's assume that you enter an agreement that same two parties enter an agreement for some sort of glue. There's a chemist at university who's working in a formula that he thinks is going to be the—be all and the end know of glue. This is going to make super glue look like egg white. It's going to be so strong. It's going to take the piece of welding. So they into this agreement and you are asked to value this glue, and you have people that use glue, and it doesn't work. There's a temporary, very transient, temporary bond, and two pieces of paper don't stick together. So you value it very, very low and six months later. And that's the, you start making payments that all is based upon the fact that you look at this glue and two pieces paper don't stick together very tightly.

Judge McKee (28:03):

Six months later, someone comes in and goes, that glue that we've found, we can put it in these little yellow things. We can call them Post-Its so you can make a fortune. So at that point, the value of that glue is substantial. You're saying at that point, there's no obligation to go back and say, and this is what happened with the glue and Post-Its, there's no value or no obligation to go back. And, you know, we thought your group wasn't worth anything because it did not create a permanent bond between your pieces of paper. But now we realize there's a very important commercial value to not having a permanent bond between two pieces of paper, and we're going to reassess your patent. You're saying they don't have to do that. They can just go ahead. Assume that that patent is worthless and sell Post-Its and not compensate them for it.

Robert Shaffer (28:49):

Your Honor may seem like a harsh result but we have—

Judge McKee (28:50):

[**Inaudible**] have a ridiculous result.

Robert Shaffer (28:53):

Well, Your Honor, you have to take into account that WARF was responsible to 26 other inventors who also shared in the royalties of the sale Zemplar.

Judge McKee (29:01):

But what does your obligation to 26 inventors have to do with your obligations to them under your contract?

Robert Shaffer (29:06):

Well, again, there's no reason to revisit the relative value and for a good reason, because changing the relative value as to their one patent will necessarily adversely affect the relative value as to other patents, maybe many other patents in their portfolio as a whole. We're talking about a relative value has to equal up to a hundred percent and they made this very clear to them from the get-go that they needed flexibility and is signing a relative value under iii-A, little roman numeral three, from the very beginning, they followed up on that concept and they said, what do we do? We imply a blended rate to the overall payout for each of the patents in the—

Judge Hornak (29:40):

So the contractual principle is one and done?

Robert Shaffer (29:43):

Correct. That is correct, your Honor.

Judge Hornak (29:44):

That's what the deal of the parties was as a matter of law.

Robert Shaffer (29:47):

As a matter of law.

Robert Shaffer (29:48):

And you know what it played out exactly like that, Your Honor, because it is undisputed. From 1998 until 2011, Abbot did not use the joint patent. It's undisputed that Abbot did not list the joint patent in the orange book until 2011. And what did WARF do? Did they skip payments? Did they miss payments? Did they say, "We're not going to pay you because Abbot's not using the patent?" Not at all, your Honors. They continued to make the payments they were contractually obligated to make under the terms of the II and the 0.97% relative value that they set in 1998, and then Washington University accepted those payments and endorsed those checks.

Judge Hornak (30:23):

So you made a terrific down payment on a jackpot.

Robert Shaffer (30:26):

That's right. That's right.

Judge Hornak (30:27):

And you're saying that, as a matter of law, that was the deal with the parties.

Robert Shaffer (30:30):

That was the deal with the parties. And now they're trying to come back in hindsight being 2020, but they point to the orange book, they talk, they speak to all these litigation activities. Again, those were expressed with, in the terms of the contract are free, Your Honor, to section nine of the IIA, that's at A50 and 51. Washington University had absolutely no rights to do anything with respect to the litigation.

Judge McKee (30:53):

Why wouldn't that be a fact question? The meaning of the parties—the intent of the parties to the contract? Why would that be summary judgment?

Robert Shaffer (30:57):

Well, it's a legal question that I believe that the Judge Sleet determined, Your Honor—

Judge McKee (31:03):

He determined it as a matter of law.

Robert Shaffer (31:03):

And more, it's outside the limitations period. If we want to look at what's inside the limit—

Judge McKee (31:11):

That gets this equitable to stop on why wouldn't one, the occurrence of the facts be a disputed fact as she

represented them, whether not was reliance. Why wouldn't that be disputed fact and whether or not reliance was reasonable? Why wouldn't all those things be disputes of fact?

Robert Shaffer (31:25):

Well, if we're talking about estoppel, it's outside the limitations period, Judge Sleet correctly found and you viewed it in light most favorable to them. There's no factual record to build here, except for some expert testimonies only going to talk about customary practice in the industry. There's no detrimental—

Judge Hornak (31:42):

[**Inaudible**] admissible evidence?

Robert Shaffer (31:42):

It it's certainly admissible Your Honor, but it doesn't shed any light on what happened. They—

Judge Hornak (31:48):

So you're saying it's admissible evidence. It's not very good. Or it's admissible evidence that as a matter of law is not sufficient.

Robert Shaffer (31:56):

I think it's the latter, Your Honor, I think it's admissible evidence, but I don't see how it's going to help the court in determining the meets and bounds and what was required under the IIA.

Judge McKee (32:05):

When they asked you to see the Abbot license, you're saying that was outside of the period of limitations?

Robert Shaffer (32:10):

The Abbot license. And I'd like to address the 1998 email. And this is at A171 in the record, Your Honor. There is absolutely—they argue on the—in the reply brief of page 21, that they requested the license to determine whether or not the relative value is fair. That cannot be the case. First off, there's nothing in the email—

Judge McKee (32:30):

Break that down. What cannot be the case? That they did not request it or the reasons they gave for requesting that were not right?

Robert Shaffer (32:34):

The reasons that they requested were not right. There's no mention at all in the relative—in the email about relative value at all.

Judge McKee (32:41):

Did they request to see the license?

Robert Shaffer (32:41):

They well, there was no license to request, Your Honor. The license was not executed until September of that year. This request came in May and that's in the body of the email.

Judge McKee (32:51):

Okay, and what did they request?

Robert Shaffer (32:52):

They request—they requested the license. There was nothing to give them.

Judge McKee (32:57):

Then you responded—did your client respond, we can't give you the license, whether or not one exists because of confidentiality concerns with Abbot.

Robert Shaffer (33:04):

Well, if I could turn your attention to what actually the email says and my friends on the other side conveniently leave out, the last sentence of the email where WARF tells. And they responded within the hour, Your Honor. So there's no concealing here.

Robert Shaffer (33:16):

There's—

Judge McKee (33:16):

Wait a minute, there's no respond within the hour does not make [**inaudible**].

Robert Shaffer (33:20):

Understood, understood.

Judge McKee (33:22):

It may be considered very quickly.

Robert Shaffer (33:23):

Okay. Well, what they said, Your Honor, was I would think that your office would have the same restrictions. Okay. That's not referring. And that was with respect to confidentiality.

Judge McKee (33:33):

Say that again.

Robert Shaffer (33:34):

They said quote, in the email and the response back to Washington University, in terms of the confidentiality, I would think that your office would have the same restrictions. So there was no relative value.

Judge Hornak (33:45):

Don't trial judges call that a non-responsive answer?

Robert Shaffer (33:48):

I don't think so, Your Honor—

Judge Hornak (33:49):

That's not you by the—your client in the email.

Robert Shaffer (33:52):

Well, they say that there was no license agreement because it hadn't been drafted. There was no context

with respect to relative value. The relative value hadn't been set and wasn't going and hadn't, and wasn't set until six months later in November.

Robert Shaffer (34:05):

So the fact that they say that they're arguing that they requested it for terms of relative value simply can't be true.

Judge Restrepo (34:10):

So they turn the information over in November?

Robert Shaffer (34:13):

The relative value is not set until November—

Judge Restrepo (34:15):

November. So at that point, did they knowing that there's a request out there, did they turn it over?

Robert Shaffer (34:19):

At that—well, there was no request for relative value here, Your Honor. There's nothing in the email that says anything about relative value. It just says Dr. [**Inaudible**] would like to see any license or amendment that has been executed.

Judge Restrepo (34:32):

So when was the license available?

Robert Shaffer (34:34):

The license was not executed until September of 1998.

Judge Restrepo (34:38):

And at that point that you—your client obviously turned it over knowing that it was a request, right?

Robert Shaffer (34:40):

Well, they did not turn it over due to their own confidentiality practice. But moreover, Your Honor, the fact is under the 2001 letter that she cites and that's at 854 in the record.

Robert Shaffer (34:55):

There's no question that. And Judge Sleet determined this, that there is nothing stopping the Washington University from filing suit. At that point in time, they knew the relative value. They knew the number of patents in the portfolio. They knew who the licensee was to Abbot. They had received royalty checks for the past three years and they could reverse calculate to determine exactly—.

Judge McKee (35:17):

Explain that term to me. You both use what is the reverse calculate mean?

Robert Shaffer (35:21):

Sure. Based on the, the terms in the IA that are explicit based on the revenue received, and to answer Your Honor's earlier question, the royalties were based not on some significant event, but based on the sales of the Zemplar drug product. So they would take the total sales, and based on the 1993 agreement that carried over into the 1998 agreement, the royalty obligation was capped at 7% to WARF.

Robert Shaffer (35:45):

WARF took those revenues, and per the agreement, they took out the 15% administration fee for the prosecution. They took out one third. That was the agreement. Those are expressed in the IIA, and they could take based on that 0.97% royalty relative value, which they told them about in the 2000 letter. They could divide the amount of the royalty payments that they received to come up exactly with the amount of royalty that WARF received. And Judge Sleet correctly found that there was nothing for them to follow up, to ask a question. If it wasn't again for the license agreement, it certainly could be, Your Honor, for a list of the patents, because that's all they needed. And they admit that's all they needed to determine whether the relative value was fair or the patent numbers, or they could have questioned the policies and how they came up with the 70/30 split. They didn't follow up at all, and they didn't follow up for 12 years—

Judge McKee (36:37):

So are you saying the relative value was wrong, but they could have found that out back then. They really didn't do the kinds of things one would expect of them to find out that we were screwing them. Is that what you're arguing?

Robert Shaffer (36:48):

Well, Your Honor, they were told expressly what the relative value was, and it was 0.97%. And we have to view this not as myopically as they are, but the fact there was 31 other licensed patents that provided value to the overall Zemplar product. And that was all explained to them, Your Honor.

Judge McKee (37:06):

Didn't there come a time where it became clear to someone outside of Wash U about the relative value that they'd been relying upon and accepting one Wash U guided that was wrong?

Robert Shaffer (37:16):

Now, no, Your Honor, because respectfully—

Judge McKee (37:19):

It when it was the only patent supporting Zemplar, it's got to be huge at that point.

Robert Shaffer (37:24):

When it was the only after the expiration, the compound patent in 2014—

Judge McKee (37:28):

Right, right.

Robert Shaffer (37:28):

I can see, Your Honor, the value of the patent change, but that's the purpose, but not the relative value—

Judge McKee (37:35):

[**Inaudible**], I'm beginning to feel Ms. Maynard's frustration, A lot of problems not answered.

Judge Restrepo (37:37):

How could the relative value not change if it's the only one out there? You told me the relative value doesn't change?

Robert Shaffer (37:43):

Well, the relative value as to all the other patents, there were still some in existence—

Judge Restrepo (37:48):

But fewer.

Robert Shaffer (37:49):

But fewer—

Judge Restrepo (37:50):

So how does the relevant? I don't get that.

Robert Shaffer (37:51):

But in view, Your Honor, of the fact that the compound patent dominated all the other patents in the portfolio all the way up until 2014, that it's a blended—it's a blended theory that's paid out throughout all of time. And even though the patent wasn't being used, they were still getting paid on it. They say it wasn't fair, but that discounts the fact that they were getting paid on it for more than a dozen years—

Judge McKee (38:12):

But that's the deal. That's not that doesn't—

Robert Shaffer (38:15):

That's the deal.

Judge McKee (38:16):

They're getting paid on it. And they agreed to that. The issue is whether not there came a time when they're being paid unfairly. So you were saying, "Well, look, you're getting paid on it all these years, and it was a worthless patent. So what's the big deal?" So finally it became with some money, okay. We didn't change the value, but you were getting money for years that maybe you shouldn't have gotten. Is that something that's kind of what you're arguing? You're getting all this money all these years. The patent was worthless, there comes a time when it's no longer worthless, that's the deal you made.

Robert Shaffer (38:42):

That was the deal that was made from the very beginning. And they knew that was the deal, Your Honor. That was explained to them. That's exactly what Judge Sleet determined—

Judge McKee (38:50):

Well, but it's only the deal that if they made, if there came a time when the value of the patent changed and they somehow were fairly compensated for the patent, that's what I understand the deal to me. We're saying there's no obligation to reassess the value.

Robert Shaffer (39:02):

There absolutely is no obligation on behalf of WARF to revisit, reallocate, and reset the value at any point—

Judge Hornak (39:07):

Even under the doctrine of good faith and fair deal?

Robert Shaffer (39:10):

That would require rewriting the contract. And that's correct, Your Honor.

Judge McKee (39:12):

But it's implicit.

Robert Shaffer (39:15):

It's not because it's not expressing—

Judge McKee (39:17):

But you're saying that the implied doctrine of good faith. It's not implied doctrine of good faith [**inaudible**].

Robert Shaffer (39:22):

I refer, Your Honor, to the super value case in that the implied covenant of good faith in fair dealing cannot provide an independent source of obligations from which a court may draw to reform agreements, because they peer with the benefit of hindsight to the inequitable—

Judge McKee (39:38):

Okay but the key language there is to reform the agreement.

Robert Shaffer (39:40):

That's right.

Judge McKee (39:40):

That's what's going into this. This was basically within the realm of the expectation of both parties. You're not reforming the agreement, you're refining the agreement. You're putting gloss on what the parties in agreement intended. And then it seems to me back into a question of fact, and that's not summary judgment.

Robert Shaffer (39:56):

I respectfully disagree, Your Honor, because it does—

Judge McKee (39:59):

Well you have to, because if you have—if you don't, you'll lose.

Judge Restrepo (39:59):

[Laughs].

Robert Shaffer (39:59):

It does take a rewriting of the terms of the contract to require an obligation on WARF to revisit for any reason. They say some significant event. That's unworkable, and I don't know what that means.

Judge McKee (40:14):

Well, how are—here they're the book is a significant part, isn't it?

Robert Shaffer (40:16):

Well, it was a significant event in 1998—

Judge McKee (40:20):
Well, is that you're saying it's unworkable.

Robert Shaffer (40:22):
It under—

Judge McKee (40:22):
Is it a significant event?

Robert Shaffer (40:23):
Under hatch Wiseman? It's yes. It's a significant event—

Judge Restrepo (40:26):
Okay.

Judge Restrepo (40:26):
In terms of litigation.

Judge McKee (40:28):
And the other patent supporting Zemplar expiring. That would seem to me be extraordinarily significant event.

Robert Shaffer (40:34):
Your Honor, if I could go to your first point because I just to follow up—

Judge McKee (40:37):
Well you need to answer this question yes or no first, and then go back to time if you want to, but answer this question.

Robert Shaffer (40:41):
It's not an extraordinary event in view of the way in which the agreement was originally structured.

Judge McKee (40:49):
But then we get back to the meat of the agreement. I'm just trying to keep this simple and getting a question answered. I'm having a hell of a time doing that.

Robert Shaffer (40:53):
Well, Your Honor, I'm trying to answer—

Judge McKee (40:53):
You're supporting Zemplar expire. So the only patent supporting this drug, which is I understand is of incredible value in the area of kidney transplants and kidney disease. So in the one patent supporting that and all of a sudden is of no greater value than it was there for years earlier, when a lot of patents were supporting Zemplar.

Robert Shaffer (41:13):
No, I'm willing to acknowledge that. Of course, the value is greater. But the point here is that the litigation

activities and certainly the orange book listing is contemplated in the original bargain for exchange between the parties—

Judge Hornak (41:25):

Because it's written there or because that's the course of dealings of the parties and a reasonable understanding of parties in their shoes?

Robert Shaffer (41:31):

It's written into the agreement, and it's very important to note that all commercial rights were granted to WARF in section nine of the IIA in the pages 49 and 50 of the record, Your Honor. It's clear—I'm sorry, 50 and 51 under section nine, entitled legal actions that WARF had the sole authority to carry out legal actions, including listing of the patents in orange book, which is Abbots and Abbot's responsibility is the—

Judge McKee (41:58):

[**Inaudible**] didn't have the authority to do it. They said the argument when you did it, it changed the value of the patent that you were obligated to compensate them for.

Robert Shaffer (42:06):

And whether it changed the overall value of the patent. I don't disagree at some point in time, the 815 patent became more valuable, but throughout the term of this agreement, and this is rare area, Your Honor, for these types of agreements, the Washington University for doing nothing but sitting back and collecting royalty checks throughout the term of the agreement when WARF was responsible for prosecuting the patent, getting the patent issue—

Judge McKee (42:31):

Well, now you're back to the argument about, well, you got money, you didn't deserve all of these other years, tough dirt. You didn't get the money you didn't deserve.

Robert Shaffer (42:36):

Well, I think this was all correctly determined by Judge Sleet in the first instance—

Judge Hornak (42:39):

But your argument then boils down to, and if I'm right, it's okay, you could say it. The deal's a deal.

Judges (42:47):

[Laughs]

Robert Shaffer (42:47):

Yes, Your Honor—

Judge Hornak (42:48):

A deals, a deal. And the deal was 1998 and it was frozen in amber, and there could be significant changes—vast, you know, tectonic shifts in the market for the drugs. It doesn't matter, a deals a deal.

Robert Shaffer (43:02):

That's exactly right, Your Honor. And I would love to have the crystal ball that the Wash U pretends to have now, I'm sorry for my informality, but this is exactly—

Judge Hornak (43:10):

I started it. So go ahead.

Robert Shaffer (43:11):

This is exactly what WARF was telling the Washington University from the very beginning, Your Honor, is we don't know how these patents are going to be used, and that's exactly how it played out. So, this isn't some instance, other than attorney argument in hindsight, 2020 saying, "Hey, the value of the patent changed at some point in time." Yes, you're right. It did. But this was contemplated by the express terms in the IIA. A deal is a deal and we've paying you all along, whether the patent is being used or whether the patent wasn't being used.

Judge McKee (43:40):

I'm very confused. I thought we had gotten past this or maybe we haven't. Are you now saying that under the contract, the deal was decided value in 1998, it's X dollars, and that's what you're going to get paid for the patent no matter what happens to the patent in the marketplace, whole value may become, you are getting X dollars because you jumped in that bed in 1998 and you're not getting out of it. That's is that what you're now arguing?

Robert Shaffer (44:01):

Almost, Your Honor, the relative value of 0.97% was set. What the amount of money that they make is based on the sales of Zemplar. But, yes, they made a deal. They made a deal. They'd get a third of that. And the administrative fees were deducted from that. They entered into this agreement. That's exactly right. The 0.97% was negotiated for. There was no milestone payments.

Judge McKee (44:23):

Because I thought at some point that you had agreed that there was an allegation to reassess the value. And then we had dispute upon certain events. But I thought you agreed that at some point it became clear that the value of the patent was much greater than had been agreed to being compensated for that. But am I wrong about that?

Robert Shaffer (44:44):

You are slightly wrong. I agree with Your Honor's question that the value became more patent—I mean the patent became more valuable. There was no requirement for WARF to ever revisit that relative value—

Judge McKee (44:54):

That's what I'm trying to get to.

Robert Shaffer (44:55):

—based on any significant event. They argue significant event. They argue orange book listing. There is nothing within the four corners of the IIA that ever required revisitation.

Judge (45:06):

Okay. At least we're getting somewhere now. You're saying the implied covenant of a good faith is nice. Said that far because then you're rewriting the other parties.

Robert Shaffer (45:14):

That's exactly right. Your Honor.

Judge McKee (45:15):

It took a while. Okay.

Robert Shaffer (45:16):

And I'm sorry it took a while. If I could just touch upon briefly, I mentioned the one with respect to equitable estoppel. Judge Sleet properly determined the [**inaudible**] was favorable to the Wash U. He found no concealment. He found no detrimental alliance. Certainly in 2001, he determined that they could have asked the questions—the same questions that they're asking. Now let me see the patents determine whether we think today it is fair—

Judge McKee (45:44):

See if you're right, then what Greg Sleet found out equitable estoppel wouldn't matter because he's saying there's been no breach. So if you're right, would he even have acquired into equitable estoppel? That makes me kind of wonder about whether or not what you're saying is what Judge Sleet affirmed.

Robert Shaffer (46:00):

Well, we're talking about maybe two different things: acts that happened within the limitation periods and acts that happened after. And certainly—

Judge McKee (46:08):

You're saying it doesn't matter because the deal Wash U get X dollars period.

Robert Shaffer (46:11):

Right.

Judge McKee (46:11):

So why didn't equitable estoppel the deal was you're going to get paid X dollars for your patent.

Robert Shaffer (46:16):

Right. They argued equitable estoppel that somehow we concealed something. Somehow we misrepresented something. That certainly wasn't the case. And certainly nothing that they couldn't have inquired about or found out as of late of 2001 within the limitations period to find out if there or—certainly nothing to preclude them from filing suit at that time, Your Honor. As a last point, this is not an underpayment case as my friends on the other side argue because there's no disputed question of fact that WARF every year and is continued every year to pay exactly what they were required to pay based on—

Judge McKee (46:51):

[**Inaudible**] dispute did, when you said we required to pay that's what—

Robert Shaffer (46:54):

Well no, based on the relative value that was set in 1998—

Judge McKee (46:57):

That's the dispute.

Robert Shaffer (46:57):

At 0.97%, they never miscalculated. They never missed a payment. They never skimmed off the top. None of those things happened. They've paid exactly what they were required to pay under the relative value

that was set in 1998, the only time that they were required to set a relative value. And that was upon the original license of the patent. That is not in dispute. Moreover, this case is unlike the pension cases, which either in the first instance, there was a required amount that was agreed to. And then there was a subsequent underpayment where each of those payments were either unrelated or independent. This all traces back to the original allegations that WARF says deprive them of the original contract. And that is a material failure to assign a proper relative value in the first instance. That is a total breach case. The periodic payment doctrine does not apply in those cases. The Siegal case makes that clear. They're not able to distinguish that case.

Judge McKee (47:51):

Okay. Mr. Shaffer, thank you. Ms. Maynard you've reserved three minutes. My hair is now on fire. So what am I missing here? What the hell was this contract? Was it for expired permit and [**inaudible**]? Because I clearly got the feeling before today that that was not the contract. Oh, that's what you're arguing.

Deanne Maynard (48:11):

No, Your Honor. You're right. The contract required WARF to pay a fair relative value, which means—

Judge McKee (48:20):

Determined as of when and for how long?

Deanne Maynard (48:23):

Determined initially in 1998 and that determination was incorrect based on what they knew. And they hid affirmative information from us that would let us know in—

Judge McKee (48:32):

And what are the facts of record that will get passed summary judgment to support what you just said, that they hid information from you?

Deanne Maynard (48:37):

On page, so on page A1010 on the record, there is a letter from WARF to Abbot in 1998 saying this patent, the co-owned patent, quote "directly covers Zemplar." WARF knew. WARF knew before it set the initial valuation of less than 1% that this patent covered Zemplar. WARF then lied to Wash U in the 2001 letter where it—according to explain how it had assigned the patents. It said that it had given the compound patent 70% when in fact only one of the patents was a compound patent and the other patent was a method of use patent, just like the co-owned patent. Two, it said that it had a practicer policy of dividing 70% between the licensed patents and 30% between the ancillary patents and divide evenly between the ancillary patents. That is not true. And—there is a WARF internal memo at A846 to A847 that explains it was one compound patent and one treatment patent. And in our expert report at 2100 to 01, it shows the same thing. It's also not true. There's a different distribution. They use different distributions in different cases to treat their own patents more favorably. They did not always dividing—

Judge Hornak (50:05):

So your argument is you're entitled to go to a jury and demonstrate, prove what you've just argued the letter at A054 is that your client was lied to on material matters on April 4th, 2001, when an accountant wrote them a letter, and that if you can prove that, then the door's open.

Deanne Maynard (50:24):

No statute limitations can apply at all. That's correct, Judge Hornak. And secondly, we should be entitled to prove that that initial evaluation was wrong at that time. It was greatly devalued. There were only three

patents in the portfolio—

Judge McKee (50:40):

Well, that's the definition. But let me ask this [**inaudible**] to you. But if what I understand Mr. Shaffer's argument to be is correct, then we would never have any equitable estoppel inquiry at all in the district court, would we, because it wouldn't matter because the contract was for X dollars. That's what you got, and there's no need to get into equitable. Estoppel doesn't good. Very existence of the equitable estoppel inquiry suggests that at least [**inaudible**] solve that the contract. And you said you were arguing, the contract was very different than my understanding. That was, as to Mr. Shaffer's interpretation of contract. Terrible question because you don't know what my understanding of the Mr. Shaffer's view the contract is. It's a terrible question, but hopefully somehow, guess what I was trying to ask you out of that mess.

Deanne Maynard (51:26):

Yes, Judge McKee, and nowhere in the contract does it say it's for X dollars. It says—

Judge McKee (51:32):

Well, I meant X dollars. X dollars would be for the relative value. Not a dollar.

Deanne Maynard (51:36):

It does not say that.

Judge McKee (51:37):

Okay.

Deanne Maynard (51:37):

So on page A96, what it says is "WARF shall have the authority to assign relative values and to determine the income"—the relative value though has to be the relative value between the patent rights. So to measure the, the fair value—

Judge Hornak (51:55):

So you're saying contrary to your friend that when it was assigned at 0.97 in 1998, WARF's argument is one and done, embedded in amber, that's it under the contract. You're saying no. That's not what the language of the contract says?

Deanne Maynard (52:14):

Right, Your Honor. That setting at 0.9, less than 1%, that was a breach. That was a breach. And even if you think it's one and done, Judge Hornak, we definitely argue—we we've argued throughout these briefs. Siegal does not apply here—

Judge Hornak (52:31):

Do you concede that it's one and done your, your opponent says it's one and done. Do you concede it's one and done? Or do you differ with them?

Deanne Maynard (52:37):

No we have two. We have two alternative arguments, Judge Hornak. One is even if it was one and done.

Judge Hornak (52:44):

I know, but my question was, was it one and done?

Judge Restrepo (52:46):

Yeah.

Judge Hornak (52:47):

He says that the—if you read the contract, there is one valuation date and that is 1998. And it was set at 0.97. And the contract creates no duty to revisit the 0.97, no matter what happens in market valuations of the patent over time. Is he right or wrong? That that's the contract anticipated one valuation. Now you say it was incorrect and you were snookered later on and all of those other things. But Mr. Shaffer says the contract says you do it one time and one time only.

Deanne Maynard (53:21):

It does not say that anywhere. And you can read through it and look for that. That provision is nowhere in it. It nowhere says there's only going to be one setting of the relative value. It nowhere says there's not going to be a need to reassess the relative value. If it becomes clear, based on significant events that the value of the co-patent compared to—

Judge Hornak (53:41):

But are you adding a term to the contract when you say—

Judge Restrepo (53:43):

Right. Right.

Judge Hornak (53:43):

There's—it has to be reevaluated if there's significant events. What are you relying on to say that's what should happen?

Deanne Maynard (53:48):

I'm relying on 383, which says that the income that's attributed to the co-owned patent has to be a relative value as compared to the other rights licensed within the agreement. And if significant events change what is a fair relative value, and the district court held, they had an obligation to set a fair relative value. If what if the events changed, then it must be changed.

Judge McKee (54:17):

Now what you just said though, if the events change, yes. What that is the gloss you're adding to your interpretation of 3.83. Is that right? Was that written into 3.83? I don't have it in front of me.

Deanne Maynard (54:28):

You won't find those words in 383, Your Honor, but the 383—the concept of 383 encompasses that, which is that the value that Abbot—I'm sorry. The value that WARF attributes to income for the co-owned patent has to be a fair value. That's the [**inaudible**]—

Judge (54:48):

Okay.

Deanne Maynard (54:48):

Relative to the other patents and the license. And as Your Honor speculated, if all the other patents are invalid or unenforceable, then that can't be a fair relative value. They can't count and come that way.

Judge Restrepo (54:57):

So every time another patent drops out of the package, the relative value changes. If this patent—

Deanne Maynard (55:02):

It certainly could. So, but whether you think—we have two arguments that are consistent. One is they knew more in 1998, when they set the initial value, they knew 0.97 was not a fair value. The only patent that's like the other patents in the license patent is our patent.

Deanne Maynard (55:22):

And they put it with the other 30 patents and treated it as worth nothing. But they knew. And they told Abbot at 1010 in the record that it directly supported Zemplar and under the periodic payments cases, you can't have a total reach. That's what Jensen says. Jensen, Judge Hornak, was a complete repudiation. The employer said to Jensen, we are not paying your pension payments anymore ever. And that was more than six years before Jensen sued. Nevertheless, Wisconsin said, "There's no total breach theory in a periodic payments case. And Jensen could recover for six years of his pensions from the time he sued." So even if you think—and that there's only—it was one and done, the one was wrong. They set a way too low of a value. And at least our six years are timely. Two, six years back are timely because two significant events happened in those six years. And three, they affirmatively made misstatements in the 2001 letter. That aren't true. That was during the initial six years. And we should at least get a trial.

Judge McKee (56:28):

Any of that? Yeah. You at least get a trial. You're arguing that there's a genuine issue of material fact as to whether or not they did make misstatements, whether or not you realize whether or not, not a reasonable—all those things you're saying are issues are fact.

Deanne Maynard (56:39):

Absolutely. And, Judge Restrepo, if I could just say—now you were saying—no WARF did not send us the license once there was a license. And although he stands here today and says, "Well, we should have asked, we should have tried harder to get it." Once we learned the facts in 2012 about the generic lawsuits, we acted promptly. We initiated discussions with WARF. We asked for the license. There's a repeated correspondence in the record with that. That's at A1645 to 1707. Even with a promise of confidentiality, they refused to provide the license. We had to sue to get the license. We would request that you reverse.

Judge McKee (57:22):

I'll need a transcript of this and if you can, both—I already check with Ms. [**inaudible**], did I say that correctly?

Unknown (57:31):

Close enough.

Judge McKee (57:31):

Okay. I like that's close enough, about the details of the transcript. You inspect the cross brief. But counsel, could you come up for a second? Listen, I publicly commend you. Both of you are really funny. I don't think he's been here before me. But really great work.

Unknown (58:13):

[**Inaudible Conversation**].

Judge McKee (59:37):
So [**inaudible**] Ms. Maynard and Mr. Shaffer, thank you very much.

Robert Shaffer (59:44):
Thank you.