

Nos. 18-3795, 18-3827

**UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT**

WASHINGTON UNIVERSITY,

Plaintiff-Appellee-Cross-Appellant,

v.

WISCONSIN ALUMNI RESEARCH FOUNDATION,

Defendant-Appellant-Cross-Appellee.

Appeals from the United States District Court for the District of Delaware,
Case No. 1:13-cv-02091-JFB, Hon. Joseph F. Bataillon

**BRIEF FOR PLAINTIFF-APPELLEE-CROSS-APPELLANT
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JUNE 3, 2019

**CORPORATE DISCLOSURE STATEMENT AND
STATEMENT OF FINANCIAL INTEREST**

Pursuant to Federal Rule of Appellate Procedure 26.1 and Third Circuit LAR 26.1, Washington University makes the following disclosure:

1. For non-governmental corporate parties please list all parent corporations:

None

2. For non-governmental corporate parties please list all publicly held companies that hold 10% or more of the party's stock:

None

3. If there is a publicly held corporation which is not a party to the proceeding before this Court but which has a financial interest in the outcome of the proceeding, please identify all such parties and specify the nature of the financial interest or interests:

N/A

4. In all bankruptcy appeals counsel for the debtor or trustee of the bankruptcy estate must list: 1) the debtor, if not identified in the case caption; 2) the members of the creditors' committee of the top 20 unsecured creditors; and, 3) any entity not named in the caption which is active participant in the bankruptcy proceeding. If the debtor or trustee is not participating in the appeal, this information must be provided by appellant.

N/A

Dated: June 3, 2019

s/ Deanne E. Maynard

TABLE OF CONTENTS

CORPORATE DISCLOSURE STATEMENT AND STATEMENT OF FINANCIAL INTEREST	ii
TABLE OF AUTHORITIES	vii
STATEMENT OF ISSUES	1
STATEMENT OF RELATED PROCEEDINGS.....	1
INTRODUCTION	1
STATEMENT OF THE CASE.....	4
A. Factual Findings	4
1. Washington University’s scientist co-invented a new method of using paricalcitol (Zemplar)	4
2. WARF patented Dr. Slatopolsky and Dr. DeLuca’s invention.....	6
3. Washington University and WARF entered the Inter-Institutional Agreement.....	7
4. WARF licensed the co-owned patent to Abbott.....	9
5. WARF made “self-dealing” royalty payments, “grossly undervalu[ing]” the co-owned patent’s true relative value.....	11
6. “Extensive” evidence showed WARF concealed the true value of the ’815 patent.....	12
7. Washington University finally learned that the co-owned ’815 patent is a key patent covering Zemplar.....	16
B. These Proceedings	16
1. The district court granted summary judgment, holding Washington University’s claims time-barred	16

2.	This Court reversed, holding that Washington University presented sufficient evidence for trial.....	17
3.	On remand, Washington University prevailed at trial	18
a.	The district court found that WARF breached the Agreement.....	19
i.	WARF’s breach of the Relative Value Clause	19
ii.	WARF’s breaches of the Cooperation and Mutual Benefit Clauses	21
b.	The district court found WARF equitably estopped from asserting a limitations defense and found \$31.6 million in damages since 1998	22
c.	As a back-up holding, the district court found Washington University’s post-2007 claims timely under the periodic payments doctrine and found \$21.1 million in damages from that date	24
d.	The court denied prejudgment interest	25
	SUMMARY OF ARGUMENT	26
	ARGUMENT	28
I.	THE DISTRICT COURT CORRECTLY FOUND THAT EQUITABLE ESTOPPEL BARS WARF’S LIMITATIONS DEFENSE, ALLOWING WASHINGTON UNIVERSITY TO RECOVER DAMAGES BACK TO 1998 FOR WARF’S NOW-CONCEDED BREACH	29
A.	Standard Of Review	29
B.	Substantial Evidence Supports The District Court’s Findings	29

1.	Substantial evidence supports the district court’s findings that WARF concealed the information necessary for Washington University to bring a claim.....	31
2.	WARF identifies no clear error.....	33
C.	The District Court Applied The Correct Legal Standard.....	38
1.	The district court found all the elements of equitable estoppel	38
2.	The district court did not require WARF to help develop Washington University’s claims.....	44
D.	Because The District Court Correctly Found Equitable Estoppel Bars WARF’s Limitations Defense, That Requires Affirmance Of The \$31.6 Million Judgment.....	45
II.	THE DISTRICT COURT CORRECTLY HELD IN THE ALTERNATIVE THAT THE PERIODIC PAYMENTS DOCTRINE ALLOWS RECOVERY FOR BREACHES SINCE 2007	46
A.	Standard Of Review	46
B.	The District Court Correctly Held The Periodic Payments Doctrine Applies Here, Regardless Of A Duty To Revalue	47
C.	The District Court Correctly Interpreted The Agreement As Unambiguously Imposing A Duty To Revalue.....	51
D.	The District Court Correctly Found That, Even Were The Agreement Ambiguous, Extrinsic Evidence Reflected A Duty To Revalue	55
1.	Substantial evidence supports the district court’s findings	56
2.	WARF shows no error in the court’s findings on uniformity, knowledge, and timing.....	58
3.	The district court correctly declined to rely on evidence barred by the Integration Clause.....	61

4.	The district court correctly applied the periodic payments doctrine.....	62
E.	The Periodic Payments Doctrine Makes Washington University’s Claims Timely For Breaches Within The Limitations Period.....	63
III.	ON ITS CROSS-APPEAL, WASHINGTON UNIVERSITY IS ENTITLED TO PREJUDGMENT INTEREST.....	65
A.	Standard Of Review	66
B.	Prejudgment Interest Is Required When Damages Are Determinable	66
C.	WARF Must Pay The Time Value Of The Wrongly Withheld Millions	68
	CONCLUSION.....	71

TABLE OF AUTHORITIES

Cases

<i>S.R.P. ex rel. Abunabba v. United States</i> , 676 F.3d 329 (3d Cir. 2012)	59
<i>Affordable Erecting, Inc. v. Neosho Trompler, Inc.</i> , 715 N.W.2d 620 (Wis. 2006).....	39
<i>Air Transp. Ass’n of Am. v. Lenkin</i> , 711 F. Supp. 25 (D.D.C. 1989).....	65
<i>Matter of Barclay Indus., Inc.</i> , 736 F.2d 75 (3d Cir. 1984)	56
<i>Butler v. Kirby</i> , 10 N.W. 373 (Wis. 1881).....	48, 49, 50
<i>BV/B1, LLC v. InvestorsBank</i> , 792 N.W.2d 622 (Wis. Ct. App. 2010).....	54
<i>City of W. Allis v. Wisconsin Elec. Power Co.</i> , 635 N.W.2d 873 (Wis. Ct. App. 2001).....	43
<i>Columbia Propane, L.P. v. Wisconsin Gas Co.</i> , 661 N.W.2d 776 (Wis. 2003).....	56
<i>Crown Life Ins. Co. v. LaBonte</i> , 330 N.W.2d 201 (Wis. 1983).....	53
<i>Dahl v. Hous. Auth. of City of Madison</i> , 194 N.W.2d 618 (Wis. 1972).....	66, 69
<i>Dieck v. Oconto Co.</i> , 180 N.W. 932 (Wis. 1921).....	61
<i>Eden Stone Co. v. Oakfield Stone Co.</i> , 479 N.W.2d 557 (Wis. Ct. App. 1991).....	51
<i>Giffen v. Tigerton Lumber Co.</i> , 132 N.W.2d 572 (Wis. 1965).....	67, 69, 70

<i>Huml v. Vlazny</i> , 716 N.W.2d 807 (Wis. 2006).....	54, 62
<i>Jackson Elec. Co-op. v. Brockway Sanitary Dist. No. 1</i> , 2000 WL 1425754 (Wis. Ct. App. 2000)	62
<i>Jahn Transfer, Inc. v. Horizon (H&S) Freightways, Inc.</i> , 2012 WL 2135503 (Wis. Ct. App. 2012)	64
<i>Jensen v. Janesville Sand & Gravel Co.</i> , 415 N.W.2d 559 (Wis. Ct. App. 1987).....	46, 47, 49, 50, 64
<i>Johnson v. Pearson Agri-Sys., Inc.</i> , 350 N.W.2d 127 (Wis. 1984).....	66
<i>Jones v. Jenkins</i> , 277 N.W.2d 815 (Wis. 1979).....	46, 56
<i>Laycock v. Parker</i> , 79 N.W. 327 (Wis. 1899).....	66, 67, 69
<i>Lutz v. Chesapeake Appalachia, LLC</i> , 717 F.3d 459 (6th Cir. 2013)	50
<i>Maryland Arms Ltd. P’ship v. Connell</i> , 786 N.W.2d 15 (Wis. 2010).....	56
<i>Messner Manor Assocs. v. Wisconsin Housing & Economic Development Authority</i> , 555 N.W.2d 156 (Wis. Ct. App. 1996).....	64
<i>Mgmt. Computer Servs., Inc. v. Hawkins, Ash, Baptie & Co.</i> , 557 N.W.2d 67 (Wis. 1996).....	63
<i>Milas v. Labor Ass’n of Wisconsin, Inc.</i> , 571 N.W.2d 656 (Wis. 1997).....	39
<i>Nelson v. Travelers Ins. Co.</i> , 306 N.W.2d 71 (Wis. 1981).....	67, 70
<i>Noonan v. Northwestern Mutual Life Ins. Co.</i> , 687 N.W.2d 254 (Wis. Ct. App. 2004).....	47, 48, 50, 64, 65

Nw. Motor Car, Inc. v. Pope,
187 N.W.2d 200 (Wis. 1971).....36

Policemen’s Annuity & Ben. Fund, City of Milwaukee v. City of Milwaukee,
630 N.W.2d 236 (Wis. Ct. App. 2001).....29, 39, 41, 43, 48

Pollack v. Calimag,
458 N.W.2d 591 (Wis. Ct. App. 1990).....67, 70

R.S. Deering Mech. Contractors v. Livesey Co.,
468 N.W.2d 758 (Wis. Ct. App. 1991).....66, 67

Ross v. Northrup, King & Co.,
144 N.W. 1124 (Wis. 1914).....58, 60

Segall v. Hurwitz,
339 N.W.2d 333 (Wis. Ct. App. 1983).....64

Shell Petroleum, Inc. v. United States,
182 F.3d 212 (3d Cir. 1999)37

Smazal v. State,
142 N.W.2d 808 (Wis. 1966).....43

Solowicz v. Forward Geneva Nat’l, LLC,
780 N.W.2d 111 (Wis. 2010).....52

Star Direct, Inc. v. Dal Pra,
767 N.W.2d 898 (Wis. 2009).....51, 52

State v. Lee,
458 N.W.2d 562 (Wis. Ct. App. 1990).....65

State ex rel. Susedik v. Knutson,
191 N.W.2d 23 (Wis. 1971).....43, 44

Teff v. Unity Health Plans Ins. Corp.,
666 N.W.2d 38 (Wis. Ct. App. 2003).....25

Town Bank v. City Real Estate Dev., LLC,
793 N.W.2d 476 (Wis. 2010).....61

<i>Toyota Indus. Trucks v. Citizens Nat’l Bank</i> , 611 F.2d 465 (3d Cir. 1979)	43
<i>United Capitol Ins. Co. v. Bartolotta’s Fireworks Co.</i> , 546 N.W.2d 198 (Wis. Ct. App. 1996).....	70
<i>Van Buskirk v. Carey Canadian Mines, Ltd.</i> , 760 F.2d 481 (3d Cir. 1985)	36
<i>VICI Racing, LLC v. T-Mobile USA, Inc.</i> , 763 F.3d 273 (3d Cir. 2014)	29, 30, 42, 46
<i>Washington Univ. v. Wisconsin Alumni Research Found.</i> , 2016 WL 310722 (D. Del. Jan. 25, 2016)	16, 17
<i>Washington University v. Wisconsin Alumni Research Foundation</i> , 703 F. App’x 106 (3d Cir. 2017)	1, 17, 18, 30, 36, 39, 42, 45, 47, 49, 54
<i>Wisconsin Employment Relations Bd. v. Gateway Glass Co.</i> , 60 N.W.2d 768 (Wis. 1953).....	54
<i>Wosinski v. Advance Cast Stone Co.</i> , 901 N.W.2d 797 (Wis. Ct. App. 2017).....	29, 42
<i>Zimmerman v. Montour R.R. Co.</i> , 296 F.2d 97 (3d Cir. 1961)	42
Statutes & Regulations	
21 U.S.C. § 355(b)(1).....	15
21 C.F.R. § 314.53(c)(2)(ii).....	15
Wis. Stat. § 138.04 (2017)	25, 65
Wis. Stat. § 893.43(a) (2016).....	46
Other Authorities	
10-53 Corbin on Contracts § 53.6.....	50
10-53 Corbin on Contracts § 53.14.....	50

STATEMENT OF ISSUES

1. Whether the district court correctly rejected the Wisconsin Alumni Research Foundation's ("WARF") limitations defense based on equitable estoppel. A87-88, A102-09, A164-66; SA47-61, SA99-103, SA111-18.
2. Whether, in the alternative, the district court correctly held Washington University's claims timely based on the periodic payments doctrine. A151-58, A166-70; SA61-73, SA98-99, SA104-11.
3. Whether, on Washington University's cross-appeal, prejudgment interest is required. A186-88; SA44-47; SA121-22.

STATEMENT OF RELATED PROCEEDINGS

Washington University is aware of only one related proceeding, this case's previous appeal: *Washington University v. Wisconsin Alumni Research Foundation*, 703 F. App'x 106 (3d Cir. 2017) (McKee, Restrepo, Hornak (District Judge)).

INTRODUCTION

This case involves a patented invention discovered jointly by researchers associated with Washington University and the University of Wisconsin. The researchers discovered a groundbreaking treatment for a serious condition associated with kidney disease that avoids a dangerous side effect. The treatment was licensed to Abbott, which commercialized a blockbuster drug, Zemplar, based on the invention. Although Washington University took the lead in developing the invention, the University of Wisconsin's licensing branch, WARF, took the lead in

patenting and monetizing it. WARF agreed to share licensing income, entering into an Inter-Institutional Agreement (“Agreement”) with Washington University. The Agreement specified how WARF would allocate value to the co-owned patent if it were licensed as part of a portfolio of patents. WARF was extremely successful at licensing, raking in over \$426.5 million in royalties from Abbott on Zemplar sales. WARF was less good at sharing. By the time Washington University first suspected it might not be getting its agreed-to share, WARF had allocated, for well over a decade, 99.032% of the portfolio’s income to WARF-owned patents and only 0.968% to the co-owned one.

In a previous appeal, this Court reversed the grant of summary judgment on WARF’s statute of limitations defense and remanded, holding that Washington University had sufficient evidence to warrant a trial. After a four-day bench trial, the district court made over a hundred pages of factual findings and entered a breach of contract judgment in Washington University’s favor. WARF no longer disputes that it breached its contract with Washington University by grossly undervaluing the co-owned patent. Nor does WARF now dispute that it underpaid Washington University by \$31.6 million. The facts—many of them now conceded—establish that, for over a decade, WARF concealed its breach and affirmatively misled Washington University. Instead, WARF appeals only its limitations defense, arguing that Washington University sued too late.

But equitable estoppel forecloses that defense. This Court already held that Washington University had sufficient evidence for a factfinder to find WARF estopped from escaping liability for its misconduct by relying on the statute of limitations. Now that the district court found the facts in Washington University's favor, that should resolve the equitable estoppel issue. Nevertheless, WARF argues that its concerted effort to conceal and mislead was unsuccessful—that is, the district court should have found that Washington University could have seen through WARF's decade-long deception and knew it needed to sue. But that is a factual argument that the district court rejected, and WARF can point to no clear error.

Affirming on equitable estoppel is all this Court needs to do to affirm the \$31,617,498 judgment. Because WARF now accepts that it breached the Agreement in 1998 and caused \$31.6 million in damages, WARF owes Washington University for the entire period of WARF's breach.

Instead of focusing on the district court's principal holding, WARF leads its appeal by challenging the court's alternative grounds for rejecting WARF's limitations defense, the periodic payments doctrine. But these arguments are beside the point if this Court affirms the equitable estoppel ruling—and WARF's arguments are unavailing in any event. The district court correctly held that, even were WARF not equitably estopped, Washington University's claims for underpayments since 2007 were timely under Wisconsin's periodic payments doctrine for three separate

reasons: improper periodic payments are separately actionable, the Agreement unambiguously contains a duty to revalue, and the extrinsic evidence shows the Agreement contains such a duty. WARF cannot establish error in any of those grounds, let alone all three.

What is more, for two decades, WARF's now-conceded breach allowed it to retain tens of millions of dollars belonging to Washington University. Under Wisconsin law, WARF must compensate Washington University with prejudgment interest because WARF was able to determine what it owed. Thus, on Washington University's cross-appeal, this Court should increase the judgment by 5% in prejudgment interest.

STATEMENT OF THE CASE

A. Factual Findings

After a four-day bench trial, the district court entered a judgment awarding Washington University \$31.6 million in damages. A4, A188. The court heard testimony from 12 witnesses and issued a 189-page opinion, finding the following facts.

1. *Washington University's scientist co-invented a new method of using paricalcitol (Zemplar)*

When a patient has chronic kidney disease, the body produces too much parathyroid hormone, which can lead to serious bone disorders. A12-13. This elevation in parathyroid hormone is known as secondary hyperparathyroidism, or

more generally, renal osteodystrophy. A13. For years, the leading drug for treating that condition was calcitriol, a compound patented by WARF and commercialized by Abbott. A13-14.

But calcitriol has troubling side effects: it can cause dangerous increases in blood calcium and phosphate. A14. That can result in seizures, heart failure, or death. A14. Those side effects are known as hypercalcemia and hyperphosphatemia. A14.

Because WARF's patents on calcitriol were nearing expiration, which would allow generic competition, WARF and Abbott searched for new and better alternatives: a way to treat renal osteodystrophy with calcitriol's efficacy but fewer side effects. A14; A437-38 (Tr.641:15-642:21). WARF and Abbott began studying analogs of calcitriol, and WARF obtained and licensed patents to Abbott. A14-16, A20-21; A437-38 (Tr.641:15-642:21); SA162-63. But as of 1993, WARF and Abbott had failed to discover a next-generation calcitriol product. A14-15, A17-18, A21-22; A316 (Tr.154:5-155:13), A324-25 (Tr.188:1-189:1), SA176. They had found no way to treat renal osteodystrophy while avoiding hypercalcemia and hyperphosphatemia. A18, A22; A316 (Tr.154:5-155:13), A324-25 (Tr.188:1-189:1).

The district court found (and WARF never disputed) that Dr. Eduardo Slatopolsky, a professor and researcher at Washington University, co-developed the

solution to WARF and Abbott's problem. A5, A29-32. Dr. Slatopolsky identified one calcitriol analog—paricalcitol—as the “best compound” for further study. A26. Then, after “dedicat[ing] an entire lab, budget, [and] a year of work” (A26), Dr. Slatopolsky was the first scientist to find and prove that paricalcitol could be administered to suppress parathyroid hormone without causing hypercalcemia or hyperphosphatemia. A30-31. That method makes paricalcitol a significantly better treatment than calcitriol. A30-31; A317 (Tr.157:24-158:4). Dr. Slatopolsky reached his conclusions through studies designed and carried out in his lab, using calcitriol analogs supplied by his co-inventor, Dr. Hector DeLuca of the University of Wisconsin. A29-32.

2. *WARF patented Dr. Slatopolsky and Dr. DeLuca's invention*

In 1995, shortly after Dr. Slatopolsky drafted a journal article about his discovery, Dr. DeLuca brought the invention to WARF to pursue patent protection. A34. WARF filed the patent application that year, and soon afterwards, Dr. Slatopolsky assigned his interest in it to Washington University. A34, A119. A few weeks later, WARF submitted a false form to the U.S. Patent and Trademark Office (“PTO”) listing Dr. Slatopolsky's sole assignee as WARF. A119; SA285. The PTO recorded WARF as the sole assignee, and WARF submitted no correction. A119-20; SA281. The court found that Washington University remained unaware

of the error for years, and WARF did not correct the PTO records until 2012, under pressure from Washington University. A120.

The PTO eventually issued U.S. Patent No. 5,597,815 (“815 patent”) for the parties’ co-invention. A55; SA137-50. The patent claims a “method of treating a patient having renal osteodystrophy while avoiding hyperphosphatemia.” A55; SA143.

3. Washington University and WARF entered the Inter-Institutional Agreement

In 1995, shortly after WARF filed the patent application, the parties entered the Agreement to govern their pursuit of patent protection and commercialization of the joint invention. A35-36; A221-28. In inter-institutional agreements, one party is commonly deemed the “senior party,” taking the lead on jointly owned intellectual property. A38; A321 (Tr.175:1-18). The court found this “relationship is characterized by a high degree of trust and collaboration.” A40; A320-22 (Tr.172:3-173:14, 175:19-177:2).

Here, as the district court found and both parties’ witnesses agreed, WARF was the senior party. A38-39; A321 (Tr.175:15-18); A510 (Tr.933:22-934:4). WARF received decision-making powers in obtaining patent protection and in licensing and enforcing patent rights. A39; A222-23 (§§2.A.(i), 2.B.(i)); A226-27 (§9.A).

Being the senior party came with obligations to the junior party. The district court found that “as the senior party, WARF promised to act on behalf of and for the benefit of WashU.” A39; A223 (§2.B.(ii)). The court found “WashU reasonably expected that WARF, as the senior party, would inform WashU about decisions affecting WashU’s interests in the parties’ co-owned patent, including information reflecting the value of the parties’ joint invention to potential licensing partners.” A40; *see* A321 (Tr.175:19-176:5); A365-66 (Tr.353:19-355:7).

The Agreement requires WARF to calculate and pay Washington University its share of any licensing revenue “every 12 months.” A38; A225 (§5.B). As compensation for its licensing efforts, the Agreement gave WARF 15% of each year’s income, plus certain expenses. A37; A222-24 (§§1.F., 1.G., 2.B.(iv), 3.B). Of the remaining profits, Washington University was entitled to receive 33 1/3%. A37; A222-23 (§§1.H., 3.A.(i)(1)).

If the patent were licensed as part of a portfolio, WARF was granted authority to assign “relative values” to the patents in that portfolio. A44, A122-24, A140-50; A224 (§3.A.(iii)). The relative value WARF assigns the ’815 patent dictates the share of the portfolio’s licensing revenue Washington University receives. A37, A44; A224 (§3.A.(iii)).

Under those provisions, WARF calculated and paid Washington University a different amount each year. A83, A91; SA345. All told, WARF received over \$700,000 in administration fees and expenses. A37.

4. *WARF licensed the co-owned patent to Abbott*

WARF licensed the '815 patent to Abbott shortly after Abbott launched Zemplar in 1998. A65. But even before that, Abbott (with help from WARF) was pursuing Food and Drug Administration ("FDA") approval. A33, A48; SA343. WARF had already licensed Abbott patents relating to calcitriol analogs, which included paricalcitol. A5; *supra* p. 5. The district court found that WARF failed to tell Washington University about Abbott's efforts or that this license existed. A48, A53; A370 (Tr.371:11-372:7).

The WARF-Abbott preexisting license granted Abbott exclusive rights to several WARF-owned patents, including U.S. Patent Nos. 5,587,497 ("'497 patent") and 5,246,925 ("'925 patent"). A5-6; SA151-76. The '497 patent broadly covers a number of compounds (including paricalcitol) (SA130-36), and the '925 patent covers methods of using various compounds (including paricalcitol) to treat hyperparathyroidism (SA123-29). A6. But neither patent covered what the '815 patent claimed: a method of using paricalcitol, in particular, to treat hyperparathyroidism without the side effect of elevated blood calcium and

phosphate. A17-18, A22, A31; SA137-50. The co-owned '815 patent also expired after the WARF-owned '497 and '925 patents. A7.

In 1996, shortly after WARF learned the co-owned '815 patent would issue, WARF touted the importance of the new patent to Abbott. A51-52; SA265-66. Then, in 1998 when Zemplar launched, WARF again highlighted the importance of the '815 patent: “We recognize that this technology *directly supports* the Abbott Zemplar™ product.” A64 (emphasis added); SA267. During that time, both WARF and Abbott knew that “so long as the [earlier] License did not include the '815 patent WARF could sue Abbott for infringement.” A65. The district court found that WARF did not inform Washington University of these communications or share its conclusion that the co-owned patent directly protected (and thus was necessary to use) Abbott’s billion-dollar product. A53, A81; A327 (Tr.198:12-199:6); A523 (Tr.986:17-23).

In 1998, WARF and Abbott entered into a new license agreement that the district court found gave Abbott an exclusive license to the '815 patent. A65, A79; SA182-212. The license was for a portfolio of patents divided into two categories: “Licensed Patents” and “Ancillary Patents.” A66-69. Only two U.S. patents were in the “Licensed Patents” group: the WARF-owned '497 composition patent and '925 method-of-treatment patent. A66; SA193. The co-owned '815 patent, on a method of treatment for Zemplar, was one of thirty-one patent and patent application

families in the “Ancillary Patents” group. A67-69, A82; SA194-207. Other than the ’815 patent, all the patents licensed in the Abbott agreement were owned solely by WARF. A127.

5. *WARF made “self-dealing” royalty payments, “grossly undervalu[ing]” the co-owned patent’s true relative value*

Later in 1998, WARF made its first distribution of Zemplar royalties to Washington University. A83; SA263-64. The district court found, and WARF no longer disputes, that WARF’s assignment of relative value breached the Agreement. A84, A161-62. WARF allocated 70% value to its solely owned method-of-treatment and compound patents, and 30% value evenly among the remaining patents. A81-82. Yet WARF knew “that the ’815 patent was one of the most important patents in the Abbott portfolio” and the patents in the 30% group besides the ’815 patent “had little to no relationship to Zemplar.” A125-28; *see* A325 (Tr.189:7-21); A331 (Tr.215:18-216:18); A335-37 (Tr.230:24-239:2). Under WARF’s valuations, which the district court found to be “arbitrary and self-dealing,” 99.032% of the royalties were allocated to patents WARF solely owned, and just 0.968% was allocated to the co-owned ’815 patent. A83, A128; SA223.

The next year, WARF again calculated the income distribution. A90-92. The district court found that since the first distribution, WARF had abandoned a patent application previously among the Ancillary Patents. A91; SA223, SA239. WARF therefore reduced the number of patents in that group from thirty-one to thirty. A91;

SA223, SA239. The district court found that for purposes of distributing royalties to WARF's *own* inventors, WARF performed a reallocation, assigning to each of the remaining Ancillary Patents (including the '815 patent) a 1.0% valuation. A91; SA230. But the district court found that for purposes of paying Washington University, WARF again allocated only a 0.968% valuation to the '815 patent. A91; A414 (Tr.548:7-23).

The district court found that WARF paid Washington University based on the 0.968% valuation each year for nearly two decades. A91; SA345. During that time, Zemplar generated \$6 billion in sales. A61; SA345. WARF received over \$426 million in royalties, yet remitted only about \$1 million to Washington University. A131; SA345.

6. *“Extensive” evidence showed WARF concealed the true value of the '815 patent*

The district court found that WARF not only “grossly undervalued the '815 patent”; it also “hid this from WashU for as long as possible.” A109, A177. The court found that “[t]he evidence of WARF’s concealment of information from WashU is extensive.” A106. In particular, a 1998 e-mail and 2001 letter concealed information and misled Washington University. A87-88, A92-101.

1998 e-mail. Shortly after Zemplar launched, Washington University asked to see any paricalcitol license agreements WARF had with Abbott. A61-63, A87; A229. The district court found that without seeing those licenses, Washington

University had no way to know which patents were included, let alone evaluate each patent's relative importance to the license. A87-88; A524 (Tr.989:12-22). But the court found that WARF "actively concealed, and refused to share" the licenses. A62, A87. In a 1998 e-mail to Washington University, WARF stated: "As per *confidentiality provisions*, I am not at liberty to provide you copies of our license agreements with any other parties." A229 (emphasis added). The district court found that statement was false. A62-63 & n.53; A524 (Tr.988:21-989:5). Washington University did not learn that statement was false until it after it brought this suit and obtained in discovery WARF's agreements with Abbott, which contained *no* confidentiality provisions. A88; A370 (Tr.371:14-17); A524 (Tr.990:6-10).

2001 letter. In response to a request from Washington University, WARF revealed in a 2001 letter that WARF had assigned the co-owned '815 patent a 0.968% share, providing a false explanation of how WARF arrived at that valuation. A92-101; A230-31. WARF stated that the license consisted of patents "relating to [paricalcitol]." A92. It stated that it had a "regular practice" of allocating 70% to "compound patents." A93. And it stated that "[i]t is WARF's policy to allocate evenly among" the remaining patents "because, in many cases, it is difficult if not impossible for WARF to determine whether or not the patent is being used by the Licensee at this time." A93.

The district court found that the 2001 letter was “full of inaccurate and misleading statements.” A94. *First*, the court found that the license actually included many patents entirely unrelated to paricalcitol. A95; A335-37 (Tr.230:24-239:2). *Second*, the court found that only one of the two patents in the 70% group was a compound patent; the other covered a method of treatment—just as the co-owned patent did. A95-97; A525 (Tr.991:11-23). *Third*, the court found that WARF had a different “regular practice” and “policy” than it claimed. A97-99; A331 (Tr.231:18-215:12). For a related Abbott license covering a patent portfolio for multiple sclerosis treatment, WARF assigned 42% (not 70%) to the patent covering the drug compound. A53, A98; SA180-81; SA258. *Finally*, the court found that it was not “difficult” or “impossible” for WARF to determine whether any patent was being used by Abbott. A99-100. WARF itself had told Abbott (but not Washington University) that the co-owned patent “directly supports” Abbott’s Zemplar. A100; *supra* p. 10.

Other facts concealed. The district court found that WARF concealed other significant information from Washington University. The court found that, in 2008, a WARF employee realized that only the co-owned ’815 patent could protect Zemplar after WARF’s compound patent expired. A110; A403 (Tr.503:1-505:10). He reported this “good news” to his supervisor, explaining that the ’815 patent covered “exactly the application and population Abbott targets and sells Zemplar

for.” A111; SA270. The court found that WARF never shared this “good news” with Washington University. A112; A332 (Tr.220:8-12). Nor did WARF adjust the ’815 patent’s relative valuation. A112.

Several years later, with WARF’s knowledge and approval, Abbott listed the ’815 patent as protecting Zemplar in the FDA’s “Orange Book.” A114-15; SA334-41. By doing so, Abbott gained advantages in its efforts to thwart generic competition. A113-14. To list a patent in the Orange Book, a manufacturer must certify that the patent covers the drug or its approved method of use. A113; *see* 21 U.S.C. § 355(b)(1); 21 C.F.R. § 314.53(c)(2)(ii). The district court found that the Orange Book listing confirmed and enhanced the co-owned patent’s value to Abbott, but WARF never told Washington University. A89, A115, A178; A457 (Tr.722:7-10).

Beginning in 2012, WARF and Abbott began asserting the ’815 patent in litigation against generic drug manufacturers to block Zemplar’s competition. A115-16. The district court found that WARF never informed Washington University that the co-owned patent was being asserted in litigation. A117-18; A332-33 (Tr.220:13-222:15); A386 (Tr.437:18-21). The court found that WARF represented in the litigation that it alone owned the ’815 patent, concealing Washington University’s co-ownership. A117; SA290. WARF’s false ownership

assertions, and the inaccurate assignment information it had recorded with the PTO, prevented Washington University from learning about these events. A117-18.

7. *Washington University finally learned that the co-owned '815 patent is a key patent covering Zemplar*

After WARF and Abbott asserted the co-owned patent in litigation, Washington University received a third-party subpoena in September 2012 from Hospira, a defendant in the litigation. A118. As the district court found, this was the first time Washington University learned that the '815 patent had been listed in the Orange Book and asserted in litigation to protect Zemplar. A118; A385 (Tr.433:9-15). A few months later, Washington University and WARF entered a standstill agreement, tolling the statute of limitations as of April 9, 2013. A8; SA332-33.

B. These Proceedings

1. *The district court granted summary judgment, holding Washington University's claims time-barred*

Washington University sued WARF for breach of contract and breach of the implied covenant of good faith and fair dealing, along with several other claims. A2.

The district court granted WARF summary judgment. It agreed with Washington University that the Agreement contained an implied covenant of good faith and fair dealing. *Washington Univ. v. Wisconsin Alumni Research Found.*,

2016 WL 310722, at *10 (D. Del. Jan. 25, 2016). But it held that Wisconsin's six-year statute of limitations barred Washington University's claims. *Id.* at *6-10.

2. This Court reversed, holding that Washington University presented sufficient evidence for trial

This Court reversed the statute of limitations ruling. *Washington Univ.*, 703 F. App'x at 110. The Court held that Washington University had raised sufficient facts from which a factfinder could find that equitable estoppel and the periodic payments doctrine defeated WARF's limitations defense. *Id.* at 108-10.

On equitable estoppel, the Court concluded that Washington University's evidence "clearly" created "a genuine dispute of fact" that WARF had concealed the necessary facts for Washington University's claims. *Id.* at 110. For example, WARF had refused to give Washington University a copy of the license agreement based on "a nonexistent confidentiality provision." *Id.* And while WARF told Washington University that WARF could not determine whether Abbott was using the patent, WARF concealed the truth: WARF "had already concluded that the [’815] Patent provided protection and support for Abbott's Zemplar." *Id.*

This Court rejected WARF's argument that Washington University had enough information to discover WARF's improper valuation. *Id.* The Court held that this, too, was a disputed fact. This Court explained that "the University did not have access to WARF's relative valuation of the Patent and a reverse calculation would not have revealed whether the valuation was fair and/or correct." *Id.*

The Court thus identified four disputed facts for trial on equitable estoppel:

- (1) whether WARF concealed information Washington University needed to determine if it had a valid claim;
- (2) whether that information was necessary to pursue the claim;
- (3) whether Washington University reasonably relied on WARF's statements and conduct; and
- (4) whether Washington University had the ability to obtain that information, notwithstanding WARF's alleged concealment.

Id.

On the periodic payments doctrine, the Court likewise held that Washington University had raised sufficient facts for trial. The Court agreed “that the Agreement created an obligation of good faith and fair dealing which governed WARF’s assessment of the amount of royalties.” *Id.* at 109. And the Court held that a fact issue existed regarding whether “the implied covenant of good faith and fair dealing creates an inherent duty in WARF to reassign a value to the Patent.” *Id.* This Court rejected WARF’s argument that the Agreement’s express terms foreclosed a duty to revalue. *Id.*

3. *On remand, Washington University prevailed at trial*

On remand, the district court held a four-day bench trial and issued a 189-page opinion finding in Washington University’s favor.

a. The district court found that WARF breached the Agreement

The district court found that WARF committed multiple breaches of the Agreement. A188. WARF does not appeal the following breach determinations. WARF Br. 2.

i. WARF's breach of the Relative Value Clause

The district court found that when, as here, WARF licenses the co-owned patent as part of a portfolio, the Relative Value Clause determines the amount of licensing income attributable to the patent. A140-59; *see* A224 (§3.A.(iii)). The Relative Value Clause requires that the income be divided based on the “relative value[]” of the ’815 patent “in proportion to the total value represented by all patent rights and/or proprietary rights which are included within such license.” A224 (§3.A.(iii)). As the senior party, WARF had the “authority to assign relative values” to the patents in the portfolio. A141, A146; A224 (§3.A.(iii)).

The district court rejected WARF’s argument that it could assign any nonarbitrary relative value. The court determined that “‘relative value’ is defined as ‘the monetary or material worth, in light of all circumstances relevant to such license, considered in relation to the value of the other patents licensed in the portfolio.’” A151. The court emphasized that this “is a *patent-specific* relative value.” A151.

The district court found that WARF breached the Relative Value Clause when it assigned only a 0.968% relative value to the co-owned ’815 patent. A160-62,

A188. The court found that WARF gave the '815 patent “an equal value” to “eighteen patents that *had absolutely nothing to do with paricalcitol/Zemlar*,” six patents “for non-approved medical uses,” and four “low value” patents. A161 (emphasis by district court); A335-37 (Tr.230:24-239:2). WARF thus had assigned value to patents “regardless of their value to the license, and regardless of whether those patents were licensed exclusively or nonexclusively.” A162. Had WARF applied the Relative Value Clause as required by the Agreement, it “would have assigned zero value to the eighteen patents that had nothing to do with the license.” A161-62. And for the four “low value” patents related to Zemlar, the district court found they have “the same value [they] received from WARF in 1998”: 0.968%. A185-86.

The district court found that the only other patents that added value to the portfolio were the WARF-owned '497 compound and '925 method-of-treatment patents and the co-owned '815 patent for Zemlar's method of treatment. Applying WARF's own valuation of the same compound in the multiple sclerosis field, the court found that WARF should have assigned the '497 compound patent a 42% relative valuation. A182-83, A185; SA246, SA258-59. The two method-of-use patents (including the co-owned '815 patent) should have had equal relative values of the remainder: 27.1%. A185. The court thus found that if WARF had complied with the Agreement, it would have assigned a 27.1% valuation to the '815 patent

each year, rather than the 0.968% it actually assigned. A186. WARF does not appeal that relative valuation finding.

ii. WARF's breaches of the Cooperation and Mutual Benefit Clauses

The district court found breaches of other clauses. A162-64. The Cooperation Clause requires the parties to “use all reasonable efforts to cooperate with each other,” including on licensing. A222 (§2.A.(iii)). Relying on extrinsic evidence about senior party-junior party relationships, the court found that the Cooperation Clause “imposes on WARF, as the senior party, a duty to communicate, in a timely manner, all material information” relevant to licensing the '815 patent. A41-43, A137-39; A322 (Tr.178:12-179:19). The court found that WARF breached the Cooperation Clause with its “many” failures to “communicate material information” to Washington University. A163.

The Mutual Benefit Clause requires WARF to “administer all License Agreement(s) for the mutual benefit of the parties.” A223 (§2.B.(ii)). The district court determined this clause prohibits WARF from “administer[ing] a license agreement in a way that unreasonably benefits one party but not the other.” A139-40. The court found that WARF breached the Mutual Benefit Clause with its unjustified valuations allowing WARF to “gain[] a benefit at the expense of WashU.” A162-63. Given that WARF breached “at least three express clauses” of

the Agreement, the court found it unnecessary to address whether WARF also breached the implied covenant of good faith and fair dealing. A164 n.142.

b. The district court found WARF equitably estopped from asserting a limitations defense and found \$31.6 million in damages since 1998

The district court “found clear and convincing evidence of each of the relevant [four] factors” this Court identified for trial on equitable estoppel. A164-66; *see* A87-88, A102-09, *supra* p. 18. *First*, the court found that “[i]n 1998, WARF actively concealed, and refused to share” the Abbott license agreement. A87-88; *supra* pp. 12-13. Thereafter, WARF continued to “conceal[] critical information from WashU,” including that “both WARF and Abbott had concluded that the ’815 patent read on Zemplar’s approved indication” and that many patents in the licensed portfolio “had nothing to do with Zemplar or its approved use.” A103; *see* A106-09, A166; *supra* pp. 13-14.

Second, the court found that information WARF concealed was necessary for Washington University to pursue a claim for breach of the Relative Value Clause. A102-09, A166. The court found that Washington University needed to know the importance of the ’815 patent, which patents were in the license, and how WARF was allocating value among those patents. A87-88, A102-09; A524 (Tr.989:12-22).

Third, the court found that Washington University “reasonably relied on WARF’s statements and conduct.” A104-06, A166. The court found that WARF’s

concealment “prevented WashU from learning of its claim,” as Washington University had no reason to “doubt [WARF’s] representations.” A104-07. Washington University’s reliance was reasonable, the court found, because WARF had agreed to cooperate with and “act on behalf of” Washington University, and Washington University paid a significant amount for those services. A105-06; *supra* pp. 8-9. The court found that “it was reasonable, if not expected, for the junior party to rely on the senior party in such a situation.” A105; A335 (Tr.229:22-230:23).

Fourth, the court found that Washington University could not obtain the necessary information on its own. A106-09, A166. “[T]he information that WashU needed to determine that it had a valid claim against WARF” included “internal WARF documents over which WARF had exclusive control.” A106.

Those findings showed that “WARF had systematically diluted the relative value of the ’815 patent” and painted a false picture to hide that undervaluation. A103, A105-06, A109. Based on that conduct, the court found WARF equitably estopped from asserting a limitations defense and that Washington University thus could recover damages back to WARF’s initial breach in 1998. A166, A186.

Applying the 27.1% “patent-specific relative value of the ’815 patent” (A177), the court found damages of \$31,617,498 since 1998. A186 & n.148. WARF does not appeal this damages calculation.

- c. As a back-up holding, the district court found Washington University's post-2007 claims timely under the periodic payments doctrine and found \$21.1 million in damages from that date**

In the alternative, the district court found that, under the periodic payments doctrine, "WARF breached the [Agreement] each year it made annual royalty payments less than what was due," making Washington University's claims timely from "the date six years prior to the Standstill Agreement" in 2013. A170. That conclusion rested on multiple separate grounds.

First, the court concluded that under Wisconsin law, each improper payment is a separate breach, even if the Agreement imposed no duty to revalue the '815 patent after 1998. A168-69.

Second, the court concluded that the Agreement imposed a duty to revalue within its "four corners" because the Relative Value Clause, read in context, required an annual re-evaluation. A154-57, A169-70.

Third, the court found that if the Agreement were ambiguous, extrinsic evidence (including from WARF's expert) demonstrated a duty to revalue in certain circumstances, including "to avoid injustice." A45-47, A157-58; A534 (Tr.1028:4-1029:16).

Under this alternative holding, the court calculated damages of \$21,125,575 since 2007. A186 n.147. WARF does not appeal this damages calculation either.¹

d. The court denied prejudgment interest

Washington University sought prejudgment interest at Wisconsin's statutory rate of 5%. Wis. Stat. § 138.04 (2017). As Washington University showed (SA61, SA66) and WARF never contested (SA121-22), such interest would have amounted to \$14,876,017 on the \$31,617,498 judgment (or \$7,522,752 under the alternative \$21,125,575 judgment) as of the first day of trial on March 26, 1998 (eight months before the judgment issued). SA88-89; A192.

The district court correctly recognized that Wisconsin law provides for prejudgment interest when damages are “determinable by reference to some objective standard.” A187 (quoting *Teff v. Unity Health Plans Ins. Corp.*, 666 N.W.2d 38, 53 (Wis. Ct. App. 2003)). The court found that damages here were “determinable” by WARF’s own valuation methods. A188. Even so, the court denied interest because “it cannot be said that this reasonable standard of measurement or the correct application of which one was sufficiently certain to ascertain the amount owed before this lengthy opinion.” A188.

¹ In unappealed rulings, the court rejected WARF’s laches and accord and satisfaction defenses. A170-75.

SUMMARY OF ARGUMENT

I. WARF does not dispute its breach or that it wrongly withheld \$31.6 million due to Washington University. WARF argues only that Washington University's claims are time-barred. But WARF treats the district court's principal reason for rejecting WARF's limitations defense—equitable estoppel—as an afterthought, even though the court supported that ruling with a hundred pages of factual findings.

In the previous appeal, this Court held that whether WARF's misconduct prevented Washington University from filing timely claims presented factual issues for trial. The district court resolved all the factual issues in Washington University's favor and found WARF estopped from asserting the statute of limitations.

WARF challenges as clearly erroneous the district court's findings that WARF concealed information necessary for Washington University to know WARF breached the Relative Value Clause. But findings WARF no longer contests foreclose that argument: WARF now concedes it concealed the importance of the co-owned patent relative to the other licensed patents, including that the co-owned patent covered Zemplar. That prevented Washington University from evaluating whether WARF's relative valuation was correct.

Contrary to WARF's argument, the district court applied the correct legal standard—one this Court instructed in the last appeal based on settled Wisconsin

law. Wisconsin law requires detrimental reliance, which the district court found: Washington University's reasonable reliance on WARF's concealment prevented Washington University from even knowing that it had claims to bring and thus from pursuing them within the limitations period. Nor did the district court require WARF to help Washington University develop its claims. Rather, the court found that WARF's active concealment, which WARF no longer contests, was misconduct warranting equitable estoppel.

Affirming equitable estoppel is all this Court need conclude to affirm the \$31.6 million judgment, as WARF brings no other challenges to that judgment.

II. If the Court reaches WARF's challenges to the district court's back-up holding, it should affirm because Washington University's claims since 2007 are timely for multiple alternative reasons.

First, the district court correctly held that WARF breached the Agreement each time it underpaid Washington University. Wisconsin law provides that when a contract requires periodic payments, each underpayment is a new claim.

Second, the district court correctly held that WARF breached the Agreement by not revisiting the co-owned patent's relative valuation. The Agreement unambiguously requires WARF to determine annual payments using the '815 patent's current relative value. Contrary to WARF's arguments, neither this Court's prior opinion nor extrinsic evidence provides otherwise.

Third, substantial evidence, including from WARF's own expert, supports the district court's findings that, even if the Agreement were ambiguous, prevalent industry custom known to the parties supported a requirement to revalue here. And the district court correctly refused to consider evidence barred by the Agreement's integration clause. Thus, the now-uncontested findings that WARF grossly undervalued the '815 patent and failed each year to correct that injustice represent breaches within the limitations period.

III. On the cross-appeal, WARF must compensate Washington University with prejudgment interest for the time value of the tens of millions of dollars WARF wrongly withheld for nearly two decades. Wisconsin law entitles Washington University to interest because WARF could determine what it owed. The Agreement and WARF's own policy provided the necessary objective, determinable standards.

ARGUMENT

The district court found—and WARF accepts on appeal—that WARF breached the Agreement in multiple ways and underpaid Washington University by \$31.6 million. A188. WARF appeals only whether Washington University's claims are time-barred. Those arguments fail.

I. THE DISTRICT COURT CORRECTLY FOUND THAT EQUITABLE ESTOPPEL BARS WARF’S LIMITATIONS DEFENSE, ALLOWING WASHINGTON UNIVERSITY TO RECOVER DAMAGES BACK TO 1998 FOR WARF’S NOW-CONCEDED BREACH

Equitable estoppel prevents a defendant “from asserting the statute of limitations” when it “has engaged in fraudulent or wrongful conduct, and the other side has relied on the conduct to its detriment.” *Policemen’s Annuity & Ben. Fund, City of Milwaukee v. City of Milwaukee*, 630 N.W.2d 236, 243-44 (Wis. Ct. App. 2001). The district court correctly found equitable estoppel bars WARF’s limitations defense.

A. Standard Of Review

Equitable estoppel is a legal question with underlying factual questions. *Wosinski v. Advance Cast Stone Co.*, 901 N.W.2d 797, 814 (Wis. Ct. App. 2017). This Court “reviews a district court’s findings of fact for clear error and its conclusions of law *de novo*.” *VICI Racing, LLC v. T-Mobile USA, Inc.*, 763 F.3d 273, 282-83 (3d Cir. 2014).

B. Substantial Evidence Supports The District Court’s Findings

This Court already held that Washington University had sufficient evidence from which a factfinder could find WARF equitably estopped, identifying four factual issues for trial:

- (1) whether WARF concealed information Washington University needed to determine if it had a valid claim;
- (2) whether that information was necessary to pursue the

claim; (3) whether Washington University reasonably relied on WARF's statements and conduct; and (4) whether Washington University had the ability to obtain that information, notwithstanding WARF's alleged concealment.

Washington Univ., 703 F. App'x at 110. After conducting the trial, the district court found each of these disputed factual issues in Washington University's favor. A87-88, A102-09.

WARF no longer contests the court's findings on the third and fourth issues. But it asserts clear error on the first two, arguing that Washington University knew of WARF's breach but failed to bring suit. WARF Br. 38-42. To prevail, WARF must show that the district court's findings, including its inferences from those findings, are "completely devoid of minimum evidentiary support." *VICI Racing*, 763 F.3d at 283. "[I]t is the very essence of the trial court's function to choose from among the competing and conflicting inferences and conclusions that which it deems most reasonable." *Id.* at 297. WARF cannot meet its heavy burden, especially as it now accepts numerous factual findings supporting the district court's determinations.

1. Substantial evidence supports the district court's findings that WARF concealed the information necessary for Washington University to bring a claim

Overwhelming, often unrebutted, evidence supports the district court's findings that WARF concealed information that Washington University needed to pursue a claim that WARF breached the Relative Value Clause.

First, the district court found "extensive" evidence "of WARF's concealment" (A106), and WARF no longer contests (at 42) that it concealed material information. The court found that "WARF assigned equal value to numerous patents that had *nothing to do* with paricalcitol and hid this from WashU for as long as possible." A109. Far from contesting these facts, WARF "accept[s] th[e] findings as true" that both its 1998 e-mail and 2001 letter were misleading and admits that it failed to provide "'all material information' relating to the licensing of the '815 patent" during the six years Washington University could have brought a timely claim. WARF Br. 42.

And so WARF must. Extensive documentary evidence and testimony show that for years WARF concealed from Washington University the significance of the co-owned patent, even though WARF had promised to share information and act in the parties' mutual benefit. A103, A105, A107, A139; *e.g.*, A229, A230-31, SA267, A324 (Tr.187:17-24), A326 (Tr.193:15-19), A370 (Tr.371:11-372:7). As the district

court found, WARF concealed that “the ’815 patent read on Zemplar’s approved indication” and that “Abbott had an exclusive license to the ’815 patent.” A103.

WARF did more than conceal material information; it affirmatively misled Washington University. As the district court found, and the trial record shows, WARF’s 1998 letter invoked non-existent “confidentiality provisions” to refuse Washington University’s request to see WARF’s license agreements. A62-63 & nn.51, 53, A87, A229. WARF cannot contest its deception. Its own witness agreed that its confidentiality representation was false. A62-63 (citing A524 (Tr.988:21-989:5)). But there is more. WARF’s 2001 letter (A230-31) (1) represented that WARF’s license with Abbott was only for paricalcitol-related patents even though the “portfolio contained many patents that did not relate to paricalcitol at all” (A95), (2) stated that WARF assigned 70% of the portfolio’s value to two “compound patents” even though one of those patents was not for a compound (A95-96), (3) averred that WARF applied formulaic practices and policies, “when in fact it did not” (A98-99), and (4) created the “false impression” that WARF did not know whether Abbott was using the ’815 patent (A99-100). *See* A94-101 (detailing WARF’s other misleading statements).

Second, the district court found that Washington University needed the concealed information to know it had a claim. A87-88, A103-04, A108-09. Washington University’s claim for breach of the Relative Value Clause required

evaluating the '815 patent's "monetary or material worth, *in light of all circumstances relevant to [the Abbott] license, considered in relation to the value of the other patents* licensed in the portfolio." A151 (emphases added). Yet as shown above, WARF both concealed and was misleading about the '815 patent's importance relative to the other licensed patents. A87-88, A94, A102-03, A107-09; *supra* pp. 12-14, 31-32. WARF's own expert conceded that "without knowing the identities of the patents included in the 1998 Abbott license, Washington University couldn't determine or couldn't evaluate whether WARF had assigned a fair relative value to the '815 patent in proportion to the other patents in the portfolio." A87-88 (quoting A524 (Tr.989:12-22)). And Washington University needed to know "how WARF was dividing revenues" among the portfolio patents because "WARF's explanation about its policies made it appear to WashU that it had simply followed a formulaic calculation." A103-04. As the district court found, "[a]bsent this information, WashU had no way of knowing whether the less than 1% value that WARF assigned to the '815 patent in 1998 was reasonable." A108.

2. WARF identifies no clear error

Despite all these factual findings, WARF asserts (at 40-41) that the district court should have found that Washington University could see through WARF's deception and knew that WARF was breaching the Relative Value Clause. WARF points to only two pieces of evidence: the Agreement itself and WARF's 2001 letter

to Washington University about its valuation methodology. WARF Br. 39-40. Neither shows clear error.

The Agreement could not have informed Washington University of WARF's breaches. WARF argues (at 39) that because the district court concluded that "relative value" was unambiguous, the Agreement "supplied within [its] 'four corners'" the necessary information for Washington University's claims. But knowing it was entitled to its share of the patent's "relative value" does not mean Washington University knew that it was not receiving the "relative value" it was due. WARF ignores what the Agreement provides and what the district court determined: "relative value" means the patent's worth "in light of all circumstances relevant to such license, considered in relation to the value of the other patents." A151. The Agreement itself nowhere supplies the circumstances relevant to the Abbott license or any information about the other licensed patents.

Nor did WARF's 2001 letter—which WARF now accepts was "misleading" and "inaccurate" (at 42)—provide Washington University with that information. WARF contends (at 41) that the letter revealed "that WARF had not assigned a *patent-specific* value to the '815 patent" because the letter stated that WARF had allocated 30% of the royalties evenly among 31 patents. But that statement, without more, fails to suggest a breach. Nothing in the Relative Value Clause precludes valuing comparably valuable patents the same. What must be patent-specific is the

relative value (A151), and WARF now admits it concealed the co-owned patent's relative importance to the patent portfolio. *See supra* pp. 31-32. The district court's finding that Washington University was unaware of WARF's breach thus fully accords with the court's definition of the breach. *Contra* WARF Br. 38, 40.

Even so, WARF contends (at 39-40) that the district court should have found that Washington University knew of WARF's breach because the 2001 letter said that each patent in the "ancillary patent portfolio" was allocated an equal valuation "whether or not the patent is actually currently being used by the Licensee." A230. But WARF omits the very next sentence in the letter purporting to explain the rationale for that valuation: "This is because, in many cases, it is difficult if not impossible for WARF to determine whether or not the patent is being used by the Licensee at this time." A230. The district court found that statement was false and deceptive, "creat[ing] the false impression that WARF was unable to determine whether" the '815 patent was being used or not. A99-100. As the district court found, WARF already had determined that the '815 patent "directly supports" Zemplar. A64, A100-01. Thus, far from supporting WARF's appeal, the 2001 letter proves that WARF concealed the relevant circumstances—namely, whether Abbott was using the co-owned patent. In addition, even if Washington University somehow knew WARF was applying improper relative valuations, WARF concealed the information Washington University needed to know that the

'815 patent was *undervalued*. Because damages is an element of a breach-of-contract claim, Washington University needed to know that it had been harmed to know it had a claim. *Nw. Motor Car, Inc. v. Pope*, 187 N.W.2d 200, 202-03 (Wis. 1971).

WARF also argues (at 41-42) that, during the limitations period, Washington University was aware of two *other* breaches: WARF's failures to revisit the '815 patent's relative value and to share the Abbott license agreement. This Court should not reach those arguments for two reasons. *First*, affirmance of equitable estoppel on the relative value claim suffices to sustain the judgment. The district court's equitable estoppel determination rests solely on WARF's concealment of its "breach of the Relative Value Clause" in 1998. A102, A177-79, A185-86 (finding breach and calculating damages based on improper relative valuation); *see Van Buskirk v. Carey Canadian Mines, Ltd.*, 760 F.2d 481, 487 (3d Cir. 1985) (explaining that a limitations defense must be established as "to a particular claim"); *Washington Univ.*, 703 F. App'x at 109 (explaining that equitable estoppel applies when the

defendant “conceal[s] evidence needed by the relying party to file *a claim*” (emphasis added)).²

Second, WARF’s additional contentions are forfeited. WARF never argued in the district court that Washington University knew of those two other claims or that such knowledge was relevant to equitable estoppel. SA99-103, SA111-18; *Shell Petroleum, Inc. v. United States*, 182 F.3d 212, 218-19 (3d Cir. 1999).

Regardless, nothing supports WARF’s contention that Washington University knew of those two additional breaches. As to WARF’s failure to revisit the ’815 patent’s relative value, the 2001 letter never addresses whether WARF was doing so. A230-31. Nor does the mere absence of any change in WARF’s valuation mean that WARF was not revisiting it. Without more information, Washington University could not have known whether the proper relative value merely remained unchanged. *See* A87-88 (quoting A524 (Tr.989:12-22)); A106 n.87. As the district court found, the reason Washington University lacked the necessary information—which patents were in the portfolio and their importance to Zemplar—was because WARF concealed it. A102-04; *supra* pp. 31-32.

² At most, non-affirmance of the court’s equitable estoppel ruling would warrant a remand, as it did not reach estoppel based on other claims. That includes breaches of the implied covenant of good faith and fair dealing and the Mutual Benefit Clause, which would support the same judgment. A102, A164 n.142; SA33-43; SA56.

The same is true for WARF's contention that Washington University knew that WARF breached the Cooperation Clause by failing to share its license with Abbott. *Contra* WARF Br. 42. WARF's concealment left Washington University unaware that WARF had failed to keep Washington University "reasonably informed" of information "available to WARF," as the Cooperation Clause requires. A43, A139. As the district court found and WARF no longer contests, WARF misrepresented that it was unable to share the license, "citing non-existent 'confidentiality provisions.'" A163. And WARF cites no record evidence that Washington University could somehow have known that WARF's invocation of "confidentiality provisions" in the Abbott license was false.

C. The District Court Applied The Correct Legal Standard

1. The district court found all the elements of equitable estoppel

Unable to show clear error in the district court's factual findings, WARF accuses the district court of failing to make an additional finding that Washington University did not sue "*because of reliance*" on WARF's wrongful conduct. WARF Br. 42-44 (emphasis by WARF). That argument fails because the district court made all the necessary findings.

The district court followed this Court and the Wisconsin Supreme Court in setting forth the elements of equitable estoppel: conduct by one party "which induces reasonable reliance thereon by the other, either in action or non-action

... which is to the relying party's detriment." A164-65 (quoting *Washington Univ.*, 703 F. App'x at 109 (quoting *Affordable Erecting, Inc. v. Neosho Trompler, Inc.*, 715 N.W.2d 620, 628 (Wis. 2006); *Milas v. Labor Ass'n of Wisconsin, Inc.*, 571 N.W.2d 656, 660 (Wis. 1997)). And the district court "found clear and convincing evidence" that Washington University relied to its detriment on WARF's false and misleading conduct. A164-66.

When a plaintiff that relied on a defendant's misconduct "had no idea" that a breach occurred, that satisfies the detrimental reliance requirement. *Policemen's Annuity*, 630 N.W.2d at 244. The district court found that here. It found that "due to WARF's concealment, WashU did not have the information it needed to pursue its claim." A102 (capitalization altered). And the court found that WARF's misconduct induced Washington University's reasonable reliance: "WashU had no reason to disbelieve WARF's representations" and no "other way ... to obtain the information" necessary to pursue the claim. A106; *see* A107 (finding that WARF's concealment "prevented WashU from learning of its claim"). Thus, Washington University's reasonable reliance on WARF's misconduct was to Washington University's detriment—due to WARF's misconduct, Washington University lacked the information it needed to even know it had a claim, and therefore to sue, within the limitations period. A166.

The district court's detrimental reliance finding is supported by the court's extensive subsidiary findings. As discussed, substantial evidence supports the district court's finding that without the concealed information, Washington University could not pursue its claim. *Supra* Section I.B. As WARF's own expert acknowledged, without information about the Abbott license, Washington University "couldn't determine" whether WARF had breached. A87-88 (quoting A524 (Tr.989:12-22)); A106 n.87.

And WARF does not appeal the district court's finding that "WashU reasonably relied on WARF's statements and conduct," which misled and concealed information from Washington University. A166; A104-09. It was "undisputed" at trial that Washington University trusted WARF's representations. A104; *see* A40. And the district court found this reliance reasonable; after all, WARF's own expert "acknowledged that WashU, as the junior party, had no responsibility to be distrustful of [or] exercise oversight over" WARF, the senior party. A41, A63, A84, A105. WARF also no longer disputes the court's finding that Washington University "did not have the ability to obtain the information." A106. The court ruled out the possibility that Washington University could have obtained the concealed information "notwithstanding WARF's concealment." A106. It found "no evidence in the record" of another way for Washington University to obtain the documents WARF concealed or to cobble together the necessary information from

public records. A106, A108-09. And the court found WARF's contrary assertions "not credible." A109.

That WARF's concealment caused Washington University not to sue is further bolstered by the district court's findings that, once Washington University discovered WARF's concealment, it promptly pursued its claim. *Policemen's Annuity*, 630 N.W.2d at 244 (applying equitable estoppel where the plaintiff "acted promptly to protect its rights" after discovering the misconduct). Just months after learning of the co-owned patent's true importance to the license, Washington University entered a standstill agreement with WARF, then brought this suit. A8, A108, A118, A172. And there is no evidence suggesting that Washington University would not have sued if it had known the truth. After all, Washington University had ample incentive to sue: the district court found that the co-owned patent was "worth far more than the negligible 0.968% value that WARF allocated to it" (A177) and that WARF wrongly withheld from Washington University millions of dollars in royalties (A186).

WARF nevertheless argues that the district court's findings were insufficient. WARF suggests that the district court's findings needed to recite particular words, such as "because of." WARF Br. 44. According to WARF, that the district court and Washington University did not use those words means the court did not find, and Washington University did not ask for, all the elements of equitable estoppel.

WARF Br. 44. But WARF’s verbal formulations are at most just another way of stating the same legal elements of equitable estoppel that Washington University used (SA47) and that the district court applied and found satisfied (A164-66). This Court used that same formulation (*Washington Univ.*, 703 F. App’x at 109), and Wisconsin courts hold defendants estopped from asserting a limitations defense upon finding those same elements satisfied. *Wosinski*, 901 N.W.2d at 815. Here, the district court’s findings of detrimental reliance capture the same notion as WARF’s purported additional element of “reliance caus[ing] WashU’s failure to sue.” WARF Br. 44. A court’s findings “need not be in haec verba”—the substance matters more than the form. *Zimmerman v. Montour R.R. Co.*, 296 F.2d 97, 98 (3d Cir. 1961); *see VICI Racing*, 763 F.3d at 297-98 (“A trial court’s findings are sufficient if the affirmative facts found by it, construed as a whole, negate a rejected contention.”).³

Nor did Washington University need “witnesses from 1998-2004” to testify that WARF’s misconduct caused Washington University not to sue. WARF Br. 44.

³ WARF criticizes the district court for not finding “that WashU *would have* filed suit by 2004 but for WARF’s purportedly inequitable conduct.” WARF Br. 44 (emphasis altered). To the extent WARF is suggesting that equitable estoppel requires a further finding—beyond that Washington University’s reliance on WARF’s misconduct prevented it from suing—WARF’s argument fails for multiple
(Continued on next page)

WARF identifies no decision requiring such contemporaneous witness testimony. Instead, WARF cites (at 44) only the clear-and-convincing-evidence standard of proof. But inferences from circumstantial evidence satisfy that standard. *City of W. Allis v. Wisconsin Elec. Power Co.*, 635 N.W.2d 873, 881-82 (Wis. Ct. App. 2001). Circumstantial evidence can even be proof beyond a reasonable doubt, as it “may be and often is stronger and as convincing as direct evidence.” *Smazal v. State*, 142 N.W.2d 808, 809 (Wis. 1966). Equitable estoppel thus requires no particular form of evidence; evidence of the parties’ conduct can establish that one party’s concealment induced the other’s detrimental reliance. *See, e.g., Policemen’s Annuity*, 630 N.W.2d at 243-44 (applying equitable estoppel based on conduct evidence, without relying on testimony about causation); *State ex rel. Susedik v. Knutson*, 191 N.W.2d 23, 26 (Wis. 1971) (same).

At bottom, WARF’s attempt to evade equitable estoppel by requiring in haec verba findings and particular forms of evidence contradicts the doctrine’s premise.

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reasons. WARF never raised that issue in the district court nor identified it as a disputed issue pre-trial (A3-4; SA99-103, SA111-18; SA25), so it cannot argue it for the first time here. *Toyota Indus. Trucks v. Citizens Nat’l Bank*, 611 F.2d 465, 470 (3d Cir. 1979). In any event, WARF cites no Wisconsin equitable estoppel case requiring a finding about what a plaintiff (hypothetically) would have done had the defendant’s misconduct (counterfactually) not occurred. And even if such a requirement existed, the findings discussed above establish that, if Washington University had known that WARF was cheating it out of millions of dollars, Washington University would have promptly sued. *See supra* pp. 40-41.

Wisconsin's "[p]ublic policy requires" that a defendant be subject to suit when its conduct is "so unfair and misleading as to outbalance the public's interest in setting a limitation on bringing actions." *Knutson*, 191 N.W.2d at 26. WARF no longer contests the district court's findings that WARF misled and hid information from Washington University for over a decade. Yet in WARF's view, the longer a defendant hides its breach and the harder it becomes for a plaintiff to supply a witness with contemporaneous knowledge, the more the defendant can escape liability. That is not the law. Here, as shown, the district court's findings overwhelmingly establish that Washington University's reasonable reliance on WARF's misconduct prevented Washington University from knowing it had a breach claim and thus from bringing suit during the limitations period.

2. *The district court did not require WARF to help develop Washington University's claims*

WARF contends (at 45-46) that the district court held WARF equitably estopped for not "help[ing] WashU to discover or develop its claim" by disclosing information. But the district court located the disclosure duty in the Agreement itself: WARF had promised "to communicate, in a timely manner, all material information concerning the ['815 patent] that is available to WARF and that is relevant to the licensing thereof." A139. WARF's failure to disclose information was misconduct supporting equitable estoppel because WARF had promised

otherwise—not because the district court thought the equitable estoppel doctrine always required disclosure.

Regardless, the district court’s equitable estoppel determination rested on much more than WARF’s failures to disclose information. As this Court explained, “concealing evidence needed by the relying party to file a claim” is misconduct warranting equitable estoppel. *Washington Univ.*, 703 F. App’x at 109. Even WARF recognizes that “*active steps*” like “concealing evidence” justify equitable estoppel. WARF Br. 45 (emphasis by WARF). As the district court found, that is what WARF did here: “actively concealed” necessary information. A87; *see* A94-101 (finding that WARF’s representations were “full of misstatements, half-truths, and misdirection”), A100-09.

D. Because The District Court Correctly Found Equitable Estoppel Bars WARF’s Limitations Defense, That Requires Affirmance Of The \$31.6 Million Judgment

Equitable estoppel thus precludes WARF’s limitations defense to Washington University’s claim for breach of the Relative Value Clause. A166. WARF does not appeal the district court’s determinations that the elements of that claim, including damages, are satisfied. A159-64, A176-86. Accordingly, the judgment for \$31,617,498 in damages should be affirmed (with pre-judgment interest, *infra* Section III).

II. THE DISTRICT COURT CORRECTLY HELD IN THE ALTERNATIVE THAT THE PERIODIC PAYMENTS DOCTRINE ALLOWS RECOVERY FOR BREACHES SINCE 2007

This Court should affirm the \$31,617,498 judgment, which would obviate WARF's arguments challenging the district court's alternative holding. But even were this Court to reverse on equitable estoppel, it should affirm that back-up holding: for three alternative reasons, Wisconsin's periodic payments doctrine makes Washington University's claims timely for breaches within the limitations period, six years before the 2013 standstill agreement. Wis. Stat. § 893.43(a) (2016). The court found that Washington University suffered \$21.1 million in damages for underpayments since 2007. A170, A186 n.147.

A. Standard Of Review

The periodic payments doctrine presents a legal question with underlying factual questions. *Jensen v. Janesville Sand & Gravel Co.*, 415 N.W.2d 559, 526-29 (Wis. Ct. App. 1987). Interpretation of an unambiguous contract is a legal question, but "where an ambiguity exists in the contract which requires resort to extrinsic evidence, the question is one of fact." *Jones v. Jenkins*, 277 N.W.2d 815, 819 (Wis. 1979). This Court "reviews a district court's findings of fact for clear error and its conclusions of law *de novo*." *VICI Racing*, 763 F.3d at 282-83.

B. The District Court Correctly Held The Periodic Payments Doctrine Applies Here, Regardless Of A Duty To Revalue

The district court correctly found that WARF breached the Agreement “each year it made annual royalty payments less than what was ‘due under this Agreement.’” A170 (quoting A225 (§5.B)). Under Wisconsin law, “if a party has a continuing duty to perform, ‘generally a new claim accrues for each separate breach, and the injured party may assert a claim for damages from the date of the first breach within the period of limitation.’” *Washington Univ.*, 703 F. App’x at 108 (alterations omitted) (quoting *Noonan v. Northwestern Mutual Life Ins. Co.*, 687 N.W.2d 254, 262 (Wis. Ct. App. 2004)).

A duty to make periodic payments is such a continuing duty. As *Jensen* explained in the context of a pension dispute, “[b]ecause the right to receive periodic payments under a pension is a continuing right, the statute of limitations runs from the time when an installment is due under the pension.” 415 N.W.2d at 561. There, the defendant had “repudiated its contract to pay [the plaintiff] a pension,” and the plaintiff brought suit seven years after the repudiation—despite the six-year limitations period. *Id.* at 561-62. Under the periodic payments rule, the court held timely the claims for payments due within six years of the suit because each installment gave rise to a new claim. *Id.*

Similarly, in *Noonan* the defendant changed in 1985 how it calculated annuity payments; the plaintiffs “learned of the change in 2000” and filed suit. 687 N.W.2d

at 257. The court held timely the claims for “breach of the contracts over the six years prior to filing of [the] action.” *Id.* at 262. That was so despite the initial 1985 breach and subsequent annual breaches outside the six-year limitations period. *Id.*; *see Butler v. Kirby*, 10 N.W. 373, 374-75 (Wis. 1881) (claims within limitations period timely despite first breach occurring twelve years before suit); *Policemen’s Annuity*, 630 N.W.2d at 240-43 (“[E]ach improper payment triggered the statute of limitations, rendering the current action timely filed.”).

Under the periodic payments doctrine, Washington University has timely claims for WARF’s underpayments during the limitations period. WARF had a continuing contractual obligation to make annual payments. A225 (§5.B). As each year’s payment came due, a new obligation arose. Those annual payment obligations gave rise to separate breaches. As in *Jensen*, *Noonan*, *Butler*, and *Policemen’s Annuity*, it does not matter whether those underpayments trace back to a computation or other act before the limitations period. Thus, even if WARF had no duty to revalue after the 1998 valuation, the district court correctly found that “each annual underpayment gave rise to a new claim for breach of contract, triggering a new six-year statute of limitations period on each claim.” A170.

WARF incorrectly suggests (at 47-48) that this Court held the periodic payments doctrine would apply here only if WARF had a duty to reassess relative value. Not so. This Court focused on whether the doctrine applied in the *presence*

of such a duty on WARF's part. *Washington Univ.*, 703 F. App'x at 108. The Court identified a triable issue of fact "material" to that contention, holding "that the District Court erred" in entering summary judgment against Washington University. *Id.* at 109. Contrary to WARF's assertion (at 21-22), this Court never addressed whether, in the *absence* of a duty to revalue, the periodic payments doctrine would apply for the reasons outlined in *Jensen, Noonan, Butler, and Policemen's Annuity*.⁴

WARF also contends that the underpayments were not breaches because WARF determined each payment "in accordance with" the assigned relative value. WARF Br. 48 (citing A224 (§3.A.iii)). But WARF ignores that the Agreement required WARF to pay the amount "due under this Agreement" each year. A225 (§5.B)). WARF's annual underpayments breached that requirement. More fundamentally, WARF's argument disregards Wisconsin's periodic payments doctrine, which makes each improper payment a separate breach—even if made in accordance with an earlier breach outside the limitations period.

The same error underlies WARF's attempt to distinguish *Jensen, Noonan, Butler, and Policemen's Annuity* as cases involving "multiple, distinct *breaches*."

⁴ Nor did Washington University suggest this Court misread Wisconsin law. *Contra* WARF Br. 47. Washington University contended that *WARF's argument* that a revaluation duty was "a prerequisite for applying Wisconsin's periodic payment doctrine" "misreads Wisconsin law and the Third Circuit's opinion in this case." SA62, SA68.

WARF Br. 49 (emphasis by WARF). They involved multiple breaches precisely because the periodic payments rule makes each improper payment a distinct breach. WARF argues (at 50) this case would be similar only if WARF had been “obligated to determine the ’815 patent’s relative value each and every year.” But the defendant in *Jensen*, for example, did not re-determine the payment each year. It determined once it would pay no pension, yet the court held each subsequent missed payment a separate breach. 415 N.W.2d at 562-63. The same was true in *Noonan*: the plaintiff challenged a single determination—the defendant’s decision to calculate annuity payments in a certain way. 687 N.W.2d at 259. Because later annual payments were calculated and made based on that determination, “a breach occurred every year.” *Id.* at 262. And in *Butler*, the employer had paid the employee \$40 instead of the agreed-to \$48 every month since 1866, and the Wisconsin Supreme Court held the employee could recover each monthly underpayment in the six years preceding his 1878 suit. 10 N.W. at 374-75.

Unable to distinguish Wisconsin decisions, WARF relies on decisions applying other states’ laws. Wisconsin law governs. Even if some jurisdictions apply a different rule, they would be outliers—Wisconsin’s is the prevailing rule. 10-53 Corbin on Contracts §§ 53.6, 53.14 (surveying decisions); *Lutz v. Chesapeake Appalachia, LLC*, 717 F.3d 459, 468-70 (6th Cir. 2013) (same).

This ground alone sustains the periodic payments ruling.

C. The District Court Correctly Interpreted The Agreement As Unambiguously Imposing A Duty To Revalue

The periodic payments ruling is correct for the additional reason that the Agreement's Relative Value Clause required WARF to revisit the '815 patent's value every year (A154-57, A169-70), which WARF concedes it never did (at 42).

If the parties' "intent can be determined with reasonable certainty from the face of the contract itself, there is no need to resort to extrinsic evidence." *Eden Stone Co. v. Oakfield Stone Co.*, 479 N.W.2d 557, 562 (Wis. Ct. App. 1991). Courts interpret contracts by "giving the words their plain meaning, reading as a whole, and giving effect where possible to every provision." *Star Direct, Inc. v. Dal Pra*, 767 N.W.2d 898, 913 (Wis. 2009).

Applying those principles, the district court correctly held the Agreement requires an annual evaluation of "relative value." A154-57. The Agreement's plain terms specify an annual determination: WARF must pay the "share of Net Revenue due under this Agreement *every 12 months ... for the preceding 12-month period.*" A225 (§5.B) (emphases added). That annual determination necessarily includes the assignment of relative value, because the "share of Net Revenue due" depends upon WARF's "authority to assign relative values." A224 (§3.A.iii). Specifically, "the portion of the gross receipts ... which shall be Income hereunder to be divided with" Washington University "shall be determined in accordance with such relative

values.” A224 (§3.A.iii). So WARF must assign relative values that reflect the amount due “every 12 months ... for the preceding 12-month period.” A225 (§5.B).

As the district court explained, the context of those provisions confirms that the relative values must reflect an annual evaluation. The Relative Value Clause resides within a section addressing revenue and expenses that necessarily “change from year to year.” A155; A223 (§3). The amount “due under this Agreement” every year depends on the “monetary payments ... received by WARF,” “costs and expenses incurred by WARF,” and the portion of the payments “derived from” different geographical areas. A222 (§1 definitions), A223-24 (§3). Those all require evaluation “every 12 months ... for the preceding 12-month period” (A225 (§5.B)).

And “when the parties sought to include specific percentage allocations, they did so clearly.” A155; *e.g.*, A222 (§1.G), A223 (§3.A.i). By contrast, the Relative Value Clause uses “broad and open language” to give WARF “flexibility to specifically reflect the value of the ’815 patent in the portfolio over time.” A156.

WARF’s contrary interpretation would contradict the Agreement’s purpose and yield absurd results. *Solowicz v. Forward Geneva Nat’l, LLC*, 780 N.W.2d 111, 124 (Wis. 2010) (holding contract “unambiguous in light of its purpose”); *Star Direct*, 767 N.W.2d at 913 (interpretations must “avoid absurd results”). The Agreement expressly exists “for sharing income derived from licensing of the Patent.” A221 (Third Whereas Clause). But if WARF could calculate the payment

in one year using a different year's relative value, that would not reflect the income "derived from" licensing that year. Nor would using an outdated relative value serve the purpose of the Relative Value Clause—to calculate payment "every 12 months ... for the preceding 12-month period." Under WARF's interpretation, the Agreement would permit WARF to calculate, say, Washington University's 2007 share of income using 2007 revenues, costs, expenses, and geographical allocation, but to use a relative valuation accurate only in 1998. Under WARF's reading, that would be so even if every other licensed patent expired by 2007. The district court correctly avoided that absurd result.

WARF's sole argument about the Agreement's terms (at 19-20) is that the Relative Value Clause is silent about revaluation. WARF's focus on the Relative Value Clause in isolation ignores the "cardinal rule of contract construction that the meaning of a particular provision in a contract is to be ascertained with reference to the contract as a whole." *Crown Life Ins. Co. v. LaBonte*, 330 N.W.2d 201, 206 (Wis. 1983). The text, context, and purpose of the Agreement demonstrate that WARF must apply annually a current relative value.

Turning away from the Agreement's text, WARF argues (at 21-22) the district court's interpretation contradicts this Court's earlier opinion. But this Court never reached the question whether the Agreement unambiguously required annual revaluation. The district court had not yet interpreted the Relative Value Clause (as

WARF acknowledges (at 12)), so neither did this Court. A152, A153 n.130; *Washington Univ.*, 703 F. App'x at 108. Instead, this Court agreed with Washington University that summary judgment in WARF's favor was inappropriate because "[o]n this record," a triable issue of fact existed "as to whether WARF and the University intended that the '815 Patent would be revalued." *Washington Univ.*, 703 F. App'x at 109. WARF now tries to cast a sentence from this Court about "WARF's arguments" (*id.*) as rejecting an argument not before the Court. This Court decided only that WARF was wrong that the Agreement expressly *precluded* revaluation. *Id.* It had no occasion to address whether the Agreement expressly *required* revaluation.

WARF argues the district court's interpretation of the Agreement's "four corners" (A154-57) "erroneously disregarded extrinsic evidence." WARF Br. 22-25. But "[i]f the contract is unambiguous, [the court's] attempt to determine the parties' intent ends with the four corners of the contract, without consideration of extrinsic evidence." *Huml v. Vlazny*, 716 N.W.2d 807, 820 (Wis. 2006). WARF's only cited authority interpreted an "ambiguous" term. *Wisconsin Employment Relations Bd. v. Gateway Glass Co.*, 60 N.W.2d 768, 769 (Wis. 1953). Contrary to WARF's argument (at 22-23), Wisconsin courts do not "consider trade practice and custom in determining *whether* a provision is ambiguous." *BV/BI, LLC v. InvestorsBank*, 792 N.W.2d 622, 628-29 (Wis. Ct. App. 2010) (emphasis in

original). The only other so-called evidence WARF cites (at 24) is Washington University's trial arguments, which are not extrinsic evidence at all, let alone capable of changing unambiguous contract terms.

WARF insists (at 24-25) the district court's determination that the '815 patent's proper relative valuation was the same every year since 1998 "contradicted" a duty to revalue annually. There is no contradiction. Such an annual duty does not dictate a duty to come to a different outcome each year. Under the court's now-uncontested finding, if WARF had complied with the Agreement, it would have determined each year that the relative value was 27.1%. A186-87. Instead, WARF never corrected the 0.968% gross undervaluation because it undisputedly failed to revisit it. A44 n.39, A169-70; WARF Br. 42.

Finally, WARF contends (at 25-26) the district court erred by relying on *contra proferentem*. But the district court explained its holding did not depend on that rule: "the doctrine of *contra proferentem* only serves to reinforce that which the Court has already determined through the intrinsic record." A157 n.134.

D. The District Court Correctly Found That, Even Were The Agreement Ambiguous, Extrinsic Evidence Reflected A Duty To Revalue

The conclusion that Washington University's claims post-2007 are timely is correct for yet another reason: a duty to revalue existed even "if the Relative Value Clause were ambiguous." A154, A157-58.

1. Substantial evidence supports the district court's findings

“When the contract language is ambiguous,” “evidence extrinsic to the contract itself may be used to determine the parties’ intent.” *Maryland Arms Ltd. P’ship v. Connell*, 786 N.W.2d 15, 20-21 (Wis. 2010). Relevant extrinsic evidence includes customary industry understandings, because “a contract is to be interpreted in the manner that it would be understood by persons in the business.” *Columbia Propane, L.P. v. Wisconsin Gas Co.*, 661 N.W.2d 776, 783 (Wis. 2003).

The district court found, “according to the extrinsic evidence” of “relevant professional standards governing ... the assignment of relative value,” that the Relative Value Clause required WARF to revalue the patents

(1) when patents in the portfolio expire, (2) when total license revenues range above \$10 million or more, (3) when the junior party challenges the senior party’s valuation of a patent, (4) when an inventor challenges the valuation of a patent, (5) when the senior party discovers that the valuation of a patent is based upon a mistaken assumption, such as whether a patent reads on an FDA-approved indication for a patented compound, or (6) to avoid injustice.

A44-47, A157-58. This interpretation, which requires WARF to perform the contract to avoid injustice, is bolstered by the principle that “ambiguous contracts are interpreted against the drafter.” *Maryland Arms*, 786 N.W.2d at 21.

Ample evidence supports the court’s findings, which are reviewed only for clear error. *Jones*, 277 N.W.2d at 819; *Matter of Barclay Indus., Inc.*, 736 F.2d 75,

78 (3d Cir. 1984). Contrary to WARF's gap-filling characterization (at 27), the court properly used extrinsic evidence to determine the parties' "inten[t]" if the contract "were ambiguous." A153-54. The court relied on testimony from both parties' experts about the "common practice in the university tech transfer industry." A534 (Tr.1028:4-1029:16) (WARF's expert Dr. Severson); A46-47. WARF's own expert identified circumstances that would trigger a duty to revalue. He agreed, for example, that if WARF had discovered a mistaken assumption in its relative valuation, WARF "had a duty to revalue," "because WARF has a duty to be fair." A534 (Tr.1028:4-21); A46-47. And he agreed a duty to revalue would customarily arise "if a challenge is made by an interested stakeholder." A534 (Tr.1028:22-1029:4); A46. Washington University's expert, Dr. Cleare, testified that revaluation also would be customary to prevent "a real injustice," when patents expire, or when the revenues are substantial. A357 (Tr.318:21-320:10); A46. He agreed with WARF's expert that a challenge from an inventor or junior party would customarily trigger revaluation. A359 (Tr.327:10-328:15); A46.

WARF cannot show clear error. WARF disputes (at 34-37) only whether the evidence supports the court's first two circumstances, patent expiration and license revenues exceeding \$10 million. Regardless, the court's holding can rest on the other four circumstances. And Dr. Cleare identified patent expiration and substantial royalties as two examples of "cases where you don't want to cause an injustice" and

so would require revaluation. A357 (Tr.319:21-320:10). Contrary to WARF's suggestion (at 35-36), Dr. Cleare expressly presented these as examples of "major events" in which revaluation would be expected to avoid "an injustice." A357 (Tr.318:23-320:10).

Nor is the finding that patent expiration triggers a duty to revalue clearly erroneous just because expired patents sometimes receive royalties. *Contra* WARF Br. 35-36. Dr. Cleare testified that universities would revisit relative valuation upon patent expiration (including to avoid patent misuse)—not that the expired patent's valuation must always change to zero. A357 (Tr.319:21-320:3). And Dr. Cleare's testimony about the money "involved" supports the district court's inference that he was referring to license revenues, and his contrast between "a couple of million bucks" and "tens of millions" supports the court's determination that ten million dollars was a proper dividing line. A357 (Tr.320:6-10); A46-47.

2. *WARF shows no error in the court's findings on uniformity, knowledge, and timing*

WARF shows (at 27-32) no clear error in the findings that the relevant industry understandings were sufficiently uniform, known, and existent at the time of the Agreement.

Uniformity: "[A] uniform trade custom" is one extensive enough "that the majority of such transactions are had in view of the custom," as WARF's own authority explains. *Ross v. Northrup, King & Co.*, 144 N.W. 1124, 1128

(Wis. 1914); WARF Br. 28. The court satisfied that requirement by finding that “the relevant professional standards governing ... the assignment of relative value were prevalent in the industry.” A45. That finding draws WARF’s expert’s explanation that “common practice in the university tech transfer industry” required revaluation in certain circumstances. A534 (Tr.1028:22-1029:4). And both parties’ experts testified about “professional experience” with such “commonly accepted practices.” A319 (Tr.166:19-168:14), A322-23 (Tr.178:12-182:15), A323-24 (Tr.184:22-185:19) (Dr. Cleare); A534 (Tr.1028:4-1029:16) (Dr. Severson). WARF tries (at 30) to avoid that evidence by noting that revaluation is uncommon. But even if the duty to revalue is rarely triggered (or rarely reduced to writing), that this case triggered it only underscores how “exceptional” WARF’s misconduct was. A158 n.137.

Knowledge: The district court found that the professional standards were “known to the parties.” A45. That was not clearly erroneous. Both parties’ experts testified about understandings common throughout the industry, and no evidence indicated that WARF or Washington University was uniquely unaware. WARF itself engaged in revaluation, as the court found. A153 n.131. At a minimum, actual knowledge “could be reasonably inferred” from that evidence. *S.R.P. ex rel. Abunabba v. United States*, 676 F.3d 329, 340 (3d Cir. 2012).

WARF nevertheless argues (at 30) the testimony and findings regarding knowledge did not specifically address the court's six circumstances. But "the relevant professional standards," of which the court found actual knowledge, includes those six circumstances. A45-47. It is irrelevant that Washington University's post-trial brief focused on a subset; those arguments cannot render the finding clearly erroneous. *Contra* WARF Br. 30-31.

Regardless, no knowledge finding is required. As WARF's cited authority explains, "[i]t is not the law that ignorance of a general trade custom relieves a party from the effect of it." *Ross*, 144 N.W. at 1128. Instead, "[w]here the custom is general, it will be presumed to have entered into the contract, and one may be bound thereby, although ignorant." *Id.* (emphasis omitted). WARF relies on an exception for when customs are used to "add terms to the contract" instead of to "define what is ambiguous." *Id.*; WARF Br. 29. But the district court did the latter, using extrinsic evidence "if the Relative Value Clause were ambiguous." A154, A157-58.

Timing: The district court found the relevant standards prevalent and known "at the time of the [Agreement]." A45. WARF challenges that finding as clearly erroneous because Dr. Cleare's experience in the university context dated to 2000 and the Agreement was signed in 1995. But the district court had ample evidence that the relevant standards were longstanding. WARF's expert, who was in the industry in 1995, agreed it was customary to revalue in certain circumstances. A534

(Tr.1028:4-1029:16). And Dr. Cleare testified about common understandings from his nearly two decades of industry experience, including the negotiation of “[h]undreds” of university licensing agreements. A319-20 (Tr.166:19-170:13). Neither expert testified (nor has WARF argued) that the revaluation customs Dr. Cleare described changed between 1995 and 2000.

WARF erroneously suggests (at 31-32) a factfinder cannot infer that a later-existing custom existed five years earlier. But unlike here, the “finding” in the sole case WARF cites covered only time after contract formation. *Dieck v. Oconto Co.*, 180 N.W. 932, 935 (Wis. 1921). Even there, the court affirmed because there was “no reason to believe that the custom found by the jury suddenly came into existence within a year after this contract was made.” *Id.* at 936.

3. *The district court correctly declined to rely on evidence barred by the Integration Clause*

WARF argues (at 32-34) the district court erred in declining to rely on contemporaneous correspondence between the parties. But “when the contract contains an unambiguous merger or integration clause, the court is barred from considering evidence of any prior or contemporaneous understandings or agreements between the parties.” *Town Bank v. City Real Estate Dev., LLC*, 793 N.W.2d 476, 486 (Wis. 2010). As the district court determined and WARF does not dispute, the Agreement contained an integration clause precluding alteration by

“prior agreements” or subsequent unsigned “amendment or modification.” A227-28 (§13); A47, A147-48.

The integration clause does not implicate the consideration of industry custom (contrary to WARF’s argument (at 33-34), made here for the first time). A court interpreting a fully integrated contract can use permissible extrinsic evidence to resolve ambiguities. *Huml*, 716 N.W.2d at 820; *Jackson Elec. Co-op. v. Brockway Sanitary Dist. No. 1*, 2000 WL 1425754, at *3 (Wis. Ct. App. 2000) (unpublished).

Regardless, the district court did not clearly err. WARF points (at 33) only to correspondence silent about revaluation. That hardly establishes clear error in the court’s decision to assign greater weight to testimony affirmatively establishing a duty to revalue. A154 n.132 (finding WARF’s parol evidence did “not assist the Court”).

4. *The district court correctly applied the periodic payments doctrine*

WARF argues (at 32-33) the court erred in relying on extrinsic evidence because the court also had concluded that the Agreement unambiguously contained a duty to revalue. But the court issued alternative holdings, not contradictory ones. It interpreted the Agreement’s four corners alone, then examined extrinsic evidence only assuming “the Relative Value Clause were ambiguous.” A154, A157-58.

WARF argues (at 53) the court erred in applying the periodic payments doctrine based on a duty to revalue in certain circumstances because the court found

WARF breached only a duty to revalue “every year.” But WARF ignores that the district court found a breach of the duty to revalue “to avoid injustice.” A169.

Uncontested findings establish that annual breach. The court found WARF’s initial valuation of the co-owned patent “arbitrary and self-dealing,” lacking “any economic justification.” A124-31. The court found the ’815 patent “equally as valuable, if not more valuable,” than the WARF-owned patents to which WARF assigned 70% of the portfolio’s value, yet WARF assigned the ’815 patent the same 0.968% valuation as patents with “little to no relationship to Zemplar.” A126-31. That, the court found, “improperly favored [WARF’s] own affiliated university and its own inventors at the expense of Washington University.” A127, A131. WARF then “hid this from WashU for as long as possible.” A109. Each year, WARF undisputedly failed to revalue the patent and correct these injustices.

E. The Periodic Payments Doctrine Makes Washington University’s Claims Timely For Breaches Within The Limitations Period

Unable to show error in the three alternative grounds supporting the periodic payments ruling, WARF argues (at 53-55) that its 1998 breach was a “single total breach” precluding invocation of the doctrine. That argument fails.

For one, whether a total breach occurred is a fact question, requiring a finding of “so serious a breach of the contract by the other party as to destroy the essential objects of the contract.” *Mgmt. Computer Servs., Inc. v. Hawkins, Ash, Baptie & Co.*, 557 N.W.2d 67, 77-78 (Wis. 1996). Contrary to WARF’s suggestion (at 53),

the district court expressly rejected WARF's contention that a "single total breach" occurred. A167-69.

For another, under Wisconsin law, WARF's 1998 undervaluation could not have been a total breach. An initial error leading to periodic underpayments is not a total breach. *E.g.*, *Noonan*, 687 N.W.2d at 257. Even complete "repudiation" of an obligation to make periodic payments "does not give rise to a claim for damages for total breach." *Jensen*, 415 N.W.2d at 562.

WARF's cited cases do not hold otherwise. *Segall v. Hurwitz* did not involve periodic payments. 339 N.W.2d 333, 342-43 (Wis. Ct. App. 1983). *Messner* never addresses total breach. *Messner Manor Assocs. v. Wisconsin Housing & Economic Development Authority*, 555 N.W.2d 156 (Wis. Ct. App. 1996). The defendant there allegedly set an improper interest rate, and the plaintiff made periodic payments using that rate (unlike here, where the *defendant* made the payments). *Id.* at 158-59. The holding was (as WARF acknowledges) "that the defendant was not in breach." WARF Br. 54; *see Messner*, 555 N.W.2d at 159-60 (distinguishing *Jensen* because *Messner* "does not involve a repudiation or a breach"). *Messner* also stated that, because the events "did not constitute breaches of the agreement," the claim "is time barred." 555 N.W.2d at 160. Even at face value, that statement is irrelevant here, where WARF did breach. Moreover, as the same court clarified, "that statement is an obvious drafting error." *Jahn Transfer, Inc. v. Horizon (H&S) Freightways, Inc.*,

2012 WL 2135503, at *2 (Wis. Ct. App. 2012) (unpublished). Contrary to WARF's suggestion (at 54 n.3), dictum is not precedent, much less dictum later designated erroneous. *See State v. Lee*, 458 N.W.2d 562, 563 n.4 (Wis. Ct. App. 1990) (“[W]e may withdraw dictum.”).

Lacking any Wisconsin authority, WARF turns to a non-precedential interpretation of another jurisdiction's law. WARF Br. 55 (citing *Air Transp. Ass'n of Am. v. Lenkin*, 711 F. Supp. 25, 27 (D.D.C. 1989) (applying District of Columbia law), *aff'd on other grounds*, 899 F.2d 1265 (D.C. Cir. 1990)). That decision's policy concern with justifiable reliance by defendants is irrelevant here, where WARF perpetuated its contract interpretation by concealment and misrepresentation. Regardless, Wisconsin has a different policy: plaintiffs may challenge a contract's interpretation even though suit could have been brought earlier. *E.g.*, *Noonan*, 687 N.W.2d at 262. Here, the periodic payments doctrine gives Washington University timely claims against WARF's subsequent breaches.

III. ON ITS CROSS-APPEAL, WASHINGTON UNIVERSITY IS ENTITLED TO PREJUDGMENT INTEREST

On Washington University's cross-appeal, this Court should increase the judgment by 5% in prejudgment interest through the entry of judgment on November 26, 2018. Wis. Stat. § 138.04.

A. Standard Of Review

Entitlement to prejudgment interest under Wisconsin law is a legal question. *R.S. Deering Mech. Contractors v. Livesey Co.*, 468 N.W.2d 758, 758-59 (Wis. Ct. App. 1991).

B. Prejudgment Interest Is Required When Damages Are Determinable

Wisconsin's longstanding rule is that "he who retains money which he ought to pay to another should be charged interest upon it." *Laycock v. Parker*, 79 N.W. 327, 335 (Wis. 1899). Prejudgment interest compensates the plaintiff for "the value of the use of the money—a value which should be accruing for the benefit of the plaintiff-creditor" but "was accruing to the defendant-debtor instead." *Johnson v. Pearson Agri-Sys., Inc.*, 350 N.W.2d 127, 131 (Wis. 1984).

Wisconsin law requires prejudgment interest where "the probable pecuniary amount or money value thereof could have been computed ... to a reasonable certainty." *Dahl v. Hous. Auth. of City of Madison*, 194 N.W.2d 618, 622-23 (Wis. 1972). This is not a high bar for the plaintiff. A mere "dispute or difference of opinion as to amount" cannot avoid prejudgment interest. *Id.* Wisconsin courts award prejudgment interest for "market value," so long as the defendant could have determined that value "had he made an honest effort." *Laycock*, 79 N.W. at 335. And a "dispute as to a defendant's liability has never been recognized as a bar to the

payment of interest.” *Nelson v. Travelers Ins. Co.*, 306 N.W.2d 71, 77 (Wis. 1981); *see Giffen v. Tigerton Lumber Co.*, 132 N.W.2d 572, 575 (Wis. 1965).

Under these principles, when a defendant withholds a determinable contract payment, interest must be paid from the time fixed for payment under the contract. *Laycock*, 79 N.W. at 335. In *Pollack v. Calimag*, the contract required a clinic to pay a doctor based on a contractual formula, which turned in part on the portion of the clinic’s revenue attributable to him. 458 N.W.2d 591, 601 (Wis. Ct. App. 1990). The clinic could not avoid prejudgment interest just because the contract did not specify that amount. *Id.* Interest was warranted because “the accounts receivable creditable to [the doctor] were ascertainable at any given time.” *Id.*; *see R.S. Deering*, 468 N.W.2d at 759-60.

Prejudgment interest likewise was required in *Giffen*, 132 N.W.2d at 574-75. The defendant there did not dispute it owed the plaintiff the reasonable value of his services; the parties disputed what was reasonable. *Id.* The Wisconsin Supreme Court affirmed that the defendant owed prejudgment interest even though the reasonable value of plaintiff’s services was not resolved until after the trial court’s determination: “[m]ere difference of opinion as to amount is, however, no more a reason to excuse him from interest than difference of opinion whether he legally ought to pay at all, which has never been held an excuse.” *Id.* at 575.

C. WARF Must Pay The Time Value Of The Wrongly Withheld Millions

These principles require prejudgment interest here. WARF was always able to determine what it owed. After all, the Agreement's premise was that WARF would calculate and make the payments on its own. And because of WARF's concealment, WARF always had the necessary information within its "exclusive control." A106. The district court also found that the proper relative valuation of the co-owned patent was determinable by a reasonably certain, objective standard: "namely, WARF's relative valuation methods as applied to patents similarly situated to the '815 patent." A188. So, as the district court found, the 27.1% relative valuation represents the valuation "that WARF could have applied in 1998, based upon what was known to WARF at the time," using its own approach to other patent portfolios. A186; A88-90 ("WARF had ample information to determine a patent-specific relative value for the '815 patent using industry-standard principles"); A124-31 ("WARF knew at the time it performed its relative valuation that the '815-patent was one of the most important patents in the Abbott portfolio"); A98, A182-86 (applying WARF's Multiple Sclerosis Income Division Memo).

These findings should have dictated an interest award. Instead, the court denied interest solely because it believed that, "before this lengthy opinion," the amount owed was not "sufficiently certain." A188. WARF cannot avoid interest on that basis. WARF "grossly" underpaid Washington University for well over a

decade (A177), when WARF could have determined the amount due with “an honest effort.” *Laycock*, 79 N.W. at 335. Just as in *Giffen*, WARF cannot avoid paying Washington University the time value of the wrongly withheld money because of a “[m]ere difference of opinion as to amount” owed. 132 N.W.2d at 574-75.

That is particularly true here, where WARF did not meaningfully contest the proper relative valuation. The district court’s opinion was largely about other issues, such as the meaning of the Relative Value Clause and WARF’s limitations defense. The district court found that “[n]one of WARF’s fact or expert witnesses disputed WashU’s showing that no Ancillary Patent, other than the ’815 patent, contributed substantial value to Zemplar.” A182; *see* A185-86 (finding Washington University’s evidence “unrebutted”). Thus, the court found that WARF did “not identify a single factual issue that would prevent the Court from determining damages with reasonable certainty.” A187; *see* A187 n.150 (“WARF does not generally dispute WashU’s method of calculating damages, and WARF’s repudiation of its prior admissions about the ’815 patent’s value do not give rise to a genuine dispute over some measure of damages.”). So as the court found, WARF could determine the proper relative valuation, at least within “a reasonable range of patent-specific values between 27.1% and 33%.” A188. That suffices under Wisconsin law, which does not require absolute precision. *Dahl*, 194 N.W.2d

at 622-34 (holding that the defendant need only be able to determine “the probable pecuniary amount” of damages “to a reasonable certainty” (alteration omitted)).

In any event, the dispute between the parties over the meaning of the Relative Value Clause and its proper application to the co-owned patent was a question of WARF’s obligations under the Agreement. At trial, WARF argued its assignment of a 0.968% relative valuation was not a breach. A133; SA119-20. Such a liability dispute does not preclude the payment of interest. *Nelson*, 306 N.W.2d at 76-77; *Giffen*, 132 N.W.2d at 575; *United Capitol Ins. Co. v. Bartolotta’s Fireworks Co.*, 546 N.W.2d 198, 203-04 (Wis. Ct. App. 1996). Once the district court determined that WARF’s obligations required it to remit 27.1% to Washington University, the damages amount flowed from the Agreement’s express mathematical formulas: the total licensing revenues, multiplied by 27.1%, minus administrative fees and patent expenses, multiplied by Washington University’s one-third share. A37; A44; *see* A175 (WARF did not challenge this calculation). That mathematical formula is a quintessentially objective standard.

For all these reasons, WARF cannot escape paying Washington University prejudgment interest. WARF “could have avoided liability for interest on those determinable damages simply by tendering” the amount owed to Washington University. *Pollack*, 458 N.W.2d at 601. At a minimum, WARF would owe less interest if it had paid Washington University an amount much closer to the true

relative value of the co-owned patent. Instead, WARF chose to keep millions of dollars belonging to Washington University, and now it must pay interest as compensation.

CONCLUSION

The judgment against WARF should be affirmed. The judgment should be increased by 5% in prejudgment interest through November 26, 2018 (or the case remanded for that limited purpose).

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Third Circuit by using the CM/ECF system on June 3, 2019.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

Dated: June 3, 2019

s/ Deanne E. Maynard

THIRD CIRCUIT LAR 28.3(d) CERTIFICATION

I hereby certify that at least one of the attorneys whose names appear on the brief is a member of the bar of this Court.

Dated: June 3, 2019

s/ Deanne E. Maynard

**CERTIFICATE OF COMPLIANCE UNDER
FRAP 28.1(e)(2)(B) AND THIRD CIRCUIT LAR 31.1(c)**

This brief complies with the type-volume limitation of Rule 32(a) of the Federal Rules of Appellate Procedure because it contains 15,296 words.

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