



USFC2004-1609-01

{014E9B48-012D-4509-B12D-DEB3B56A0B8B}

{61666}{05-050608:114502}{060305}

APPELLEE'S BRIEF

WEST/CRS

04-1609, 05-1141, -1202

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

GOLDEN BLOUNT, INC.,

Plaintiff-Appellee,

v.

ROBERT H. PETERSON CO.,

Defendant-Appellant.

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

JUN 3 2005

JAN HORBALY
CLERK

**APPEALS FROM THE UNITED STATES DISTRICT COURT FOR
THE NORTHERN DISTRICT OF TEXAS IN CASE NO. 3:01-CV-127,
SENIOR JUDGE JERRY BUCHMEYER AND MAGISTRATE JUDGE
PAUL D. STICKNEY**

**BRIEF OF PLAINTIFF-APPELLEE
GOLDEN BLOUNT, INC.**

Charles W. Gaines
Greg H. Parker
HITT GAINES, P.C.
Palisades Central II
2435 N. Central Expy.
Suite 1300
Richardson, Texas 75080
(972) 480-8800

William D. Harris, Jr.
SCHULTZ & ASSOCIATES
5400 LBJ Freeway
One Lincoln Centre
Suite 1200
Dallas, Texas 75024

June 3, 2005

04-1609, 05-1141, -1202

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

GOLDEN BLOUNT, INC.,

Plaintiff-Appellee,

v.

ROBERT H. PETERSON CO.,

Defendant-Appellant.

**APPEALS FROM THE UNITED STATES DISTRICT COURT FOR
THE NORTHERN DISTRICT OF TEXAS IN CASE NO. 3:01-CV-127,
SENIOR JUDGE JERRY BUCHMEYER AND MAGISTRATE JUDGE
PAUL D. STICKNEY**

BRIEF OF PLAINTIFF-APPELLEE
GOLDEN BLOUNT, INC.

Charles W. Gaines
Greg H. Parker
HITT GAINES, P.C.
Palisades Central II
2435 N. Central Expy.
Suite 1300
Richardson, Texas 75080
(972) 480-8800

William D. Harris, Jr.
SCHULTZ & ASSOCIATES
5400 LBJ Freeway
One Lincoln Centre
Suite 1200
Dallas, Texas 75024

June 3, 2005

CERTIFICATE OF INTEREST

Counsel for Golden Blount, Inc., certifies the following:

1. The full name of every party of amicus represented by the counsel is:

Golden Blount, Inc.

2. The name of the real party in interest represented by this counsel, if the party named in the caption is not the real party in interest:

Not applicable

3. All parent companies and any publicly held companies that own 10 percent or more of the stock of the party or amicus represented by this counsel are:

Not applicable

4. The name of all firms and the partners or associates that appeared for the party or amicus now represented by this counsel in the trial or agency or are expected to appear in this court are:

Charles W. Gaines
Greg H. Parker
HITT GAINES, P.C.
Palisades Central II
2435 N. Central Expy.
Suite 1300
Richardson, Texas 75080
(972) 480-8800

William D. Harris, Jr.
SCHULTZ & ASSOCIATES
5400 LBJ Freeway
One Lincoln Centre
Suite 1200
Dallas, Texas 75024

Roy W. Hardin
LOCKE LIDDELL & SAPP, LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201-6776

TABLE OF CONTENTS

CERTIFICATE OF INTEREST	i
TABLE OF AUTHORITIES	iv
STATEMENT OF RELATED CASES	1
JURISDICTIONAL STATEMENT	2
STATEMENT OF ISSUES PRESENTED FOR REVIEW	2
STATEMENT OF THE CASE	3
STATEMENT OF THE FACTS	5
A. Pre-trial Background	5
1. Peterson’s Activities Following the Notice	7
2. Peterson’s Willful Disregard of the Patent	8
3. Peterson’s Sales of Its Infringing Device from Notice through Trial	10
B. The District Court’s September 2, 2004, Findings	11
1. Literal Infringement-Direct	11
2. Peterson’s Contributory and Induced Infringement	12
3. Damages Assessed against Peterson	13
4. The District Court’s Findings of Peterson’s Willfulness and Exceptional Case	15
5. Proceedings on Remand	15
SUMMARY OF THE ARGUMENT	17
STANDARD OF REVIEW	21
ARGUMENT	23
A. The District Court Had Jurisdiction To Change Its Judgment	23
1. The District Court Vacating Its June 22, 2004, Findings Was Not Clearly Erroneous	24

2.	The August 18, 2004, Minute Order Was Not An Appealable Judgment, And Adoption Of The September 2, 2004, Findings Was Not Clearly Erroneous	28
B.	The District Court’s Findings Regarding Infringement Are Not Clearly Erroneous	34
1.	Peterson’s Direct Infringement	34
2.	Peterson’s Contributory Infringement	43
3.	Peterson’s Induced Infringement	45
4.	The Doctrine of Equivalents	49
C.	Peterson’s Willful Infringement	50
D.	Damages	52
E.	Exceptional Case	58
CONCLUSION		60
CERTIFICATE OF COMPLIANCE WITH FED. R. CIV. P. 32(e)(7)(B)		61
CERTIFICATE OF SERVICE		62

TABLE OF AUTHORITIES

<u>CASES</u>	<u>PAGE</u>
<i>Amstar Corp. v. Envirotech Corp.</i> , 823 F.2d 1538 (Fed. Cir. 1987)	34
<i>Amsted Industries, Inc. v. Buckeye Steel Casings Co.</i> , 24 F.3d 178 (Fed. Cir. 1994)	23
<i>Anderson v. City of Bessemer</i> , 470 U.S. 564 (1985)	30
<i>Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co.</i> , 377 U.S. 476 (1964)	48
<i>Beatrice Foods Co. v. New England Printing & Lithographic Co.</i> , 899 F.2d 1171 (Fed. Cir. 1991)	55
<i>Biovail Corp. Int'l v. Andrx Pharms., Inc.</i> , 239 F.3d 1297 (Fed. Cir. 2001)	22
<i>Brooktree Corp. v. Advanced Micro Devices, Inc.</i> , 977 F.2d 1555 (Fed. Cir. 1992)	58
<i>Brown & Williamson Tobacco Corp. v. Philip Morris Inc.</i> , 229 F.3d 1120 (Fed. Cir. 2000)	21
<i>Continental Connector v. Houston Fearless</i> , 350 F.2d 183 (9th Cir. 1965)	29
<i>Datascope Corp. v. SMEC, Inc.</i> , 879 F.2d 820 (Fed. Cir. 1989)	34
<i>Del Mar Avionics, Inc. v. Quinton Instrument Co.</i> , 836 F.2d 1320 (Fed. Cir. 1987)	57
<i>Donald H. Rumsfeld, Secretary of Defense v. Applied Companies, Inc.</i> , 325 F.3d 1328 (Fed. Cir. 2003)	24

<i>Dow Chemical Co. v. Mee Industries</i> , 341 F.3d 1370 (Fed. Cir. 2003)	47, 48
<i>Dynacore Holdings Corp. v. U.S. Philips Corp.</i> , 363 F.3d 1263 (Fed. Cir. 2004)	47
<i>Electro Scientific Industries, Inc. v General Scanning, Inc.</i> , 247 F.3d 1341 (Fed. Cir. 2001)	44
<i>Enzo Biochem, Inc. v. Calgene, Inc.</i> , 188 F.3d 1362 (Fed. Cir. 1999)	23, 58
<i>Fiataruolo v. United States</i> , 8 F.3d 930 (2nd Cir. 1993)	32
<i>Freudensprung v. Offshore Technical Services, Inc., et al.</i> , 379 F.3d 327 (5th Cir. 2004)	32
<i>Fuji Photo Film Co., Ltd. v. Jazz Photo Corp.</i> , 394 F.3d 1368 (Fed. Cir. 2005)	36, 48
<i>Gardner v. TEC Systems, Inc.</i> , 725 F.2d 1338 (Fed. Cir. 1984)	23, 36
<i>Golden Blount, Inc. v. Robert H. Peterson Co.</i> , 365 F.3d 1054 (Fed. Cir. 2004)	1, 5, 15, 18, 21
<i>Hillgrave Corp. v. Symantec Corp.</i> , 265 F.3d 1336 (Fed. Cir. 2001)	45
<i>Institut Pasteur v. Cambridge Biotech Corp.</i> , 186 F.3d 1356 (Fed. Cir. 1999)	22
<i>Intel Corp. v. United States Int'l Trade Comm'n</i> , 946 F.2d 821 (Fed Cir.1991)	44
<i>Kaufman Co. v. Lantech, Inc.</i> , 926 F.2d 1136 (Fed. Cir. 1991)	57
<i>Kingvision Pay-Per-View Ltd. v. Lake Alice Bar</i> , 168 F.3d 347 (9th Cir.1999)	28
<i>Knorr-Bremse Systeme Nutzfahrzeuge GMBH</i> ,	

383 F.3d 1337 (Fed. Cir. 2004)	49, 50, 52, 59
<i>Lam, Inc. v. Johns-Manville Corp.</i> , 718 F.2d 1056 (Fed. Cir. 1983)	52
<i>Mathis v. Spears</i> , 857 F.2d 749 (Fed. Cir. 1988)	30
<i>McDowell v. Celebrezze</i> , 310 F.2d 43 (5th Cir.1962)	28
<i>Miles Labs., Inc. v. Shandon, Inc.</i> , 997 F.2d 870 (Fed. Cir. 1993)	22
<i>Moleculon Research Corp. v. CBS, Inc.</i> , 793 F.2d 1261 (Fed. Cir. 1986)	39
<i>Pandrol USA, LP v. Airboss Railway Products, Inc.</i> , 320 F.3d 1354 (Fed. Cir. 2003)	32
<i>Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.</i> , 575 F.2d 1152 (6th Cir. Mich. 1978)	52, 53, 55, 56
<i>Paper Converting Machine Co. v. Magna-Graphics Corp.</i> , 745 F.2d 11 (Fed. Cir.1984)	54
<i>Preemption Devices, Inc. v. Minnesota Mining & Manufacturing, Co.</i> , 732 F.2d 904 (Fed. Cir. 1984)	23, 36
<i>Radio Steel & Mfg. Co. v. MTD Prods., Inc.</i> , 788 F.2d 1554 (Fed. Cir. 1986)	52
<i>Riley v. Northwestern Bell Telephone Co.</i> , 1 F.3d 725 (8th Cir. 1993)	26
<i>Rite-Hite v. Kelsey Co.</i> , 56 F.3d 1538 (Fed. Cir. 1995)	55
<i>Roton Barrier, Inc. v. Stanley Works</i> , 79 F.3d 1112 (Fed. Cir. 1996)	30
<i>Slimfold Mfg. Co. v. Kinkead Indus., Inc.</i> , 932 F.2d 1453 (Fed. Cir. 1991)	22

<i>State Indus., Inc. v. Mor-Flo Indus., Inc.</i> , 948 F.2d 1573 (Fed.Cir.1991)	36, 53
<i>U.S. v. El Paso Natural Gas Co.</i> , 376 U.S. 651 (1964)	30
<i>U.S. v. Papia</i> , 910 F.2d 1357 (7th Cir. 1990)	36
<i>Underwater Devices Inc. v. Morrison-Knudsen Co.</i> , 717 F.2d 1380 (Fed. Cir. 1983)	23
<i>Unisplay, S.A. v. American Elec. Sign Co.</i> , 69 F.3d 512 (Fed. Cir. 1995)	22
<i>United States v. Certain Land</i> , 178 F.Supp.2d 792 (E.D. Mich. 2001)	28
<i>United States v. Field</i> , 875 F.2d 130 (7th Cir.1989)	37
<i>United States v. Jacobs</i> , 298 F.2d 469 (4th Cir.1961)	28
<i>United States v. United States Gypsum Co.</i> , 333 U.S. 364 (1948)	21
<i>United States v. Yellow Cab Co.</i> , 338 U.S. 338 (1949)	22
<i>Vaughn v. Mobil Oil Exploration & Producing S.E., Inc.</i> , 891 F.2d 1195 (5th Cir. 1990)	32

<u>STATUTES</u>	<u>PAGE</u>
35 U.S.C. § 284	15, 22
35 U.S.C. § 285	15, 22, 58
Fed. R. Civ. P. 50	15

Fed. R. Civ. P. 59	15, 17, 25
Fed. R. Civ. P. 52	15, 21, 25, 28, 29, 34
Fed. R. Civ. P. 58	31
Fed. R. Civ. P. 60	4, 27, 28, 33
Fed. R. Evid. 103	37

STATEMENT OF RELATED CASES

This case was formerly before the United States Court of Appeals for the Federal Circuit on appeal from the District Court's entry of judgment against Defendant, here the Appellant, Robert H. Peterson, Co., (hereinafter referred to as "Peterson") and in favor of Plaintiff, here the Appellee, Golden Blount, Inc., (hereinafter referred to as "Blount") on August 9, 2002. On April 19, 2004, this Court affirmed-in-part and vacated-in-part the District Court's judgment and remanded the case for entry of specific findings of fact and conclusions of law with respect to infringement, contributory infringement, induced infringement, and infringement under the doctrine of equivalents. This Court affirmed the District Court's claim construction regarding the "raised level" language of claim 1, the "below" language in claim 17, and the "directed away from" language of claim 17. This Court also affirmed the District Court's finding that U.S. Patent No. 5,988,159 (hereinafter "the Patent") was not invalid. (JT--2435-37, 2440). The prior appeal was presented before Chief Judge Haldane Mayer,¹ Judge Pauline Newman, and Judge Richard Linn. The decision was published as *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054 (Fed. Cir. 2004), and is hereinafter referred to as *Blount I*.

¹Peterson's brief is incorrect in that it states that the Chief Judge was Pauline Newman when in fact, the Chief Judge was Haldane Mayer.

JURISDICTIONAL STATEMENT

Peterson's Jurisdiction Statement is correct, however, contrary to Peterson's assertions, there was only one final judgment entered by the District Court, which was the one entered on December 15, 2004.

STATEMENT OF ISSUES PRESENTED FOR REVIEW

Blount believes that Peterson has phrased issues 1 through 12 in a self-serving manner, and they contain argumentative assertions, which more appropriately belong in the argument section of its brief. Blount, therefore, presents the Court with what it believes to be more pertinent statements of the issues.

1. Whether the District Court had jurisdiction to change its judgment after June 22, 2004.
2. Whether the District Court's reversal of its judgment in view of a mistake was clearly erroneous.
3. Whether the District Court's judgment is clearly erroneous in its findings of direct infringement on the part of Peterson and others and its findings of contributory and induced infringement on the part of Peterson of the Patent.
4. Whether the District Court's judgment is clearly erroneous in its finding that Peterson willfully infringed the Patent.

5. Whether the District Court's judgment is clearly erroneous in the amount of damages awarded to Blount.

6. Whether the District Court abused its discretion in the theory it used to determine the amount of damages awarded to Blount.

7. Whether the District Court's judgment is clearly erroneous in its finding that the case against Peterson was exceptional.

8. Whether the District Court abused its discretion in trebling damages against Peterson.

9. Whether the District Court abused its discretion in awarding Blount its attorneys' fees.

STATEMENT OF THE CASE

Blount does not agree with Peterson's Statement of the Case because certain paragraphs contain clerical errors and misleading statements of fact and others are superfluous to the real issues before this Court.

Due to a lack of a substantive response from Peterson, on January 18, 2001, Blount filed suit for infringement of the Patent by Peterson. (JT--0109-123, 1518-19). Beginning on July 29, 2002, the District Court conducted a bench trial with Judge Jerry Buchmeyer presiding. The trial lasted 2½ days, during which time each party

introduced numerous exhibits and Judge Buchmeyer observed not only the demeanor of the witnesses, but also Peterson's infringing devices in comparison to the claims. (JT--0965-78). He also came down from the bench to view the orientation of Blount's exhibit 4A (hereinafter "4A") and Peterson's own infringing structure that it introduced at trial as exhibit D31 and exhibit D32 (hereinafter D31 and D32), both of which were an assembly of Peterson's ember burner (EMB) attached to a standard G-4 burner assembly (hereinafter "G-4").² (JT--1170-76).

On August 9, 2002, the District Court entered a final judgment in favor of Blount and found Peterson to be a willful infringer and the case to be exceptional. The District Court also awarded Blount treble damages and reasonable attorneys' fees. (JT--0518, 0519-27). The District Court amended its Final Judgment on March 7, 2003, to include the appropriate calculated amounts for the damages, attorneys' fees and interest (JT--0531), which had previously been awarded to Blount.³ Peterson

²The District Court's Finding of Fact Number 42 contains a clerical mistake in that it references 4A instead of Peterson's D31 and D32, as contained in the record and which is correctly cited in the Findings. Even though this is, at most, harmless error, Blount has asked this Court for leave to have the District Court correct this clerical mistake under Fed. R. Civ. P. 60. This clerical error was found by Blount's counsel in reviewing citations to the record made in Peterson's Principal Brief. The reason that Peterson has not brought this oversight to the Court's attention is unexplained.

³Peterson's brief references "(JT--0014)," which is a mistake. The correct citation is (JT--0531).

appealed, and on April 19, 2004, this Court, issued its decision in *Blount I.* (JT--2428-44).

On June 10, 2004, both parties, at the direction of the District Court, filed proposed Findings of Fact and Conclusions of Law (hereinafter referred to as “Findings” in all instances). After extensive briefing by both parties and an oral hearing, the District Court entered its Final Judgment on December 15, 2004, in favor of Blount. (JT--2510-12, 3183, 2511-12, 3316, 2513-14, 3183, 2885-2918, 0048, 0050-82, 3065-103, 0083-94, 3316, 3317-67). The details of the remand proceedings are set forth below.

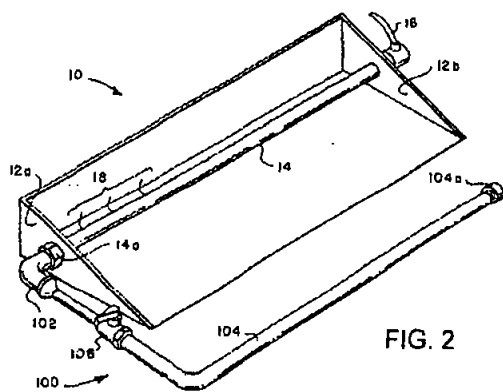
STATEMENT OF THE FACTS

Blount does not agree with Peterson’s Statement of the Facts in that Peterson omits and misstates key facts.

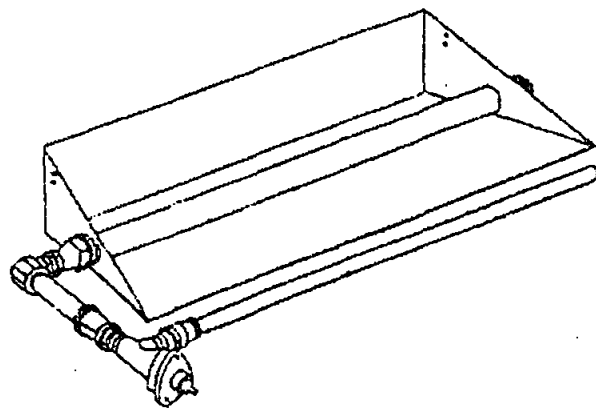
A. Pre-trial Background

Blount’s Patent issued on November 23, 1999, with 19 claims, including two independent claims 1 and 17. Approximately six years prior to that time, Blount began selling a commercial embodiment covered by the Patent, which provides glowing embers in front of artificial logs to more closely resemble an actual wood burning fireplace. (JT--1089-90, 0993).

Between the years of 1993 and 1996, Blount sold many of its Controlled Ember Bed Burners (hereinafter “Blount’s ember burner”) and associated artificial logs and grate sets through distributors and retailers. In late 1996, Peterson began manufacturing, advertising, and selling an EMB that was to be connected to its G-4 or G-5 burner assembly (hereinafter “G-5”), and when connected so, was strikingly similar to, if not virtually a copy of, a commercial embodiment of Blount’s patented device, as illustrated below. (JT--0055, 1316-18). During pre-trial, Peterson stipulated that its device includes a primary burner pipe, an ember burner pan that supports the primary burner pipe, an EMB located in front of the ember burner pan, and a valve that controls a flow of gas between the primary burner pipe and the EMB. (JT--0364).



Embodiment of Patented Device
FIG. 2 of the Patent (JT--0115).



Peterson's Accused Infringing Device
EMB Installation Instructions (JT--2314).

1. Peterson's Activities Following the Notice

When Blount learned of Peterson's device, it notified Peterson of the Patent and its infringing activities on December 16, 1999, by a notice letter sent to Peterson's president, Leslie Bortz (hereinafter "Bortz"). (JT--1513). On December 17, 1999, Tod Corrin (hereinafter "Corrin"), Peterson's vice president, forwarded the notice letter to their patent counsel, Mr. William McLaughlin (hereinafter "McLaughlin"), stating "[e]nclosed is a *patent infringement* letter we received from Golden Blount's Attorney." (JT--2264, emphasis added). Corrin's letter plainly indicates that Peterson knew that the notice letter accused them of infringement.

Soon after forwarding the initial notice letter to McLaughlin, Peterson sent him only a brochure concerning the accused infringing device and a picture of the accused infringing device. (JT--2312-15, 2316, 1148-56). McLaughlin did not see an actual accused infringing device and had no other documents or the prosecution history of the Patent before him. (JT--1113-14, 1107-08). During a telephone conversation, Bortz told McLaughlin that Peterson had been practicing "something similar" to the patented invention for about 20 to 30 years. (JT--1928-30, 1008-10). McLaughlin's sole conclusory comment at that time was: "if you have been doing this for 20 or 30 years, that would be a strong argument, or words to that effect, of invalidity or infringement." (JT--1129-30, 1929). However, Bortz didn't recognize what "this"

was, because during trial he admitted that the products Peterson was making 20 to 30 years ago were not the same as its EMB. (JT--1221).

In accordance with McLaughlin's suggestion, Peterson on December 30, 1999, responded to the notice letter asking for additional time in which to respond. (JT--1514).

Peterson never contacted Blount as requested in the original notice letter. All the while, Peterson continued its infringing activities. After receiving no response for more than four months, Blount sent a second patent infringement notice letter to Peterson on May 3, 2000. (JT--2267). Even McLaughlin admitted during trial that this second letter informed Peterson of infringement. (JT--1109-10).

Peterson responded to the May 3, 2000, letter with a letter dated May 16, 2000, asking Blount to explain to Peterson, in detail, the basis upon which Blount believed that Peterson was infringing the patent. (JT--1517, 2268). Peterson still made no effort to cease its infringing activities, nor had Peterson sought or obtained any competent legal advice concerning infringement or validity or made any other attempt to understand the Patent better until after the lawsuit was filed.

2. Peterson's Willful Disregard of the Patent

On January 18, 2001, over a year after Peterson received its first notice letter, Blount filed suit. (JT--0109-23). Blount sent a final letter to Peterson advising it that

suit was brought in view of its failure to respond or indicate in any manner its intentions with respect to the infringing product. (JT--2269-70). Peterson still made no effort to cease its infringing activities in the time period between the May 3, 2000, letter and the January 19, 2001, letter, or for that matter, until after the conclusion of trial. (JT--0798-802).

It was not until February 2001, after the suit was brought and some 14 months after receiving the initial notice letter, that Peterson expressed serious concerns about its infringing activities. At this point, Peterson finally became concerned, not with the damages associated with infringement, but with the attorneys' fees that it might be required to pay as a willful infringer. (JT--1205-07, 1933-34). Bortz told McLaughlin that he didn't think this was a very meaningful case in terms of the "dollars at stake" but that he heard a person might have to pay attorneys' fees if he loses a patent lawsuit. (JT--1205-07, 1893-94, 1933-34). Bortz asked McLaughlin what he should do. McLaughlin answered that obtaining an opinion could avoid attorneys' fees. (JT--1933-34). The possibility of losing the suit did not concern Bortz, because of the very minor amount of money involved. The violation of Blount's property rights were of no concern either; the only issue in Bortz' mind was Blount's attorneys' fees. (JT--1205-07, 1893-94, 1933-34). The District Court found that these facts showed a willful disregard for the Patent. (JT--0073, Findings 109-111).

After being sued, Peterson finally authorized McLaughlin to order the prosecution history of the Patent in an attempt to protect itself from having to pay attorneys' fees. (JT--1107-08). McLaughlin never gave a written opinion, (JT--1105, 1112-14, 1156-58), and didn't provide his oral opinion until sometime in May 2001, at least five months after suit had been brought. (JT--1111-14). Still, McLaughlin had not seen the actual infringing device for his inspection and analysis. (JT--1114). Peterson made no effort to cease its infringing activities until after the District Court entered a permanent injunction. (JT--0798-802).

3. Peterson's Sales of Its Infringing Device from Notice through Trial

After Peterson began manufacturing its infringing device in the 1996/1997 season, it sold both the G-4 and G-5, both of which Peterson intended to be sold with and connected to its EMB, which Peterson also sold. (JT--0364, 1211-12, 1323-24, 1341-42). Between December 16, 1999, and the District Court's judgment on August 9, 2002, Peterson sold 3,723 EMB units in the United States, (JT--0802, 1598-1601), at least ten of which were G-5s pre-assembled with an EMB. (JT--1787-88). Additionally, Peterson fully demonstrated its EMB attached to a G-4 to its distributors for the purpose of illustrating how the EMB works. (JT--1210-11). Peterson testified that it makes the EMB because customers asked for such an effect, (JT--1320), and it sold both the G-4 and G-5 and EMBs to ultimate consumers with one of a number

of types of its artificial logs and a log grate. (JT--1322-24).

B. The District Court's September 2, 2004, Findings

1. Literal Infringement-Direct

In an attempt to comply with this Court's mandate, the District Court issued no less than 119 findings of fact discussed over 25 pages, and 45 conclusions of law discussed over 8 pages, with numerous citations to the record. (JT--0050-82).⁴

In reaching its decisions, the District Court relied on the claim construction as affirmed by this Court, (JT--2428-44), on a stipulation between the parties, Blount's extensive and unrebutted testimony that Peterson's device contained each of the elements in the claims at issue, (JT--0011, 0363-65, 0978-93), its personal observations of 4A and Peterson's D31 and D32, which is substantially identical to 4A, and Peterson's exhibits D30 and D34. (JT--0974-76, 1149, 1173-74, 0057-65). Since the parties had stipulated that Peterson's device, when connected to a G-4 or G-5, contained all of the other elements recited in claims 1 and 17, the only elements truly at issue during trial were the raised level element of claims 1 and 17 and the directed away element of claim 17. (JT--0364). Peterson did not specifically rebut Mr. Blount's

⁴In view of such detailed Findings, Blount finds Peterson's charge that the District Court failed to follow this Court's mandate on Remand to be totally incredible.

element-by-element and claim-by-claim testimony, but instead, based its case-in-chief, primarily on invalidity of the Patent and the bottoms test claim construction, both of which were rejected by this Court. (JT--0329-44, 0427-45).

The District Court found that since both the EMB and the burner assembly, whether it be a G-4 or G-5, were provided to the ultimate customer along with instructions contained in D30 and D34, it was reasonable to conclude that the instructions were used by those customers to assemble the device in an infringing configuration. (JT--0063, Finding 50).

2. Peterson's Contributory and Induced Infringement

The District Court found that Peterson's device was not a staple article of commerce based on, among other evidence, Bortz' testimony that the EMB was not a staple article of commerce and that it didn't have any use apart from being used as an EMB, (JT--1211-13, 1669), on Corrin's testimony that the EMB was intended to be used with the G-4 and could also be used with the G-5, (JT--1323-24), and on Blount's testimony that he didn't know of any other use for the EMB. (JT--1001).

The District Court found that Peterson also induced others to infringe the Patent, (JT--0066-67), because Peterson had knowledge of the Patent as of December 16, 1999, provided D30 and D34 to its ultimate customers, which would, when followed, lead to an infringing configuration, and knew or should have known that its

actions would cause others to infringe. (JT--0067). The District Court also noted that Peterson's full demonstration of the device to its distributors was also inducement because this information was ultimately passed on to dealers, assemblers, and customers. (JT--1334-35).

3. Damages Assessed against Peterson

The District Court used the *Panduit* factors to determine damages and found that Blount established all of them. (JT--0068-69). Blount presented evidence of demand for the patented device. (JT--0994-95, 0969-70). The absence of infringing substitutes was also established, (JT--0996-99), and the District Court found that Blount had the manufacturing capacity to handle the demand. (JT--0069, 0996-99).

For purposes of determining damages, the District Court found that a two-supplier market existed between Blount and Peterson with respect to the patented device. (JT--0069-70, 0996-0998, Finding 88): Mr. Blount testified that Blount and Peterson controlled about 95 percent of the ember burner market. (JT--0996-98). Peterson offered no evidence to rebut this.

Similar to Blount, and in addition to its G-4 and EMB, Peterson also manufactures and sells artificial gas logs. (JT--0960-61, 2295-2300). During trial Blount presented evidence through Mr. Charlie Hanft (hereinafter "Hanft"), a third-party witness retailer having extensive sales experience with gas fireplaces. In past

years, Hanft primarily sold Peterson's products, but since 1994 he primarily sold Blount's products. Hanft testified that 97 ½ percent of the time that he sells one of Blount's ember burners, he also sells an entire burner assembly and log set with it. (JT--1084-89, 1093-94). Blount also established its profits for its logs and its ember burner (e.g., sales cost less manufacturing costs). Blount further provided a damage summary sheet illustrating the amount of damages, obtained by multiplying Peterson's sales by Blount's profits. (JT--1597, 1602). Mr. Blount, who oversaw the accounting for these amounts, testified that the manufacturing costs included materials, direct labor costs, indirect labor costs, and utilities. (JT--0071, 1072-73). The District Court specifically found that Peterson failed to rebut Blount's damages evidence because Peterson did not offer any specific numerical evidence or document to quantify, even in a general way, when the EMB and logs would not be sold together. (JT--0071, Findings 97-100).

In calculating the damages awarded to Blount, the District Court found that the infringement damages included profits that Blount lost regarding the sale of both the EMB and the log sets and grate, under claim 15⁵ of the Patent, or under an alternate

⁵Claim 15 reads: "The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the open frame pan and primary elongated burner tube is positioned under an artificial logs and grate support means."

theory of the entire market value rule, (JT--0070-71, 0121), and calculated the amounts based on the evidence presented by Blount. (JT--0071, Findings 101-103).

4. The District Court's Findings of Peterson's Willfulness and Exceptional Case

As discussed above, after it first received notice on December 16, 1999, and prior to the time that the lawsuit was filed, Peterson never obtained a competent opinion from its patent counsel McLaughlin. (JT--1105-09, 1129-30, 1929). Furthermore, Peterson's main concern was not its infringement, but attorneys' fees. (JT--1205-07, 1933-34, 1893-94). The District Court found Peterson's actions to constitute a willful disregard for the Patent. (JT--0073-74, Findings 109-118). Accordingly, the District Court trebled the damages under 35 U.S.C. § 284, found the case to be exceptional under 35 U.S.C. § 285, and awarded Blount its attorneys' fees. (JT--0074).

5. Proceedings on Remand

In response to this Court's ruling in *Blount I*, on June 10, 2004, both parties, at the direction of the District Court, and notably *without motion*, filed proposed Findings. The District Court adopted Peterson's Findings on June 22, 2004, by mistake. (JT--2510, 3183). On July 6, 2004, Blount timely filed a request for reconsideration and a motion for a new trial under Fed. R. Civ. P. 50 and 59, and a

motion to amend findings of fact and conclusions of law under Fed. R. Civ. P. 52(b). (JT--2511, 2513). Again, Blount's motion for a new trial remained pending with the District Court until December 15, 2004.

After extensive briefing and oral arguments, the District Court realized its mistake in adopting Peterson's Findings. At the conclusion of the August 18, 2004, oral hearing, it vacated the order adopting Peterson's Findings and instructed Blount to present it with the necessary findings and necessary final judgment, which Blount did on August 31, 2004. (JT--3183, 2885-2918). Contrary to Peterson's argument, the District Court never mentioned the June 10, 2004, Findings. To fully comply with this Court's remand order, Blount included in those proposed Findings, facts or arguments that arose during the remand proceedings. The District Court adopted the submitted Findings on September 2, 2004. (JT--0048, 0050-82). Blount also filed its application for Attorneys' Fees on September 8, 2004, (JT--2919-3059), and its applications for Costs on September 9, 2004. (JT--3060-62). On September 16, 2004, Judge Buchmeyer by Order of Reference, referred both of these matters to Magistrate Judge Stickney for determination. (JT--3064).

Notably, Peterson did not file a Rule 52(b) motion to challenge the District

Court's September 2, 2004, Order, even though it had every opportunity to do so.⁶ Instead, Peterson forwent this procedural avenue and filed a Notice of Appeal on September 17, 2004, based on the August 18, 2004, Order. (JT--3065-103). Magistrate Judge Stickney determined the amount of attorneys' fees and costs to be awarded to Blount, after which Peterson filed its second Notice of Appeal on December 9, 2004. (JT--3263-3315). The District Court entered its Final Judgment on December 15, 2004, (JT--0083-94), and in a separate document, also entered the dismissal of remaining pending motions, including Blount's motion for a new trial. (JT--3316). Peterson filed its third Notice of Appeal in this case on January 14, 2005. (JT--3317-67). This Court ultimately consolidated Peterson's various appeals into the present appeal on February 15, 2005.

SUMMARY OF THE ARGUMENT

The District Court had jurisdiction to change its judgement in any way it deemed appropriate during the remand proceedings because it never lost its jurisdiction. After the District Court adopted Peterson's Findings by mistake on June 22, 2004, (JT--

⁶Since Peterson had an opportunity under Rule 52(b) to challenge the September 2, 2004, Order, but choose not to do so, Peterson has waived any right to now complain about this on appeal.

2510, 3183), Blount timely filed a motion for a new trial under Fed. R. Civ. P. 59. (JT--2511, 2515-53). Immediately after the District Court's June 22, 2004, Order, Blount knew that the District Court had inadvertently made a mistake. Thus, Blount requested a new trial and prepared its Rule 50, 59 and 52(b) motions that fully challenged the District Court's June 22, 2004, Order in all respects by pointing out numerous factual and legal errors that went to the very heart of the judgment. (JT--2515-53). As such, Blount's motion met the requirements of Rule 52(b). It is significant to note that the District Court never disposed of Blount's motion for a new trial at the oral hearing, which remained pending until the District Court disposed of all remaining motions on December 15, 2004. (JT--3316). The District Court's jurisdiction remained intact after June 22, 2004, and it had the power to alter its judgment *sua sponte* on September 2, 2004, to correct its mistaken June 22, 2004, Order.

The District Court's judgment is not clearly erroneous in any respect. Peterson has furiously attacked and attempted to vilify the District Court for admitting and correcting its mistake. As much as Peterson would like it to be, this is not clear error. To the contrary, because the District Court admitted that a mistake had been made, it would have been clear error for the District Court not to correct its mistake. Moreover, the District Court's correction is consistent with its first judgment in *Blount I*, and contrary to Peterson's arguments, is an unmistakable indicator that the District

Court was very much involved in the case. Though unfortunate, mistakes do occur at all levels within the judicial process. The judicial process involves attorneys, clerks and judges writing thousands of words and judges signing hundreds of documents and orders. It is perfectly plausible that a district court judge, after having rigorously read and considered a set of opposing briefs, can be inadvertently handed the wrong document days or weeks later by a clerk or an assistant for signature.

With respect to the District Court's September 2, 2004, Findings, they are not clearly erroneous. The District Court did not abuse its discretion in the way in which it determined and trebled damages or awarded Blount its attorneys' fees. All of the District Court's findings are fully supported by the record. The District Court's Findings are based on substantial evidence, as discussed herein.

In view of the substantive evidence before it, the District Court found that there was infringement based on the claim construction affirmed in *Blount I*. Peterson's action in assembling an operative device for purposes of showing it to its distributors and assembling at least ten G-5s with its EMB, along with the dissemination of its instructions illustrating how to assemble a G-4 with an EMB, lead the District Court to find that there was direct infringement by both Peterson and its ultimate customers and that there was both contributory and induced infringement by Peterson. The District Court's decisions on infringement are supported by both direct and

circumstantial evidence as contained in the record and cited in its Findings. The simple fact that Peterson has pointed to evidence that may favor its position is not sufficient to overcome the clearly erroneous standard as established by this Court's legal precedence.

The District Court's Findings that Blount is entitled to receive actual damages is not clearly erroneous. The damages awarded to Blount are supported by the record, whether using claim 15 of the Patent, which includes the logs and grate, or by the established law of "the entire market value rule" or "convoy." The District Court did not abuse its discretion in choosing either of these theories in calculating the damages.

The actions of Peterson were willful, as found by the District Court. The record establishes that Blount's property rights were not of concern to Peterson due to the small amount of money that Peterson perceived to be at issue, and the minimal efforts that it exerted in investigating Blount's infringement charge. (JT--0072-74, Findings 104-119). Peterson's real concern was, instead, the attorneys' fees it would have to pay if it lost the lawsuit. In Peterson's mind, absent the attorneys' fees, any damages would be inconsequential, so it could infringe the Patent without fear of significant, financial retribution. When Peterson learned of the possibility of paying attorneys' fees, it became concerned, and it sought a way to avoid those fees. To that end,

Peterson, after the lawsuit was filed, finally became sincere about seeking legal advice. In view of such a plain, willful disregard of the property rights of Blount, the District Court did not clearly err in finding Peterson to be a willful infringer. Further, it did not abuse its discretion in trebling the damages award and awarding Blount its attorneys' fees.

STANDARD OF REVIEW

Peterson incorrectly and incompletely states the standard of review. Therefore, Blount is obligated to offer its own.

The present appeal is from a bench trial. Accordingly, this Court reviews the District Court's decision for errors of law and clearly erroneous findings of fact. F. R. Civ. P. 52(a); *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1123 (Fed. Cir. 2000). On appeal from a bench trial, this Court reviews the district court's conclusions of law *de novo* and findings of fact for clear error. *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 1058 (Fed. Cir. 2004); *Brown* at 1123. A finding is clearly erroneous when, despite some supporting evidence, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed. *United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948). This standard does not entitle a reviewing

court to reverse the finding of the trier of fact simply because it is convinced that it would have decided the case differently. In other words, if the District Court's account of the evidence is plausible in light of the record viewed in its entirety, or where there are two permissible views of the evidence, the fact finder cannot be clearly erroneous. *United States v. Yellow Cab Co.*, 338 U.S. 338, 342 (1949); *Miles Labs., Inc. v. Shandon, Inc.*, 997 F.2d 870, 874 (Fed. Cir. 1993).

The District Court found that Peterson and its ultimate customer infringed the Patent. A determination of infringement, whether literal or under the doctrine of equivalents, is a question of fact reviewed under the clearly erroneous standard. *Biovail Corp. Int'l v. Andrx Pharms., Inc.*, 239 F.3d 1297, 1300 (Fed. Cir. 2001).

The District Court also found that Peterson was a willful infringer and that the case was exceptional. It awarded treble damages and attorneys' fees under 35 U.S.C. § 284 and 35 U.S.C. § 285. When this Court reviews damages, the clearly erroneous standard applies to the review of the amount of damages, while the abuse of discretion standard applies to the review of the theory chosen to compute damages. *Institut Pasteur v. Cambridge Biotech Corp.*, 186 F.3d 1356, 1369 (Fed. Cir. 1999); *See, Unisplay, S.A. v. American Elec. Sign Co.*, 69 F.3d 512, 517 n.8 (Fed. Cir. 1995). The District Court's finding of willful infringement is one of fact, subject to the clearly erroneous standard. *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1459

(Fed. Cir. 1991).

The finding that the case was exceptional is also one of fact and is reviewed based on clear error. *Enzo Biochem, Inc. v. Calgene, Inc.*, 188 F.3d 1362, 1370 (Fed. Cir. 1999). If the case is found to be exceptional, any award of attorneys' fees is reviewed by this Court for abuse of discretion. *Id.* at 1370. This Court also reviews any trebling of damages for abuse of discretion. Trebling of damages is within the discretion of the district court and should not be overturned absent a clear showing of abuse of discretion. *Amsted Industries, Inc. v. Buckeye Steel Casings Co.*, 24 F.3d 178, 183 (Fed. Cir. 1994), *rev'd on other grounds*; *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

Where credibility determinations are involved, it is especially important to observe the rule of clear error. Determining the weight and credibility of the evidence is the special province of the trier of fact. *Gardner v. TEC Systems, Inc.*, 725 F.2d 1338, 1349 (Fed. Cir. 1984); *Preemption Devices, Inc. v. Minnesota Mining & Manufacturing, Co.*, 732 F.2d 904, 905 (Fed. Cir. 1984).

ARGUMENT

A. The District Court Had Jurisdiction To Change Its Judgment

Peterson argues that the District Court lost jurisdiction over this case on no less

than two different occasions during the remand proceedings, once after June 22, 2004, and once after August 18, 2004. At all times during the remand proceedings, the District Court retained jurisdiction due to pending motions that were timely filed by Blount. Peterson's arguments are inept, since even the most cursory review of the record reveals that Peterson's position is not supported by the facts, the Rules, or case law.

1. The District Court Vacating Its June 22, 2004, Findings Was Not Clearly Erroneous

As discussed above, the District Court mistakenly adopted Peterson's Findings on June 22, 2004. (JT--2510, 3183). Peterson questions the District Court's integrity and involvement in the case because of this mistake. Peterson argues that if the District Court's mistake was simply signing the wrong document, it was signing something it had not read. This is a huge leap on Peterson's part. As discussed above, the judge could have simply signed the wrong documents even after having thoroughly read them. Yet, Peterson uses mere conjecture to malign the District Court for correcting its mistake. Mistakes are an unfortunate part of the judicial process and though totally undesirable, they do occur at the district court level, most certainly at the counsel level, and occasionally, at the appellate level. *See, Donald H. Rumsfeld, Secretary of Defense v. Applied Companies, Inc.*, 325 F.3d 1328, 1330 (Fed. Cir.

2003). There is nothing in the District Court's correction that would warrant overturning the judgment, as Peterson urges. Moreover, there is nothing in the record that even remotely suggests that the District Court was not fully involved in the process or that it didn't read or fully consider the findings that it ultimately adopted on September 2, 2004, clerical mistakes, notwithstanding.

It was apparent early on that the District Court inadvertently signed the wrong papers, because it was completely antithetic to the District Court's Findings of August 9, 2002, (JT--0518-26), which were totally in Blount's favor. Moreover, there was no justification in the record for such an extreme reversal. Accordingly, Blount, on July 6, 2004, and within ten days of entry of the District Court's June 22, 2004, filed its motions under Fed. R. Civ. P. 52(b) and 59. At the very least, the Rule 59 motion continued to vest the District Court with jurisdiction until its Final Judgment on December 15, 2004.

Peterson attacks the sufficiency of Blount's 52(b) motion, but conspicuously ignores Blount's Rule 59 motion for a new trial, and with good reason, because Peterson well knows that the Rule 59 motion remained pending before the District Court until December 15, 2004. (JT--3316). Magistrate Judge Stickney specifically noted this in his order dated November 15, 2004, awarding Blount its attorneys' fees. (JT--0083-93). Moreover, the District Court's August 18, 2004, bench order did not

specifically dispose of this motion, despite what Peterson argues. The presence of Blount's Rule 59 motion alone defeats Peterson's argument, and unequivocally establishes that the District Court did have jurisdiction to change its judgment on September 2, 2004.

Even if Blount's Rule 59 motion had not been present, Blount's 52(b) motion was more than adequate to challenge the District Court's June 22, 2004, Findings. Blount's 52(b) motion was 38 pages in length and included an Appendix that specifically addressed errors of fact in some 133 of the District Court's more crucial findings that went right to the heart of the issues at hand, including the findings related to infringement, willfulness, and damages. (JT--2515-53). Peterson challenges the sufficiency of Blount's 52(b) motion because Blount allegedly did not request amendment of all of the Findings. As such, Peterson argument goes, the District Court erred in vacating the June 22, 2004, Findings. Peterson's argument is not supported by the facts or the law.

The case on which Peterson relies is not on point. In *Riley v. Northwestern Bell Telephone Co.*, 1 F.3d 725, 726 (8th Cir. 1993), the movant filed a bare motion that simply stated that the movant intended to move the court to amend at an oral hearing that it had requested and would present its argument at that time. Its motion contained nothing else. The present fact situation is strikingly different from that in

Riley. In the present case, Blount had filed a detailed motion pointing out numerous examples of errors in factual findings, as noted above. (JT--2515-53). As seen from this citation and reviewing the document itself, there was nothing conclusory about Blount's Rule 52(b) motion. It was thorough and detailed. Moreover, Rule 52(b) does not require the movant to challenge each and every finding. Blount's motion generally did this by requesting the District Court to vacate its June 22, 2004, Findings *in toto* because they contained manifest errors of law and fact, and then went on to point out many examples of those errors. For Peterson to challenge the sufficiency of Blount's 52(b) motion is, frankly, wasteful and obfuscates the real issues before this Court.

As if Blount's Rule 50, 59 and 52(b) motions weren't enough, the District Court retained jurisdiction to change its judgment under Fed. R. Civ. P. 60(b)(6), which states that the court may relieve a party or a party's legal representative from a final judgment for....any other reason justifying relief from the operation of the judgment.⁷

Although the language of Rule 60(b) speaks of granting relief "on motion," the rule does not say whether the motion must be made by a party or whether the court can act on its own motion. While Rule 60(a) says that relief under that subsection may be

⁷It should be noted that at this time neither party had filed a notice of appeal. Thus, there was nothing to otherwise diminish the District Court's jurisdiction.

granted “on the motion *of any party*,” Rule 60(b) uses entirely unqualified language and states only “on motion.” Case law construing Rule 60(b) establishes that a court may grant relief under Rule 60(b) *sua sponte*. *United States v. Certain Land*, 178 F.Supp.2d 792, 801 (E.D. Mich. 2001). Moreover, the Fourth Circuit has construed Rule 60(b) as not “depriving the court of the power to act in the interest of justice in an unusual case in which its attention has been directed to the necessity for relief by means other than a motion.” *United States v. Jacobs*, 298 F.2d 469, 472 (4th Cir.1961). Similarly, the Fifth Circuit has held that a district judge can vacate a judgment under Rule 60(b) ‘on its own motion.’ *McDowell v. Celebrezze*, 310 F.2d 43, 44 (5th Cir.1962). The Ninth Circuit likewise has held that a judge may act *sua sponte* to repair mistakes in judgments and orders pursuant to Fed. R. Civ. Pro. 60(b)(1). *Kingvision Pay-Per-View Ltd. v. Lake Alice Bar*, 168 F.3d 347, 352 (9th Cir.1999).

For any one or all of these reasons, the District Court had jurisdiction to change its judgment on September 2, 2004, and doing so did not constitute clear error.

2. The August 18, 2004, Minute Order Was Not An Appealable Judgment, And Adoption Of The September 2, 2004, Findings Was Not Clearly Erroneous

Peterson argues that the District Court erred in issuing its September 2, 2004, Findings because it adopted Blount’s submitted Findings “verbatim,” the August 18,

2004, Minute Order was a final judgement, and Blount did not file its Findings on August 31, 2004, by motion pursuant to Fed. R. Civ. P. 52(b). Peterson's analysis is flawed on all three accounts.

Peterson begins its argument by verbally thrashing the District Court for adopting Blount's Findings "verbatim," and making a mistake.⁸ Peterson, at pages 25-26 of its brief, cites *Continental Connector v. Houston Fearless*, 350 F.2d 183, 187 (9th Cir. 1965) for the proposition that 'the district judge has the duty to carefully consider, weigh and determine accuracy of proposed findings and whether they are supported by the evidence.' What Peterson fails to point out in that same case and on the same page is that verbatim adoption *does not prove* that the trial judge failed to do his duty to carefully examine the proposed findings, and correct and modify them if necessary. *Id.* Furthermore, the appellant in *Continental*, much like Peterson has done here, argued that the evidence used to support these findings was, among other things, 'meaningless' (i.e. irrelevant) and also 'pure hearsay.' The appellant failed to object at trial to the district court's findings, just as Peterson failed to do here, and the Ninth Circuit stated: 'this is not the stuff from which reversals are earned.' *Id.* at 190.

⁸Peterson's position on the District Court's mistake is a bit ironic because Blount has found a number of clerical mistakes in Peterson's principal brief, a couple of which are noted above.... "to err is human."

Remember, Peterson never challenged the District Court's September 2, 2004, Findings under Fed. R. Civ. P. 52(b), as it had the opportunity to do.

Peterson's position on this "verbatim" adoption is hypocritical, to say the least, because when the District Court adopted Peterson's Findings verbatim on June 22, 2004, Peterson vigorously defended those Findings as "without manifest error." (JT--2831-68). Now that the tide has turned against Peterson, it impugns the District Court's "verbatim" adoption. Whatever view one may take of verbatim adoption of findings, there is little doubt that once adopted, they become the findings of the district court. *Anderson v. City of Bessemer*, 470 U.S. 564, 572 (1985); *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988). Even the wholesale adoption does not alter the standard of review. *Roton Barrier, Inc. v. Stanley Works*, 79 F.3d 1112, 1116 (Fed. Cir. 1996). Furthermore, in *U.S. v. El Paso Natural Gas Co.*, 376 U.S. 651, 656 (1964),⁹ in which a fact situation arose that was very similar to the one in this case, the Supreme Court stated: "the judge announced from the bench that judgment would be for appellees and that he would not write an opinion. He told counsel for appellees 'Prepare the findings and conclusions and judgment.' They obeyed, submitting 130

⁹Peterson cited this same case in its brief at page 25, however, it carefully highlighted a footnote directed to a commentary to draw attention from the fact that verbatim adoptions are not to be disturbed unless clearly erroneous.

findings of fact and one conclusion of law, all of which, we are advised, the District Court adopted verbatim. Those findings, though not the product of the workings of the district judge's mind, are formally his; they are not to be rejected out-of-hand, and they will stand if supported by evidence.”

The Findings adopted by the District Court are thorough and fully supported by the evidence in that they contain numerous citations to the record, and they are not clearly erroneous. They were also not submitted prior to trial. Quite to the contrary, they were submitted well after trial and after the judge had come to his own independent judgment, and the Findings are subject to the same clearly erroneous standard.

Adverse to Peterson’s contentions, the August 18, 2004, Minute Order was not an appealable judgment because it never disposed of Blount’s pending Rule 59 motion for a new trial. (JT--2515-53). Further, a separate document was required under Fed. R. Civ. P. 58, which did not issue until December 15, 2004. In accordance with Fed. R. Civ. P. 58 and the advisory notes thereof, the ruling from the bench and ensuing Minute Order amended the District Court’s previous judgment, and hence, mandatorily required that the judgment be set forth in a separate document. No such separate document accompanied the August 18, 2004, Minute Order, as Rule 58 requires. Therefore, there was no appealable judgment. Moreover, the Fifth Circuit has

specifically held that a Minute Order on the District Court's docket cannot constitute a separate document for the purposes of meeting the Rule 58 requirement, (post 2002 amendment) regardless of whether that judgment was otherwise appealable as a final order or as an interlocutory order. *Freudensprung v. Offshore Technical Services, Inc., et al.*, 379 F.3d 327, 336 (5th Cir. 2004).

With at least equal importance, if not more, it has been stated in the Fifth Circuit Court of Appeals, as well as this Court, that "the intention of the judge is crucial in determining finality" under Rule 58. *Vaughn v. Mobil Oil Exploration & Producing S.E., Inc.*, 891 F.2d 1195, 1197 (5th Cir. 1990). In other words, "[f]inality is determined on the basis of pragmatic, not needlessly rigid pro forma, analysis What essentially is required is some clear and unequivocal manifestation by the trial court of its belief that the decision made, so far as it is concerned, is the end of the case." *Pandrol USA, LP v. Airboss Railway Products, Inc.*, 320 F.3d 1354, 1362-3 (Fed. Cir. 2003) (citing *Fiataruolo v. United States*, 8 F.3d 930, 937 (2nd Cir. 1993)). Given the District Court's numerous actions following August 18, 2004, it is irrefutable that neither the August 18, 2004, bench ruling nor the following August 18, 2004, Minute Order were considered by the District Court to be an appealable judgment. (JT--3183, 0048, 0050-82, 3064, 3065-103, 0083-93, 0094).

Peterson also charges that the District Court erred because Blount did not

submit the requested Findings under Rule 52(b). The concise response to this argument is that Blount did not need to because it was complying with the District Court's Order. If nothing else, Blount was merely acting under the District Court's own directed motion under Fed. R. Civ. P. 60. (JT--3183). This was no different from the first time when the District Court instructed Blount and Peterson to submit proposed Findings. (JT--2445). At that time, June 10, 2004, neither party submitted their respective Findings under a Rule 52(b) motion. The District Court's Order of August 18, 2004, was no different. Thus, the District Court had jurisdiction to issue the order and change its judgment to correct its mistake of adopting Peterson's Findings on June 22, 2004.

In conclusion on this point, at all times during the remand proceedings, the District Court retained jurisdiction and had the duty to correct any mistakes it believed had occurred. The fact that the District Court corrected its mistake is not a basis on which to vacate its Findings. Furthermore, the Findings that the District Court adopted on September 2, 2004, are subject to the clearly erroneous standard, even if they were adopted verbatim. They are thorough, well thought out, fully supported by the record, and most of all, are not clearly erroneous.

B. The District Court's Findings Regarding Infringement Are Not Clearly Erroneous

Peterson attempts to re-try this case at the appeal level by questioning the District Court's factual findings and its reliance on the trial exhibits. The simple truth is that the District Court did not clearly err when it relied on these exhibits in finding that Peterson directly infringed, contributorily infringed, infringed by inducement, and infringed under the doctrine of equivalents, Claims 1, 2, 5, 7-9, 11-13 and 15-17. Peterson has not met its burden of establishing that the District Court's factual findings and its consideration of the evidence are clearly erroneous under the standards of review of the Federal Circuit and Fed. R. Civ. P. 52(a). The most Peterson has done in its brief, other than cry foul and obfuscate the issues, is only cite evidence favorable to it. This is not a sufficient basis, at least in this Court, by which to create a definite and firm conviction that a mistake has been committed. *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1547 (Fed. Cir. 1987); *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 825 (Fed. Cir. 1989).

1. Peterson's Direct Infringement

The District Court's finding of direct infringement of Claims 1, 2, 5, 7-9, 11-13 and 15-17 by Peterson and its ultimate customers is not clearly erroneous because it is based on substantial evidence. The District Court first compared the construed

claims against Peterson's device. (JT--0051-65). In establishing the presence of the elements of the claims in Peterson's device, the District Court relied on a stipulation between the parties, Mr. Blount's extensive and unrebutted testimony, (JT--0011, 0363-65, 0978-93), its personal observations of 4A, Peterson's D31 and D32, which is substantially identical to 4A, Peterson's exhibits D30 and D34, (JT--0974-76, 1149, 1173, 0057-65),¹⁰ and the testimony of Bortz, McLaughlin, Mr. Vincent Jankowski (hereinafter "Jankowski"), Corrin and Mr. Blount, as related to these exhibits.

Notably, before trial, Blount and Peterson entered into a stipulation that Peterson's EMB was intended to be attached to Peterson's G-4 or G-5 and that the combined unit comprises a primary burner pipe, an ember pan that supports the primary burner pipe, (together which form the G-4 or G-5), Peterson's EMB, and a valve that controlled the flow of gas between the primary burner pipe and the EMB. They also stipulated that an end user would connect the primary burner pipe to a gas source having a valve associated therewith. (JT--0363-65). Even though the parties stipulated to the presence of all of the major components of Peterson's device, the

¹⁰Peterson attacks Blount's exhibit 9, which was an infringement chart used during Mr. Blount's testimony. The District Court's Findings refer to Mr. Blount's testimony and only mention that exhibit 9 was used as a guide. (JT--0057, Finding 40). To the extent the District Court relied on it, such reliance would also be subject to the same clear erroneous standards discussed herein.

District Court, nevertheless, meticulously went through each element of claims 1 and 17 and found that each element was present in Peterson's assembled device. (JT--0057-65).

Peterson now challenges the District Court's judgment in allowing 4A as evidence and ascribing the exhibit its appropriate weight in making its determinations. When reviewing a district court's determination in such matters, the clearly erroneous standard applies. *Gardner* at 1347; *Preemption Devices* at 905. Moreover, the weighing of conflicting evidence is a task within the special province of the trial judge who, having heard the evidence, is in a better position than this Court to evaluate it. *Fuji Photo Film Co., Ltd. v. Jazz Photo Corp.*, 394 F.3d 1368, 1374 (Fed. Cir. 2005), citing *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 948 F.2d 1573, 1577 (Fed. Cir. 1991). The District Court's admission and reliance on 4A is not clearly erroneous.

Peterson asserts that 4A lacks foundation and authentication. At the outset of this discussion, the Court should keep in mind that Peterson never objected to 4A at trial or challenged it in any way. This is a vital flaw in Peterson's argument regarding 4A. Because Peterson failed to object at trial, it has waived any objection to this issue, and any review of it should now be based on plain error. Ironically, for legal support of this, Blount respectfully directs this Court's attention to Peterson's own case law. For example, in *U.S. v. Papi*, 910 F.2d 1357, 1366 (7th Cir. 1990), the appellate

court stated: "Although Papia argues on appeal that the note was not properly authenticated, she never mentioned lack of authentication in her objections in the district court. Therefore, she has waived the authentication issue unless it was plain error for the district court to admit the note. See *United States v. Field*, 875 F.2d 130, 134-35 (7th Cir.1989); Fed. R. Evid. 103(a) and (d). There was no plain error in this case; indeed, there was no error at all." *Id.* at 1366. This is precisely what we have here.

Peterson's lack of any objection to 4A notwithstanding, the District Court found that Blount did establish foundation for 4A in two ways. (JT--0057, Finding 38). First, Golden Blount identified 4A as Peterson's product, and second, Jankowski identified 4A as Peterson's product. (JT--1077, 1289-90). In fact, Blount's exhibit 4A was so identical to Peterson's D31 and D32 that Peterson's own witness, Jankowski, confused the two. When asked to "pick out which is which," Jankowski identified 4A as Peterson's product over Peterson's own D31 and D32. (JT--1289-90). Additionally, 4A was present before the District Court throughout the trial, and the judge came down from the bench and closely viewed 4A along with D31 and D32, which were both located on an exhibit table and arranged in the same infringing

configuration. (JT--0974-76, 1173-76).¹¹ The District Court also specifically stated that foundation for 4A was further established because it was “virtually identical to the picture on page 3 of Peterson’s own general installation instructions.” (JT--0057, 2312-15, Finding 38). Moreover, the District Court had an opportunity to see the striking similarity between 4A and D31 and D32, just as Jankowski did. These facts simply do not form a basis for plain error.

Peterson also makes an issue of the fact that it does not sell the G-4 and EMB as a single unit, but as separate component parts; ergo, 4A could not be Peterson’s “product,” and the District Court erred by considering it as such. Peterson further argues that there was never any proof that Peterson ever arranged the device in an infringing manner, i.e., the top of the primary burner was above the top of the EMB. The District Court found otherwise.

The District Court found that Peterson sold both the G-4 and the EMB and that they were meant to be used together. (JT--0056-57, 0364, 1211-12, Finding 35). The District Court relied on Blount’s exhibit 4A, Peterson’s exhibits D30, D34 and D31 and D32, and on the testimony of both Bortz and Corrin, who each testified that

¹¹Moreover, the District Court had an additional opportunity to observe, without objection, 4A during oral arguments; 4A again, illustrating an infringing configuration. (JT--3131).

Peterson assembled and operated the infringing device for its distributors, so they could have the opportunity to see how the item worked. (JT--0062-63, 1210-11, 1344, 1699-1702). It also found that Peterson had assembled at least ten of the G-5s that included its EMB burner and presumably assembled it in accordance with its own instructions set forth in D30 and D34. (JT--0062-63, 1699-1702, 1787-88, 0057, 1210-12, 1341-44, 1149, Findings 37, 49-50). The District Court found that since both the EMB and the ember pan, whether it be a G-4 or G-5, were provided to the ultimate customer along with instructions contained in D30 and D34, it was reasonable to conclude that the instructions were used by those customers to assemble the device in an infringing configuration. (JT--0063, Finding 50). Circumstantial evidence of product sales and instructions indicating how to use the product is sufficient to prove third party direct infringement. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986). Peterson's D31 and D32 substantiates this even further, since Peterson is the one that assembled D31 and D32 in an infringing configuration at trial. (JT--1173-74).

Peterson attempts to misdirect this Court's attention by arguing that Blount never presented any evidence regarding the physical structure of the G-5 unit and that its physical differences remain "unexplained." The District Court's Findings clearly contradict Peterson's position. In Finding 35, the District Court relied on the

stipulation between the parties. (JT--0056, 0364). In Finding 36, the District Court stated that the G-4 and G-5 are substantially identical and relied on Corrin's statement that the G-5 was a G-4 except smaller. (JT--0057, 1324). The District Court's Findings are based on evidence and do not constitute clear error. Peterson has done nothing more than point to an opposing view in an attempt to escape its judgment.

Peterson also questions the District Court's reliance on D30. D30 is a drawing that was offered by Peterson to support its bottoms test claim construction.¹² While D30 is dated February 15, 2002, according to Corrin this was a printing date and was not indicative of when the document was created. (JT--1331-32). Peterson now disingenuously uses the actual print date of February 15, 2002, (as opposed to the creation date) to support its argument that Peterson had only circulated D30 for a very short period of time. (Peterson's Brief, page 45). Though Corrin was not certain exactly when D30 was prepared, he testified that D30 could have been prepared and circulated even before the lawsuit was filed on January 2001. (JT--1332-33).

Peterson's exhibit D30 shows that when installed as recommended by Peterson, the top of the EMB is below the primary tube by at least 0.06 inches, thereby meeting

¹²During Trial Peterson urged the District Court to determine whether one tube was raised with respect to the other by referencing the bottoms of the respective tubes, which was previously noted in this case as the "bottoms test," which this Court rejected. (JT--2435-36).

the “raised level” and “below” elements of claims 1 and 17, respectively. (JT--2305). Peterson attempts to obscure this plain evidence by pointing to other evidence that Peterson believes this to be “generally level.” Unfortunately for Peterson, while 0.06 inches below might be generally level in Peterson’s mind, it is still below for purposes of literal infringement. Moreover, there is no doubt that Peterson distributed these instructions to its customers. Corrin unequivocally testified that this drawing was distributed to Peterson’s customers, and it was given to them so that an installer or customer would know how to install the EMB, and he even admitted that D30 shows that the EMB tube normally would be installed just slightly below the top of the main burner tube. (JT--1328, 1317-19). No matter how long it was distributed, it stands as irrefutable evidence of what Peterson thought was a proper installation. The District Court recognized this and found that Peterson and its customers did infringe when the device was assembled using the instructions of D30 or D34. (JT--0062-63, Findings 49-50).

Peterson states that when D34 is followed, it does not result in an infringing configuration. D34 is the general instructions included with each device. (JT--2312-15). Step 10 of these instructions states that the valve should be flush with the burner pan, which rests on the fireplace floor. (JT--1693-94, 2314). Other evidence established that when installed as recommended, the valve rests on the fireplace floor

and the valve supports the EMB. (JT--0059-60, 1693-94, Finding 42). When in this configuration, the “raised level” element was present in D31 and D32 and 4A. (JT--1173-74, 1059-60, 3131). Peterson attempts to confuse the issue here by arguing that the removable control knob is an integral part of its EMB and that its EMB must be high enough for the knob to be used. This is refuted by Peterson’s own brochure that shows the control knob is removable and even states that it can be removed after the desired setting is achieved to prevent the knob from becoming too hot. (JT--2315). Furthermore, it is attached *after* the valve is positioned against the fireplace floor, (JT--2315, 1693-94), and thus, has nothing to do with a proper installation.

Peterson argues with the District Court’s factual findings by stating that “no evidence shows that installing its [EMB] with its valve ‘flush with the burner pan’ results in the valve ‘resting on the fireplace floor.’ (Peterson’s Brief, page 14). Obviously, Peterson is not aware of the testimony of Bortz, who testified that when the EMB is installed, the valve rests on the fireplace floor and the valve supports the EMB. (JT--1693-94). This clearly supports the District Court’s findings and conclusively proves that it is not an “embellishment” by Blount, as Peterson alleges.

Further, and more importantly, Peterson’s own D31 and D32 belies its arguments and unequivocally supports the District Court’s Findings. D31 and D32 is the exhibit that Peterson wants to desperately ignore because this is the device on

which a level was placed across the primary burner tube and the EMB during trial to show the presence of the “raised level” element of claim 1 and the “below” element of claim 17. (JT--0059-65, Finding 42, 60). Much to Peterson’s chagrin, D31 and D32 showed that the “raised level” element was present. (JT--1171-74). Thus, even Peterson, when assembling its own trial exhibit, could not help but construct an infringing device when attaching its EMB to its G-4.¹³ It is interesting to note that even if the valve was not resting on the table, which it was, the primary tube was still raised with respect to the EMB in Peterson’s device D31 and D32.

Based on the foregoing, the record amply supports the District Court’s findings that Peterson and its ultimate customers directly infringed the Patent. As such, the District Court’s findings on this point are not clearly erroneous.

2. Peterson’s Contributory Infringement

Peterson makes the specious argument that the District Court’s findings of contributory infringement are clearly erroneous because there was no direct infringement by Peterson or others and tries to use an “admission” by Blount based on a hypothetical fact that did not exist in the case. The first prong of Peterson’s

¹³No doubt Peterson will viciously fight to keep the District Court from correcting the clerical error in its judgment, because Peterson realizes how thoroughly D31 and D32 dooms its own arguments and how clearly it proclaims Peterson’s infringement. (see fn.2, supra).

argument is deficient because the District Court found, without clearly erring, that there was direct infringement by Peterson and others, as discussed above. The second prong of Peterson's argument fails because Peterson never presented any facts that its device was ever assembled in a non-infringing manner. Furthermore, a device may infringe if it has the present capability of functioning in the same manner described by the claim, *see Intel Corp. v. United States Int'l Trade Comm'n*, 946 F.2d 821, 832 (Fed Cir. 1991). As presented above, the District Court correctly found that Peterson intended its EMB to be used with a G-4 or G-5, that Peterson's instructions D30 and D34 would lead to an infringing configuration, and that Peterson intended it to be used that way. Peterson even assembled its D31 and D32 in an infringing configuration at trial. (JT--1173-74). Based on the record, there is not one instance where Peterson's device was ever assembled or used in a way where both tubes were level with each other, and it would have been Peterson's burden to present such evidence at trial, but it didn't. *See, Electro Scientific Industries, Inc. v General Scanning, Inc.*, 247 F.3d 1341, 1353 (Fed. Cir. 2001). Instead, Peterson points to a single statement based on a hypothetical fact pattern in its attempt to overcome the clearly erroneous standard. Peterson's position is untenable, and using a hypothetical fact situation that never existed does not make the District Court's Findings clearly erroneous.

As the District Court found, Peterson, as early as December 16, 1999, was

placed on notice for infringement and that the device had no substantial non-infringing uses. (JT--0066, Findings 63-64). The record supports the District Court's Findings. Bortz testified that its EMB was not a staple article of commerce and that it didn't have any use apart from being used as an EMB. (JT--1211-13, 1669). Corrin testified that the EMB was intended to be used with the G-4 and could also be used with the G-5, and the parties even stipulated to this. (JT--1323-24, 0364). Additionally, Mr. Blount testified that he didn't know of any other use for the EMB. (JT--1001). Clearly, Peterson's device was not a staple article of commerce because it had one use and one use only. When used in that manner, an infringing configuration resulted, as established through exhibits 4A, D30, D34, and D31 and D32. Even though Peterson's device could be arranged in a non-infringing configuration, it can still be found to infringe if it is reasonably capable of satisfying the claim limitations. *Hillgrave Corp. v. Symantec Corp.*, 265 F.3d 1336, 1343 (Fed. Cir. 2001). In this case Peterson's device was not only capable of satisfying the claim limitations, it was intended to do so and, in fact, did. (JT--0056, 0062). Given the facts in this case, the District Court's Findings on Peterson's contributory infringement are not clearly erroneous.

3. Peterson's Induced Infringement

The District Court found that Peterson also induced others to infringe the

Patent. (JT--0066-67). It based its Findings on, among others, the fact that Peterson had notice of the Patent as of December 16, 1999, that Peterson provided D30 and D34 to its ultimate customers, and that Peterson knew or should have known that its actions would cause others to infringe. (JT--0066-67). The District Court also noted that the demonstration of the device to its distributors was also inducement because this information was ultimately passed on to dealers, assemblers and customers. (JT--0066-67, 1334-35).

Peterson takes issue with the District Court's Findings by first proffering the argument that following the instructions set forth in D34, (JT--2312-15), would not lead to infringement. Interestingly, Peterson does finally admit that inducement can be found when a third-party follows disseminated instructions that lead to an infringing configuration, (Peterson's Brief, page 48), and then goes on to make its argument regarding D34. The District Court found contrary to Peterson's assertions. A close reading of D34, along with other evidence obtained from Peterson, does lead to infringement. Step 10 of these instructions clearly states that the valve should be flush with the burner pan, which rests on the fireplace floor. (JT--2314, 1693-94). The only way that the valve can be flush with the burner pan is for them both to rest on the floor, otherwise the language makes no sense. Moreover, this plain reading of the instructions is affirmed by Bortz' testimony where he testified that the valve rests on

the fireplace floor and the valve supports the EMB. (JT--0059-60, 1693-94, Finding 42). It is equally affirmed by the devices themselves. At trial, the valves of both 4A and D31 and D32 were resting on the table and both devices were in an infringing configuration. (JT--1173-74, 1059-60, 0059-60). Even if the valves were not resting on the table, both D31 and D32 and 4A were still in an infringing configuration. Moreover, one must assume that Peterson knew how to assemble its own D31 and D32. When it did so, an infringing configuration resulted. (JT--1173-74). Thus, following D34 would lead to an infringing configuration, as shown by 4A and D31 and D32. Given the evidence before it, the District Court did not clearly err regarding its consideration of D34.

Peterson continues to distance itself from its own incriminating exhibit, D30. Peterson argues that D30 was not “regularly” disseminated and that since Blount failed to prove just how many times it was disseminated, it did not prove its induced infringement case. In making its arguments, Peterson, once again, misapplies case law. Peterson relies on *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1274 (Fed. Cir. 2004). In *Dynacore*, the district court, unlike here, held that Dynacore failed to prove its allegations of direct infringement. *Id.* at 1272. During appeal, Dynacore alleged an alternative hypothetical way that would lead to direct infringement that the district court did not consider. The “identified acts,” which this Court was

addressing in *Dynacore* was some established act, or acts, of direct infringement. This is affirmed by this Court's citation to *Dow Chemical Co. v. Mee Industries*, 341 F.3d 1370 (Fed. Cir. 2003).

In *Dow*, the district court limited the scope of Dow's infringement case to "its expert reports of April 13, 2001." *Id.* at 1379. According to the District Court, two of those reports failed to address the apparatus claims at all. The third report (filed by Dow's patent expert), along with that expert's testimony during trial, were described by the District Court as "conclusory" and "insufficient to prove, by a preponderance of the evidence, that the Defendants infringed [the apparatus claims]." *Id.* Thus, there was no identified act of direct infringement. This is substantially different from the case at hand, where many identified acts of direct infringement exist. Here, the District Court found direct infringement by both Peterson and its ultimate customers and the record supports the District Court's Findings.

Peterson also points to D30 as evidence of its good faith belief that it was not knowingly infringing and the "knowing or should have known" standard of induced infringement was not met. This argument ignores the "should have known" alternative portion of the standard. A patentee may prove intent through circumstantial evidence. *Fuji* at 1377-78 (finding that although defendant took the position that he did not believe refurbishing LFFPs had any effect on plaintiff's patent rights, the record

showed defendant was aware of plaintiff's infringement contentions). Moreover, as discussed above, Peterson had received an infringement notice letter from Blount, which is also sufficient to impart requisite knowledge. *Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co.*, 377 U.S. 476, 489 (1964). The District Court found that based on Peterson's stipulation of what its device comprised, along with the instructions that Peterson issued in D30 and D34, and Peterson's notice as of December 16, 1999, Peterson knew or should have known that its actions would have lead to infringement. (JT--0066-67, Findings 66-72). There is evidence on the record to support the District Court's finding that Peterson induced its customers to infringe the Patent, and its findings are not clearly erroneous.

4. The Doctrine of Equivalents

Due to the fact that the District Court found literal infringement, any error that the District Court might have made with respect to its analysis under the doctrine of equivalents is harmless error. Contrary to Peterson's assertions, the District Court's Findings cannot remove, under the doctrine of equivalents, a limitation that is clearly stated in the claims. Given the presence of the "raised level" element in the claims, the District Court's Findings are not clearly erroneous and at most are harmless error.

C. Peterson's Willful Infringement

Peterson grossly mischaracterizes the holding in *Knorr-Bremse Systeme Nutzfahrzeuge GMBH*, 383 F.3d 1337 (Fed. Cir. 2004). *Knorr* does not stand for the proposition that the duty of care does not “include a duty to obtain any opinion of counsel, much less a ‘competent opinion’ of counsel.” (Peterson’s Brief, page 56). This Court never made such a holding. What this Court said was: “When the defendant had not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement? The answer, again, is ‘no.’ The issue here is not of privilege, but whether there is a legal duty upon a potential infringer to consult with counsel, *such that failure to do so will provide an inference or evidentiary presumption that such opinion would have been negative.*” *Knorr* at 1345 (Emphasis added). The duty of care on the part of a potential infringer remains after this Court’s *en banc* decision. *Knorr*, went on to stress that there continues to be “an affirmative duty of due care to avoid infringement of the known patent rights of others.” *Id.*

Moreover, *Knorr* is not applicable in the present case because the District Court drew no adverse inference. Peterson offered up the “opinion” of counsel as a defense against its willful infringement, and brought it under the District Court’s purview. Furthermore, Peterson makes a gross misstatement of the facts when it states: “The

Court's *sole* basis for finding willful infringement, however, was an adverse inference sought by plaintiff arising out of the allegedly less than formal or meticulous manner in which Peterson's patent counsel, Mr. William McLaughlin, advised it that the Patent was invalid and not infringed." (Peterson's Brief, pages 55-56, emphasis added).

This was not the "sole" basis for the District Court's finding. No doubt, the way in which the opinion was rendered and when it was rendered gave the District Court serious concerns about Peterson's earnestness regarding its duty of care. What troubled the District Court even more, and justified its findings, was Peterson's willful disregard for the Patent. In Finding 111, which Peterson conveniently ignores, the District Court specifically found that Peterson was not concerned about damages associated with its infringing activity, but apparently with the attorneys' fees that Peterson might be required to pay as a willful infringer. (JT--0073, 1205-07). By Bortz' own admission, he told McLaughlin that this was not a very meaningful case in terms of the "dollars at stake" but that he heard a person might have to pay attorneys' fees if he loses a patent lawsuit, and he asked McLaughlin what he should do. (JT--1205-07, 1894). The District Court found that this underscored Peterson's true intentions with respect to its willful disregard for the Patent; that Peterson was more concerned with having to pay attorneys' fees than it was with its own infringement. In view of this, the District Court found that Peterson's action

constituted an intentional disregard for the Patent. (JT--0073).

In Finding 114, the District Court found that because Peterson's primary desire was to avoid paying attorneys' fees or increased damages, this was the sole reason for consultation with counsel, and these actions showed a willful and egregious disregard for the Patent. (JT--0074). Findings 115 and 118 provide additional Findings of the District Court that controvert Peterson's argument. (JT--0074).

Contrary to Peterson's assertions, it was Peterson's willful disregard of the Patent that caused the District Court to find Peterson was a willful infringer. Even under Judge Dyk's concurring opinion in *Knorr*, such actions would most likely rise to the level of "reprehensible conduct." The District Court's Findings that Peterson willfully infringed the Patent are amply supported and are not clearly erroneous.

D. Damages

Peterson has not met its burden of showing that the District Court's Findings of awarding damages to Blount are clearly erroneous. Blount need only show causation and the factual basis for causation between the infringement and the lost profits. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983). To do this, *Panduit* established that the patent owner need only demonstrate: 1) a demand for the product during the period in question; 2) an absence, during that

period, of acceptable non-infringing substitutes; 3) its own manufacturing and marketing capability to meet or exploit that demand; and 4) a detailed computation of the amount of the profit it would have made. *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. Mich. 1978); *Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 1555 (Fed. Cir. 1986).

The District Court used the *Panduit* factors to determine damages and found that Blount established all of them. (JT--0068-70). This rebuts Peterson's argument that Blount failed to show causation. The District Court found that Blount showed a demand for the product during the period in question. (JT--0994-95, 0969-70). It found that Blount showed an absence, during that period, of acceptable non-infringing substitutes, (JT--0996-98), and it also found that Blount established evidence that it had the manufacturing capacity to handle the demand. (JT--0069, 0999). Thus, the evidence establishes the first three *Panduit* factors.

With the first three factors of *Panduit* established, the District Court turned to determining the amount of profits. For purposes of determining profits, the District Court found that a two-supplier market existed between Blount and Peterson with respect to the patented device. (JT--0069-70, 0996-98, Finding 88). Mr. Blount testified that Blount and Peterson controlled about 95 percent of the EMB market. (JT--0996-98). In a two-supplier market it is reasonable to assume, provided the patent

owner has the manufacturing capabilities, that the patent owner would have made the infringer's sales "but for" the infringement. *State Indus. v. Mor-Flo Indus.*, 883 F.2d 1573, 1578 (Fed. Cir. 1989). Peterson offered no evidence to rebut this. Peterson's unsupported and convoluted arguments are not sufficient to sustain its burden of showing that the District Court's Findings on this point are clearly erroneous.

Peterson argues that the "but for" causation test also fails because Blount offered no competent evidence of how Peterson's products were sold. The record repudiates Peterson's position. As discussed above, the evidence establishes how Peterson sells its EMB and its G-4 and G-5. The record further establishes that Peterson sold both the G-4 and G-5 and EMBs to ultimate consumers with one of a number of types of its artificial logs and a log grate through its distributors or retailers. (JT--1322-24). The record establishes that 97 ½ percent of the time an EMB is sold, it is sold with a standard ember pan (G-4 or G-5). Moreover, Blount is not obliged to negate every possibility that a purchaser might not have bought the patentee's product instead of the infringing one, or might have foregone the purchase altogether. *Paper Converting Machine Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 21 (Fed. Cir.1984).

Peterson attempts to disparage Hanft's testimony by arguing that he didn't know anything about how Peterson sold its products, but the record as a whole

establishes to the contrary. It should be noted that Hanft had more than 12 years of experience in the artificial gas logs business, and he was not an exclusive retailer for Blount because he did sell a few of Peterson's products. (JT--1085). Moreover, on re-direct Hanft testified that, based on his own experience, the way in which he sold his products was typical of the way other retailers (including those who sold Peterson's products) sold their products. (JT--1098-99). The District Court had sufficient evidence on which to base its Findings. As the District Court found, Blount is entitled to actual damages due to the fact that the evidence establishes the presence of all of the *Panduit* factors.

Peterson is mistaken about the time frame from which damages were calculated. Contrary to Peterson's assertions, the District Court calculated the damages from the date of the first notice letter, December 16, 1999, and not from the issuance of the Patent. (JT--0538-51, 0821-23). Peterson is further grossly mistaken as to how the amount of damages were obtained. The amount of damages were determined from Blount's lost profits attributable to the sale of both the EMB and the logs and not the EMB alone, as Peterson implies. The District Court relied on claim 15, which recites the logs and grate, or alternatively on the "entire market value rule". *Beatrice Foods Co. v. New England Printing & Lithographic Co.*, 899 F.2d 1171, 1175 (Fed. Cir. 1991); See *Rite-Hite v. Kelsey Co.*, 56 F.3d 1538, 1550 (Fed. Cir. 1995), (JT--0121,

col. 8, lns. 20-24, JT--0070-71). Accordingly, the device for calculating lost profits includes the entire burner assembly (including the EMB and valve), the grate and a full set of artificial logs, which must be the case here, because apart from the artificial logs and grate, the EMB unit has no purpose or function.

Furthermore, the record supports the District Court's Findings. Corrin testified at trial that Peterson used the EMB to entice customers to come back to the store to purchase newer log sets, and at the same time, purchase Peterson's EMB, which improved the overall appearance of the fireplace. (JT--1322-24). Additionally Hanft testified that the glowing embers from the EMB is what draws a customer's attention to a particular log and burner set, and what ultimately makes the sale. (JT--1091-94). Blount also offered testimony at trial that the elements of independent Claims 1 and 17 constitute a functional unit with the artificial logs and the grate support. Hanft testified that "if I sold 40 more CEBBs (as covered by the patent) from this day forward, 39 would go with a log set." (JT--1093). Therefore, the District Court did not abuse its discretion in its finding, and Peterson has not sustained its burden in overcoming this high standard.

Peterson also asserts that Blount's and Peterson's products are not interchangeable. Interchangeability is not one of the factors required by *Panduit*. Moreover, even if interchangeability were an issue, the testimony given by Mr. Blount,

offered without Peterson's objection, clearly establishes that the structures were identical in every respect, which is supported by the comparison above, (JT--0978-993), and would inherently be interchangeable. This red herring should be ignored.

Peterson attempts to convince this Court that the District Court erred in not reducing the lost profit damage award by the alleged return of 802 units that Peterson asked to be returned *only after* judgment had been rendered in favor of Blount and for the sole purpose of reducing damages. This is akin to shutting the barn door after the cows have left. Peterson mistakenly thinks that it can "uninfringe" 802 instances of contributory or induced infringement. The District Court determined that there was direct infringement, after that, each act of contributory or induced infringement stood by itself. Moreover, Peterson has provided no relevant case law on point supporting its position as to the returned units. Equity alone should prevent a party from undoing its infringement of a patent to reduce damages, as Peterson is apparently attempting to do. In the absence of case law to the contrary, which appears to be the instance here, the courts are in agreement that any uncertainty as to damages from infringement should be resolved in favor of the patent owner. *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1327 (Fed. Cir. 1987); *Kaufman Co. v. Lantech, Inc.*, 926 F.2d 1136, 1141 (Fed. Cir. 1991). Here, if any uncertainty were to exist in the mind of this Court as to damages, this Court should rule in favor of Blount and refuse

to subtract the allegedly returned units.

In view of the substantial facts before the District Court, it did not abuse its discretion in determining the lost profit damages.

E. Exceptional Case

In addition to Section 284 of the Patent Act requiring “damages adequate to compensate for the infringement,” as well as allowing the court to “increase damages up to three times the amount found or assessed,” Section 285 of the Patent Act authorizes the court in exceptional cases to award reasonable attorneys’ fees to the prevailing party. 35 U.S.C. § 285 The Federal Circuit has interpreted this provision of Section 285 as requiring a two-step process: “First, the district court must determine whether a case is exceptional.” See, *Enzo Biochem* at 1370. After determining that a case is exceptional, the district court must determine whether attorneys’ fees are appropriate. *Id.* An award of attorneys’ fees, if based on a proper finding of an exceptional case, can only be altered if the district court abused its discretion.


The statutory purpose of an attorneys’ fee award is to reach cases where the interest of justice warrants fee-shifting. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1582 (Fed. Cir. 1992). Thus, the trial court has broad discretion

in the criteria by which it determines whether to award attorneys' fees. *Id.* A finding of willful infringement meets one of many possible criteria of an 'exceptional case.' *Id.* As the District Court found, Peterson's sole purpose of seeking legal advice, and only then after the lawsuit was filed, was for avoiding attorneys' fees. (JT--0073-74). Infringement of the Patent was not Peterson's concern because it thought that the damages would be small. In essence, Peterson was willing to gamble what it considered to be a pittance at the risk of taking the property of another until it found out that it might have to pay attorneys' fees. The District Court found Peterson's actions to constitute a willful disregard of the Patent. (JT--0073-74, Findings 111, 114, 118). As stated above, even if this Court were to adopt Judge Dyk's position set forth in *Knorr*, as urged by Peterson, Peterson's actions in view of such conduct would surely rise to the level of "reprehensible conduct." Undoubtedly, the District Court did not clearly err in finding the case exceptional, and it did not abuse its discretion in awarding Blount's its attorneys' fees. Peterson has utterly failed to establish to the contrary.

CONCLUSION

For the reasons stated above, the judgment of the District Court must be
Affirmed.

Respectfully submitted,

By  _____

Charles W. Gaines
Greg H. Parker
HITT GAINES, P.C.
Palisades Central II
2435 N. Central Expy., Suite 1300
Richardson, Texas 75080-3560
972-480-8800

William D. Harris, Jr.
SCHULTZ & ASSOCIATES
5400 LBJ Freeway
One Lincoln Centre, Suite 1200
Dallas, Texas 75024

CERTIFICATE OF COMPLIANCE WITH FED. R. CIV. P. 32(e)(7)(B)

The undersigned, Counsel of Record for Plaintiff-Appellee, Golden Blount, Inc., hereby certifies that this Brief of Plaintiff-Appellee Golden Blount, Inc. complies with the type-volume limitation provided in Rule 32(e)(7)(B) of the Federal Rules of Appellate Procedure. In preparing this Certificate, I relied on the word-count program of Corel WordPerfect 8. This Brief contains 13,877 words.



Charles W. Gaines
Greg H. Parker
HITT GAINES, P.C.
Palisades Central II
2435 N. Central Expy., Suite 1300
Richardson, Texas 75080
(972) 480-8800

*Counsel for Plaintiff-Appellee
Golden Blount, Inc.*

Dated: June 3, 2005

CERTIFICATE OF SERVICE

I, Charles W. Gaines, certify that two true and correct copies of the foregoing Brief of Plaintiff-Appellee Golden Blount, Inc. were sent by Express Mail on June 3, 2005, to opposing counsel at the following address:

Leland W. Hutchinson, Jr.
Jennifer L. Fitzgerald
David S. Becker
FREEBORN & PETERS
311 South Wacker Drive
Suite 3000
Chicago, Illinois 60606

A handwritten signature in cursive script, appearing to read "Charles W. Gaines", is written over a horizontal line.

Charles W. Gaines
Greg H. Parker
HITT GAINES, P.C.
Palisades Central II
2435 N. Central Expy., Suite 1300
Richardson, Texas 75080
(972) 480-8800