

No. 09-

IN THE
Supreme Court of the United States

GLOBAL-TECH APPLIANCES INC. and
PENTALPHA ENTERPRISES, LTD.,

Petitioners,

v.

SEB S.A.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the legal standard for the state of mind element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is “deliberate indifference of a known risk” that an infringement may occur, as the Court of Appeals for the Federal Circuit held, or “purposeful, culpable expression and conduct” to encourage an infringement, as this Court taught in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937, 125 S. Ct. 2764, 2780, 162 L. Ed. 2d 781, 801 (2005)?

PARTIES TO THE PROCEEDING

The petitioners here, and defendants-appellants in the Federal Circuit, are Global-Tech Appliances Inc. (now “Global-Tech Advanced Innovations Inc.”), and Pentalpha Enterprises, Ltd. (now “Pentalpha Medical, Ltd.”) (collectively “Pentalpha”).

The respondent here, and plaintiff-appellee in the Federal Circuit, is SEB S.A (“SEB”).

CORPORATE DISCLOSURE STATEMENT

Pentalpha Enterprises, Ltd. is a wholly-owned subsidiary of Global-Tech Appliances Inc., a publicly traded corporation, with its principle place of business in Hong Kong.

SEB is a publicly traded corporation, with its principle place of business in France.

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PETITION FOR A WRIT OF CERTIORARI

Pentalpha respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit, insofar as it found Pentalpha liable for actively inducing infringement under 35 U.S.C. § 271(b), based upon Pentalpha's sales of a product FOB Hong Kong or China with "deliberate indifference of a known risk" that an infringement may occur.

OPINIONS BELOW

The opinion of the Federal Circuit is reported at 594 F.3d 1360, and a copy is annexed as Appendix A.

The memorandum and order of the United States District Court for the Southern District of New York is not officially reported, but is available at 2006 U.S. Dist. LEXIS 80394, and a copy is annexed as Appendix B.

The order denying the petition of Pentalpha for rehearing en banc is not officially reported, but is available at 2010 U.S. App. LEXIS 7937, and a copy is annexed as Appendix C.

JURISDICTION

The Federal Circuit entered its judgment on February 5, 2010, and denied Pentalpha's petition for rehearing en banc by an order entered on March 25, 2010. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant portions of the Patent Act, 35 U.S.C. § 271(a), (b), and (c) provide:

“§ 271 Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.”

STATEMENT OF THE CASE

A. Factual Background

SEB is engaged in the business of manufacturing household appliances. It owns United States Patent No. 4,995,312 (the “Patent”), for a specific type of deep fryer. SEB markets its products in the United States through an indirect subsidiary, T-Fal Corporation.

Pentalpha is also engaged in the business of manufacturing household appliances. In 1997, Pentalpha developed a deep fryer by purchasing and studying various deep fryers on the market in Hong Kong, including a SEB deep fryer that lacked United States patent markings. Before selling its deep fryer, Pentalpha contacted a New York patent attorney for an opinion as to whether its deep fryer would infringe any United States patent. Pentalpha did not disclose to the attorney which products it had used to develop its deep fryer. The attorney then provided a written opinion that the deep fryer did not infringe any United States patent. But, the patent search the attorney performed failed to identify SEB’s Patent. Pentalpha in August 1997 began selling deep fryers to Sunbeam Corporation (“Sunbeam”), FOB Hong Kong or China, and Sunbeam imported them into the United States. Pentalpha later sold essentially the same deep fryer FOB Hong Kong or China to two additional United States retailers, Montgomery Ward & Co., Inc. (“Montgomery Ward”), and Fingerhut, Inc., which imported them into the United States.

In March 1998, SEB sued Sunbeam in the District of New Jersey for infringing the Patent. As a result of that action, Pentalpha on or about April 9, 1998 learned—for the first time—of the existence of the SEB Patent. On July 10, 1998, SEB sued Pentalpha in the New Jersey action. In July 1999, Sunbeam paid SEB \$2,000,000 to settle that action. Contemporaneously, the New Jersey district court dismissed SEB’s claims against Pentalpha for lack of personal jurisdiction.

B. The Proceedings in the District Court

On August 27, 1999, SEB commenced an action for patent infringement against Pentalpha and one of its customers, Montgomery Ward, in the Southern District of New York. On December 16, 1999, the district court granted a preliminary injunction enjoining Pentalpha from selling its deep fryers. After receiving a non-infringement opinion from new patent counsel, Pentalpha began selling a redesigned deep fryer. On SEB’s motion, the district court extended its preliminary injunction to that redesigned deep fryer.

After discovery and pretrial motions, the district court tried the action beginning on April 17, 2006. At the close of evidence on April 20, 2006, Pentalpha moved for judgment as a matter of law on certain claims. Specifically, Pentalpha argued that it could not be liable for actively inducing infringement under 35 U.S.C. § 271(b) for its sales before April 9, 1998 because the parties agreed that Pentalpha had no knowledge of the Patent before that date. The district court denied Pentalpha’s motion. In its charge, the district court instructed the jury that it could find Pentalpha liable

for inducing infringement if Pentalpha “knew or should have known” that its actions would induce actual infringement. Pentalpha objected to that charge. On April 21, 2006, the jury found as follows.

- i. Pentalpha had directly infringed and induced infringement for both deep fryers.
- ii. SEB was entitled to a reasonable royalty of \$4,650,000 on Pentalpha’s sales, although the jury did not allocate any amount to either theory of liability.
- iii. Pentalpha’s infringement was willful, but did not specify any product or time period for that finding.

Post-trial motions followed. By memorandum and order dated October 9, 2007, annexed as Appendix B, the district court denied all of Pentalpha’s post-trial motions, except it reduced the verdict by \$2,000,000, the amount Sunbeam had paid SEB in the related suit over the deep fryers. The district court also awarded SEB enhanced damages of \$2,650,000, attorney’s fees of \$932,123, and prejudgment interest at the prime rate. Pentalpha moved to reargue because the district court had failed to consider *In Re Seagate*, 497 F.3d 1360 (Fed. Cir. 2007). The district court granted Pentalpha’s motion to reargue and vacated its award of enhanced damages and attorneys’ fees. It entered judgment on October 2, 2008 in the amount of \$4,878,341.

Pentalpha filed a notice of appeal on October 30, 2008.

C. The Proceedings in the Federal Circuit

The Court of Appeals for the Federal Circuit exercised appellate jurisdiction pursuant to 28 U.S.C. § 1295.

Pentalpha argued, among other things, that the district court erroneously charged the jury concerning the elements of a claim for actively inducing infringement because the Federal Circuit had held, en banc, that knowledge of a patent was a necessary element of a claim for actively inducing infringement, *DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc), and because Pentalpha, the parties agreed, had no knowledge of the Patent before April 9, 1998, seven months after Pentalpha began its sales. In an opinion entered February 5, 2010, annexed as Appendix A, the Federal Circuit held that, because of ambiguous jury instructions, it could not determine whether the jury had found damages based on inducing infringement alone, direct infringement alone, or both. Accordingly, the Federal Circuit held that, to affirm, it had to uphold the judgment based upon both the theories of direct infringement and actively inducing infringement.

The Federal Circuit nevertheless affirmed the district court's judgment that Pentalpha was liable for inducing infringement under 35 U.S.C. § 271(b). The Federal Circuit reasoned that Pentalpha's "deliberate indifference" as to whether its product might infringe a patent satisfied the state of mind element for actively inducing infringement under 35 U.S.C. § 271(b).

On March 2, 2010, Pentalpha filed a petition for rehearing en banc. Two bar associations submitted a joint brief in support of Pentalpha's petition. By order entered March 25, 2010, annexed as Appendix C, and without modifying the decision, the Federal Circuit denied the petition.

REASON FOR GRANTING THE PETITION

I. THE COURT SHOULD DETERMINE WHETHER THE SALE OF A PRODUCT WITH "DELIBERATE INDIFFERENCE OF A KNOWN RISK" THAT AN INFRINGEMENT MAY OCCUR SATISFIES THE INTENT ELEMENT FOR ACTIVELY INDUCING INFRINGEMENT UNDER 35 U.S.C. § 271(b)

A. THE FEDERAL CIRCUIT'S "DELIBERATE INDIFFERENCE" STANDARD FOR ACTIVELY INDUCING INFRINGEMENT UNDER 35 U.S.C. § 271(b) CONFLICTS WITH THE TEACHING OF THIS COURT IN *MGM STUDIOS, INC. v. GROKSTER, LTD.*

In *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005), this Court taught that the state of mind element for actively inducing patent infringement under 35 U.S.C. § 271(b) requires "affirmative intent that the product be used to infringe." *Grokster*, 545 U.S. at 936. *Grokster* was a copyright case in which this Court considered whether a distributor of software with significant non-infringing uses should be secondarily liable for copyright infringement if it intentionally designed and marketed

its product for an infringing purpose. *See Id.* at 941. This Court applied the patent law rule for inducing infringement to the copyright law, to allow secondary copyright liability premised on Grokster’s intentional acts to encourage others to infringe. *Id.* at 936-37. In doing so, this Court articulated its view of the level of culpable conduct 35 U.S.C. § 271(b) requires:

“The rule on inducement of infringement as developed in the early cases is no different today. Evidence of ‘active steps . . . taken to encourage direct infringement’ . . . show an **affirmative intent that the product be used to infringe**, and a showing that infringement was encouraged overcomes the law’s reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use.”

Id. at 936 (citations omitted) (emphasis added). Thus, this Court in *Grokster* taught that actively inducing patent infringement requires more than a disregard of the risk that a patent infringement might occur.

Furthermore, in applying its interpretation of 35 U.S.C. § 271(b) to the copyright law, this Court held that “mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability . . . The inducement rule, instead premises liability on purposeful, culpable expression and conduct.” *Id.* at 937.

Here, the Federal Circuit adopted a standard for actively inducing patent infringement under 35 U.S.C.

§ 271(b) that conflicts with that teaching of this Court. The *SEB* standard bases liability on conduct manifesting “deliberate indifference of a known risk” that a patent may exist. *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d. 1360, 1377 (Fed. Cir. 2010) (“as courts have observed in a variety of settings, the standard of deliberate indifference of a known risk is not different from actual knowledge.”) (citations omitted). The *SEB* standard does not require “affirmative intent that the product be used to infringe.” *Grokster*, 545 U.S. at 936. Instead, the *SEB* standard allows “mere knowledge of infringing potential” to serve as the basis for liability. *Id.* at 937.

The Federal Circuit’s “deliberate indifference” standard does not require recklessness. This Court has previously held that “[t]he civil law generally calls a person reckless who acts or (if the person has a duty to act) fails to act in the face of an unjustifiably high risk of harm that is either known or so obvious that it should be known.” *Farmer v. Brennan*, 511 U.S. 825, 836, 114 S. Ct. 1970, 1979, 128 L. Ed. 2d 811, 825 (1994) (citing, *Prosser and Keeton* § 34, at 213-14; *Restatement (Second) of Torts* § 500 (1965)). Furthermore, “recklessness requires ‘a known or obvious risk that was so great as to make it highly probable that harm would follow.’” *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 69, 127 S. Ct. 2201, 2215, 167 L. Ed. 2d 1045, 1065 (2007) (quoting *Prosser and Keeton* § 34, at 213). The Federal Circuit conspicuously avoided articulating any standard concerning the severity of the risk of infringement necessary to find liability.

Similarly, the Federal Circuit’s “deliberate indifference” standard does not require negligence. The Federal Circuit stated “‘deliberate indifference’ is not necessarily a ‘should have known’ standard. The latter implies a solely objective test, whereas the former may require a subjective determination that the defendant knew of and disregarded the overt risk that an element of the offense existed.” *SEB*, 594 F.3d at 1376 (citations omitted).

In any event, the Federal Circuit’s “deliberate indifference” standard involves a level of culpability lower than negligence. The district court charged the jury under a “knew or should have known” negligence standard. Transcript of Record at 987, *SEB S.A. v. Montgomery Ward & Co., Inc.*, 2006 U.S. Dist. LEXIS 80394 (S.D.N.Y. Oct. 2007). If the Federal Circuit intended for “deliberate indifference” to be a standard higher than negligence, like recklessness, it would have reversed and remanded for a new trial under that standard, rather than sit as jury to determine the question of whether that higher standard was met. *Carolina Power & Light Co. v. United States*, 573 F. 3d 1271, 1276 (Fed. Cir. 2009) (even “a matter that can be tested by fairly simple arithmetic . . . is nonetheless a factual issue properly within the purview of the trial court”); *Golden Bridge Tech., Inc. v. Nokia, Inc.*, 527 F.3d 1318, 1323 (Fed. Cir. 2008) (“Appellate courts review district court judgments; we do not find facts.”); *First Interstate Bank of Billings v. United States*, 61 F. 3d 1477, 1479 (Fed. Cir. 1993) (“Fact-finding by the appellate court is simply not permitted”). Accordingly, the new “deliberate indifference” standard requires less culpability than negligence.

The Federal Circuit attempted to reconcile its new “deliberate indifference” standard with the standard set forth in *Grokster*, but failed. The Federal Circuit cited *Farmer v. Brennan*, 511 U.S. 825, an Eighth Amendment case. In *Farmer*, this Court announced a subjective “deliberate indifference” standard under which liability can attach when the accused “knows of and disregards an excessive risk.” *Id.* at 837. *Farmer*, however, equated its formulation of “deliberate indifference” to “subjective recklessness as is used in criminal law.” *See, Farmer*, 511 U.S. at 839. In applying the “deliberate indifference” standard, the Federal Circuit did not import the standard of “subjective recklessness as it is used in criminal law,” but imported a standard lower than negligence.

Accordingly, because the Federal Circuit has articulated a standard for the state of mind element for actively inducing infringement that is inconsistent with this Court’s teaching in *Grokster*, this Court should address that inconsistency.

B. THE FEDERAL CIRCUIT HAS NOT ADEQUATELY ARTICULATED AN APPROPRIATE STANDARD FOR ACTIVELY INDUCING INFRINGEMENT UNDER 35 U.S.C. § 271(b)

Putting aside the inconsistency between the teaching of *Grokster* and the decision of the Federal Circuit, the Federal Circuit has failed to articulate a standard for the state of mind element of actively inducing infringement under 35 U.S.C. § 271(b) that lower courts can consistently apply.

Under the “deliberate indifference” standard, a jury could find that the accused inducer “deliberately disregarded a known risk,” *SEB*, 594 F.3d at 1377, that an infringement may occur in virtually any situation. For example:

- If the accused inducer did not conduct a patent search, the jury could find that the accused inducer “deliberately disregarded a known risk” that a patent search would have revealed an applicable patent.
- If the accused inducer conducted a patent search, but did not obtain an opinion of counsel, the jury could find that the accused inducer “deliberately disregarded a known risk” that an opinion of counsel would have identified a problem with the search, and revealed the applicable patent.
- If the accused inducer retained counsel to provide a right to use opinion, the jury could find that the accused inducer “deliberately disregarded a known risk,” usually disclosed in opinions of counsel, that a jury could reach a different conclusion on the issue of infringement.

None of these fact patterns differ materially from the fact pattern of the present case, where Pentalpha relied upon a legal opinion based upon a faulty patent search.

SEB’s confusing treatment of the state of mind element for actively inducing infringement did not

develop in a vacuum. Rather, it represents the culmination of at least three attempts by the Federal Circuit to articulate an appropriate standard for the state of mind element for that claim.

In *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990), the Federal Circuit articulated a standard suggesting that the patentee need only prove an intent to cause the acts that constituted the infringement, stating:

“On its face, § 271(b) is much broader than § 271(c) and certainly does not speak of any intent requirement to prove active inducement. However, in view of the very definition of ‘active inducement’ in pre-1952 case law and the fact that § 271(b) was intended as merely a codification of pre-1952 law, we are of the opinion that proof of actual intent to cause the acts which constitute the infringement is a necessary prerequisite to finding active inducement.”

In *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 543, 553 (Fed. Cir. 1990), the Federal Circuit announced a conflicting standard that required not only knowledge of the acts giving rise to infringement but knowledge of the infringement itself, stating:

“It must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement.”

In *DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc), the Federal Circuit, recognized the inconsistency between *Hewlett-Packard* and *Manville*, and, given this Court's decision in *Grokster*, chose to follow *Manville*. The Federal Circuit stated, "*Grokster*, thus, validates this court's articulation of the state of mind requirement for inducement. In *Manville*, this court held that the 'alleged infringer must be shown . . . to have *knowingly* induced infringement' not merely knowingly induced the *acts* that constitute infringement," *DSU*, 471 F.3d at 1306 (quoting *Manville*, 917 F.2d at 544). The Federal Circuit specifically articulated its new standard as follows:

"[T]he plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts and that he knew or should have known his actions would induce actual infringements. The requirement that the alleged infringer knew or should have known his actions would induce actual infringement necessarily includes the requirement that he or she knew of the patent."

DSU, 471 F.3d at 1306 (quoting *Manville*, 971 F.3d at 554) (citation omitted).

The application of *Manville* and *DSU* in *SEB* demonstrated, and deepened, the profound confusion in the law concerning the state of mind element for inducing infringement. The Federal Circuit acknowledged that "inducement requires a showing of 'specific intent to encourage another's infringement.'" *SEB, S.A.*, 594 F.3d at 1376 (citation omitted). But, it

then suggested that specific intent is not a high standard, stating: “As other courts have observed, ‘specific intent’ in the civil context is not so narrow as to allow an accused wrongdoer to actively disregard a known risk that an element of an offense exists.” *Id.* at 1376 (citations omitted). The Federal Circuit therefore held that the mere presence of a risk that infringement could occur would constitute specific intent to infringe.

SEB created additional uncertainty by discarding *DSU*’s express requirement that the accused must have knowledge of the patent. *SEB*’s new standard allowed Pentalpha’s “deliberate indifference of a known risk” that *SEB* held a protective patent to be treated as functionally equivalent to knowledge of the patent. *Id.* at 1377. Under this standard, a trier of fact could find “deliberate indifference” and, thus liability, in virtually any case.

Adding further to the uncertainty, *SEB* noted that “[t]his opinion does not purport to establish the outer limits of the type of knowledge needed for inducement.” *Id.* at 1378. It suggested that “a patentee may perhaps only need to show, as *Insituform [Technologies, Inc. v. Cat Contracting, Inc.]*, 161 F.3d 688 (Fed. Cir. 1998) suggests, constructive knowledge with persuasive evidence of disregard for clear patent markings, similar to the constructive notice requirement in § 287(a).” *SEB*, 594 F.3d at 1378. Thus, the level of culpability to prove inducing infringement under *SEB* may be so elastic that neither actual knowledge nor even “deliberate indifference” is required to find liability.

The result of *SEB* is utter confusion as to the standard for the state of mind element for the claim of actively inducing infringement. In an *Amicus Curiae* brief submitted in support of Pentalpha's petition for rehearing en banc, the American Intellectual Property Law Association ("AIPLA"), a bar association of over 16,000 members who share an interest in intellectual property, and the Federal Circuit Bar Association ("FCBA"), a bar association of over 2,600 members who practice before the Federal Circuit stated:

"AIPLA and the FCBA are of the view that the reasoning expressed by the panel in *SEB S.A. v. Montgomery Ward & Co. Inc.*, Nos. 2009-1099, 2009-1108, 2009-1119, 2010 WL 398118 (Fed. Cir. Feb. 5, 2010), is symptomatic of the lack of clarity in the law of induced patent infringement. **In the wake of *SEB*, the law regarding the culpability level required to establish induced patent infringement is as confused as ever.** A clearer formulation of the law would allow practitioners and those in the industry to understand better the boundary between allowed and wrongful conduct." (Emphasis added.)

Brief for the American Intellectual Property Lawyers Association and the Federal Circuit Bar Association as *Amici Curiae* Supporting Appellants' Petition for Rehearing En Banc at 2, *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d. 1360 (Fed. Cir. 2010).

Thus, for 20 years, the Federal Circuit has struggled to articulate an appropriate standard for inducing infringement. It has failed to do so. It is therefore appropriate for this Court to address this issue.

**C. THE “DELIBERATE INDIFFERENCE”
STANDARD OF SEB MAY PROFOUNDLY
IMPACT INTERNATIONAL AND DOMESTIC
COMMERCE**

The Federal Circuit has, subject to limited exceptions, exclusive jurisdiction over appeals in patent infringement actions. 28 U.S.C. §1295; *The Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826, 122 S. Ct. 1889, 152 L. Ed. 2d 13 (2002). *SEB* is therefore, for all practical purposes, controlling precedent in the entire United States, not simply a regional circuit.

If the “deliberate indifference” standard of *SEB* remains the law, foreign sellers of goods imported into the United States will face increased costs of doing business. A foreign seller could no longer rely upon its lack of knowledge of a competitor’s patent as a basis to sell its product. To avoid liability, it must, at a minimum, secure a written legal opinion from patent counsel that its product does not infringe. If the foreign seller concludes that the cost of compliance, coupled with the risk of an error in the opinion (as in this case), outweighs its potential profit, the foreign seller may decline to sell its legitimate products for the United States market, resulting in the elimination of a competitor and, if it occurs on a large enough scale, the elimination of competition in the United States market.

At the very least, foreign sellers will pass on the cost of compliance to American consumers and businesses in the form of higher prices. In 2009, the United States imported over \$1.5 trillion worth of merchandise. Trade Stats Express, International Trade Administration, <http://tse.export.gov/NTDChartDisplay.aspx?UniqueURL=aox4m345pk4v0145mgp3fo55-2010-6-18-10-37-37> (last visited June 22, 2010). While this broad inducement rule will not impact all merchandise imported to the United States, even a trivial increase in the percentage of commerce affected could have a dramatic impact upon the costs United States consumers and businesses are asked to absorb.

Domestic sellers of component parts of finished products would also face increased costs of doing business. A seller of a component of a product would ordinarily evaluate its potential liability under a theory of contributory infringement pursuant to 35 U.S.C. § 271(c). Under 35 U.S.C. § 271(c) a component seller “knowing [its product] to be especially adapted for use in an infringement,” may face liability. However, nothing would prohibit a patentee from bringing a claim for inducing infringement against a seller of a component, asserting “deliberate indifference” to its patent. Indeed, *Grokster* held that copyright owners could potentially succeed on a claim for inducing infringement in circumstances where a theory of contributory infringement would fail. *See Grokster*, 545 U.S. at 935-37. That liability will become real for a component manufacturer if, for example, its customer becomes insolvent.

Additionally, the new “deliberate indifference” standard may increase the costs of certain sellers of

domestic products. That standard will create personal liability for directors and officers of corporations who are not acting with any intent to induce infringement. “[C]orporate officers who actively assist with their corporation’s infringement may be personally liable for inducing infringement regardless of whether the circumstances are such that a court should disregard the corporate entity and pierce the corporate veil.” *Manville*, 917 F.2d at 553 (citation omitted). After *SEB*, directors and officers would face liability based merely upon their “deliberate indifference” as to whether a product their employer sold may infringe. The end result will be reluctance by corporate directors and officers to take even reasonable risks, thereby reducing diversity in the market for consumer goods and increasing costs.

This Court in *Grokster* struck a balance between the protection of intellectual property rights and the promotion of free trade that would create liability for actively inducing infringement only if a party acted with “purposeful, culpable conduct to induce an infringement.” (“We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential”). *Grokster*, 545 U.S. at 937. *SEB* upsets that balance. Unless this Court grants the petition, the burden on domestic and international commerce will needlessly increase.

CONCLUSION

For the foregoing reasons, Pentalpha respectfully requests that this Court grant its petition for a writ of certiorari.

Respectfully submitted,

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**APPENDIX A — OPINION OF THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT
DECIDED FEBRUARY 5, 2010**

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

2009-1099, -1108, -1119

SEB S.A.,

Plaintiff/Counterclaim Defendant-
Cross Appellant,

and

T-FAL CORPORATION,

Counterclaim Defendant,

v.

MONTGOMERY WARD & CO., INC.,

Defendant,

and

GLOBAL-TECH APPLIANCES, INC.,

Defendant-Appellant,

and

PENTALPHA ENTERPRISES, LTD.,

Defendant/Counterclaimant-Appellant.

Appendix A

Appeal from the United States District Court for the Southern District of New York in 99-CV-9284, Judge Stephen C. Robinson.

DECIDED: February 5, 2010

Before RADER, BRYSON, and LINN, *Circuit Judges*.

RADER, *Circuit Judge*.

This case began in August of 1999 when Plaintiff SEB S.A. (“SEB”) sued defendants Montgomery Ward & Co., Inc. (“Montgomery Ward”), Global-Tech Appliances, Inc. (“Global-Tech”), and Pentalpha Enterprises, Ltd. (“Pentalpha”) for infringement of U.S. Patent No. 4,995,312 (the “’312 patent”). Almost seven years later, a jury found that Pentalpha had willfully infringed, and induced infringement of, claim 1 of the ’312 patent and awarded SEB \$ 4.65 million in damages. Pentalpha filed post-trial motions on a number of grounds. The district court granted them in part, reducing the amount of damages by \$ 2 million. *SEB S.A. v. Montgomery Ward & Co.*, No. 99-9284, 2007 U.S. Dist. LEXIS 80394, 2007 WL 3165783 (S.D.N.Y. Oct. 9, 2007) (“*JMOL Opinion*”). The district court awarded SEB enhanced damages and attorneys’ fees, but later vacated that award in light of this court’s decision in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). *SEB S.A. v. Montgomery Ward & Co.*, 2008 U.S. Dist. LEXIS 113468, 2008 WL 4540416 (S.D.N.Y. Oct. 1, 2008) (“*Enhanced Damages Opinion*”). On appeal, Pentalpha raises a host of issues that relate

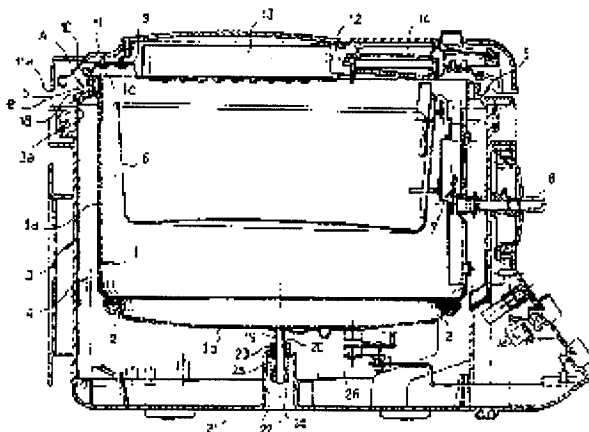
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to the jury verdict and the district court's post-trial rulings. SEB cross-appeals the district court's enhanced damages ruling. Detecting no reversible error in the district court proceedings, this court *affirms*.

I.

SEB is a French company that specializes in home-cooking appliances. It sells products in the United States through an indirect subsidiary, T-Fal Corp. ("T-Fal"). SEB owns the '312 patent, entitled "Cooking Appliance with Electric Heating," which claims a deep fryer with an inexpensive plastic outer shell, or skirt. In the past, skirts for deep fryers were made of plastic material capable of continuously withstanding temperatures higher than 150 [degrees] C. These heat resistant plastics, however, are expensive and therefore incompatible with large-scale manufacture of low-priced fryers.

The skirt disclosed in the '312 patent, labeled with the number 3 in the cross-section shown below, is well-insulated from the heat of the fryer's metal pan (1).



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The '312 patent explains construction of a deep fryer with a well-insulated skirt. A ring of heat-insulating and heat-resistive material (5) joins the top edge of the skirt to the top edge of the pan. Other than that ring, however, the skirt is "completely free with respect to the pan." '312 patent col.1 l.65-col.2 l.2. The skirt and the pan are separated by "an air space of sufficient width to limit the temperature of the skirt." *Id.* at col.1 ll.60-64. Thus, because of the insulation provided by air space, the skirt "can be fabricated from inexpensive ordinary-grade plastic material [that] does not afford resistance to high temperatures." *Id.* at col.4 ll.32-35.

Claim 1 of the '312 patent, the only claim at issue, reads as follows (emphasis added):

An electrical deep fryer comprising a metal pan (1) having a wall, and an electric heating resistor [sic] (2) that heats said wall directly by conductive heating to a temperature higher than 150 [degrees] C, said pan (1) being surrounded by a plastic skirt (3), wherein said skirt (3) is of plastic material which does not continuously withstand a temperature of 150 [degrees] C., said skirt (3) entirely surrounding the lateral wall (1a) and the base (1b) of the pan and being separated from said wall and said base by an air space (4) of sufficient width to limit the temperature of the skirt (3) to a value which is compatible with the thermal resistance of the plastic material of the skirt (3), *said skirt (3) being completely*

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free with respect to the pan (1) with the exception of a ring (5) which joins only the top edge (3a) of the skirt to the top edge (1c) of the pan and to which this latter is attached, said ring (5) being of heat-insulating material which is continuously resistant to the temperature of the top edge (1c) of the pan (1).

Defendant Pentalpha is a Hong Kong corporation and a subsidiary of defendant Global-Tech, a British Virgin Islands corporation, which was formerly known as Wing Shing International, Ltd. (For convenience, this opinion will refer to Pentalpha and Global-Tech collectively as “Pentalpha.”) Pentalpha began selling its accused deep fryers to non-party Sunbeam Products, Inc. (“Sunbeam”) in 1997. In developing its deep fryer, Pentalpha purchased an SEB deep fryer in Hong Kong and copied its “cool touch” features. Shortly after agreeing to supply Sunbeam, Pentalpha obtained a “right-to-use study” from an attorney in Binghamton, New York. The attorney analyzed 26 patents and concluded that none of the claims in those patents read on Pentalpha’s deep fryer. Pentalpha, however, did not tell the attorney that it had copied an SEB deep fryer.

Sunbeam resold the Pentalpha deep fryers in the United States under its own trademarks, “Oster” and “Sunbeam.” On March 10, 1998, SEB sued Sunbeam in the United States District Court for the District of New Jersey, alleging that Sunbeam’s sales infringed the ’312 patent (the “Sunbeam Suit”). *See SEB S.A. v. Sunbeam Corp.*, No. 2:98-CV-1050 (date closed May 28, 2002).

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Pentalpha was notified of the Sunbeam Suit on April 9, 1998. That suit ended in a settlement in which Sunbeam agreed to pay SEB \$ 2 million.

Pentalpha also sold the same deep fryers to non-party Fingerhut Corp. (“Fingerhut”) and defendant Montgomery Ward. These sales to Fingerhut and Montgomery Ward occurred after Pentalpha learned of the Sunbeam Suit. Like Sunbeam, Fingerhut and Montgomery Ward also sold the products under their own trademarks, CHEF’S MARK and ADMIRAL. Pentalpha sold these deep fryers to its three customers free on board Hong Kong or mainland China. “Free on board,” or “f.o.b.,” is a “method of shipment whereby goods are delivered at a designated location, usually a transportation depot, at which legal title and thus the risk of loss passes from seller to buyer.” *Litecubes, LLC v. N. Light Prods., Inc.*, 523 F.3d 1353, 1358 n.1 (Fed. Cir. 2008).

II.

SEB filed a motion for a preliminary injunction on September 10, 1999. Following a claim construction hearing, the district court granted SEB’s motion, holding that SEB was likely to prove at trial that Pentalpha’s deep fryers infringe at least claim 1 of the ’312 patent. *SEB S.A. v. Montgomery Ward & Co.*, 77 F. Supp. 2d 399 (S.D.N.Y. 1999) (“*Preliminary Injunction Opinion*”). This court affirmed the preliminary injunction order without opinion. *SEB, S.A. v. Montgomery Ward & Co., Inc.*, 243 F.3d 566 (Fed. Cir. 2000) (Rule 36).

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Pentalpha then redesigned its deep fryer by replacing the ring that separated the skirt and the pan with six blocks or ring segments. SEB sought to supplement the original preliminary injunction to include Pentalpha's modified deep fryer. The district court granted SEB's application for supplemental injunctive relief in 2001, finding that SEB was likely to prove at trial that the modified fryer infringes at least claim 1 of the '312 patent under the doctrine of equivalents. *SEB S.A. v. Montgomery Ward & Co.*, 137 F. Supp. 2d 285 (S.D.N.Y. 2001) ("*DOE Opinion*"). Pentalpha's primary argument, which the district court did not adopt, was based on prosecution history estoppel. Pentalpha did not appeal the district court's ruling of infringement by equivalents.

Discovery closed on October 30, 2001. On April 17, 2006, the district court commenced a trial. During trial, the record shows that the jury received evidence of Pentalpha's sales to Sunbeam, Fingerhut, and Montgomery Ward. Following the close of evidence, Pentalpha moved for judgment as a matter of law ("JMOL") on SEB's claim that Pentalpha had induced infringement of the '312 patent through those sales. Pentalpha's JMOL motion was based on the lack of evidence that anyone at Pentalpha "had any knowledge whatsoever with respect to the existence of the patent." J.A. 2209. The district court noted at the Rule 50(a) motion proceedings that "there is no evidence that [Pentalpha] was aware of [the '312] patent" before April 9, 1998. Nonetheless, the court held that there was

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evidence to support SEB's theory of inducement, which the court characterized as follows:

[SEB is] saying that you could infer the specific intent to . . . encourage the infringement by the fact that [Pentalpha's president] doesn't disclose that [Pentalpha copied the SEB product] to the people doing the [patent] search. [Pentalpha] wants them to do a search that . . . is doomed to failure, and that that is enough, that a reasonable jury could infer that, specific intent Here is the argument. There are a zillion patent attorneys in New York City, [yet] [t]hey go to this guy in the middle of nowhere to do this patent search. . . . I don't know what happened. I'm not in [Pentalpha's President's] head. I don't know what he did. . . . I think it is . . . a reasonable argument, could a jury infer from those actions, if they chose to believe them in the way the plaintiffs want, that that was an indication that [he] understood that he was likely violating a patent, in fact violating a patent.

The district court therefore allowed SEB's inducement claim to reach the jury.

The jury found that Pentalpha, with both its original and modified deep fryers, willfully infringed claim 1 of the '312 patent. The jury also found that Pentalpha induced others to infringe with both versions of the fryers. As damages, the jury awarded SEB a total of \$ 4.65 million as a reasonable royalty, with \$ 3.6 million

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attributable to Sunbeam's sales of Pentalpha's deep fryers, \$ 540,000 to Fingerhut's sales, and \$ 510,000 to Montgomery Ward's sales.

Pentalpha then renewed its motion for JMOL and moved for a new trial, arguing that SEB did not adequately prove inducement under 35 U.S.C. § 271(b). Pentalpha also sought an offset of damages in an amount equal to the \$ 2 million that SEB received in its settlement with Sunbeam. SEB filed a cross motion for enhanced damages, attorneys' fees, prejudgment interest, and injunctive relief.

In response to Pentalpha's post-trial motions, the district court reduced the damages award by \$ 2 million. *JMOL Opinion*, 2007 U.S. Dist. LEXIS 80394, 2007 WL 3165783, at *5. The trial court denied the rest of Pentalpha's post-trial motions. 2007 U.S. Dist. LEXIS 80394, [WL] at *12. The district court granted SEB's cross-motion in part, based on the reduced award, 2007 U.S. Dist. LEXIS 80394, [WL] at *10-12, but later vacated its award of enhanced damages and attorneys' fees based on *Seagate, Enhanced Damages Opinion*, 2008 U.S. Dist. LEXIS 113468, 2008 WL 4540416, at *4. Thus, the district court entered judgment against Pentalpha in the amount of \$ 4,878,341. These appeals followed.

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III.

As a threshold matter, this court needs to address a claim construction issue. The district court, as a part of its preliminary injunction order in 1999, construed the limitation “completely free with respect to the pan” in claim 1 to mean “there are no thermal bridges between the skirt and the pan.” *Preliminary Injunction Opinion*, 77 F. Supp. 2d at 405. A thermal bridge is an element that conducts heat. As a matter of context, this court notes that a vertical stabilizing screw secures the skirt of Pentalpha’s fryer to the base of the pan. This screw, however, is not a thermal bridge. Thus, the stabilizing screw does not preclude the conclusion that the skirt is “completely free with respect to the pan” under the district court’s claim construction. But if “completely free” means instead “no solid material between the pan and the skirt,” as Pentalpha contends, then the stabilizing screw absolves Pentalpha’s deep fryer of infringement.

This court, of course, reviews claim construction without deference. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1455-56 (Fed. Cir. 1998) (en banc). This court’s prior affirmance of the district court’s preliminary injunction order does not make the district court’s claim construction in its 1999 opinion the law of the case. *See Int’l Commc’n Materials, Inc. v. Ricoh Co.*, 108 F.3d 316, 319 (Fed. Cir. 1997) (claim construction for a preliminary injunction is not definitive “without the more complete record that the district court deemed necessary to its own final decision”). The words of a claim

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receive the meaning discernible by a person of ordinary skill in the art who has read the entire patent, including the specification, at the time of the invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-13 (Fed. Cir. 2005) (en banc). The claims themselves, both asserted and unasserted, govern the meaning of claim terms. *Id.* at 1314.

This court perceives a slight internal inconsistency with the district court's claim construction of "completely free" in the phrase "said skirt (3) being completely free with respect to the pan (1) with the exception of a ring (5)." The claim requires the ring to be "heat-insulating" and "continuously resistant to the temperature of the . . . pan." Thus, the ring is not a thermal bridge. If "completely free" merely meant "no thermal bridges between the skirt and the pan," the claim would not need to exclude expressly the ring from the completely free limitation.

Despite this minor inconsistency, the district court's construction of "completely free" rings true. Claim 8 of the '312 patent, which depends from claim 1, adds an insulated stabilizing screw between the base of the pan and the base of the skirt. '312 patent col.6 ll.19-24. With this context, a person of ordinary skill in the art would not read the "completely free" limitation of claim 1 to mean "no solid material between the pan and the skirt" because that reading would not allow for the vertical rod of claim 8. *See Phillips*, 415 F.3d at 1314 ("Differences among claims can . . . be a useful guide in understanding the meaning of particular claim terms.").

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Moreover, the only embodiment in the specification includes solid material between the pan and the skirt, namely, the vertical rod, *id.* at col.3 ll.55-65, as well as a thermostat attached to the base of the pan, *id.* at col.4 ll.3-7. “[A] construction that would not read on the preferred embodiment would rarely if ever be correct and would require highly persuasive evidentiary support.” *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005) (internal quotations and alterations omitted). Thus, with the preferred embodiment showing a vertical stabilizing screw, the “completely free” limitation cannot be read so broadly as to exclude this preferred embodiment.

Finally, the specification repeatedly highlights the inventiveness of eliminating thermal bridges to prevent heat transfer to the plastic skirt. For example, the specification notes that in the prior art, “the attachment of the metal pan within the plastic skirt is such that numerous thermal bridges exist between said pan and said skirt.” ’312 patent col.1 ll.38-40. Those thermal bridges required the skirt to be “formed of [costly] plastic material.” *Id.* at col.1 ll.41-42. Following the theme of preventing heat transfer, the specification discusses a thermostat between the pan and the skirt but emphasizes its placement “remote from the base 21 of the skirt 3 of plastic material in order to prevent any thermal bridge which would be liable to heat this plastic material to an excessive extent.” *Id.* at col.4 ll.3-8. Thus, the patent stresses that eliminating thermal bridges is not the same as eliminating any solid material.

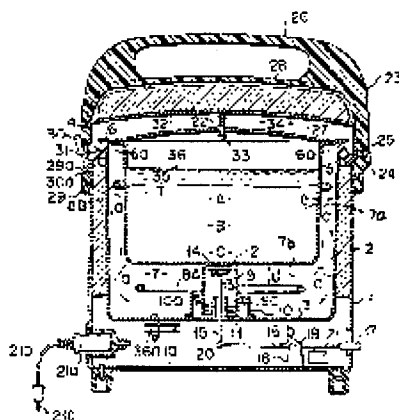
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Read in light of the entire specification and with an eye to the preferred embodiment, then, the term “completely free” means “practically or functionally free.” Indeed, the specification uses the two terms “completely” and “practically” interchangeably. *Compare* ’312 patent col. 1 ll.65-66 (“Said skirt is *completely free* with respect to the pan . . .”) (emphasis added) *with id.* at col. 4 ll.28-35 (“[I]n addition to the fact that the skirt 3 is *practically free* with respect to the pan 1 or in other words that no thermal bridge is created between the pan and the skirt, this latter can be fabricated from inexpensive ordinary-grade plastic material, which does not afford resistance to high temperatures.”) (emphasis added). This court often assumes that different terms convey different meanings. *Symantec Corp. v. Computer Assocs. Int’l, Inc.*, 522 F.3d 1279, 1289 (Fed. Cir. 2008). That assumption, however, carries less weight when comparing a term in the claim to a term in the specification, especially where, as here, the specification only describes one embodiment. *Cf. Id.* (“[T]here is nothing in the claims, the specification or the prosecution history that suggests that the preamble language ‘as it is being transferred’ has any different meaning than [the claim term] ‘prior to storage.’”).

Pentalpha supplies some evidentiary support for its proposed construction, but that support is not “highly persuasive” or sufficient to overcome the meaning that embraces the preferred embodiment. During prosecution of the ’312 patent, the examiner rejected the proposed claims as anticipated by or obvious over U.S. Patent No. 4,672,179 (“Onishi”). Onishi discloses a

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rice cooker with the side walls of the pan and the side wall of the skirt separated by an adiabatic material, or a material that does not gain or lose heat:



Onishi at Fig. 1, col.2 ll.49-53.

To distinguish Onishi, the applicant stated

in ONISHI . . . , the two walls 1 and 3 are separated by an adiabatic material 2 (whose nature is not specified) whereas in the case of the present invention, the outer plastic skirt 3 is completely free with respect to the pan 1 with the exception of a ring 5. *This means that the space comprised between the skirt 3 and the pan 1 is entirely occupied by air and that there is no solid material therebetween.*

A-119 (emphasis added). Pentalpha argues that SEB thereby narrowed the claim limitation “completely free”

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during prosecution and that the doctrine of prosecution disclaimer should preclude the district court's construction. *See N. Am. Container, Inc. v. Plastipak Packaging, Inc.*, 415 F.3d 1335, 1346 (Fed. Cir. 2005) (“[W]e have previously explained that limitations may be construed to exclude a preferred embodiment if the prosecution history compels such a result.”).

Contrary to Pentalpha's contentions, however, this court interprets this prosecution history as consistent with the district court's claim construction. As noted, this also allows this court to account for the only embodiment provided in the '312 patent's specification. Thus, read in context, the applicant's reference to “no solid material” refers only to the volume between the sides of the pan and skirt. As the quote from the prosecution history reveals, the applicant was only addressing the lack of “adiabatic material” in his invention to distinguish the Onishi reference. Indeed the applicant could not have intended his comment to preclude any solid material between the base of the pan and the base of the skirt because both Onishi and his own invention include a vertical stabilizing element.

Thus, this court does not read the prosecution history to alter or disclaim the district court's interpretation of the claim language. Pentalpha's attempt to create a disclaimer simply stretches this prosecution history too far. At most, the prosecution statement requires “completely free” to mean “no solid material between the sides of the pan and the sides of the skirt and no thermal bridges between the base of

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the skirt and the base of the pan.” The additional precision of this construction would also avoid the slight internal inconsistency of excepting the ring from the “completely free” limitation. In any event, this court detects no reversible error in the district court’s claim construction.

IV.

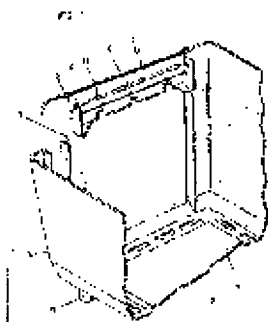
Following the jury verdict, Pentalpha moved for JMOL based on prosecution history estoppel, arguing that SEB’s statements during prosecution should preclude any infringement by its modified deep fryer under the doctrine of equivalents. As noted, Pentalpha modified its deep fryer by replacing the ring that separates the skirt and the pan with six blocks. According to Pentalpha, the applicant’s prosecution arguments during patent acquisition at the PTO preclude a finding that the six blocks are equivalent to the ring in claim 1. *See Conoco, Inc. v. Energy & Env’tl. Int’l, L.C.*, 460 F.3d 1349, 1364 (Fed. Cir. 2006) (“To invoke argument-based estoppel . . . the prosecution history must evince a clear and unmistakable surrender of subject matter.”).

Pentalpha did not seek JMOL on this ground at the close of evidence. Under Rule 50(b), a party may “renew” an earlier “request for judgment as a matter of law by filing a motion no later than 10 days after entry of judgment.” Fed. R. Civ. P. 50(b); *see Broadnax v. City of New Haven*, 415 F.3d 265, 268 (2d Cir. 2005). If an issue is not raised in a previous motion for a directed verdict,

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however, this court's review is highly deferential. The Court of Appeals for the Second Circuit, whose law governs the procedural aspects of this case, *see Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 840 (Fed. Cir. 2009), requires that, in such a case, "a Rule 50(b) motion should not be granted unless it is required to prevent manifest injustice." *Broadnax*, 415 F.3d at 268 (quotation marks omitted).

During prosecution, the applicant argued that the claims were not obvious over Onishi in light of a Spanish reference ("Taurus"), which discloses a fryer with openings in the outer wall:



To distinguish Taurus, the applicant explained that cool outside air circulated through the above spaces between the inner and outer walls. This cooling mechanism is called convective cooling. Onishi, the applicant argued, relied on convective heating. Onishi itself explains that the heater heats the air in the heating space so as to uniformly heat the pot. Onishi col.1 ll.45-

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59. The applicant argued to the PTO that the teachings of Onishi and Taurus could not be combined to achieve the claimed deep fryer because neither convective “heating or cooling mechanisms has anything to do with the present invention.”

At trial, however, SEB’s expert, Charles Van Horn, testified that the temperature of the skirt in Pentalpha’s modified deep fryer might be kept at a low level in part due to hot air leaking out of the deep fryer. Specifically, Mr. Van Horn testified that the ring segments in the modified fryer did not completely close off the air space between the pan and the skirt. Moreover, he indicated that hot air escaped the modified fryer, although he did not know the rate of escape. And he affirmed that a deep fryer that has hot air leaking out of it will result in a cooler outside plastic wall than a deep fryer that does not. Pentalpha thus argues that its modified deep fryer cannot infringe under the doctrine of equivalents because the ring segments allow for the same convective cooling that SEB disavowed during prosecution of the ’312 patent.

This court can assume, without deciding, that the applicant’s statement during prosecution disclaimed any coverage of deep fryers that control the temperature of the outer wall through convective cooling. A reasonable jury could nonetheless conclude that Pentalpha’s modified fryer does not rely on convective cooling to control the temperature of the skirt. The six large vent holes in Taurus that together span almost the entire width of the side wall do not readily compare to

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Pentalpha's modified fryer, which was presented to the jury and appears to allow only minimal air leakage. Mr. Van Horn's testimony about some hot air leakage does not compel the jury to find that the modified deep fryer relied on convective cooling to control the temperature of the wall. The jury might also reasonably conclude that the hot air leakage along the ring of the modified fryer did not appreciably contribute to controlling the temperature of the outer plastic wall. Because Pentalpha did not raise its JMOL motion in a timely fashion, this court must detect a manifest injustice before sustaining this untimely motion. With substantial questions about the operation of the modified fryer and Mr. Van Horn's vague testimony on convective cooling, this court detects no manifest injustice in honoring the jury's finding of infringement under the doctrine of equivalents.

This court also perceives no prejudice to Pentalpha in the district court's conclusion at the preliminary injunction stage that prosecution history estoppel did not apply. As discussed already, a preliminary injunction ruling is by nature only preliminary. Pentalpha had opportunities to renew its argument before the jury or to request a jury instruction estopping application of the doctrine of equivalents to a fryer that relies on convective cooling. Finally, Rule 50 at least required Pentalpha to raise its argument before the jury verdict. *Broadnax*, 415 F.3d at 268. By the time Pentalpha filed its post-verdict JMOL motion, it was too late. And, as noted, this court discerns no material injustice in the jury's findings in this setting.

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V.

The district court allowed SEB's expert, Mr. Van Horn, to testify over Pentalpha's objections. Pentalpha argued that Mr. Van Horn should be precluded from testifying as to infringement on the ground that he lacked expertise in the art of designing deep fryers. On appeal, Pentalpha argues that the district court's decision to admit Mr. Van Horn's testimony was an abuse of discretion.

The district court did not abuse its discretion by admitting Mr. Van Horn's testimony. This court will not disturb a district court's evidentiary rulings unless "manifestly erroneous." *SR Int'l Bus. Ins. Co. v. World Trade Ctr. Props., LLC*, 467 F.3d 107, 119 (2d Cir. 2006) (quotation omitted). District courts enjoy "wide latitude" to determine admissibility and "the mode and order" of evidentiary presentations. *Id.* In this case, the district court was in the best place to judge that Mr. Van Horn had the "knowledge, skill, experience, training, [and] education" of a "specialized" nature that was likely to "assist the trier of fact to understand the evidence or to determine" infringement. Fed. R. Evid. 702.

Mr. Van Horn has an undergraduate degree in chemical engineering from Lehigh University, a J.D. from American University, and an M.B.A. from George Washington University with a specialty in behavioral science. He worked in the U.S. Patent & Trademark Office for 31 years in various capacities, including as a patent examiner in the classes of fiber technology,

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electric photography, and structural and nonstructural laminates; as a supervisor in miscellaneous chemical technology; and as a director of the organic chemistry and biotechnology group. Although he testified that he is not skilled in designing deep fryers, Mr. Van Horn explained that his experience was relevant because the claimed invention “involves the selection of particular . . . polymer material that have certain characteristics” and that “[m]ost of the areas [he has] worked in . . . have used polymers in one form or another.” Moreover Mr. Van Horn did not testify about deep frying per se, but instead described the importance of selecting a material for the ring or ring segments that would be resistant to the hot pan, as well as the importance of the spacing between the hot pan and the skirt. In light of the court’s claim construction, which, as discussed, included a reference to thermal bridges, Mr. Van Horn’s testimony established an adequate relationship between his experience and the claimed invention.

This case comes nowhere close to the unusual situation in *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356 (Fed. Cir. 2008). In *Sundance* this court held that a district court abused its discretion when it admitted the testimony of a patent law expert “[d]espite the absence of any suggestion of relevant technical expertise.” *Id.* at 1361-62. Here, as explained, Mr. Van Horn had sufficient relevant technical expertise for the district court to allow him to testify. This court detects no abuse of discretion.

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VI.

Pentalpha also challenges the district court's judgment under 35 U.S.C. § 271(a) and (b). As to § 271(a), direct infringement, Pentalpha challenges the district court's jury instructions. As to § 271(b), inducement of infringement, Pentalpha contends that the district court erred in its JMOL rulings because Pentalpha had no actual knowledge of the patent during part of the time it was selling deep fryers to Sunbeam. *See DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc) ("The requirement that the alleged infringer knew or should have known his actions would induce actual infringement necessarily includes the requirement *that he or she knew of the patent.*") (emphasis added). Before addressing either of Pentalpha's arguments, this court must determine if it needs to address direct infringement only, inducement of infringement only, or both.

Under the general verdict rule, where one or more of multiple claims is found legally invalid, a reviewing court must reverse and order a new trial if unable to determine whether the invalid theory tainted the verdict. *AIG Global Sec. Lending Corp. v. Banc of America Sec. LLC*, 646 F. Supp. 2d 385, 406 (S.D.N.Y. 2009) (collecting cases). That rule has also been held to apply in cases where the jury received multiple legal theories of liability. *Id.* (same).

Here, the jury received a verdict form with the label "special" rather than general. Using that verdict form,

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the jury found both direct infringement and inducement of infringement. Normally, such a verdict could support a damages award even if only one theory was correct. As long as the court can “determine” that “the verdict was based upon the [valid] theory,” the general verdict rule does not require a new trial. *Id.* A closer look at the damages question in this verdict form, however, along with the jury instructions, reveals a hopeless ambiguity.

The verdict form itself suggests that the jury was asked to base its damages calculation on inducement only. The verdict form asked, “What amount of damages in the form of a reasonable royalty do you find the plaintiff to have proven by a preponderance of the evidence with respect to deep fryers *sold by* Sunbeam, Fingerhut, and Montgomery Ward?” J.A. 2508 (emphasis added). This instruction advised the jury to consider deep fryers sold by Pentalpha’s customers, as opposed to the deep fryers that Pentalpha sold to its customers. Therefore, this instruction could have led the jury to base the damages calculation on inducement alone.

On the other hand, the jury instructions also indicate that the jury could assess damages for direct infringement. The instructions stated:

The patent law specifically provides that the amount of damages that the Defendants must pay Plaintiff for infringing Plaintiff’s patent may not be less than a reasonable royalty *for the use*

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that the Defendants made of Plaintiff's invention. You must determine what a reasonable royalty would be for the infringing sales of these Defendants and their subsidiaries.

J.A. 2484 (emphasis added). In contrast to the verdict form, the jury instructions required the jury to look to Pentalpha's sales. This language requires a classic direct infringement analysis. *See, e.g., Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1119 (Fed. Cir. 1996) (affirming a reasonable royalty award where "the district court awarded [the patentee] a royalty rate of 20% on the gross value of [the direct infringer's] applicable sales").

The record therefore does not clearly indicate that the jury found damages based on inducement alone, or based on direct infringement alone, or both. The general verdict rule requires that the only way this court can affirm in such a circumstance is by determining that the jury's finding of both direct infringement and inducement of infringement was proper. As explained below, after carefully examining the record and the authority cited by both parties, this court discerns that this verdict satisfies that requirement and was proper on both counts.

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A.

Section 271(a) makes it an act of infringement to “without authority make[], use[], offer[] to sell, or sell[] any patented invention, within the United States.” Pentalpha faults the jury instructions with respect to direct infringement on two grounds, each of which relates to the extraterritorial effect of U.S. patent law. First, Pentalpha argues that the district court should have charged the jury that an offer in the United States to sell goods outside of the United States would not violate the “offer to sell” provision of § 271(a). Second, Pentalpha argues that the district court erred by instructing the jury that, in determining if a sale occurred in the United States, it could consider “where the products were shipped from and where the products were shipped to.”

Pentalpha does not specify the point in the record showing an objection to these portions of the jury instructions. Fed. R. Civ. P. 51 requires a litigant to make a timely objection to a jury instruction in order to challenge that instruction on appeal. “The purpose of this Rule is to require the parties to give the trial court an adequate opportunity to cure any error in the instructions before the jury deliberates.” *Metromedia Co. v. Fugazy*, 983 F.2d 350, 363 (2d Cir. 1992). The United States Court of Appeals for the Second Circuit reviews jury instructions for which a timely objection is lacking for fundamental error. *Fabri v. United Techs. Int’l, Inc.*, 387 F.3d 109, 121 (2d Cir. 2004). “Fundamental error is more egregious than the ‘plain’ error that can excuse a

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procedural default in a criminal trial and is so serious and flagrant that it goes to the very integrity of the trial.” *Id.* (quoting *Jarvis v. Ford Motor Co.*, 283 F.3d 33, 62 (2d Cir. 2002)).

Neither of the alleged problems with the district court’s jury instruction constitutes fundamental error. This court has yet to define the full territorial scope of the “offers to sell” offense in § 271(a). *But see Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1260 (Fed. Cir. 2000) (Newman, J., concurring) (“[A]n offer to sell a device or system whose actual sale can not infringe a United States patent is not an infringing act under § 271.”). But even if this court had, Pentalpha’s sales in this case did not so clearly occur overseas that the district court’s failure to include such a limitation in its jury instructions affected the integrity of the trial.

To the contrary, the only evidence on which Pentalpha relies to argue that its sales occurred overseas was that it delivered its products to Sunbeam, Montgomery Ward, and Fingerhut f.o.b. Hong Kong or mainland China. This court has “rejected the notion that simply because goods were shipped f.o.b., the location of the ‘sale’ for the purposes of § 271 must be the location from which the goods were shipped.” *Lightcubes*, 523 F.3d at 1370.

For the same reason, the district court’s instruction that the jury could consider “where the products were shipped from and where the products were shipped to” in determining if a sale occurred in the United States

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was not a fundamental error. If anything, the jury instructions helped Pentalpha: the court instructed the jury that it could consider the f.o.b. terms, even though those terms were not dispositive. Other than the f.o.b. terms in the invoices presented to the jury, the record shows that Pentalpha intended to sell its deep fryers directly into the United States. Pentalpha itself affixed the American trademarks of Sunbeam, Montgomery Ward, and Fingerhut to the deep fryers, and it manufactured the deep fryers with North American electrical fittings. Moreover, the invoices between Pentalpha and the three U.S. companies all identify delivery to U.S. destinations. In sum, this court does not perceive any fundamental error with the jury instructions in light of the record evidence.

B.

“Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). In *DSU Medical*, which was decided after the jury verdict in this case, this court addressed the intent necessary to support a finding of induced infringement. Under that rule, the plaintiff must show that the alleged infringer knew or should have known that his actions would induce actual infringements. 471 F.3d at 1304. This court further stated that “[t]he requirement that the alleged infringer knew or should have known his actions would induce actual infringement *necessarily includes the requirement that he or she knew of the patent.*” *Id.* (emphasis added). This court’s opinion did not, however, set out the metes and bounds of the knowledge-of-the-

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patent requirement. Compare *Insituform Techs., Inc. v. CAT Contracting, Inc.*, 161 F.3d 688, 695 (Fed. Cir. 1998) (“A crucial element of induced infringement is that the inducer must have actual *or constructive* knowledge of the patent.”) (emphasis added).*

The facts of *DSU Medical* did not require this court to address the scope of the knowledge requirement for intent. Instead, the court resolved conflicting case law setting forth both a requirement to knowingly induce infringement and to merely knowingly induce the acts that constitute direct infringement. *Id.* at 1306. In other words, the court decided the target of the knowledge, not the nature of that knowledge. As Chief Judge Michel’s concurring opinion noted, the record in *DSU Medical* showed that the alleged infringer had actual knowledge of the patent-in-suit. *Id.* at 1311. “Accordingly, the ‘knowledge of the patent’ issue [was] not before us.” *Id.*

This court has made clear, however, that inducement requires a showing of “specific intent to encourage another’s infringement.” *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008) (quoting *DSU*

* SEB contends that this court need not reach this issue because the district court reduced the damages award by \$ 2 million based on SEB’s settlement with Sunbeam and thus eliminated all damages for pre-notice sales. The record indicates that the district court did not attribute the reduction to any particular Sunbeam sales. Therefore this court has no way to ascertain on appeal if the reduction precludes the knowledge and intent issue.

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Medical, 471 F.3d at 1306). As other courts have observed, “specific intent” in the civil context is not so narrow as to allow an accused wrongdoer to actively disregard a known risk that an element of the offense exists. See *Crawford-El v. Britton*, 951 F.2d 1314, 1318, 293 U.S. App. D.C. 47 (D.C. Cir. 1991) (equating specific intent and deliberate indifference); *Boim v. Holy Land Found. for Relief & Dev.*, 549 F.3d 685, 693 (7th Cir. 2008) (equating intentional misconduct with knowledge and deliberate indifference).

Pentalpha argues that the court in *DSU Medical* did not mean “knew or should have known of the patent” because the decision states “knew of the patent.” See 471 F.3d at 1304. At the outset, this court notes that the Supreme Court has indicated, in a different civil context, that “deliberate indifference” is not necessarily a “should have known” standard. *Farmer v. Brennan*, 511 U.S. 825, 840, 114 S. Ct. 1970, 128 L. Ed. 2d 811 (1994). The latter implies a solely objective test, whereas the former may require a subjective determination that the defendant knew of and disregarded the overt risk that an element of the offense existed. See *id.* (“[D]eliberate’ is better read as implying knowledge of a risk, [but] the concept of constructive knowledge is familiar enough that the term ‘deliberate indifference’ would not, of its own force, preclude a scheme that conclusively presumed awareness from a risk’s obviousness.”). For example, an accused infringer may defeat a showing of subjective deliberate indifference to the existence of a patent where it shows that it was genuinely “unaware even of an obvious risk.” *Id.* at 844.

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More importantly, and as courts have observed in a variety of settings, the standard of deliberate indifference of a known risk is not different from actual knowledge, but is a form of actual knowledge. *See, e.g., United States v. Carani*, 492 F.3d 867, 873 (7th Cir. 2007) (“Deliberate avoidance is not a standard less than knowledge; it is simply another way that knowledge may be proved.”); *Woodman v. WWOR-TV, Inc.*, 411 F.3d 69, 84 n.14 (2d Cir. 2005) (“We note that a party’s knowledge of a disputed fact may also be proved through evidence that he consciously avoided knowledge of what would otherwise have been obvious [to] him.”).

In this case, this court must determine whether the district court erred in denying Pentalpha’s motion for JMOL where the record shows no direct evidence that Pentalpha had actual knowledge of the patent before April 9, 1998. The standard of review following the denial of JMOL is *de novo*. *Fabri*, 387 F.3d at 119. Nevertheless, this court must apply the same standard as the district court, which is deferential to the jury’s verdict. *AMW Materials Testing, Inc. v. Town of Babylon*, 584 F.3d 436, 456 (2d Cir. 2009). A grant of JMOL is appropriate only where a reasonable jury would not have a legally sufficient evidentiary basis to find for the non-movant on the issue. *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1342 (Fed. Cir. 2008) (citing Fed. R. Civ. P. 50(a)). For that reason,

[w]e will reverse the denial of a motion for judgment as a matter of law only when there is such a complete absence of evidence

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supporting the verdict that the jury's findings could only have been the result of sheer surmise and conjecture, or where there is such an overwhelming amount of evidence in favor of the moving party that fair minded jurors could not reasonably arrive at a verdict against the movant.

SR Int'l, 467 F.3d at 118-119 (internal quotation marks and alterations omitted).

As just explained, a claim for inducement is viable even where the patentee has not produced direct evidence that the accused infringer actually knew of the patent-in-suit. This case shows such an instance. The record contains adequate evidence to support a conclusion that Pentalpha deliberately disregarded a known risk that SEB had a protective patent. The jury heard evidence that Pentalpha purchased an SEB deep fryer in Hong Kong and copied all but the cosmetics. The owner of a company related to Pentalpha testified that Pentalpha's engineer took a T-Fal deep fryer and used "the same ring that separates . . . the wall making it a cool touch unit and the construction, basically everything the same; thermostat, it was the same; the timer was the same, just a little bit different on the cosmetics of the outside appearance for the deep fryer." Again, the record shows that Pentalpha hired an attorney to conduct a right-to-use study, but did not tell him that it had based its product on SEB's product.

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A failure to inform one's counsel of copying would be highly suggestive of deliberate indifference in most circumstances. Here, the jury also heard testimony that indicated that Pentalpha's president, John Sham, was well versed in the U.S. patent system and understood SEB to be cognizant of patent rights as well. Sham testified that he was the named inventor on 29 U.S. patents and that Pentalpha and SEB had an earlier business relationship that involved one of Pentalpha's patented steamer products. The record thus contains considerable evidence of deliberate indifference.

In contrast, Pentalpha did not produce any exculpatory evidence. As noted, proof of knowledge through a showing of deliberate indifference may be defeated where an accused infringer establishes that he actually believed that a patent covering the accused product did not exist. But here Pentalpha did not argue that it or its employees actually believed that an SEB patent did not exist. Pentalpha's brief implies that it should be excused because the SEB deep fryer that it copied was not marked with a U.S. patent number. But Pentalpha does not argue that it relied on the lack of a mark to come to a belief that the deep fryer was not patented. And even if it had, such an argument would likely lack credibility unless it were supplemented by an explanation for why one would expect an SEB deep fryer purchased in Hong Kong to have U.S. patent markings.

This opinion does not purport to establish the outer limits of the type of knowledge needed for inducement.

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For instance, a patentee may perhaps only need to show, as *Insituform* suggests, constructive knowledge with persuasive evidence of disregard for clear patent markings, similar to the constructive notice requirement in § 287(a). *See infra* Part VII. This court does not set those boundaries now, just as it did not set them in *DSU Medical*. Here, the record establishes sufficient support for the conclusion that Pentalpha deliberately ignored the risk that SEB had a patent that covered its deep fryer. Thus, the jury's finding of inducement is justified, and the damage award, even if it was based on inducement alone, stands.

VII.

Pentalpha also challenges the damages award on the basis that, contrary to § 287(a), the record did not show that SEB marked “substantially all” of its deep fryers before July 10, 1998. Pentalpha also sought a reduction in damages, alleging that the record shows that SEB withheld documents related to marking. The district court declined to reduce the award on either ground.

Under § 287(a) a patentee that sells its patented product within the United States must provide actual or constructive notice of the patent to the accused infringer to qualify for damages. *Sentry Prot. Prods., Inc. v. Eagle Mfg. Co.*, 400 F.3d 910, 918 (Fed. Cir. 2005). Constructive notice requires the record to show that “the patentee consistently marks substantially all of its patented products.” *Id.*

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At trial, an SEB executive, Gregers Infeld, affirmed that “to the best of [his] knowledge” SEB’s deep fryers were “always” marked and that SEB had a policy of marking its products. SEB also put into evidence one of its deep fryers with an unknown manufacturing date that had a sticker that listed the ’312 patent. On cross examination, however, Infeld testified that “there was a batch of products where the patent marking wasn’t on.” In addition to that testimony on cross, Pentalpha also relies heavily on Infeld’s admission, at his deposition, that he had no knowledge of SEB’s marking practices.

Once again, the district court properly denied Pentalpha’s motions for JMOL. The record supplies sufficient evidence to support the jury’s conclusion that SEB consistently marked substantially all of its deep fryers. Indeed, the record at trial did not even contain Infeld’s deposition testimony. In any event, the record supports the jury verdict.

Pentalpha contends that discovery misconduct justifies a reduction in the damage award. The discovery dispute at issue extends back five years before trial. In May of 2001, Pentalpha served discovery requests seeking, among other things, documents relating to, and a Rule 30(b)(6) witness with knowledge of, SEB’s patent marking practices. SEB produced only a one-page document: a picture of a sample sticker that listed the ’312 patent. SEB objected to the Rule 30(b)(6) request. Pentalpha filed a motion to compel in response to SEB’s objection. On October 5, 2001, Magistrate Judge Yanthis, who had been appointed to oversee discovery,

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refused to consider the motion to compel due to the parties' failure to meet and confer.

The marking issue arose again with Pentalpha's motion in limine, filed four-and-a-half years later, in which Pentalpha moved to exclude any evidence related to marking at trial. At the hearing on the motion, SEB's counsel asserted that there were "no other documents" concerning patent markings. Accordingly, the district court denied Pentalpha's motion, but noted that "[i]f witnesses on the stand say there are other documents, we've got a different issue before us."

At trial, Infeld testified that SEB's factories print the stickers found on its deep fryers based on a "list which shows [the factories] exactly what needs to be put on" and that the compilation of that list required a lot of paperwork. Pentalpha relied on that testimony in its post-verdict JMOL to argue that SEB did not produce documents related to marking, namely, the paperwork needed to compile the sticker list. The district court denied Pentalpha's motion on the ground that Pentalpha had delayed too long in seeking these documents and did not raise the issue immediately after Infeld's trial testimony. *JMOL Opinion*, 2007 U.S. Dist. LEXIS 80394, 2007 WL 3165783, at *2.

The district court did not abuse its discretion in denying Pentalpha's motion for JMOL on discovery misconduct grounds. Pentalpha clearly forfeited the issue, if not during its four-and-a-half year silence before trial, then when it did not object during trial following

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Infeld's testimony. Pentalpha cannot "fail to prepare [its] case[] adequately and then seek to remedy the defects after judgment." *Korea First Bank v. Lee*, 14 F. Supp. 2d 530, 532-33 (S.D.N.Y. 1998).

VIII.

Finally, Pentalpha appeals the district court's denial of its motion for new trial, which was based on SEB's attorney's allegedly improper argument during his closing argument on reasonable royalty damages. As a part of its damages case, SEB relied on a price list that listed its "cool wall" deep fryers at around \$ 40 per unit. But an SEB executive testified at trial that, although he thought SEB made a profit, SEB did not always sell its deep fryers at the list prices. Relying on that testimony, Pentalpha moved for JMOL at the close of evidence on SEB's claim for lost profits. The district court granted that motion, concluding that "[t]here's nothing in the record, in my view, from which [the jury] could say, 'this is what a single deep fryer sold for.'" The district court allowed SEB's claim for damages based on a reasonable royalty to reach the jury.

During summation on its reasonable royalty claim, SEB's attorney argued that SEB was making a "substantial profit" through its deep fryers, that it "got something close to [its] list prices", and that it "sought to obtain a gross margin of about 40 to 45 percent of the selling price." Pentalpha objected during and after the summation on the basis that the court had already rejected SEB's claim for lost profits. SEB's arguments

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with respect to a reasonable royalty, Pentalpha argued, were just another version of its baseless lost profit argument. The district court overruled Pentalpha's objections, but warned the jury that its "recollection of what the witness has said what a gross margin was and what a profit was in this case is what should control."

"[W]e will reverse a district court's decision to grant or deny a motion for a new trial only for an abuse of discretion." *Song v. Ives Labs., Inc.*, 957 F.2d 1041, 1047 (2d Cir. 1992). Reasonable royalty damages postulate a hypothetical negotiation between a willing licensor and licensee at the time of infringement. *Minco*, 95 F.3d at 1119. "This hypothetical construct seeks the percentage of sales or profit likely to have induced the hypothetical negotiators to license use of the invention." *Id.* In denying Pentalpha's motion for a new trial, the district court held that although "the Court ruled that [lost profits] had not been shown with sufficient exactness . . . this does not mean that the jury could not consider SEB's *expectations* of profits as part of a hypothetical negotiation." *JMOL Opinion*, 2007 U.S. Dist. LEXIS 80394, 2007 WL 3165783, at *7 (citing *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970)).

The district court did not abuse its discretion in declining to grant a new trial to Pentalpha based on the summation of SEB's counsel. The record adequately supports SEB's argument that it sought to obtain a gross margin of about 40 to 45 percent of the list price. There is a difference between an expectation of success and

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actual success at achieving a certain margin, and that difference is relevant in calculating the hypothetical negotiation. But this court sees no reason to preclude a jury from hearing attorney argument based on an expectation of success, particularly when Pentalpha had every opportunity to respond by highlighting to the jury that SEB's stated gross margin was only an expectation and that, absent established commercial success at that rate, the hypothetical negotiation should result in a lower rate. SEB's argumentative efforts to frame the hypothetical negotiation in its favor were not improper. Moreover the district court did not abuse its discretion in denying a new trial on this basis.

IX.

SEB cross appeals the district court's decision to set aside its original awards of enhanced damages and attorneys' fees. Those awards were based on the jury's finding of willfulness, *JMOL Opinion*, 2007 U.S. Dist. LEXIS 80394, 2007 WL 3165783, at *10-12, but the district court vacated them in light of this court's intervening opinion in *Seagate, Enhanced Damages Opinion*, 2008 U.S. Dist. LEXIS 113468, 2008 WL 4540416, at *4.

In *Seagate*, this court set out a new test for willful infringement. It overruled the affirmative duty of due care set forth in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983), and held that proof of willful infringement requires a patentee to show by clear and convincing evidence that,

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as a threshold matter, “the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” 497 F.3d at 1371. The district court, proceeding under pre-*Seagate* law, instructed the jury that a potential infringer “has an affirmative duty of due care not to infringe” a known patent, and that failure to abide by that duty constituted willful infringement. The jury found Pentalpha’s infringement willful.

In vacating its award of enhanced damages and attorneys’ fees, the district court held:

The record contains evidence from which a jury *could* find that the *Seagate* standard of objective recklessness is satisfied. . . . The evidence regarding Pentalpha’s willfulness, however, is not so one-sided or overwhelming to allow the Court to conclude that a jury, properly instructed under the new *Seagate* standard, was *required* to find, by *clear and convincing evidence*, willful infringement.

Enhanced Damages Opinion, 2008 U.S. Dist. LEXIS 113468, 2008 WL 4540416, at *3. This court detects no reversible error in this analysis.

Importantly, SEB does not ask this court to order a new trial on willfulness. Had it asked, this court might have granted the request in light of the district court’s conclusion that the willfulness verdict could have gone either way under the *Seagate* test. “An erroneous

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instruction, unless harmless, requires a new trial.” *Anderson v. Branen*, 17 F.3d 552, 556 (2d Cir. 1994); *see Voda v. Cordis Corp.*, 536 F.3d 1311, 1328 (Fed. Cir. 2008) (remanding and noting that the district court “may at its discretion assess Voda’s evidence of willful infringement under the [intervening] *Seagate* standard to determine whether a new trial on willfulness is necessary”). Instead, SEB argues that the evidence on willfulness is so strong that the district court erred in vacating the enhanced damages and attorneys’ fees awards. This court agrees with the district court that SEB’s evidence is not so strong that SEB is entitled to a finding of willful infringement as a matter of law.

SEB also argues that there were factors other than willful infringement that warranted an award of attorneys’ fees, focusing primarily on alleged litigation misconduct. But the district court apparently did not find any litigation misconduct sufficient to warrant an award of attorneys’ fees. *Enhanced Damages Opinion*, 2008 U.S. Dist. LEXIS 113468, 2008 WL 4540416, at *4. Moreover this court declines to impose attorneys’ fees on a different basis than ordered by the district court.

Finally, SEB appeals the district court’s modification of a pre-judgment attachment in light of its ruling with respect to *Seagate*, but makes no arguments in its briefs with respect to that appeal. Any claim of error with respect to that modification is therefore waived.

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X.

For the foregoing reasons, the judgment of the United States District Court for the Southern District of New York is affirmed.

AFFIRMED.

COSTS

Each party shall bear its own costs.

**APPENDIX B — MEMORANDUM DECISION AND
ORDER OF THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK
DATED OCTOBER 9, 2007**

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

99 Civ. 9284 (SCR)

SEB S.A.,

Plaintiff,

v.

MONTGOMERY WARD & CO., et al.,

Defendants.

MEMORANDUM DECISION AND ORDER

**STEPHEN C. ROBINSON, United States District
Judge:**

Plaintiff brought this action, alleging patent infringement related to commercial deep fryers. Plaintiff asserted infringement of U.S. Patent No. 4,995,312, entitled "Cooking appliance with electric heating" ("the '312 patent"). Following trial, where the jury rendered a verdict in favor plaintiff, defendants move for judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50, or in the alternative for a new trial pursuant to Rule 59. Plaintiff makes a motion for enhanced damages, attorney fees, and other relief.

*Appendix B***I. Defendants' Motion for Judgment as a Matter of Law**

Defendants make a renewed motion for judgment as a matter of law under Rule 50(b), on various grounds. "In deciding a Rule 50(b) motion, the Court has two options: if a verdict was returned, the court may, in disposing of the new motion, allow the judgment to stand or may reopen the judgment and either order a new trial or direct the entry of judgment as a matter of law." *EMI Music Mktg. v. Avatar Records, Inc.*, 364 F. Supp.2d 337, 344 (S.D.N.Y. 2005). In making its decision, a court should consider the evidence "in the light most favorable to the non-moving party and give that party the benefit of all reasonable inferences from the evidence that the jury might have drawn in that party's favor." *Morales v. City of New York*, No. 99 Civ. 10004, 2000 U.S. Dist. LEXIS 18711, *6 (S.D.N.Y. December 29, 2000). Judgment as a matter of law should be granted when there is no legally sufficient evidentiary basis for a reasonable jury to find for a party on an issue. *Nadel v. Isaksson*, 321 F.3d 266, 271 (2d Cir. 2003). "Weakness in the evidence does not justify judgment as a matter of law." *Dagen v. CFC Group Holdings Ltd.*, No. 00 Civ. 5682, 2004 U.S. Dist. LEXIS 6582, *7 (S.D.N.Y. April 13, 2004). Defendants' individual bases for their motion are discussed separately below.

*Appendix B***A. Lack of Evidence of Patent Markings**

Defendants first move for judgment on SEB's claims for reasonable royalties on Defendants' sales before July 10, 1998 because there was insufficient evidence for a jury to conclude that the deep fryers sold before that date contained required patent markings. Defendants' motion on this basis is denied.

Plaintiff identifies the testimony of Mr. Gregers Infeld, a senior officer at SEB, and indicate that he testified that "substantially all" fryers sold before July 10, 1998 were properly marked. Infeld testified that it was SEB's policy to mark the fryers and that SEB did always mark the fryers to the best of his knowledge. (Tr: 120:13 -121:3). Plaintiff additionally admitted into evidence two fryers from after July 1998 which were marked.

Defendants impeach the testimony of Infeld because 1) he testified at a 30(b)(6) deposition that at the time of the deposition he had no knowledge of this topic; and 2) he acknowledged that a single batch of fryers sold in the year 2000 was not marked. Neither reason is an appropriate basis to grant defendants judgment as a matter of law.

First, the strength of Mr. Infeld's testimony in light of his testimony at his 30(b)(6) deposition may be the subject of cross-examination, but is not an appropriate basis for granting judgment as a matter of law because it goes to the strength and weight of his testimony.

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Second, the fact that a single batch of fryers was not marked is hardly evidence that calls into question whether “substantially all” fryers were marked. While defendants argue that plaintiff never defined what a “batch” is — and that therefore the jury had no basis to determine whether substantially all fryers were marked — Infeld ultimately testified that substantially all were marked to the best of his knowledge. The number of fryers in the single batch of unmarked fryers goes to the weight of Infeld’s testimony, and is a fair topic for cross-examination. But it is not a sufficient basis to grant judgment as a matter of law.

In addition, defendants argue that the sample fryers admitted into evidence are not relevant because they were sold after July 1998. This issue is ultimately irrelevant because Mr. Infeld testified that substantially all fryers were marked, and the jury was free to credit or discredit this testimony. In any event, this argument, again, goes to the strength of plaintiff’s case.

Finally, defendants argue that a sample label provided by SEB did not have the proper marking. This is, again, an issue of the strength of the evidence in the case. The jury was free to consider this argument, but it ultimately found for the plaintiff. The strength of the parties’ cases is not an appropriate basis for judgment as a matter of law.

*Appendix B***B. Inadequate Production of Documents Related to Patent Markings**

Defendants argue that the court should grant judgment on SEB's claims concerning Pentalpha's deep fryers sold before July 10, 1998 because of the failure of SEB to produce documents concerning patent markings on T-Fal's deep fryers. Defendants' motion on this basis is denied.

Pentalpha originally moved *in limine* to exclude SEB from offering evidence regarding patent markings because SEB had not produced documents concerning those markings. The Court denied the *in limine* motion because SEB's counsel represented to the Court that no documents existed other than the one page produced. Based on that representation, the Court allowed SEB to introduce the testimony.

At trial, in response to a question from defense counsel regarding how the factory will know what to print on the stickers it places on the fryers, Mr. Infeld testified that the factory will have a "list which shows them exactly what needs to be put on." (Tr: 143:9- 10). Pointing to other testimony as well, defendants argue that this indicates that Infeld was aware of a "list" concerning patent markings, which was never produced.

Plaintiff maintains there are no more documents despite a recent search following the first oral argument on this motion. While the parties dispute what Infeld meant by this testimony — indeed still dispute as to

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whether additional documents exist — the Court believes that the current dispute is insufficient to grant judgment to defendants. The parties engaged in discovery for years prior to trial, yet defendants waited until the eve of trial to raise the issue of the adequacy of plaintiff’s production on patent markings. Further, defendants could have asked Infeld to clarify during his examination what he meant by the “list” that he referred to. Or, defendants could have renewed its motion to preclude plaintiff from introducing evidence on patent markings — giving the Court or SEB an opportunity to seek clarification from Mr. Infeld. Defendants declined to do so. In short, defendants did not adequately raise the issue of plaintiff’s production during discovery, nor raise an issue regarding Infeld’s testimony during trial, and the Court is disinclined to disturb the jury’s verdict at this point. Defendants’ motion on this basis is therefore denied.

C. 35 U.S.C. § 271(a) — Sales and Offers to Sell

Defendants’ motion for judgment on plaintiff’s § 271(a) claims is denied. Defendants state that SEB admitted that all the sales of deep fryers occurred F.O.B. Hong Kong or China. (Tr: 856:1-6). Therefore, Defendants argue that, as a matter of law this is not a “sale” in the United States. *See MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1375 (Fed. Cir. 2005) (“[I]t is well-established that the reach of section 271(a) is limited to infringing activities that occur within the United States.”); *Rotec Indus. v. Mitsubishi Corp.*, 215 F.3d 1246, 1251 (Fed.

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Cir. 2000). In *MEMC*, the Federal Circuit granted summary judgment on the issue of sales in the United States for products which were delivered F.O.B. Tokyo because these did not constitute sales within the United States. However, the Court noted several other factors in deciding that the sale had not occurred within the United States. *See* 420 F.3d 1376-77. The Court also specifically noted that “simply because an article is delivered ‘free on board’ outside of the forum, a ‘sale’ is not necessarily precluded from occurring in the forum.” *Id.* at 1377. In addition, defendants’ argument that the Court did not instruct the jury that the sale must also occur in the United States before an offer to sell in the United States is actionable is moot because according to the verdict, the sale did occur in the United States. Defendants’ motion for judgment on plaintiffs’ § 271(a) claims is therefore denied.

D. 35 U.S.C. § 271(b) — Inducement

The jury found that defendants induced infringement under § 271(b). Defendants argue that there was insufficient evidence that Defendants were aware of the SEB patent, and therefore they could not have induced infringement.

“In order to succeed on a claim of inducement, the patentee must show, first that there has been direct infringement,” and “second, that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.” *MEMC*, 420 F.3d at 1378; *Minn. Mining & Mfg. Co. v. Chemque*,

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Inc., 303 F.3d 1294, 1304-05 (Fed. Cir. 2002) (citations omitted). “While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice.” *MEMC*, 420 F.3d at 1378; *Water Techs. Corp v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988). However, an inducer must have actual or constructive knowledge of the patent. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006); *see also id.* at 1311 (Michel, C.J., concurring). “It must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts and that he knew or should have known his actions would induce actual infringements.” *Id.* at 1306.

Defendants argue that plaintiff’s evidence that John Sham “set up” defendants’ counsel Mark Levy to fail to find the SEB patent is insufficient to establish the requisite constructive knowledge of the patent. However, contrary to defendants’ argument, the jury was free to consider whether key information was not disclosed to Levy in his patent search and whether that information would have allowed defendants to discover the patent. Moreover, this evidence was sufficient to establish “specific intent and action to induce infringement”. *Id.* at 1305. Accordingly, defendants’ motion for judgment is denied.

*Appendix B***E. Re-Designed Deep Fryer**

Defendants argue that the court should enter judgment for the defendants on defendants' re-designed deep fryer because there was no evidence to allow the jury to determine that a person of reasonable skill in the art of designing deep fryers would have considered the differences between the redesigned deep fryer and the SEB patent as "insubstantial".

A finding of infringement under the doctrine of equivalents requires a showing that the difference between the claimed invention and the accused product or method was insubstantial or that the accused product or method performs the substantially same function in substantially the same way with substantially the same result as each claim limitation of the patented product or method." *AquaTex Indus. v. Techniche Solutions*, 479 F.3d 1320, 1326 (Fed Cir. 2007).

Defendants argue that SEB's patent expert did not offer an opinion on how a person skilled in the art would perceive the changes. They argue that the expert, Mr. Charles Van Horn, was not skilled in the art, had no experience with persons or companies that made deep fryers, and could not remember having examined a patent concerning deep fryers while working at the PTO. However, Mr. Van Horn testified that he was testifying from the perspective of someone skilled in the art. (Tr: 474:10-12). The Court overruled the objection to his testimony as an expert and allowed his testimony with respect to the issues relevant to the lawsuit.

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(Tr: 479:24 — 480:2) Any other question regarding the basis of Van Horn's testimony would go to the credibility and weight of the testimony. While appropriate subjects for cross-examination, they are an insufficient basis to grant judgment as a matter of law.

F. Willful Infringement

Defendants argue that they are entitled to judgment as matter of law on the issue of willful infringement by the redesigned deep fryer. As an initial matter, it does not appear that Defendants raised this issue in their pre-verdict motion for judgment as a matter of law and it is therefore denied.¹ *Taylor v. National R.R. Passenger Corp.*, 868 F. Supp. 479, 482 (S.D.N.Y. 1994) (“The initial motion, brought before submission of the case to the jury, is a prerequisite to any motion brought after trial.”)

On the merits, while defendants obtained an opinion letter from Peter Canelias, plaintiff presented evidence to impeach the quality and credibility of the letter. First, the claim construction used by Mr. Canelias did not comport with the claim construction by this Court. (Tr: 685:8-687:6). There was also evidence that the Mr. Canelias possibly gave an opinion that Mr. Sham wanted

1. The Court notes that in December 2006, Rule 50 was amended so as to eliminate the requirement that a motion be made at the close of all the evidence, effectively overruling the relevant portions of the cases cited. However, the law in this Circuit during the relevant time period for this motion required such a motion at the close of evidence, with few exceptions.

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to hear. (Tr: 687:7 - 689:4). There was also evidence indicating that Mr. Sham did not rely on Canelias's opinion, for example because Pentalpha had finalized the plans for the deep fryer prior to obtaining the opinion letter. (Tr: 402:5-403:23). *See Stryker Corp. v. Davol Inc.*, 234 F.3d 1252, 1259 (Fed. Cir. 2000). In short, the jury was free to consider the opinion letter as evidence of a lack of willfulness. But it was also free to discount that evidence based on other evidence in the record. Judgment as a matter of law is therefore inappropriate.

G. Reduction of Damages Award

Since all infringers are jointly and severally liable, a settlement by one infringer reduces the recovery from the others. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 503, 84 S. Ct. 1526, 12 L. Ed. 2d 457, 1964 Dec. Comm'r Pat. 760 (1964); *see also Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321, 348, 91 S. Ct. 795, 28 L. Ed. 2d 77 (1971); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1361 (Fed. Cir. 2001) ("A party that induces or contributes to infringement is jointly and severally liable with the direct infringer for all general damages.") Courts have generally held that parties may only obtain up to a single full recovery for damages from infringement. *See Glenayre Elecs., Inc. v. Jackson*, 443 F.3d 851, 864 (Fed. Cir. 2006) (holding that a patentee could not sue users for damages because actual damages covering the use of the product had already been recovered from the manufacturer); *Shockley v. Arcan*,

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Inc., 248 F.3d 1349, 1364 (Fed. Cir. 2001) (“Each joint tort-feasor is liable for the full amount of damages (up to a full single recovery) suffered by the patentee.”).

“[I]n determining whether there has been an impermissible double recovery of damages, the inquiry focuses on whether the damages issue arose from the same set of operative facts.” *Aero Prods. Intl, Inc. v. Intex Rec. Corp.*, 466 F.3d 1000, 1018 (Fed. Cir. 2006). The parties agree that plaintiff recovered \$ 2,000,000 from Sunbeam in settlement of a related lawsuit for the sale of up to 350,000 units. The record indicates that Pentalpha sold Sunbeam 312,736 units. A reduction of the jury’s award to avoid double recovery is therefore appropriate. In addition, this reduction should occur prior to any damages enhancement for willful infringement because SEB has already agreed to settle its claims with respect to the sale of those fryers. Any trebling of damages from an injury for which SEB has recovered would result in a windfall to SEB. Accordingly, the jury’s award of \$ 3,600,000 on this claim is reduced to \$ 1,600,000.

II. Defendants’ Motion for a New Trial

Defendants also move more [sic] a new trial on various grounds. “The standard for granting a new trial is less stringent than that for judgment as a matter of law. On a motion for new trial the judge may set aside the verdict even though there is substantial evidence to support it.” *Am. Nat’l Fire Ins. Co. v. Mirasco, Inc.*, 451 F. Supp.2d 576, 582 (S.D.N.Y. 2006) (internal

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quotations and citations omitted). “Still, a new trial may only be granted if the court is convinced that the jury has reached a seriously erroneous result, or that the verdict is against the weight of the evidence, making its enforcement a miscarriage of justice.” *Id.* See also *Farrior v. Waterford Bd. of Educ.*, 277 F.3d 633, 635 (2d Cir. 2002) (“[A] decision is against the weight of the evidence, for purposes of a Rule 59 motion, if and only if the verdict is seriously erroneous or a miscarriage of justice.”) A jury’s verdict should rarely be disturbed. *Farrior*, 277 F.3d at 635.

A. Reasonable Royalty Rate

Defendants move for a new trial on the basis that the evidence does not support the reasonable royalty award by the jury. The award by the jury was \$ 11.52 per fryer for sales to Sunbeam, \$ 11.34 for each fryer sold to Finger Hut, and \$ 10.98 for each fryer sold to Montgomery Ward. Defendants request a new trial on damages, or alternatively, the Court to remit the award to \$ 5.71 per fryer for the first 350,000, and then \$ 9.71 or \$ 10.00 after that. Alternatively, Defendants request a royalty rate of \$ 9.71 or \$ 10.00 per fryer. Defendants’ motion is denied.

“The jury’s award of damages is entitled to deference. Specifically, the jury’s damages award must be upheld unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork.” *Monsanto Co. v. Ralph*, 382 F.3d 1374, 1383 (Fed. Cir. 2004) (internal

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quotes omitted); *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1580 (Fed. Cir. 1992). The moving party has the burden of showing that “the award is, in view of all the evidence, either so outrageously high or so outrageously low as to be unsupportable as an estimation of a reasonable royalty.” *Monsanto*, 382 F.3d at 1383; *Lindemann Maschinenfabrik GmbH v. Am. Hoist & Derrick Co.*, 895 F.2d 1403, 1406 (Fed. Cir. 1990). The Federal Circuit reviews damages awards by a jury for substantial evidence. *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108 (Fed Cir. 1996).

Defendants’ argues [sic] that a high hypothetical negotiation between the parties would have resulted in a far lower royalty because: 1) SEB accepted a \$ 5.71 per fryer figure in their settlement with Sunbeam for the first 350,000 fryers; 2) SEB accepted \$ 10.00 per fryer after the first 350,000; 3) SEB agreed to pay 50% of any damage award over \$ 4.00 to Sunbeam — adding the \$ 4.00 to the \$ 5.71 SEB obtained in its settlement with Sunbeam, means that SEB considers anything above \$ 9.71 a windfall — so much so that it has agreed to pay Sunbeam half of anything above that number; and 4) Pentalpha would not have agreed to pay above \$ 10.98 per deep fryer because if it did, it would not have made any profit.

Defendants’ arguments regarding SEB’s settlement with Sunbeam are unconvincing. A settlement in litigation is based many different criteria, including for example, potential defenses available to Sunbeam, and other litigation risks that the Court need not speculate

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on. In addition, in cases where more than one defendant is sued, parties that settle early often get better deals. As result, the particulars of the Sunbeam settlement are insufficient to overcome the presumption of upholding the jury's award.

With respect to a royalty rate being higher than the gross margin, there is no *per se* rule requiring that the royalty rate allow the infringer to have turned a profit. *See Monsanto*, 382 F.3d at 1384 (“[A]lthough an infringer’s anticipated profit from use of the patented invention is among the factors to be considered in determining a reasonable royalty, the law does not require that an infringer be permitted to make a profit.”). The Court in *Monsanto* also noted that a patentee has every right not to allow anyone else to use his patent, and a requirement that a hypothetical negotiation result in a profit for the infringer would effectively allow infringers to circumvent as patentee’s right to exclude parties from using their patent. *Id.* This is especially true where the patent holder chose not to license their patent. *See id.*; Tr: 125:8-219. Accordingly, defendants’ motion for a new trial on the issue of a reasonable royalty, or in the alternative to remit the award, is denied.

B. Weight of the Evidence on Issues of Liability

Defendants also argue that the verdict was against the weight of the evidence on four issues of liability: 1) infringement by the original deep fryers; 2) whether the fryers sold before July 10, 1998 were marked;

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3) whether the differences between the modified deep fryer and the patent were substantial (i.e. whether the modified fryer infringed under the doctrine of equivalents); 4) willful infringement. Defendants make no argument with regards to why the weight of the evidence was such that the verdict is seriously erroneous or a miscarriage of justice, and as discussed already with respect to defendants' Rule 50 motion, there is substantial evidence supporting the jury's findings on these issues. Defendants therefore have not met their burden of establishing serious error or a miscarriage of justice and their motion is therefore denied.

C. Improper Closing Arguments of SEB's Counsel

Finally, defendants move for a new trial based on allegedly improper arguments at closing. Their motion is denied.

“Although trial courts possess broad discretion to determine when the conduct of counsel is so improper as to warrant a new trial, attorneys also require latitude in formulating their arguments.” *Smith v. National R. Passenger Corp.*, 856 F.2d 467, 470 (2d Cir. 1988) (internal quotations and citations omitted); *See also Patterson v. Balsamico*, 440 F.3d 104, 119 (2d Cir. 2004). “Not every improper or poorly supported remark made in summation irreparably taints the proceedings; only if counsel's conduct created undue prejudice or passion which played upon the sympathy of the jury, should a new trial be granted.” *Smith v. National R. Passenger*

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Corp., 856 F.2d at 470 (internal, quotations and citations omitted); *see also Patterson*, 440 F.3d at 119. “Because attorneys are given wide latitude in formulating their arguments to the jury, rarely will an attorney’s conduct so infect a trial with undue prejudice or passion as to require reversal.” *Patterson*, 440 F.3d at 119 (internal quotation marks omitted); *Reilly v. Natwest Mkts. Group Inc.*, 181 F.3d 253, 271 (2d Cir. 1999).

Defendants identify four improper arguments made to the jury: 1) that SEB’s counsel argued that the reasonable royalty should reflect the lost profit to SEB, despite the fact that the Court had ruled that a claim for lost profits could not be submitted to the jury because there was no evidence as to what SEB actually sold the fryers for; 2) that SEB’s counsel improperly argued to the jury that the failure of defendants to seek an opinion of counsel is evidence of willful infringement; 3) that SEB’s lawyer improperly compared T-Fal’s commercial product to the Pentalpha product — as opposed to comparing the patent claims to the product; and 4) SEB’s counsel improperly appealed to the passions of the jury by suggesting that Pentalpha does not do business in the U.S. to avoid paying taxes in the U.S.

With respect to lost profits, the Court ruled that they had not been shown with sufficient exactness to allow a claim for lost profits. However, this does not mean that the jury could not consider SEB’s *expectations* of profits as part of a hypothetical negotiation. *See Georgia-Pacific Corp. v. United States*

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Plywood Corp., 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970) (holding that one of the factors relevant to a reasonable royalty is “[t]he established profitability of the product made under the patent; its commercial success; and its current popularity.”).

With regards to willful infringement the federal circuit has held that the court may not instruct the jury that they are to draw an adverse inference or presumption as a matter of law. *See Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004). However, nothing in *Knorr-Bremse* forbids a jury to consider whether an infringer sought the advice of counsel in considering whether, under the totality of the circumstances, infringement has been willful. *See id.* at 1342 (“Determination of willfulness is made on consideration of the totality of the circumstances”.); *see also Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1369 (Fed. Cir. 2006) (rejecting argument that, under *Knorr-Bremse*, “the district court could not consider whether [defendant] obtained an opinion of counsel in evaluating whether it discharged its duty of due care.”).

Defendants’ third argument is without merit. SEB clearly compared the infringing products to the patent (e.g. Tr: 917:25-921:6). The reference to the T-Fal commercial product was an argument that the T-Fal wouldn’t avoid infringement of the claims because of minor differences, and the defendants’ product therefore also couldn’t avoid infringement of the claims because of those same minor differences. In addition,

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any error here is insufficient to warrant setting aside the jury's verdict and granting a new trial.

With respect to the final error charged — the foreign status of the defendants — it appears that this argument was made in response to the defendants' defense that they were not doing business in the U.S. In any event, to the extent that this argument was inappropriate it is insufficient to warrant setting aside the jury's verdict and granting a new trial.

III. Defendants' Motion for Judgment On the Basis of Prosecution History Estoppel

The jury found that the modified deep fryer, which used blocks (or "ring segments") rather than rings, infringed the '312 patent under the doctrine of equivalents. Defendants move for judgment on this issue on the basis of prosecution history estoppel.² Defendants' motion is denied.

Prosecution history estoppel is a question of law. *Ranbaxy Pharm. Inc. v. Apotex, Inc.*, 350 F.3d 1235, 1240 (Fed. Cir. 2003). Under the doctrine, a patentee's decision to narrow a claim during patent prosecution is presumed to be a disclaimer of the territory between the original claim and the amended claim. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co. Ltd.*, 535 U.S. 722, 740, 122 S. Ct. 1831, 152 L. Ed. 2d 944 (2002);

2. Defendants originally moved *in limine* on this issue before trial, but a decision was deferred until after the verdict.

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Research Plastics, Inc. v. Fed. Packaging Corp., 421 F.3d 1290, 1298 (Fed. Cir. 2005) (“A narrowing amendment made to avoid prior art creates a presumption that the patentee surrendered the territory between the original claims and the amended claims.”). Estoppel also applies in the case of arguments made to the patent examiner rather than amendments made in response to the patent examiner’s actions. See *Glaxo Wellcome, Inc. v. Impax Labs. Inc.*, 356 F.3d 1348, 1357 (Fed. Cir. 2004). However, “[f]or an estoppel to apply, such assertions in favor of patentability must ‘evinced a clear and unmistakable surrender of subject matter.’” *Pharmacia & Upjohn Co. v. Mylan Pharms., Inc.*, 170 F.3d 1373, 1377 (Fed. Cir. 1999); *Litton Sys., Inc. v. Honeywell, Inc.*, 140 F.3d 1449, 1458 (Fed. Cir. 1998).

Defendants argue that in prosecuting its patent before the U.S. Patent and Trademark Office (“PTO”), SEB argued that its invention only applied to a deep fryer in which the “ring” completely closed off the air space between the pan and the skirt. See *Dunnegan Declaration*, Ex. E at S000094-96. This argument was used to distinguish the application at issue from the prior art — namely U.S. Patent No. 4,672,179 (“the Onishi Patent”) and Spanish Utility Model 290,283 (“the Spanish Utility Patent”). Defendants now argue that, since SEB’s expert admitted at trial that the redesigned deep fryer does not completely close off the air space between the pan and the skirt, defendants’ product could not infringe the patent as a matter of law under the doctrine of equivalents.

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Defendants' argument is precluded by this Court's earlier decision on this issue. "Under the doctrine of law of the case, 'a legal decision made at one stage of litigation, unchallenged in a subsequent appeal when the opportunity to do so existed, becomes the law of the case for future stages of the same litigation, and the parties are deemed to have waived the right to challenge that decision at a later time.'" *See North River Ins. Co. v. Philadelphia Reinsurance Corp.*, 63 F.3d 160, 164 (2d Cir. 1995). "Because there is a strong policy favoring finality . . . a court should be loathe to revisit an earlier decision in the absence of extraordinary circumstances such as where the initial decision was clearly erroneous and would work a manifest injustice." *Id.* at 165 (internal quotations and citations omitted). On March 20, 2001, then District Judge Barrington D. Parker, Jr. issued a decision on plaintiff's motion for a supplemental preliminary injunction regarding the sale of the modified deep fryer.³ *See SEB S.A. v. Montgomery Ward & Co., Inc.*, 137 F.Supp.2d 285 (S.D.N.Y. 2001). In that decision, Judge Parker rejected the very arguments defendants currently make. Specifically, Judge Parker held that: 1) in the modified fryer, defendants have replaced the insulating ring with a series of insulating ring segments; 2) the use of ring segments, as opposed to the use of a continuous ring, do [sic] not change the essential nature of the device; 3) independent claim 1 does not contain any requirement that the ring functions to seal the air space; 4) there is no prosecution history estoppel based

3. Judge Parker has since been appointed to a seat on the Second Circuit.

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on the arguments made to the PTO regarding the Spanish Utility Patent because they were not directed to the claim at issue in this case. *Id.* at 287-89.

Defendants' arguments regarding factual errors in this Court's earlier ruling are unconvincing. Whether claim 1 was amended, or repealed is ultimately irrelevant to the Court's decision that prosecution history estoppel did not apply because the arguments made to the PTO were directed at claim 13, not claim 1. Indeed Judge Parker specifically found that "independent claim 1 does not contain any requirement that the ring functions to seal the air space." *SEB*, 137 F.Supp.2d at 288. Defendants have therefore failed to show that the initial decision was clearly erroneous and would work a manifest injustice.

Further, the Supreme Court's decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, does not invite this Court to re-visit its earlier decision. 535 U.S. 722, 122 S. Ct. 1831, 152 L. Ed. 2d 944 (2002). In *Festo*, the Supreme Court reversed the Federal Circuit, and narrowed the defense of prosecution history estoppel. The Federal Circuit had held that prosecution history estoppel is a complete bar to the doctrine of equivalents, regardless of the purpose of the amendment. The Supreme Court reversed, applying a more flexible "fair interpretation" standard for determining what subject matter was surrendered by the amendment or argument. *Id.* at 737-38. Judge Parker's decision, which holds that estoppel does not apply, is not undercut by a ruling by the Supreme Court which actually further limits the doctrine's applicability.

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Accordingly, under the law of the case doctrine, this Court will not disturb its earlier decision.

IV. Plaintiff's Motions

A. Enhanced Damages

The jury found for SEB for direct infringement and inducement of infringement and awarded damages of \$ 4,650,000. The jury also found that Pentalpha's infringement had been willful. Plaintiff moves to enhance damages on this basis.

Under 35 U.S.C. §284, damages may be enhanced up to three times the compensatory award. An award of enhanced damages for infringement, as well as the extent of the enhancement, is committed to the discretion of the trial court. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992). While no statutory standard dictates the circumstances under which the district court may exercise its discretion, the Federal Circuit has approved such awards where the infringement is willful. *Id.* On the other hand, a finding of willful infringement does not mandate that damages be enhanced, much less mandate treble damages. *Id.*; *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990). "The paramount determination in deciding to grant enhancement and the amount thereof is the egregiousness of the defendant's conduct based on all the facts and circumstances." *Read*, 970 F.3d at 826. *See Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125 (Fed. Cir. 1987). The court must consider factors

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that render defendant's conduct more culpable, as well as factors that are mitigating or ameliorating. *Read*, 970 F.3d at 826.

Factors considered by courts in determining when an infringer has acted in such bad faith as to merit an increase in the damages awarded against him include: 1) whether the infringer deliberately copied the ideas or design of another; 2) whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; 3) the infringer's behavior as a party to the litigation; 4) the defendant's size and financial condition; 5) closeness of the case; 6) duration of defendant's misconduct; 7) remedial action by the defendant; 8) defendant's motivation for harm; and 9) whether defendant attempted to conceal its misconduct. *Id.* at 826-27.

First the Court notes that evidence in the record indicates that employees of Pentalpha purchased a SEB fryer in Hong Kong for the purposes of market research, and presented no evidence of independent design (e.g. design drawings). (Tr: 242:18-24; 339:12-340-13). Indeed, there was testimony that the engineers simply took a T-Fal fryer and made cosmetic changes to it. (Tr: 609:25-610:13; 611:13-613:24).

Second, the court notes that evidence in the record indicates that Pentalpha knew that it had copied a SEB fryer, but never told this to its attorney, Mr. Levy who was performing a patent search with respect to the

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original deep fryer. (Tr: 345:4-20; Tr: 414:20-416:20). There was also evidence that Pentalpha had finalized the plans for its modified deep fryer prior to obtaining the opinion letter of its counsel, Mr. Canelias. (Tr: 402:5-403:23).

Third, the Court does not believe this was a particularly close case. The Court granted judgment to the plaintiff on many of defendants' affirmative defenses. (Tr: 716:1-717:1). The case law was also contrary to defendants' defense that the sales in this case were not infringing because they were "F.O.B. China". *See MEMC*, 420 F.3d at 1377 ("simply because an article is delivered 'free on board' outside of the forum, a 'sale' is not necessarily precluded from occurring in the forum.")

Fourth, as discussed already, this court does not believe that plaintiff's counsel's argument regarding willfulness and defendants' failure to seek the advice of counsel was prohibited by *Knorr-Bremse*. It therefore does not preclude enhanced damages in this case.

Fifth the court notes that upon issuance of a preliminary injunction forbidding the sale of the original deep fryer, defendants developed a modified deep fryer with few changes, which infringed on the '312 patent under the doctrine of equivalents. This modification required additional motion practice by plaintiff, who needed to seek a supplemental injunction against the sale of the modified deep fryer in order to avoid further infringement of its patent rights.

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Accordingly, and upon consideration of all other relevant factors, this court believes enhanced damages are appropriate. In its discretion, and in consideration of the high damage award in this case relative to the defendants' size, this Court elects to award damages two times the jury award.

B. Attorneys' Fees

Under 35 U.S.C. § 285, "the court in exceptional cases may award reasonable attorney fees to the prevailing party." Whether a case is exceptional is a determination of fact which is reviewed for clear error. *L.A. Gear, Inc. v. Tom McAn Shoe Co.*, 988 F.2d 1117, 1128 (Fed. Cir. 1993). A decision whether to award attorneys' fees, once it is found to be exceptional, is committed to the discretion of the trial judge. *Modine Mfg. Co.*, 917 F.2d at 543. Bad faith litigation, willful infringement, or inequitable conduct are among the circumstances which may make a case exceptional. *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579 (Fed Cir. 1996). Indeed, an express finding of willful infringement is a sufficient basis for classifying a case as "exceptional". *Modine Mfg. Co.*, 917 F.2d at 543. Because the jury expressly found willful infringement, and in consideration of the various facts in the record to support this finding, the Court holds that the current case is an exceptional case within the meaning of § 285. Accordingly, an award of attorneys' fees is appropriate.

With regards to the particulars of the fee submission, the Court agrees with defendants that

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attorneys' fees from the Sunbeam action in the District of New Jersey are an inappropriate for an award from this Court. Fees associated with that action should have been sought from that Court, or in settlement negotiations of that action.

The Court agrees with plaintiff that fees paid to Mr. Didier Martin and Mr. Gregers Infeld are appropriate. Mr. Martin was retained as an outside legal consultant and defendants have provided no adequate basis to deny plaintiff payment of his fees. Mr. Infeld was also retained as an outside consultant and defendants provide no specific objection to his fees other than the conclusory assertion that they are unreasonable. Finally, contrary to defendants' assertion, plaintiff is entitled to reasonable expenses incurred by plaintiff's counsel during the prosecution of this case.

C. Pre-Judgment Interest under 35 U.S.C. § 284

"[P]rejudgment interest should be awarded under § 284 absent some justification for withholding such an award." *GM Corp. v. Devex Corp.*, 461 U.S. 648, 657, 103 S. Ct. 2058, 76 L. Ed. 2d 211 (1983); *Flanagan v. Continental Apparel Corp.*, No. 94 Civ. 9338, 1996 U.S. Dist. LEXIS 12102, *12 (S.D.N.Y. August 20, 1996). Defendants do not dispute that prejudgment interest is appropriate here, but argue that the statutory post-judgment interest rate under 28 U.S.C. § 1961(a) is appropriate. While plaintiff has not submitted evidence of the rate at which it borrows money, the court believes that the prime interest rate provided by Federal Reserve

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compounded annually is provides fair compensation to plaintiff *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed. Cir. 1991) (“[I]t is not necessary that a patentee demonstrate that it borrowed at the prime rate in order to be entitled to prejudgment interest at that rate.”). However, because the jury’s judgment is reduced by \$ 2,000,000 to reflect plaintiff’s settlement with Sunbeam, plaintiff is instructed to re-submit its calculation regarding the amount of prejudgment interest due.

D. Permanent Injunction

SEB requests entry of a permanent injunction. Defendants’ concede that a permanent injunction is warranted, and do not oppose the language of SEB’s proposed injunction for the most part. Defendants do argue that any injunction should preserve Pentalpha’s claims against SEB for liability up to the amount of the bond in the event Pentalpha ultimately prevails. However, damage to Pentalpha is moot because the jury ultimately found infringement. In any event, should Pentalpha prevail on appeal, any claims against SEB will be preserved. Therefore, no modification to SEB’s proposed permanent injunction is necessary.

*Appendix B***III. Conclusion**

Defendants' renewed motion for judgment as a matter of law is granted in part. Defendants' motion for a new trial is denied. Defendants' motion for judgment on the issue of prosecution history estoppel is denied. Plaintiff's motion for enhanced damages is granted in part.

The jury's award of \$ 4,650,000 is reduced to \$ 2,650,000 to reflect SEB's settlement with Sunbeam. This Court awards an additional \$ 2,650,000 in enhanced damages in light of the jury's finding of willful infringement. The Court awards attorneys' fees of \$ 932,123.53. The Court awards pre judgment of interest at the prime rate. Plaintiff is instructed to re-submit a calculation of the amount of pre judgment interest owed in light of this Court's reduction of the jury's award to \$ 2,650,000.

Case closed.

It is so ordered.

Dated: White Plains, New York
October 9, 2007

s/ Stephen C. Robinson
Stephen C. Robinson, U.S.D.J.

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**APPENDIX C — ORDER OF THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL
CIRCUIT DENYING PETITION FOR REHEARING
DATED MARCH 25, 2010**

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

2009-1099, -1108, -1119

SEB S.A.,

Plaintiff/Counterclaim Defendant-
Cross Appellant,

and

T-FAL CORPORATION,

Counterclaim Defendant,

v.

MONTGOMERY WARD & CO., INC.,

Defendant,

and

GLOBAL-TECH APPLIANCES, INC.,

Defendant-Appellant,

and

PENTALPHA ENTERPRISES, LTD.,

Defendant-Counterclaimant-
Appellant.

Appendix C

Appeals from the United States District Court for the Southern District of New York in 99-CV-9284, Judge Stephen C. Robinson.

ORDER

A petition for rehearing *en banc* having been filed by the Appellants,* and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing *en banc* having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing *en banc* be, and the same hereby is, DENIED.

The mandate of the court will issue on April 1, 2010.

FOR THE COURT,

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: 03/25/2010

* The court granted leave to American Intellectual Property Law Association and The Federal Circuit Bar Association to file a brief *amici curiae* in support of Appellants' petition for rehearing *en banc*.