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APPELLANT'S BRIEF

04-1609, 05-1141,-1202

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

GOLDEN BLOUNT, INC.

U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT
4/25/05
APR 25 2005

Plaintiff-Appellee,

v.

ROBERT H. PETERSON CO.,

Defendant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF TEXAS IN CASE NO. 3:01-CV-127-R
SENIOR JUDGE JERRY BUCKMEYER

NON-CONFIDENTIAL BRIEF OF
DEFENDANT-APPELLANT ROBERT H. PETERSON CO.

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April 25, 2005

ORAL ARGUMENT REQUESTED

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Counsel for Robert H. Peterson Co. certifies the following:

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

Robert H. Peterson Co.

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

Not applicable

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

Not applicable

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

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[NOTE: This brief contains information that has been determined confidential and is subject to a protective order. As a result certain portions of this brief have been designated as confidential. Pursuant to Rule 28(d)(1) of this Court’s Rules of Practice, those confidential portions are indicated in bold and have been separated by brackets. They have also be redacted from the non-confidential version of this brief being filed simultaneously.]

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STATEMENT OF RELATED CASES

This case was formerly before the United States Court of Appeals for the Federal Circuit on appeal from the trial court's initial entry of judgment against Defendant on August 9, 2002. The title of that appeal was *Golden Blount, Inc. v. Robert H. Peterson Co.*, Case No. 03-1298. On April 19, 2004, this Court vacated the district Court's 2003 Judgment and remanded the case for entry of specific findings of fact and conclusions of law. The prior appeal was presented before Chief Judge Pauline Newman, Judge Haldane Mayer and Judge Richard Linn. The decision was published and can be cited as *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 70 U.S.P.Q.2d 1624 (Fed.Cir. 2004).

JURISDICTIONAL STATEMENT

The District Court had subject matter jurisdiction pursuant to 28 U.S.C. § 1331. This Court has jurisdiction pursuant to 28 U.S.C. § 1295. A final judgment was entered on August 18, 2004 and modified by the district court on September 2, 2004, November 15, 2004, November 17, 2004 and December 15, 2004. Peterson timely filed Notices of Appeal of each of these orders. The appeals were consolidated on January 27, 2005 and February 15, 2005.

STATEMENT OF ISSUES PRESENTED FOR REVIEW

1. Whether the district court erred in failing to follow this Court's mandate by failing to "find the facts specially and state separately its conclusion of law thereon."
2. Whether the district court erred in finding sufficient competent evidence to prove infringement of the Patent by Peterson or any of its end users.
3. Whether the district court erred in considering plaintiff's demonstrative exhibits in the absence of competent evidence authenticating them.
4. Whether the district court erred in finding contributory and induced infringement where no Peterson end-user was shown to have actually installed a Peterson product in an infringing configuration or to have otherwise infringed the Patent.

5. Whether the district court erred in finding contributory infringement given plaintiff's judicial admission that Peterson's EMB product is capable of substantial non-infringing uses.

6. Whether the district court erred in finding induced infringement of the Patent in the absence of competent evidence of any intentional encouragement of infringement by Peterson.

7. Whether the district court erred in vacating, on August 18, 2004, certain findings of fact and conclusions of law entered on June 22, 2004, as to which plaintiff had not filed a timely and specific motion under Rule 52(b), F.R.Civ.P.

8. Whether the district court erred by entering, on September 2, 2004, new and different findings of fact and conclusions of law submitted by plaintiff after the August 18, 2004, hearing where: (i) the district court on August 18 specifically adopted the proposed findings of fact and conclusions of law filed by plaintiff on June 10, 2004, (ii) plaintiff never filed any proper Rule 52(b) motion to amend the findings and conclusions orally adopted on August 18, (iii) the district court entered the findings and conclusions more than 10 days after the August 18 ruling and (iv) the district court entered the findings and conclusions without providing Peterson due notice and an opportunity to be heard.

9. Whether the district court erred in awarding plaintiff lost profits damages where the plaintiff failed to prove by competent evidence even a single infringement of the Patent and plaintiff failed to establish the *Panduit* factors.

10. Whether the district court erred in awarding enhanced damages against Peterson.

11. Whether the district court's award of enhanced damages against Peterson is an unconstitutional or improper award of punitive damages.

12. Whether the district court erred in finding sufficient misconduct by Peterson to warrant declaring this to be an exceptional case and awarding attorneys' fees in plaintiff's favor.

STATEMENT OF THE CASE

This is a patent infringement case brought by Golden Blount, Inc. (“plaintiff”) against the Robert H. Peterson Company (“Peterson”) concerning U.S. Patent 5,988,159 (the “Patent”). (JT-1479.) Both plaintiff and Peterson are producers of gas-burning artificial fireplaces, an already crowded field at the time of the invention. The Patent issued on November 23, 1999. (JT-1479.)

On January 18, 2001, plaintiff filed its patent infringement complaint; Peterson counter-claimed for a declaratory judgment of invalidity (JT-0109, JT-0125.) A three day bench trial was held beginning July 29, 2002.

On August 9, 2002, the trial court entered verbatim plaintiff’s pre-trial proposed Findings of Fact and Conclusions of Law (hereinafter, all versions, the “Findings”). (JT-0519-27.) Judgment was entered on August 9, 2002. (JT-0518.)

On August 23, 2002, Peterson filed two Rule 52(b) Motions to Amend. (JT-0535-7, JT-0552-4.) On August 23, plaintiff filed its Application for Attorneys’ Fees and its Motion for Updated Damages. (JT-0596-9.) On August 27, 2002, costs were assessed. (JT-0528.)

On February 7, 2003, the court granted Peterson’s First Motion but denied its Second, and granted plaintiff’s Damages Motion, awarding attorneys’ fees. (JT-00529-30.) On March 6, 2003, Peterson filed its Notice of Appeal. (JT-0906.)

On March, 7, 2003, the court amended the Judgment, awarding trebled damages and interest. (JT-0014.)

On April 19, 2004, this Court vacated and remanded the Judgment. (JT-2428-44.) On June 10, 2004, both parties simultaneously filed proposed Findings, as ordered by the district court. (JT-2446-509, JT-002-47.) On June 22, 2004, the district court adopted Peterson's Findings verbatim, including finding that Peterson should recover attorneys' fees. (JT-2510.) Peterson's fees petition was granted on August 11, 2004. (JT-2555-60, JT-2884.)

On July 6, 2004, plaintiff filed two motions seeking to Amend Findings or obtain a New Trial. (JT-2513-53.) On August 18, 2004, the district court heard oral argument after which the court announced "I made a mistake." (JT-3183.) The court vacated Peterson's Findings and adopted plaintiff's Findings verbatim. (JT-3121-3185 at 3183, JT-0001.) This ruling was confirmed by a minute order entered the same day (the "August 18 Order"). (JT-0001.)

On August 31, 2004, without filing a Rule 52(b) motion, plaintiff submitted substantially revised Findings which the court adopted verbatim on September 2, 2004, without opportunity for Peterson to object or oppose. (JT-2885-2918, JT-0048, JT-0050-82.) On September 8, 2004, plaintiff filed an application for additional attorneys' fees. (JT-2919-2925.)

On September 17, 2004, Peterson timely filed its Notice of Appeal of the August 18, 2004 Order. (JT-3065-103.) On November 15, 2004, plaintiff was awarded additional attorneys' fees. (JT-0083.) Costs were taxed on November 17, 2004. (JT-3186-257.) On December 9, 2004, Peterson timely filed its Notice of Appeal of the November 15, 2004 Order. (JT-3263-315.) On December 15, 2004, the court entered final judgment for plaintiff. (JT-3316.) On January 14, 2005, Peterson timely filed Notice of Appeal of the December 15 Order. (JT-3317-67.) On February 15, 2005, this Court consolidated the three appeals. (JT-3370-72.)

STATEMENT OF THE FACTS

A. CLAIM CONSTRUCTION.

This Court previously interpreted the Patent in *Blount I*. (JT-2428-44.) Both independent claims (1 and 17) of the Patent require a two-burner apparatus consisting of a primary burner and a secondary burner. *Id.* Claims 1 and 17 require that the primary burner be installed "at a raised level" with respect to the secondary burner tube which must be installed "below" the top of the primary burner tube. *Id.* These claim terms have the same meaning and require that the top of the primary burner be higher than, or parallel with, the top of the secondary burner (the "Vertical Limitations"). (JT-2435-36, JT-2538.)

Plaintiff filed its patent application on May 17, 1993. (JT-1011, JT-1994-2029.) The Patent issued on November 1999 after multiple claim rejections,

abandonments and continuations-in-part. (JT-1994-2205.) On July 10, 1998, plaintiff, for the first time, added the Vertical Limitations to Claims 1 and 17, resulting in issuance. (JT-1036-9, JT-2182-5, JT-1479-86.)

B. PETERSON'S PRODUCTS.

Incorporated over 50 years ago, Peterson has been selling artificial gas fireplace equipment for decades. (JT-2306, JT-2329-40.) It manufactures and sells a wide variety of products. (See, eg. JT-2295.) The Peterson products relevant here are:

The "G4." The "G4" is Peterson's largest selling product. (JT-1211-2.) Peterson has sold hundreds of thousands of G4 burners since 1979. (JT-1321.) This G4 is solely a primary burner tube. (JT-0364 at ¶6, JT-1655, JT-1660.) The G4 is not sold with logs. (JT-1323.)

The "EMB." Peterson's accused product is the "EMB" which is a single-burner accessory often retrofitted to a G4. (JT-1262, JT-2313.) Peterson packages and sells the EMB separately from the G4. (JT-1231-2, JT-1323.) The EMB and G4 are never assembled by Peterson. (JT-1214-18.) Customers or installers assemble the EMB and G4. (JT-1334-5.) No Peterson customer, dealer or installer testified about EMB installations.

Many EMBS were sold as a retrofit to an existing G4 installation. (JT-1321.) As shown by DX34, Peterson's EMB is suitable for installation only on G4

primary burners.¹ (JT-2312.) Because of ANSI safety standards, Peterson's and plaintiff's products are not interchangeable. (JT-1483 at col. 1, lns. 59-61.)

The EMB is connected to a G4 by screwing a threaded fitting together. (JT-2314.) The EMB can be rotated around the G4 burner and installed with its top above the top of the primary burner. (JT-2538.) Plaintiff attached an Appendix to its July 6, 2004 filings (JT-2527-53) containing the following admission:

[Peterson's Finding 188:] Any installation of an "EMB" product in which its top is level with or above the top of the primary burner does not infringe Claim 1 or dependent Claims 2 through 16 of the '159 Patent, all of which require a primary burner tube installed at a "raised level" with respect to the secondary burner tube.

[Plaintiff's statement:] *True*, however, Defendant offered no evidence of how the EMB was installed other than D 30.

(JT-2538.) (Emphasis added.)

The valve knob is an integral part of the EMB. (JT-2313.) The handle extension and knob protrude forward and physically limit how far the EMB can be lowered to the ground. (JT-1345-6.)

Peterson packaged installation instructions (DX34) with its EMBs. (JT-2312-5.) These instructions do not specifically state whether the top of the EMB should be installed above, level with or below the top of the G4 burner. Step 10 of the instructions recommends that the EMB be installed with "the valve fac[ing]

¹ We will refer to plaintiff's trial exhibits as "PX" and Peterson's as "DX."

forward and flush with the burner pan.” (JT-2314.) The instructions do not require or encourage that the valve rest on the fireplace floor. (JT-2312-5.) Step 11 contains instructions for putting the valve stem and knob in place. (JT-2314.) Thus, the EMB must be installed at least high enough for the valve stem and knob to be used.

No evidence shows that installing the EMB with its valve “flush with the burner pan” results in the valve “resting on the fireplace floor” or that the top of the EMB would be positioned below the top of the primary burner were the EMB installed with the valve “resting on the fireplace floor.”

Peterson’s President, Leslie Bortz, testified that “[i]t is not recommended that [the EMB] be lower than the primary burner.” (JT-1677.) He stated “[w]e recommend that [the EMB] be at the same level [as the primary burner].” (JT-1678.) He also testified that he knew the burners were at the same level because he was familiar with the products. (JT-1680.)

Peterson’s Vice President, Tod Corrin, testified that Peterson recommended that the EMB be installed “generally level” with the primary burner; “you would want both burners to be parallel.” (JT-1318, JT-1343.)

The “G5.” Peterson also sells a fully assembled, more expensive, single-burner product known as the “G5.” (JT-1656, JT-0364.) The G5 is ordinarily a single-burner product. (JT-0364 at ¶6, JT-1324.) While having some similarities

to the G4, the G5 has certain structural and physical differences from a G4. (JT-1656.) No evidence details the nature or extent of these structural differences. No G5 was presented at trial, nor did any exhibit depict it.

On rare occasion, and only upon request, Peterson assembled a G5 with an EMB. (JT-1217-8, JT-1324.) Peterson sold approximately 10 of these special order products. (JT-1786-90.) None of the special order G5s were present at trial. No evidence shows whether an EMB attaches differently to a G5 than to a G4. No instruction sheet for connecting an EMB and G5 exists. No one testified regarding the vertical burner orientation for the special order G5s. No evidence establishes whether special order G5s infringed.

Peterson's Demonstration Unit. Peterson did assemble one demonstration G4-EMB unit in its laboratory. (JT-1210.) Mr. Bortz testified that only a few distributors may have seen the unit. (JT-1210.) He was never asked whether the demonstration unit was assembled in an infringing configuration. (JT-1210-1.) No evidence shows when or how this unit was assembled.

C. EVIDENCE CONCERNING INFRINGEMENT: EXHIBITS.

The Findings related to infringement submitted by plaintiff on August 31, 2004 and adopted by the Court verbatim on September 2, 2004 focus on only four exhibits, as to each of which Peterson filed pre-trial objections. (JT-0146-50.) The facts concerning these exhibits are as follows:

PX4A. PX4A appears to be a physical assembly of an EMB (without its valve stem and knob) and a G4.² (JT-0974, JT-0057.) Plaintiff's counsel originally referred to PX4A during his opening statement, assuring the court that "we'll connect up later." (JT-0939, JT-0971.) During plaintiff's case in chief, another of plaintiff's attorneys represented that plaintiff's Exhibits "4A and 4B is [sic] Defendant Peterson's device." (JT-0975.)

Plaintiff never offered any testimonial foundation to identify or authenticate PX4A as (i) a Peterson product purchased from Peterson or a Peterson dealer remaining in an unaltered state, (ii) a Peterson product manufactured by Peterson in the configuration shown, or (iii) a model representative of how a Peterson customer, following Peterson's installation instructions, would assemble Peterson's G4 and EMB products.

During Peterson's case in chief, Vince Jankowski testified that he recognized PX4A as being assembled from Peterson components. (JT-1290.) He did not testify, however, that PX4A was a product sold in that form by Peterson or that it was representative of how a Peterson customer would assemble those products. No other witness authenticated PX4A.

² During a deposition, Peterson's counsel agreed to provide plaintiff with a G4 burner pan. Plaintiff already had an EMB. (JT-1800.) Apparently, plaintiff assembled PX4A.

PX9. PX9 is a chart entitled “Literal Infringement Chart” purporting to illustrate “Plaintiff’s Claimed Device” and “Defendant’s Sold Device.” (JT-1501-12.) This exhibit, however, was never authenticated.

Plaintiff used PX9 only with Mr. Blount. (JT-0978.) Mr. Blount did not testify who prepared the exhibit or describe how it had been prepared. He did not testify that PX9 accurately depicted any product made, used or sold by Peterson. (JT-0978-82.) He did not authenticate PX9 as accurately depicting a combination of Peterson products assembled by anyone. (JT-0978-82.)

DX30. DX30 is a drawing dated February 15, 2002 and created by Peterson sometime after the lawsuit was filed. (JT-1332-3, JT-2305.) As the document clearly states, it depicts a G4-EMB combination. (JT-2305.) No evidence shows DX30 to depict the orientation of the EMB and G5 burners.

Peterson did not regularly disseminate DX30. (JT-1328.) It was provided only upon request. *Id.* Tod Corrin testified that “generally [customers] are satisfied with the installation and operating instructions that’s provided with the product [DX34].” *Id.* No evidence shows how many copies of DX30 were disseminated. (JT-1333-4.)

DX30 shows the top of the EMB located .06” below the top of the G4. (JT-2305.) When Mr. Blount was shown DX30, however, and asked, “Would you consider the primary tube to be raised relative to the secondary tube, given this

picture?” he responded “No.... The primary burner here is not really raised at all.” (JT-1426-28.) Mr. Corrin testified that DX30 shows that the EMB and G4 are “generally level” and that the burner ports of the EMB were “above” those of the G4. (JT-1318-19.)

On the first appeal of this case, plaintiff attacked DX30 in its brief as a “Johnny-come lately” exhibit, prepared after this suit was filed “and then only for damage control” that should be given no weight. (*Bount I*, JT-3422.) There, plaintiff also stated that DX30 shows a *non-infringing* installation:

Defendant offered no testimony to establish that the ultimate consumer did not assemble the EMB with the G4 or G5 burner in an infringing manner, *except for* [DX30].

(JT-3422 (emphasis added).)

DX34. This is the instruction sheet packaged with the EMB. (JT-2312-5.) It clearly states that the EMB is only suitable for attachment to a Peterson G4. (*Id.*) The instructions are silent about the installed relative heights of the burners. (*Id.*) These instructions do not encourage the end user to install the EMB below the primary burner. (*Id.*)

Step 10 of the instructions recommends that the EMB be installed with “the valve fac[ing] forward and flush with the burner pan.” (JT-2314.) These instructions do not require or encourage that the valve be resting on the fireplace floor. (JT-2312-5.) Step 11 instructs the user to place the valve stem and knob in

place. (JT-2314.) Thus, the EMB must be installed at least high enough for the valve stem and knob to be used.

No evidence affirmatively shows that installing the EMB with its valve “flush with the burner pan” results in the valve “resting on the fireplace floor.” Mr. Bortz testified that the valve is “off the ground.” (JT-1685.) No evidence shows that the top of the EMB would be below the top of the G4 were the EMB installed with its valve “resting on the fireplace floor.”

The DX34 instructions pertain only to the EMB used with the G4. (JT-2312-5.) No evidence shows that DX34 has any relevance to an EMB installed with a G5. *Id.*

D. EVIDENCE CONCERNING INFRINGEMENT: TESTIMONY.

Plaintiff called four trial witnesses: Golden Blount, Charles Hanft, Leslie Bortz and William McLaughlin. None testified that Peterson ever manufactured or sold an infringing product or that any Peterson dealer or customer ever assembled any Peterson products in an infringing manner:

Golden Blount. Asked whether he had any personal knowledge about how Peterson sells its products, Mr. Blount answered: “Well, they sell them through their sales companies and their – to their dealers. Beyond that I can’t tell you very much about their operation.” (JT-1071.) Mr. Blount admitted that he was “not really” familiar with Peterson’s G4 product, that he had personally inspected

“zero” installations of Peterson EMB and that he never had access to Peterson product literature or installation instructions. (JT-1054, JT-1062, JT-1045-6.)

Mr. Blount knows that Peterson sells the G4 and EMB separately. (JT-1070.) Each of his answers about PX9 assumed that the exhibit accurately depicted Peterson’s sold product. (JT-0978-93.) Mr. Blount gave no testimony authenticating PX9 as accurately depicting any Peterson product or combination of Peterson products.

While Mr. Blount testified that *plaintiff’s* ember burner was not a staple article of commerce, he did not testify that *Peterson’s EMB* has no substantial non-infringing uses. (JT-1009.)

Charles Hanft. Mr. Hanft was a retailer for plaintiff. Mr. Hanft admitted that he had no personal knowledge regarding any Peterson products, their method of sale, or their assembly. (JT-1097.) When shown PX4A, Hanft stated: “I have never seen that.” (JT-1087.)

Hanft does not sell the Peterson EMB and had never seen it offered for sale, presented at any convention or listed in any sales brochure. (JT-1087-9.) Hanft admitted that he had no knowledge about the manner in which Peterson markets or distributes the EMB. (JT-1097.)

William McLaughlin. Mr. McLaughlin, Peterson’s patent attorney, testified that the EMB did not literally infringe the Patent. (JT-1114.) He testified that the

EMB “does not include a support means for holding an elongated primary burner tube in a raised level relative to a secondary coals burner elongated tube” and that it “does not include a secondary burner tube positioned below a primary tube.” (JT-1151, JT-2376-86 at 2378.)

Mr. McLaughlin testified that Peterson told him that the primary and secondary burners were meant to be installed with “the heights” being “the same.” (JT-1170.) When asked about PX4A, Mr. McLaughlin stated that because plaintiff had assembled the exhibit, he could not state that it was accurately configured. (JT-1172.) During his testimony, it was demonstrated that the top of the EMB could be positioned above the top of the G4 in a non-infringing configuration. (*Id.*)

Leslie Bortz. Mr. Bortz testified that Peterson “recommend[s] that the EMB be at the same level [as the primary burner.]” (JT-1678.) When plaintiff’s counsel asked Mr. Bortz whether the EMB was a staple article of commerce, Mr. Bortz responded that he did not “know what that means.” (JT-1212.) Plaintiff’s counsel then stated; “[w]ell, it means like sugar and salt and big cans of flour.” (JT-1212-3.) Utilizing that definition, Bortz testified that none of Peterson’s products were staple articles of commerce. (JT-1213.)

Plaintiff called no other witnesses. None of plaintiff’s witnesses provided any evidence that any EMB had ever been installed by anyone in a manner that infringed the Patent.

During defendant's case in chief, no witness testified that any Peterson product or products were ever sold by Peterson or assembled by any Peterson dealer or customer in an infringing manner:

Tod Corrin. When asked whether Peterson had a preferred orientation of the primary and secondary burners, Mr. Corrin testified, "[y]es, you would want both burners to be parallel." (JT-1342-3.)

Vince Jankowski, John Palaski and Darryl Dworkin. None of these witnesses testified with respect to the EMB's installed configuration relative to the height of any Peterson primary burner. (JT-1246-1307 (Jankowski), JT-1349-86 (Palaski), JT-1394-1425(Dworkin).)

E. EVIDENCE CONCERNING WILLFUL INFRINGEMENT.

Most of the evidence concerning willful infringement focused on whether Peterson was sufficiently responsive and thorough in obtaining an opinion from its patent attorney.

Peterson first received notice of the Patent on or about December 16, 1999 (the "First Letter"). (JT-0364 at ¶9, JT-1513.) Upon receipt of the letter, Mr. Bortz contacted the company's long-standing patent attorney, Mr. McLaughlin, about how to respond.³ (JT-1101-2, JT-1514, JT-1188-9.)

³ McLaughlin has a BS in electrical engineering from the University of Notre Dame and law degree from DePaul University. (JT-1127.) Practicing law since 1985, he specializes in intellectual property, is admitted to practice before the U.S.

Neither Mr. Bortz nor Mr. McLaughlin believed the First Letter to be a charge of infringement. (JT-1103, JT-1188.) Upon receipt of the First Letter, Peterson tried to determine what the Patent meant “because we didn’t see anything in the patent that wasn’t things we had done for many years.” (JT-1191-2.) Mr. McLaughlin told Peterson that “if you have been doing this for 20 or 30 years, that would be a strong argument, or words to that effect, of invalidity or non infringement.” (JT-1200.) At Mr. McLaughlin’s direction, Peterson responded on December 30, 1999. (JT-1514.)

Plaintiff sent a second letter on May 3, 2000 which included a broad claim of infringement (the “Second Letter”). (JT-1516.) Still unsure of why plaintiff believed Peterson was infringing, Peterson responded on May 16, 2000 requesting a detailed explanation of the basis for the infringement claim. (JT-1134, JT-1196; JT-1517, JT-1111, JT-1201.) Peterson next heard from Plaintiff some 7 months later when it received the Complaint. (JT-1201-2.)

Peterson was surprised by the Complaint because it believed that its own similar products predated the Patent by years, it was doing nothing inappropriate, and that if it showed plaintiff what it had been doing, the case would be over. (JT-

Patent Office, has prosecuted between 400 and 500 patent applications and has conducted appeals before the PTO. (JT-1127-34.) Additionally, McLaughlin has prepared approximately 100 infringement opinions and prepared 24-36 invalidity opinions, including oral opinions. (JT-1128-9.)

1205-7.) Peterson forwarded the Complaint and prior art to Mr. McLaughlin. (JT-1202-3, JT-1135, JT-2306-20, JT-2271-2301, JT-1137-1144.)

F. EVIDENCE CONCERNING DAMAGES.

Plaintiff's damage calculations assume that it and Peterson were head-to-head competitors selling two-burner combination products to customers who could choose one or the other. Plaintiff showed that *its products* were usually sold as a two-burner package. Mr. Hanft, one of plaintiff's dealers testified that 97.5% of his sales of plaintiff's secondary burner also included the sale of a primary burner. (JT-1093-4.) Only 2.5% of the time did Mr. Hanft sell a secondary burner as a retrofit or accessory to be added to one of plaintiff's existing primary burner installations. (JT-1016.)

Plaintiff, however, presented no evidence of *how Peterson's products* were sold. Both Mr. Hanft and Mr. Blount admitted that they lacked personal knowledge of how Peterson sold its products. (JT-1071, JT-1054, JT-1062, JT-1045-6, JT-1097, JT-1087.)

Mr. Bortz testified that most of Peterson's EMB products were sold separately as retrofit accessories for existing G4 installations. (JT-1262, JT-2313, JT-1231-2, JT-1323, JT-1321.) Plaintiff's secondary burner was not suitable for installation with any existing Peterson products. (JT-2312, JT-1483.) Nor was Peterson's EMB suitable for installation with any of plaintiff's existing products.

(*Id.*) The two companies could compete only when they were trying to sell a complete two-burner installation. No evidence quantifies how many EMBs were sold as part of two-burner installations.

Peterson first marketed the EMB in the 1996 season. (JT-1220-1.) It was first offered by catalog in March 1997. (*Id.*) After trial, Peterson repurchased all existing EMB inventories. (JT-0801-2.) None of the repurchased EMBs had ever been sold to customers. Peterson sold the following number of EMBs during the following time periods:

<u>Beginning</u>	<u>Ending</u>	<u>Quantity</u>
11/23/99	12/16/99	288
12/16/99	5/3/00	470
5/3/00	8/9/02	3253
Peterson buy-back		-802

(*See*, JT-1598-1601, JT-0793-803.) Net of the buy-back Peterson sold only 2,921 EMBs to customers after receiving the First Letter.

Plaintiff sold its secondary burner for _____ and its combined product for _____ (JT-1602.) Plaintiff claims that the margin on its secondary burner was _____ (*Id.*) Plaintiff claims that its margin on the combined product was _____ . (*Id.*)

No evidence substantiates these margins. (JT-1597, JT-1602.) Mr. Blount admitted that these margins do not include sales costs or overhead, except for a small allowance for utilities. (JT-1072-3.) He claimed that plaintiff did not have

these costs. (*Id.*) Invoices submitted by plaintiff to the Patent Office to establish commercial success, however, show the names of salespersons, indications about freight charges and offer a 10% discount for payment within 30 days. (JT-2091--2102.) No evidence shows plaintiff's profit margins once overhead and sales costs are correctly accounted for.

SUMMARY OF THE ARGUMENT

The district court's attempts to decide this non-jury case are fraught with procedural and substantive error. Counting the Findings originally vacated by this Court in *Blount I*, the trial court has now entered four different sets of Findings. (JT-0519-27, JT-2446-2509, JT-0002-47, JT-0050-82.) Each of these sets was copied nearly verbatim from a submission by one of the parties. Despite this Court's specific remand instructions to the district court to express its own decision-making processes, it is completely impossible to tell whether the court below did anything beyond simply signing one side or the other's form. It is impossible to tell what evidence the district court found credible or how it applied the law to the facts or whether it even understood the issues and facts.

It is also impossible from this record to tell what supposed "mistake" led the court to abruptly reverse itself on August 18; vacating Peterson's detailed and intricate Findings only to enter plaintiff's. Regardless, the rules simply do not provide for such actions. Ten days after entering Peterson's Findings on June 22,

2004, the district court lost jurisdiction to alter or amend any findings not subject to a timely Rule 52(b) motion by plaintiff. Additionally, because plaintiff's post-trial motions did not address many of Peterson's key Findings, the August 18 ruling vacating the unchallenged Peterson Findings was clear error.

The error was compounded on September 2, 2004, when the court entered a substantially altered set of Findings, which plaintiff had filed on August 31, and as to which Peterson was afforded no opportunity to object or be heard. It is impossible to tell from the record whether the court even knew that these Findings differed from the Findings plaintiff had filed on June 10, and which the court had verbally adopted on August 18.

Beyond these procedural errors, the district court erred substantively in deciding the case for plaintiff. Peterson's EMB product is a retrofit or accessory kit suitable for installation only on Peterson's primary burner products. Having no primary burner, the EMB cannot directly infringe any claim of the Patent, all of which recite a primary and secondary burner structure. Furthermore, no Patent claim can be infringed unless and until the EMB product is installed with its top below the top of the primary burner.

Plaintiff offered no evidence that Peterson manufactured, used or sold any product in an infringing configuration. Moreover, because (as plaintiff now admits) the EMB is capable of being installed in a non-infringing configuration,

the EMB must be deemed a staple article in commerce, negating contributory infringement.

Below, plaintiff argued that two Peterson documents (DX30 and DX34) circumstantially proved induced infringement. No competent and authentic evidence, however, establishes that following Peterson's regular installation instructions (DX34) leads to infringement. The other document, DX30, was not disseminated regularly by Peterson. The record fails to show how often and when it was disseminated.

Moreover, the record fails to show that Peterson knew or should have known that it would induce infringement by disseminating either of these documents. Peterson thought it was recommending that its secondary burners be installed level with the primary burners—a non-infringing orientation. Absent Peterson's intent, plaintiff's induced infringement claim as to either DX30 or DX34 fails.

Plaintiff based its willful infringement claim solely on the alleged inadequacies and delay in Peterson seeking a non-infringement opinion from its patent counsel. It has now been recognized, however, that the failure to obtain such an opinion cannot give rise to an inference that due care was not exercised. Plaintiff offered no evidence of willful infringement other than the allegedly inadequate opinion.

The record will also not support the compensatory damage award, which is based on plaintiff's profits from selling complete new fireplace installations rather than just retrofit products – like Peterson's accused EMB. The district court also erred by not crediting Peterson for the EMB units that it repurchased from distributors after the district court's infringement finding. None of these repurchased units could have possibly caused plaintiff to lose any sales. The lost profit damages award simply cannot be sustained.

Absent willful infringement, there can be no enhanced damages. In addition, there can be no enhanced damages in the absence of any reprehensible conduct by Peterson, and this record discloses none. There can also be no finding of an exceptional case or award of attorneys' fees absent any finding of willful infringement.

ARGUMENT

I. THE DISTRICT COURT AGAIN FAILED TO CAREFULLY CONSIDER THE ISSUES AND EVIDENCE PRESENTED BELOW.

In *Blount I*, this Court vacated the Findings because “the district court’s sparse opinion provides this court with only bald conclusions” insufficient to sustain the judgment. 365 F.3d at 1061. This Court instructed the district court on remand to enter “specific factual findings.” *Id.*

Although this Court’s instructions strongly suggested that the district court should write Findings expressing its thought processes and decisions on key issues,

the district court did not do so. Instead, the court ordered the parties to submit proposed Findings, after which it *first* entered Peterson’s Findings verbatim, and, *second* awarded Peterson’s attorneys’ fees. The Court *then* declared on August 18 that it had “made a mistake,” vacated Peterson’s Findings and entered Plaintiff’s June 10 Findings – again verbatim – it *then* entered on September 2 a substantially different set of Findings submitted by Plaintiff, on August 31, without notice or an opportunity for Peterson to be heard. (*See, generally* SOC -4-6)⁴

Case law clearly permits trial courts to solicit proposed Findings from the parties, especially in complex or technical cases such as patent suits. Doing so, however, is an aid to the court’s decision making process, not a substitute for the court’s responsibility to understand and decide the discrete issues on which such cases turn. *U.S. v. El Paso Natural Gas Co.*, 376 U.S. 651, 656 and n.4 (1964) (Findings “drawn with the insight of a disinterested mind are more helpful to the appellate court,” then *quoting* J. Skelly Wright, J.: “Many courts simply decide the case in favor of the plaintiff or the defendant, have him prepare the findings . . . and sign them. This has been denounced by every court of appeals save one. This is an abandonment of the duty and the trust that has been placed in the judge”). *See also Cont’l Connector Corp. v. Houston Fearless Corp.*, 350 F.2d 183, 187 (9th

⁴ Citations to the Statement of the Case will be “SOC” Citations to the Statement of Facts will be “SF-”

Cir. 1965) (district court has a duty “to carefully consider, weigh and determine the accuracy of the proposed findings, and whether they are supported by the evidence in the record before him”).

Although Findings adopted verbatim from a party’s draft may not be rejected out of hand for that reason alone, they are certainly suspect and deserving of greater appellate scrutiny than Findings from which the district court’s mental processes are clearly evident. *Luhr Bros., Inc. v. Shepp*, 157 F.3d 333, 338 (5th Cir. 1998) (where Findings are “near-verbatim recitals of the prevailing party’s proposed findings and conclusions, with minimal revision, we should approach such findings with ‘caution.’”); *Alcock v. Small Business Administration*, 50 F.3d 1456, 1459 n.2 (9th Cir. 1995) (“Findings of fact prepared by counsel and adopted by the trial court are subject to greater scrutiny than those authored by the trial judge”). *See also Anderson v. City of Bessemer City*, 470 U.S. 564, 572 (1985) (findings not suspect when the trial court “does not appear to have uncritically accepted findings prepared without judicial guidance by the prevailing party.”).

The problem with this record is that no suggestion of any critical analysis or judicial guidance by the district court is apparent anywhere. Moreover, the court’s abrupt reversal of position on August 18, claiming an unexplained “mistake,” is even more troubling. (SOC-5.) What mistake could have been made? The court not only entered Peterson’s Findings on June 22, 2004, but proceeded thereafter to

award Peterson over \$600,000 of attorneys' fees for plaintiff's vexatious litigation tactics. (SOC-5.) If the mistake was signing the wrong party's Findings, then the court obviously signed a detailed document that he had not read. If his mistake concerns specific issues or conclusions, then the absence of a more detailed explanation of the nature of the mistake is even more baffling.⁵

This mystery notwithstanding, the district court's abrupt reversal of position was clear error. The rules simply do not provide for vacating findings more than 10 days after entry based upon "mistake" where the other party has not filed a motion under Rule 52(b). Rule 52(a) clearly states: "findings of fact ... shall not be set aside unless clearly erroneous." Rule 52(b) states that the court may amend its findings only upon timely motion. A plaintiff who does not make a timely Rule 52(b) motion deprives the district court of the opportunity to vacate or modify any uncontested Findings.

In this case, after the court entered Peterson's Findings and awarded Peterson attorneys' fees, plaintiff filed a Rule 52(b) motion challenging only some of Peterson's Findings. (SOC-5.) At minimum, the district court was not free to reverse those of Peterson's Findings that plaintiff had not contested. *See Riley v.*

⁵ We recite these facts only to suggest to this Court that vacating the judgment and remanding again with repeated instructions to enter specific Findings is highly unlikely to bear fruit. We suggest that this case must be decided in Peterson's favor by this Court because the record contains no viable evidence of infringement of the Patent by anyone. *See* Sections II-V, *infra*.

Northwestern Bell. Telephone Co., 1 F.3d 725, 726-27 (8th Cir. 1993) (conclusory Rule 52(b) motion violated Rule 7(b); memorandum raising specific arguments not raised in motion barred as untimely where memorandum filed beyond 10 day limit). *See also Glass v. Seaboard Coast Line Railroad Co.*, 714 F.2d 1107, 1109 (11th Cir. 1983) (the 10 day time periods for post-trial motions to amend are “jurisdictional”); *Gribble v. Harris*, 625 F.2d 1173, 1174 (5th Cir. 1980) (10 day time period “cannot be extended in the discretion of the trial court”). Here, plaintiff filed no motion seeking amendment of all Findings. Striking Peterson’s uncontested Findings was clear error.

In addition, the Court’s entry of the final set of Findings on September 2 was error because plaintiff had filed no additional Rule 52(b) motion between August 18 and September 2 seeking to amend the June 10 version of plaintiff’s Findings entered orally and by minute order on August 18, 2004 (the “August 18 Order”). (SOC-5.) The Court’s August 18 Order expressly adopting plaintiff’s June 10 Findings which completely and finally resolved all issues between the parties within the mandate on remand, including awarding specific treble damages (\$1,287,766), attorneys’ fees (\$332,349) and costs (\$10,031.04). (SOC-5-6.)

An order is a final judgment under Rule 54(a) when it “ends litigation on the merits and leaves nothing for the court to do but execute the judgment.” *Catlin v. United States*, 324 U.S. 229, 233 (1945). *See also Nystrom v. Trex Co.*, 339 F.3d

1347, 1350 (Fed.Cir. 2003) (final judgment rule of 28 U.S.C. § 1291 is fully applicable to patent cases). At the end of the August 18 hearing, no merits issue remained to be decided. As such, the August 18 Order constitutes a “final judgment” within the meaning of Rule 54(a), F.R.Civ.P.

Because the August 18 Order resolved pending motions under Rules 52 and 59, no separate document was required for it to become effective as a final judgment for time limitation purposes. Rule 58(a)(1)(D) (Under Rule 58, as amended effective December 1, 2002, no separate document is required for an order disposing of a motion made under Rules 52 or 59 to become effective as a final judgment). Thus, the August 18 Order became effective as a judgment when it was docketed on August 18, 2004. Rule 58(b)(1) (“judgment is entered” when an order excused from the separate document requirement by Rule 58(a)(1) is docketed). The time for appeal and for further post-trial motions began to run on August 18, 2004, even if the Court contemplated the ministerial act of later signing a written order expressly adopting the findings or entering a separate document recording the judgment.

This time limit for further amendment, which is jurisdictional, expired on September 1, 2004. The Findings on appeal were erroneously entered on September 2, 2004. They must be stricken.

II. PLAINTIFF FAILED TO PROVE ANY DIRECT INFRINGEMENT BY PETERSON AS TO ITS G4 AND EMB, WHICH WERE SEPARATELY SOLD COMPONENTS THAT, BY THEMSELVES, DO NOT INFRINGE ANY CLAIM OF THE PATENT.

Proof of infringement is a two step process in which the scope of the claims must first be determined and those claims must then be compared to the allegedly infringing device. *Blount I*, 365 F.3d at 1059. Plaintiff, of course, bears the burden of proving infringement by a preponderance of the evidence. *Biovail Corp. Intern'l. v. Andrx Pharmaceuticals, Inc.*, 239 F.3d 1297, 1302 (Fed.Cir. 2001).

STANDARD OF REVIEW. Any Finding not supported by substantial evidence or based on an erroneous view of the law of record must be reversed as clearly erroneous. *Estate of Davis v. Delo*, 115 F.3d 1388, 1393 (8th Cir. 1996) (“we will overturn a finding of fact only if it is not supported by substantial evidence in the record, in the finding is based on an erroneous view of the law, or if we are left with the definite and firm conviction that an error has been made”); *Drew v. Department of Corrections*, 297 F.3d 1278, 1283 (11th Cir. 2002) (findings of fact must be reversed under “clearly erroneous” standard if “the record lacks substantial evidence” to support them).

CLAIM CONSTRUCTION. Claim construction is not an issue on this appeal. In *Blount I*, this Court held that the limitations in Claim 1 and 17 (the sole independent claims at issue) require that the top of the primary burner tube be installed “at a raised level” with regard to the top of the secondary burner tube,

which must be installed “below” the top of the primary burner tube and that the claim terms “raised level” and “below” must be construed to have the same meaning. (SF-6.)

Because Peterson’s EMB secondary burner attaches to its primary burner with a threaded connection, it is quite possible to tighten the fitting while the top of the secondary burner is positioned level with or above the top of the primary burner. (SF-8.) As even plaintiff now has judicially admitted in its post trial filing on remand, a Peterson secondary burner installed in such a manner does not infringe the Patent. *Martinez v. Bally’s Louisiana, Inc.*, 244 F.3d 474, 476 (5th Cir. 2001) (counsel’s statements may be judicial admissions); *Medcom Holding Co. v. Baxter Travenol Labs., Inc.*, 106 F.3d 1388, 1404 (7th Cir. 1977) (clear statement made in the course of judicial proceedings is judicial admission); (SF-8.) Thus, proof of infringement here requires a showing of how any EMB was in fact installed.

APPLICATION TO PETERSON’S PRODUCTS. Applying the construed claims to Peterson’s products shows that plaintiff failed to prove any direct infringement by Peterson. Peterson itself did not make, use or sell any two-burner apparatus using its G4 primary burner and EMB secondary burner. (SF-7-8.) Peterson made and sold both the G4 and EMB separately and unassembled. (*Id.*) Thus, Peterson could not have directly infringed the Patent by selling these separate products

because Peterson never assembled them in an infringing configuration. *See, e.g., Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 528-32 (1972) (the manufacture and sale of constituent parts of patented machine did not infringe the patent); *RF Delaware, Inc. v. Pacific Keystone Technologies, Inc.*, 326 F.3d 1255, 1266 (Fed. Cir. 2003) (“there can be no infringement ... if even one limitation of a claim or its equivalent is not present”); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1568 (Fed. Cir. 1983) (customer applied final coating which was a claim element: the manufacturer did not directly infringe patent).

Critically, plaintiff failed to produce at trial an infringing two-burner apparatus purchased from Peterson or any Peterson dealer. (SF-10-13.) Plaintiff did offer PX4A, but provided no chain of custody evidence showing that the apparatus had been obtained already assembled from Peterson and maintained without alteration in the configuration offered in court. (SF-11.) It appears from the record that plaintiff, not Peterson, assembled PX4A. (*Id.*) In doing so, plaintiff could as easily have attached the EMB secondary burner such that its top was level with or above the top of the G4 primary burner, showing non-infringement.

Perhaps seeking to artificially maximize the opposite inference, plaintiff removed the valve stem and knob, an essential part which Peterson sells with the

EMB. Compare Finding 38 (JT-0057) (noting that PX4A lacks valve knob)⁶ with DX34 (SF-13-14) (p. 3, Step 11 instructs the user to attached the handle extensions and knob). When present, the valve stem handle extensions and knob protrude forward physically limiting how far the EMB can be lowered. (SF-8.) Removing the knob and stem prevented PX4A from being authentic or representative of how Peterson or any Peterson customer would (or could) assemble the EMB (using *all* of its components) with a G4. As such, PX4A has no relevance here. See *Siegal v. American Honda Motorcycle Co., Inc.*, 921 F.2d 15, 16 (1st Cir. 1990) (Motorcycle that had been altered while in plaintiff's possession could not be authenticated under Rule 901 as evidence of defective manufacture).

The direct infringement Findings entered below are all clearly erroneous because they assume that PX4A was authenticated and is representative of a dual burner product manufactured and sold by Peterson in the configuration shown at trial. See Finding 38 (JT-0057) (wrongly stating that PX4A "is one of Peterson's manufactured products"). Not so. Although this Court directed the district court to make specific findings on remand, the Findings made fail to identify a Peterson product or part name or number for any two-burner apparatus sold by Peterson composed of G4 and EMB burners which is equivalent to PX4A. The omission in

⁶ Contrary to Finding 38, no evidence establishes that the valve stem and knob are "not at issue." (JT-0057.) Absent affirmative supporting evidence, that Finding is clearly erroneous.

Finding 38 of a specific reference to any Peterson product by name or number was a necessary subterfuge below because no such product was ever made, used or sold by Peterson, as plaintiff well knows.

The confusion continues in the subsequent Findings holding that Peterson infringed claims 1 and 17 by selling “Peterson’s manufactured products” (note the plural) having both a primary and secondary burner. In each case, the Finding relates back to Finding 38 and PX4A—which is not a product that Peterson ever assembled or sold in that configuration. *See* Finding 40 (footnote 3, referencing Finding 38, which is based entirely on PX4A), Finding 41 (same, *see* footnote 3), Finding 42 (reference to PX4A), Finding 43 (same, *see* footnote 5), Finding 44 (same, *see* footnote 6), Finding 58 (same, *see* footnote 7) (JT-0057-61, SF-7.) All of the Findings that Peterson itself infringed are clearly erroneous: unassembled components of a patented invention do not infringe until they are in fact assembled into the patented combination.⁷ *Deepsouth*, 406 U.S. at 528-29; *RF Delaware*, 326 F.3d at 1266; *Fromson*, 720 F.2d at 1568. This record does not show that Peterson ever sold any two-burner product based on the G4 primary burner.

⁷ For plaintiff to proffer such Findings to the district court when it well knew that Peterson sold the G4 and EMB products separately and thus could not itself infringe the two-burner Patent claims under the technical requirements of the patent law is clear evidence of plaintiff’s bad faith litigation tactics.

During its case in chief, plaintiff offered no foundation whatsoever for PX4A. (SF-11.) The sole statements purporting to identify PX4A were made by plaintiff's counsel. (SF-11.) Lawyer's statements, of course, are not evidence. *C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc.*, 911 F.2d 670, 674 n.2 (Fed. Cir. 1990). Although Plaintiff may have casually identified PX4A as Peterson's competing product (*see* Finding 38), he also admitted that he has no personal knowledge of how Peterson manufactures or sells its products. (SF-11.) Thus, he is unable to authenticate PX4A as representative of any product sold in that configuration by Peterson or assembled by its customers. F.R.Evid. 602. Critically, no witness offered any chain of custody testimony showing that PX4A was purchased from Peterson in that form or was representative of any Peterson product or products in unaltered form. 5 Jack B. Weinstein and Margaret A. Berger, *WEINSTEIN'S FEDERAL EVIDENCE*, § 901.03[3] at 901-28 (Matthew Bender 2d Ed. 2005) (hereinafter, "WEINSTEIN") ("The chain of custody must be established with sufficient completeness to make it improbable that the original item was either exchanged with another or has been contaminated or tampered with.").

The other testimony cited as foundation for Finding 38 also fails to authenticate PX4A as a dual burner product made, used or sold in that form by Peterson or assembled by its customers. Mr. Jankowski testified only that he

recognized *the components of PX4A* as Peterson products. (SF-11.) See Finding 38 (“Mr. Jankowski testified that he recognized Plaintiff’s Exhibit No. 4A as Peterson’s products.” Emphasis added—true only when stated in the plural) (JT-0057.) Critically, neither Mr. Jankowski nor anyone else testified: (i) that Peterson assembled or sold PX4A configured as shown in court, (ii) that PX4A was representative of anything that Peterson did make, use or sell or (iii) that PX4A was representative of how any Peterson customer, dealer or end user assembled or installed any Peterson products.

Finding 42 references observations made at trial. (JT-00059.) That Finding fails if PX4A lacks foundation. An unauthenticated demonstrative exhibit is probative of nothing. *U.S. v. Hernandez-Herrera*, 952 F.2d 342, 343 (10th Cir. 1991) (“the evidence is viewed as irrelevant unless the proponent can show that the evidence is what its proponent claims”); *U.S. v. Papia*, 910 F.2d 1357, 1366 (7th Cir. 1990) (“On the other hand, if the note was not Papia’s the note would be irrelevant to her state of mind.”); *Renfro Hosiery Mills Co. v. National Cash Register Co.*, 552 F.2d 1061, 1065 (4th Cir. 1977) (“[T]he relevance of experimental evidence depends on whether or not the experiment was performed under conditions ‘substantially similar’ to those of the actual occurrence sought to be proved.”).

Thus, plaintiff's carpenter's level demonstration and trial witness' testimony affirming the relation of the burner tops in the demonstrative exhibits are all irrelevant absent authenticity foundation. *U.S. v. Blaylock*, 20 F.3d 1458, 1463 (9th Cir. 1994) ("Before a document can be found relevant, the court must find that it has foundation."). Plaintiff provided none. No witnesses testified that Peterson ever manufactured or sold a two-burner apparatus in which the top of the secondary burner was positioned below the top of the primary burner. *See* Finding 42 (JT-0059.) No witness ever testified that any Peterson customer did so, either. PX4A is a total red herring, never authenticated by plaintiff and which proves nothing.

The other evidence cited in the Findings as proving Peterson's direct infringement is the "Literal Infringement Chart," introduced as PX9. (SF-12.) *See also* Finding 40. (JT-0057-8.) Like PX4A, however, PX9 is an unauthenticated demonstrative exhibit which proves nothing about any real Peterson product. PX9 purports to compare "Defendant's Sold Product" to the limitations of the Patent. (SF-12.) Plaintiff, however, failed to show that PX9 accurately represents any product actually assembled or sold by Peterson. (SF-12.) Just as with PX4A, it clearly does not.

Plaintiff only used PX9 with Mr. Blount, who admitted that he had no personal knowledge of how Peterson's products were sold. (SF-12, 14-15.) As

such, PX9 is meaningless. F.R.Evid., 602, 901(b)(1) (witness must have personal knowledge to authenticate); *U.S. v. Van Wyhe*, 965 F.2d 528, 532 (7th Cir. 1992) (in order to lay proper foundation for a book containing a photograph, the defendant was “required to call a witness who had . . . knowledge of the book or photograph.”).

On remand, plaintiff argued that PX9 must be taken at face value because it was admitted at trial without timely objection. (JT-2517.) This argument misstates the law. A demonstrative exhibit, even if admitted, is not itself evidence of anything. 3 Wigmore, EVIDENCE, Chadbourn Rev. (1970), p. 218 (map, diagram or model without supporting testimony is “for evidential purposes, simply *nothing*” Emphasis original). Such exhibits have no evidentiary value higher than the testimony which supports them. Wright & Miller, FED. PRAC. & PROC., EVIDENCE, § 5163, p. 36. An unauthenticated demonstrative exhibit is probative of nothing. *Hernandez-Herrera*, 952 F.2d at 343 (“the evidence is viewed as irrelevant unless the proponent can show that the evidence is what its proponent claims”); *Papia*, 910 F.2d at 1366 (same); *Renfro Hosiery Mills*, 552 F.2d at 1065 (same).

The failure of Peterson’s trial counsel to timely object to PX9 at most prevents Peterson from now arguing that admitting the exhibit was error. F.R.Evid. 103(a)(1). That failure, however, does not prevent Peterson from now

arguing that PX9 was not shown to have any probative value and that the Findings based on it are clearly erroneous because they are not supported by evidence.

Under Rule 901, the trier of fact must ultimately determine PX9's authenticity and probative value. *U.S. v. Scharon*, 187 F.3d 17, 22 (1st Cir. 1999) (even after admission, "a defendant can attempt to cast doubt on an exhibit's authenticity"); *U.S. v. Black*, 767 F.2d 1334, 1342 (9th Cir. 1985) ("The credibility or probative force of the evidence offered is, ultimately, an issue for the jury."); 5 WEINSTEIN, § 901.03[6] at 901-44 ("The fact finder makes the ultimate determination of authenticity in light of the applicable evidence"). Thus, the trial court was required to make two authenticity determinations: first to admit PX9 and then, when making Findings, whether PX9 was shown to be sufficiently relevant to the configuration of Peterson's "Sold Product" to support a finding of infringement. *See Blaylock*, 20 F.3d at 1463 ("Before a document can be found relevant, the court must find that it has foundation."). By failing to object to PX9, Peterson, at most, waived error concerning the admission determination. It did not, however, thereby waive arguments that PX9 is totally irrelevant to any product made, used or sold by Peterson and cannot support any Finding of infringement. *See Ricketts v. City of Hartford*, 74 F.3d 1397, 1410 (2d Cir. 1996) ("The judge's preliminary determination does not, however, finally establish the authenticity of the tape."), *quoting U.S. v. Sliker*, 751 F.2d 477, 498-500 (2d Cir. 1985).

On this record, none of plaintiff's demonstrative exhibits have any probative value nor can they support the Findings of direct infringement by Peterson entered below as to Peterson's G4 and EMB products.⁸ See Findings 38, 40-44, 57-59. (JT-0057-61.) Those Findings are clearly erroneous and must be reversed.

III. PLAINTIFF FAILED TO PROVE ANY DIRECT INFRINGEMENT BY PETERSON WITH REGARD TO ITS G5 AND LAB DEMONSTRATION PRODUCTS.

In addition to the single-burner products (the "G4" and "EMB") which comprised the vast majority of its sales, Peterson also manufactured a separate product called the G5. (SF-9.) Like the G4 however, however, the vast majority of most G5s cannot infringe the Patent because they were also sold as single-burner products. *Deepsouth*, 406 U.S. at 528-29; *RF Delaware*, 326 F.3d at 1266; *Fromson*, 720 F.2d at 1568.

A very few number of G5s (approximately 10) were specially ordered from Peterson with an EMB accessory attached. (SF-9-10.) Plaintiff, however, introduced no affirmative evidence showing that any of these special order G5 units were assembled or sold by Peterson in an infringing configuration satisfying

⁸ Plaintiff also offered other demonstrative exhibits, including a videotape, photographs and other charts supposedly illustrating infringement. None of these exhibits, however, were properly authenticated by any witness. None need be considered here, however, because none are mentioned as supporting the Findings. The only exhibits mentioned in the infringement Findings are PX4A, PX9, DX30 and DX34. (SF-10-14, JT-0050-82.)

the Vertical Limitations.⁹ (SF-10.) Thus, plaintiff failed to satisfy its burden of proving that any G5 product infringed the Patent by satisfying the Vertical Limitations. *Biovail*, 239 F.3d at 1302 (Fed.Cir. 2001) (Patentee must prove “that every limitation of the asserted claim is literally met”); *Pennwalt v. Durand-Wayland, Inc.*, 833 F.2d 933, 949-50 (Fed.Cir. 1987) (Nies, J., concurring, citing *Prouty v. Draper*, 41 U.S. (16 Pet.) 335 (1842) for the “All Elements” Rule).

Peterson also assembled a single two-burner demonstration unit in its laboratory. (SF-10.) As with the special order G5s however, plaintiff offered at trial no evidence whatsoever that Peterson’s demonstration unit was assembled in an infringing configuration satisfying the Vertical Limitations. (SF-10.) Again, plaintiff failed to satisfy its burden of proof as to Peterson’s demonstration unit.

Lacking any direct evidence of how (or even when) the special order G5s or the demonstration unit were assembled, plaintiff urged below that “it is reasonable for this Court to conclude that both Peterson and its customers would have assembled the devices in the way set forth in both sets of instructions.” *See* Finding 49, *citing* DX30 and DX34 (JT-0062-3.). Although circumstantial evidence can be probative, neither of these documents proves plaintiff’s claims nor satisfies its burden.

⁹ No evidence suggests that PX4A is a Peterson G5 product or that it is representative of how Peterson assembled its few special order G5 products that left the factory with EMBs attached. (SF-11.)

First, no evidence shows that either of these exhibits pertains to Peterson's G5 product. The nature and extent of the structural and physical differences between the G4 and G5 remains unexplained. At trial, plaintiff offered no drawing, manual, advertisement or physical example of a G5 product. (SF-10.) The Findings which conclude generally the G4 and G5 are "substantially identical except that Peterson preassembles the G5 burner system according to certain Canadian Gas Association specifications" are not supported by evidence that an EMB connects to a G5 in the same way or in the same configuration as it connects to a G4. *See* Finding 36, Finding 49 (JT-057-63.) (Critically, Bortz did not testify how the G5 was assembled or that the DX34 instructions were relevant or applicable to a G5-EMB assembly).

DX34 is the installation instruction sheet packaged with Peterson's EMB accessory product. (SF-13.) These instructions clearly state that the EMB is suitable only for attachment to a Peterson G4 burner. (SF-13.) No evidence shows that DX34 is what Peterson did use (or even could have used) to attach an EMBs to a special order G5s. On their face, these instructions have nothing whatsoever to do with the G5. (SF-14.) Similarly, DX30 specifically states that it shows the assembled combination of a G4 and EMB. (SF-12.) Again, no evidence shows that DX30 shows anything relevant about how a G5 and EMB would or could be assembled.

Plaintiff had the burden of proving the connection between the G4 and G5 products specifically. It did not do so. The evidence is simply not in the record for the district court to “find the facts specifically” pertaining to G5 infringement and still enter judgment for plaintiff. *Blount I*, 365 F.3d at 1061. The court’s conclusion (and plaintiff’s claim) that DX30 and 34 also pertain to Peterson’s G5 product is sheer speculation in the absence of any relevant evidence establishing that the G5 product is sufficiently similar to the G4 in any way relevant to determining the Vertical Limitations.

Even ignoring the obvious lack of connective proof, however, no competent evidence establishes that following Peterson’s regular EMB installation instructions (DX34) results in an infringing installation. Step 10 of these instructions recommends that the secondary burner be installed with “the valve fac[ing] forward and flush with the burner pan.” (SF-13) The additional language—such that the “valve [was] resting on the fireplace floor”—in Finding 42 is nowhere to be found in DX34 and is presumably plaintiff’s embellishment. (JT-0059.) Step 11 instructs the user to place the valve stem and knob in place. Thus, the EMB must be installed at least high enough for those parts to be used. (SF-13-14.)

No evidence shows that installing the EMB with its valve “flush with the burner pan” results in the valve “resting on the fireplace floor.” (SF-14.) More

critically, however, no evidence shows that the top of the EMB secondary burner would be positioned below the top of the primary burner even were the EMB installed with the valve “resting on the fireplace floor.”

Erroneously ignoring the authenticity problems with the demonstrative exhibits present in court, Finding 42 states with regard to the DX34 instructions:

At trial, and as observed by this Court, when the valve was resting on the table flush with the pan, the top of the primary burner was above the top of the ember burner.

(JT-0059.) Again, plaintiff’s complete failure to authenticate the demonstrative exhibits used for its demonstration prevents this Finding from being sustained. *Blaylock*, 20 F.3d at 1463 (“Before a document can be found relevant, the court must find that it has foundation.”); *Renfro Hosiery Mills*, 552 F.2d at 1065 (4th Cir. 1977) (“[T]he relevance of experimental evidence depends on whether or not the experiment was performed under conditions ‘substantially similar’ to those of the actual occurrence sought to be proved.”).

No other exhibit or testimony shows whether the top of the EMB would be above or below the top of the primary burner if the instructions in DX34 were literally followed and the “valve” referred to therein was understood to be the complete valve structure with all of its parts as sold by Peterson, including the stem and knob. PX4A certainly was never authenticated as showing such a

configuration.¹⁰ Thus, DX34 is not sufficient to support Finding 42 or to suggest that Peterson would have assembled its single lab demonstration unit or the handful of special order G5 units in an infringing manner.

DX30 is no better. Not only does the drawing expressly refer to the G4, but it is dated February 15, 2002, over a year after suit and long after the special order G5 units and demonstration unit may have been assembled or sold. (SF-12.) No evidence shows that the configuration shown on DX30 was Peterson's preferred method of assembling the those units at the time when they were assembled.

This record fails to affirmatively show—by direct or circumstantial evidence—that Peterson ever made, used or sold any two-burner apparatus in which the top of the secondary burner tube was positioned below the top of the primary burner tube. As such, plaintiff failed to discharge its burden of proof and the trial court's Findings of direct infringement by Peterson are clearly erroneous for lack of any evidence and must be reversed.

¹⁰ Because it was plaintiff's burden to establish that PX4A was authentic (*i.e.*, representative of where the EMB would be installed if the DX34 installation instructions were followed), the failure of the record to answer this key question is merely plaintiff's failure to discharge its burden of proof. WEINSTEIN, § 901.02[3] at 901-14 ("The proponent of an exhibit has the burden of introducing sufficient evidence to show that the exhibit is what the proponent claims it to be.").

IV. PLAINTIFF FAILED TO PROVE CONTRIBUTORY INFRINGEMENT OF ANY PATENT CLAIM BY ANY PETERSON DEALER, CUSTOMER OR END USER.

Even though indirect infringement was its most likely claim, plaintiff literally offered no evidence of how any Peterson dealer, customer or end user actually installed any of Peterson's products. This record is completely silent as to how any third person ever assembled any Peterson products.

In *Blount I*, this court made clear that evidence that someone infringed the Patent is an essential element of plaintiff's indirect infringement claims. 365 F.3d at 1061, *citing Carborundum Co. v. Molten Metal Equipment Innovations, Inc.*, 72 F.3d 872, 876 n.4 (Fed.Cir. 1995) ("Absent direct infringement of the claims of a patent, there can be neither contributory or induced infringement.") and *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed.Cir. 1986) ("There can be no inducement of infringement without direct infringement by some party"). *See also Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961). This record will not support any third party infringement finding.

Evidence showing that an accused component can be installed or used in a non-infringing manner is sufficient as a matter of law to defeat a contributory infringement claim. *Blount I*, 365 F.3d at 1061 ("Plaintiff must show that Peterson's components have no substantial non-infringing uses"); *Alloc, Inc. v. International Trade Commission*, 342 F.3d 1361, 1374 (Fed.Cir. 2003) (same). Contributory infringement exists only where the accused component "has no use

except through practice of the patented method.” *Alloc*, 342 F.3d at 1374. *Accord*, *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417, 441 (1984); *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 178 (1980).

Because plaintiff has now judicially admitted that an EMB installed with its top level with, or higher than, the G4 primary burner would not infringe the Patent, it has also necessarily admitted that the EMB is capable of substantial non-infringing uses, thus defeating any contributory infringement claim.¹¹ (SF-8.) *C.R. Bard*, 911 F.2d at 674 (possible use of a catheter in several ways, only one of which infringes, shows that “there are substantial non-infringing uses for the ACS catheter”). Thus, contributory infringement is no longer an issue in this case. Findings 62 to 65 must be reversed as clear error. (JT-0065-6.)

V. PLAINTIFF FAILED TO PROVE INDUCED INFRINGEMENT OF ANY PATENT CLAIM BY ANY PETERSON DEALER, CUSTOMER OR END USER.

Plaintiff also failed to prove induced infringement on this record. As stated above, no witness provided any evidence of how Peterson customers who bought EMBs installed them or had them installed. (SF-14-17.) Each such installation

¹¹ Thus, plaintiff’s counsel’s elicitation of statements that Peterson’s EMB was not a “staple article in commerce”—using the wrong legal definition of the term—is thus of no moment. (SF-15-16.) The definition of a “non-staple article of commerce” in the patent law is an item which has “little or no utility outside of the patented process.” *Polysius Corp. v. Fuller Co.*, 709 F. Supp. 560, 576 (E.D. Pa. 1989), *aff’d* 889 F.2d 1100 (Fed. Cir. 1989). There can be no contributory infringement here because Peterson’s EMB was suitable for a non-infringing installation.

would have been non-infringing if the EMB was not installed at the lowest possible position.

Below, plaintiff argued that proof of third party infringement was shown circumstantially by Peterson's dissemination of two documents: DX34 and DX30. (SF-12-14.) These documents are the sole bases for the court's induced infringement Findings. Upon scrutiny, however, neither document supports the Findings.

Regarding Peterson's regular EMB instructions (DX34), induced infringement cases that have relied on product use instructions as circumstantial evidence of third party infringement have found that following the instructions will necessarily result in infringement. *See Minnesota Mining and Manufacturing Co. v. Chemque, Inc.*, 303 F.3d 1294, 1305 (Fed.Cir. 2002) (defendant supplied "customers with instructions ... which, when followed, would lead to infringement"); *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986) (defendant disseminated "an instruction sheet teaching the [patented] method"). This record simply does not establish that following DX34 will result in infringement. *See* Section III, *supra*. Absent such proof, DX34 is not circumstantial evidence of any third party induced infringement. *ICN Pharmaceuticals v. Geneva Pharmaceuticals Tech. Corp.*, 272 F.Supp.2d 1028,

1049 (C.D. Cal. 2003) (no inducement where labels did not encourage physicians to administer drug in infringing manner).

Regarding DX30, to prove induced infringement, plaintiff first had the burden to show dissemination of the document to EMB customers. Critically, DX30 was not a document regularly disseminated by Peterson. (SF-12.) The document was distributed only when specifically requested. (SF-12.) No evidence shows any dissemination of DX30 prior to the date it bears: February 15, 2002, just weeks before trial and long after most EMB sales. (SF-12.)

Beyond doubt, any EMB customer who did not request or receive DX30 cannot be said to have been induced to infringe by Peterson's affirmative act of disseminating DX30:

A defendant's liability for indirect infringement must relate to the identified instances of direct infringement. Plaintiffs who identify *individual* acts of direct infringement must restrict their theories of vicarious liability—and tie their claims for damages or injunctive relief—to *the identified act*.

Dynacore Holdings Corp. v. U.S. Philips Corp., 363 F.3d 1263, 1274 (Fed. Cir. 2004) (Emphasis original). Because Peterson did not regularly disseminate DX30, plaintiff can at most claim induced infringement only as to those customers who did receive it. Proof of the number of times DX30 was disseminated to EMB customers by Peterson was thus an essential element of plaintiff's induced infringement case. *See Crystal Semiconductor Corp. v. Tritech Microelectronics*

Intern'l. Inc., 246 F.3d 1336, 1353 (Fed. Cir. 2001) (“the patentee bears the burden of proving its damages”).

The record, however, is devoid of any evidence quantifying the dissemination of DX30. On this record, DX30 cannot support the damages awarded, which are erroneously based on Peterson’s entire EMB sales, including sales which occurred long before DX30 was created. *See* Finding 34 (JT-0056) (Peterson’s sales between December 16, 1999 and September 19, 2002). *See also* Findings 78-103 (JT-0068-71) (no specification of how many units sold to recipients of DX30). Plaintiffs’ induced infringement claim fails for lack of proof of how frequently DX30 was in fact disseminated.

In addition, “plaintiff has the burden of showing that the alleged infringer’s actions induced the infringing acts *and* that he knew or should have known his actions would induce actual infringements.” *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990) (Emphasis original.). This record fails to establish the second prong of this intent test.

As Judge Newman observed in *Blount I*, “As is so often the case in trials involving ‘Markman hearings,’ the question of infringement was essentially decided as a matter of claim construction.” 365 F.3d at 1063. Peterson prepared DX30 as a demonstrative exhibit to support its claim construction case because Peterson believed that DX30 showed a non-infringing installation. In *Blount I*,

plaintiff was so worried about DX30 that it assailed the exhibit in its appeal brief as a “Johnny-come lately” exhibit prepared after suit “and then only for damage control.” (*Blount I*, JT-3422-3.) Then, *plaintiff admitted* that DX30 shows a non-infringing installation:

Defendant offered no testimony to establish that the ultimate consumer did not assemble the EMB with the G4 or G5 burner in an infringing manner, *except for* [DX30].

Id. at 41 (emphasis added).

Although this Court eventually rejected Peterson’s claim construction, Peterson was not so obviously wrong that it actually knew or should have known that DX30 would induce others to infringe. The possible infringing tolerances shown (just .06”) are so tight that even Mr. Blount himself, when testifying about DX30 at trial, said that he did not consider the primary burner tube shown in the picture to be at a “raised level” relative to the secondary burner tube. (SF-12-13.)

The record is clear that Peterson thought it was recommending to customers that they install the EMBs level or parallel with and not below the G4 primary burners. Leslie Bortz testified both that Peterson did recommend a “level” installation and that it did not recommend installing the EMB “below” the G4. (SF-16.) Tod Corrin also testified that “you would want both burners to be parallel.” (SF-17.) William McLaughlin also testified that Peterson told him that

the EMB was meant to be installed with “the heights” of the two-burner tubes being “the same.” (SF-16.)

This uncontroverted evidence establishes Peterson’s reasonable good faith belief that, when DX30 and DX34 may have been disseminated, both directed a parallel or level installation and neither directed an infringing installation. Thus, the record fails to establish, by clear and convincing evidence, Peterson’s intent to induce third party infringement.

In *Manville Sales*, the district court’s inducement finding was rejected as a matter of law because the defendants were found to have acted with a good faith belief that no infringement was occurring. 917 F.2d at 553-54. *See also Moba B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003) (belief that acts could result in non-infringing activity critical to finding of no intent to induce), *analyzing Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990); *Warner Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1364 (Fed.Cir. 2003) (“in the absence of any evidence that [defendant] has or will promote or encourage doctors to infringe” inducement of infringement claim fails).

This Court has also held that the jury may consider “whether a prudent person would have sound reason to believe that the patent was not infringed” as a defense to willful infringement. *SRI Intern’l. Inc. v. Advanced Tech. Labs.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997). *See also State Contracting & Engineering Corp.*

v. Condetta America, Inc., 346 F.3d 1057, 1064 (Fed. Cir. 2003). We suggest that the nature and scope of the required intent is sufficiently similar that a good faith belief in non-infringement will also negate intentional inducement even in the face of instructions which, if followed, could cause technical infringement. See *Hewlett-Packard*, 909 F.2d at 1470 (sale including plans and personnel necessary to make infringing device did not establish intent to induce infringement when defendant believed non-infringing uses were possible).

As shown by plaintiff's spirited attacks on DX30 during the *Blount I* appeal, until this Court decided the claim construction issues, no one knew or should have known that DX30 did not show a non-infringing installation. We suggest that, under the second prong of the *Manville Sales* test, Peterson could not have induced infringement because: (i) substantial non-infringing uses for the EMB were available (*i.e.*, a "level" installation) and (ii) Peterson reasonably believed in good faith that DX30 and DX34 would result in level or parallel non-infringing installations. No contrary evidence establishes Peterson's intent to induce any third party infringement.

The only Finding concerning Peterson's intent is Finding 66 which is based on the misconception that any combination of an EMB and G4—even one with the EMB installed level with or above the G4—would infringe. (JT-0066.) That Finding is error as a matter of law. Even plaintiff has now judicially admitted in its

filings that an EMB installed above a G4 does not infringe. (SF-8.) The court below did not specifically find facts showing that Peterson knew or should have known, when either DX30 or DX34 were disseminated, that they would, if followed, result in an infringing installation given proper application of the Vertical Limitations. (JT-0052-82.) Absent such a Finding—and the record will not support one—plaintiff’s induced infringement claim necessarily fails.

VI. THE DOCTRINE OF EQUIVALENTS WILL NOT HELP THIS PLAINTIFF.

Given the applicable claim construction, a secondary burner installed with its top below the top of the primary burner will literally satisfy the Vertical Limitations and, if the other claim elements are met, will literally infringe the Patent. Now that plaintiff has admitted on remand that a Peterson EMB installed with its top level with or above the primary burner does not infringe the Patent, the doctrine of equivalents has no role to play in this action. (SF-8.)

Even absent plaintiff’s admission, the doctrine of equivalents cannot be used to make “above” the equivalent of “below.” The doctrine of equivalents can only be applied on an element by element basis and not with regard to entire invention. *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997). *See also, Novartis Pharmaceuticals Corp. v. Eon Labs Mfgr., Inc.* 363 F.3d 1306 1312 (Fed. Cir. 2004) (doctrine could not be used to read limitation out of claim);

RF Delaware, 326 F.3d at 1266 (“there can be no infringement under the doctrine of equivalents if even one limitation of a claim or its equivalent is not present”).

If the Patent covered every combination of a primary and secondary burner which produced a glowing ember effect, it would have issued without the Vertical Limitations. The broader claims lacking this limitation, however, were all rejected by the Examiner time and again as obvious. (SF-6-7.) Because Plaintiff was forced to amend the claims to include the Vertical Limitations in order to obtain issuance, he cannot now avoid those limitations by arguing equivalence. *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*, 904 F.2d 677, 684 (Fed. Cir. 1990).

Thus, Findings 73 to 77 are all clearly erroneous. (JT-0067-8.) Nowhere did the district court specifically find facts detailing what equivalent condition to the Vertical Limitations were to be found in Peterson’s products. All of these Findings paint with a broad brush which impermissibly reads the Vertical Limitations out of the Patent rather than specifically finding the facts upon which to apply the doctrine of equivalents, as this Court instructed in *Blount I*. 365 F.3d at 1061.

VII. THE WILLFUL INFRINGEMENT FINDINGS ARE CLEARLY ERRONEOUS.

The trial court in this case awarded plaintiff enhanced damages under 35 U.S.C. § 284 because of “willful infringement.” The Court’s sole basis for finding

willful infringement, however, was an adverse inference sought by plaintiff arising out of the allegedly less than formal or meticulous manner in which Peterson's patent counsel, Mr. William McLaughlin, advised it that the Patent was invalid and not infringed. *See* Finding 104 (JT-0072) ("Peterson's minimal attempt to attain a competent opinion is permeated by a lack of due care and was willful, which leads this Court to find that the case is exceptional.").

This Court has now held, however, that the duty of care under which a person accused of infringement must operate does not include a duty to obtain any opinion of counsel, much less a "competent opinion" of counsel. *Knorr-Bremse Systeme Nutzfahrzeuge GMBH*, 383 F.3d 1337, 1345 (Fed. Cir. 2004) (Answer to Question 2). The Findings basically cite no other evidence of Peterson's willful infringement other than its alleged failure to immediately obtain a formal, well researched non-infringement opinion from McLaughlin. *See* Findings 104-119. (JT-0072-4.)

Even if the record shows, as plaintiff claims, that Peterson "ignored" plaintiff's infringement letters until plaintiff sued, such conduct is neither surprising nor, in this case, willfully wrong. Peterson needed no formal opinion of counsel to conclude that it could not be infringing the Patent except by making, using or selling a two-burner apparatus assembled such that the Vertical Limitations were satisfied. Peterson knew when it received the First Letter that it

was not regularly selling such a two-burner apparatus. That knowledge is sufficient for “a prudent person [to] have sound reason to believe that the patent was not infringed.” *SRI Intern’l.*, 127 F.3d at 1465. *See also State Contracting & Engineering Corp.*, 346 F.3d at 1064.

Because no evidence shows that Peterson at any relevant time lacked a good faith belief that its own activities were not directly infringing this combination Patent, there is no basis for any willfulness finding as to Peterson’s own activities. *Compare* Finding 30 (JT-0056) (“a simple comparison of the device as illustrated in the ‘159 patent with *Peterson’s product* would have revealed to any reasonable person that infringement was highly likely;” emphasis added) *with* Section II, *infra* (Peterson never made, used or sold the two-burner apparatus claimed in the Patent assembled from its G4 and EMB products) and Section III, *infra* (Peterson’s G5 product was different from its G4 product; no evidence shows infringement).

Moreover, Peterson also knew when it received the First letter that it was recommending to its customers that the EMB be installed “level” with the primary burner, not “below” it. *See* Section V, *supra*. Thus, Peterson also had a good faith belief that the installations urged in DX30 and DX34 were not infringing. That belief, uncontradicted by this record, is sufficient to defeat any willfulness claim as Peterson’s alleged intent to induce infringement.

Thus, there is no evidentiary or legal basis to support Findings 104 to 119. (JT-0072-82.) Findings 104 to 107 and 112 to 116 are all irrelevant because they address the manner in which Peterson sought an opinion of counsel and the adverse inferences to be drawn from the manner of that consultation. *Id.* Such an inference is not permitted to be drawn to show the absence of due care. *Knorr-Bremse*, 383 F.3d at 1345 (answer to Question 2). Findings 108 to 111 are all totally conclusory, not specifying what “infringing activities” Peterson continued through trial or why Peterson lacked a reasonable belief that it was able to continue those activities. (JT-0073.) There is no basis for a finding of willful infringement on this record.

VIII. THE COMPENSATORY AND ENHANCED DAMAGES AWARDS ARE CLEARLY ERRONEOUS.

Plaintiff, of course, bears the burden of proving damages. *Crystal Semiconductor*, 246 F.3d at 1353. Even assuming, *arguendo*, that some infringement is shown, the damages Findings entered below are clearly erroneous, for a number of reasons:

First, plaintiff cannot recover lost profits based on sales it did not make unless it proved a reasonable probability that, “but for” Peterson’s wrongdoing, plaintiff would have made those sales. *Id.* This record precludes any such showing. Under *Panduit Corp. v. Stahl Brothers Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978), plaintiff must prove “his manufacturing and marketing

capability to exploit the demand.” *Id.* at 1156. In this case, Peterson’s EMB was only suitable for installation on a Peterson G4. (SF-19) Plaintiff’s secondary burner product was only suitable for installation on plaintiff’s primary burner. (SF-19)

Plaintiff had no capacity to exploit the demand to retrofit a secondary burner to existing Petersen G4 installation. Plaintiff’s damages argument necessarily assumes that it and Peterson were competing head to head for sales of complete two-burner installations. They weren’t. Although plaintiff offered proof that 97.5% of its own secondary burner sales also included the sale of a new primary burner, plaintiff’s witnesses had no knowledge of how Peterson’s products were sold. (SF-15, 19.) There is no rational basis for assuming, as the court below did in making Findings, that Peterson also primarily sold EMBs together with G4s as a complete installation.¹²

¹² Findings 97 to 99 cite Peterson’s failure to rebut plaintiff’s incompetent evidence as a basis for accepting the latter. (JT-0071.) Those Findings are clearly erroneous under applicable law. The key question is whether Peterson’s products were sold like plaintiff’s as a two-burner package or whether Peterson’s products were sold as retrofit accessories. Plaintiff’s witnesses, Hanft and Blount, both admitted that they had no knowledge of this subject. As such, their testimony about how plaintiff’s products were sold is not competent to create an inference that Peterson’s products were sold in the same way. F.R.Evid. 602. As a matter of both law and logic, Peterson’s silence does not make these witnesses more knowledgeable or their testimony more competent. It remained plaintiff’s burden to show how Peterson’s products were sold to satisfy the “but for” test in proving lost profits. Peterson was not required to offer any rebuttal evidence until plaintiff made a *prima facie* showing—which it never did.

In fact, most of Peterson's EMBs were sold as retrofit products to existing owners of G4 burners. (SF-19.) The "but for" causation test fails because plaintiff offered no competent evidence of how Peterson's products were sold from which the court could conclude that they were head-to-head competitors of new two-burner installations as to any particular quantity of sales. It was plaintiff's burden to prove how often that happened. Because it introduced no such evidence, the Findings awarding lost profits damages are clearly erroneous.

Second, assuming that plaintiff is entitled to any damages, it is entitled only a reasonable royalty based on Peterson's sales of secondary burners. In the absence of plaintiff's proof of lost two-burner sales to Peterson, it must be assumed that any infringement induced by Peterson consisted of the installation of an EMB sold as an accessory. Peterson sold only 2,921 EMBs after receiving the First Letter.¹³ (SF-20.) Because plaintiff introduced no evidence that it marked its product prior to that date, plaintiff cannot claim damages from the date the Patent issued. 35 U.S.C., § 287(a).

Plaintiff's profits on the sales of its secondary burner are no higher than per unit. (SF-20.) *See* Finding 102. (JT-0071.) Even this Finding,

¹³ Finding 101 is clearly erroneous for failing to give Peterson credit for 802 EMBs returned after Peterson was enjoined from selling them. (JT-0071.) These units, which Peterson repurchased after the injunction was entered and which never reached end-users, could not have caused plaintiff any lost profits. (SF-20.)

however, is highly suspect because that profit figure appears to be a gross margin without accounting for sales, general and administrative costs. Plaintiff's claim that it has no such costs defies both logic and life. As such, Plaintiff cannot be entitled to the \$429,256 awarded to it. Finding 103. (JT-0071.) Plaintiff's lost profit damages, even calculated on all of Peterson's EMB sales (assuming inducement liability arising from DX34) could not exceed .

A reasonable royalty could be no greater than total lost profits.

Moreover, if inducement liability is predicated on DX30 instead of DX34, only nominal damages can be awarded because plaintiff failed to prove how many infringements were induced.

Third, absent at least willful infringement, there is also no basis for enhanced damages. Willful infringement "*authorizes* but does not *mandate* an award of increased damages." *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990) (Emphasis original). The enhanced damages award fails here for lack of willful infringement.

Fourth, enhanced damages awarded under 35 U.S.C., § 284 have also been recognized as a form of punitive damages. *Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1574 (Fed.Cir. 1996). In this case, the court below enhanced plaintiff's damages without any showing whatsoever that Peterson engaged in any form of reprehensible conduct. Doing so was unconstitutional. *See State Farm Mut. Auto,*

Inc. Co. v. Campbell 538 U.S. 408 (2003); *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996). We invite this Court to adopt the reasoning of Judge Dyk's concurrence in *Knorr-Bremse*, at least as to the enhanced damages awarded in the absence of specific findings of reprehensible conduct. 383 F3d at 1348.

IX. THE EXCEPTIONAL CASE FINDINGS AND ATTORNEYS' FEES AWARD ARE CLEARLY ERRONEOUS.

Two problems exist with the award of attorneys' fees to plaintiff on this case:

First, the record will support no such award because there is no basis for finding willful infringement or any other form of misconduct by Peterson justifying holding this an "exceptional case." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 831 (Fed. Cir. 1992) (reversal of willfulness determination required reversal of exceptional case finding and fees award). As in *Read*, the court below premised its exceptional case findings and award of fees entirely upon its mistaken finding of willful infringement. Findings 118-119 (JT-0074.) Because willful infringement was found solely because of Peterson's interactions with McLaughlin, the exceptional case and attorneys' fees Findings are also unsupported by substantial evidence, rely upon incorrect law and clearly erroneous. *See* Section VII, *supra*.

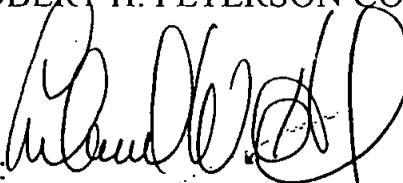
Second, even were some award warranted, plaintiff's Application for Attorneys' Fees filed on September 8, 2004 was untimely. As established in

Section I, *supra*, the clock for seeking additional fees started running on August 18, 2004. Plaintiff filed no timely Rule 52(b) motion to amend the specific attorneys' fees awarded in the June 10 version of plaintiff's Findings which the court adopted and entered on August 18. (SOC-5, Sec. I, *supra*.) Because amended Rule 58 excuses the August 18 Order from any separate document requirement, the clock started running immediately even if the court also contemplated also entering a separate document reflecting the judgment. Time for further post trial motions expired on September 1, 2004. Plaintiff's September 8, 2004 Fees Application was untimely and granting it was clear error.¹⁴

CONCLUSION

For the reasons stated above, the judgment of the district court must be *Reversed*.

ROBERT H. PETERSON CO.

By: 

One of Its Attorneys

Leland W. Hutchinson, Jr.

¹⁴ Alternatively, if plaintiff is considered to have applied for additional fees within the 14 day period specified by Rule 54(d)(2)(B), that period also expired on September 1, 2004. See Rule 6(a), F.R.Civ.P. (14 day period includes weekends; intervening Saturdays, Sundays and holidays only excluded from time computation if the original time period is "less than 11 days").

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Attorneys for Defendant-Appellant



MINUTE ORDER

UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF TEXAS

PLACE: Dallas JUDGE: Jerry Buchmeyer DATE: August 18, 2004

REPORTER: Joe Belton COURTROOM DEPUTY : Tannica Stewart

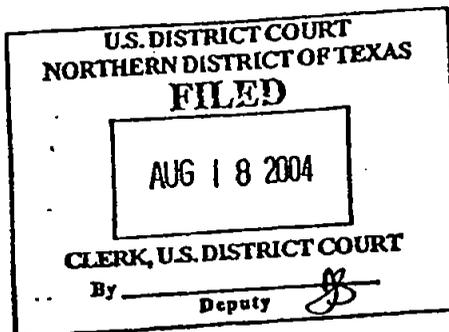
INTERPRETER: CSO : Present COURT TIME: 2.0

CIVIL ACTION

<u>TIME</u>	<u>CASE NUMBER & STYLE</u>	<u>TYPE OF HEARING</u>	<u>ATTYS PRESENT</u>
10:00 a.m.	3:01-CV-127-R Golden Blount, v. Peterson	Motion Hearing	P - Charles Gaines D - Leland Hutchinson

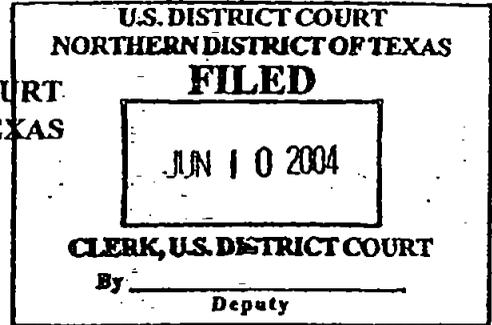
Dft's findings of fact and conclusions of law
VACATED....Plaintiff's findings of fact and
conclusions of law adopted.

11:40 a.m. Court adjourned



K. Walden

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



GOLDEN BLOUNT, INC.,
Plaintiff,

v.
ROBERT H. PETERSON CO.,
Defendant.

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Civil Action No.
3-01CV0127-R

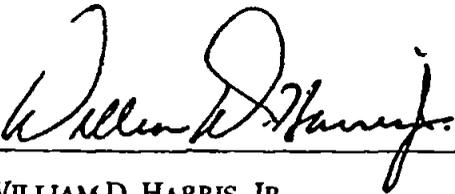
GOLDEN BLOUNT, INC.'S PROPOSED
FINDINGS OF FACT AND CONCLUSIONS OF LAW

Pursuant to this Court's Order of May 11, 2004, directing the parties to submit proposed findings of fact and conclusions of law on the issues of literal infringement, contributory infringement, induced infringement, infringement under the doctrine of equivalents, willfulness, the exceptional nature of the case, and damages, Plaintiff, Golden Blount, Inc., submits these Proposed Findings of Fact and Conclusions of Law.

This Court did not specifically require the parties to include in its Proposed Findings of Fact and Conclusions of Law any reference to the patent-in-suit not being invalid, as well as claim construction. For completeness, however, Plaintiff has included those sections in its Proposed Findings of Fact and Conclusions of Law. In view of the Federal Circuit affirming this Court's original Findings of Fact and Conclusions of Law on those two issues, Plaintiff fully understands if this Court wishes to dispense with those sections. To facilitate the ease of removal or addition to the Proposed Findings of Fact and Conclusions of Law submitted by Plaintiff, Plaintiff is also providing this Court with an electronic copy of this document in WordPerfect format.

Respectfully submitted,

For Plaintiff Golden Blount, Inc.



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ATTORNEYS FOR PLAINTIFF

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

GOLDEN BLOUNT, INC.,

Plaintiff,

v.

ROBERT H. PETERSON CO.,

Defendant.

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Civil Action No.

3-01CV0127-R

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This Court has conducted a bench trial on plaintiff Golden Blount Inc.'s claims against defendant Robert H. Peterson for a finding of infringement of U.S. Patent No. 5,988,159 and permanent injunction, and on Peterson's counterclaims of invalidity and non-infringement. In accordance with FED. R. CIV. P. 52(a) and consistent with the Court of Appeals for the Federal Circuit's Opinion¹ decided April 19, 2004, the Court enters the following findings of fact and conclusions of law.²

FINDINGS OF FACT

1. This is an action for patent infringement. The Court has subject matter jurisdiction under 28 U.S.C. §§ 1331, 1338(a). The Court has personal jurisdiction over the parties. Venue in this judicial district is

¹ While the Appellate Court held that the patent was not invalid, and that the defense of unenforceability was waived, this Court includes general reference to these elements for completeness.

² This order contains both findings of fact ("Findings") and conclusions of law ("Conclusions"). To the extent that any Findings may be deemed conclusions of law, they shall also be considered Conclusions. To the extent that any Conclusions may be deemed findings of fact, they shall also be considered Findings. See *Miller v. Fenton*, 474 U.S. 104, 113-14, 88 L. Ed. 2d 405, 106 S. Ct. 445 (1985).

proper under 28 U.S.C. § 1391.

2. Plaintiff Golden Blount, Inc. ("Blount") is a United States corporation having a principal place of business in Addison, Texas.

3. Defendant Robert H. Peterson Co. ("Peterson") is a United States corporation having its principal place of business in City of Industry, California.

4. Blount is the owner by assignment of U.S. Patent No. 5,988,159 ("the '159 patent"), entitled "Gas-Fired Artificial Logs and Coals-Burner Assembly," which issued on November 23, 1999. The '159 patent expires on November 23, 2016.

5. Blount filed this suit for infringement of the '159 patent under 35 U.S.C. §§ 271(a) to 271 (c) on January 18, 2001.

6. On March 19, 2001, Peterson filed its Answer and Counterclaim. Peterson denied infringement and asserted counterclaims for noninfringement and invalidity of the '159 patent.

7. A bench trial, by agreement of the parties, commenced on July 29, 2002, and ended on July 31, 2002.

8. Claims 1, 2, 5, 7-9, 11-13 and 15-17 are at issue in this case. Claims 1 and 17 are independent claims. All the other claims at issue are dependent on claim 1.

9. Claim 1 of the '159 patent reads as follows:

A gas-fired artificial logs and coals-burner assembly for fireplace comprising:
an elongated primary burner tube including a plurality of gas discharge ports;
a secondary coals burner elongated tube positioned forwardly of the primary
burner tube;

a support means for holding the elongated primary burner tube in a raised level
relative to the forwardly position secondary coals burner elongated tube;

the secondary coals burner elongated tube including a plurality of gas discharge
ports;

the elongated primary burner tube and the secondary coals burner elongated tube
communicating through tubular connection means wherein the gas flow to the secondary

elongated coals burner tube is fed through the primary burner tube and the tubular connection means;

a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means; and

the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube.

10. Claim 2 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the support means for the primary burner tube is comprised of an open frame pan for supporting the primary burner tube in an elevated position relative to the fireplace floor.

11. Claim 5 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is substantially parallel to the primary burner tube and has a smaller inside diameter than the primary burner tube with the valve adjusting gas flow for coals burn and forwarding heat radiation from the fireplace.

12. Claim 7 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the elongated primary burner tube and the secondary coals burner elongated tube are spaced apart on different planes at from about four to about eight inches.

13. Claim 8 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is of a smaller diameter than the primary burner tube which allows for a lower profile of coals and sand coverage.

14. Claim 9 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is adjustable in height relative to the floor of the fireplace and the elevated primary burner tube.

15. Claim 11 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary and secondary burner tubes have apertures of from about 1/32 inch to about 1/8 inch.

16. Claim 12 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the gas flow adjustment valve has a removable handle, the gas flow adjustment allowing a variety of settings from full closed to full open.

17. Claim 13 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the connection means is comprised of a connector attached to the terminal end of the primary burner tube at a first end of a connector and attached to the secondary coals burner elongated tube to a connector second end with the valve interposed between the primary burner tube and the secondary burner tube.

18. Claim 15 of the '159 patent reads as follows:

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

19. Claim 16 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary elongated burner tube is covered with sand and the secondary elongated burner tube is covered with sand, mica, and fibrous materials which simulate coals and ember burn.

20. Claim 17 of the '159 patent reads as follows:

A gas-fired artificial coals- and embers-burner apparatus suitable for attaching to a gas-fired primary artificial log burner tube said primary artificial log burner tube having a terminal end comprising:

- a secondary coals burning elongated tube;
- a connector means for connecting said terminal end in communication with the secondary burner tube, the secondary burner tube positioned substantially parallel, forward and below the primary burner tube, the connector means having interposed between the primary and secondary burner tubes a gas flow adjustment valve, the primary and secondary burner tubes having a plurality of gas discharge ports, the secondary burner tube being in gas flow communication with the primary burner tube being the connection means, a gas distribution ports of the secondary burner tube directed away from the fireplace opening.

21. At the time the patent issued, Blount's commercial structure under the '159 patent had been marketed for approximately six years. (Trial Transcript, hereafter referred to as "Tr.", vol. 1, pg. 158). Plaintiff's Trial Exhibit 9 gives an element by element comparison of Peterson's manufactured product and Blount's commercial structure with both structures compared to the claim elements, and thus establishes that Blount's manufactured product is representative of the '159 patent.

22. Blount's sales of its commercial structure grew significantly during the time spanning the filing of the

application that resulted in the '159 patent and the issuance of the '159 patent. (Tr., vol. 1, pg. 36-37).

23. In late 1996 or early 1997, Peterson began manufacturing, advertising and selling a device that was strikingly similar to, if not a virtual copy of, Blount's commercial structure. (Tr., vol. 2, pg. 76 and pg. 172).

24. Blount's '159 patent issued on November 23, 1999. (Plaintiff's Ex. No. 1).

25. Blount notified Peterson of the existence of the '159 patent and Peterson's infringing activities on December 16, 1999, using a certified letter postmarked December 10, 1999, from Mr. Dan Tucker (attorney for Blount) to Peterson's president, Mr. Leslie Bortz. (Plaintiff's Ex. No. 10).

26. This first certified letter included a copy of the '159 patent, and informed Peterson that Blount was prepared to take whatever steps were reasonable and necessary to prevent infringement. Blount requested a response regarding this matter from Peterson by January 14, 2000. (Plaintiff's Ex. No. 10).

27. On December 17, 1999, Mr. Tod Corrin (Peterson's Vice President) forwarded the December 10, 1999, certified letter onto Peterson's patent counsel, Mr. William McLaughlin. Mr. Corrin wrote, in a cover letter included with the copy of the first certified letter, "[e]nclosed is a *patent infringement* letter we received from Golden Blount's Attorney." (Plaintiff's Ex. No. 17, emphasis added).

28. On December 30, 1999, Peterson responded to Blount's letter of December 10, 1999, explaining that Peterson had forwarded the December 10, 1999, letter to its attorneys and that Peterson would get back with Blount as soon as possible. Given the December Holidays, as well as the New Year, Peterson informed Blount that Blount's January 14, 2000, response date was unreasonable. (Plaintiff's Ex. No. 11).

29. After receiving no response from Peterson for more than four months, Blount sent a second certified letter to Peterson on May 3, 2000, again informing Peterson of its patent infringement. The May 3, 2000, letter advised Peterson that Blount "will take [the] necessary steps to stop any such *infringement*." (Plaintiff's Ex. No. 12, emphasis added).

30. Peterson, not its Patent Attorney, responded to the May 3, 2000, letter on May 16, 2000, asking that Blount explain to Peterson, in detail, the basis upon which Blount believed that Peterson was infringing the patent. (Plaintiff's Ex. No. 13). This Court finds that the May 3, 2000, letter was written simply for the purpose of delay, or even with the hope that the infringement matter would go away. Moreover, the May, 3, 2000, letter was from the Company, and not their attorney. Additionally, at the time of the May

3, 2000, letter Peterson's attorney had at most been nominally consulted. This Court concludes that the request was not genuine.

31. Blount did not respond to Peterson's May 16, 2000, but on January 18, 2001, over a year after Peterson received its first notice of infringement letter, Blount filed suit. (Plaintiff's Ex. No. 14). Blount's initial notice letter of December 10, 2001, met the notice requirements under 35 U.S.C. § 287(a), and therefore, Peterson's additional information request did not relieve Peterson of its obligation to determine if it was infringing the '159 patent.

32. Blount sent a final letter on January 19, 2001, to Peterson advising Peterson that suit was brought in view of its failure to respond or indicate in any manner its intentions with respect to its infringing product. (Plaintiff's Ex. No. 14).

33. Peterson made no efforts to cease its infringing activities either in the time period spanning the December 10, 1999, letter and the January 19, 2001, letter, or for that matter, up and until the commencement of this trial. (Plaintiff's Ex. No. 17 & Updated Sales Figures provided by Peterson in response to this Court's request).

34. During the period between December 16, 1999, and September 19, 2002, Peterson sold 3,723 ember flame burner units ("ember burners"). (Tr., vol. 2, pg. 181 and Peterson Company's Objection to Golden Blount's Motion for Updated Damages filed on September 18, 2002).

35. Peterson's ember burner is intended to be attached to its G-4 series burner system or G-5 series burner system. (Joint Pretrial Order--Stipulations, pg. 6).

36. The G-4 and G-5 series burner systems are identical except that Peterson pre-assembles the G-5 burner system according to certain Canadian Gas Association specifications. (Tr., vol. 2, pg. 179).

37. At least 10 of the 3,723 Ember burners sold by Peterson were included on the pre-assembled G-5 series burner systems. (Oct. 5, 2001, deposition of Mr. Leslie Bortz, pg. 154-55).

LITERAL INFRINGEMENT-DIRECT

38. The construction of the claims appears under paragraphs 113 thru 116 of the Conclusions of Law section. The determination of infringement based on the construed claims is factual and is therefore organized here under the Findings of Fact.

39. The analysis with respect to the literal infringement of claim 1 is as follows:

The first element of claim 1 reads: "an elongated primary burner tube including a plurality of gas discharge ports." Based upon the totality of the evidence, including unrebutted testimony of Mr. Golden Blount and this Court's own observations of the accused device, it is this Court's finding that the primary burner tube is the fundamental burner tube used in a majority of all gas operated fireplaces. Similarly, the plurality of gas discharge ports allow the flammable gas to escape from the primary burner tube and be ignited to provide a flame. Blount presented unrebutted testimony in the form of an infringement chart¹, (Plaintiff's Exhibit No. 9), as well as oral testimony by Mr. Blount that Peterson's manufactured products include a primary burner tube having gas discharge ports therein. (Tr., vol. 1, pg. 45-50). In addition to this unrebutted testimony, this Court had the opportunity to closely observe an assembled version of Peterson's manufactured product, wherein this Court observed Peterson's manufactured product having the primary burner tube including two or more gas discharge ports. (Tr., vol. 2, pg. 28). Further, Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meet the first limitation of claim 1, which reads: "an elongated primary burner tube including a plurality of gas discharge ports."

40. The second element of claim 1 reads: "a secondary coals burner elongated tube positioned forwardly of the primary burner tube." Given the claim interpretation as set forth by the Court of Appeals for the Federal Circuit and based upon the totality of the evidence, the secondary coals burner elongated tube is positioned toward the opening of the fireplace, at least as compared to the primary burner tube, and is designed to provide a realistic flame, likened to a flame that might emanate from burning coals. Blount again presented testimony in the form of an infringement chart, (Plaintiff's Exhibit No. 9), as well as oral testimony by Mr. Blount, that Peterson's manufactured products include a secondary coals burner elongated tube, and that it is positioned forwardly of the primary burner tube. (Tr., vol. 1, pg. 45-50). Based on this Court's close observation of Peterson's manufactured product, this Court finds that Peterson's manufactured products contain the claimed secondary coals burner elongated tube and that it was positioned forwardly the primary burner tube. (Tr., vol. 2, pg. 28). Further, Peterson never presented

¹ This Court includes, as a supporting Exhibit A to its Findings and Conclusions, an Infringement Chart. (Plaintiff's Ex. No. 9).

evidence that conclusively established that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meet the second limitation of claim 1, which reads: "a secondary coals burner elongated tube positioned forwardly of the primary burner tube."

41. The third element of claim 1 reads: "a support means for holding the elongated primary burner tube in a raised level relative to the forwardly position[ed] secondary coals burner elongated tube." The previous two paragraphs already demonstrate that Peterson's manufactured products include both the elongated primary burner tube and the forwardly positioned secondary coals burner elongated tube. The only additional limitation added by this element is that a support means holds the elongated primary burner tube in a raised level relative to the secondary coals burner elongated tube. Peterson's manufactured products include a support means that holds the primary burner tube. Actually, Peterson's support means, which is an industry standard pan, is substantially identical if not completely identical, in shape and function to the support means illustrated in the '159 patent. (Tr., vol. 1, pg. 47). The question for this Court to rule on is whether Peterson's support means holds Peterson's elongated primary burner tube in a raised level relative to its secondary coals burner elongated tube. As affirmed by the Court of Appeal for the Federal Circuit, this Court construes the term "raised level" to mean that the top of the primary burner tube is at a raised level with respect to the top of the secondary burner tube. In support of the tops test, Blount offered evidence in the form of Blount's Trial Exhibit 22, which illustrated that measurements taken at three different locations along the lengths of Peterson's burner tubes (i.e., A, B and C) established that the tops of Peterson's primary burner tubes are higher than the tops of Peterson's secondary coals burner elongated tubes. Blount offered further testimony by demonstrating, using a carpenter's level laid across the tops of the tubes of Peterson's manufactured product, that Peterson's primary burner was raised with respect to its secondary burner. (Tr., vol. 2, pg. 28). Even Peterson's own patent attorney, Mr. McLaughlin, admitted during the demonstration that "assuming the table is level, the top of the front burner is below the top of the rear burner." (Tr., vol. 2, pg. 29). Also Peterson's executive Mr. Bortz admitted the top of the ember burner was lower than the top of the primary burner. (Tr., vol. 2, pg. 42). Similarly, Mr. Corrin testified that the tube is below the top of the main burner tube. (Tr., vol. 2, pg. 173 and Defendant's Ex. No. 8). The above evidence was, for the most part, unrebutted because Peterson based the majority of its case in chief on the argument that the relative height of the primary burner tube with respect to the

secondary coals burner elongated tube should be measured from the bottoms of the respective tubes, or the ports. Peterson actually offered to this Court, (Defendant's Exhibit 30), which it argued was provided to customers and installers to illustrate how to properly install the assembly. While Defendant's Exhibit 30 was offered in an attempt to establish non-infringement based upon Peterson's asserted bottoms test that Peterson was proposing, the instructions clearly illustrate that Peterson's preferred installation has the tops of the primary burner tube being in a raised level with respect to the tops of the secondary coals burner elongated tube. Thus, given the above discussed interpretation, and in view of the evidence presented, Peterson's manufactured products meet the third limitation of claim 1, which reads: "a support means for holding the elongated primary burner tube in a raised level relative to the forwardly position[ed] secondary coals burner elongated tube."

42. The fourth element of claim 1 reads: "the secondary coals burner elongated tube including a plurality of gas discharge ports." Blount again presented testimony in the form of an infringement chart, (Plaintiff's Exhibit No. 9), as well as oral testimony by Mr. Blount that the secondary coals burner elongated tube of Peterson's manufactured products include a plurality of gas discharge ports. (Tr., vol. 1, pg. 45-50). Further, this Court's close observation of Peterson's manufactured product established that Peterson's secondary coals burner elongated tube includes a plurality of gas discharge ports. (Tr., vol. 2, pg. 28). Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meet the fourth limitation of claim 1, which reads: "the secondary coals burner elongated tube including a plurality of gas discharge ports."

43. The fifth element of claim 1 reads: "the elongated primary burner tube and the secondary coals burner elongated tube communicating through tubular connection means wherein the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and the tubular connection means." Blount presented testimony in the form of an infringement chart, (Plaintiff's Exhibit No. 9), as well as oral testimony by Mr. Blount, that Peterson's manufactured products include the tubular connection means and that the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and tubular connection means. (Tr., vol. 1, pg. 45-50). Additionally, this Court physically observed this claimed element in Peterson's manufactured product. (Tr., vol. 2, pg. 28). Further, Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element.

Thus, Peterson's manufactured products meet the fifth limitation of claim 1, which reads: "the elongated primary burner tube and the secondary coals burner elongated tube communicating through tubular connection means wherein the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and the tubular connection means."

44. The sixth element of claim 1 reads: "a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means." The evidence as established by Blount's infringement chart, (Plaintiff's Exhibit No. 9), as well as oral testimony by Mr. Blount and this Court's own inspection of Peterson's manufactured product, confirms the presence of the valve. (Tr., vol. 1, pg. 45-50 and vol. 2, pg. 28). Further, Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meets the sixth limitation of claim 1, which reads: "a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means."

45. The seventh element of claim 1 reads: "the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube." Blount again presented testimony in the form of an infringement chart, (Plaintiff's Exhibit No. 9), as well as oral testimony by Mr. Blount that the primary burner tube of Peterson's manufactured products would ultimately be coupled to a gas source with a gas flow control means therein for controlling gas flow into the primary burner tube. (Tr., vol. 1, pg. 45-50). Furthermore, the parties stipulated prior to the commencement of the trial that "Robert H. Peterson Co.'s ember burner is intended to be attached to its G-4 series burner system or G-5 series burner system and the combined unit comprises a primary burner pipe, an ember pan that supports the primary burner pipe, a secondary burner tube and a valve that controls a flow of gas between the primary burner pipe and the secondary burner tube, and that an end user *would* connect the primary burner pipe to a gas source having a valve associated therewith." (Joint Pretrial Order--Stipulations, pg. 6). Thus, Peterson's manufactured products would ultimately meet the seventh limitation of claim 1, which reads: "the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube."

46. This Court finds that the evidence establishes direct infringement by Peterson and by the ultimate purchasers of Peterson's products of claim 1. Peterson's direct infringement of claim 1 is established by

the testimony of Messrs. Bortz and Corrin, both corporate officers of Peterson, who testified that on multiple occasions, Peterson assembled and operated the infringing device for distributors so they had the opportunity to see how the item worked. (Tr., vol. 2, pg. 65-66 and 199). Direct infringement by the ultimate purchasers of claim 1 is established by the evidence that proves that Peterson supplied installation instructions (see *infra*), (Defendant's Ex. No. 30), to its ultimate purchasers. It is these instructions that undoubtedly were used by these purchasers to assemble the ember burner, its associated components, and connect it to a gas source as stipulated by the parties. (Tr., vol. 1, pg. 45-50). These facts provide this Court with sufficient evidence to find that direct infringement did indeed occur of claim 1.

47. Therefore, Blount has clearly established direct infringement on the part of Peterson and the ultimate purchaser of claim 1 the '159 patent.

48. This Court further concludes that in addition to directly infringing independent claim 1 of the '159 patent, Peterson and the ultimate purchasers directly infringe independent claim 17 of the '159 patent.

49. With the exception of a few additional elements included in independent claim 17 not included in independent claim 1, and a few elements included within independent claim 1 that are not included within independent claim 17, claims 1 and 17 are substantially similar.

50. Independent claim 17 does not include the claim limitation of independent claim 1 that the primary burner is in communication with a gas flow control means. Thus, this element need not be found in Peterson's manufactured products to find direct infringement by Peterson of independent claim 17.

51. The first element of independent claim 17 recites: "a secondary coals burning elongated tube," and is similar to the fourth element of independent claim 1. Accordingly, the discussion above with respect to the fourth element of independent claim 1 may be applied to the first element of independent claim 17. Thus, Peterson's manufactured products will ultimately meet the first limitation of claim 17, which reads: "a secondary coals burning elongated tube."

52. The second element of independent claim 17 recites: "a connector means for connecting said terminal end in communication with the secondary burner tube, the secondary burner tube positioned substantially parallel, forward and below the primary burner tube, the connector means having interposed between the primary and secondary burner tubes a gas flow adjustment valve, the primary and secondary burner tubes having a plurality of gas discharge ports, the secondary burner tube being in gas flow

communication with the primary burner tube being the connection means, gas distribution ports of the secondary burner tube directed away from the fireplace opening.”

53. Independent claim 17, however, does require that the gas distribution ports of the secondary burner tube be directed away from the fireplace opening. As affirmed by the Court of Appeals for the Federal Circuit, this Court previously construed the term “directed away from” to mean that the gas ports of the secondary burner tube may be positioned in any direction that does not include a horizontal component pointed toward the vertical plane of the fireplace opening. (Opinion of the Court of Appeals for the Federal Circuit dated April 19, 2004, pg. 7-8). Blount presented testimony in the form of an infringement chart, (Plaintiff’s Ex. No. 9), as well as oral testimony by Mr. Blount, that the gas ports of Peterson’s manufactured products are positioned directly down, which according to the above-referenced interpretation, are away from the fireplace opening. (Tr., vol. 1, pg. 45-50). In addition to this testimony, this Court closely observed an assembled version of Peterson’s manufactured product, wherein it observed the manufactured product having the gas ports directed away from the fireplace opening. (Tr., vol. 2, pg. 28). Because Peterson believed the term “directed away from” would ultimately be construed to mean that the ports must be directed at least partially toward the back of the fireplace, Peterson went so far as to require the ports of its secondary burner tube to be positioned directly downward. Given the claim construction, however, this required configuration results in a device that meets the “directed away from” limitation of claim 17.

54. As the other claimed elements of the second limitation of independent claim 17 have been found in Peterson’s manufactured products, as established above with respect to paragraphs 39 thru 44, this Court finds that the evidence establishes direct infringement by Peterson and by the ultimate purchasers of Peterson’s products of claim 17. Moreover, the evidence establishes that Peterson itself directly infringed claim 17 when Peterson assembled the G-5 series burner systems and then sold them to customers.

55. Therefore, this Court finds that Peterson and the ultimate purchaser infringed both claims 1 and 17, as construed under paragraphs 113 thru 116 below, of the ‘159 patent.

LITERAL INFRINGEMENT-CONTRIBUTORY

56. Blount established at trial, through stipulation, that Robert H. Peterson Co.'s ember burner is intended to be attached to its G-4 series burner system or G-5 series burner system and the combined unit comprises a primary burner pipe, an ember pan that supports the primary burner pipe, a secondary burner tube and a valve that controls a flow of gas between the primary burner pipe and the secondary burner tube, and that an end user would connect the primary burner pipe to a gas source having a valve associated therewith. (Joint Pretrial Order--Stipulations, pg. 6).

57. Peterson was made aware of the '159 patent as early as December 16, 1999, by the letter from Mr. Tucker, which is referenced above. (Plaintiff's Ex. No. 10). Given these facts, it is clear that Peterson was aware that the combination for which its components were especially made was patented and infringing, as required by 35 U.S.C. § 271(c).

58. Blount further established through the testimony of Mr. Bortz that Peterson's ember burner had no substantially non-infringing uses. (Tr., vol. 2, pg. 67). The Court also finds the testimony of Mr. Bortz and Mr. Corrin, as well as Mr. Blount and all the evidence, to support the fact that the ember burner was not a staple article of commerce.

59. As discussed above, this Court finds that direct infringement existed. For those units covered by stipulation for hookup, they were normally hooked up by professional installers or persons from the dealer. With their experience and relation to Peterson and with all of Peterson's literature (including Defendant's Exhibit No. 30) one can count on proper installations. Thus, each installation is a direct infringement. (Tr., vol. 2, pg. 189). To some extent circumstantial evidence is involved in this analysis, however, the circumstantial evidence is very solid. Blount has clearly proven contributory infringement on the part of Peterson of claims 1 and 17 for those units.

LITERAL INFRINGEMENT-INDUCEMENT

60. The record establishes that Peterson sold the ember burner. In addition, the record also establishes that Peterson sold the G-4, which includes the primary burner and support pan, and sold the G-5, ten at least of which, had the ember burner attached. Further, given the stipulation that the ultimate assembly would be connected to a gas source, there is sufficient basis to conclude that Peterson knew or should have

known that this ultimate configuration would infringe independent claims 1 and 17. (Joint Pretrial Order--Stipulations, pg. 6).

61. Peterson was made aware of the '159 patent as early as December 16, 1999, by the letter of December 10, 1999, from Mr. Tucker, which is referenced above. (Plaintiff's Ex. No. 10). Given these facts, it is clear that Peterson was aware that the combination for which its components were especially made was patented and infringing. Also Peterson fully assembled an entire infringing structure and hooked it up to a gas source to demonstrate it and its use to independent distributors. This Court finds this to be a substantial inducement.

62. The record is also clear that Peterson provided literature and assembly instructions to consumers detailing how to install the components in a preferred configuration, which induced its customers to install the components in an infringing manner. (Tr., vol. 2, pg. 173-174). Also, Peterson fully assembled and hooked up in a fireplace an accused structure and demonstrated it and its use to independent distributors, which this Court finds to be a substantial inducement.

63. Because Peterson provided the consumers with detailed instructions, (Defendant's Ex. 30), how to assemble the parts in an infringing manner, Peterson knew or should have known that such actions would induce direct infringement, and executive Corrin testified either the consumer would hire an installer or the dealer would provide the service for the store. Thus there is little doubt that the installation was in fact done in accordance with Peterson's directions. Invariably, infringement occurred. Whether this is viewed as direct or circumstantial evidence, it is very strong. (Tr., vol. 2, pg. 189).

64. As found by this Court in paragraphs 39 thru 54 above, there was direct infringement by Peterson or its ultimate purchasers of claims 1 and 17 of the '159 patent.

65. Accordingly, this Court finds that in those instances where direct infringement by Peterson was not proven, Blount has clearly proven induced infringement on the part of Peterson of claims 1 and 17 for those units.

66. In view of this Court's literal infringement findings, because Peterson's manufactured products literally infringe claims 1 and 17 of the '159 patent, it infringes the patent. Thus, comparison of Peterson's product to the remaining claims depending from independent claim 1 is generally unnecessary. The Court nonetheless concludes that Peterson's product infringes (under any one of or the combination of 35 U.S.C.

§§ 271(a) to 271(c)) the claims dependent on claim 1, because, as supported by the testimony of Blount and the accompanying claim infringement chart, the elements of these dependent claims are also present in Peterson's manufactured products. The literal infringement of dependent Claim 15 is particularly important because Claim 15 includes the artificial logs and the grate support means.

INFRINGEMENT-DOCTRINE OF EQUIVALENTS

67. Blount offered un rebutted testimony at trial that every element of Peterson's manufactured products perform substantially the same function in substantially the same way to obtain the same result as the claimed elements of the '159 patent. (Tr., vol. 1, pg. 59-60).

68. Blount further offered un rebutted testimony by Mr. Blount at trial that any difference between Peterson's manufactured products and the claim elements were insubstantial at best. Mr. Blount actually testified that they were an exact copy. (Tr., vol. 1, pg. 30, 37, 46, 48, 56 and 60).

69. Based on the evidence presented to it, this Court finds that there is no prosecution history estoppel that limits the range of equivalents regarding the claimed elements. Moreover, attorney McLaughlin testified that he did not rely on estoppel in his infringement analysis. (Tr., vol. 1, pg. 186).

70. Thus, this Court finds that in those instances where literal infringement does not exist, there is infringement of the claims of the '159 patent under the doctrine of equivalence.⁴

71. In summation, this Court concludes that Peterson literally infringes (e.g., directly, by inducement, or contributorily) or infringes under the doctrine of equivalents independent claims 1 and 17 of the '159 patent, as well as claims 2, 5, 7-9, 11-13 and 15-16 that depend from independent claim 1.

DAMAGES

72. Mr. Blount testified for Blount at trial as to the demand that existed for the product during the period in question. (Tr., vol. 1, pg. 61). Thus, Blount has conclusively established the first required element of *Panduit*.⁵

⁴ The Equivalence Chart presented by Blount at trial supports this finding.

⁵ See the Conclusions of Law section, paragraph 139, where the *Panduit* factors are set forth.

73. In addition to establishing a demand for the patented product during the period in question, Blount established an absence, during the period of infringement, of acceptable non-infringing substitutes. (Tr., vol. 1, pg. 63-65).

74. The facts of the present case establish a two-supplier market. Blount offered evidence through the testimony of Mr. Blount that Blount and Peterson together held approximately 95 percent or more of the market associated with Ember burners similar to that covered by the '159 patent. (Tr., vol. 1, pg. 64). While Peterson attempted to impeach Mr. Blount's testimony on this point, it unfortunately did not present any evidence to the contrary, which is surprising in view of Peterson's many years in the market and the knowledge Peterson must have acquired about the market. Therefore, this Court finds that Mr. Blount's testimony is sufficient to establish a two supplier market. The supposed 5 percent of the market that Blount and Peterson did not hold is de minimus, and therefore, for damage calculations a two-supplier market still exists.

75. Peterson argued that this is not a two-supplier market, and that other acceptable non-infringing substitutes exist.

76. Here the patented product offers quite unique and novel results. (Tr., vol. 1, pg. 28-30). The so called "acceptable non-infringing substitutes" Peterson has introduced are either not acceptable, or they too infringe.

77. Blount established at trial that Peterson's front flame director was not an acceptable substitute. (Tr., vol. 2, pgs. 184, 195). Peterson's own Vice President, Mr. Corrin, testified that the front flame director lacked the valve for adjusting the height of the front flame. Even more telling, Mr. Corrin testified that the front flame director was not as good as their ember burner. (Tr., vol. 2, pgs. 184, 195).

78. As the valve to adjust the height of the front flame is one of the particular features available only from the patented product, under the law set forth in *Standard Havens*, the front flame director, lacking that valve or any adjustment means, is not an acceptable non-infringing substitute.

79. Peterson further argues that Blount admitted at trial that at least five products on the market perform roughly the same function as Blount's patented device. (Tr., vol. 1, pg. 63). The record is clear that those five products were infringing substitutes and not acceptable non-infringing substitutes. (Tr., vol. 1, pg. 63). In fact, the record indicates that Blount sent the manufactures of those five products the identical notice of

infringement letter at the same time it sent Peterson its letter. (Tr., vol. 1, pg. 63). No evidence exists in the record that the aforementioned five instances of infringement continued after the notice of infringement letters were received. In fact, Mr. Blount's testimony indicates that while the other companies were moving in and were interested in the outcome of this trial, none were still infringing after receipt of their notice of infringement letter. (Tr., vol. 1, pg. 62-64).

80. Therefore, this Court believes that Blount provided sufficient evidence to support the finding that there were no acceptable non-infringing substitutes that could have decreased the market share Blount and Peterson together held. Thus, Blount has conclusively established the second required element of *Panduit*.

81. Blount also offered sufficient evidence through Mr. Blount's testimony that Blount had more than enough manufacturing and marketing capability to promote the device. (Tr., vol. 1, pgs. 62, 66). Thus, Blount has conclusively established the third required element of *Panduit*.

82. This Court now only needs to determine a detailed computation of the amount of profit Blount would have made, to meet the final required element of *Panduit*.

83. In a two-supplier market, to determine the actual damage amount in a lost profit case, the Court should multiply Blount's per unit profit times the number of infringing devices that Peterson sold.

84. To do this, however, the Court must determine the device upon which lost profits are to be calculated.

85. Using two different approaches, Blount has established that the device for calculating lost profits includes the entire burner assembly (including the secondary burner and valve), the grate, and a full set of artificial logs:

86. Dependent claim 15, which was established as literally infringed above, for instance recites that the gas-fired artificial logs and coals-burner of claim 1 are positioned under artificial logs and a grate support means. Because the artificial logs and the grate support means are positively claimed in dependent claim 15, the artificial logs and the grate support means should be included in the device upon which damages for direct infringement as well as lost profits are to be calculated.

87. Accordingly, the device for calculating lost profits includes the entire burner assembly (including the secondary burner and valve), the grate and a full set of artificial logs, which must be the case here, because apart from the artificial logs and grate, the coals burner unit has no purpose or function.

88. Given the circumstances, the entire market value rule is appropriate here as the second approach. Evidence was offered at trial by Peterson's own officer, Mr. Corrin, that Peterson used the ember burner to entice customers to come back to the store to purchase newer log sets, and at the same time, purchase Peterson's ember burner, which improved the overall appearance of the fireplace. (Tr., vol. 2, pg. 177-79). These facts are sufficient to establish that the ember burner is the basis for the customer's demand, as set forth by *TWM*.

89. Blount also offered evidence that the glowing embers from the ember burner are what draws a customer's attention to a particular log and burner set, and what ultimately makes the sale. (Tr., vol. 1, pg. 157-63).

90. Blount also offered testimony at trial that the elements of independent claims 1 and 17 constitute a functional unit with the artificial logs and the grate support.

91. Plaintiff, Blount's case-in-chief presented a third-party witness retailer with extensive sales experience with gas fireplaces and ember burner and gas log sets. He testified that 97 ½ percent of the time that he sells an ember burner, he also sells an entire burner assembly and log set with it. (Tr., vol. 1, pg. 160). In addition, Mr. Blount testified that they are "always to go with the log set" and that he had "never known of any one ember burner set sold by itself." (Tr., vol. 1, pg. 68). Peterson had no testimony to quantify even in a general way when the two would not ultimately be sold together.

92. Peterson failed to rebut Blount's evidence because it did not offer any numerical evidence regarding how often it sells one of its Ember burners with the entire burner and log set.

93. In summation of this point, Blount introduced testimony as to the standard practice in the industry for selling the ember burner, and Peterson failed to introduce its own testimony to rebut Blount's testimony.

94. Because the evidence establishes that 97 ½ percent of the sales of the ember burner would also encompass the sale of the entire burner assembly and log set, the record supports a proration of the damage amount based upon this percentage.

95. Based on the record, of the 3,723 EMB's sold by Peterson, 2 ½ percent (i.e., 94 EMB's) were sold without an associated burner assembly and log set, and the remaining 97 ½ percent (i.e., 3,629) were sold with an associated burner assembly and log set.

96. Blount established at trial that its profit on the ember burner alone is \$14.09 per unit and its profit

on the ember burner, entire burner assembly and full set of logs is \$117.92 per unit. (Plaintiff's Ex. No. 18).

97. This Court finds, based on the percentages and profits established in the paragraphs above, that the total actual damages amount to \$429,256.

WILLFULNESS / EXCEPTIONAL CASE

98. Having carefully reviewed the record herein, the Court concludes that Peterson's minimal attempt to attain a competent opinion is permeated by a lack of due care. The record is quite clear that Peterson's supposed oral opinion was an incompetent, conclusory opinion to be used only as an illusory shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another's patent.

99. Throughout the 2½ years from the time the first notice letter was sent, Peterson simply never obtained a single written opinion suggesting that their commercial embodiment avoided infringement. Also, the denial that the first letter related to notice of infringement is shown unlikely by Mr. Corrin's own characterization of it as an "*infringement letter*" in his correspondence with his patent counsel. (Tr., vol. 2, pg. 192). Also, this Court finds it disingenuous for Peterson to argue at trial that the interrogatories answered well after suit was filed and during discovery, form the written opinion upon which they relied.

100. The first time Peterson spoke to Mr. McLaughlin was on or about December 30, 1999, however, Mr. McLaughlin did not have the accused infringing device at this time. (Tr., vol. 1, pg. 181). The record establishes that Mr. McLaughlin, at this time, only had a picture of the accused infringing device. (Tr., vol. 1, pg. 181). Neither did Mr. McLaughlin have the prosecution history of the '159 patent at this time, which is an important element of any competent opinion. (Tr., vol. 1, pg. 202-03).

101. This non-substantive conversation in no way can be construed to be an opinion upon which Peterson could reasonably rely because it was based solely on a supposition. This supposition amounted to a representation on the part of Mr. Bortz that the invention had been around 20 to 30 years. (Tr., vol. 2, pg. 55-56). Mr. McLaughlin, with only the evidence listed above, said that "if we *could* prove that the invention had been around for 20 to 30 years then it *would* be a strong argument of invalidity." (Tr., vol. 2, pg. 55-56, emphasis added). This "if this, then that" statement plainly does not amount to an opinion upon which a prudent person could reasonably rely.

102. Peterson made no further efforts to determine whether it was truly infringing or not, until after suit was filed, almost a year and two months after receiving the first notice letter. (Tr., vol. 1, pg. 202-03).

103. Peterson argues that it did nothing further because it was awaiting "additional information or further explanation from Blount's attorney." This Court finds this argument lacking merit. Blount does not, after sending multiple notice of infringement letters to Peterson, owe Peterson any obligation with regard to advising Peterson how they actually were infringing.

104. Nevertheless, Blount's failure to respond to Peterson's additional information request did not relieve Peterson of its obligation to determine if it was willfully infringing the '159 patent. To the contrary, Peterson continued its infringing activities even after May 16, 2000, and actually even through the trial proceedings. (Tr., vol. 2, pg. 181 and Peterson Company's Objection to Golden Blount's Motion for Updated Damages filed on September 18, 2002). This reflects an egregious disregard for the '159 patent.

105. It was not until after the lawsuit was filed in January 2001 that Peterson finally became concerned, not with the damages associated with the infringing activity, but apparently with the attorney's fees that Peterson might be required to pay as a willful infringer. (Tr., vol. 2, pg. 60-62). By Mr. Bortz' own admission, he told Mr. McLaughlin that this was not a very meaningful case "dollar wise" but that he heard a person might have to pay attorneys' fees if he loses a patent lawsuit, and he asked Mr. McLaughlin what he should do. (Tr., vol. 2, pg. 60-62 & Dec. 19, 2001, deposition of Mr. Leslie Bortz, pg. 60). Mr. McLaughlin told him that one way that attorney's fees could be avoided was by obtaining an opinion. (Id).

106. At no time when Mr. McLaughlin gave Mr. Bortz advice did Mr. McLaughlin ever see the actual accused structure. (Tr., vol. 1, pg. 181). While some advertisements of Peterson's structure were shown, detailed drawings were never provided to Mr. McLaughlin, including the installation instructions that were apparently sold with the device. Thus, Mr. McLaughlin never had a full understanding of the accused structure. (Tr., vol. 1, pg. 200).

107. While Peterson argues that three oral consultations occurred, this Court finds that only one oral opinion of counsel, if it can even be called that, was rendered. This oral opinion was rendered by Mr. McLaughlin on or about May 1, 2001, about 4 months after suit had been filed and 2½ years after Peterson was first noticed of its infringing activity. (Tr., vol. 1, pg. 179-83).

108. This Court believes that Peterson did get what it asked for, a statement that there was no

infringement. Peterson's primary desire, however, was to avoid paying attorneys' fees or increased damages, and this appears to have been the sole reason for consultation with counsel, and these actions showed a willful and egregious disregard for the '159 patent.

109. In summary, this Court finds that Peterson had three consultations with Peterson's Attorney. All were oral. Only the last oral consultation by phone approached what was needed to determine infringement and validity issues, and even it was made with a search limited to the company's own records and with there having been no accused structure shown the patent attorney and without even a single meeting. This third consultation occurred a number of months after suit had been filed and was motivated by the apprehension of Peterson having to pay attorneys' fees, and not for a concern of infringement of the '159 patent.

110. Peterson's cavalier attempt to obtain an opinion and the non-persuasive trial testimony of Peterson's witnesses are classic examples of conduct that clearly and convincingly demonstrates willfulness, which serves as a basis for an exceptional case.

111. This Court therefore finds that the infringement of Peterson was willful, thus the actual damages are trebled, totaling \$1,287,766.

112. Given Peterson's conduct and its overall willful disregard for the '159 patent, such an award is appropriate here. The Court finds that as a result of Peterson's continued infringement, without a reasonable basis for believing that it had a right to make, use or sell its product prior to the expiration of the '159 patent, Blount has been compelled to prosecute an infringement claim at great expense. Under these circumstances, an award of attorneys' fees is proper.

113. This Court therefore finds this to be an exceptional case under 35 U.S.C. § 285, thus reasonable attorneys' fees in the amount of \$332,349 are awarded to Blount.

CONCLUSIONS OF LAW

CLAIM CONSTRUCTION

114. The parties dispute the meaning of two terms in the claims of the patent in suit, namely the phrase "raised level," as recited in claim 1, and the term "below" and the phrase "away from the fire place

opening,” as recited in claim 17.

115. As affirmed by the Court of Appeals for the Federal Circuit in its opinion dated April 19, 2004, this Court construes that the term “at a raised level” in claim 1 refers to the top of the two burner tubes, and that the tops of the tubes should be used to determine whether the primary burner tube is held at a raised level with respect to the secondary burner tube as recited in claim 1. This Court also construes that the term “below” in claim 17 refers to the tops of the two burner tubes, and that the tops of the tubes should be used to determine whether the secondary burner tube is positioned below the primary burner tube as recited in claim 17. (Opinion of the Court of Appeals for the Federal Circuit dated April 19, 2004, pg. 7-8).

116. As affirmed by the Court of Appeals for the Federal Circuit in its opinion dated April 19, 2004, this Court construes the term “away from the fireplace opening” to mean that the gas ports may be positioned in any direction that does not include a horizontal component pointed toward the vertical plane of the fireplace opening. (Opinion of the Court of Appeals for the Federal Circuit dated April 19, 2004, pg. 7-8).

117. All the other terms in the claims at issue are construed to have a plain and ordinary meaning, which appears not to have been contested at trial.

VALIDITY

118. A validity analysis begins with the presumption of validity. An issued patent is presumed valid. 35 U.S.C. § 282.

119. An “accused infringer who raises patent invalidity as a defense bears the burden of showing invalidity by facts supported by clear and convincing evidence.” *Robotic Vision Systems, Inc. v. View Engineering, Inc.*, 189 F.3d 1370, 1377 (Fed. Cir. 1999); *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1334-35 (Fed. Cir. 1998).

120. As affirmed by the Court of Appeals for the Federal Circuit on April 19, 2004, this Court concludes that Peterson has failed to prove by clear and convincing evidence that the ‘159 patent is invalid for obviousness. This Court therefore finds the ‘159 patent not to be invalid. (Opinion of the Court of Appeals for the Federal Circuit dated April 19, 2004, pg. 12).

LITERAL INFRINGEMENT-DIRECT

121. The claims define the metes and bounds of the invention, and only they may be infringed. *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988); *Corning Glass Works v. Sumitomo Elec. USA, Inc.*, 868 F.2d 1251 (Fed. Cir. 1989).

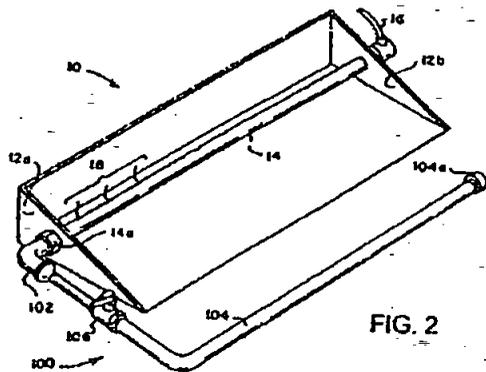
122. The patentee's burden is to show literal infringement by a preponderance of the evidence. *Braun v. Dynamics Corp.*, 975 F.2d 815 (Fed. Cir. 1992).

123. A patent claim is literally infringed if the accused product or process contains each element of the claim. *Tate Access Floors v. Maxcess Techs.*, 222 F.3d 958, 964 (Fed. Cir. 2000); *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1054 (Fed. Cir. 1988). If each element is present, literal infringement exists and "that is the end of it." *Graver Tank v. Linde Co.*, 339 U.S. 605, 607, 94 L. Ed. 1097, 70 S. Ct. 854, 1950 Dec. Comm'r Pat. 597 (1950).

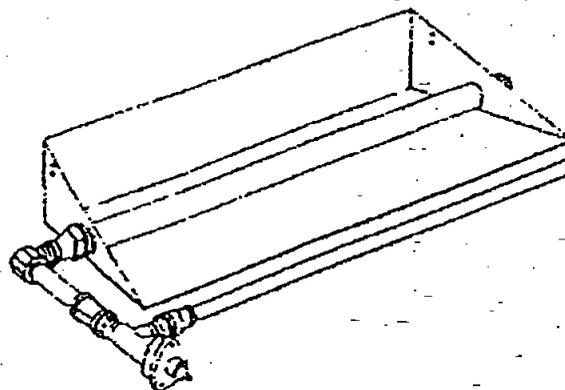
124. In determining infringement, the accused product is compared to the patent claims, not the patentee's product. *Zenith Laboratories, Inc. v. Bristol-Myers Squibb Co.*, 19 F.3d 1418, 1423 (Fed. Cir. 1994); *Glaxo Inc. v. TorPharm Inc.*, 153 F.3d 1366, 1373 (Fed. Cir. 1998).

125. Infringement of a single claim is infringement, *Panduit Corp. v. Dennison Mfg. Co. Inc.*, 836 F.2d 1329, 1330 n.1 (Fed. Cir. 1987); *Intervet America v. Kee-Vet Laboratories*, 887 F.2d 1050, 1055 (Fed. Cir. 1989), and entitles the patentee to the full panoply of statutory remedies. *Intervet*, 887 F.2d at 1055.

126. This Court understands that in determining infringement, the accused product is compared to the patent claims, not the patentee's product. However, FIG. 2 of the '159 patent is representative of the claims of the '159 patent and the claims may be read on the FIG. 2 structure. For this reason a comparison of one of Blount's devices and Peterson's manufactured product is highly instructive for purposes of this Court's analysis, and is, therefore, provided.



Blount's Patented Device
FIG. 2 of the '159 Patent



Peterson's Manufactured Product
Figure 2 of Peterson's Installation Instructions

127. The findings in the sections above make out a clear case of direct infringement on all of the devices sold.

LITERAL INFRINGEMENT-CONTRIBUTORY

128. Contributory infringement liability arises when one "sells within the United States . . . a component of a patented machine . . . 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 substantially noninfringing use." 35 U.S.C. § 271(c) (2002).

129. Thus, Blount must show that Peterson "knew that the combination for which its components were especially made was both patented and infringing." *Preemption Devices, Inc. v. Minn. Mining & Mfg. Co.*, 803 F.2d 1170, 1174 (Fed. Cir. 1986).

130. An appropriate infringement notice letter from the patentee to the accused infringer provides the requisite knowledge required by 35 U.S.C. § 271(c). *Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co.*, 377 U.S. 476, 490 (1964).

131. Further, Blount must show that Peterson's components have no substantially noninfringing uses, while meeting the other elements of the statute. *Alloc, Inc. v. ITC*, 342 F.3d 1361, 1374 (Fed. Cir. 2003).

132. The findings in the sections above make out a clear case of Contributory infringement on all of the devices sold.

LITERAL INFRINGEMENT-INDUCEMENT

133. In order to find Peterson liable for inducing infringement under 35 U.S.C. § 271 (b), Blount must show that Peterson took action that actually induced infringement. *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986) ("There can be no inducement of infringement without direct infringement by some party.")

134. Further, Blount must show that Peterson knew or should have known that such actions would induce direct infringement. *Micro Chem. Inc. v. Great Plains Chem. Co.*, 194 F.3d 1250 (Fed. Cir. 1999).

135. The findings in the sections above make out a clear case of induced infringement on all of the devices sold.

INFRINGEMENT-DOCTRINE OF EQUIVALENTS

136. Infringement under the doctrine of equivalents occurs when a claimed limitation and the accused product perform substantially the same function in substantially the same way to obtain the same result. See *Warner-Jenkinson Co. v. Hilton-Davis Chem. Co.*, 520 U.S. 17, 39-40, 137 L. Ed. 2d 146, 117 S. Ct. 1040 (1997).

137. Infringement under the doctrine of equivalents also requires that any difference between the claim elements at issue and the corresponding elements of the accused product be insubstantial. *Id.*

138. This Court finds alternatively (or cumulatively) that there was infringement under the doctrine of equivalents.

DAMAGES

139. To recover lost profit damages, the patentee need only show causation and the factual basis for causation between the infringement and the lost profits. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065, 219 U.S.P.Q. 670 (Fed. Cir. 1983).

140. To do this, *Panduit* established that the patent owner need only demonstrate:

- 1) a demand for the product during the period in question;
- 2) an absence, during that period, of acceptable non-infringing substitutes;
- 3) its own manufacturing and marketing capability to meet or exploit that demand; and
- 4) a detailed computation of the amount of the profit it would have made.

Panduit Corp. v. Stahl Bros. Fibre Works, Inc., 575 F.2d 1152, 1156, 197 U.S.P.Q. 726 (6th Cir. Mich. 1978); *Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 1555, 229 U.S.P.Q. 431 (Fed. Cir. 1986).

141. In a two-supplier market it is reasonable to assume, provided the patent owner has the manufacturing capabilities, that the patent owner would have made the infringer's sales but for the infringement. *State Indus. v. Mor-Flo Indus.*, 883 F.2d 1573, 1578, 12 U.S.P.Q.2d 1026 (Fed. Cir. 1989).

142. The "[m]ere existence of a competing device does not make that device an acceptable substitute." *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 901, 229 U.S.P.Q. 525 (Fed. Cir. 1986), *cert. denied*. A product on the market that lacks the advantages of the patented product can hardly be termed a substitute acceptable to the customer who wants those advantages. *Standard Havens Products, Inc. v. Gencor Industries, Inc.*, 953 F.2d 1360, 1373, 21 U.S.P.Q.2d 1321 (Fed. Cir. 1991), *cert. denied*. If purchasers are motivated to purchase because of particular features available only from the patented product, products without such features would most certainly not be acceptable non-infringing substitutes. *Id.*

143. Also, courts have generally held that an infringer's acceptable substitute argument is of "limited influence" when it [the infringer] ignores those substitutes while selling the patented invention. (emphasis added). *TWM*, 789 F.2d at 902. This is exactly what Peterson did.

144. In an alternative approach, however, the "entire market value rule" may be used to determine the device for calculating lost profits. In *Beatrice Foods*, the Court stated that the law does not bar the inclusion of convoyed sales in an award of lost profits damages. *Beatrice Foods Co. v. New England Printing & Lithographic Co.*, 899 F.2d 1171, 1175, 14 U.S.P.Q.2d 1020 (Fed. Cir. 1991).

145. The "entire market value rule" allows for the recovery of damages based on the value of an entire

apparatus containing several features, even though only one feature is patented. *Paper Converting Machine Co., v. Magna-Graphics, Corp.*, 745 F.2d 11, 33, 223 U.S.P.Q. 591 (Fed. Cir. 1984).

146. The "entire market value rule" further permits recovery of damages based on the value of the entire apparatus containing several features, when the patent-related feature is the basis for customer demand. See *TWM*, 789 F.2d at 901.

147. The "entire market value rule" is appropriate where both the patented and unpatented components together are analogous to components of a single assembly, parts of a complete machine, or constitute a functional unit. See *Rite-Hite v. Kelly Co.*, 56 F.3d 1538, 1550, 35 U.S.P.Q.2d 1065 (Fed. Cir. 1995).

WILLFULNESS / EXCEPTIONAL CASE

148. In addition to requiring "damages adequate to compensate for the infringement," Section 284 of the Patent Act authorizes a district court to "increase damages up to three times the amount found or assessed." 35 U.S.C. § 284.

149. The Federal Circuit has interpreted this provision of Section 284 as requiring a two-step process: "First the fact-finder must determine whether an infringer is guilty of conduct upon which increased damages may be based." *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570, 38 U.S.P.Q.2d 1397 (Fed. Cir. 1996). "If so, the Court then determines, exercising its sound discretion, whether, and to what extent, to increase the damage award given the totality of the circumstances." *Id.*

150. "An act of willful infringement satisfies this culpability requirement, and is, without doubt, sufficient to meet the first requirement to increase a compensatory damages award." *Id.* Thus, once a proper willfulness finding is made, the first step in determining whether damages should be enhanced is complete. *Id.* At that point, the Court need consider only whether, and to what extent, the compensatory damages awarded by the fact finder should be increased, in light of "the egregiousness of the Defendant's conduct based on all the facts and circumstances of the case." *Id.*

151. "A potential infringer having actual notice of another's patent rights has an affirmative duty of care." *Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1084 (Fed. Cir. 1987). An act of infringement is thus deemed willful when the infringer is aware of another's patent and fails to exercise due care to avoid

infringement. *Electro Medical Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994); *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1109 (Fed. Cir. 1986). This standard of care typically requires an opinion from competent patent counsel prior to engaging in any potentially infringing activities. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983). To establish willfulness, Blount must demonstrate by clear and convincing evidence, considering the "totality of the circumstances," that Peterson willfully infringed its patent. *Electro Medical*, 34 F.2d at 1056.

152. The prosecution history of a patent in question is an important element of any competent opinion. *Underwater Devices*, 717 F.2d at 1389-90.

153. A holding of willful infringement is usually sufficient to make a case exceptional and entitles the opposing party to its attorney's fees. 35 U.S.C. § 285 (2002); *Avia Group Intl. Inc. v. L.A. Gear California, Inc.*, 853 F.2d 1557, 1567 (Fed. Cir. 1988).

CONCLUSION

For the reasons set forth above, the Court concludes that Peterson's manufactured products infringe the claims of the '159 patent. Blount is entitled to actual damages from Peterson in the amount of \$429,256. The infringement of Peterson was willful, thus the actual damages are trebled, totalling \$1,287,766. Blount is also awarded prejudgment interest, which shall be calculated on a simple rather than compound basis, on the actual damages of \$429,256 at the rate of 5.0% for the period from December 16, 1999, to August 9, 2002. This is an exceptional case under 35 U.S.C. § 285, thus reasonable attorneys' fees in the amount of \$332,349 are awarded to Blount. Blount is further awarded postjudgment interest, calculated pursuant to 28 U.S.C. § 1961, on the sum of the trebled damages and attorney's fees at the rate of 1.88% from the date of the final judgment. Costs in the amount of \$10,031.04 shall be taxed against Peterson. Based upon the fact that infringement causes irreparable harm, an injunction is granted against Peterson.

It is so ORDERED

SIGNED: June _____, 2004.

JUDGE JERRY BUCHMEYER
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS

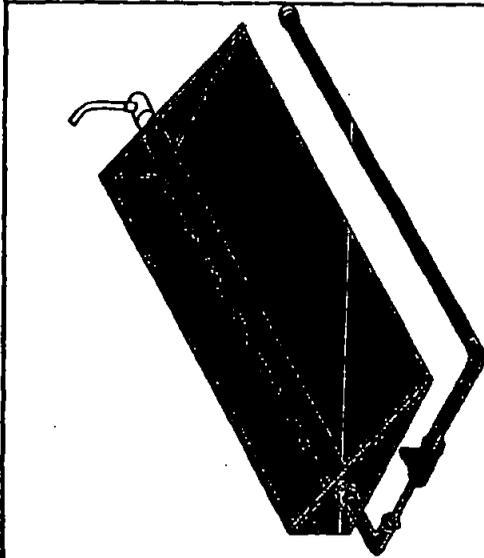
EXHIBIT A

LITERAL INFRINGEMENT CHART

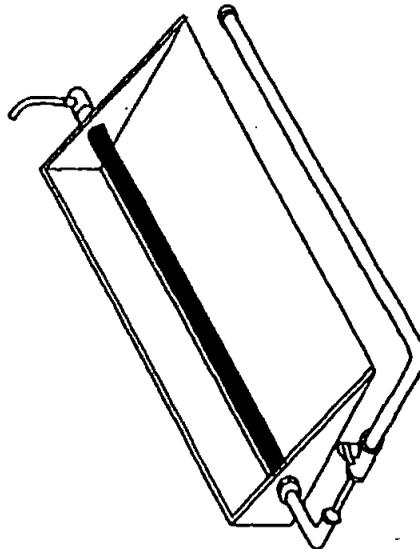
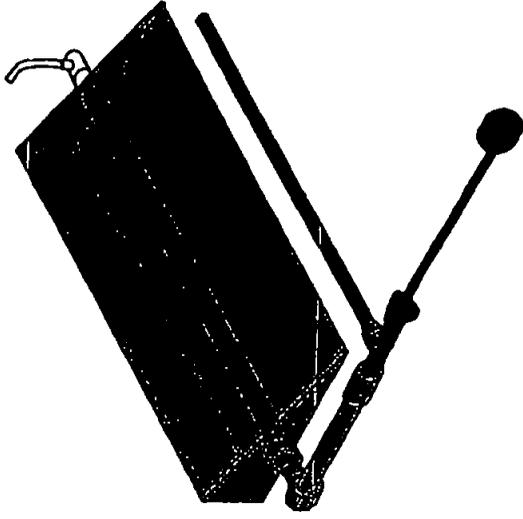
Plaintiff's Claimed Device

Claims/Elements

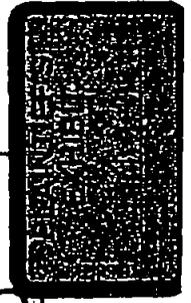
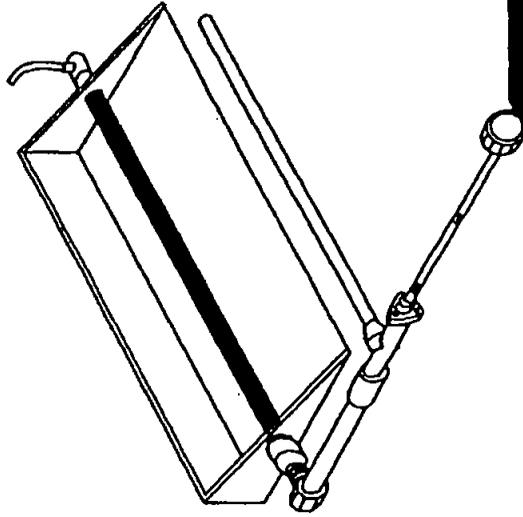
Defendant's Sold Device



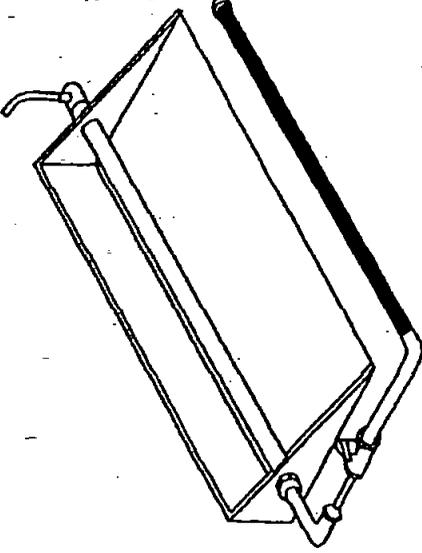
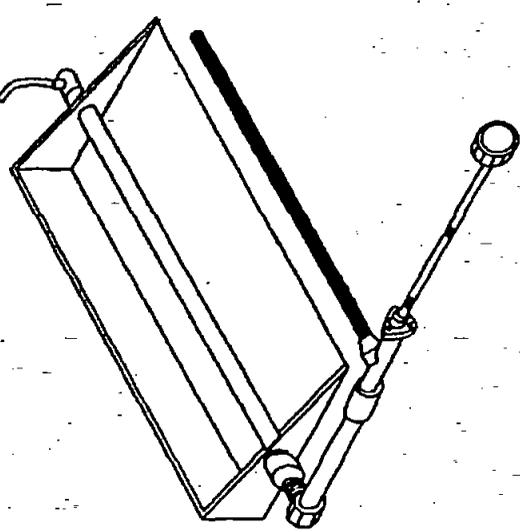
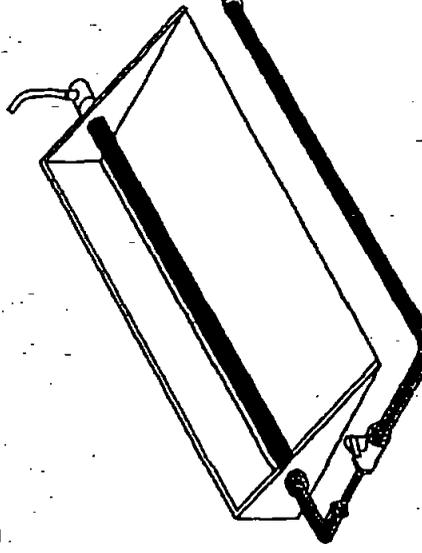
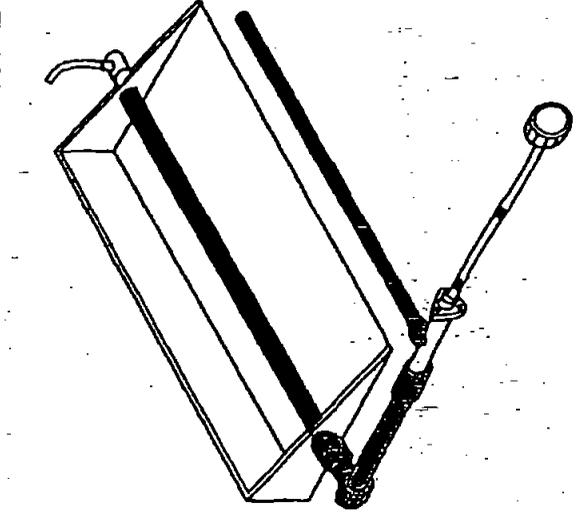
1. A gas-fired artificial logs and coals-burner assembly for fireplace comprising:



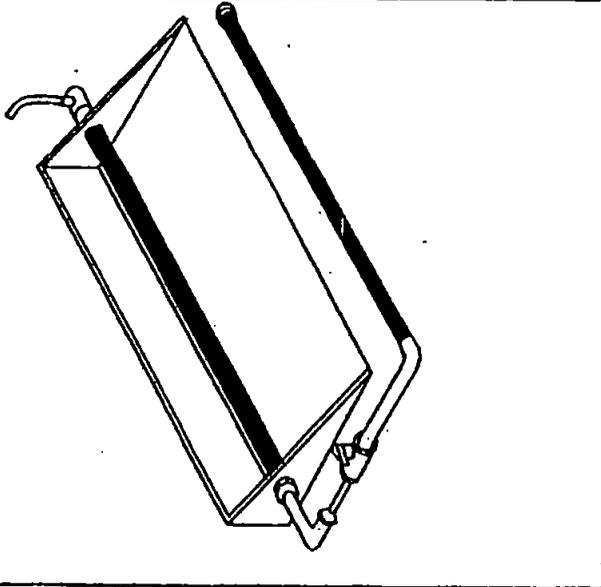
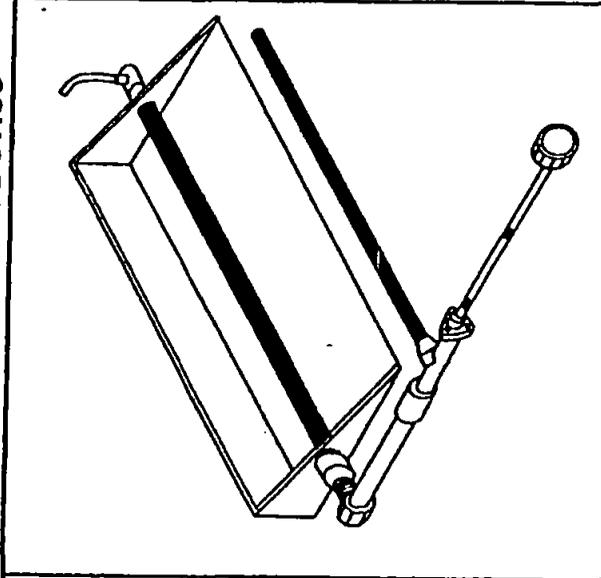
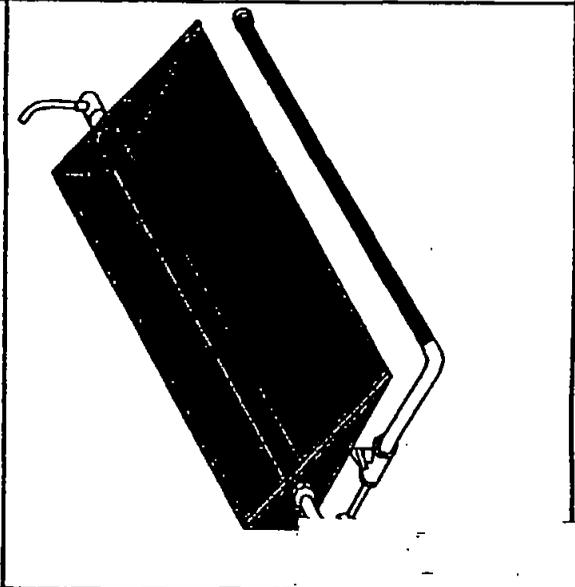
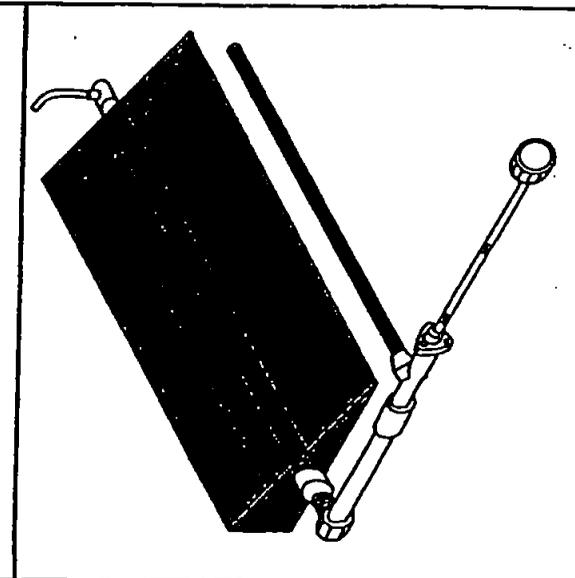
an elongated primary burner tube including a plurality of gas discharge ports;



LITERAL INFRINGEMENT CHART

Plaintiff's Claimed Device	Claims/Elements	Defendant's Sold Device
	<p>the secondary coals burner elongated tube including a plurality of gas discharge ports;</p>	
	<p>the elongated primary burner tube and the secondary coals burner elongated tube communicating through tubular connection means wherein the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and the tubular connection means;</p>	

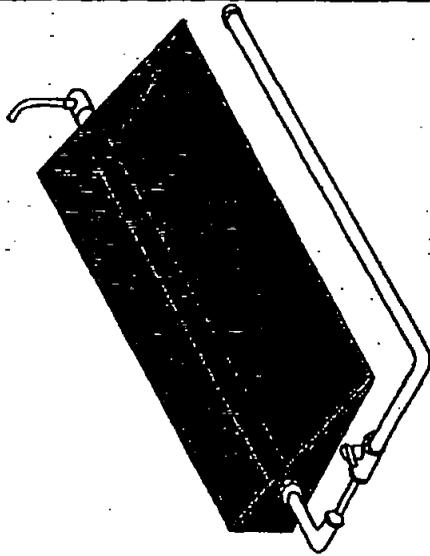
LITERAL INFRINGEMENT CHART

Plaintiff's Claimed Device	Claims/Elements	Defendant's Sold Device
 <p>A perspective view of a rectangular burner assembly. It features a primary burner tube at the bottom and a secondary coals burner elongated tube positioned forwardly above it. A support means is attached to the bottom of the primary burner tube to hold it in a raised level relative to the secondary tube.</p>	<p>a secondary coals burner elongated tube positioned forwardly of the primary burner tube;</p>	 <p>A perspective view of a rectangular burner assembly, similar to the plaintiff's device but with a different support structure for the primary burner tube.</p>
 <p>A perspective view of the burner assembly, showing the primary burner tube in a raised level relative to the secondary coals burner elongated tube.</p>	<p>a support means for holding the elongated primary burner tube in a raised level relative to the forwardly position secondary coals burner elongated tube;</p>	 <p>A perspective view of the burner assembly, showing the primary burner tube in a raised level relative to the secondary coals burner elongated tube.</p>

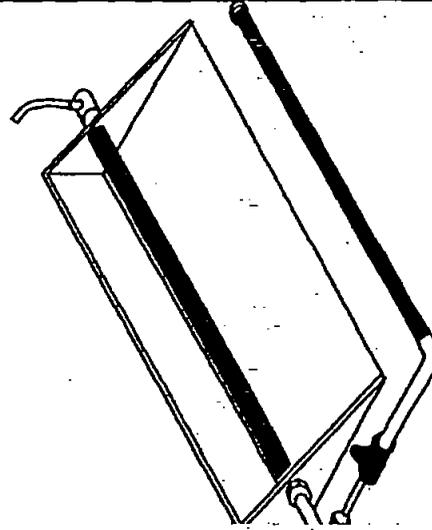
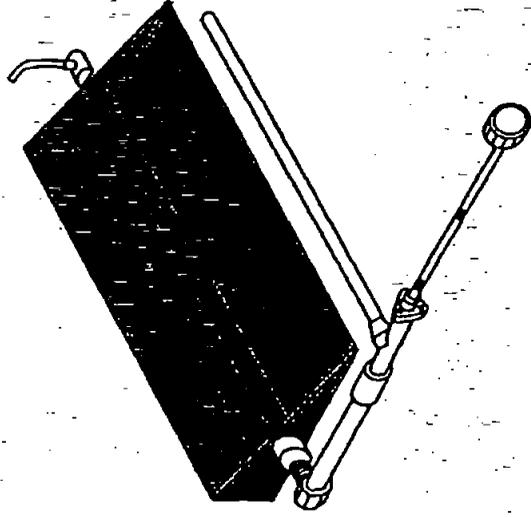
Plaintiff's Claimed Device

Claims/Elements

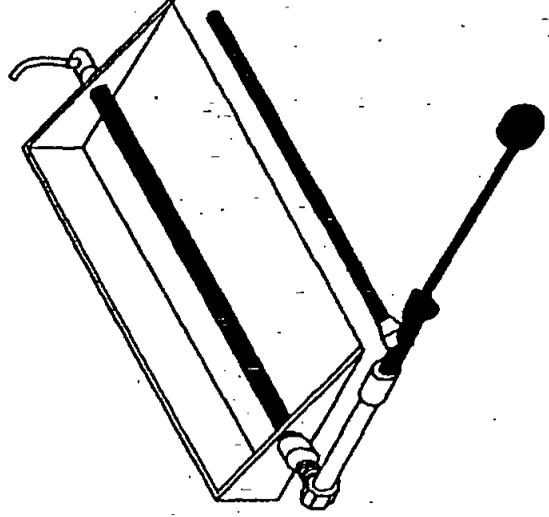
Defendant's Sold Device



2. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the support means for the primary burner tube is comprised of an open frame pan for supporting the primary burner tube in an elevated position relative to the fireplace floor.



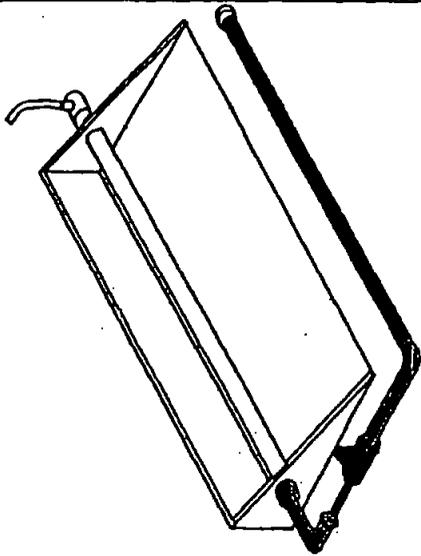
5. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is substantially parallel to the primary burner tube and has a smaller inside diameter than the primary burner tube with the valve adjusting gas flow for coals burn and forwarding heat radiation from the fireplace.



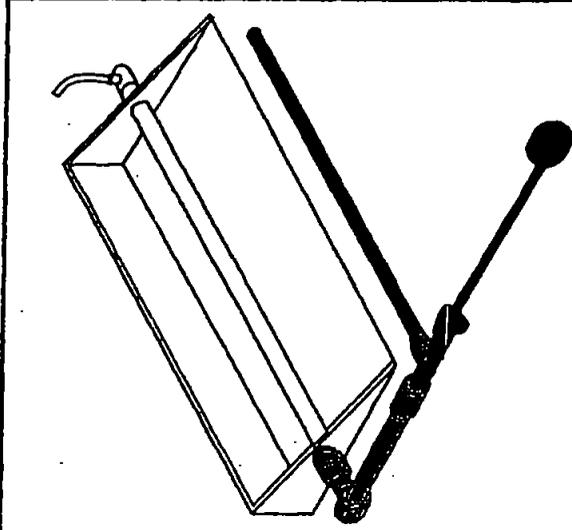
Plaintiff's Claimed Device

Claims/Elements

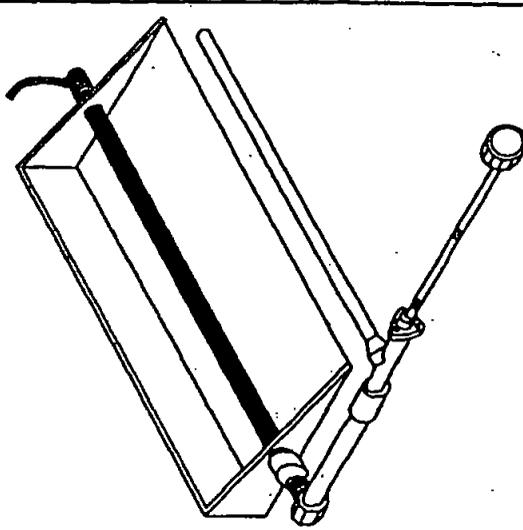
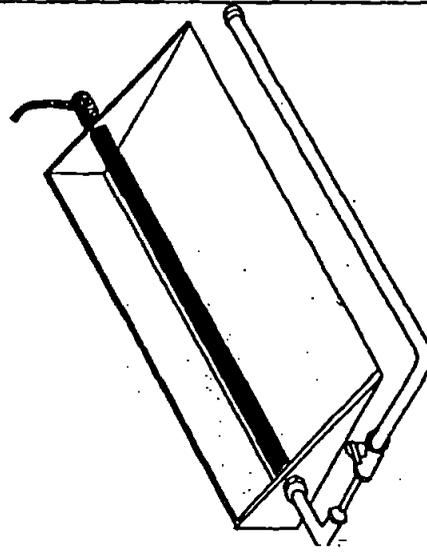
Defendant's Sold Device



a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means; and



the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube.

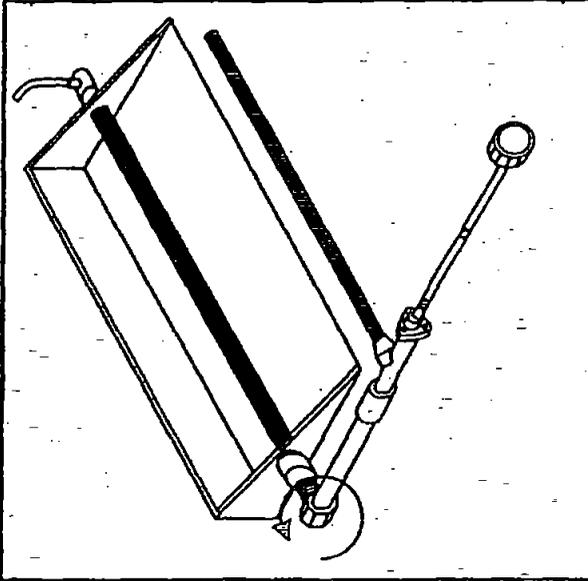


LITERAL INFRINGEMENT CHART

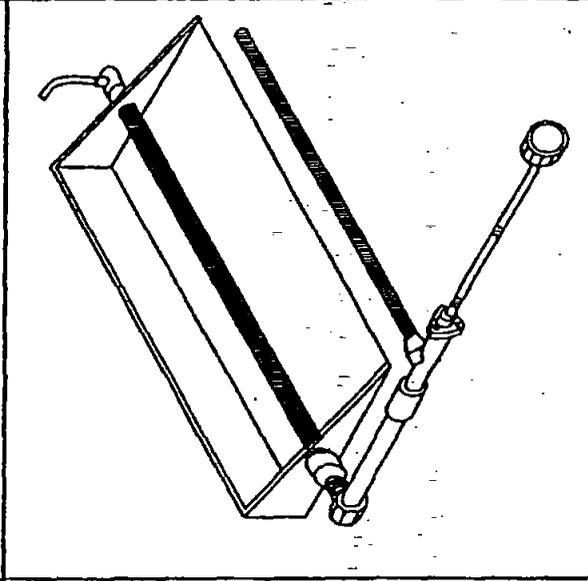
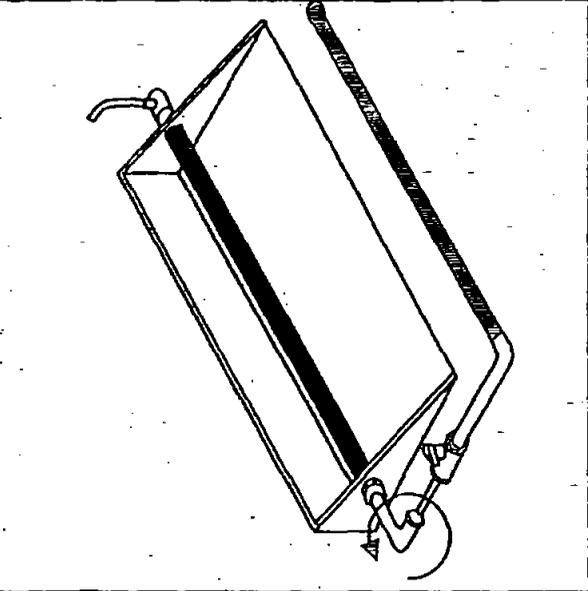
Plaintiff's Claimed Device

Claims/Elements

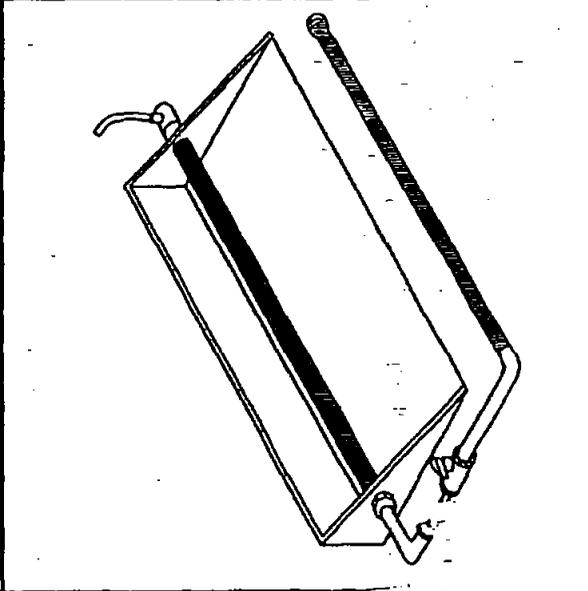
Defendant's Sold Device



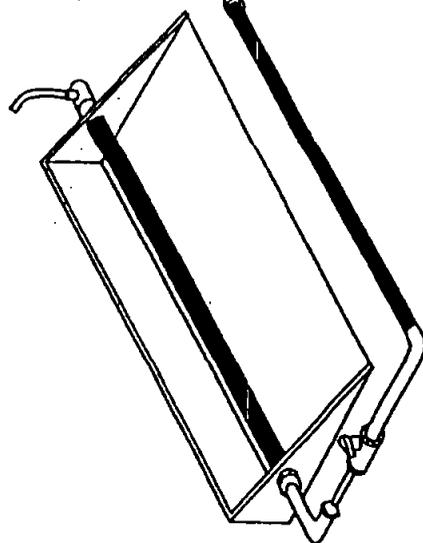
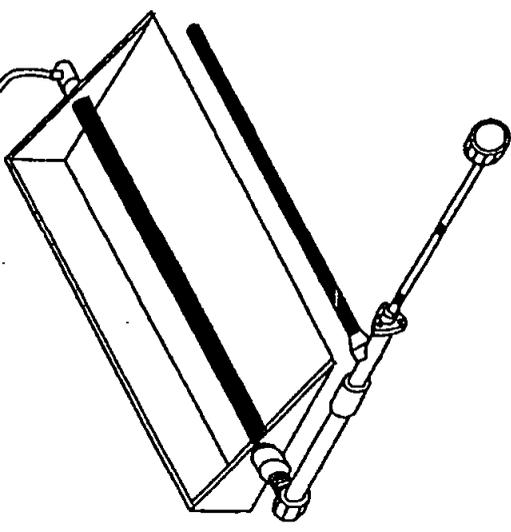
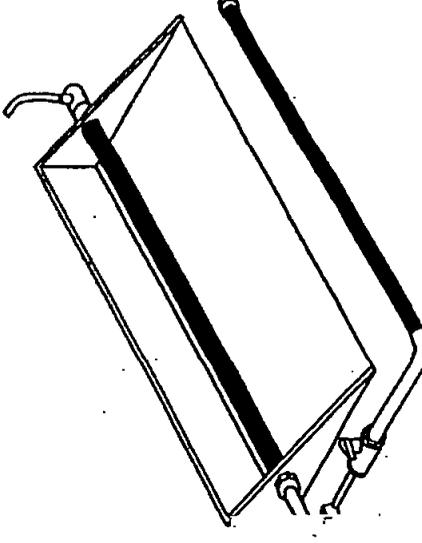
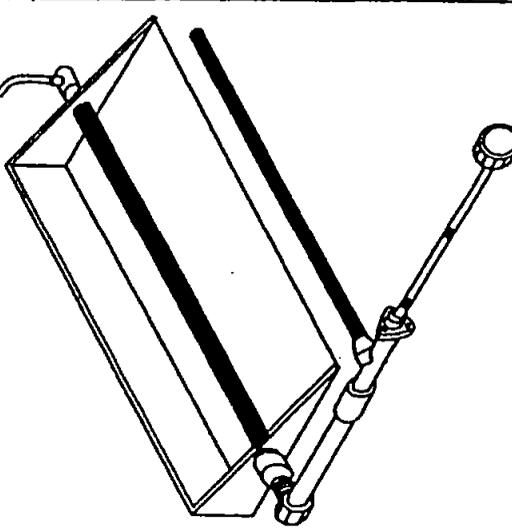
9. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is adjustable in height relative to the floor of the fireplace and the elevated primary burner tube.



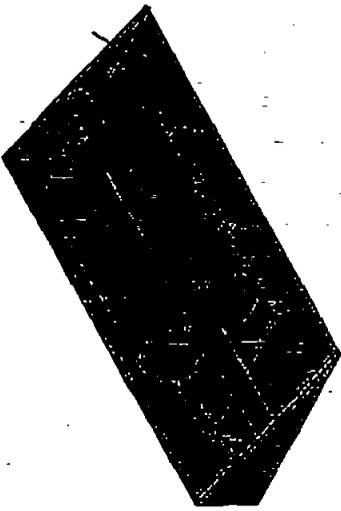
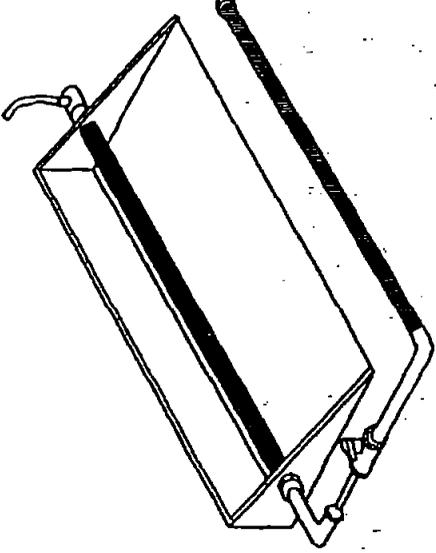
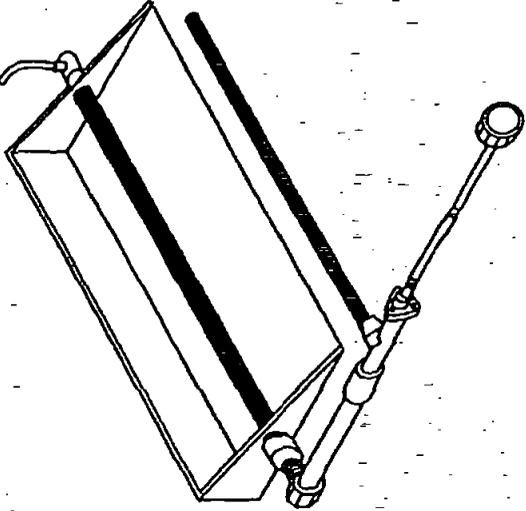
11. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary and secondary burner tubes have apertures of from about 1/32 inch to about 1/8 inch.



LITERAL INFRINGEMENT CHART

Plaintiff's Claimed Device	Claims/Elements	Defendant's Sold Device
 <p>A perspective view of a rectangular burner assembly. It features a primary burner tube (a thick black line) and a secondary burner tube (a thinner black line) positioned above it. The tubes are supported by a metal frame with a gas inlet on the left side.</p>	<p>7. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the elongated primary burner tube and the secondary coals burner elongated tube are spaced apart on different planes at from about four to about eight inches.</p>	 <p>A perspective view of a burner assembly similar to the plaintiff's device. It shows a primary burner tube and a secondary burner tube. The secondary burner tube is positioned higher than the primary one, but they appear to be on similar planes or very close to each other.</p>
 <p>A perspective view of the same burner assembly as in the top-left cell, showing the primary and secondary burner tubes and their supporting frame.</p>	<p>8. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is of a smaller diameter than the primary burner tube which allows for a lower profile of coals and sand coverage.</p>	 <p>A perspective view of a burner assembly similar to the plaintiff's device. The secondary burner tube is noticeably thinner in diameter than the primary burner tube.</p>

LITERAL INFRINGEMENT CHART

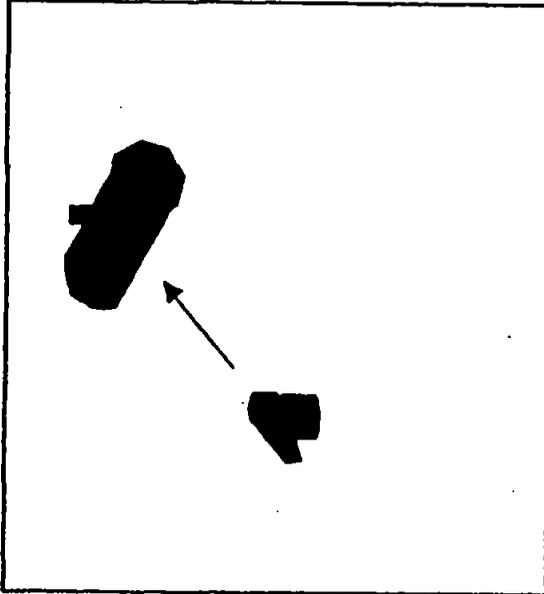
Plaintiff's Claimed Device	Claims/Elements	Defendant's Sold Device
	<p>15. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the open frame pan and primary elongated burner tube is positioned under an artificial logs and grate support means.</p>	
	<p>16. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary elongated burner tube is covered with sand and the secondary elongated burner tube is covered with sand, mica, and fibrous materials which simulate coals and ember burn.</p>	

LITERAL INFRINGEMENT CHART

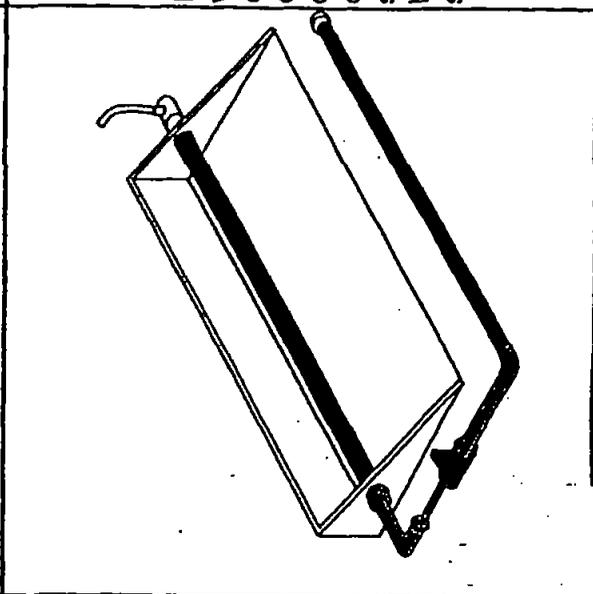
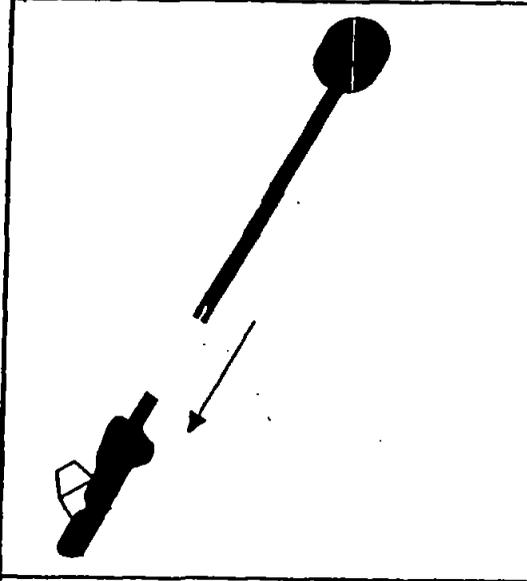
Plaintiff's Claimed Device

Claims/Elements

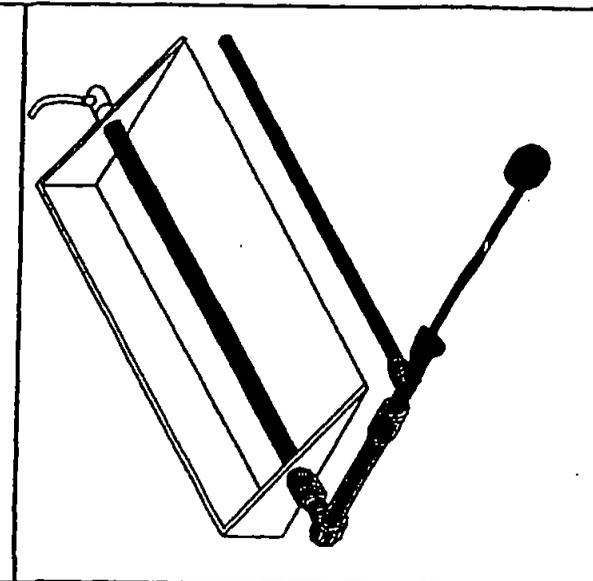
Defendant's Sold Device



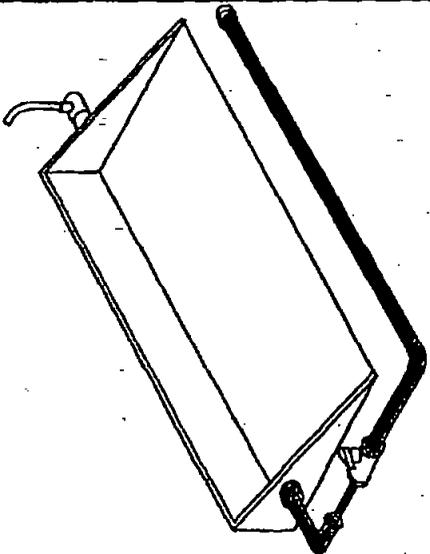
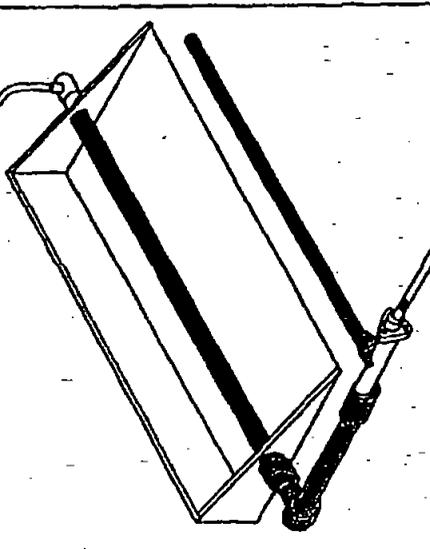
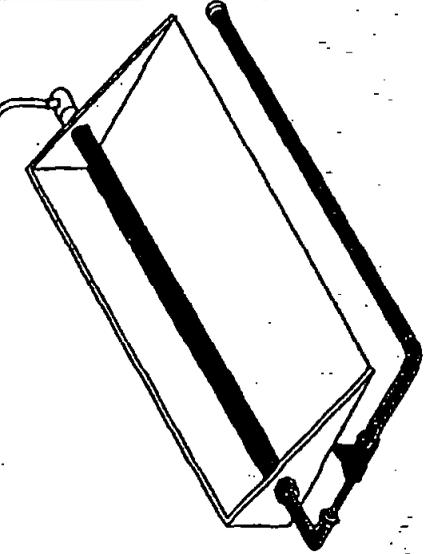
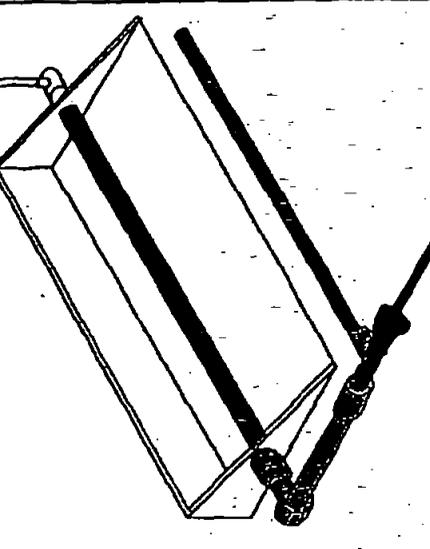
12. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the gas flow adjustment valve has a removable handle, the gas flow adjustment allowing a variety of settings from full closed to full open.



13. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the connection means is comprised of a connector attached to the terminal end of the primary burner tube at a first end of a connector and attached to the secondary coals burner elongated tube to a connector second end with the valve interposed between the primary burner tube and the secondary burner tube.



LITERAL INFRINGEMENT CHART

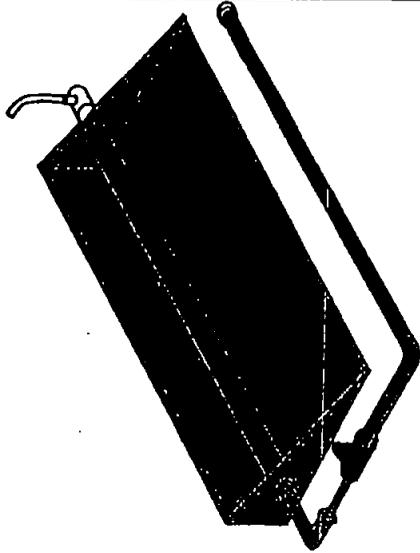
Plaintiff's Claimed Device	Claims/Elements	Defendant's Sold Device
	<p>a connector means for connecting said terminal end in communication with the secondary burner tube, the secondary burner tube positioned substantially parallel, forward and below the primary burner tube</p>	
	<p>the connector means having interposed between the primary and secondary burner tubes a gas flow adjustment valve,</p>	

LITERAL INFRINGEMENT CHART

Plaintiff's Claimed Device

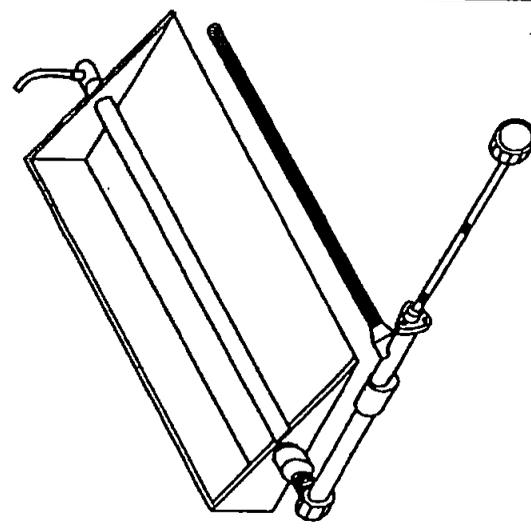
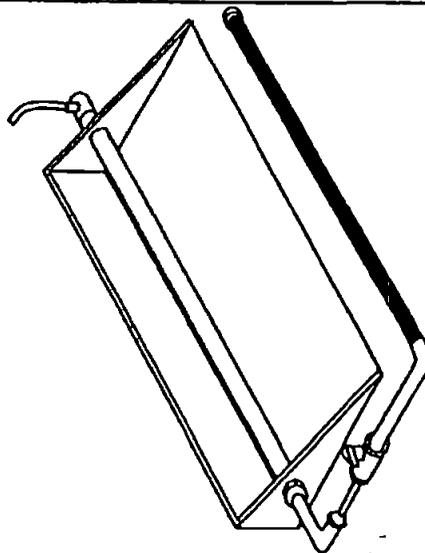
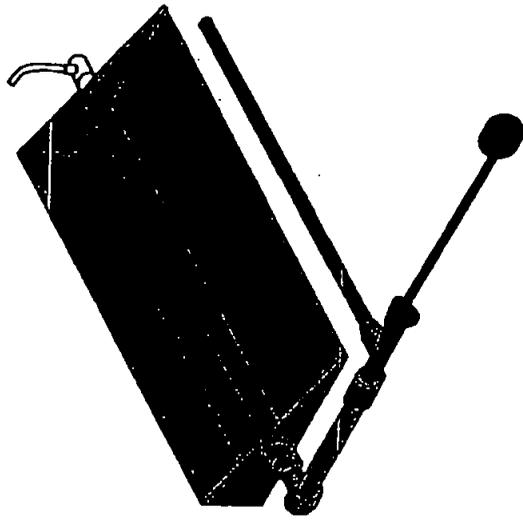
Claims/Elements

Defendant's Sold Device



17. A gas-fired artificial coals- and embers- burner apparatus suitable for attaching to a gas-fired primary artificial log burner tube said primary artificial log burner tube having a terminal end comprising:

a secondary coals burning elongated tube;

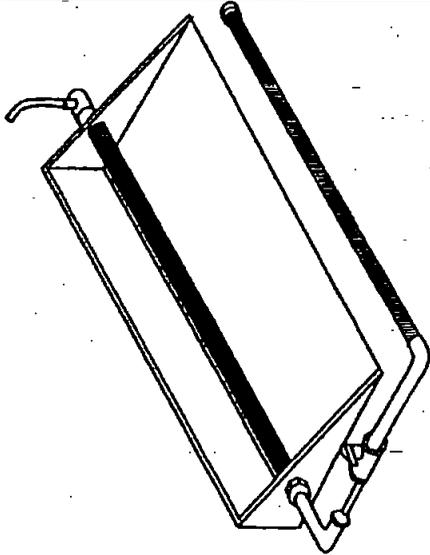


LITERAL INFRINGEMENT CHART

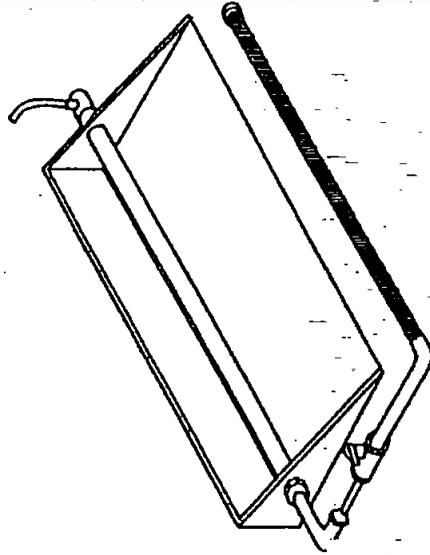
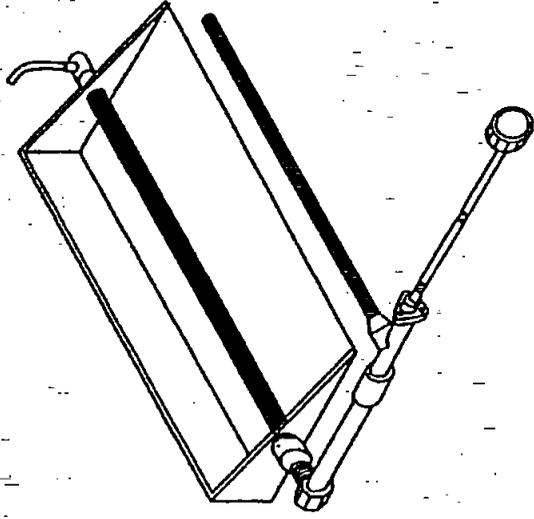
Plaintiff's Claimed Device

Claims/Elements

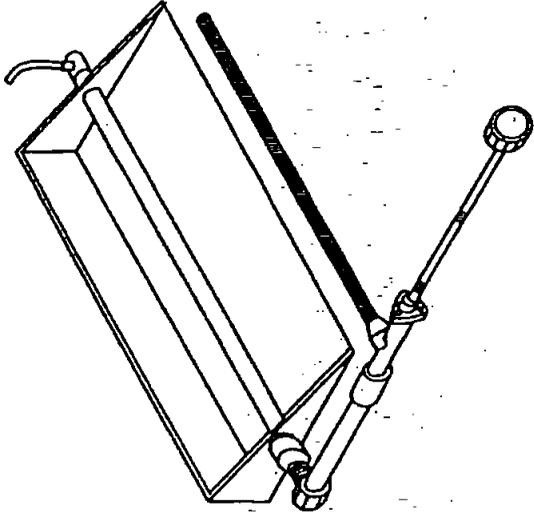
Defendant's Sold Device



primary and secondary burner tubes having a plurality of gas discharge ports.



a gas distribution ports of the secondary burner tube directed away from the fireplace opening.



CERTIFICATE OF SERVICE

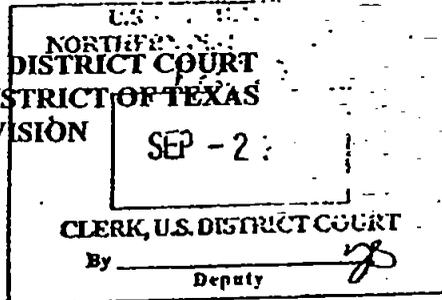
I hereby certify that a true copy of the enclosed Golden Blount, Inc.'s Proposed Findings of Fact and Conclusions of Law was served on the following counsel of record on June 10, 2004, by first class mail and facsimile:

Jerry R. Selinger
Jenkins & Gilchrist
1445 Ross Avenue, Suite 3200
Dallas, Texas 75202
214/855-4500 (Telephone)
214/855-4300 (Facsimile)



Greg H. Parker

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



GOLDEN BLOUNT, INC.,

Plaintiff,

v.

ROBERT H. PETERSON CO.,

Defendant.

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CLERK, U.S. DISTRICT COURT

By Deputy [Signature]

Civil Action No.

3-01CV0127-R

ORDER

This Court, consistent with its ruling at the conclusion of the Oral Hearing on August 18, 2004, hereby VACATES Defendant's Findings of Fact and Conclusions of Law previously adopted on June 22, 2004. The Court, also consistent with its ruling at the conclusion of the Oral Hearing on August 18, 2004, is of the opinion that the Plaintiff's Findings of Fact and Conclusions of Law submitted on August 31, 2004, are correct, and they are hereby ADOPTED as the Findings and Conclusions of this Court.

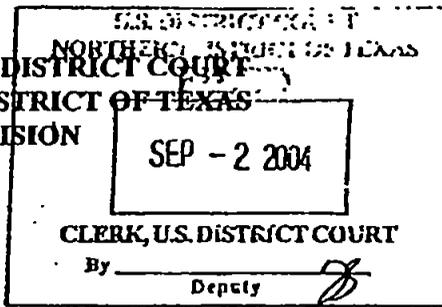
IT IS SO ORDERED.

ENTERED: this 2 day of Sept., 2004.



JERRY BUCHMEYER
SENIOR UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



GOLDEN BLOUNT, INC.,

Plaintiff,

v.

ROBERT H. PETERSON CO.,

Defendant.

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Civil Action No.

3-01CV0127-R

ORDER

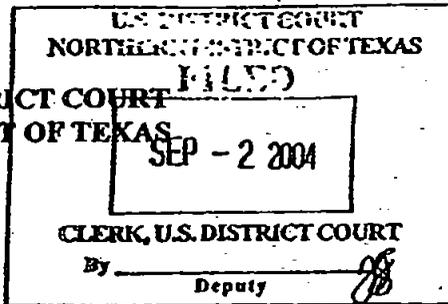
This Court, consistent with its ruling at the conclusion of the Oral Hearing on August 18, 2004, hereby VACATES Defendant Robert H. Peterson's Application for Attorneys' Fees previously adopted on August 11, 2004.

IT IS SO ORDERED.

ENTERED: this 2 day of Sept., 2004.

JERRY BUCHMEYER
SENIOR UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



GOLDEN BLOUNT, INC.,
Plaintiff,
v.
ROBERT H. PETERSON CO.,
Defendant.

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Civil Action No.
3-01CV0127-R

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This Court has conducted a bench trial on plaintiff Golden Blount Inc.'s claims against defendant Robert H. Peterson for a finding of infringement of U.S. Patent No. 5,988,159 and permanent injunction, and on Peterson's counterclaims of invalidity and non-infringement. In accordance with FED. R. CIV. P. 52(a) and consistent with the Court of Appeals for the Federal Circuit's Opinion¹ decided April 19, 2004, the Court enters the following findings of fact and conclusions of law.²

FINDINGS OF FACT

1. This is an action for patent infringement. The Court has subject matter jurisdiction under 28 U.S.C. §§ 1331, 1338(a). The Court has personal jurisdiction over the parties. Venue in this judicial district is proper under 28 U.S.C. § 1391.

¹ While the Appellate Court held that the patent was not invalid, and that the defense of unenforceability was waived, this Court includes general reference to these elements for completeness. *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054 (Fed. Cir. 2004).

² This order contains both findings of fact ("Findings") and conclusions of law ("Conclusions"). To the extent that any Findings may be deemed conclusions of law, they shall also be considered Conclusions. To the extent that any Conclusions may be deemed findings of fact, they shall also be considered Findings. See *Miller v. Fenton*, 474 U.S. 104, 113-14, 88 L. Ed. 2d 405, 106 S. Ct. 445 (1985).

2. Plaintiff Golden Blount, Inc. ("Blount") is a United States corporation having a principal place of business in Addison, Texas.

3. Defendant Robert H. Peterson Co. ("Peterson") is a United States corporation having a principal place of business in City of Industry, California.

4. Blount is the owner by assignment of U.S. Patent No. 5,988,159 ("the '159 patent"), entitled "Gas-Fired Artificial Logs and Coals-Burner Assembly," which issued on November 23, 1999. The '159 patent expires on November 23, 2016.

5. Blount filed this suit for infringement of the '159 patent under 35 U.S.C. §§ 271(a) thru 271(c) on January 18, 2001.

6. On March 19, 2001, Peterson filed its Answer and Counterclaim. Peterson denied infringement and asserted counterclaims for noninfringement and invalidity of the '159 patent.

7. A bench trial, by agreement of the parties, commenced on July 29, 2002, and ended on July 31, 2002.

8. Claims 1, 2, 5, 7-9, 11-13 and 15-17 are at issue in this case. Claims 1 and 17 are independent claims. All the other claims at issue are dependent on claim 1.

9. Claim 1 of the '159 patent reads as follows:

A gas-fired artificial logs and coals-burner assembly for fireplace comprising:

an elongated primary burner tube including a plurality of gas discharge ports;

a secondary coals burner elongated tube positioned forwardly of the primary burner tube;

a support means for holding the elongated primary burner tube in a raised level relative to the forwardly position secondary coals burner elongated tube;

the secondary coals burner elongated tube including a plurality of gas discharge ports;

the elongated primary burner tube and the secondary coals burner elongated tube communicating through tubular connection means wherein the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and the tubular connection means;

a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means; and

the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube.

10. Claim 2 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the support means for the primary burner tube is comprised of an open frame pan for supporting the primary burner tube in an elevated position relative to the fireplace floor.

11. Claim 5 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is substantially parallel to the primary burner tube and has a smaller inside diameter than the primary burner tube with the valve adjusting gas flow for coals burn and forwarding heat radiation from the fireplace.

12. Claim 7 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the elongated primary burner tube and the secondary coals burner elongated tube are spaced apart on different planes at from about four to about eight inches.

13. Claim 8 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is of a smaller diameter than the primary burner tube which allows for a lower profile of coals and sand coverage.

14. Claim 9 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is adjustable in height relative to the floor of the fireplace and the elevated primary burner tube.

15. Claim 11 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary and secondary burner tubes have apertures of from about 1/32 inch to about 1/8 inch.

16. Claim 12 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the gas flow adjustment valve has a removable handle, the gas flow adjustment allowing a variety of settings from full closed to full open.

17. Claim 13 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the connection means is comprised of a connector attached to the terminal end of the primary burner tube at a first end of a connector and attached to the secondary coals burner elongated tube to a connector second end with the valve interposed between the primary burner tube and the secondary burner tube.

18. Claim 15 of the '159 patent reads as follows:

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

19. Claim 16 of the '159 patent reads as follows:

The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary elongated burner tube is covered with sand and the secondary

elongated burner tube is covered with sand, mica, and fibrous materials which simulate coals and ember burn.

20. Claim 17 of the '159 patent reads as follows:

A gas-fired artificial coals- and embers-burner apparatus suitable for attaching to a gas-fired primary artificial log burner tube said primary artificial log burner tube having a terminal end comprising:

a secondary coals burning elongated tube;

a connector means for connecting said terminal end in communication with the secondary burner tube, the secondary burner tube positioned substantially parallel, forward and below the primary burner tube, the connector means having interposed between the primary and secondary burner tubes a gas flow adjustment valve, the primary and secondary burner tubes having a plurality of gas discharge ports, the secondary burner tube being in gas flow communication with the primary burner tube being the connection means, a gas distribution ports of the secondary burner tube directed away from the fireplace opening.

21. At the time the patent issued, Blount's commercial structure covered by the '159 patent had been marketed for approximately six years. (Trial Transcript, hereafter referred to as "Tr.", vol. 1, pg. 158). The invention covered by the '159 patent is a simple yet very useful device that is to be used in artificial gas fireplaces. The general idea is that the device has two tubes, with the main or primary burner tube being higher than the ember burner tube to allow for artificial embers and sand to be fanned out over the tubes with a decreasing depth of materials to simulate a natural angle of repose of coals in a real fireplace. A secondary valve controls the flow of gas from the primary burner tube to the ember burner to allow for an adjustment of flame from the ember burner. Thus, with the presence of the ember burner forward the primary burner tube, more flame can be provided out front of the gas logs to better simulate a real fireplace and thereby make the artificial fireplace more aesthetically pleasing. Evidence presented at trial establishes that Peterson's accused device fulfills exactly the same purpose. (Tr. vol. 2, pg 175; Defendant's Ex. No. D-33).

22. Blount's sales of its commercial structure grew significantly during the time spanning the filing of the application that resulted in the '159 patent and the issuance of the '159 patent. (Tr., vol. 1, pg. 36-37).

23. In late 1996 or early 1997, Peterson began manufacturing, advertising and selling a device that was strikingly similar to, if not a virtual copy of, Blount's commercial structure. (Tr., vol. 2, pg. 76 and pg. 172).

24. Blount's '159 patent issued on November 23, 1999. (Plaintiff's Ex. No. 1).

25. Blount notified Peterson of the existence of the '159 patent and Peterson's infringing activities on December 16, 1999, using a certified letter postmarked December 10, 1999, from Mr. Dan Tucker (attorney for Blount) to Peterson's president, Mr. Leslie Bortz. (Plaintiff's Ex. No. 10).

26. This first certified letter included a copy of the '159 patent, and informed Peterson that Blount was prepared to take whatever steps were reasonable and necessary to prevent infringement. Blount requested a response regarding this matter from Peterson by January 14, 2000. (Plaintiff's Ex. No. 10).

27. On December 17, 1999, Mr. Tod Corrin (Peterson's Vice President) forwarded the December 10, 1999, certified letter onto Peterson's patent counsel, Mr. William McLaughlin. Mr. Corrin wrote, in a cover letter included with the copy of the first certified letter, "[e]nclosed is a *patent infringement* letter we received from Golden Blount's Attorney." (Plaintiff's Ex. No. 17, emphasis added). Given the letter from Blount's attorney and this acknowledgment by Mr. Corrin, this Court finds that Peterson had knowledge of its infringement of the '159 patent as of December 16, 1999.

28. On December 30, 1999, Peterson responded to Blount's letter of December 10, 1999, explaining that Peterson had forwarded the December 10, 1999, letter to its attorneys and that Peterson would get back with Blount as soon as possible. Given the December Holidays, as well as the New Year, Peterson informed Blount that Blount's January 14, 2000, response date was unreasonable. (Plaintiff's Ex. No. 11).

29. After receiving no response from Peterson for more than four months, Blount sent a second certified letter to Peterson on May 3, 2000, again informing Peterson of its patent infringement. The May 3, 2000, letter advised Peterson that Blount "will take [the] necessary steps to stop any such *infringement*." (Plaintiff's Ex. No. 12, emphasis added).

30. Peterson responded to the May 3, 2000, letter on May 16, 2000, that it disagreed with Blount's assertion that Peterson was marketing a device that was substantially similar to the burner assembly claimed in the '159 patent. Peterson further asked that Blount explain to it, in detail, the basis upon which Blount believed that Peterson was infringing the patent. (Plaintiff's Ex. No. 13).

This Court finds that Peterson's disagreement lacks any serious credibility, since a simple comparison of the device as illustrated in the '159 patent with Peterson's product would have revealed to any reasonable person that infringement was highly likely. Moreover, the record before this Court reveals that Peterson did not have any documents before it or its attorney at this time that provides a reasonable basis for this statement. Even though Blount did not give any explanation to Peterson, this did not relieve Peterson of its obligation to investigate in good faith whether it was in fact infringing the '159 patent. This Court further finds that the May 3, 2000, letter was written simply for the purpose of delay, or even with the hope that the infringement matter would go away. This Court, therefore, concludes that the request was not genuine.

31. On January 18, 2001, over a year after Peterson received its first notice of infringement letter, Blount filed suit. (Plaintiff's Ex. No. 14). Blount's initial notice letter of December 10, 1999, met the notice requirements under 35 U.S.C. § 287(a), and therefore, Peterson's additional information request did not relieve Peterson of its obligation to determine if it was infringing the '159 patent.

32. Blount sent a final letter on January 19, 2001, to Peterson advising Peterson that suit was brought in view of its failure to respond or indicate in any manner its intentions with respect to its infringing product. (Plaintiff's Ex. No. 14).

33. Peterson made no efforts to cease its infringing activities either in the time period spanning the December 10, 1999, letter and the January 19, 2001, letter, or for that matter, up and until the commencement of this trial. (Plaintiff's Ex. No. 17 & Updated Sales Figures provided by Peterson in response to this Court's request).

34. During the period between December 16, 1999, and September 19, 2002, Peterson sold 3,723 ember flame burner units ("ember burners"). (Tr., vol. 2, pg. 181 and Peterson Company's Objection to Golden Blount's Motion for Updated Damages filed on September 18, 2002).

35. Peterson's ember burner is intended to be attached to its G-4 series burner system or G-5 series burner system. (Joint Pretrial Order-Stipulations, pg. 6). In addition to selling the ember

burner, Peterson also sells log sets that can be used with the ember burner and often uses the ember burner to entice their customers to come back in and buy new log sets. (Tr. vol. 2, pg 178).

36. The G-4 and G-5 series burner systems are substantially identical except that Peterson pre-assembles the G-5 burner system according to certain Canadian Gas Association specifications. (Tr., vol. 2, pg. 179).

37. At least 10 of the 3,723 Ember burners sold by Peterson were included on the pre-assembled G-5 series burner systems. (Oct. 5, 2001, deposition of Mr. Leslie Bortz, pg. 154-55).

38. At trial, Blount introduced Plaintiff's Exhibit No. 4A, which is one of Peterson's manufactured products including a Peterson G-4 burner pan with Peterson's ember burner attached to it. Blount properly laid foundation for this Plaintiff's Exhibit No. 4A through the testimony of one of Peterson's own witnesses, Mr. Jankowski, who stated that he recognized Plaintiff's Exhibit No. 4A as Peterson's products. (Tr. vol. 2, pg. 145). Also, Mr. Blount, whose business competes with Peterson's, identified Plaintiff's Exhibit No. 4A as being Peterson's competing product. (Tr. vol. 1, pg. 144). This Court also finds that foundation for this device is further established because the Court finds it to be virtually identical to the picture on page 3 of Peterson's own general installation instructions (introduced at trial by Peterson as Defendant's Ex. No. D-34), except for the valve knob, which is not at issue.

LITERAL INFRINGEMENT-DIRECT

39. The construction of the claims appears under paragraphs 120 thru 123 of the Conclusions of Law section. The determination of infringement based on the construed claims is factual and is therefore organized here under the Findings of Fact.

40. The analysis with respect to the literal infringement of claim 1 is as follows:

The first element of claim 1 reads: "an elongated primary burner tube including a plurality of gas discharge ports." Based upon the totality of the evidence, including unrebutted testimony of Mr. Golden Blount and this Court's own observations of the accused device, it is this Court's finding that the primary burner tube is the fundamental burner tube used in a majority of all gas operated fireplaces. Similarly, the plurality of gas discharge ports allow the flammable gas to escape from the primary burner tube and be ignited to provide a flame. Blount presented the unrebutted oral testimony of Mr. Blount, who using an infringement chart (Plaintiff's Ex. No. 9) as a guide, testified

that Peterson's manufactured products include a primary burner tube having gas discharge ports therein. (Tr., vol. 1, pg. 45-50). In addition to this un rebutted testimony, this Court had the opportunity to closely observe an assembled version of Peterson's manufactured product³, wherein this Court observed Peterson's manufactured product having the primary burner tube including two or more gas discharge ports. (Tr., vol. 2, pg. 28). Peterson even admitted and stipulated to the presence of this element in its device. (Tr., vol. 2, pg. 173; Joint Pretrial Order--Stipulations, pg. 6). Further, Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meet the first limitation of claim 1, which reads: "an elongated primary burner tube including a plurality of gas discharge ports."

41. The second element of claim 1 reads: "a secondary coals burner elongated tube positioned forwardly of the primary burner tube." Given the claim interpretation as set forth by the Court of Appeals for the Federal Circuit and based upon the totality of the evidence, the secondary coals burner elongated tube is positioned toward the opening of the fireplace, at least as compared to the primary burner tube, and is designed to provide a realistic flame, likened to a flame that might emanate from burning coals. Blount again presented evidence in the form of oral testimony of Mr. Blount, that Peterson's manufactured products include a secondary coals burner elongated tube, and that it is positioned forwardly of the primary burner tube. (Tr., vol. 1, pg. 45-50). Based on this Court's close observation of Peterson's manufactured product⁴, this Court finds that Peterson's manufactured products contain the claimed secondary coals burner elongated tube, which in Plaintiff's Exhibit No. 4A is Peterson's Ember Flame Booster (ember burner), and that it was positioned forwardly the primary burner tube. (Tr., vol. 2, pg. 28). Peterson even admitted and stipulated to the presence of this element in its device. (Tr., vol. 2, pg. 173; Joint Pretrial Order--Stipulations, pg. 6). Further, Peterson never presented evidence that conclusively established that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meet the second limitation of claim 1, which reads: "a secondary coals burner elongated tube positioned forwardly of the primary burner tube."

³ See Finding of Fact No. 38, discussed above.

⁴ See Finding of Fact No. 38, discussed above.

42. The third element of claim 1 reads: "a support means for holding the elongated primary burner tube in a raised level relative to the forwardly position[ed] secondary coals burner elongated tube." The previous two paragraphs already demonstrate that Peterson's manufactured products include both the elongated primary burner tube and the forwardly positioned secondary coals burner elongated tube. The only additional limitation added by this element is that a support means holds the elongated primary burner tube in a raised level relative to the secondary coals burner elongated tube. Peterson's manufactured products include a support means that holds the primary burner tube. Actually, Peterson's support means, which is an industry standard pan, is substantially identical if not completely identical, in shape and function to the support means illustrated in the '159 patent. (Tr., vol. 1, pg. 47). The question for this Court to rule on is whether Peterson's support means holds Peterson's elongated primary burner tube in a raised level relative to its secondary coals burner elongated tube. As affirmed by the Court of Appeal for the Federal Circuit, this Court construes the term "raised level" to mean that the top of the primary burner tube is at a raised level with respect to the top of the secondary burner tube. Blount offered evidence at trial that the top of Peterson's primary burner tube was higher than the top of Peterson's ember burner tube, by demonstrating before this Court, using a carpenter's level laid across the tops of the tubes of Plaintiff's Exhibit No. 4A, that Peterson's primary burner tube was raised with respect to its secondary burner. (Tr., vol. 2, pg. 28). Even Peterson's own patent attorney, Mr. McLaughlin, admitted during the demonstration that "assuming the table is level, the top of the front burner is below the top of the rear burner." (Tr., vol. 2, pg. 29). Also, Peterson's executive Mr. Bortz admitted that the top of the ember burner was lower than the top of the primary burner. (Tr., vol. 2, pg. 42). Similarly, Mr. Corrin testified that the tube is below the top of the main burner tube. (Tr., vol. 2, pg. 173 and Defendant's Ex. No. 8). The above evidence was, for the most part, un rebutted because Peterson based the majority of its case in chief on the argument that the relative height of the primary burner tube with respect to the secondary coals burner elongated tube should be measured from the bottoms of the respective tubes, or the ports. This Court further observed a general set of instructions included within the box of each ember burner, (Defendant's Ex. No. D-34 at pg. 3), which instructs the person assembling the device to tighten the Ember Flame Booster (ember burner) so that the valve faces forward and flush with the burner pan. According to the testimony of Mr. Bortz, the normal configuration is to have the valve resting on the fireplace floor because it serves as a support

for the ember burner. (Leslie Bortz Deposition, vol. 1, pg. 70-71). At trial, and as observed by this Court, when the valve was resting on the table flush with the pan, the top of the primary burner was above the top of the ember burner. Additionally, Peterson actually offered to this Court, (Defendant's Ex. No. D-30), which it stated was provided to customers and installers to illustrate how to properly install the assembly. (Tr. vol. 2, pg. 183). While Defendant's Exhibit No. D-30 was offered in an attempt to establish non-infringement based upon Peterson's asserted bottoms test that it was proposing, the instructions clearly illustrate that Peterson's preferred installation has the tops of the primary burner tube being in a raised level with respect to the tops of the secondary coals burner elongated tube. Thus, given the above discussed interpretation, and in view of the evidence presented, Peterson's manufactured products meet the third limitation of claim 1, which reads: "a support means for holding the elongated primary burner tube in a raised level relative to the forwardly position[ed] secondary coals burner elongated tube."

43. The fourth element of claim 1 reads: "the secondary coals burner elongated tube including a plurality of gas discharge ports." Blount again presented oral testimony of Mr. Blount that the secondary coals burner elongated tube of Peterson's manufactured products include a plurality of gas discharge ports. (Tr., vol. 1, pg. 45-50). Further, this Court's close observation of Peterson's manufactured product⁵ established that Peterson's secondary coals burner elongated tube includes a plurality of gas discharge ports. (Tr., vol. 2, pg. 28). Peterson also admitted to the presence of a plurality of gas discharge ports or jets, (Tr., vol. 2, pg. 174), and mentions this claimed element in its installation instructions. (Defendant's Ex. No. D-34). Further, Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element that successfully rebuts Blount's evidence on this point. Thus, Peterson's manufactured products meet the fourth limitation of claim 1, which reads: "the secondary coals burner elongated tube including a plurality of gas discharge ports."

44. The fifth element of claim 1 reads: "the elongated primary burner tube and the secondary coals burner elongated tube communicating through tubular connection means wherein the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and the tubular connection means." Blount presented the oral testimony of Mr. Blount that Peterson's manufactured

⁵ See Finding of Fact No. 38, discussed above.

products include the tubular connection means and that the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and tubular connection means. (Tr., vol. 1, pg. 45-50). Additionally, this Court physically observed this claimed element in Peterson's manufactured product⁶, (Tr., vol. 2, pg. 28), and again notes that the illustration in Defendant's Exhibit No. D-34 shows this tubular connection means. Moreover, Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meet the fifth limitation of claim 1, which reads: "the elongated primary burner tube and the secondary coals burner elongated tube communicating through tubular connection means wherein the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and the tubular connection means."

45. The sixth element of claim 1 reads: "a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means." The evidence as established by Mr. Blount's testimony, Peterson's general instructions (Defendant's Ex. No. D-34), and this Court's own inspection of Plaintiff's Exhibit No. 4A, confirms the presence of the valve. (Tr., vol. 1, pg. 45-50 and vol. 2, pg. 28). Peterson even admitted and stipulated to the presence of this element in its device. (Tr., vol. 2, pg. 173; Joint Pretrial Order—Stipulations, pg. 6). Further, Peterson never presented any evidence that its manufactured products did not contain the aforementioned claimed element. Thus, Peterson's manufactured products meet the sixth limitation of claim 1, which reads: "a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means."

46. The seventh element of claim 1 reads: "the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube." Blount again presented the oral testimony of Mr. Blount that the primary burner tube of Peterson's manufactured products would ultimately be coupled to a gas source with a gas flow control means therein for controlling gas flow into the primary burner tube. (Tr., vol. 1, pg. 45-50). Furthermore, the parties stipulated prior to the commencement of the trial that "Robert H. Peterson Co.'s ember burner is intended to be attached to its G-4 series burner system or G-5 series burner system and the combined unit comprises a primary burner pipe, an ember pan that supports the

⁶ See Finding of Fact No. 38, discussed above.

primary burner pipe, a secondary burner tube and a valve that controls a flow of gas between the primary burner pipe and the secondary burner tube, and that an end user *would* connect the primary burner pipe to a gas source having a valve associated therewith." (Joint Pretrial Order—Stipulations, pg. 6). Thus, Peterson's manufactured products would ultimately meet the seventh limitation of claim 1, which reads: "the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube."

47. This Court finds that the above evidence is substantial and it clearly establishes that Peterson's accused device contains each and every element of claim 1 of the '159 patent.

48. The evidence presented at trial establishes that Peterson provided its customers with two sets of installation instructions. One set was a general set of instructions, (Defendant's Ex. No. D-34 at pg. 3), which instructs the person assembling the device to tighten the Ember Flame Booster (ember burner) so that the valve faces forward and flush with the burner pan. According to the testimony of Mr. Bortz, the normal configuration is to have the valve resting on the fireplace floor because it serves as a support for the ember burner. (Leslie Bortz Deposition, vol. 1, pg. 70-71). At trial, and as observed by this Court, when the valve is resting on the table flush with the pan, the top of the primary burner is above the top of the ember burner. The other set of instructions, (Defendant's Ex. No. D-30), was very specific in the way in which the ember burner was to be oriented with respect to the primary burner. When the device is installed pursuant to these instructions, Defendant's Exhibit No. D-30 clearly shows that the top of the primary burner is above the top of the ember burner. Thus, both of these instructions consistently show that when the G-4 or the G-5 and the ember burner of Peterson's accused device are installed pursuant to these instructions, it would result in an infringing configuration.

49. Although Peterson did not make this argument at any time during trial, Peterson asserts on remand that Blount has not established direct infringement by it or its customers because Blount never directly proved how the devices were actually assembled. Peterson, instead relied on its case-in-chief that it did not infringe because of its urged claim construction and that the '159 patent was invalid, both of which this Court and the Federal Circuit rejected. Moreover, Peterson's position is against the weight of the evidence, both direct and circumstantial, in this case. This Court finds that the evidence clearly supports a case of direct infringement, not only by Peterson, but by its customers as well. Case law holds that when instructions are provided with an infringing device, it can be

circumstantially inferred that the customer follows those instructions with respect to the accused device. Thus, it is reasonable for this Court to conclude that both Peterson and its customers would have assembled the devices in the way set forth in both sets of Peterson's assembly instructions. Peterson's direct infringement of claim 1 is established by the testimony of Messrs. Bortz and Corrin, both corporate officers of Peterson, who testified that Peterson assembled and operated the infringing device for distributors so they had the opportunity to see how the item worked. (Tr., vol. 2, pg. 65-66 and 199). In addition, Peterson itself assembled and sold at least 10 G-5 devices with a preassembled ember burner, which are the same as the G-4 except for being preassembled to comply with ANSI regulations. Mr. Bortz testified that he was sure that the ember burner was used with the G-5 because Peterson preassembled it and put it together, presumably in accordance with its own instructions. (Leslie Bortz Deposition, vol. 1, pg. 36). There has been no reasons given to this Court why Peterson didn't assemble these devices in accordance with its own instructions. Thus, the record establishes direct infringement on the part of Peterson itself.

50. Direct infringement by the ultimate purchasers of claim 1 is established by the evidence that proves that Peterson supplied all the required elements of claims 1, 15 and 17 of the '159 patent, as well as installation instructions, (Defendant's Ex. Nos. D-34 & D-30; Tr. vol. 2, pg. 177, 183), to its ultimate purchasers. It is reasonable to conclude that these instructions were used by Peterson's ultimate customers to assemble the ember burner, its associated components, and connect it to a gas source as stipulated by the parties. (Tr., vol. 1, pg. 45-50). These facts provide this Court with both direct and circumstantial evidence to find that direct infringement of claim 1 did indeed occur by Peterson's ultimate consumers.

51. Therefore, Blount has clearly established direct infringement on the part of Peterson and the ultimate purchaser of claim 1 of the '159 patent.

52. Dependent claim 15 includes all of the elements of independent claim 1 plus the element that "the open frame pan and primary elongated burner tube is positioned under an artificial logs and grate support means." Literal infringement of dependent claim 15 is particularly important because claim 15 includes the artificial logs and the grate support means. As set forth above, Peterson also manufactures and sells logs and other accessory items that can be sold with its G-4 or G-5 and the ember burner, and in fact uses the ember burner to entice customers to come back and buy new logs. (Tr., vol. 2, pg 178).

53. Sufficient evidence exists in the record to establish that Peterson's burner will ultimately be positioned under an artificial logs and grate support means. Therefore, Blount has clearly established direct infringement on the part of Peterson and the ultimate purchaser of claim 15 of the '159 patent.

54. This Court further concludes that in addition to directly infringing independent claims 1 & 15 of the '159 patent, Peterson and the ultimate purchasers directly infringe independent claim 17 of the '159 patent.

55. With the exception of a few additional elements included in independent claim 17 not included in independent claim 1, and a few elements included within independent claim 1 that are not included within independent claim 17, claims 1 and 17 are substantially similar.

56. Independent claim 17 does not include the claim limitation of independent claim 1 that the primary burner is in communication with a gas flow control means. Thus, this element need not be found in Peterson's manufactured products to find direct infringement by Peterson of independent claim 17.

57. The first element of independent claim 17 recites: "a secondary coals burning elongated tube," and is similar to the fourth element of independent claim 1. Accordingly, the discussion above with respect to the fourth element of independent claim 1 may be applied to the first element of independent claim 17. Thus, Peterson's manufactured products will ultimately meet the first limitation of claim 17, which reads: "a secondary coals burning elongated tube."

58. The second element of independent claim 17 recites: "a connector means for connecting said terminal end in communication with the secondary burner tube, the secondary burner tube positioned substantially parallel, forward and below the primary burner tube, the connector means having interposed between the primary and secondary burner tubes a gas flow adjustment valve, the primary and secondary burner tubes having a plurality of gas discharge ports, the secondary burner tube being in gas flow communication with the primary burner tube being the connection means, gas distribution ports of the secondary burner tube directed away from the fireplace opening."

59. Thus, independent claim 17 requires that the gas distribution ports of the secondary burner tube be directed away from the fireplace opening. As specifically construed and affirmed by the Court of Appeals for the Federal Circuit, this Court previously construed the term "directed away from" to mean that the gas ports of the secondary burner tube may be positioned in any direction that does not include a horizontal component pointed toward the vertical plane of the fireplace opening.

Golden Blount, Inc. v. Robert H. Peterson Co., 365 F.3d 1054, 1059-60 (Fed. Cir. 2004). Blount presented oral testimony of Mr. Blount that the gas ports of Peterson's manufactured products are positioned directly down, which according to the above-referenced interpretation, are away from the fireplace opening. (Tr., vol. 1, pg. 45-50). In addition to this testimony, this Court closely observed an assembled version of Peterson's manufactured product⁷, wherein it observed the manufactured product having the gas ports directed away from the fireplace opening. (Tr., vol. 2, pg. 28). Because Peterson believed the term "directed away from" would ultimately be construed to mean that the ports must be directed at least partially toward the back of the fireplace, Peterson went so far as to require the ports of its secondary burner tube to be positioned directly downward. Given the claim construction as construed and affirmed by the Federal Circuit, this required configuration results in a device that meets the "directed away from" limitation of claim 17.

60. As the other claimed elements of the second limitation of independent claim 17 have been found in Peterson's manufactured products, as established above with respect to paragraphs 40 thru 46, this Court finds that the evidence establishes direct infringement by Peterson and by the ultimate purchasers of Peterson's products of claim 17. Moreover, the evidence establishes that Peterson itself directly infringed claim 17 when Peterson assembled the G-5 series burner systems and then sold them to customers.

61. Therefore, this Court finds that Peterson and the ultimate purchaser directly infringed at least claims 1, 15 and 17, as construed under paragraphs 120 thru 123 below, of the '159 patent.

LITERAL INFRINGEMENT-CONTRIBUTORY

62. Blount established at trial, through stipulation, that Robert H. Peterson Co.'s ember burner is intended to be attached to its G-4 series burner system or G-5 series burner system and the combined unit comprises a primary burner pipe, an ember pan that supports the primary burner pipe, a secondary burner tube and a valve that controls a flow of gas between the primary burner pipe and the secondary burner tube, and that an end user would connect the primary burner pipe to a gas source having a valve associated therewith. (Joint Pretrial Order-Stipulations, pg. 6).

⁷ See Finding of Fact No. 38, discussed above.

63. Peterson was made aware of the '159 patent as early as December 16, 1999, by the letter from Mr. Tucker, which is referenced above. (Plaintiff's Ex. No. 10). Given these facts, it is clear that Peterson was aware that the combination for which its components were especially made was patented and infringing, as required by 35 U.S.C. § 271(c).

64. Blount further established through the testimony of Mr. Bortz that Peterson's ember burner is especially adapted for use in an infringement of the '159 patent, had no substantial non-infringing uses, and that it was intended to be used with both the G-4 and G-5 burner pans. (Tr., vol. 2, pg. 67; Leslie Bortz Deposition, vol. 1, pg. 36). Thus, the Court also finds that the testimony of Mr. Bortz and Mr. Corrin, as well as Mr. Blount, supports the fact that the ember burner was not a staple article of commerce.

65. As discussed above, this Court finds that direct infringement existed. For those units covered by stipulation for hookup, they were normally hooked up by professional installers or persons from the dealer. With their experience and relation to Peterson and with all of Peterson's literature (including Defendant's Ex. Nos. D-34 & D-30) one can count on proper installations pursuant to Peterson's installation instructions as discussed above. Thus, each installation ultimately results in a direct infringement. (Tr., vol. 2, pg. 189). Blount has clearly proven contributory infringement on the part of Peterson of claims 1, 15 and 17 for those units.

LITERAL INFRINGEMENT-INDUCEMENT

66. The record establishes that Peterson sold the ember burner. In addition, the record also establishes that Peterson sold the G-4, which includes the primary burner and support pan, and sold the G-5, ten at least of which, had the ember burner attached. Further, given the stipulation that the ultimate assembly would be connected to a gas source, there is sufficient basis to conclude that Peterson knew or should have known that this ultimate configuration would infringe independent claims 1 and 17. (Joint Pretrial Order--Stipulations, pg. 6).

67. Peterson was made aware of the '159 patent as early as December 16, 1999, by the letter of December 10, 1999, from Mr. Tucker, which is referenced above. (Plaintiff's Ex. No. 10). Given these facts, it is clear that Peterson was aware that the combination for which its components were especially made was patented and infringing.

68. The record is also clear that Peterson provided literature and assembly instructions to consumers, as discussed above, detailing how to install the components in a preferred configuration, which induced its customers to install the components in an infringing manner. (Tr., vol. 2, pg. 173-174, 177, 183; Defendant's Ex. Nos. D-34 & D-30). Also, Peterson fully assembled and hooked up in a fireplace an accused structure and demonstrated it and its use to independent distributors, which this Court finds to be a substantial inducement.

69. Because Peterson provided the consumers with detailed instructions, (Defendant's Ex. Nos. D-34 & D-30), how to assemble the parts in an infringing manner, and given the fact that Peterson had knowledge of the '159 patent by way of the notice letter of December 16, 1999, Peterson knew or should have known that such actions would induce direct infringement. Thus, there is little doubt and almost a certainty that the installation was in fact done in accordance with Peterson's published installation instructions. The demonstrations of a properly connected device to distributors further shows inducement because this information was passed on to dealers and ultimately to assemblers and customers. Invariably, infringement occurred. (Tr., vol. 2, pg. 189).

70. As found by this Court in paragraphs 40 thru 61 above, there was direct infringement by Peterson or its ultimate purchasers of claims 1, 15 and 17 of the '159 patent.

71. Accordingly, this Court finds that in those instances where direct infringement by Peterson was not conclusively established on a unit by unit basis, Blount has clearly proven induced infringement on the part of Peterson of claims 1, 15 and 17 for those units.

72. Because Peterson's manufactured products literally infringe claims 1, 15 and 17 of the '159 patent, they infringe the patent. Thus, comparison of Peterson's product to the remaining claims depending from independent claim 1, whether it be in determining direct infringement, contributory infringement or induced infringement, is generally unnecessary and is therefore not addressed herein.

INFRINGEMENT-DOCTRINE OF EQUIVALENTS

73. Blount offered unrebutted testimony at trial that every element of Peterson's manufactured products perform substantially the same function in substantially the same way to obtain the same result as the claimed elements of the '159 patent. (Tr., vol. 1, pg. 59-60).

74. Blount further offered unrebutted testimony by Mr. Blount at trial that any difference between Peterson's manufactured products and the claim elements were insubstantial at best. Mr. Blount

actually testified that they were an exact copy. (Tr., vol. 1, pg. 30, 37, 46, 48, 56 and 60). In addition, through this Court's own observance of the accused product 4A, this Court finds that there was a substantial equivalent of each and every element of at least claims 1, 15 and 17 in Peterson's accused products.

75. Based on the evidence presented to it, this Court finds that there is no prosecution history estoppel that limits the range of equivalents regarding the claimed elements.

76. Thus, this Court finds that in those instances where literal infringement might not exist, there is infringement of the claims of the '159 patent under the doctrine of equivalence.

77. In summation, this Court concludes that Blount established literal infringement (e.g., directly, by inducement, or contributorily) or infringement under the doctrine of equivalents, each of claims 1, 15 and 17 of the '159 patent, by Peterson by at least a preponderance of the evidence.

DAMAGES

78. Damages have been determined using the *Panduit* factors. Mr. Blount testified for Blount at trial as to the demand that existed for the product during the period in question. (Tr., vol. 1, pg. 61). Thus, Blount has conclusively established the first required element of *Panduit*.⁵

79. In addition to establishing a demand for the patented product during the period in question, Blount established an absence, during the period of infringement, of acceptable non-infringing substitutes. (Tr., vol. 1, pg. 63-65).

80. Peterson argued that other acceptable non-infringing substitutes exist.

81. Here the patented product offers quite unique and novel results. (Tr., vol. 1, pg. 28-30). The so called "acceptable non-infringing substitutes" Peterson has introduced are either not acceptable, or they too infringe, although no third party infringing device was offered by either side.

82. Blount established at trial that Peterson's front flame director was not an acceptable substitute. (Tr., vol. 2, pgs. 184, 195). Peterson's own Vice President, Mr. Corrin, testified that the front flame director lacked the valve for adjusting the height of the front flame. Even more telling, Mr. Corrin testified that the front flame director was not as good as their ember burner. (Tr., vol. 2, pgs. 184, 195).

⁵ See the Conclusions of Law section, paragraph 151, where the *Panduit* factors are set forth.

83. As the valve to adjust the height of the front flame is one of the particular features available only from the patented product, under the law set forth in *Standard Havens*, the front flame director, lacking that valve or any adjustment means, is not an acceptable non-infringing substitute.

84. Peterson further argues that Blount admitted at trial that at least five products on the market perform roughly the same function as Blount's patented device. (Tr., vol. 1, pg. 63). The record is clear that those five products were infringing substitutes and not acceptable non-infringing substitutes. (Tr., vol. 1, pg. 63). In fact, the record indicates that Blount sent the manufactures of those five products the identical notice of infringement letter at the same time it sent Peterson its letter. (Tr., vol. 1, pg. 63). No evidence exists in the record that the aforementioned five instances of infringement continued after the notice of infringement letters were received. In fact, Mr. Blount's testimony indicates that while the other companies were moving in and were interested in the outcome of this trial, none were still infringing after receipt of their notice of infringement letter. (Tr., vol. 1, pg. 62-64).

85. Therefore, this Court finds that Blount provided sufficient evidence to support the finding that there were no acceptable non-infringing substitutes that could have decreased the market share Blount and Peterson together held. Thus, Blount has conclusively established the second required element of *Panduit*.

86. Blount also offered sufficient evidence through Mr. Blount's testimony that Blount had more than enough manufacturing and marketing capability to promote the device, thus entitling Blount to actual damages. (Tr., vol. 1, pgs. 62, 66). Thus, Blount has conclusively established the third required element of *Panduit*.

87. Because the *Panduit* factors have been established, it is reasonable for this Court to infer that the lost profits claimed were in fact caused by Peterson's infringing sales. This Court now only needs to determine a detailed computation of the amount of profit Blount would have made, to meet the final required element of *Panduit*.

88. In addition, however, the Court also finds that the facts of the present case establish a two-supplier market. Blount offered evidence through the testimony of Mr. Blount that Blount and Peterson together held approximately 95 percent or more of the market associated with ember burners similar to that covered by the '159 patent. (Tr., vol. 1, pg. 64). While Peterson attempted to impeach Mr. Blount's testimony on this point, this Court finds that Peterson failed to do so.

Therefore, this Court finds that Mr. Blount's testimony is sufficient to establish a two supplier market. The supposed 5 percent of the market that Blount and Peterson might not have held is de minimus, and therefore, for damage calculations a two-supplier market has been found to exist in this case. Therefore, causation may be inferred, that is, "but for" Peterson's infringing activities, Blount would have made the sales it normally would have made.

89. To determine the actual damage amount in a lost profit case, the Court can multiply Blount's per unit profit times the number of infringing devices that Peterson sold.

90. To do this, however, the Court must determine the device upon which lost profits are to be calculated.

91. Using two different approaches, Blount has established that the device for calculating lost profits includes the entire burner assembly (including the secondary burner and valve), the grate, and a full set of artificial logs. This Court finds that Blount ultimately lost the sale of the entire burner assembly (including the secondary burner and valve), the grate, and a full set of artificial logs.

92. Dependent claim 15, which was established as literally infringed above, recites that the gas-fired artificial logs and coals-burner of claim 1 are positioned under artificial logs and a grate support means. Because the artificial logs and the grate support means are positively claimed in dependent claim 15, the artificial logs and the grate support means should be included in the device upon which damages for direct infringement as well as lost profits are to be calculated.

93. Accordingly, the device for calculating lost profits includes the entire burner assembly (including the secondary burner and valve), the grate and a full set of artificial logs, which must be the case here, because apart from the artificial logs and grate, the coals burner unit has no purpose or function.

94. Given the circumstances, the entire market value rule is appropriate here as an alternative, second approach. Evidence was offered at trial by Peterson's own officer, Mr. Corrin, that Peterson used the ember burner to entice customers to come back to the store to purchase newer log sets, and at the same time, purchase Peterson's ember burner, which improved the overall appearance of the fireplace. (Tr., vol. 2, pg. 177-79). These facts are sufficient to establish that the ember burner is the basis for the customer's demand, as set forth by *TWM*, see *infra*.

95. Blount also offered evidence that the glowing embers from the ember burner are what draws a customer's attention to a particular log and burner set, and what ultimately makes the sale. (Tr., vol. 1, pg. 157-63).

96. Blount also offered testimony at trial that the elements of independent claims 1 and 17 constitute a functional unit with the artificial logs and the grate support.

97. Blount presented a third-party witness retailer, Mr. Charlie Hanft of Atlanta, with extensive sales experience with gas fireplaces and ember burner and gas log sets. He testified that 97 ½ percent of the time that he sells an ember burner, he also sells an entire burner assembly and log set with it. (Tr., vol. 1, pg. 160). Peterson did not successfully rebut Blount's evidence on this point because Peterson presented no testimony to quantify even in a general way when the two would not ultimately be sold together.

98. Peterson failed to rebut Blount's evidence because it did not offer any numerical evidence regarding how often it sells one of its Ember burners with the entire burner and log set.

99. In summation of this point, Blount introduced testimony as to the standard practice in the industry for selling the ember burner, and Peterson failed to introduce its own testimony to rebut Blount's testimony.

100. Because the evidence establishes that 97 ½ percent of the sales of the ember burner would also encompass the sale of the entire burner assembly and log set, the record supports a proration of the damage amount based upon this percentage.

101. Based on the record, of the 3,723 EMB's sold by Peterson, 2 ½ percent (i.e., 94 EMB's) were sold without an associated burner assembly and log set, and the remaining 97 ½ percent (i.e., 3,629) were sold with an associated burner assembly and log set.

102. Blount established at trial that its profit on the ember burner alone is \$14.09 per unit and its profit on the ember burner, entire burner assembly and full set of logs is \$117.92 per unit. (Plaintiff's Ex. No. 18).

103. This Court finds, based on the percentages and profits established in the paragraphs above, that the total actual damages amount to \$429,256.

WILLFULNESS / EXCEPTIONAL CASE

104. Having carefully reviewed the record herein, the Court concludes that Peterson's minimal attempt to attain a competent opinion is permeated by a lack of due care and was willful, which leads this Court to find that the case is exceptional. Blount has established by clear and convincing evidence that Peterson's supposed oral opinion was an incompetent, conclusory opinion to be used only as an illusory shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another's patent.

105. Throughout the 2½ years from the time the first notice letter was sent, Peterson simply never obtained a single written opinion suggesting that their commercial embodiment avoided infringement. Also, the denial that the first letter related to notice of infringement is shown unlikely by Mr. Corrin's own characterization of it as an "*infringement letter*" in his correspondence with his patent counsel. (Tr., vol. 2, pg. 192). Also, this Court finds it disingenuous for Peterson to argue at trial that the interrogatories answered well after suit was filed and during discovery, form the written opinion upon which they relied.

106. The first time Peterson spoke to Mr. McLaughlin was on or about December-30, 1999, however, Mr. McLaughlin did not have the accused infringing device at this time. (Tr., vol. 1, pg. 181). The record establishes that Mr. McLaughlin, at this time, only had a picture of the accused infringing device. (Tr., vol. 1, pg. 181). Neither did Mr. McLaughlin have the prosecution history of the '159 patent at this time, which is an important element of any competent opinion. (Tr., vol. 1, pgs. 183, 202-03).

107. This non-substantive conversation cannot be construed to be an opinion upon which Peterson could reasonably rely because it was based solely on a supposition. This supposition amounted to a representation on the part of Mr. Bortz that the invention had been around 20 to 30 years. (Tr., vol. 2, pg. 55-56). Mr. McLaughlin, with only the evidence listed above, said that "if we *could* prove that the invention had been around for 20 to 30 years then it *would* be a strong argument of invalidity." (Tr., vol. 2, pg. 55-56, emphasis added). This "if this, then that" statement plainly does not amount to an opinion upon which a prudent person could reasonably rely.

108. Importantly, this Court has found that Peterson made no further efforts to determine whether it was truly infringing or not, until after suit was filed, almost a year and two months after receiving the first notice letter. (Tr., vol. 1, pg. 202-03).

109. Peterson argues that it did nothing further because it was awaiting "additional information or further explanation from Blount's attorney." This Court finds this argument lacking merit. Blount did not, after sending multiple notice of infringement letters to Peterson under the law, owe Peterson any obligation with regard to advising Peterson how they actually were infringing.

110. Nevertheless, Blount's failure to respond to Peterson's additional information request did not relieve Peterson of its obligation to determine if it was willfully infringing the '159 patent.⁹ To the contrary, Peterson continued its infringing activities even after May 16, 2000, and actually even through the trial proceedings. (Tr., vol. 2, pg. 181 and Peterson Company's Objection to Golden Blount's Motion for Updated Damages filed on September 18, 2002). This reflects an egregious and willful disregard for the '159 patent.

111. It was not until after the lawsuit was filed in January 2001 that Peterson finally became concerned, not with the damages associated with the infringing activity, but apparently with the attorney's fees that Peterson might be required to pay as a willful infringer. (Tr., vol. 2, pg. 60-62). By Mr. Bortz' own admission, he told Mr. McLaughlin that this was not a very meaningful case "dollar wise" but that he heard a person might have to pay attorneys' fees if he loses a patent lawsuit, and he asked Mr. McLaughlin what he should do. (Tr., vol. 2, pg. 60-62 & Dec. 19, 2001, deposition of Mr. Leslie Bortz, pg. 60). Mr. McLaughlin told him that one way that attorney's fees could be avoided was by obtaining an opinion. (Id). This set of facts underscores Peterson's true intentions with respect to its willful disregard of the '159 patent, that it was concerned more with having to pay attorneys' fees than it was with its own infringement. The Court finds that this constitutes an intentional disregard for the '159 patent on the part of Peterson.

112. At no time when Mr. McLaughlin gave Mr. Bortz advice did Mr. McLaughlin ever see the actual accused structure. (Tr., vol. 1, pg. 181). While some advertisements of Peterson's structure were shown, detailed drawings were never provided at this time to Mr. McLaughlin, including the installation instructions that were apparently sold with the device. Thus, Mr. McLaughlin never had a full understanding of the accused structure, (Tr., vol. 1, pg. 200), and Mr. McLaughlin should have known that his opinion would not be reasonable without such an understanding.

⁹ See also, Finding of Fact No. 30.

113. While Peterson argues that three oral consultations occurred, this Court finds that only one oral opinion of counsel, if it can even be called that, was rendered. This oral opinion was rendered by Mr. McLaughlin on or about May 1, 2001, about 4 months after suit had been filed and 2½ years after Peterson was first noticed of its infringing activity. (Tr., vol. 1, pg. 179-83).

114. This Court believes that Peterson did get what it asked for, a statement that there was no infringement. Peterson's primary desire, however, was to avoid paying attorneys' fees or increased damages, and this appears to have been the sole reason for consultation with counsel, and these actions show a willful and egregious disregard for the '159 patent.

115. In summary, this Court finds that Peterson had three consultations with its Attorney. All were oral. Only the last oral consultation approached what was needed to determine infringement and validity issues, and even it was made with a search limited to the company's own records and with there having been no accused structure shown the patent attorney. This third consultation occurred a number of months after suit had been filed and was motivated by the apprehension of Peterson having to pay attorneys' fees, and not for a concern of infringement of the '159 patent.

116. Peterson's cavalier attempt to obtain an opinion and the non-persuasive trial testimony of Peterson's witnesses are classic examples of conduct that clearly and convincingly demonstrates an exceptional case, an indication of which is gross willfulness.

117. This Court therefore finds that the infringement of Peterson was willful, thus the actual damages are trebled, totaling \$1,287,766.

118. Given Peterson's conduct and its overall willful disregard for the '159 patent, such an award is appropriate here. The Court finds that as a result of Peterson's continued infringement, without a reasonable basis for believing that it had a right to make, use or sell its product prior to the expiration of the '159 patent, Blount has been compelled to prosecute an infringement claim at great expense. Under these circumstances, an award of attorneys' fees is proper in addition to the enhanced damage award.

119. This Court therefore finds this to be an exceptional case under 35 U.S.C. § 285, thus reasonable attorneys' fees are awarded to Blount.

CONCLUSIONS OF LAW

CLAIM CONSTRUCTION

120. The parties dispute the meaning of two terms in the claims of the patent in suit, namely the phrase "raised level," as recited in claim 1, and the term "below" and the phrase "away from the fire place opening," as recited in claim 17.

121. As affirmed by the Court of Appeals for the Federal Circuit in its opinion dated April 19, 2004, this Court construes that the term "at a raised level" in claim 1 refers to the top of the two burner tubes, and that the tops of the tubes should be used to determine whether the primary burner tube is held at a raised level with respect to the secondary burner tube as recited in claim 1. This Court also construes that the term "below" in claim 17 refers to the tops of the two burner tubes, and that the tops of the tubes should be used to determine whether the secondary burner tube is positioned below the primary burner tube as recited in claim 17. *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 1059-60 (Fed. Cir. 2004).

122. As affirmed by the Court of Appeals for the Federal Circuit in its opinion dated April 19, 2004, this Court construes the term "away from the fireplace opening" to mean that the gas ports may be positioned in any direction that does not include a horizontal component pointed toward the vertical plane of the fireplace opening. *Id.*

123. All the other terms in the claims at issue are construed to have a plain and ordinary meaning, which appear not to have been contested at trial.

VALIDITY

124. A validity analysis begins with the presumption of validity. An issued patent is presumed valid. 35 U.S.C. § 282.

125. An "accused infringer who raises patent invalidity as a defense bears the burden of showing invalidity by facts supported by clear and convincing evidence." *Robotic Vision Systems, Inc. v. View Engineering, Inc.*, 189 F.3d 1370, 1377 (Fed. Cir. 1999); *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1334-35 (Fed. Cir. 1998).

126. As affirmed and determined by the Court of Appeals for the Federal Circuit on April 19, 2004, this Court concludes that Peterson has failed to prove by clear and convincing evidence that

the '159 patent is invalid. This Court therefore finds the '159 patent not to be invalid. *Golden Blount, Inc.* at 1061-62.

LITERAL INFRINGEMENT-DIRECT

127. The claims define the metes and bounds of the invention, and only they may be infringed. *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988); *Corning Glass Works v. Sumitomo Elec. USA, Inc.*, 868 F.2d 1251 (Fed. Cir. 1989).

128. The patentee's burden is to show literal infringement by a preponderance of the evidence. *Braun v. Dynamics Corp.*, 975 F.2d 815 (Fed. Cir. 1992).

129. A patent claim is literally infringed if the accused product or process contains each element of the claim. *Tate Access Floors v. Maxcess Techs.*, 222 F.3d 958, 964 (Fed. Cir. 2000); *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1054 (Fed. Cir. 1988). If each element is present, literal infringement exists and "that is the end of it." *Graver Tank v. Linde Co.*, 339 U.S. 605, 607, 94 L. Ed. 1097, 70 S. Ct. 854, 1950 Dec. Comm'r Pat. 597 (1950).

130. In determining infringement, the accused product is compared to the patent claims, not the patentee's product. *Zenith Laboratories, Inc. v. Bristol-Myers Squibb Co.*, 19 F.3d 1418, 1423 (Fed. Cir. 1994); *Glaxo Inc. v. TorPharm Inc.*, 153 F.3d 1366, 1373 (Fed. Cir. 1998).

131. Infringement of a single claim is infringement, *Panduit Corp. v. Dennison Mfg. Co. Inc.*, 836 F.2d 1329, 1330 n.1 (Fed. Cir. 1987); *Intervet America v. Kee-Vet Laboratories*, 887 F.2d 1050, 1055 (Fed. Cir. 1989), and entitles the patentee to the full panoply of statutory remedies. *Intervet*, 887 F.2d at 1055.

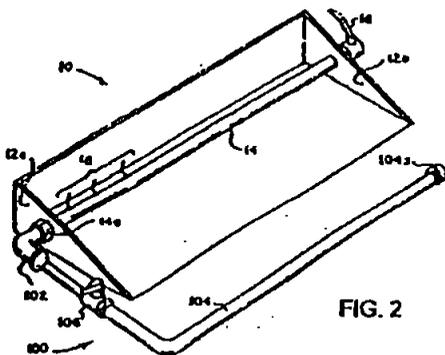
132. If one is arguing that proof of inducing infringement or direct infringement requires *direct*, as opposed to *circumstantial evidence*, the Federal Circuit disagrees. It is hornbook law that direct evidence of a fact is not necessary. "Circumstantial evidence is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence." *Metabolite Laboratories, Inc. v. Laboratory Corp. of America*, 370 F.3d 1354, 1365 (Fed. Cir. 2004) (citing *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986)).

133. In determining whether a product claim is infringed, the Federal Circuit has held that an accused device may be found to infringe if it is reasonably capable of satisfying the claim limitations,

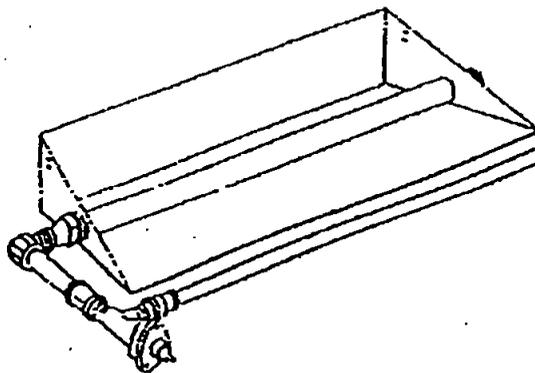
even though it may also be capable of non-infringing modes of operation. See, *Intel Corp. v. United States Int'l Trade Comm'n*, 946 F.2d 821, 832, 20 USPQ2d 1161, 1171 (Fed. Cir. 1991); *Key Pharms., Inc. v. Hercon Labs. Corp.*, 981 F.Supp. 299, 310 (D.Del.1997), *aff'd*, 161 F.3d 709, 48 USPQ2d 1911 (Fed. Cir. 1998); *Huck Mfg. Co. v. Textron, Inc.*, 187 USPQ 388, 408 (E.D.Mich. 1975) ("The fact that a device may be used in a manner so as not to infringe the patent is not a defense to a claim of infringement against a manufacturer of the device if it is also reasonably capable of a use that infringes the patent."); cf. *High Tech Med. Instrumentation, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556, 33 USPQ2d 2005, 2009 (Fed. Cir. 1995).

134. Circumstantial evidence of product sales and instructions indicating how to use the product is sufficient to prove third party direct infringement. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986).

135. This Court understands that in determining infringement, the accused product is compared to the patent claims, not the patentee's product. However, FIG. 2 of the '159 patent is representative of the claims of the '159 patent and the claims may be read on the FIG. 2 structure. For this reason a comparison of one of Blount's devices and Peterson's manufactured product is highly instructive for purposes of this Court's analysis, and is, therefore, provided.



Blount's Patented Device
FIG. 2 of the '159 Patent



Peterson's Manufactured Product
Figure 2 of Peterson's Installation Instructions
without the control knob shown

136. The findings in the sections above make out a clear case of direct infringement on all of the devices sold.

LITERAL INFRINGEMENT-CONTRIBUTORY

137. Contributory infringement liability arises when one "sells within the United States . . . a component of a patented machine . . . 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 substantially noninfringing use." 35 U.S.C. § 271(c) (2002).

138. Thus, Blount must show that Peterson "knew that the combination for which its components were especially made was both patented and infringing." *Preemption Devices, Inc. v. Minn. Mining & Mfg. Co.*, 803 F.2d 1170, 1174 (Fed. Cir. 1986).

139. An appropriate infringement notice letter from the patentee to the accused infringer provides the requisite knowledge required by 35 U.S.C. § 271(c). *Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co.*, 377 U.S. 476, 490 (1964).

140. Further, Blount must show that Peterson's components have no substantially noninfringing uses, while meeting the other elements of the statute. *Alloc, Inc. v. ITC*, 342 F.3d 1361, 1374 (Fed. Cir. 2003).

141. It is not necessary for a plaintiff to make the direct infringer a party defendant in order to recover on a claim of contributory infringement. It is enough for the plaintiff to prove, by either circumstantial or direct evidence, that a direct infringement has occurred. *Amersham International PLC v. Corning Glass Works*, 618 F. Supp. 507 (D. Mich., 1985).

142. The findings in the sections above make out a clear case of Contributory infringement on all of the devices sold.

LITERAL INFRINGEMENT-INDUCEMENT

143. In order to find Peterson liable for inducing infringement under 35 U.S.C. § 271 (b), Blount must show that Peterson took actions that actually induced infringement. *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986) ("There can be no inducement of infringement without direct infringement by some party.")

144. Further, Blount must show that Peterson knew or should have known that such actions would induce direct infringement. *Micro Chem. Inc. v. Great Plains Chem. Co.*, 194 F.3d 1250 (Fed. Cir. 1999).

145. Dissemination of instructions along with sale of the product to an ultimate consumer is sufficient to prove infringement by an inducement. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986). Thus, Blount has met its burden of showing infringement under section 35 U.S.C. 271(b).

146. The findings in the sections above make out a clear case of induced infringement on all of the devices sold.

INFRINGEMENT-DOCTRINE OF EQUIVALENTS

147. Infringement under the doctrine of equivalents occurs when a claimed limitation and the accused product perform substantially the same function in substantially the same way to obtain the same result. See *Warner-Jenkinson Co. v. Hilton-Davis Chem. Co.*, 520 U.S. 17, 39-40, 137 L. Ed. 2d 146, 117 S. Ct. 1040 (1997).

148. Infringement under the doctrine of equivalents also requires that any difference between the claim elements at issue and the corresponding elements of the accused product be insubstantial. *Id.*

149. This Court finds alternatively (or cumulatively) that there was infringement under the doctrine of equivalents.

DAMAGES

150. To recover lost profit damages, the patentee need only show causation and the factual basis for causation between the infringement and the lost profits. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065, 219 U.S.P.Q. 670 (Fed. Cir. 1983).

151. To do this, *Panduit* established that the patent owner need only demonstrate:

- 1) a demand for the product during the period in question;
- 2) an absence, during that period, of acceptable non-infringing substitutes;
- 3) its own manufacturing and marketing capability to meet or exploit that demand; and
- 4) a detailed computation of the amount of the profit it would have made.

Panduit Corp. v. Stahl Bros. Fibre Works, Inc., 575 F.2d 1152, 1156, 197 U.S.P.Q. 726 (6th Cir. Mich. 1978); *Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 1555, 229 U.S.P.Q. 431 (Fed. Cir. 1986).

152. In a two-supplier market it is reasonable to assume, provided the patent owner has the manufacturing capabilities, that the patent owner would have made the infringer's sales but for the infringement. *State Indus. v. Mor-Flo Indus.*, 883 F.2d 1573, 1578, 12 U.S.P.Q.2d 1026 (Fed. Cir. 1989).

153. The "[m]ere existence of a competing device does not make that device an acceptable substitute." *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 901, 229 U.S.P.Q. 525 (Fed. Cir. 1986), *cert. denied*. A product on the market that lacks the advantages of the patented product can hardly be termed a substitute acceptable to the customer who wants those advantages. *Standard Havens Products, Inc. v. Gencor Industries, Inc.*, 953 F.2d 1360, 1373, 21 U.S.P.Q.2d 1321 (Fed. Cir. 1991), *cert. denied*. If purchasers are motivated to purchase because of particular features available only from the patented product, products without such features would most certainly not be acceptable non-infringing substitutes. *Id.*

154. Also, courts have generally held that an infringer's acceptable substitute argument is of "limited influence" when it [the infringer] ignores those substitutes while selling the patented invention. (Emphasis added). *TWM*, 789 F.2d at 902. This is exactly what Peterson did.

155. In an alternative approach, however, the "entire market value rule" may be used to determine the device for calculating lost profits. In *Beatrice Foods*, the Court stated that the law does not bar the inclusion of convoyed sales in an award of lost profits damages. *Beatrice Foods Co. v. New England Printing & Lithographic Co.*, 899 F.2d 1171, 1175, 14 U.S.P.Q.2d 1020 (Fed. Cir. 1991).

156. The "entire market value rule" allows for the recovery of damages based on the value of an entire apparatus containing several features, even though only one feature is patented. *Paper Converting Machine Co. v. Magna-Graphics, Corp.*, 745 F.2d 11, 33, 223 U.S.P.Q. 591 (Fed. Cir. 1984).

157. The "entire market value rule" further permits recovery of damages based on the value of the entire apparatus containing several features, when the patent-related feature is the basis for customer demand. See *TWM*, 789 F.2d at 901.

158. The "entire market value rule" is appropriate where both the patented and unpatented components together are analogous to components of a single assembly, parts of a complete machine, or constitute a functional unit. See *Rite-Hite v. Kelly Co.*, 56 F.3d 1538, 1550, 35 U.S.P.Q.2d 1065 (Fed. Cir. 1995).

WILLFULNESS / EXCEPTIONAL CASE

159. In addition to requiring "damages adequate to compensate for the infringement," Section 284 of the Patent Act authorizes a district court to "increase damages up to three times the amount found or assessed." 35 U.S.C. § 284.

160. The Federal Circuit has interpreted this provision of Section 284 as requiring a two-step process: "First the fact-finder must determine whether an infringer is guilty of conduct upon which increased damages may be based." *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570, 38 U.S.P.Q.2d 1397 (Fed. Cir. 1996). "If so, the Court then determines, exercising its sound discretion, whether, and to what extent, to increase the damage award given the totality of the circumstances." *Id.*

161. "An act of willful infringement satisfies this culpability requirement, and is, without doubt, sufficient to meet the first requirement to increase a compensatory damages award." *Id.* Thus, once a proper willfulness finding is made, the first step in determining whether damages should be enhanced is complete. *Id.* At that point, the Court need consider only whether, and to what extent, the compensatory damages awarded by the fact finder should be increased, in light of "the egregiousness of the Defendant's conduct based on all the facts and circumstances of the case." *Id.*

162. "A potential infringer having actual notice of another's patent rights has an affirmative duty of care." *Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1084 (Fed. Cir. 1987). An act of infringement is thus deemed willful when the infringer is aware of another's patent and fails to exercise due care to avoid infringement. *Electro Medical Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994); *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1109 (Fed. Cir. 1986). This standard of care typically requires an opinion from competent patent counsel prior to engaging in any potentially infringing activities. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983). To establish willfulness, Blount must demonstrate by clear and convincing

evidence, considering the "totality of the circumstances," that Peterson willfully infringed its patent. *Electro Medical*, 34 F.2d at 1056.

163. The prosecution history of a patent in question is an important element of any competent opinion. *Underwater Devices*, 717 F.2d at 1389-90.

164. A holding of willful infringement is usually sufficient to make a case exceptional and entitles the opposing party to its attorney's fees. 35 U.S.C. § 285 (2002); *Avia Group Intl. Inc. v. L.A. Gear California, Inc.*, 853 F.2d 1557, 1567 (Fed. Cir. 1988).

CONCLUSION

For the reasons set forth above, the Court concludes that Peterson's manufactured products infringe the claims of the '159 patent. Blount is entitled to actual damages from Peterson in the amount of \$429,256. The infringement of Peterson was willful, thus the actual damages are trebled, totaling \$1,287,768. Blount is also awarded prejudgment interest, which shall be calculated on a simple rather than compound basis, on the actual damages of \$429,256 at the rate of 5.0% for the period from December 16, 1999, to August 9, 2002. This is an exceptional case under 35 U.S.C. § 285, thus reasonable attorneys' fees are awarded to Blount. Blount is further awarded post judgment interest, calculated pursuant to 28 U.S.C. § 1961, on the sum of the trebled damages and attorney's fees at the highest rate allowed by the law from the date of August 9, 2002, to April 19, 2004, and resuming from the date of the signing of the final judgment. Based upon the fact that infringement causes irreparable harm, an injunction is granted against Peterson.

It is so ORDERED

SIGNED: 2 day of September, 2004.


JUDGE JERRY BUCHMEYER
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS



IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
JUN 10 2004
CLERK, U.S. DISTRICT COURT
By _____
Deputy

GOLDEN BLOUNT, INC.

Plaintiff,

v.

ROBERT H. PETERSON CO.

Defendant.

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Civil Action No. 3-01CV0127-R

(JURY TRIAL DEMANDED)

DEFENDANT'S PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

Now comes defendant Robert H. Peterson Co. ("Peterson"), by its undersigned counsel, and pursuant to order of court, proposes the following Findings of Fact and Conclusions of Law to be entered pursuant to Rule 52, F.R.Civ.P.:

FINDINGS OF FACT¹

PARTIES.

1. Plaintiff, Golden Blount, Inc., is the owner of U.S. Patent 5,988,159 (the "159 Patent") entitled "Gas-Fired Artificial Logs and Coals-Burner Assembly." (PX 1.)
2. The patent issued on November 23, 1999. (PX 1.)
3. Defendant has manufactured and sold gas log sets, burners, grates and ceramic logs since the 1940's.

¹ Citations to trial exhibits shall be referred to herein as "PX" and "DX." Citations to the trial transcript shall be indicated as "Tr." with the volume number preceding the "Tr." and the page number following it.

PETERSON'S "G4" PRODUCT.

4. Peterson's largest selling product is the model "G4," which is also known as the "Glowing Ember Burner." (2 Tr. 69-70; DX 32.)
5. The "G4" product consists of a burner pan and a single burner tube. (1 Tr. 72; DX 32.)
6. The "G4" is sold by Peterson without artificial logs. (2 Tr. 178.)
7. The "G4" product, as made, used and sold by Peterson, comprises a "primary burner tube" without a "secondary burner tube," to use the terminology of the '159 Patent. (Substitute Stmt. of Stipulated Facts at ¶6; R.H. Peterson 30(b)(6) Deposition of Leslie Bortz² ("Bortz 30(b)(6) Dep.") 22, 27; DX 32.)

PETERSON'S "EMB" PRODUCT.

8. Peterson's accused product is known as the "EMB" or "ember flame booster," an accessory that can be assembled or retrofitted to a "G4" primary burner to produce a front flame and ember icing. (2 Tr. 117; PX 6; DX 31.)
9. The "EMB" product, as made, used and sold by Peterson, comprises solely a "secondary burner-tube" without a "primary burner tube," to use the terminology of the '159 Patent. (2 Tr. 86-7, 117, 178; DX 34.)
10. Peterson packages and sells the "EMB" product to distributors separately from the "G4" product. (2 Tr. 86-7, 178; DX 31; DX32.)
11. The "EMB" and "G4" are not sold together by Peterson. (2 Tr. 69-70, 73.)
12. The "EMB" and "G4" are never assembled by Peterson. (2 Tr. 73.)

² The R.H. Peterson 30(b)(6) Deposition of Leslie Bortz was introduced at trial. (2 Tr. 39.)

13. The assembly of Peterson's "G4" and "EMB" products is done in the field by the customer or an installer hired by the customer. (2 Tr. 71, 73-4.)

14. During assembly, the "EMB" secondary burner product is attached to the "G4" primary burner by means of a 1/2" female pipe fitting. (PX 7, p.3).

15. The installed level of the top of the "EMB" secondary burner relative to the top of the "G4" primary burner will depend upon the position of the "EMB" when its female pipe fitting is tightened. (PX 7, p.3).

16. It is possible for the customer to install the "EMB" secondary burner tube such that its top is level with or above the top of the "G4" primary burner tube by tightening the "EMB's" female screw fitting when the top of the "EMB" happens to be level with or above the top of the "G4." (PX 7, p. 3).

17. When he was asked whether one could "completely change the level [of the secondary burner] if you wanted to" in Plaintiff's Exhibits 3A (demonstrative of plaintiff's product) and 4A, Mr. Golden Blount testified, "That's correct." (1 Tr. 144.)

PETERSON'S "G5" PRODUCT.

18. Peterson also sells a product known as the "G5" which consists of a primary burner tube and burner pan together with all of the gas connections, valves and grates pre-assembled at the Peterson factory in order to obtain the certification of the Canadian Gas Association (successor to the American Gas Association). (1 Tr. 74; 2 Tr. 179, 196.)

19. Mr. Bortz testified that the Peterson "G4" and "G5" products were different in that the "G5" included substantial equipment necessary for Canadian Gas Association certification. (Bortz 30(b)(6) Dep. 22-24.)

20. Mr. Bortz testified that Peterson's "G5" product sells at retail for approximately twice what the "G4" product sells for. (Bortz 30(B)(6) Dep. 25.)

21. No other witness testified that the "G4" and "G5" products are the same or are manufactured to the same standards or by the same methods.

22. As usually made, used and sold by Peterson, the "G5" does not include the "EMB" accessory or any other secondary burner tube of the type claimed in the '159 Patent. (Substitute Stmt. of Stipulated Facts at ¶6; 2 Tr. 72-3, 179.)

23. Although a customer may specially order a "G5" product with an "EMB" accessory, Peterson has sold "very few" of these combinations. (2 Tr. 179.)

24. The "G5" is "very seldom" sold with a pre-assembled "EMB." (2 Tr. 72-3.)

25. During the relevant time period, Peterson sold a total of approximately 10 "G5" products. (1 Tr. 74.)

26. No substantial evidence shows that, on any of the very few occasions when Peterson did assemble and sell a "G5" together with an "EMB," that the top of the "G5" primary burner tube was installed at a "raised level" with respect to the top of the "EMB" secondary burner tube.

27. No substantial evidence shows that, on any of the very few occasions when Peterson did assemble and sell a "G5" with together an "EMB," that the top of the "EMB" secondary burner tube was installed "below" the top of the "G5" primary burner tube.

28. On any of the very few occasions when Peterson did assemble and sell a "G5" with an "EMB," no substantial evidence shows how Peterson assembled these products.

NO EVIDENCE OF INFRINGEMENT.

29. As made, used and sold by Peterson, the "EMB" accessory product is comprised solely of a secondary burner and does not comprise the dual burner system claimed in the '159 Patent.

30. As made, used and sold by Peterson, the "G4" product is comprised solely of a primary burner and burner pan and does not comprise the dual burner system claimed in the '159 Patent.

31. As usually made, used and sold by Peterson, the "G5" product is comprised solely of a primary burner and related connections and does not comprise the dual burner system claimed in the '159 Patent.

32. Plaintiff offered no substantial evidence proving even one infringing assembly or installation of an "EMB" with a primary burner product, either by Peterson or by anyone else.

33. The record contains no substantial evidence showing how Peterson ever assembled or installed any "EMB" accessory product with any primary burner.

34. Without being the assembler of the "EMB" with a primary burner, Peterson cannot be a direct infringer of the '159 Patent.

35. The record contains no substantial evidence about how any Peterson dealer or customer ever assembled or installed any "EMB" accessory product.

36. The record contains no substantial evidence that any Peterson dealer or customer or anyone else ever assembled or installed any "EMB" accessory product with a primary burner in a manner which infringed any claim of the '159 Patent.

- PLAINTIFF'S DEMONSTRATIVE EXHIBITS.

37. Prior to trial, defendant raised authenticity and other objections to each of plaintiff's demonstrative exhibits. (Robert H. Peterson Co.'s Objections to Plaintiff's Pre-Trial Disclosures at 3.)

38. At trial, plaintiff played a narrated video tape. (1 Tr. 32-3; PX 8.)

39. Mr. Golden Blount, the witness who was testifying while the video tape was played, identified the voice of the narrator as Bill Romas, an employee of plaintiff. (1 Tr. 34.)

40. Because Mr. Romas was never called as a witness, none of the statements which he made on the videotape were ever subject to cross examination by Peterson.

41. Mr. Blount testified that the early portions of the video tape showed an authentic picture of plaintiff's dual burner product in operation. (1 Tr. 43.)

42. At one point, Mr. Blount identified a picture on the video tape as showing a "Peterson set" with the "burner off." (1 Tr. 135-45.)

43. Mr. Blount did not testify which Peterson product or products comprised what he called the "Peterson set" that he saw on the video tape. (1 Tr. 135-45.)

44. Mr. Blount did not testify that the "Peterson set" which he identified on the video tape included an "EMB" secondary burner accessory. (1 Tr. 135-45.)

45. Mr. Blount did not testify that the "Peterson set" which he identified on the video tape did not include a Peterson "Front Flame Director." (1 Tr. 135-45.)

46. Mr. Blount never identified the Peterson products, if any, which were part of the picture which he described as the "Peterson set" on the video tape. (1 Tr. 26-149; 3 Tr. 35-42.)

47. No witness ever testified that any picture shown on the video tape was an authentic or accurate depiction of any product or combination of products made, used or sold by Peterson. (1 Tr. 133-45.)

48. No witness ever testified that any picture shown on the video tape was an authentic or accurate depiction of any product or combination of any products made, used or sold by Peterson which had been assembled with the top of a primary burner tube at a "raised level" with respect to the top of a secondary burner tube or with the top of a secondary burner tube installed "below" the top of a primary burner tube. (1 Tr. 133-45.)

49. No substantial evidence shows that Peterson made, used or sold the apparatus identified by Mr. Blount as the "Peterson set" in the assembled configuration shown in the video tape.

50. No witness testified how the apparatus which Mr. Blount identified as the "Peterson set" shown in the video tape had been assembled or who had assembled it.

51. The video tape does not show any infringement of the '159 Patent by any Peterson product or combination of Peterson products. (1 Tr. 133-45.)

52. At trial, plaintiff produced a demonstrative exhibit consisting of physical primary and secondary burner tubes assembled together. (1 Tr. 41; PX 4A.)

53. Plaintiff's counsel originally referred to Plaintiff's Exhibit 4A during his opening statement without foundation, assuring the court that "we'll connect up later." (1 Tr. 6, 38.)

54. Later, one of plaintiff's attorneys, Mr. Greg Parker, represented to the Court that Plaintiff's Exhibits "4A and 4B is Defendant Peterson's device." (1 Tr. 42.)

55. Plaintiff, however, never offered any foundation through any witness testimony to identify or authenticate Plaintiff's Exhibit 4A.

56. No witness ever affirmatively identified or authenticated Plaintiff's Exhibit 4A as consisting of a Peterson product or a combination of Peterson products.

57. No substantial evidence shows that the burner tubes from which Plaintiff's Exhibit 4A had been assembled had been made, used or sold by Peterson.

58. No substantial evidence shows that the burner tubes comprising Plaintiff's Exhibit 4A had been assembled by Peterson or by any Peterson dealer or customer in the configuration in which the apparatus appeared in court.

59. No substantial evidence establishes a chain of custody linking Plaintiff's Exhibit 4A to Peterson in any way.

60. Plaintiff's Exhibit 4A does not show any infringement of the '159 Patent by Peterson.

61. Plaintiff's Exhibit 4A does not show any infringement of the '159 Patent by any Peterson dealer or customer.

62. Plaintiff produced a photograph entitled "Defendant's Log Set with Ember Flame Booster." (PX 5A.)

63. Mr. Blount testified that Plaintiff's Exhibit 5A "is a Peterson log set with their ember flame burner." (1 Tr. 43.)

64. No testimony was offered to establish that Mr. Blount had personal knowledge that Plaintiff's Exhibit 5A depicted any Peterson product or combination of Peterson products. (1 Tr. 43.)

65. No other witness attempted to authenticate Plaintiff's Exhibit 5A.

66. No testimony was offered to establish who took the photograph which is Plaintiff's Exhibit 5A. (1 Tr. 43.)

67. Mr. Blount did not testify to facts showing that he had personal knowledge of how the photograph which is Plaintiff's Exhibit 5A had been taken. (1 Tr. 43; (1 Tr. 26-149; *see also* 3 Tr. 35-42.)

68. Neither Mr. Blount nor any other witness testified that Plaintiff's Exhibit 5A accurately depicts any product in the form made, used or sold by Peterson. (1 Tr. 43.)

69. Neither Mr. Blount nor any other witness testified that Peterson assembled the apparatus in the form depicted in Plaintiff's Exhibit 5A. (1 Tr. 43.)

70. Neither Mr. Blount nor any other witness testified that Plaintiff's Exhibit 5A accurately depicts any assembly of Peterson component products by any Peterson dealer or customer or by anyone else. (1 Tr. 43.)

71. Neither Mr. Blount nor any other witness testified that any Peterson dealer or customer assembled the apparatus in the form depicted in Plaintiff's Exhibit 5A. (1 Tr. 43.)

72. Neither Mr. Blount nor any witness testified that the apparatus depicted in Plaintiff's Exhibit 5A includes a primary burner installed at a "raised level" with respect to the top of a Peterson "EMB" secondary burner product. (1 Tr. 43.)

73. Neither Mr. Blount nor any witness testified that the apparatus depicted in Plaintiff's Exhibit 5A includes a Peterson "EMB" secondary burner product installed "below" the top of a primary burner. (1 Tr. 43.)

74. Because neither the "ember flame booster" secondary burner nor the primary burner are visible in Plaintiff's Exhibit 5A, it is not evident from the photograph whether the top of the secondary burner tube is installed above, level with or below the top of the primary burner tube. (PX 5A.)

75. Neither Mr. Blount nor any other witness testified that the apparatus as depicted in Plaintiff's Exhibit 5A infringes the '159 Patent. (1 Tr. 43.)

76. Plaintiff also produced a "Literal Infringement Chart" purporting to illustrate both "Plaintiff's Claimed Device" and "Defendant's Sold Device." (PX 9).

77. Plaintiff used this "Literal Infringement Chart" with Mr. Blount. (1 Tr. 45.)

78. Neither Mr. Blount nor any other witness authenticated Plaintiff's Exhibit 9 as accurately depicting any product made, used or sold by Peterson. (1 Tr. 45-59.)

79. Neither Mr. Blount nor any other witness authenticated Plaintiff's Exhibit 9 as accurately depicting a combination of Peterson products assembled by any Peterson dealer, customer or by anyone else. (1 Tr. 45-59.)

80. No testimony was offered to establish who prepared Plaintiff's Exhibit 9.

81. Plaintiff's Exhibit 9 does not show any infringement of the '159 Patent by Peterson, by any Peterson dealer or customer or by any Peterson product or combination of Peterson products.

82. Plaintiff also produced an "Equivalence Chart" purporting to depict "Defendant's Sold Device." (PX 21.)

83. After identifying Plaintiff's Exhibit 21 during Mr. Blount's testimony, plaintiff's counsel told Mr. Blount, "I see no reason to burden you with it" and asked no questions of Mr. Blount about the exhibit. (1 Tr. 60.)

84. No other witness ever testified about Plaintiff's Exhibit 21.

85. Neither Mr. Blount nor any other witness authenticated Plaintiff's Exhibit 21 as accurately depicting any product made, used or sold by Peterson. (1 Tr. 60.)

86. Neither Mr. Blount nor any other witness authenticated Plaintiff's Exhibit 21 as accurately depicting a combination of Peterson products assembled by any Peterson dealer, customer or by anyone else. (1 Tr. 60.)

87. No testimony was offered to establish who prepared Plaintiff's Exhibit 21.

88. Plaintiff's Exhibit 21 does not show any infringement of the '159 Patent by Peterson, by any Peterson dealer or customer or by any Peterson product or combination of Peterson products.

89. Plaintiff produced a drawing purporting to illustrate the alignment of primary and secondary burner tubes from a side view. (PX 22.)

90. No witness ever testified about Plaintiff's Exhibit 22.

91. No witness authenticated Plaintiff's Exhibit 22 as accurately depicting any product made, used or sold by Peterson.

92. No witness authenticated Plaintiff's Exhibit 22 as accurately depicting any combination of Peterson products assembled by any Peterson dealer or customer or by anyone else.

93. No witness authenticated Plaintiff's Exhibit 22 as accurately depicting any matter relevant to this case.

94. No testimony was offered to establish who prepared Plaintiff's Exhibit 22.

95. Plaintiff's Exhibit 22 does not show any infringement of the '159 Patent by Peterson, by any Peterson dealer or customer or by any Peterson product or combination of Peterson products.

— PLAINTIFF'S WITNESSES.

96. When asked whether he had any personal knowledge about how Peterson sells its products, Mr. Blount testified that:

Well, they sell them through their sales companies and their — to their dealers. Beyond that I can't tell you very much about their operation.

(1 Tr. 138.)

97. Mr. Blount testified that he knows that Peterson sells the "G4" and "EMB" products separately. (1 Tr. 137.)

98. Mr. Blount testified that he was "not really" familiar with Peterson's "G4" product. (1 Tr. 121.)

99. Mr. Blount lacks sufficient personal knowledge of how Peterson manufactures or sells its various products to be able to competently authenticate any of plaintiff's demonstrative exhibits as accurately depicting products made, used or sold by Peterson.

100. Mr. Blount testified that he had personally inspected "zero" installations of Peterson "EMB's" in the field. (1 Tr. 129.)

101. Asked about installations of Peterson "EMB" products, Mr. Blount testified that "I have not seen the installation, no." (1 Tr. 129.)

102. Mr. Blount lacks sufficient personal knowledge of how Peterson dealers or customers installed the "EMB" with any other Peterson product to be able to offer competent testimony about any such installation.

103. Although Mr. Blount gave detailed testimony comparing the claimed elements of the '159 Patent to "Defendant's Sold Device" as shown on Plaintiff's Exhibit 9 (the "Literal

Infringement Chart"), his testimony assumed that Plaintiff's Exhibit 9 accurately depicted Peterson's sold product. (1 Tr. 45-60.)

104. Mr. Blount testified that he never had access to Peterson product literature of any type. (1 Tr. 112-13.)

105. Asked about Peterson's standard installation instructions for "EMB" products, Mr. Blount testified that "I don't know what the instructions say." (1 Tr. 127.)

106. Mr. Blount has no personal knowledge that Peterson or any Peterson dealer or customer or anyone else ever installed an "G4" or "G5" primary burner tube with its top at a "raised level" with respect to the top of an "EMB" secondary burner tube.

107. Mr. Blount has no personal knowledge that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner tube with its top "below" the top of a "G4" or "G5" primary burner tube.

108. Mr. Blount has no personal knowledge that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner tube in a manner which infringed the '159 Patent.

109. When he was shown Defendant's Exhibit 30 on direct examination during plaintiff's rebuttal case, Mr. Blount testified as follows:

Q. Would you consider the primary tube to be raised relative to the secondary tube, given this picture?

A. No.

Q. Sir?

A. The primary tube here is not really raised at all.

(3 Tr. 36-7; DX 30.)

110. Mr. Blount did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (1 Tr. 26-149; 3 Tr. 35-42.)

111. On direct testimony, plaintiff's second witness, Mr. Charles Hanft, was shown Plaintiff's Exhibit 4A, which plaintiff's counsel represented to him "is the Peterson ember burner." Mr. Hanft responded: "I have never seen that." (1 Tr. 154.)

112. Mr. Hanft did not affirmatively identify Plaintiff's Exhibit 4A as a Peterson product or an assembly of Peterson products. (1 Tr. 154.)

113. Mr. Hanft was not asked and did not testify about Plaintiff's Exhibits 5A, 9, 21 or 22. (1 Tr. 150-066.)

114. Although Mr. Hanft is a dealer of these types of products, he does not sell the Peterson "EMB" product. (1 Tr. 156.)

115. Mr. Hanft testified that he had never seen the Peterson "EMB" product offered for sale. (1 Tr. 154.)

116. Mr. Hanft testified that he never saw Peterson introduce the "EMB" product at any convention. (1 Tr. 155.)

117. Mr. Hanft testified that he never saw Peterson's "EMB" product in any Peterson sales brochure. (1 Tr. 155.)

118. Mr. Hanft's testimony concerned plaintiff's ember burner, not Peterson's "EMB" product. (1 Tr. 164.)

119. Mr. Hanft has no personal knowledge about how Peterson distributors sell Peterson's products. (1 Tr. 164.)

120. Mr. Hanft has no personal knowledge that Peterson or any Peterson dealer or customer or anyone else ever installed a primary burner tube with its top at a "raised level" with respect to the top of an "EMB" secondary burner tube. (1 Tr. 164.)

121. Mr. Hanft has no personal knowledge that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner tube with its top "below" the top of a primary burner tube. (1 Tr. 164.)

122. Mr. Hanft has no personal knowledge that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner tube in a manner which infringed the '159 Patent. (1 Tr. 164.)

123. Mr. Hanft did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (1 Tr. 150-066.)

124. Mr. William McLaughlin, a patent attorney called by plaintiff, testified that the Peterson "EMB" did not literally infringe any claim of the '159 Patent. (1 Tr. 181.)

125. Mr. McLaughlin testified that he prepared the answer to interrogatory No. 1 set forth in Defendant's Exhibit 61. (2 Tr. 6; DX 61.)

126. Mr. McLaughlin testified that the answer to interrogatory No. 1 explains reasons why Peterson's "EMB" product does not infringe the '159 Patent. (2 Tr. 6; DX 61.)

127. The answer to interrogatory number 1 states that Peterson's "EMB" product "does not include a support means for holding an elongated primary burner tube in a raised level relative to a secondary coals burner elongated tube." (DX 61.)

128. The answer to interrogatory No. 1 states that Peterson's "EMB" product "does not include a secondary burner tube positioned below a primary tube." (DX 61.)

129. Mr. McLaughlin testified that Peterson's "EMB" secondary burner can be raised up when installed. (2 Tr. 27.)

130. Mr. McLaughlin was not asked and did not testify about Plaintiff's Exhibits 5A, 9, 21 or 22. (1 Tr. 167 - 2 Tr. 38.)

131. Mr. McLaughlin did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (1 Tr. 167 - 2 Tr. 38.)

132. Plaintiff's final witness, Mr. Leslie Bortz, testified that Peterson had literature describing the EMB product. (2 Tr. 65.)

133. Mr. Bortz did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (2 Tr. 39-100.)

134. Mr. Bortz testified that he did not know whether Peterson had an "EMB" secondary burner assembled with a primary burner in its product display room to show the distributors who visited Peterson's facilities, but that Peterson had "one in the lab." (2 Tr. 65.)

135. Mr. Bortz did not testify that the top of the Peterson "EMB" secondary burner tube in the apparatus in Peterson's lab was installed "below" the top of the primary burner tube or that the top of the primary burner tube in the lab apparatus was installed at a "raised level" to the top of the secondary burner tube. (2 Tr. 65-6.)

136. Mr. Bortz did not testify that the Peterson "EMB" secondary burner product in Peterson's lab apparatus was installed in a manner infringing the '159 Patent. (2 Tr. 39-100.)

137. Mr. Bortz testified that he did not have personal knowledge of how the Peterson EMB product is normally assembled or by whom it is normally assembled. (2 Tr. 75.)

138. Mr. Bortz did not testify that Peterson or any Peterson dealer or customer, ever installed an "EMB" with its top "below" the top of the customer's primary burner tube or that the

top of the customer's primary burner tube was installed at a "raised level" with respect to the top of the secondary burner tube. (2 Tr. 75; 2 Tr. 39-100.)

139. Mr. Bortz did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed a Peterson "EMB" product in a manner which infringed the '159 Patent. (2 Tr. 75; 2 Tr. 39-100.)

140. Plaintiff called no other witnesses before resting its case in chief. (2 Tr. 99.)

141. None of plaintiff's witnesses had personal knowledge of any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner tube in which the top of the primary burner tube was installed at a "raised level" with respect to the top of the secondary burner tube.

142. None of plaintiff's witnesses had personal knowledge of any installation by Peterson or any Peterson dealer or customer of Peterson or anyone else of a Peterson "EMB" product in which the top of the secondary burner tube was installed "below" than the top of the primary burner tube.

143. None of plaintiff's exhibits proved any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner in which the top of the secondary burner tube was installed "below" the top of the primary burner tube or in which the top of the primary burner tube was installed at a "raised level" with respect to the top of the secondary burner tube.

144. None of plaintiff's witnesses testified to having personal knowledge of any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner in which the secondary burner tube was installed in a manner which infringed the '159 Patent.

145. None of plaintiff's exhibits proved any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner in which the secondary burner tube was installed in a manner which infringed the '159 Patent.

-- DEFENDANT'S WITNESSES.

146. Mr. Jankowski did not testify that Peterson made, used, sold or assembled Plaintiff's Exhibit 4A in the configuration in which it was shown in court. (2 Tr. 101-162.)

147. Mr. Jankowski did not testify that Peterson ever made, used or sold an assembly of primary and secondary burners such as Plaintiff's Exhibit 4A. (2 Tr. 101-162.)

148. Mr. Jankowski did not testify that Plaintiff's Exhibit 4A was an accurate depiction of any product made, used or sold by Peterson. (2 Tr. 101-162.)

149. Mr. Jankowski did not testify that Plaintiff's Exhibit 4A was an accurate depiction of any combination of Peterson products assembled by Peterson or by any Peterson dealer or customer. (2 Tr. 101-162.)

150. Mr. Jankowski did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (2 Tr. 101-162.)

151. Mr. Tod Corrin testified that Defendant's Exhibit 30 is a CAD drawing that was created by a Peterson employee at his request. (2 Tr. 173; DX 30.)

152. Defendant's Exhibit 30 shows Peterson "G4" and "EMB" products. (DX 30.)

153. Mr. Corrin did not testify that any Peterson dealer or customer ever actually requested a copy of Defendant's Exhibit 30. (2 Tr. 164-203.)

154. Mr. Corrin did not testify to having personally sent a copy of Defendant's Exhibit 30 to any Peterson dealer or customer or to anyone else. (2 Tr. 164-203.)

155. Mr. Corrin did not testify that he personally observed anyone at Peterson ever sending Defendant's Exhibit 30 to any Peterson dealer or customer or to anyone else. (2 Tr. 164-203.)

156. Mr. Corrin did not testify that Peterson ever assembled an "EMB" and a "G4" in the configuration shown on DX 30. (2 Tr. 164-203.)

157. Mr. Corrin did not testify that any Peterson dealer or customer ever actually assembled the "EMB" and a "G4" products in the configuration shown on DX 30. (2 Tr. 164-203.)

158. Mr. Corrin did not testify about how Peterson assembled the "EMB" product with the "G5" product. (2 Tr. 179; 2 Tr. 164-203.)

159. Mr. Corrin did not testify that when Peterson installed an "EMB" product with a "G5" product, it installed the "EMB" secondary burner tube with its top "below" the top of the "G5" primary burner tube or such that the top of the "G5" primary burner tube was at a "raised level" with respect to the top of the "EMB" secondary burner tube. (2 Tr. 179; 2 Tr. 164-203.)

160. Mr. Corrin did not testify that when Peterson installed an "EMB" product with a "G5" product, it installed the "EMB" secondary burner tube in a manner which infringed the '159 Patent. (2 Tr. 179; 2 Tr. 164-203.)

161. With regard to installation of the Peterson "EMB" product, Mr. Corrin testified that "either the consumer would hire an installer or sometimes the dealers provide the service from someone from their store." (2 Tr. 189-90.)

162. Mr. Corrin testified that the "EMB" is limited in how low it can be installed relative to the "G4" primary burner tube by the "EMB's" valve touching the floor. (2 Tr. 198-201.)

163. Mr. Corrin did not testify that the Peterson "EMB" secondary burner tube in Peterson's lab apparatus was installed with its top "below" the primary burner tube or that the top of the primary burner tube in the lab apparatus was installed at a "raised level" with respect to the top of the secondary burner tube. (2 Tr. 198-201; 2 Tr. 164-203.)

164. Mr. Corrin did not testify that the Peterson "EMB" secondary burner product in Peterson's lab was installed in a manner infringing the '159 Patent. (2 Tr. 198-201; 2 Tr. 164-203.)

165. Mr. Corrin did not testify that Peterson or any Peterson dealer or customer, ever installed an "EMB" secondary burner product in a manner which infringed the '159 Patent. (2 Tr. 164-203.)

166. Mr. Corrin did not testify about the manner in which the customers, installers, dealers or anyone else installed an "EMB" secondary burner product with any primary burner. (2 Tr. 164-203.)

167. Mr. Corrin did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (2 Tr. 164-203.)

168. Mr. John Palaski did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner product such that the top of the primary burner was at a "raised level" with respect to the top of the "EMB" product. (2 Tr. 204-241.)

169. Mr. Palaski did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner product with its top "below" the top of a primary burner. (2 Tr. 204-241.)

170. Mr. Palaski did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" in a manner which infringed the '159 Patent. (2 Tr. 204-241.)

171. Mr. Palaski did not testify about the manner in which Peterson dealers or customers or anyone else installed any "EMB" product. (2 Tr. 204-241.)

172. Mr. Palaski did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (2 Tr. 204-241.)

173. Mr. Darryl Dworkin did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner product such that the top of a primary burner was at a "raised level" with respect to the top of the "EMB" product (3 Tr. 3-34.)

174. Mr. Dworkin did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" secondary burner product with its top "below" the top of a primary burner. (3 Tr. 3-34.)

175. Mr. Dworkin did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" in a manner which infringed the '159 Patent. (3 Tr. 3-34.)

176. Mr. Dworkin did not testify about the manner in which Peterson dealers or customers or anyone else installed any "EMB" product. (3 Tr. 3-34.)

177. Mr. Dworkin did not testify that Peterson or any Peterson dealer or customer or anyone else ever installed an "EMB" in a manner which infringed the '159 Patent. (3 Tr. 3-34.)

178. Mr. Dworkin did not testify that Peterson took any actions which encouraged, induced or caused anyone to infringe the '159 Patent. (3 Tr. 3-34.)

179. Peterson called no other witnesses.

180. None of Peterson's witnesses testified about any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner tube in which the top of the primary burner tube was installed at a "raised level" with respect to the top of the secondary burner tube.

181. None of Peterson's witnesses testified about any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner in which the top of the secondary burner tube was installed "below" than the top of the primary burner tube.

182. None of Peterson's witnesses testified about any installation by Peterson or any Peterson dealer or customer or anyone else of Peterson "EMB" product in a manner which infringes the '159 Patent.

183. None of Peterson's exhibits proved any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner in which the top of the primary burner tube was installed at a "raised level" with respect to the top of the secondary burner tube.

184. None of Peterson's exhibits proved any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product and any primary burner in which the top of the secondary burner tube was installed "below" the top of a primary burner tube.

185. None of Peterson's exhibits proved any installation by Peterson or any Peterson dealer or customer or anyone else of a Peterson "EMB" product in a manner which infringes the '159 Patent.

NO EVIDENCE OF CONTRIBUTORY INFRINGEMENT.

186. Plaintiff offered no substantial or competent evidence that any Peterson dealer, customer or anyone else ever installed or attached a Peterson "EMB" product in a manner which infringed the '159 Patent.

187. The top of Peterson's "EMB" secondary burner product could be installed level with or above the top of a primary burner to which it was attached by tightening the female pipe fitting with a wrench while the top of the "EMB" was positioned level with or above the top of the primary burner. (PX 7, p.3).

188. Any installation of an "EMB" product in which its top is level with or above the top of the primary burner does not infringe independent Claim 1 or dependent Claims 2 through 16 of the '159 Patent, all of which require a primary burner tube installed at a "raised level" with respect to the secondary burner tube.

189. No dependent claim of the '159 Patent is infringed unless the accused device exhibits every element of the independent claim upon which it is based. (1 Tr. 50.)

190. Any installation of an "EMB" product in which its top is level with or above the top of the primary burner does not infringe Claim 17 of the '159 Patent, which requires a secondary burner tube installed "below" a primary burner tube.

191. Because Peterson's "EMB" product is capable of being installed in a non-infringing manner, it has substantial non-infringing uses.

192. No substantial evidence shows that Peterson's "EMB" product has no substantial non-infringing uses.

193. Because Peterson's "EMB" product is capable of being installed in a non-infringing manner, it constitutes a "staple article of commerce" as that term is used in the patent law.

194. When plaintiff asked Mr. Blount whether "there's no other use for your ember burner or that assembly other than a gas fireplace" and whether "it's not a staple article of commerce," Mr. Blount was testifying about plaintiff's ember burner device, not Peterson's "EMB" product. (1 Tr. 76; *see also*, 1 Tr. 68.)

195. Mr. Blount was never asked and did not testify whether there were non-infringing uses for Peterson's "EMB" product.

196. Mr. Blount was never asked and did not testify whether Peterson's "EMB" product was a "staple article of commerce."

197. Given Mr. Blount's admitted lack of personal knowledge about how Peterson's products were made, used or sold and how Peterson's "EMB" product was installed by customers or others, he could not have competently testified about whether the "EMB" had substantial non-infringing uses or whether it was a "staple article of commerce." (1 Tr. 68, 121, 129.)

198. When Mr. Bortz was asked whether Peterson's "EMB" product was a "staple article of commerce," he answered, "I don't know what that means." (2 Tr. 67.)

199. Mr. Bortz lacks sufficient personal knowledge to testify competently whether or not the Peterson "EMB" product constitutes a "staple article of commerce" as that term is used in the patent law.

200. Mr. Bortz did not testify that Peterson's "EMB" product had no substantial non-infringing uses. (2 Tr. 39-100.)

201. No substantial evidence shows that Peterson's "EMB" product was especially made for use in the patented combination claimed in the '159 Patent.

202. No substantial evidence shows that Peterson knew that its "EMB" product was especially made for use in the patented combination claimed in the '159 Patent.

NO EVIDENCE OF INDUCED INFRINGEMENT.

203. Plaintiff offered no substantial or competent evidence that any Peterson dealer, customer or anyone else ever installed any Peterson "EMB" product in a manner which infringed the '159 Patent.

204. Peterson's standard installation instructions distributed with its "EMB" product do not suggest that the "EMB" secondary burner be installed with its top "below" the top of a primary burner or that the "EMB" be installed such that the top of the primary burner remains at a "raised level" with respect to the top of the "EMB" product. (PX 7.)

205. Following Peterson's standard installation instructions does not inevitably lead to an installation of the "EMB" secondary burner with its top "below" the top of the primary burner. (PX 7.)

206. Following Peterson's standard installation instructions does not inevitably lead to an installation of the "EMB" secondary burner such that the top of the primary burner remains at a "raised level" with respect to the top of the "EMB" product. (PX 7.)

207. The only other Peterson literature distributed to customers offered into evidence by plaintiff also does not suggest that the top of the "EMB" secondary burner be installed "below" the top of the primary burner or that the "EMB" be installed such that the top of the primary burner remains at a "raised level" with respect to the top of the "EMB" product. (PX 6, 23.)

208. Plaintiff offered no other evidence of affirmative actions or communications by Peterson that induced anyone to install the "EMB" secondary burner such that the top of the primary burner remains at a "raised level" with respect to the top of the "EMB" product.

209. Plaintiff offered no other evidence of affirmative actions or communications by Peterson that induced anyone to install the "EMB" secondary burner with its top "below" the top of the primary burner.

210. Plaintiff offered no substantial evidence that Peterson knew that any of its actions or communications would cause anyone to install the "EMB" secondary burner such that the top of the primary burner remains at a "raised level" with respect to the top of the "EMB" product.

211. Plaintiff offered no substantial evidence that Peterson knew that any of its actions or communications would cause anyone to install the "EMB" secondary burner with its top "below" the top of the primary burner.

NO EVIDENCE OF DAMAGES.

212. Because plaintiff failed to prove any form of infringement, it is not entitled to any damages.

213. Plaintiff offered no proof of its consistent product marking at any time.

214. Even were plaintiff entitled to some award of damages, the evidence is insufficient to establish that, without Peterson's sales of "EMB" accessory products, plaintiff would have made any additional sales of its own products.

215. Many "EMB" products were sold to "people who had previously purchased G4 burner systems" to retrofit those existing Peterson systems. (2 Tr. 176.)

216. By law, both Peterson's and plaintiff's products are required to meet ANSI safety standards. (PX 1 at col. 1, lns. 59-61.)

217. No substantial evidence shows that plaintiff's secondary burner was certified or listed by ANSI for use with or as an accessory to Peterson's "G4" primary burner.

218. Thus, a Peterson customer having an existing "G4" installation who desired an ember burner could not consider plaintiff's product unless that customer first removed his existing Peterson equipment.

219. No substantial evidence shows that, had Peterson been unable to offer the "EMB" product, any Peterson customer would have removed their existing Peterson equipment to replace it with plaintiff's entire combination unit.

220. The "EMB" is suitable for installation only as an accessory to Peterson "G4" or "G5" primary burners. (PX 7.)

221. The EMB installation instructions explicitly state that they can only be used with Peterson "G4" primary burners. (PX 7.)

222. No substantial evidence shows that Peterson's "EMB" was ever certified or listed for use by ANSI with plaintiff's primary burner.

223. Thus, no sale of a Peterson "EMB" accessory product could have prevented plaintiff from selling one of its own accessory products to an existing customer of plaintiff's who desired to retrofit his existing primary burner with a secondary ember burner.

224. Plaintiff established that 97.5% of its own sales were entire new fireplace installations (*i.e.*, primary and secondary burners in one package). (1 Tr. 160-61.)

225. Plaintiff failed to present any substantial evidence showing how many sales of Peterson "EMB" products were for entirely new fireplace installations

226. Plaintiff failed to present any substantial evidence showing how many additional new fireplace installations it would have made but for the sales of Peterson's "EMB" product.

227. Peterson first marketed the "EMB" in the 1996 season. (2 Tr. 75-6.)

228. Peterson first offered the "EMB" by catalog in March 1997. (2 Tr. 75-6.)

229. Peterson sold the following number of "EMB's" during the following time periods after the issuance of the '159 Patent:

<u>Beginning</u>	<u>Ending</u>	<u>Quantity</u>
11/23/99	12/16/99	288
12/16/99	5/3/00	470
5/3/00	8/9/02	3253

(PX 17; *see also* Peterson Co.'s Objection to Golden Blount's Mot. For Updated Damages.)

230. After it was enjoined by this Court, Peterson repurchased 802 EMB's from distributors which had not been sold to end user customers. (PX 17; *see also* Peterson Co.'s Objection to Golden Blount's Mot. For Updated Damages.)

231. None of the EMB products repurchased by Peterson from distributors and thus withdrawn from the market could possibly have caused plaintiff to lose any sales of its own products.

232. Plaintiff offered with Mr. Blount Plaintiff's Exhibit 18, a demonstrative chart purporting to show the costs and profit margins of plaintiff's products. (PX 18.)

233. Mr. Blount did not testify that he prepared Plaintiff's Exhibit 18. (1 Tr. 66-7; PX 18; *see also* 1 Tr. 26-149, 3 Tr. 35-42.)

234. Mr. Blount did not testify was the custodian of the financial records from which Plaintiff's Exhibit 18 was prepared. (1 Tr. 66-7; PX 18; *see also* 1 Tr. 26-149, 3 Tr. 35-42.)

235. Mr. Blount did not testify that, to his personal knowledge, the amounts shown on Plaintiff's Exhibit 18 accurately depicted the various costs, prices and profit margins shown on the exhibit. (1 Tr. 66-7; PX 18; *see also* 1 Tr. 26-149, 3 Tr. 35-42.)

236. No other witness having personal knowledge of plaintiff's various costs, prices and profit margins testified that the values shown on Plaintiff's Exhibit 18 accurately depicted plaintiff's actual costs, prices and profit margins.

237. Plaintiff failed to present any substantial evidence that it ever sold its secondary burner accessory individually at the price represented on Plaintiff's Exhibit 18.

238. Plaintiff failed to present any substantial evidence showing that the profit margins for either the ember burner as an accessory or for plaintiff's complete product are accurately depicted by the margins represented on Plaintiff's Exhibit 18. (1 Tr. 66-7; PX 16; PX 18.)

239. Mr. Blount admitted that plaintiff's profit margin calculations as shown on Plaintiff's Exhibit 18 did not include sales costs or overhead, except for a small allowance for utilities. (1 Tr. 139-40.)

240. Mr. Blount claimed that plaintiff did not have any sales or overhead costs. (1 Tr. 139-40.)

241. Mr. Blount's claim is inherently improbable and unworthy of belief.

242. Mr. Blount submitted invoices to the Patent Office to establish commercial success. (DX 3 at 000219-230.)

243. Those invoices show the names of salespersons, indications of freight charges and offer a 10% discount for payment within 30 days. (DX 3 at 000219-230.)

244. Those invoices show that plaintiff did in fact have sales and overhead costs. (DX 3 at 000219-230.)

245. Mr. Blount and Mr. Hanft admitted that there are at least five other products on the market that perform roughly the same function as plaintiff's device. (1 Tr. 63, 162.)

246. Mr. Hanft testified that he had "heard that some [ember burners that provide the same result as plaintiff's device] exist." (1 Tr. 162.)

247. Mr. Hanft further testified that "it's important to know that I have no incentive to go to try to find them." (1 Tr. 162.)

248. Plaintiff failed to present any substantial evidence showing any of those substitute products to be infringing.

249. Plaintiff failed to present any substantial evidence that it brought an infringement suit regarding any of the substitute products on the market other the Peterson's "EMB" product.

250. Each of the other products on the market that perform roughly the same function as plaintiff's device and patented invention are non-infringing substitutes.

251. Peterson also manufactures and sells the "Front Flame Director" as an accessory for the "G4" burner. (2 Tr. 184; DX 26.)

252. The "Front Flame Director" is less expensive than the "EMB" and works differently. (2 Tr. 184-5.)

253. Plaintiff does not claim and did not offer any evidence to prove that Peterson's "Front Flame Director" infringes the '159 Patent.

254. Peterson's distributors sold both the "Front Flame Director" and the "EMB," although a customer would only use one or the other, not both. (2 Tr. 185.)

255. The "Front Flame Director" has been in existence longer than the "EMB," having been on sale for more than 10 years. (2 Tr. 188, 195.)

256. The "Front Flame Director" provides the same function and effect as the "EMB" - to produce a front flame effect. (2 Tr. 188, 195.)

257. The "Front Flame Director" is a non-infringing substitute for plaintiff's patented secondary burner tube.

258. Plaintiff offered no substantial evidence from which a reasonable royalty could properly be calculated.

NO EVIDENCE OF WILLFULNESS

259. The '159 Patent was issued on November 23, 1999. (PX 1.)

260. Peterson first became aware of the Patent's existence by letter dated and sent on or about December 16, 1999 and received thereafter. (Substitute Stmt. of Stipulated Facts at ¶9; PX 10.)

261. Because Peterson's "EMB" product was first introduced in 1996, it could not be a copy of the invention described in the later issued '159 Patent. (2 Tr. 75-6.)

262. Although Mr. Blount claimed that Peterson had copied his patented invention, his admitted lack of personal knowledge about how Peterson designs, makes, uses and sells its products renders this testimony insufficient to prove conscious copying by Peterson. (1 Tr. 30, 68, 121, 129.)

263. No witness having personal knowledge of Peterson's design, manufacture and offering of the "EMB" product for sale testified that Peterson had consciously copied plaintiff's patented invention.

264. Peterson is not shown to have obtained possession of an example of plaintiff's ember burner product prior to 1996 or at any time or to have tested or "reverse engineered" it.

265. Upon receipt of the December 16, 1999 letter informing Peterson of the existence of the '159 Patent, Mr. Bortz contacted the company's long-term patent attorney Mr. F. William McLaughlin about how to respond. (1 Tr. 168-9; PX 10; 2 Tr. 43-4.)

266. Mr. McLaughlin has a BS in electrical engineering from the University of Notre Dame and law degree from DePaul University. (1 Tr. 194.)

267. Mr. McLaughlin began practicing law in January 1985. (1 Tr. 194.)

268. Mr. McLaughlin specializes in intellectual property, is admitted to practice before the patent office, has prosecuted between four and five hundred patent applications and has conducted appeals before the PTO. (1 Tr. 194-201.)

269. Mr. McLaughlin has prepared approximately 100 non-infringement opinions and prepared 24-36 invalidity opinions, including oral opinions. (1 Tr. 195-6.)

270. Peterson has been represented by Mr. McLaughlin since 1990, and by his firm since before then. (1 Tr. 203.)

271. McLaughlin testified, that the December 16, 1999 letter was:

carefully crafted specifically to not be an infringement charge and that the type of letter an attorney will frequently draft to avoid the other side going ahead and filing a declaratory judgment action.

(1 Tr. 199.)

272. Neither Mr. Bortz nor Mr. McLaughlin believed the December 16, 1999 letter to be a charge of infringement. (1 Tr. 170; 2 Tr. 43.)

273. The December 16, 1999 letter was not a charge of infringement.

274. Mr. Bortz provided Mr. McLaughlin documentation including instructions and working drawings for the Peterson EMB and had discussions with him regarding the assembly. (1 Tr. 198-9; 2 Tr. 9-13; DX 22; DX 34.)

275. At Mr. McLaughlin's direction, Peterson responded to the December 16, 1999 letter on December 30, 1999. (PX 13.)

276. Plaintiff sent Peterson a second letter dated May 3, 2000. (PX 12.)

277. The May 3, 2000 letter contained, for the first time, a broad claim of infringement. Peterson forwarded this letter to McLaughlin. (1 Tr. 200; 2 Tr. 51; DX 19.)

278. In response, Peterson sent a letter on May 16, 2000 requesting a more detailed explanation of the basis for the infringement claim. (1 Tr. 201; 2 Tr. 51; PX 13.)

279. Mr. McLaughlin advised Peterson to request an explanation because the May 3, 2000 letter "simply had a broad infringement allegation, and he wanted a greater explanation from Golden Blount as to why Golden Blount thought the Peterson Company was infringing the patent." (1 Tr. 178; 2 Tr. 56.)

280. Peterson received no response from plaintiff for over 7 months. (2 Tr. 56-7.)

281. The response was the Complaint, which was served upon Peterson shortly after its filing on January 18, 2001. (2 Tr. 57.)

282. Peterson forwarded the Complaint to Mr. McLaughlin. (1 Tr. 202; 2 Tr. 57-8.)

283. Mr. McLaughlin told Peterson that a file history and cited references would need to be ordered and a prior art search would have to be done. (1 Tr. 202.)

284. Mr. McLaughlin obtained the file wrapper for the '159 Patent. (1 Tr. 202-3.)

285. Peterson found and forwarded to Mr. McLaughlin examples of prior art in its files. (DX 22; DX 23; DX 33; DX 34; DX 35; DX 43; DX 44; DX 45; DX 46.)

286. Included in the materials sent to McLaughlin were: a diagram of an F3 depicting multiple burners and multiple valves as well as one burner higher than another, which Peterson had been selling since prior to 1977, historical advertising materials and price lists, diagrams dated July 1, 1983 showing an adjustable valve between two burners and, a diagram of the Glowing Ember Gas Log Set. (1 Tr. 204-11; DX 22; DX 23; DX 48.)

287. Mr. McLaughlin testified he gave Peterson three specific opinions concerning the '159 Patent. These opinions were given in December 1999, February 2001 and May 2001. (1 Tr. 196.)

288. Mr. McLaughlin opined that there were reasons to believe the Patent was invalid and reasons to believe that Peterson was not infringing. (2 Tr. 63-4.)

289. Mr. McLaughlin's December 1999 opinion was that "if we can prove that what the Peterson Company was doing with the present product, the ember flame booster for 20 or 30 years, then either they would not infringe any claim, which would be a different issue or if they infringed, that claim would be invalid." (1 Tr. 196-7.)

290. Mr. McLaughlin's February 2001 opinion was "The Peterson ember flame booster did not literally infringe any claim of the Blount patent, and at least some of the claims were invalid at least as obvious and possibly in anticipation." (1 Tr. 181, 197.)

291. Mr. McLaughlin's May 2001 opinion, was that Peterson did "not perform substantially the same function in substantially the same way to produce substantially the same result." (1 Tr. 183, 197.)

292. McLaughlin's third opinion specifically included that Claim 1 was barred under 35 U.S.C. § 103 and that claim 19 was obvious and anticipated. (1 Tr. 191.)

293. Peterson was also told by Mr. McLaughlin that:

[N]one of the claims were literally infringed. That at least with respect to claims 1 through 18 they were not infringed under the doctrine of equivalence. Claim 19 was anticipated, again subject to proving prior art, and the remaining claims of the patent were all invalid as obvious.... And I also discussed some of the prior art, why they were invalid is obvious.

(1 Tr. 197.)

294. Mr. McLaughlin put his opinion in writing to the extent that he drafted the response to Interrogatories 1 and 3, which requested an identification of claim limitations for claims 1, 17 and 19 not contained in the EMB. (2 Tr. 6; DX 61.)

295. Mr. McLaughlin drafted his responses based on prior art, file history and the opinion he gave to Peterson. (2 Tr. 7; DX 61.)

296. Mr. Bortz testified that the interrogatory answers drafted in May 2001 reflected the opinions received by Peterson from Mr. McLaughlin. (2 Tr. 86; DX 61.)

NO EVIDENCE THAT WARRANTS ENHANCED DAMAGES.

297. Plaintiff presented no evidence of conscious copying by Peterson.

298. Peterson did obtain non-infringement opinions in this case.

299. Upon receipt of plaintiff's December 16, 1999 letter, Peterson immediately sought legal advice from Mr. McLaughlin.

300. In particular, Peterson was advised by its patent counsel, Mr. McLaughlin in February, 2001 that the "EMB" product did not literally infringe any claim of the '159 Patent. (1 Tr. 181, 197.)

301. Although Mr. McLaughlin's opinion was oral, even a simple analysis quickly reveals that because Peterson was then selling its "EMB" and "G4" products in separate, unassembled packages, none of those sales could infringe the '159 Patent until someone assembled the products in an infringing configuration. (DX 31; DX 32.)

302. Even a simple analysis also quickly showed that because Peterson's "EMB" product was capable of being installed with its top level with or above the top of a primary burner, the "EMB" product had substantial non-infringing uses.

303. Because the length of the valve stem extending from Peterson's "EMB" secondary burner physically limited the installation such that the lowest possible configuration was roughly level with top of the primary burner tube, Peterson was convinced that no infringement by its customers was occurring. (2 Tr. 198-201; 3 Tr. 36-7.)

304. Even a simple analysis also revealed that following Peterson's standard installation instructions for the "EMB" product would not inevitably lead to an infringing installation of that product.

305. Peterson relied upon Mr. McLaughlin's opinions. (2 Tr. 40, 50; 55.)

306. Given the facts concerning Peterson's separate sales of its "EMB" and "G4" products and the depression limitation of the valve stem, it was reasonable for Peterson to rely on Mr. McLaughlin's non-infringement opinions.

307. It was reasonable for Peterson and Mr. McLaughlin to conclude from these facts that Peterson could continue to manufacture and sell "G4" and "EMB" products without infringing the '159 Patent, either directly or indirectly.

308. Peterson consistently consulted with an attorney who was more than qualified to render such advice.

309. This record does not show dilatory conduct on Peterson's part.

310. No substantial evidence suggests that any of Mr. McLaughlin's opinions were offered or intended as a ruse.

311. Nothing suggests that Peterson should have known to push McLaughlin for an earlier or more formal opinion.

EXCEPTIONAL CASE.

312. No clear and convincing evidence shows that Peterson engaged in willful infringement by continuing to make, use and sell its separately packaged "G4" and "EMB" products after it was charged with infringing the '159 Patent.

313. Because each claim of the '159 Patent requires a combination of a primary and secondary burner, it was obvious that Peterson did not literally infringe any claim the '159 Patent by continuing to sell separate primary and secondary burner component products after it was charged with infringing the '159 Patent.

314. No clear and convincing evidence shows that Peterson engaged in willful infringement by assembling a combination of its "G5" and "EMB" products in an infringing manner after the '159 Patent issued on November 23, 1999.

315. Because Peterson's primary and secondary burner components both have substantial non-infringing uses, it was obvious that Peterson did not contributorily infringe any claim the '159 Patent by continuing to sell these components products after it was charged with infringing the '159 Patent.

316. Because Peterson's "EMB" secondary burner product has substantial non-infringing uses, it was obvious that this product was not especially made for use in a patented combination claimed in the '159 Patent.

317. Because none of Peterson's standard installation instructions or other literature distributed to customers regarding its "EMB" product suggest, instruct or encourage an infringing installation of the "EMB" product, it was obvious that Peterson could continue marketing that product using these materials after it was charged with infringing the '159 Patent without willfully committing induced infringement.

318. No clear and convincing evidence shows that Peterson engaged in any form of misconduct during this litigation.

319. No clear and convincing evidence shows that Peterson engaged in any form of vexatious or unjustified litigation.

320. Because it was or should have been obvious to plaintiff early in this litigation that Peterson did not literally infringe any claim of the '159 Patent by selling separately the "G4" and "EMB" products or by selling a "G5" product which did not include and "EMB" accessory or by selling a "G5" product with an "EMB" accessory installed level with or above the primary burner, plaintiff engaged in vexatious or unjustified litigation. (DX 65, Answer 1.)

321. Because plaintiff offered no evidence that any Peterson dealer or customer or any third party had ever installed an "EMB" product in a manner which infringed any claim of the '159 Patent, it was or should have been obvious to plaintiff early in this litigation that it could not prove either contributory or induced infringement.

322. Because plaintiff obtained through discovery the literature and communications product which Peterson distributes to customers concerning the "EMB," it was or should have been obvious to plaintiff early on in this litigation that it could not prove that Peterson had taken any affirmative actions to induce others to infringe the '159 Patent.

323. When plaintiff elected to continue its infringement claims after it knew or should have known that it could not prove either contributory or induced infringement, plaintiff engaged in vexatious or unjustified litigation.

324. Plaintiff's continuation of vexatious or unjustified infringement claims against Peterson warrant a finding that Peterson is entitled to recover reasonable attorney's fees in an amount to be shown by a fee petition to be filed by Peterson.

CONCLUSIONS OF LAW

EVIDENCE AND BURDEN.

1. Plaintiff bears the burden of proving its claim for patent infringement by a preponderance of the evidence. *Biovail Corp. Intern'l. v. Andrx Pharmaceuticals, Inc.*, 239 F.3d 1297, 1302 (Fed. Cir. 2001).

2. Plaintiff bears the burden of proving its claim for willful patent infringement by clear and convincing evidence. *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1441 (Fed. Cir. 1988); *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 628 (Fed. Cir. 1985).

3. Plaintiff bears the burden of proving its claim that this is an exceptional case by clear and convincing evidence. *Cambridge Products, Ltd. v. Penn Nutrients, Inc.*, 962 F.2d 1048, 1050 (Fed. Cir. 1992); *Reactive Metals and Alloys Corp. v. ESM Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985).

4. Findings of fact must be supported by substantial evidence. *Lame v. United States Dep't of Justice*, 767 F.2d 66, 70 (3d Cir. 1985) (factual findings clearly erroneous if unsupported by substantial evidence, lack adequate evidentiary support, or against clear weight of evidence).

5. Substantial evidence is such relevant evidence as might be accepted by a reasonable mind as adequate to support the finding under review. *Juicy Whip, Inc. v. Orange Bang, Inc.*, 292 F.3d 728, 736 (Fed. Cir. 2002); *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 893 (Fed. Cir. 1984).

6. If a finding is directly contrary to the only testimony presented, it is properly considered to be clearly erroneous. *Trans-Orient Marine Corp. v. Star Trading & Marine, Inc.*, 925 F.2d 566, 571 (2nd Cir. 1991).

7. No witness other than an expert witness may testify to any matter unless it is first shown that the witness has personal knowledge of the matter. Rule 602, F.R.Evid.

8. Because plaintiff called no expert witness, the reasonable inferences which may be drawn from the testimony of the lay witnesses who did testify is limited to the scope of their personal knowledge and rational perception. Rule 701, F.R.Evid.; *United States v. Hoffner*, 777 F.2d 1423, 1426 (10th Cir. 1985) ("After learning that none of the witnesses had been present in the examining room when any of the patients who had received the improper prescriptions were with Dr. Hoffner, the court concluded that their opinions as to the doctor's intent were not based on any rational perceptions or observations. We agree.").

9. Demonstrative exhibits, including models, charts and videotapes, have no independent evidentiary value higher than the testimony which supports them. *Wright & Miller*, FED. PRAC. & PROC., EVIDENCE, § 5163, p. 36; 3 Wigmore, EVIDENCE, Chadbourn Rev. (1970), p. 218 (map, diagram or model without supporting testimony is "for evidential purposes, simply *nothing*" Emphasis original).

10. Demonstrative exhibits, including models, charts and videotapes, must be authenticated by competent evidence to show that the matter in question is what the proponent claims. Rule 901(a), F.R.Evid.; *Renfro Hosiery Mills Co. v. National Cash Register Co.*, 552 F.2d 1061, 1065 (4th Cir. 1977) ("[T]he relevance of experimental evidence depends on whether or not the experiment was performed under conditions 'substantially similar' to those of the actual occurrence sought to be proved.").

11. The burden of satisfying the court as to the admissibility and relevance of demonstrative evidence rests with the proponent of that evidence. *Renfro Hosiery*, 552 F.2d at 1065-66.

12. Because plaintiff offered no substantial evidence showing that Plaintiff's Exhibit 4A (plaintiff's physical example of primary and secondary burners assembled together) was in fact: (i) made or sold by Peterson, or (ii) an assembly of components made or sold by Peterson, or (iii) assembled by Peterson, there is no evidence to authenticate Plaintiff's Exhibit 4A as accurately depicting any Peterson product or products. F.R.Evid. 901(a).

13. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 4A as accurately depicting any Peterson product or products, this exhibit is insufficient to prove infringement of the '159 Patent by Peterson.

14. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 4A as accurately depicting Peterson component products assembled by a Peterson dealer or customer, this exhibit is insufficient to prove infringement of the '159 Patent by any third party.

15. Because plaintiff offered no substantial evidence establishing that the photograph shown on Plaintiff's Exhibit 5A in fact illustrates any Peterson product or products assembled by Peterson or by any Peterson dealer or customer in the configuration shown, there is no evidence to authenticate these pictures as accurately depicting any Peterson product or products. F.R.Evid. 901(a).

16. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 5A as containing an accurate portrayal of any Peterson products assembled in an infringing manner (*i.e.*, with the primary burner tube at a "raised level" with respect to the

secondary burner tube, which was installed "below" the primary burner tube), this exhibit is insufficient to prove infringement of the '159 Patent by Peterson or any Peterson dealer or customer or anyone else.

17. Because plaintiff offered no substantial evidence showing that any of the pictures shown in Plaintiff's Exhibit 8 (plaintiff's video tape) in fact illustrate any Peterson product or products assembled either by Peterson or by any Peterson dealer or customer in the configuration as shown on the video tape, there is no evidence to authenticate any of these pictures as accurately depicting any Peterson product or products. F.R.Evid. 901(a).

18. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 8 as containing any accurate portrayals of any Peterson product or products, this exhibit is insufficient to prove infringement of the '159 Patent by Peterson or any Peterson dealer or customer or anyone else.

19. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 8 as containing any accurate portrayals of Peterson products assembled in an infringing manner (*i.e.*, with the primary burner tube at a "raised level" with respect to the secondary burner tube, which was installed "below" the primary burner tube), this exhibit is insufficient to prove infringement of the '159 Patent by Peterson or by any Peterson dealer or customer or by anyone else.

20. Because plaintiff did not call the narrator whose voice was heard on the videotape as a witness available for cross examination, each of the narrator's statements on the audio track of the video tape constitute inadmissible hearsay. F.R.Evid. 801(c).

21. Because plaintiff offered no substantial evidence establishing that the drawings labeled "Defendant's Sold Device" shown on Plaintiff's Exhibit 9 (plaintiff's "Literal

Infringement Chart") in fact illustrate any Peterson product or products assembled by Peterson or by any Peterson dealer or customer in the configuration shown, there is no evidence to authenticate these drawings as accurately depicting any Peterson product or products. F.R.Evid. 901(a).

22. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 9 as containing drawings accurately depicting any Peterson product or products, this exhibit is insufficient to prove infringement of the '159 Patent by Peterson or by any Peterson dealer or customer or by anyone else.

23. Because Plaintiff produced neither the person who created Plaintiff's Exhibit 18 to authenticate it, nor the custodian of its financial records which Plaintiff's Exhibit 18 purports to summarize to testify that they were regularly kept in the ordinary course of plaintiff's business nor did plaintiff follow the certificate procedure set forth in F.R.Evid. 902(11) and (12), Plaintiff's Exhibit 18 has no probative value. F.R.Evid., 803(6), 901(a), 902(11) and (12).

24. Because plaintiff offered no substantial evidence establishing that the drawings labeled "Defendant's Sold Device" shown on Plaintiff's Exhibit 21 (plaintiff's "Equivalence Chart") in fact illustrate any Peterson product or products assembled by Peterson or by any Peterson dealer or customer in the configuration shown, there is no evidence to authenticate these drawings as accurately depicting any Peterson product or products. F.R.Evid. 901(a).

25. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 21 as containing drawings accurately depicting any Peterson product or products, this exhibit is insufficient to prove infringement of the '159 Patent by Peterson or any Peterson dealer or customer or anyone else.

26. Because plaintiff offered no substantial evidence establishing that the drawings shown on Plaintiff's Exhibit 22 in fact illustrate any Peterson product or products assembled by Peterson or any Peterson dealer or customer or anyone else in the configuration shown, there is no evidence to authenticate these drawings as accurately depicting any Peterson product or products. F.R.Evid. 901(a).

27. Because plaintiff offered no substantial evidence to authenticate Plaintiff's Exhibit 22 as drawings accurately depicting any Peterson product or products, this exhibit is insufficient to prove infringement of the '159 Patent by Peterson or any Peterson dealer or customer or anyone else.

28. Because Mr. Golden Blount and Mr. Charles Hanft both admitted that they have no personal knowledge concerning how Peterson sells its "G4," "G5" and "EMB" products, their testimony cannot authenticate any of plaintiff's demonstrative exhibits, to the extent that such exhibits purport to depict those products. F.R.Evid. 901(b)(1) (witness with personal knowledge can authenticate); *U.S. v. Van Wyhe*, 965 F.2d 528, 532 (7th Cir. 1992) (in order to lay proper foundation for a book containing a photograph, the defendant was "required to call a witness who had . . . knowledge of the book or photograph.");

29. The admission of these demonstrative exhibits into evidence only means that the trier of fact may consider them in its deliberations. 5 WEINSTEIN'S FED. EVID., § 901.02[3] at 901-16-17; *U.S. v. Branch*, 970 F.2d 1368, 1370 (4th Cir. 1992) ("the jury ultimately resolves whether evidence admitted for its consideration is that which the proponent claims");

30. Even admitted evidence cannot have any probative value unless it is actually what it is purported to be. 5 WEINSTEIN'S FED. EVID., § 901.02[2] at 901-11; *U.S. v. Hernandez-Herrera*, 952 F.2d 342, 343 (10th Cir. 1991) ("The rationale for the authentication requirement is

that the evidence is viewed as irrelevant unless the proponent of the evidence can show that the evidence is what its proponent claims.”); *U.S. v. Papia*, 910 F.2d 1357, 1366 (7th Cir. 1990) (“On the other hand, if the note was not Papia’s, the note would be irrelevant to her state of mind.”).

31. Although Mr. Blount gave detailed testimony comparing the claimed elements of the ‘159 Patent to the “Defendant’s Sold Device” drawings appearing in Plaintiff’s Exhibit 9, such testimony has no probative value absent evidence establishing that Plaintiff’s Exhibit 9 accurately portrays a product or combination of products made, used or sold by Peterson or products assembled by any Peterson dealer or customer or anyone else.

32. Mr. Blount’s admitted lack of personal knowledge about how Peterson sells its products and how Peterson’s customers install them renders irrelevant his testimony comparing any Peterson product to the claimed elements of the ‘159 Patent.

33. Proof that an exhibit is what it purports to be is necessary to show the exhibit to be trustworthy. 5 WEINSTEIN’S FED. EVID., § 901.02[2] at 901-12.

34. Because there is no authentication evidence showing that any of plaintiff’s demonstrative exhibits accurately depict any Peterson product or combination of Peterson products assembled by Peterson or by any dealer or customer, these exhibits are all irrelevant to the question of whether Peterson or any dealer or customer or anyone else infringed the ‘159 Patent. F.R.Evid. 401.

LITERAL INFRINGEMENT AND CLAIM CONSTRUCTION.

35. In order to establish literal infringement by defendant, plaintiff must prove that defendant, acting without authority, made, used or sold a device or product which infringes the ‘159 Patent. 35 U.S.C. § 271(a).

36. Each element contained in a patent claim is deemed material to defining the scope of the patented invention. *Warner-Jenkinson Company, Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 29 (1997).

37. Each stated element in any patent claim constitutes a limitation or narrowing of the scope of that claim. *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 949 (Fed. Cir. 1987) (Nies, J., concurring, citing *D. Chisum, Patents* § 18.03[4] (1986)).

38. Where a limitation of any claim is lacking in the accused device exactly or equivalently, there is no infringement. *Biovail*, 239 F.3d at 1302 (Fed. Cir. 2001) (Patentee must prove "that every limitation of the asserted claim is literally met"); *Pennwalt*, 833 F.2d at 949-50 (Fed. Cir. 1987) (Nies, J., concurring, citing *Prouty v. Draper*, 41 U.S. (16 Pet.) 335 (1842) for the "All Elements" Rule).

39. The only independent claims of the '159 Patent at issue in this case are Claims 1 and 17. The remaining claims of the '159 Patent at issue are all dependent claims, none of which can be infringed unless the independent claims upon which they are all based are also infringed.

40. The limitations of Claim 1 of the '159 Patent require an "elongated primary burner tube and secondary coals burner elongated tube communicating through tubular connection means . . ." '159 Patent, Col. 7, lines 8-10.

41. The limitations of Claim 1 of the '159 Patent also require "a support means for holding the elongated primary burner tube in a raised level relative to the forwardly position secondary burner elongated tube." '159 Patent, Col. 7, lines 3-5.

42. The limitations of Claim 17 of the '159 Patent also require a "secondary burner tube positioned substantially parallel, forward and below the primary burner tube." '159 Patent, Col. 8, lines 37-38.

43. The vertical limitations of Claims 1 and 17 should be construed similarly and the tops of the burner tubes should be used to determine whether the secondary burner tube is positioned "below" the primary burner tube (Claim 17) or positioned such that the primary burner tube is at a "raised level" with respect to the secondary burner tube (Claim 1). *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 1059 (Fed. Cir. 2004).

44. Because of these limitations, the '159 Patent is not literally infringed by any product or device which does not contain: (i) both a primary and a secondary burner tube and (ii) in which the primary burner tube is positioned with its top at a "raised level" with respect to the top of the secondary burner tube (Claim 1) or in which the top of the secondary burner tube is positioned "below" the top of the primary burner tube (Claim 17):

45. Because Peterson's "EMB" product, as made, used and sold by Peterson, was an accessory product, consisting of a secondary burner tube without a primary burner tube and not positioned "below" the top of the primary burner tube, the "EMB" product cannot literally infringe any claim of the '159 Patent.

46. Because Peterson's "G4" product, as made, used and sold by Peterson, consisted of a primary burner tube without a secondary burner tube, the "G4" product, as usually made, used and sold by Peterson, cannot literally infringe any claim of the '159 Patent.

47. Because Peterson's "G5" product, as usually made, used and sold by Peterson, consisted of a primary burner tube without a secondary burner tube, the "G5" product, as usually made, used and sold by Peterson, cannot literally infringe any claim of the '159 Patent.

48. Thus, plaintiff failed to prove by a preponderance of the evidence that Peterson's "EMB" or "G4" products, as made, used or sold by Peterson, literally infringe any claim of the '159 Patent.

49. No substantial evidence establishes that Peterson ever installed an "EMB" secondary burner onto a "G5" product such that the top of the secondary burner tube was "below" the top of the primary burner tube (Claim 17) or the top of the primary burner tube was at a "raised level" with regard to the top of the secondary burner tube (Claim 1).

50. No substantial evidence establishes that Peterson ever installed an "EMB" secondary burner onto a "G5" primary burner tube in a manner infringing the '159 Patent.

51. Thus, plaintiff failed to sustain its burden to prove by a preponderance of the evidence that Peterson's "G5" product literally infringes any claim of the '159 Patent.

52. The patent law has long recognized a common law exception to infringement for experimental use. *Roche Products, Inc. v. Bolar Pharmaceuticals Co., Inc.*, 733 F.2d 858, 862 (Fed. Cir. 1984) ("by 1861, the law was well-settled that an experiment with a patented article for the sole purpose of gratifying a philosophical taste, or curiosity, or for mere amusement is not an infringement of the rights of the patentee."); *Pitcairn v. United States*, 547 F.2d 1106 (Ct.Cl. 1976), cert. denied, 434 U.S. 1051 (1978) (experimental use may be a defense to infringement).

53. The single combination of a "G4" and an "EMB" which Peterson built in its laboratory for experimental purposes falls within the experimental use exception regardless of whether, as part of that experimentation, the top of the secondary burner tube was ever temporarily lowered below the top of the primary burner tube.

54. Even absent the experimental use exception, no substantial evidence establishes that the apparatus in Peterson's laboratory was assembled such that such that the top of the secondary burner tube was "below" the top of the primary burner tube (Claim 17) or the top of the primary burner tube was at a "raised level" with regard to the top of the secondary burner tube (Claim 1).

55. Even absent the experimental use exception, plaintiff failed to prove by a preponderance of the evidence that the apparatus in Peterson's laboratory infringed the '159 Patent.

56. Peterson was not shown by a preponderance of the evidence to have made, used or sold any other products that literally infringe any claim of the '159 Patent.

INFRINGEMENT UNDER THE DOCTRINE OF EQUIVALENTS.

57. An accused device that does not literally infringe a claim of a patent may still infringe under the doctrine of equivalents if each limitation of that claim is met in the accused device either literally or equivalently. *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1459 (Fed. Cir. 1998).

58. The doctrine of equivalents may not be allowed such broad play as to eliminate any individual element or limitation of a patent claim. *Warner-Jenkinson*, 520 U.S. at 29.

59. The courts have no right to enlarge a patent beyond the scope of its claims as allowed by the Patent Office. *Warner-Jenkinson*, 520 U.S. at 29; *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*, 904 F.2d 677, 684 (Fed. Cir. 1990).

60. A device or product which does not encompass both a primary burner tube and a secondary burner tube cannot be said to infringe any claim of the '159 Patent under the doctrine of equivalents because no single burner product could be the legal equivalent of the claimed primary and secondary burner tubes assembled in a specific vertical configuration which constitute a limitation of each claim of the '159 Patent.

61. A device or product which contains a primary burner tube positioned such that its top is level with or below the top of the secondary burner tube cannot be said to infringe the '159 Patent under the doctrine of equivalents because positioning the primary burner tube level with

or below the secondary burner tube cannot be the legal equivalent of positioning the primary burner tube at "a raised level" to the secondary burner tube as required by the express limitation of Claim 1 of the '159 Patent. *Warner-Jenkinson*, 520 U.S. at 29; *Cybor*, 138 F.3d at 1459. See also *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1317 (Fed. Cir. 2003) (claim limitation which required guiding "downwardly" not infringed by accused device which guided upwardly; downwardly and upwardly were not equivalent).

62. A device or product which contains a secondary burner tube positioned with its top level with or above the top of the primary burner tube cannot be said to infringe the '159 Patent under the doctrine of equivalents because positioning the secondary burner tube level with or above the primary burner tube cannot be the legal equivalent of positioning the secondary burner tube "below" the primary burner tube as required by the express limitation of Claim 17 of the '159 Patent. *Warner-Jenkinson*, 520 U.S. at 29; *Cybor*, 138 F.3d at 1459. See also *Moba*, 325 F.3d at 1317 (claim limitation which required guiding "downwardly" not infringed by accused device which guided upwardly; downwardly and upwardly were not equivalent).

63. Because Peterson's "G4" product, as made used and sold by Peterson, consisted of a primary burner tube without a secondary burner tube, the "G4" product cannot infringe any claim of the '159 Patent under the doctrine of equivalents.

64. Because Peterson's "EMB" product, as made used and sold by Peterson, was an accessory product, consisting of a secondary burner tube without a primary burner tube, the "EMB" product cannot infringe any claim of the '159 Patent under the doctrine of equivalents.

65. Thus, plaintiff failed to sustain its burden to prove by a preponderance of the evidence that Peterson's "EMB" and "G4" products infringe any claim of the '159 Patent under the doctrine of equivalents.

66. Because no substantial evidence showed how Peterson constructed the "G5" product when it included an "EMB" accessory or, more specifically, that the top of the primary burner tube of the "G5" was positioned at "a raised level" with respect to top of the secondary burner tube (Claim 1) or that the top of the secondary burner tube was positioned "below" the top of the "G5" primary burner tube (Claim 17), plaintiff failed to meet its burden of proving by a preponderance of the evidence that Peterson's "G5" product infringed the '159 Patent under the doctrine of equivalents.

67. No other Peterson product was shown by a preponderance of the evidence to infringe any claim of the '159 Patent under the doctrine of equivalents.

CONTRIBUTORY INFRINGEMENT.

68. In order to establish contributory infringement, plaintiff must prove that: (i) defendant, acting without authority, made, used or sold a device or product which is a component of a machine or device which infringes a patent, (ii) defendant knew that its product was especially made or especially adapted for use in an infringement of the patent and (iii) defendant's product was not suitable for any substantial non-infringing use. 35 U.S.C. § 271(c).

69. An essential element of a claim for contributory infringement is proof that someone assembled the accused component into a device or machine which infringed the patent. *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d at 1061 (evidence must show that "the '159 patent is infringed, either literally or under the doctrine of equivalents, by a customer of Peterson or other party using Peterson components"); *Carborundum Co. v. Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872, 876, n. 4 (Fed. Cir. 1995).

70. Plaintiff must also show that defendant knew that the combination for which its components were especially made was both patented and infringing. *Golden Blount*, 365 F.3d at

1061; *Preemption Devices, Inc. v. Minn. Mining & Mfg. Co.*, 803 F.2d 1170, 1174 (Fed. Cir. 1986).

71. Evidence showing that an accused component "might" be used in an infringing manner is not sufficient to prove contributory infringement. *Johnson v. Atlas Mineral Products Co. of Pa.*, 140 F.2d 282, 285 (6th Cir. 1944).

72. Evidence showing that an accused component can be installed or used in a non-infringing manner is sufficient to defeat a contributory infringement claim. *Alloc, Inc. v. International Trade Commission*, 342 F.3d 1361, 1374 (Fed. Cir. 2003) (contributory infringement not proved where "the accused flooring products could be installed by methods not claimed in the '267 and '907 patents").

73. Contributory infringement exists only where the accused component "has no use except through practice of the patented method." *Alloc*, 342 F.3d at 1374. *Accord, Sony Corp. of America v. Universal City Studios*, 464 U.S. 417, 441 (1984).

74. Because Peterson's "EMB" secondary burner tube accessory product was capable of being installed with its top level with or above the top of the primary burner tube, the "EMB" product was capable of being installed in a non-infringing manner.

75. Whenever Peterson's "EMB" secondary burner tube accessory product was installed with a primary burner such that the top of the secondary burner tube was level with or above the top of the primary burner tube, the "EMB" product was being used in a non-infringing manner.

76. Because the record contains no testimony of any witness having personal knowledge of how Peterson's dealers or customers or anyone else actually used or installed the "EMB" or any of Peterson's products, plaintiff failed to carry its burden of proving by a

preponderance of the evidence that anyone used any Peterson product or component to infringe the '159 Patent. *Carborundum*, 72 F.3d at 876, n. 4.

77. Because Peterson's "EMB" could be installed and used as an accessory to a primary burner in a non-infringing manner, it was not manufactured by Peterson as a component especially made for use in a machine, device or combination infringing the '159 Patent.

78. Because Peterson's "EMB" could be installed and used as an accessory to a primary burner in a non-infringing manner, Peterson necessarily had no knowledge that its customers or others would use the "EMB" product to infringe the '159 Patent as opposed to using the EMB in a non-infringing installation.

79. Because Peterson's "EMB" could be installed and used as an accessory to a Peterson "G4" primary burner in a non-infringing manner, both the "G4" and the "EMB" had substantial non-infringing uses.

80. Thus, plaintiff failed to carry its burden of proving contributory infringement by a preponderance of the evidence with regard to any of Peterson's products.

INDUCED INFRINGEMENT.

81. In order to establish induced infringement, plaintiff must prove that: (i) defendant took actions that it knew or should have known would induce or cause others to infringe the patent and (ii) those actions actually did induce others to infringe the patent. 35 U.S.C. § 271(b); *Micro Chem., Inc. v. Great Plains Chem. Co.*, 194 F.3d 1250 (Fed. Cir., 1999).

82. An essential element of a claim for induced infringement is proof that someone actually infringed the patent. *Golden Blount*, 365 F.3d at 1061; *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986) ("There can be no inducement of infringement without direct infringement by some party.").

83. Proof of actual intent to cause the acts which constitute the infringement is a necessary prerequisite to finding inducement. *Warner Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003); *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

84. The defendant's mere knowledge of acts by others alleged to constitute infringement is not enough to prove an inducement claim. *Warner-Lambert*, 316 F.3d at 1365; *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990).

85. Where defendant's product has substantial non-infringing uses, the intent to induce infringement cannot be inferred even when defendant has actual knowledge that some users of its product may be infringing the patent. *Warner-Lambert*, 316 F.3d at 1365; *ICN Pharmaceuticals, Inc. v. Geneva Pharmaceuticals Technology Corp.*, 272 F. Supp.2d 1028, 1048 (C.D. Cal. 2003).

86. Inducement requires proof that the defendant knowingly aided and abetted another's direct infringement of the patent. *Warner-Lambert*, 316 F.3d at 1365; *Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1306 (Fed. Cir. 1999).

87. Because the record contains no testimony of any witness having personal knowledge of how Peterson's dealers or customers or anyone else actually used or installed the "EMB" or any of Peterson's products, plaintiff failed to prove that anyone used any Peterson product or component to infringe the '159 Patent. *Carborundum*, 72 F.3d at 876, n. 4.

88. Because Peterson's installation instructions for the "EMB" secondary burner tube accessory product do not suggest or specify that it be installed such that the top of the primary burner tube is at a "raised level" with respect to the top of the secondary burner tube (Claim 1) or that the top of the secondary burner tube be installed "below" the top of the primary burner tube

to which it is to be connected (Claim 17), these instructions do not show any specific intent to induce infringement. *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1305 (Fed. Cir. 2002) (use instructions constituted induced infringement when following them would inevitably lead to infringement); *ICN Pharmaceuticals*, 272 F. Supp.2d at 1049 (no inducement where labels did not encourage physicians to administer drug in infringing manner).

89. No evidence shows that Peterson, in any meeting with or communication to its dealers, affirmatively encouraged the installation or use of the "EMB" in a manner infringing the '159 Patent.

90. No evidence shows that Peterson distributed any other advertising or information or made any other communication encouraging its customers to install or use the "EMB" accessory product in a manner infringing the '159 Patent.

91. Because no evidence shows any direct infringement by any third party, any actual intent by Peterson to cause dealers, customers or others to infringe the '159 Patent or any affirmative act by Peterson to cause such infringement, plaintiff failed to sustain its burden of proving its induced infringement claim by clear and convincing evidence.

ACTUAL DAMAGES.

92. Absent proof of literal infringement by Peterson or contributory or induced infringement by others for which Peterson is shown to be legally responsible, plaintiff may not obtain an award of actual damages. 35 U.S.C., § 284 (damages awarded only to compensate for infringement).

93. Once infringement is proven, a patent plaintiff may obtain damages based on either its own lost profits or a reasonable royalty on any infringing sales.

94. No lost profits damages may be recovered absent proof of the causal relationship between the infringement and plaintiff's lost sales. *Minco, Inc. v. Combustion Engineering, Inc.*, 95 F.3d 1109, 1118 (Fed. Cir. 1996) (causation proof required); *State Indus., Inc. v. Mor-Flo Indus. Inc.*, 883 F.2d 1573, 1577 (Fed. Cir. 1989) (plaintiff must prove his manufacturing and marketing capabilities to have made the infringing sales).

95. To establish any lost profits damage award, plaintiff must prove that, but for the infringement, it would have made the infringer's sales. *Bic Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1218 (Fed. Cir. 1993).

96. Because the record in this case shows that: (i) many of Peterson's "EMB" secondary burner products were sold to existing Peterson "G4" customers and (ii) plaintiff's secondary burner product was not suitable for use with Peterson's "G4" primary burner, Peterson's "EMB" sales to existing Peterson customers could not have caused plaintiff to lose any sales.

97. Because the record shows that Peterson's "EMB" product was not suitable for attachment to plaintiff's primary burner products, Peterson's "EMB" sales could not have caused plaintiff to lose any sales of its secondary burner product to its own existing customers.

98. Only when a customer was installing both a primary and a secondary burner could plaintiff's and Peterson's products compete for that same sale.

99. Because plaintiff offered no evidence concerning how many of Peterson's sales were to new customers who did not have a "G4" product already installed, plaintiff failed to carry its burden of showing by a preponderance of the evidence that Peterson's "EMB" sales caused plaintiff to lose any sales.

100. To prove lost profits damages, it is plaintiff's burden to show the absence of any non-infringing substitutes for the patented device. *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1458 (Fed. Cir. 1991).

101. On this record, plaintiff failed to prove the absence of non-infringing substitutes for its ember burner accessory product.

102. Where the patentee cannot anticipate the sale of the patented component along with the components that it may be attached to, damages will only be calculated to account for lost profits related to the patented article. *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 656 (Fed. Cir. 1985); *see also King Instrument*, 767 F.2d at 865; *Hughes Tool Co. v. G.W. Murphy Indus., Inc.*, 491 F.2d 923, 928 (5th Cir. 1973).

103. Even if a patent plaintiff is unable to prove lost profits arising from certain infringing sales, it is entitled to damages consisting of a reasonable royalty on those sales.

104. It remains plaintiff's burden, however, to prove the amount of any reasonable royalty by substantial competent evidence. No award of damages may be based on speculation.

105. Here, plaintiff offered no testimony or other proof showing a reasonable royalty. As such, there is no basis for finding what the reasonable royalty should be on any of Peterson's sales, assuming that they were shown to be infringing.

WILLFUL INFRINGEMENT.

106. Absent proof of defendant's infringing conduct, there can be no finding of willful infringement.

107. Whether an infringer has acted willfully is a question of fact that rests upon a determination of the infringer's state of mind at the time of the infringement. *Mahurkar v. C.R.*

Bard, Inc., 79 F.3d 1572, 1579 (Fed. Cir. 1996); *Read Corp. v. Portec, Inc.* 970 F.2d 816, 827-9 (Fed. Cir. 1992) (listing nine factors).

108. An infringer has not acted willfully if, acting in good faith and upon due inquiry, he had sound reason to believe that he had the right to continue acting in the manner that was later found infringing. *SRI International, Inc. v. Advanced Technology Laboratories, Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).

109. Willfulness is shown by the totality of the circumstances, including: (i) whether the infringer deliberately copied the ideas or designs of another; (ii) 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; and (iii) the infringer's behavior as a party to the litigation." *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986) *overruled on other grounds by A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992).

110. Possession of a favorable opinion of counsel is not essential to avoid a willfulness determination; it is only one factor to be considered. *E.I. DuPont de Nemours & Co. v. Monsanto Corp.*, 903 F. Supp. 680 (D. Del. 1995), *aff'd*, 92 F.3d 1208 (Fed. Cir. 1996) (unpublished); *Electro Med. Sys., S.A. v. Cooper Life Sci., Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994); *American Original Corp. v. Jenkins Food Corp.*, 774 F.2d 459, 465-66 (Fed. Cir. 1985) (failure to obtain opinion concerning second patent did not preclude non-willfulness finding). *See also, Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 344 F.3d 1336 (Fed. Cir. 2003) (Federal Circuit currently considering *en banc* the following question: "Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful infringement even if no legal advice has been secured?" Case argued in February, 2004.).

111. Reliance upon a counsel's informal opinion can be reasonable. *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 794 F. Supp. 1370, 1397 (E.D. Wis. 1992), *rev'd on other grounds*, 6 F.3d 1523 (Fed. Cir. 1993).

112. Because, at the time that Peterson first learned of the '159 Patent, the vast majority, if not all, of its potentially infringing products consisted of the "G4" primary burner and the "EMB" secondary burner, both of which were packaged and sold separately and were capable of being assembled and used in a non-infringing manner, it did not take a very detailed, formal or time consuming analysis for Peterson to have a reasonable basis to believe in good faith that a substantial defense to infringement existed and that it could continue to make, use and sell these separate products without itself literally infringing the '159 Patent.

113. Because they can be installed, used and configured in a non-infringing manner, Peterson's separately packaged and sold "EMB" and "G4" products cannot be said to be the result of conscious copying the invention claimed in the '159 Patent which requires that the top of the secondary burner tube be positioned below the top of the primary burner tube.

114. No substantial evidence shows that any of Peterson's products was developed by conscious copying the invention claimed in the '159 Patent.

115. Because the record contains no evidence showing that any of Peterson's customers or dealers ever assembled an "EMB" and any primary burner in an infringing manner, much less evidence than that Peterson ever knew that they had done so, Peterson cannot be said to have knowingly or willfully engaged in contributory or induced infringement. *Rite-Hite Corp. v. Kelley Company, Inc.*, 819 F.2d 1120, 1125-26 (Fed. Cir. 1987) (unknowing infringement is not willful).

116. Because the record contains no evidence showing that Peterson's "G5" products which included an "EMB" accessory product were assembled in a manner which infringed the '159 Patent, Peterson cannot be liable for willful infringement regarding these products.

117. The record contains no evidence that Peterson willfully infringed the '159 Patent in connection with any other products or activities.

ENHANCED DAMAGES.

118. Enhanced damages are in the nature of a penalty and may not be awarded as additional compensation. *Beatrice Foods Co. v. New England Printing and Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991); *Paper Converting Machine Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 20 (Fed. Cir. 1984).

119. Enhanced damages must be premised upon willful infringement or bad faith. *Beatrice Foods*, 923 F.2d at 1579 ("enhanced damages may be awarded only as a penalty for an infringer's increased culpability"); *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985).

120. Enhanced damages are not appropriate where the infringer mounts a good faith and substantial challenge to the existence of infringement. *Paper Converting*, 745 F.2d at 20.

121. If the district court enhances damages, it must explain and articulate through findings the basis upon which it concludes that there has been willful infringement or bad faith. *Beatrice Foods*, 923 F.2d at 1578; *Reactive Metals and Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985).

122. Prejudgment interest may be applied only to the actual damages portion of any damage award and not to the punitive or enhanced portion of that award. *Beatrice Foods*, 923

F.2d at 1580; *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983).

123. Because plaintiff has failed to prove Peterson's willful infringement or bad faith by clear and convincing evidence, there is no basis for awarding enhanced damages on the record of this case. *Beatrice Foods*, 923 F.2d at 1579; *Yarway Corp.*, 775 F.2d at 277.

EXCEPTIONAL CASE.

124. The district court may, in "exceptional" cases, award reasonable attorneys' fees to the prevailing party. 35 U.S.C. § 285.

125. The exceptional nature of the case must be shown by clear and convincing evidence. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582-83 (Fed. Cir. 1985).

126. Among the types of conduct which can form a basis for finding a case exceptional are willful infringement, inequitable conduct before the P.T.O., misconduct during litigation, vexatious or unjustified litigation, and frivolous suit. *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448, 455 (Fed. Cir. 1985).

127. Even if the case is found to be "exceptional," an award of reasonable attorneys' fees is not mandatory, but remains within the sound discretion of the trial court. *Reactive Metals*, 769 F.2d at 1582.

128. Because there is no proof that Peterson committed willful infringement or engaged in any other bad faith conduct or in vexatious or unjustified litigation, there is no basis in the record for awarding attorneys' fees against Peterson.

129. Even were Peterson found to have infringed the '159 Patent in connection with the approximately 10 "G5" units that it made and sold during the relevant time period or the one

experimental apparatus in Peterson's laboratory, infringement of such a slight nature and scope would not warrant any award of attorneys' fees against Peterson.

130. Even were an award of attorneys' fees warranted against Peterson under such circumstances, that award fees would still have to be "reasonable" in amount when compared with the slight economic harm suffered by plaintiff. 35 U.S.C. § 285 (providing for an award of "reasonable attorneys fees" only).

131. Because plaintiff has failed to prove any form of infringement, Peterson must be considered the prevailing party in this litigation.

132. An award of attorneys' fees can be made against a patent plaintiff for unreasonable continuance of suit in bad faith, vexatious or unjustified litigation or for other misconduct during trial. 35 U.S.C. § 285; *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989); *Hughes v. Novi American, Inc.*, 724 F.2d 122, 125 (Fed. Cir. 1984).

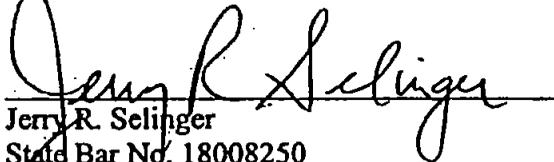
133. Once plaintiff learned that the vast majority of Peterson's product sales consisted of "G4" and "EMB" products which, made, used and sold separately, could not, standing alone, infringe the '159 Patent, it was incumbent on plaintiff to ascertain whether it had a reasonable basis to continue the infringement suit.

134. Because plaintiff chose to continue its infringement suit through trial and appeal without presenting any evidence whatsoever of: (i) any infringement of the '159 Patent by Peterson; (ii) any infringement of the '159 Patent by any third party which could form the basis for an indirect infringement verdict or (iii) any affirmative act by Peterson which could prove inducing infringement, this is an exceptional case by reason of plaintiff's unreasonable and vexatious continuance of suit in bad faith. *Eltech Sys. Corp. v. PPG Indus.*, 903 F.2d 805, 811

(Fed. Cir. 1990) (bad faith shown where "patentee is manifestly unreasonable in assessing infringement, while continuing to assert infringement in court.").

As such, this Court will award Peterson its reasonable attorneys' fees for defending the original claim through trial, prosecuting the successful appeal and participating in these proceedings on remand in an amount to be determined upon Peterson's filing of a fee petition within 30 days.

Respectfully submitted,



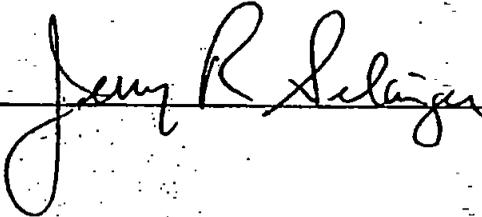
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CERTIFICATE OF SERVICE

This certifies that a copy of the foregoing Defendant's Proposed Findings of Fact and Conclusions of Law was served by first-class mail, postage prepaid, to counsel for Plaintiff, William D. Harris, Jr., Schultz & Associates, P.C., 5400 LBJ Freeway, One Lincoln Center, Suite 525, Dallas, Texas 75240 and Charles W. Gaines, Hitt Gaines, P.C., 2435 North Central Plaza, Suite 1300, Richardson, Texas 75080, this 10th day of June, 2004.



ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
NOV 15 2004
CLERK, U.S. DISTRICT COURT
By AG
Deputy

GOLDEN BLOUNT, INC.,

Plaintiff,

v.

ROBERT H. PETERSON CO.,

Defendant.

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Civil Action No. 3:01-CV-0127-R

ORDER

Pursuant to the District Court's Order of Reference, entered September 16, 2004, Plaintiff Golden Blount, Inc.'s ("Plaintiff") Application for Attorney Fees, filed September 8, 2004, and Plaintiff's Application for Costs, filed September 9, 2004, (collectively "Applications") have been referred to the United States Magistrate Judge for hearing if necessary and determination. Having considered Plaintiff's Applications, Defendant Robert H. Peterson's ("Defendant") Opposition to Plaintiff's Applications for Attorneys' Fees and Costs ("Opposition"), Plaintiff's Reply to Defendant's Opposition to Plaintiff's Applications for Attorney's Fees and Costs and Objection to Defendant's Untimely Filing of Notice of Appeal ("Reply"), and the applicable law, Plaintiff's Applications are **GRANTED in part and DENIED in part.**

Specifically, this Court grants Plaintiff's request for attorney fees in the amount of \$622,015.00 and Plaintiff's request for costs in the amount of \$3,679.83. Plaintiff's request for costs in the amount of \$6,351.21 is denied. On September 2, 2004, the District Court adopted Plaintiff's Findings of Fact and Conclusions of Law ("Findings and Conclusions"), filed August 31, 2004, which awards Plaintiff post judgment interest on attorney fees from August 9, 2002 to April 19, 2004, and resuming from the date the final judgment is signed. Therefore, Plaintiff's

request for post judgment interest on attorney fees from September 2, 2004 is denied, because the District Court has already determined that the post judgment interest should resume from the date the final judgment is signed.

I. Background¹

The District Court issued a judgment favorable to Plaintiff on August 9, 2002. On April 19, 2004, the United States Court of Appeals for the Federal Circuit remanded the case to the District Court to issue more specific findings regarding the patent infringement, willfulness, the exceptional nature of the case, and the damages amount. On May 11, 2004, the District Court ordered the parties to submit proposed findings of fact and conclusions of law. The District Court adopted Defendant's Findings and Conclusions on June 22, 2004 ("June 22, 2004 Order"). Plaintiff filed its Request for Reconsideration of Adoption of Defendant's Findings of Fact and Conclusions of Law, Alternative Motion for New Trial ("Motions for Reconsideration and New Trial") on July 6, 2004. At a hearing on August 18, 2004, the District Court decided to vacate its previous adoption of Defendant's Findings and Conclusions and to adopt Plaintiff's Findings and Conclusions, and ordered Plaintiff to provide the necessary findings and final judgment ("August 18, 2004 Minute Order"). On September 2, 2004, the District Court entered an Order vacating Defendant's Findings and Conclusions and adopting Plaintiff's August 31, 2004 Findings and Conclusions ("September 2, 2004 Order").

In the Findings and Conclusions adopted by the District Court on September 2, 2004, Plaintiff was awarded reasonable attorney fees under 35 U.S.C. § 285, and post judgment

¹ The background information comes from Defendant Robert H. Peterson Co.'s Opposition to Plaintiff's Applications for Attorney Fees and Costs, filed September 17, 2004, and Plaintiff's Memorandum in Support of Golden Blount, Inc.'s Application for Attorneys' Fees, filed September 8, 2004.

interest, calculated pursuant to 28 U.S.C. § 1961, on attorney fees at the highest rate allowed by the law from August 9, 2004, to April 19, 2004, and resuming again on the date the final judgment is signed. Plaintiff subsequently filed its Applications on September 8, 2004 and on September 9, 2004. Defendant disputes the District Court's jurisdiction to entertain Plaintiff's Applications on the basis that the August 18, 2004 Minute Order constituted the final judgment, and therefore, Plaintiff's Applications, filed September 8, 2004, and September 9, 2004, were untimely under the Federal Rules of Civil Procedures 52(b) and 54(d).

II. Analysis

A. Timeliness of Plaintiff's Applications

1. Plaintiff's Motion for New Trial

The District Court has jurisdiction to entertain Plaintiff's Applications, because they were timely filed under the Federal Rules. Defendant asserts that since the District Court's August 18, 2004 Minute Order disposed of Plaintiff's Motions for Reconsideration and a New Trial, under Federal Rule of Civil Procedure ("FRCP") 58(a)(1)(D), a separate document is not required for the entry of judgment. However, a "judgment" [is] defined as 'a decree or any order from which an appeal lies.'" *Freudensprung v. Offshore Tech. Servs.*, 379 F.3d 327, 336 (5th Cir. 2004) (quoting *Theriot v. ASW Well Serv.*, 951 F.2d 84, 88 (5th Cir. 1992)). Further, under Federal Rule of Appellate Procedure ("FRAP") 4(a)(4)(A), "If a party timely files in the district court any of the following motions under the Federal Rules of Civil Procedure, the time to file an appeal runs for all parties from the entry of the order disposing of the *last such remaining motion*."²

² See also FRAP 4(a)(4)(B)(i) ("If a party files a notice of appeal after the court announces or enters a judgment—but before it disposes of any motion listed in FRAP 4(a)(4)(A)—the notice becomes effective to appeal a judgment or order, in whole or in part, when the order disposing of the last such remaining motion is entered.")

(emphasis added). The provisions of FRAP 4(a)(4)(A)(iv) and FRAP 4(a)(4)(A)(v) list the identical motions set out in FRCP 58(a)(1)(D).³ Since an appeal does not lie until the District Court enters an order disposing of both Plaintiff's Request for Reconsideration and Plaintiff's Motion for New Trial, and since there is nothing on the docket disposing of Plaintiff's Motion for a New Trial, there is no judgment. See FED. R. CIV. P. 58(b)(1) (If a separate document is not required under FRCP 58(a)(1), a judgment is deemed entered when it is entered in the civil docket in accordance with FRCP 79(a).).

Even if this Court were to accept Defendant's argument that the District Court adopted Plaintiff's June 10, 2004 Findings and Conclusions at its August 18, 2004 hearing and that the adoption disposed of Plaintiff's Request for Reconsideration of Adoption of Defendant's Findings of Fact and Conclusions of Law when the minute entry of that hearing was entered on the docket, Plaintiff's Alternative Motion for New Trial is still pending. Therefore, Plaintiff's Applications were timely filed, because the time to file motions under FRCP 52(b) and FRCP 54(b) do not start running until a judgment is entered, and the judgment is not entered for Plaintiff's Motions for Reconsideration and New Trial until the District Court enters an order disposing of Plaintiff's Motion for New Trial.

Also, even if the District Court's August 18, 2004 Minute Order could be considered a judgment, Plaintiff's applications would still be timely filed "because the ... order lacked a

³ The motions enumerated in FRAP 4(a)(4)(A)(i) through FRAP 4(a)(4)(A)(vi) track the motions listed in FRCP 58(a)(1)(A) through FRCP 58(a)(1)(E) as exceptions to the separate document requirement. In fact, the Advisory Committee Notes for 2002 after FRCP 58 specifically state that the amendments to FRCP 58(a)(1) were made in order to address the problems that arise under FRAP 4. See also *Freudensprung*, 379 F.3d at 334 ("Certain Amendments, effective December 1, 2002, were made to resolve uncertainties concerning how Rule 4(a)(7)'s definition of when a judgment or order is deemed entered interacts with the requirement in [Rule] 58 that, to be effective, a judgment must be set forth on a separate document." (internal quotations omitted) (quoting Notes of Advisory Committee on Rules 2002 Amendments, following Rule 4)).

required separate document, under amended Rules 4 and 58(b), the order was not deemed 'entered' – and the time to file notice of appeal did not begin to run" *Freudensprung*, 379 F.3d at 337. Under FRCP 58(b)(2)(B), a judgment is also considered entered, even where it is lacking a required separate document, when 150 days have run from its entry on the docket pursuant to FRCP 79(a). However, this does not apply here because 150 days from August 18, 2004 is January 15, 2005.

2. Plaintiff's Request for Reconsideration

Plaintiff's Applications were also timely filed because the District Court's August 18, 2004 Minute Order did not dispose of Plaintiff's Request for Reconsideration under FRCP 58(a)(1)(D) as a "motion to alter or amend the judgment." The District Court's June 22, 2004 adoption of Defendant's Findings of Fact and Conclusions of Law is not an entered judgment until it is set forth on a separate document, and no such separate document exists. *See* FED. R. Civ. P. 58(b)(2)(A); *see also* *Freudensprung*, 379 F.3d at 334 ("[A] judgment or order is deemed 'entered' within the meaning of Rule 4(a) when it is set forth on a separate document in compliance with Federal Rules of Civil Procedure 58(a)(1) and entered on the district court's civil docket as required by Federal Rules of Civil Procedure 79(a)."). The Provisions of FRCP 58(b)(2)(B) also do not apply here because 150 days from June 22, 2004 is November 19, 2004.

Further, the District Court's June 22, 2004 Order cannot be considered "an order disposing of a motion" and hence cannot fit under the exception to the separate document requirement in FRCP 58(A)(1). Defendant's Findings and Conclusions, adopted in the District

Court's June 22, 2004 Order, do not constitute a motion.⁴ "[The document] was not styled as a motion. The writing did not 'state with particularity the grounds' ..." of the motion.⁵ Defendant's Opposition ("Def.'s Opp.") at 4 (quoting FED. R. CIV. P. 7(b)(1)). However, even if Defendant's Findings and Conclusions could be considered a motion, they do not fall under the enumerated motions listed in FRCP 58(a)(1)(A) through FRCP 58(a)(1)(E).⁶

3. The District Court's Instructions and Adoption

Contrary to Defendant's assertion, the District Court's order at the August 18, 2004 hearing for the Plaintiff "to present [the Court] with the necessary findings and necessary final judgment ..." clearly shows that the District Court did not make a final decision regarding which version of the findings it was going to adopt. (Pl.'s Rep. at 3). Therefore, the District Court's August 18, 2004 Minute Order did not dispose of Plaintiff's motions under FRCP 58(a)(1)(D), making Plaintiff's Applications timely under FRCP 52(b) and FRCP 54(d). The District Court's instruction to Plaintiff was not "language calculated to conclude all claims before the court." (Def.'s Opp. at 5 (citing *Moreau v. Harris County*, 158 F.3d 241, 244 (5th Cir. 1998))). At the August 18, 2004 hearing, the District Court only made the decision to vacate Defendant's

⁴ A motion is defined as a "written or oral application requesting a court to make a specified ruling or order." BLACK'S LAW DICTIONARY 458 (2d pocket ed. 2001). Defendant's proposed findings and conclusions was not an "application requesting" the Court to make a certain ruling or an order.

⁵ This was the reasoning put forth by Defendant as to why Plaintiff's August 31, 2004 Findings and Conclusions do not constitute a proper FRCP 52(b) motion. (Def.'s Opp. at 4).

⁶ Defendant's Findings and Conclusions do not fit (1) under FRCP 58(a)(1)(A) as a motion for judgment under FRCP 50(b), which discusses renewing a motion for judgment after trial or an alternative motion for a new trial; (2) under FRCP 58(a)(1)(B) as a motion to amend or make additional findings of fact under FRCP 52(b); (3) under FRCP 58(a)(1)(C) as a motion for attorney fees under FRCP 54, which states that claims for attorneys' fees and related non-taxable expenses shall be made by a motion; (4) under FRCP 58(a)(1)(D) as a motion for a new trial or to alter or amend the judgment under FRCP 59; (5) under FRCP 58(a)(1)(E) as a motion for relief under FRCP 60, which states that relief may be granted for mistakes, inadvertence, excusable neglect, newly discovered evidence, etc.

findings and to adopt Plaintiff's instead, and it did not adopt Plaintiff's June 10, 2004 findings as the Defendant asserts. If that was the District Court's intent, it would not have instructed Plaintiff to submit the necessary findings since the June 10, 2004 version had previously been submitted to the District Court. It is apparent from the facts that the District Court's decision regarding which version of the findings and conclusions it wished to adopt was not finalized until September 2, 2004.

Defendant states that the "August 31 [v]ersion [of Plaintiff's findings and conclusions] contains significant additional findings and conclusions which alter and amend those set forth in the June 10 [f]indings." (Def.'s Opp. at 3). The District Court's September 2, 2004 adoption of those findings without any indication that it is vacating the adoption of the June 10, 2004 findings, also makes it clear that the District Court never adopted Plaintiff's June 10, 2004 Findings and Conclusions at its August 18, 2004 hearing. The District Court's September 2, 2004 Order states, "[C]onsistent with its ruling at the conclusion of the Oral Hearing on August 18, 2004, [the District Court] is of the opinion that the Plaintiff's Findings of Fact and Conclusions of law submitted on August 31, 2004, are correct, and they are hereby adopted as the Findings and Conclusions of this Court." (emphasis omitted). This Order clearly shows that the District Court only adopted the August 31, 2004 version of Plaintiff's findings and conclusions. The District Court waited for the version of the findings that Plaintiff submitted pursuant to its request, and after reviewing it and finding it to be satisfactory, the District Court adopted it on September 2, 2004.

B. Reasonableness of the Plaintiff's Requested Attorney Fees and Costs

1. Attorney Fees

The District Court has already determined that under 35 U.S.C. § 285, this is an exceptional case entitling Plaintiff to attorney fees. Therefore, the issue left before this Court is whether the amount of attorney fees requested by Plaintiff is reasonable. The Federal Circuit's precedent governs the substantive interpretation of 35 U.S.C. § 285. *Pharmacia & Upjohn Co. v. Mylan Pharms., Inc.*, 182 F.3d 1356, 1359 (Fed. Cir. 1999). However, "[t]he methodology of assessing a reasonable award under 35 U.S.C. § 285 is within the discretion of the district court." *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988) (citing *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1068 (Fed. Cir. 1983)). This Court applies the lodestar analysis. The lodestar amount is determined by multiplying the number of hours reasonably spent on the litigation by a reasonable hourly rate. *Green v. Adm'rs of the Tulane Educ. Fund*, 284 F.3d 642, 661 (5th Cir. 2002) (quoting *Rutherford v. Harris County, Tex.*, 197 F.3d 173, 192 (5th Cir. 1999)). The factors set out in *Johnson v. Georgia Highway Express, Inc.* are considered in analyzing the reasonableness of the hours expended and the hourly rates requested. 488 F.2d 714, 717-19 (5th Cir. 1974).⁷ Further, the work performed by paralegals should be legal work, not clerical tasks, for their fees to be recoverable as attorney fees. *Vela v. City of Houston*, 276 F.3d 659, 681 (5th Cir. 2001) (citing *Allen v. United States Steel Corp.*, 665 F.2d 689, 697 (5th Cir. 1982)). "Otherwise, paralegal expenses are separately unrecoverable overhead expenses." *Allen*, 665

⁷ The factors set out in *Johnson* are: (1) the time and labor required; (2) the novelty and difficulty of the issues involved; (3) the skill required to litigate the case; (4) the ability of the attorney to accept other work; (5) the customary fee for similar work in the community; (6) whether the fee is fixed or contingent; (7) time limitations imposed by the client or the circumstances of the case; (8) the amount involved and results obtained; (9) the experience, reputation, and ability of the attorneys; (10) the "undesirability" of the case; (11) the nature and length of the attorney-client relationship; and (12) awards in similar cases. *Johnson*, 488 F.2d at 717-19.

F.2d at 697 (citing *Jones v. Armstrong Cork Co.*, 630 F.2d 324, 325 & n.1 (5th Cir. 1980)).

Plaintiff seeks attorney fees for the three law firms that represented it throughout the course of this case. Plaintiff seeks compensation for: 80.15 hours for the services of the Locke, Liddle & Sapp, L.L.P. ("Locke") attorneys who served as counsel before the case was turned over to Hitt Gaines, P.C. ("Hitt"), and Schultz, & Associates, P.C. ("Schultz"); 66.5 hours for the services of the Hitt's paralegals and 2,185.1 hours for the services of the Hitt attorneys; and 171.7 hours for the services of the Schultz attorneys. Plaintiff seeks compensation for its counsel at hourly rates ranging from \$135.00 to \$375.00, and for Hitt's paralegals at hourly rates ranging from \$65.00 to \$90.00.⁸

This Court has considered the *Johnson* factors, as well as Plaintiff's Application for Attorney Fees, Memorandum in Support of Plaintiff's Application for Attorney Fees, and Appendix in Support of Plaintiff's Application for Attorney Fees. The number of hours that Plaintiff seeks compensation for are reasonable for this case, and Plaintiff's requested hourly rates are reasonable for this case in this community. Plaintiff has also sufficiently shown that the work done by Hitt's paralegals is "work traditionally done by an attorney," and thus the paralegals' hours are recoverable as the prevailing party's attorney fees. *Allen*, 665 F.2d 689 at 697. Defendant has not contested the reasonableness of the number of hours or the hourly rates Plaintiff is requesting for its counsel and paralegals. Taking into consideration Plaintiff's requested hourly rates and the number of hours for which Plaintiff seeks compensation, Plaintiff

⁸ On page 6 of Plaintiff's Application for Attorney fees, and on page A-112 of the Appendix in Support of Plaintiff's Application for Attorney Fees ("Attorney Fees Appendix"), attorney Charles Phipps' billing rate is listed as \$130.00. However, in the Appendix at page A-87, his billing rate is listed as \$230.00. It appears from Locke's statements itemizing its services that Charles Phipps' billing rate is \$230.00. Therefore, this Court assessed the reasonableness of Plaintiff's request for attorney fees for the services rendered by Charles Phipps at the hourly rate of \$230.00.

is awarded attorney fees at the following rates for the following number of hours: \$249.39 per hour for 2,180.04 hours for the services rendered by Hitt; \$71.57 per hour for 66.34 hours for the services rendered by Hitt's paralegals; \$318.11 per hour for 171.7 hours for the services rendered by Schultz; and \$236.65 per hour for 80.15 hours for the service rendered by Locke. In sum, Plaintiff is awarded a lodestar amount of \$622,015.00.⁹

Once the lodestar has been determined, it may be adjusted upward or downward, if the *Johnson* factors, not "already considered in calculating the lodestar," warrant such an adjustment. *Shipes v. Trinity Indus.*, 987 F.2d 311, 320 (5th Cir. 1993) (citing *Von Clark v. Butler*, 916 F.2d 255, 258 (5th Cir. 1980)). However, the lodestar is presumptively reasonable and should be modified only in exceptional cases. *Watkins v. Fordice*, 7 F.3d 453, 457 (5th Cir. 1993); *on remand*, 852 F. Supp. 542 (S.D. Miss. 1994), *aff'd*, 49 F.3d 728 (5th Cir. 1995) (citing *City of Burlington v. Dague*, 505 U.S. 557, 562 (1992), *on remand*, 976 F.2d 801 (2d Cir. 1991)). Plaintiff does not seek a fee enhancement and Defendant does not dispute the reasonableness of the amount of fees requested by Plaintiff. Therefore, this Court determines that the lodestar amount should not be adjusted.

2. Costs

Plaintiff seeks \$10,031.04 in costs. Costs other than attorney fees may be awarded to the prevailing party under FRCP 54(d)(1). *Gaddis v. United States*, 381 F.3d 444, 452 (5th Cir. 2004) (quoting *Coats v. Penrod Drilling Corp.*, 5 F.3d 877, 891 (5th Cir. 1993)). "28 U.S.C. § 1920 defines recoverable costs, and a district court may decline to award the costs listed in the

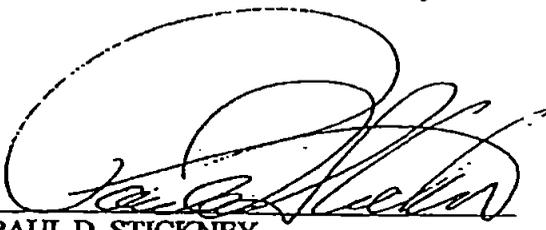
⁹ See Plaintiff's Attorney Fees Appendix for the specific hourly rates and the number of hours requested.

statute but may not award costs omitted from the list.”¹⁰ *Id.* Although Defendant has not disputed the reasonableness of Plaintiff’s requested costs, upon reviewed of Plaintiff’s Bill of Costs, this Court determines that Plaintiff should only be awarded \$3,679.83 in costs. It is not apparent that the other costs requested, in the amount of \$6,351.21 for postage, facsimile, courier services, on-line search expenses, trial supplies, obtaining patents, taxi and airfare for a deposition, parking for and in preparation of trial fit within 28 U.S.C. § 1920 as recoverable costs. *See Coats*, 5 F.3d at 891 (Travel expenses, costs incurred for “blow ups” used at trial, and video technician fees for a deposition are not recoverable as costs, because they are not expenses included in 28 U.S.C. § 1920.).

III. Conclusion

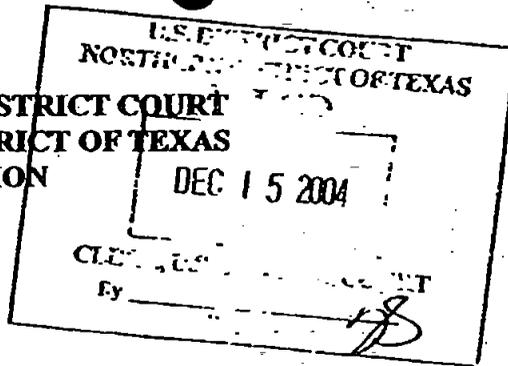
Based on the above, Plaintiff’s Application for Attorneys’ Fees and Plaintiff’s Application for Costs are **GRANTED in part and DENIED in part**. Defendant is ordered to pay Plaintiff the above mentioned amounts within 30 days from the District Court’s entry of the final judgment.

SO ORDERED. November 12, 2004.


PAUL D. STICKNEY
UNITED STATES MAGISTRATE JUDGE

¹⁰ The costs listed in 28 U.S.C. § 1920 are: (1) fees of the clerk and marshal; (2) fees of the court reporter for stenographic transcript necessarily obtained for use in the case; (3) fees and disbursements for printing and witnesses; (4) fees for exemplification and copies of papers necessarily obtained for use in the case; (5) docket fees under 28 U.S.C. § 1923; (6) compensation of court appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under 28 U.S.C. § 1828.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



GOLDEN BLOUNT, INC.,

Plaintiff,

v.

ROBERT H. PETERSON CO.,

Defendant.

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Civil Action No.

3-01-CV-0127-R

FINAL JUDGMENT

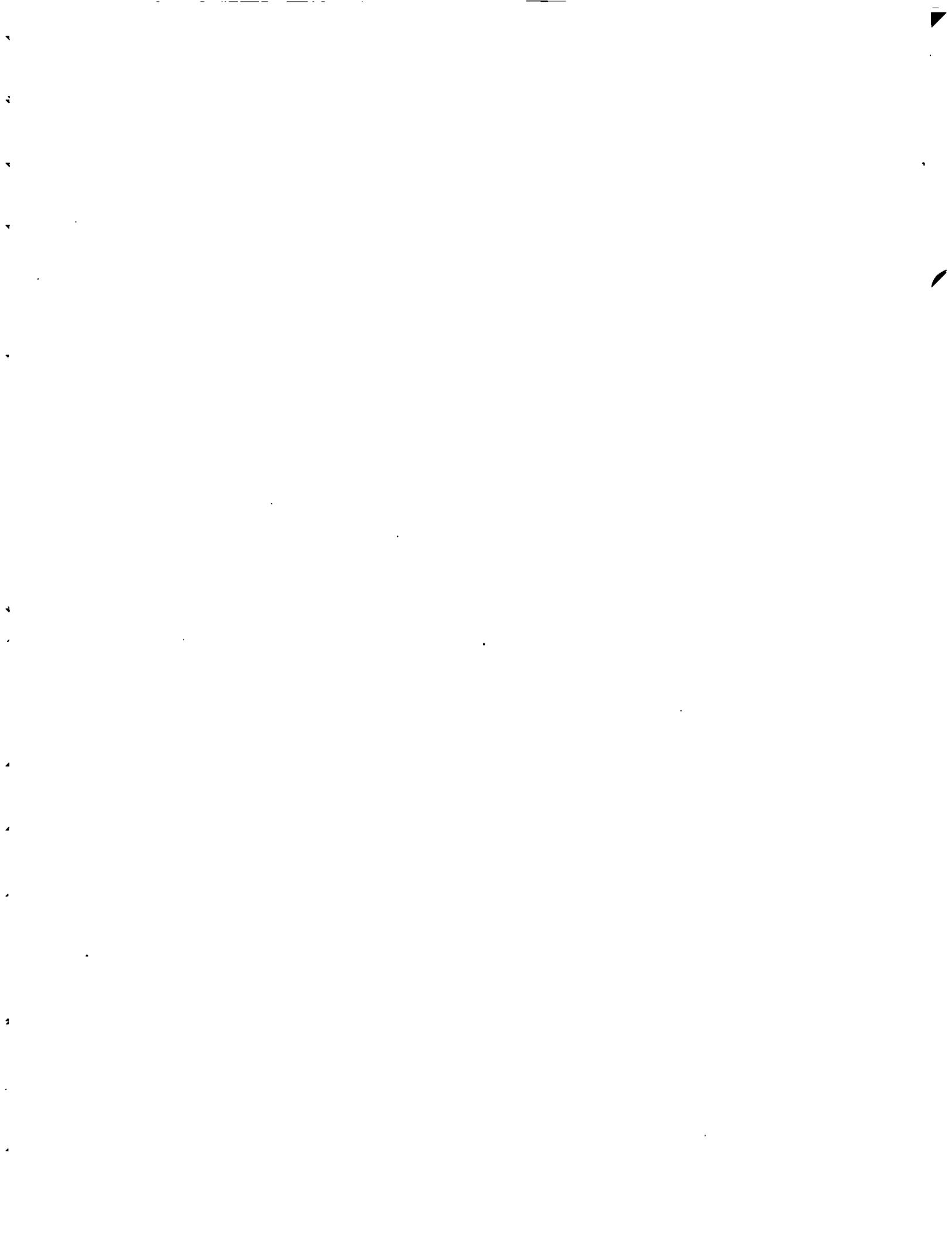
Pursuant to Rule 58 of the Federal Rules of Civil Procedure and the Court's Findings of Fact and Conclusions of Law entered September 2, 2004, it is hereby ORDERED that judgment is entered for Plaintiff. It is further ORDERED that Plaintiff recover damages, as set forth in the Court's Findings of Fact and Conclusions of Law of September 2, 2004, and reasonable attorneys fees and costs, as set forth in the Court's Order Granting Attorney's Fees and Costs of November 15, 2004. Moreover, it is ORDERED that interest shall run on the damages, attorney's fees and costs, as set forth in the Court's Findings of Fact and Conclusions of Law of September 2, 2004. Based upon the fact that infringement causes irreparable harm, it is additionally ORDERED that Defendant be permanently enjoined from making, using, offering to sell, selling or importing into the United States the device found to infringe the adjudicated claims of United States Patent No. 5,988,159, or colorable variations thereof.

IT IS SO ORDERED.

ENTERED: this 15 day of Dec., 2004.

Jerry Buchmeyer

JERRY BUCHMEYER
SENIOR UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS





US005988159A

United States Patent (19)

(11) Patent Number: 5,988,159

Blount

(45) Date of Patent: Nov. 23, 1999

[54] GAS-FIRED ARTIFICIAL LOGS AND COALS-BURNER ASSEMBLY

5,033,455	7/1991	Eiklor et al	126/512
5,052,370	10/1991	Karabin	126/512
5,081,941	1/1992	Beal	126/92 R
5,263,852	11/1993	Beck	431/125

[76] Inventor: Golden Blount, 5310 Harbor Town, Dallas, Tex. 75287

[21] Appl. No.: 08/626,498

Primary Examiner—Larry Joacs
Attorney, Agent, or Firm—L. Dan Tucker

[22] Filed: Apr. 2, 1996

[57] ABSTRACT

Related U.S. Application Data

[63] Continuation-in-part of application No. 08/276,894, Jul. 19, 1994, abandoned, which is a continuation-in-part of application No. 08/061,727, May 17, 1993, abandoned.

A gas-fired artificial logs and coals-burner assembly is provided for fireplace use in cooperation with decorative gas logs, and artificial coals and embers decorative items by placement forward of the gas logs in the fireplace arrangement, a secondary elongated coals- and embers-burner tube apparatus. The assembly provides gas-fired artificial logs, coals- and embers-burner apparatus for fireplaces wherein gas flow through primary burner tube is the source of gas flow to a secondary coals- and embers-burner tube positioned forward and below the primary burner tube with multiple discharge ports in the secondary tube directed away from the front of the fireplace, thus enhancing the natural burn in cooperation of the fireplace draft as well as the aesthetic beauty of the imitation burning logs, coals and embers.

[51] Int. Cl.⁴ F23C 1/18

[52] U.S. Cl. 126/512; 126/500; 126/540; 431/125

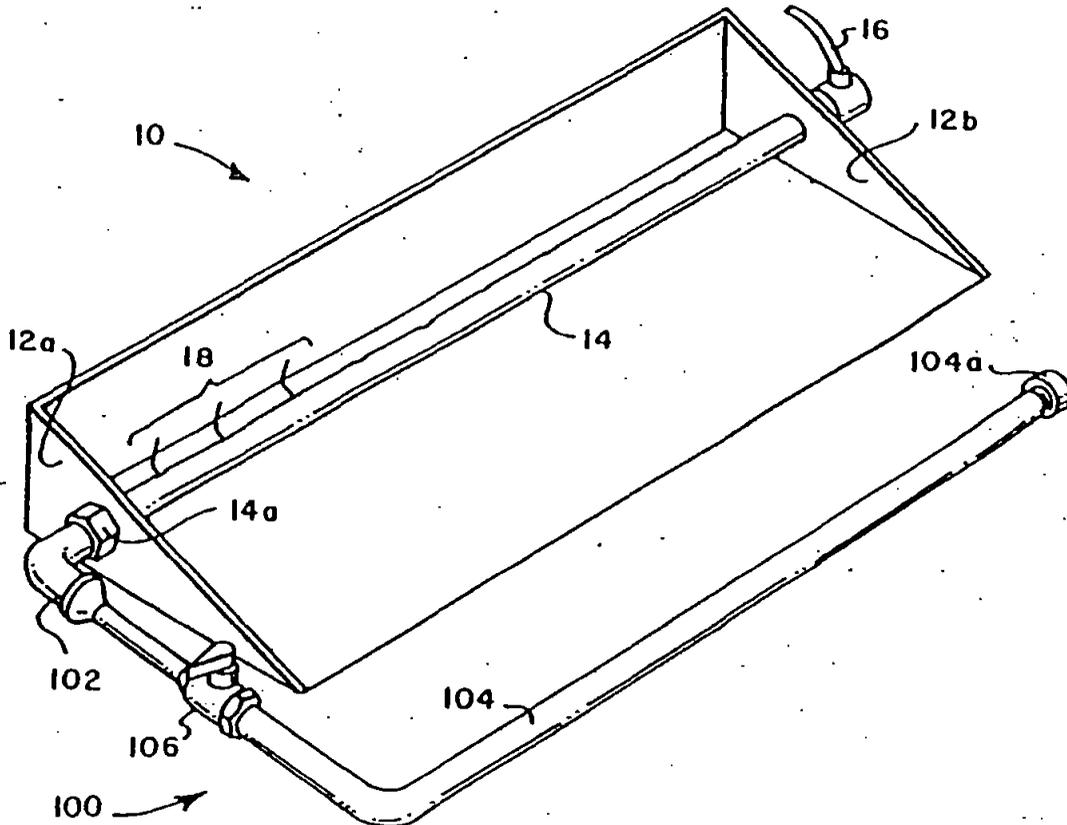
[58] Field of Search 431/125; 126/512; 126/500; 524; 540; 503

[56] References Cited

U.S. PATENT DOCUMENTS

3,042,109	7/1962	Peterson	126/512
3,871,355	3/1975	Henry	431/125 X
5,000,162	3/1991	Stimck et al.	126/512

19 Claims, 3 Drawing Sheets



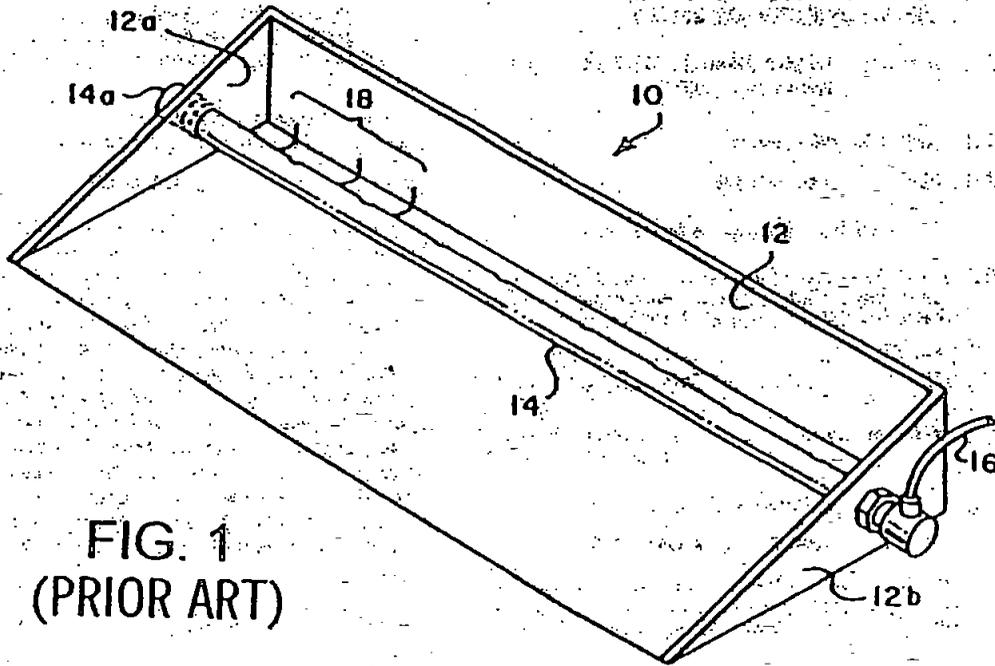


FIG. 1
(PRIOR ART)

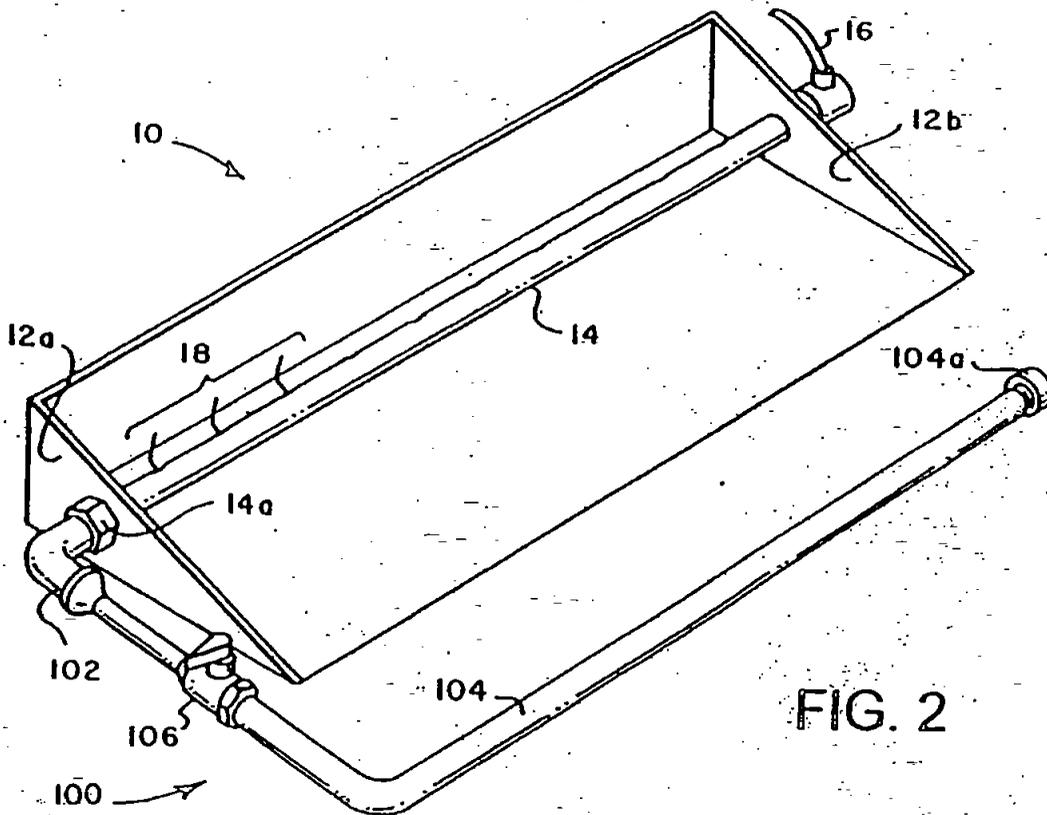


FIG. 2

GAS-FIRED ARTIFICIAL LOGS AND COALS-BURNER ASSEMBLY

The present application is a continuation-in-part application of U.S. patent application Ser. No. 08/276,894, filed Jul. 19, 1994, now abandoned, entitled "A Supplemental Burner for Retrofitting to an Existing Gas Log Burner Assembly" which is a continuation-in-part application of U.S. patent application Ser. No. 08/061,727, filed May 17, 1993, entitled "Controlled Ember Bed Burner" which is now abandoned.

TECHNICAL FIELD OF THE INVENTION

The present invention relates to a gas-fired artificial logs and coals-burner assembly for a fireplace to be used with decorative gas logs and coals or embers decorative items placed forward of the gas logs in the fireplace arrangement. In another aspect, the invention relates to coals- and embers-burner apparatus suitable for attaching to a terminal end of a gas-fired primary artificial burner, the coals- and embers-burner assembly utilizing a valve between the primary artificial logs burner and the coals- and embers-burner.

In yet another aspect, the invention relates to a gas-fired artificial logs, coals- and embers-burner assembly for fireplace wherein gas flow through a primary burner tube is the source for gas flow to a secondary coals-burner tube positioned forward and below the primary burner tube with the multiple discharge ports in the secondary tube directed away from the front of the fireplace.

The present further relates to efficient gas burners for burning natural gas, manufactured gas and propane gaseous fuels within a fireplace environment. In addition, the invention provides an efficient burner system for burning gaseous fuels in a manner which provides decorative flames and decorative coals and embers which simulate wood burning.

Gas logs are usually made of a fire resistant ceramic material; however, when gas flames are directed against such ceramic materials, the gas flame is cooled by the artificial logs and many times produces a highly inefficient and dirty yellow flame. Such a flame further indicates incomplete burn of the gaseous materials due to a lack of sufficient burn temperature and oxygen supply thus creating excessive soot and carbon monoxide. Various attempts have been made in correcting these decorative fireplace gas log deficiencies.

Further it is known that gas burners or gas nozzles can be buried below a level of sand and vermiculite. These burner systems are referred to as sand pan burners which disburse the gasses through the fireproof material and permit the gas permeating through the porous material to ignite upon entering the atmosphere. Such systems allow disbursement of the flames over a large area or bed of material. Such disbursement of flames creates a more efficient burn which further simulates the action of burning wood, ashes and embers in a fireplace.

Prior art burner systems for artificial decorative logs and sand pan type burners are incorporated in various prefabricated fireplaces or existing masonry fireplaces; however, such systems are required to meet the ANSI emission standards which have been adapted by the American Gas Institute. Accordingly, it is very desirable to provide a clean burning gas-fired artificial logs and coals-burner assembly which meet the present ANSI emission standards.

Gas logs are increasingly popular in homes. Decorative artificial logs are placed on a grate which is located over a gas burner. The burner is typically a tube with spaced

apertures. Sand is poured over the gas burner to hide it from sight. Artificial embers are then spread across the sand. In use, gas flows through the burner and escapes through the spaced apertures. The gas filters up through the sand underneath the artificial logs. The gas is ignited and creates flames between the logs. The height of the flame is controlled by a primary valve which can be manipulated by the user.

Gas logs can, under these conditions, provide a great deal of heat to a room. Also, gas logs require virtually no effort to light. Natural logs, on the other hand, must be properly cured before burning. Even then, kindling is usually needed. And once lit, it is difficult to control the rate of burning. Beyond convenience, gas logs are also aesthetically pleasing. However, the standard gas logs burner only creates flames around the artificial logs. Natural logs, when burned will break apart to produce beautiful burning embers in front of the main log stack. A need exists to produce a more realistic aesthetic burn with gas logs.

Due to the popularity of gas logs, a number of advances have been patented. For example, U.S. Pat. No. 5,000,162 to Shimek et al. discloses a "Clean Burning Glowing Ember and Gas Log Burner System." This unit is marketed under the trademark Heat-N-Glow as the Model 5000GDVMH as a self-contained fireplace and wall heater for mobile homes. The system is a low-BTU system whose main objective is to minimize carbon monoxide creation and soot deposit on the logs. A burner system is provided with a first branch and a second branch. The first branch is supported on a prefabricated grate between a first and second decorative log. The second branch is forward of the logs and is protected under a metal mesh. A very light layer of special ember material is spread on top of the mesh. Shimek et al. '162 is only sold as a complete system of logs, burner and special ember material. It cannot be fitted to existing pan burners which are by far the most common burner in use, the combination resulting in the assembly of the invention. Thus, the Shimek burner system is an expensive option.

The Shimek burner system provides a metal trim piece or refractory material in front of the second burner pipe branch so that it is not easily viewed by a person standing in front of the fireplace. The second branch only illuminates a thin line of ember material. Neither the first or second branch can be covered by sand as is common in other units. The gas apertures in the branches are located on the upper surface of both branches. Thus, sand could easily clog the apertures. Moreover, the flow of gas into the second branch cannot be regulated.

U.S. Pat. No. 5,052,370 to Karabin discloses a "Gas Burner Assembly Including Emberizing Material." The gas burner comprises a first and second gas-burner assembly. The first gas-burner assembly is formed by a pair of parallel burner tubes connected by a third burner tube. The second gas-burner assembly is located forward of the first assembly and is generally T-shaped. The second burner only illuminates a thin line of ember material. A single gas source supplies both burner assemblies. An igniter is provided to ignite the gas from the main burner assembly. The flame from that burning gas ignites the gas from the second burner assembly. As with the Shimek et al. burner assembly, the flow of gas to the second burner assembly cannot be controlled.

Finally, U.S. Pat. No. 5,081,981 to Beal discloses yet another burner and is entitled "Yellow Flame Gas Fireplace Burner Assembly." The Beal reference is primarily concerned with producing a clean yellow flame. The burner assembly includes a U-shaped burner tube. The front portion

of the burner tube is forward of the artificial logs and provides flame for ember material. However, as with the Shimck reference above, the forward portion of the burner tube is hidden from view by a portion of the grate. The Beal system does not contemplate the present assembly. Furthermore, as with both the Shimck and Karabin references, there is no means provided to control separately the flow of gas into the front burner tube.

A need exists for an inexpensive assembly for improving the performance and aesthetic appeal of pan-type gas burners. The assembly should distribute gas under artificial coals or embers in front of the gas-fired logs. The assembly should also provide a method of controlling the flow of gas to a secondary burner, thus controlling the height of the coals and embers bed flames and the amount of heat radiated into a room. A need further exists for an assembly which can safely operate even if completely covered by sand and enhances gas burn of both primary log burner and secondary coals and embers burner by gas flow control and burn direction.

These present and long-felt needs for gas logs and glowing coals- and embers-burner systems will burn clean and closely simulate the natural flames produced by burning wood logs have not yet been met by the art. Therefore, it is desirable to produce a reliable and efficient gas logs and glowing coals- and embers-burner assembly which produces the desired efficiency of burn while providing decorative flames that closely simulate burning wood logs while at the same time providing useable heat and still meet EPA regulations and the ANSI emissions and safety standards.

SUMMARY OF THE INVENTION

It is a primary object of the present invention to provide a highly efficient gas-burner assembly for use with artificial, decorative logs and glowing coals and embers wherein the assembly provides control for the glowing coals and embers independently of the gas logs burn.

It is another primary object of the present invention to provide a novel burner assembly which closely simulates the flames, embers and coals of natural wood logs burn.

It is another principle object of the present invention to provide a novel burner assembly which has low carbon monoxide emission characteristics.

It is yet another object of the present invention to provide an efficient low carbon monoxide emission burner assembly that combines long decorative gas flames with short or low smoldering glowing embers and coals in the same assembly.

It is another object of the present invention to provide a gas flow communicating primary and secondary burner tubes with the gas distribution ports of the secondary burner tube directed away from the opening of the fireplace and utilizing the natural draft of the fireplace to enhance the overall efficiency of the burn of the two burners.

The present burner assembly is the combination of an inexpensive primary gas logs burner assembly in gas flow communication with a secondary coals- and embers-burner tube positioned forward and below the primary burner which operates to enhance the natural draft of the fireplace to improve efficiency of burn and aesthetic appeal of the gas-fired artificial logs, coals- and embers-burner assembly. The secondary burner can distribute gas under artificial coals and embers in front of the gas logs with control of the gas flow to the secondary burner being readily adjustable by a valve in the connection means between the primary and secondary burners. The secondary burner receives gas through the primary burner, the connection means, and the gas flow is regulated selectively by the valve which is

interposed between the primary and secondary burners in the connection means. The control of gas flow thus controls the height of the coals and embers bed flames and the amount of radiant heat which is produced in the front of the fireplace and is distributed into the room. The amount of radiant heat can be enhanced by utilizing the control valve for increasing the amount of gas being burned in the secondary burner or the utilization of even a tertiary burner along with the secondary burner which are provided forward of the gas logs arrangement in the fireplace. The secondary burner can operate efficiently when completely covered with sand and artificial coals and embers materials, there being no need for a new grate to hide the secondary burner.

The ability to regulate the flow of gas to the secondary burner is an especially important feature. In addition, the gas flow from the secondary burner away from the opening of the fireplace and, in effect, toward the primary burner is also of special importance because of the utilization of the fireplace natural draft and direction of flames to more completely burn the gas, avoid any pockets of gas in front of the gas logs. The direction of the gas dispersion from the secondary burner ensures that through the action of the natural draft of the fireplace and the burning logs from the primary burner that complete and total combustion in an efficient manner will be achieved of the gas flowing from the secondary burner which is positioned somewhat forward of the primary burner.

People buy gas logs primarily for convenience, but this does not mean that they want to give up on the beauty of burning real logs. Standard pan burners only provide part of that beauty. Having roaring flames throughout the logs is greatly complemented by lower flames in front of the gas logs throughout a coals and embers bed. None of the prior art references above suggest a variable control means for accomplishing lower flames in the coals and embers bed. Moreover, every fireplace drafts differently. Such differences in fireplace construction and drafting, i.e., fireplace draft, as well as sizing and manufacture of present artificial fireplace burner apparatus dictates that variable control of the secondary burner, the coals and embers burner which operates independently of the primary logs burner is necessary. Volume and velocity of air entering the firebox varies according to the size of the room, height of the ceilings, and size of the firebox. None of the prior art references compensate for the varying drafts of fireplaces and therefore fail to accommodate all fireplaces while attempting to provide the maximum aesthetic beauty desired and efficiency of burn.

Most importantly, the gas-fired artificial logs, coals- and embers-burner assembly through the secondary burner control afforded by the valve, allows the user to selectively increase the amount of gas being burned forward of the artificial logs. This control also affords a greater introduction of radiant heat to the room as desired on colder days. As previously discussed, artificial gas logs can act as a heat sink and absorb heat produced by the flames. The heat generated by the secondary burner is largely radiant and is projected into the room, which affords quick heating of the room while also providing the aesthetic beauties of a gas-fired artificial logs, coals- and embers-burner assembly operation.

BRIEF DESCRIPTION OF THE DRAWINGS

For a more complete understanding of the present invention, and for further details and advantages thereof, reference is now made to the following Detailed Description taken in conjunction with the accompanying drawings, in which:

FIG. 1 provides a perspective view of a prior art pan burner used with artificial gas logs;

FIG. 2 provides a gas-fired artificial logs primary pan tube burner and secondary coals and embers tube burner;

FIG. 3 illustrates the effect of the present assembly in providing logs, coals and embers flames; and

FIG. 4 is a front view of the assembly illuminating the coals and embers bed and gas logs flames.

DETAILED DESCRIPTION OF THE DRAWINGS

The present assembly provides a number of advantages over the burner assemblies disclosed in the prior art. FIG. 1 illustrates a standard pan burner 10 which is used in the vast majority of artificial log sets. The pan burner 10 has an open frame 12 which supports a burner tube 14. An inlet 16 is connected to a gas source (not shown). A plurality of apertures, as evidenced by gas plumes 18, are spaced along the length of the burner tube 14. Gas escapes through the apertures and filters through sand (not shown). Gas which escapes from the sand is initially ignited to create flames. These flames are continually fed by the escaping gas. The burner tube 14 is supported by the side walls 12a, 12b of the frame 12. The burner tube 14 extends beyond the side wall 12a and is capped.

FIG. 2 illustrates a secondary burner apparatus 100 which embodies the present invention in combination with primary burner tube 14. The secondary burner apparatus 100 can be retrofitted to the terminal end 14a of the burner tube 14 in the pan burner 10. The cap must be removed from the terminal end 14a. A connector 102 is then attached to the uncapped end of burner tube 14. The connector 102 is fitted to the secondary burner tube 104 creating an enclosed fluid path for the gas. The connections between the connector 102 and the terminal end 14a should be adequately sealed to prevent leakage. Likewise, the connection between the connector 102 and the secondary burner tube 104 should also be properly sealed. A valve 106 is interposed in this fluid path. The valve 106 can be variably positioned to give the user the ability to select the amount of gas entering the secondary burner. The secondary burner tube 104 is generally parallel to the primary burner tube 14. The terminal portion of the secondary burner tube 104a is closed. The primary and secondary burner tubes are typically made of steel.

A plurality of apertures 108 are along the length of the secondary burner tube 104. The apertures 108 can be evenly spaced or clustered. The apertures 108 are typically between $\frac{1}{2}$ and $\frac{1}{4}$ inch in diameter, but are preferably $\frac{1}{16}$ of an inch in diameter. More importantly, the apertures are located along the radial edge of the secondary burner tube 104, below the upper ridge of the tube. By avoiding the upper ridge, the apertures are less likely to be clogged by sand. Gas passing through the valve 106 enters the secondary burner tube 104 and escapes through the spaced apertures. The apertures can be evenly spaced or clustered.

These various spaced apertures or gas discharge ports are most important in their position in regard to both the primary and secondary tube burners. In the secondary burner tube 104, the gas is discharged in a direction away from the opening of the fireplace or in another aspect is directed somewhat toward or directly toward the primary burner tube 14. The effects of such gas burn direction enhances the aesthetic beauty of the overall logs, coals, and embers burn, but, more importantly, provide several safety features of the gas-fired artificial logs, coals, and embers burner assembly. First, the natural draft of the fireplace provides a more efficient burn of the gas and avoids high or intolerable levels

of carbon monoxide. Even more importantly is that the backward direction or gas flow direction toward the primary burner from the secondary burner avoids creation of pockets of gas in the sand and other coverage material of these burners which could possibly create a flash explosion due to accumulated gas. For example, if the gas is directed from the secondary burner 104 toward the opening of the fireplace, then two independent sources of gas pocketing occurs—one on the gas logs primary burner which may or may not be covered by granular materials as well as that generated by the secondary burner which is removed from about four to eight or ten inches in front of the primary burner. Lighting of such gas distribution pockets would be hazardous and uniformity of coordinated burn utilizing natural draft of the fireplace would be lost. If the secondary burner 104 discharges gas in a vertical direction, apertures in the sand or coverage granular material will occur and one would lose the aesthetic beauty of the applications of distribution of gas for burning and creating flame coals' and embers' appearance.

In the gas-fired artificial logs, coals, and embers burner assembly of the invention, the primary elongated burner tube can be comprised of a one-half inch pipe while the secondary coals and embers burner elongated tube can be of a one-quarter inch pipe. These dimensional relationships can be varied depending on the needs for gas volume and the size of the fireplace. The spacing between the primary and secondary burner tubes can also be varied within reasonable lengths of from about four to eight or ten inches depending on the size and depth of the coals and embers bed one requires. The secondary elongated burner tube can also have adjustments for height, meaning distance elevated from the floor of the fireplace, again depending on the depth and size of the coals and embers fire bed. In all of these dimensional relationships, the present invention provides an adjustable burn facility for the secondary elongated burner tube which controls the amount of coals and embers flame and glow, again depending on the individual's desires, size of the room, size of the fireplace and the amount of natural draft through the fireplace.

FIGS. 3 and 4 illustrate the effect of the secondary burner apparatus 100 once connected to the pan burner 10. As discussed, a grate 20 is located above the pan burner which is covered with sand 22. The grate 20 can hold at least one artificial log 24. Artificial ember material 26 which glows when heated, can be strewn under and around the artificial logs and on top of the sand. Flames 30 fed by gas from the primary burner tube 14 rise through the artificial logs 24. Flames 40 fed by gas from the secondary burner tube 104 can rise through the artificial ember bed 28. As illustrated, the flames 40 can be lower than the flames 30, thus providing an aesthetically pleasing sight.

Although preferred embodiments of the invention have been described in the foregoing Detailed Description and illustrated in the accompanying drawings, it will be understood that the invention is not limited to the embodiments disclosed, but is capable of numerous rearrangements, modifications, and substitutions of parts and elements without departing from the spirit of the invention. Accordingly, the present invention is intended to encompass such rearrangements, modifications, and substitutions of parts and elements as fall within the scope of the invention.

What is claimed is:

1. A gas-fired artificial logs and coals-burner assembly for fireplace comprising:
 - an elongated primary burner tube including a plurality of gas discharge ports;

- a secondary coals burner elongated tube positioned forwardly of the primary burner tube;
- a support means for holding the elongated primary burner tube in a raised level relative to the forwardly positioned secondary coals burner elongated tube;
- the secondary coals burner elongated tube including a plurality of gas discharge ports;
- the elongated primary burner tube and the secondary coals burner elongated tube communicating through tubular connection means wherein the gas flow to the secondary elongated coals burner tube is fed through the primary burner tube and the tubular connection means;
- a valve for adjusting gas flow to the secondary coals burner elongated tube positioned in the tubular gas connection means; and
- the primary burner tube being in communication with a gas source with a gas flow control means therein for controlling gas flow into said primary burner tube.
2. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the support means for the primary burner tube is comprised of an open frame pan for supporting the primary burner tube in an elevated position relative to the fireplace floor.
3. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube discharge ports are directed toward the primary burner elongated tube at an angle of from about 5 to about 75 degrees based on the plane of the fireplace floor.
4. The gas-fired artificial logs and coals-burner assembly according to claim 3 wherein the secondary coals burner elongated tube discharge ports directed toward the primary burner tube utilizes the fireplace natural draft in achieving combustion of both gas sources in sufficient air to maintain satisfactory levels of CO.
5. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is substantially parallel to the primary burner tube and has a smaller inside diameter than the primary burner tube with the valve adjusting gas flow for coals burn and forwarding heat radiation from the fireplace.
6. The gas-fired artificial logs and coals-burner assembly according to claim 4 wherein the primary burner tube is comprised of a standard half-inch pipe and the secondary burner tube is comprised of a standard quarter-inch pipe.
7. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the elongated primary burner tube and the secondary coals burner elongated tube are spaced apart on different planes at from about four to about eight inches.
8. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is of a smaller diameter than the primary burner tube which allows for a lower profile of coals and sand coverage.
9. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the secondary coals burner elongated tube is adjustable in height relative to the floor of the fireplace and the elevated primary burner tube.
10. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein at least two secondary coal burner elongated tubes are utilized for artificial coal burn and radiant heat generation.
11. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary and secondary burner tubes have apertures of from about $\frac{1}{32}$ inch to about $\frac{1}{4}$ inch.

12. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the gas flow adjustment valve has a removable handle, the gas flow adjustment allowing a variety of settings from full closed to full open.
13. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the connection means is comprised of a connector attached to the terminal end of the primary burner tube at a first end of a connector and attached to the secondary coals burner elongated tube to a connector second end with the valve interposed between the primary burner tube and the secondary burner tube.
14. The gas-fired artificial logs and coals-burner assembly according to claim 13 wherein the connector generally is shaped outward from the first end connected to the primary burner tube, directed generally perpendicular to the burner tubes alignment and inward to the second end connected to the secondary burner tube, the valve and connector being positioned generally exterior of the primary and secondary burner tube fire zones.
15. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the open frame pan and primary elongated burner tube is positioned under an artificial logs and grate support means.
16. The gas-fired artificial logs and coals-burner assembly according to claim 1 wherein the primary elongated burner tube is covered with sand and the secondary elongated burner tube is covered with sand, mica, and fibrous materials which simulate coals and ember burn.
17. A gas-fired artificial coals- and embers-burner apparatus suitable for attaching to a gas-fired primary artificial log burner tube said primary artificial log burner tube having a terminal end comprising:
- a secondary coals burning elongated tube;
 - a connector means for connecting said terminal end in communication with the secondary burner tube, the secondary burner tube positioned substantially parallel, forward and below the primary burner tube, the connector means having interposed between the primary and secondary burner tubes a gas flow adjustment valve, the primary and secondary burner tubes having a plurality of gas discharge ports, the secondary burner tube being in gas flow communication with the primary burner tube being the connection means, a gas distribution ports of the secondary burner tube directed away from the fireplace opening;
18. The gas-fired artificial coals- and embers-burner apparatus according to claim 1, wherein the gas distribution ports of the secondary burner tube are directed toward the primary burner tube at from about 5 degrees to about 75 degrees elevation from the fireplace floor.
19. A gas burner assembly for use in a fireplace comprising:
- a primary burner tube having a first end and a second end, said first end adapted to be connected to a gas source with a gas flow control means for controlling the amount of gas flowing into said primary burner tube;
 - a second burner tube;
 - a connector tube attached to said second end of said primary burner tube and to said second burner tube to provide fluid communication between said primary burner tube and said second burner tube; and
 - a valve disposed in said connector tube for selectively controlling the flow of gas from said primary burner tube into said second burner tube.

FIG. 3

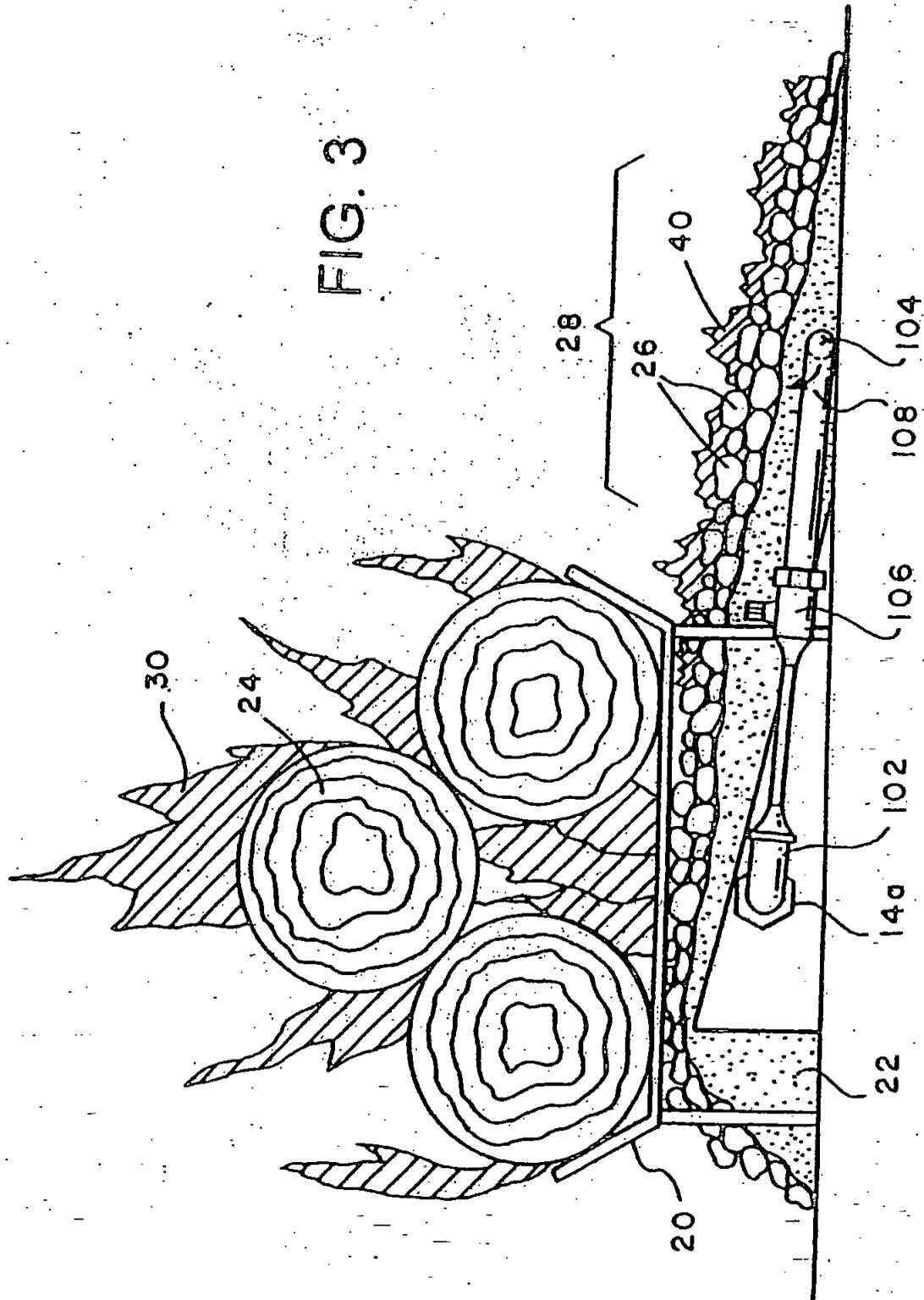
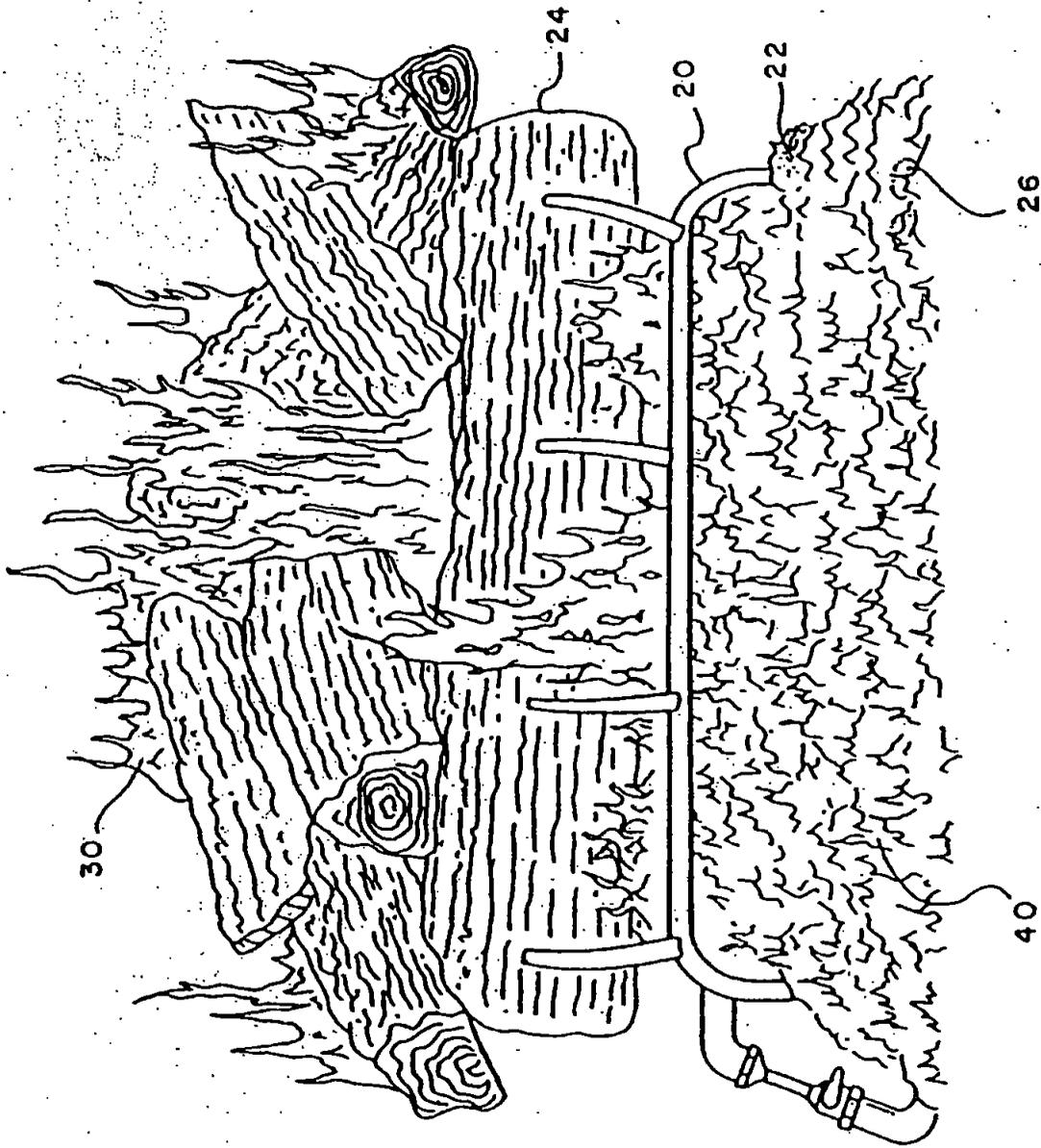


FIG. 4



CERTIFICATE OF SERVICE

The undersigned attorney of record in the above-captioned case certifies that he caused the foregoing **Brief of Defendant-Appellant Robert H. Peterson Co.** to be dispatched to a Federal Express carrier for delivery to the Clerk of the Court for the United States Court of Appeals for the Federal Circuit, at the below address, within 3 days, on April 25, 2005.

Clerk of the Court
United States Court of Appeals for the Federal Circuit
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The undersigned attorney of record in the above-captioned case also certifies that he caused the foregoing **Brief of Defendant-Appellant Robert H. Peterson Co.** to be served on the attorneys of record listed below via Federal Express delivery on April 25, 2005.

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CERTIFICATE OF COMPLIANCE WITH F.R.A.P. 32(a)(7)(B)

The undersigned, Counsel of Record for Defendant-Appellant, Robert H. Peterson Co ("Peterson"), hereby certifies that Peterson's Confidential Brief complies with the type-volume limitations provided in Rule 32(a)(7)(B) of the Federal Rules of Appellate Procedure. In preparing this Certificate, I relied on the word-count program of Microsoft Word 97. Peterson's Confidential Brief contains 13,450 words.



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Dated April 25, 2005