

No. 10-6

IN THE
Supreme Court of the United States

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

Petitioners,

v.

SEB S.A.,

Respondent.

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

REPLY BRIEF

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RULE 29.6 STATEMENT

The corporate disclosure statement in Pentalpha's brief remains accurate.

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ARGUMENT

SEB fails to directly address the question presented in the petition, the proper standard for the state of mind element of inducing patent infringement. Instead, SEB narrows the question presented to whether actual knowledge of the patent is required for whatever standard the Court adopts.

In addressing that knowledge of the patent requirement, SEB identifies three alternative standards for the state of mind element: (i) “purposeful, culpable” conduct to encourage an infringement, (ii) “willful blindness” to an infringement, and (iii) “some effort” to ascertain whether a patent covers a product. (SEB Brief 16-17) SEB argues that Pentalpha meets each of these three standards, and that the Court should therefore affirm.

The defect in SEB’s argument is glaring. Each of SEB’s three standards presents, at best for SEB, a genuine issue of material fact that the Jury did not resolve. At SEB’s request, and over Pentalpha’s objection (J.A. 135a), the district court charged the Jury that it could find Pentalpha liable for actively inducing infringement if Pentalpha “knew or should have known that [its] actions would induce actual infringement.” (J.A. 148a) The Jury did not determine Pentalpha’s liability based upon any of the three alternative standards SEB now identifies. (J.A. 148a) Because each of these three standards involves genuine issues of material fact the Jury did not resolve, the Court should remand for a new trial under the proper standard. *Weyerhaeuser Co. v. Ross-Simmons Hardwood Lumber Co.*, 549 U.S. 312, 326 (2007); *Philip Morris USA v.*

Williams, 549 U.S. 346, 358 (2007); *See generally Pullman-Standard, Inc. v. Swint*, 456 U.S. 273, 291-92 (1982).

Additionally, under any of SEB's three alternative standards, Pentalpha should be entitled to judgment as a matter of law on SEB's pre-April 9, 1998 inducement claims. Because Pentalpha lacked actual knowledge of the Patent before that date, Pentalpha could not have formed a purpose to encourage its infringement. Because Pentalpha hired its patent attorney to search for relevant patents, Pentalpha did not act with "willful blindness" and made more than "some effort" to determine whether its product would infringe.

While adopting an "intent to cause the acts" standard that SEB's Amici advocate would result in an affirmance, the Court should reject that standard because, *inter alia*, it is inconsistent with (i) *Metro-Golden-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005), and (ii) the structure of § 271, because it would impose liability for selling staple articles of commerce without any knowledge beyond how they will be used.

I.

**THE COURT SHOULD APPLY THE
“PURPOSEFUL, CULPABLE” STANDARD,
GRANT PENTALPHA JUDGMENT AS A MATTER
OF LAW ON SEB’S PRE-APRIL 9, 1998 CLAIMS
AND REMAND FOR A NEW TRIAL UNDER THAT
STANDARD ON THE REMAINING CLAIMS**

A. The Court Should Apply The “Purposeful, Culpable” Standard.

SEB has not expressly contested Pentalpha’s primary argument, that the “purposeful, culpable” standard should apply. But, in arguing that this standard does not require actual knowledge of the Patent, SEB makes four points concerning this standard.

The Text. SEB admits that “[i]nduce’...carries... arguably, some implication of intent...” (SEB Brief 20) and argues “[n]or would applying the plain language of § 271(b) ensnare innocent corporate behavior.” (SEB Brief 16) Accordingly, SEB contradicts its own argument that “the text of § 271(b) contains no scienter requirement whatsoever.” (SEB Brief 13)

The Structure of § 271. SEB does not expressly dispute Pentalpha’s conclusion that a standard less than “purposeful, culpable” conduct for § 271(b) would render § 271(c) insignificant. (Pentalpha Brief 18-21) Rather, SEB notes that § 271(c) requires knowledge that the only substantial use of the product would be infringing, not a purpose to infringe. (SEB Brief 22 n.6) That distinction, however, only matters in the extraordinary circumstance

that the seller intends the component to be used in an insubstantial, non-infringing manner.

SEB's argument that § 271(b) should involve a lesser state of mind than § 271(c), because § 271(c) contains the word "knowing," is flawed. SEB's cases, *Lindh v. Murphy*, 521 U.S. 320, 330 (1997), *Keene Corp. v. United States*, 508 U.S. 200, 208 (1993), and *Russello v. United States*, 464 U.S. 16, 23 (1983), demonstrate that § 271(b) and § 271(c) should not require the same state of mind, but do not suggest that the term "actively induces infringement" in § 271(b) involves a lesser state of mind than "knowing" in § 271(c). See generally *United States v. United States Gypsum Co.*, 438 U.S. 422, 444 (1978)("[T]he Code enumerates four possible levels of intent -- purpose, knowledge, recklessness, and negligence.").

SEB's argument that a "purposeful, culpable" standard would merge the compensatory remedy under § 271(b) with the enhanced remedies under §§ 284 and 285 (SEB Brief 21-23), ignores the additional requirements for the enhanced remedies. Enhanced remedies under §§ 284 and 285 require the district court to exercise its discretion. *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 858 (Fed. Cir. 2010), cert. granted, 2010 U.S. LEXIS 9311 (Nov. 29, 2010). Moreover, enhanced remedies require proof of willfulness by clear and convincing evidence. *Ilor, LLC v. Google, Inc.*, 2011 U.S. App. LEXIS 516 at *11 (Fed. Cir. Jan. 11, 2011); *Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1314 (Fed. Cir. 2010). Also, even if § 271(b) required "purposeful, culpable" conduct, the compensatory remedies in § 271 and enhanced remedies in §§ 284 and 285 would not merge, because § 271 contains multiple sub-sections that each provide a basis for enhanced remedies.

Thus, statutes in which enhanced damages would almost always result if compensatory damages required willfulness are distinguishable. 29 U.S.C. § 626(b); *Trans World Airlines, Inc. v. Thurston*, 469 U.S. 111, 128 (1985) (rejecting a broad “willfulness” standard for compensatory damages under the ADEA that “would result in an award of double damages in almost every case”); *Cf.* 29 U.S.C. § 255; *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 132-33 (1988)(two-tiered statute of limitations).

Legislative History. SEB does not dispute that the Senate Report for the final bill demonstrates that the purpose of § 271(b) was to create liability for morally culpable conduct. (Pentalpha Brief 21-22) In addition, the memorandum of the New York Patent Law Association, that SEB cites at 24, provides “[t]he definition of contributory infringement contained in the statute is somewhat narrower than that generally applied by the courts before the Supreme Court decisions referred to. In [sic] confines actionable contributory infringement to acts which obviously and inevitably constitute the stealing of a patented invention which both in law and morals must be prevented if patent property is to enjoy the protection given other property.” *Contributory Infringement in Patents—Definition of Invention: Hearings on H.R. 5988 before the Subcomm. on Patents, Trademarks, & Copyrights of the H. Comm. on the Judiciary*, 80th Cong., 6 (1948) (statement from N.Y. Patent Law Ass’n).

Instead, SEB relies upon witness statements in congressional hearings. These witness statements have little force. *Regan v. Wald*, 468 U.S. 222, 237 (1984). The significance of language a witness suggested, and Congress did not adopt, differs materially from language

appearing in one section of a statute but not another, as in *Hamdan v. Rumsfeld*, 548 U.S. 557, 579-80 (2006), superceded by statute, Military Commissions Act of 2006, Pub. L. No. 109-366, 120 Stat. 2600 (2006).

SEB's argument based upon § 271(f) has little force because Congress enacted that sub-section in 1984, 32 years after the Patent Act of 1952. *Doe v. Chao*, 540 U.S. 614, 626-27 (2004).

Policy. SEB misses Pentalpha's point concerning the distinction between "induces" and "causes." (SEB Brief 48 n.27) The text of § 271(b) creates liability for conduct that "induces" direct infringement, without requiring that it "cause" direct infringement. The statute therefore covers situations where the direct infringement would have occurred without the inducement. Because § 271(b) imposes liability for conduct that does not necessarily cause direct infringement, the Court should infer that Congress intended to impose a higher state of mind standard to capture only the morally culpable actors. (Pentalpha Brief 22-23) SEB's point that direct infringement is required (SEB Brief 48 n.27) is irrelevant.

SEB also misses Pentalpha's point concerning the presumption against extraterritoriality. Pentalpha argued that the Court should presume that Congress did not intend to regulate foreign conduct any further than necessary to achieve an important United States interest, and that regulating "purposeful, culpable" conduct is a more important United States interest than regulating conduct involving a lesser state of mind. (Pentalpha Brief 24-26) SEB's description of Pentalpha's foreign conduct that impacts United States commerce (SEB Brief 44 n.23) is irrelevant.

B. Pentalpha's Liability Under The "Purposeful, Culpable" Standard Presents At Least A Jury Question.

SEB argues that Pentalpha intended to encourage an infringement, by taking "other affirmative steps...to foster an infringement." (SEB Brief 15-16, 31-32) SEB's analysis ignores the testimony of Pentalpha's President that: he wanted to determine whether Pentalpha's deep fryer infringed (J.A. 49a), he retained a patent attorney to conduct a patent search and to provide a written opinion (J.A. 48a), and, after he reviewed the written opinion, he believed that Pentalpha's deep fryer did not infringe any patent. (J.A. 49a-50a)

At best for SEB, the facts it recites (SEB Brief 15-16, 31-32) create a jury question as to whether Pentalpha had a purpose to encourage an infringement.

1. Many of SEB's facts concern ordinary product distribution: (a) purchasing of SEB's deep fryer abroad, (b) hiring its regular "small patent firm in Binghamton, New York" to conduct a patent search and render an opinion (J.A. 48a, Ex. R, S.A. 69, J.A. 78a, 79a, 83a), (c) selling deep fryers, and (d) printing operating manuals in English. These facts do not demonstrate a purpose to encourage infringement. *Grokster*, 545 U.S. at 937.

2. Pentalpha's reverse engineering of SEB's deep fryer, without any actual knowledge of SEB's patent, suggests a purpose to innovate, not infringe. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160 (1989) ("Reverse engineering of chemical and mechanical articles in the public domain often leads to significant advances in

technology...”). While developing Pentalpha’s deep fryer involved in this case, Pentalpha’s President invented an improved deep fryer for which he received United States Patent No. 5,771,781. (S.A. 74)

3. Pentalpha did not just copy the features of SEB’s deep fryer. Pentalpha’s deep fryer represented an improvement over SEB’s deep fryer with respect to at least six functional features. (Pentalpha Brief 3-4; J.A. 156a) SEB does not dispute that fact, but characterizes Pentalpha’s functional improvements as “superficial.” (SEB Brief 3)

Copying product features, without knowledge of a patent, does not encourage infringement, but furthers competition. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001); *Bonito Boats*, 489 U.S. at 164 (“Where an item in general circulation is unprotected by patent, [r]eproduction of a functional attribute is legitimate competitive activity.”)(citation omitted); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964). While copying may be a factor in determining the amount of enhanced damages to award for willful infringement, copying alone should not support an inference of willful infringement. *Cf. Minks v. Polaris Indus.*, 546 F.3d 1364, 1380 (Fed. Cir. 2008).

Because all the other deep fryers Pentalpha evaluated had the “cool touch” feature (J.A. 109a-110a), there was little reason to suspect that SEB had a monopoly on that feature.

4. The fact that Pentalpha did not volunteer to its patent attorney that it used SEB’s deep fryer as one of several references does not demonstrate a purpose to encourage an infringement.

- (a) Pentalpha disclosed its design drawings to its patent attorney. (J.A. 49a)
- (b) Pentalpha's practice was to rely upon the expertise of its patent attorney to identify patents (J.A. 111a-12a), not to volunteer references.
- (c) The record contains no evidence that Pentalpha's conduct departed from standard industry practice.

5. Selling deep fryers after it had actual knowledge of SEB's Patent on April 9, 1998, does not demonstrate a purpose to encourage infringement. SEB admits that there are "too many vague patents." (SEB Brief 46) SEB does not dispute that Pentalpha had no reason to believe that the Federal Circuit would construe SEB's claim limitation:

"said skirt (3) being completely free with respect to the pan (1) with the exception of a ring (5)" (Pet. App. 11a)

to mean

"no solid material between *the sides of* the pan and *the sides of* the skirt and *no thermal bridges* between the base of the skirt and the base of the pan." (Pet. App. 15a-16a; emphasis added; Pentalpha Brief 29-30)

6. Pentalpha did not, after a preliminary injunction, simply make "minor modifications" to its deep fryer. Rather, Pentalpha eliminated the "ring" that connected

the pan to the skirt, and instead used small blocks of insulating material that allowed the deep fryer to cool more quickly. (Pet. App. 16a-18a) Pentalpha then sought an opinion of a different patent attorney, who advised that Pentalpha's redesigned deep fryer did not infringe the SEB Patent, either literally or under the doctrine of equivalents. (Pet. App. 51a; R.S.A. 8a-29a) Although the district court found that Pentalpha's redesigned deep fryer did not literally infringe SEB's Patent, it found infringement under the doctrine of equivalents. (Docket No. 49, 7) The district court nevertheless declined to hold Pentalpha in contempt because it found Pentalpha did not intend to infringe. (R.S.A. 4a-7a)

SEB argues that this Court "found [the *Grokster* defendants] all liable for inducing infringement." (SEB Brief 14) SEB is mistaken. This Court found that the application of the "purposeful, culpable" standard presented a question of fact that could not be resolved on summary judgment, and remanded. *Grokster*, 545 U.S. at 941.

C. Under The "Purposeful, Culpable" Standard, Pentalpha Is Entitled To Judgment On SEB's Pre-April 9, 1998 Inducement Claims.

The parties agreed at the charging conference that Pentalpha had no actual knowledge of the Patent before April 9, 1998. (J.A. 147a)

As explained below, without actual knowledge of the claims of a patent, one cannot engage in "purposeful, culpable" conduct to encourage infringement of that patent.

One cannot know the scope of patent without knowing the claims of the patent. The Court should not impute that knowledge. Patent claims are not law. A majority cannot petition the government to repeal a patent.

Without knowing the scope of the patent, one cannot have a purpose to infringe it. For example, one cannot contributorily infringe under § 271(c) without actual knowledge of the patent. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964) (“§ 271(c) does require a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.”) (footnote omitted). Similarly, one cannot willfully infringe under § 284 without actual knowledge of the patent. *National Presto Indus. Inc. v. West Bend Co.*, 76 F.3d 1185, 1193 (Fed. Cir. 1996) (“[T]o willfully infringe a patent, the patent must exist and one must have knowledge of it.”) (internal quotation omitted).

SEB’s reliance upon *Grokster*, on this specific issue, is misplaced. *Grokster* is distinguishable because the distribution of its software was certain to result in the exact copying of entire copyrighted works. The *Grokster* defendants “concede[d] the infringement in most downloads...[and were] aware that users employed their software primarily to download copyrighted files.” *Grokster*, 545 U.S. at 923. Therefore, “*Grokster* did not involve a ‘knowledge of the copyright’ requirement, since the defendants in that case essentially admitted having knowledge that the infringed works were subject to copyright.” (SEB Opp. Pet. 10)

The nature of copyrights, and the nature of the infringements in *Grokster*, allowed an inference that the defendants had a purpose to encourage infringements without actual knowledge of the specific copyrights infringed. Copyrights apply to works that are original, *i.e.* not copied. 17 U.S.C. § 102(a). They exist upon the fixation of the work in a tangible medium. 17 U.S.C. § 102(a). Copyrighted works are therefore ubiquitous. The *Grokster* software resulted in “massive” downloads, the vast majority of which were infringing. *Grokster*, 545 U.S. at 923. These circumstances allowed an inference that defendants had a purpose to encourage copyright infringement without actual knowledge of the specific copyrights infringed.

The nature of patents would prohibit that inference. Patents, unlike copyrights, require products or methods that are not obvious. 35 U.S.C. § 103(a). Patents, unlike copyrights, exist only after an application and examination process that, if successful, results in the allowance of claims. 35 U.S.C. § 111 *et seq.* An infringement analysis requires construction of these patent claims. That process is extraordinarily uncertain. Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 Lewis & Clark L. Rev. 231, 235-36 (2005). Therefore, while determining the scope of a patent with actual knowledge of its claims is difficult, doing so without knowledge of its claims is nothing more than guesswork. Actual knowledge of the patent is therefore required to engage in “purposeful, culpable” conduct to encourage patent infringement.

The Court should reject SEB’s argument that “willful blindness” to the existence of a patent, a separate analytical step from “willful blindness” to an infringement, should

equate to “purposeful, culpable” conduct to encourage patent infringement. If actual knowledge of a patent alone does not equate to “purposeful, culpable” conduct to encourage patent infringement, then “willful blindness” to the existence of the patent should not create any greater liability.

Although the Court need not decide this issue, willful blindness to the existence of the patent should not allow an inference of “purposeful, culpable” conduct to encourage an infringement. Without knowledge of the patent claims, a willfully blind party could still do no more than guess what products would infringe the patent. A state of mind that results from no more than a guess should not present the type of morally culpable conduct that § 271(b) circumscribes.

II.

IF THE COURT APPLIES A “WILLFUL BLINDNESS” TO THE INFRINGEMENT STANDARD, PENTALPHA IS ENTITLED TO JUDGMENT AS A MATTER OF LAW ON SEB’S PRE-APRIL 9, 1998 CLAIMS AND A NEW TRIAL UNDER THAT STANDARD FOR THE REMAINING CLAIMS

A. The Court Should Not Apply A “Willful Blindness” To The Infringement Standard.

Imposing liability for willful blindness to an infringement would be inconsistent with *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). In *Sony*, this Court refused to impose liability for inducing copyright infringement on a VCR distributor that knew

some infringements would result from its VCR sales. *Id.* at 439 n.19; *Grokster*, 545 U.S. at 937. If knowledge of resulting infringements does not create liability for inducing infringement, then willful blindness as to whether infringements would result should not create that liability.

Although this case differs from *Sony*, because all of the sales of deep fryers could result in infringements if sold in the United States, while not all of the sales of VCRs would result in infringements, that distinction should not warrant a different result. No one could reliably determine at the time Pentalpha first sold the deep fryer to its customers whether it would infringe the Patent, given the uncertainty of the claim construction. (Pentalpha Brief 30) If the Court imposed liability based upon “willful blindness” to whether an infringement would result, the Court would chill good faith developers, especially foreign developers, from bringing non-infringing products to market for fear that, after litigation, their customers would be found to directly infringe, and that the developer would be found willfully blind to that risk of infringement. A “purposeful, culpable” standard would not create that chilling effect, because the developer could rely upon a good faith intent not to infringe.

Thus, in *Grokster*, this Court did not accept the Solicitor General’s suggestion that willful blindness suffices to impose liability for inducing copyright infringement. Brief for the United States as Amicus Curiae Supporting Petitioners, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) (No. 04-480) at 29-30.

B. Pentalpha’s Liability Under A “Willful Blindness” Standard Presents At Least A Jury Question.

Under any test for willful blindness, *see, e.g. Holder v. Humanitarian Law Project*, 130 S. Ct. 2705, 2740 (2010); *United States v. Santos*, 553 U.S. 507, 521 (2008) superceded by statute, Fraud Enforcement and Recovery Act of 2009, Pub. L. No. 111-21, 123 Stat. 1617 (2009), a jury could find that Pentalpha was not willfully blind to the possibility of an infringement. Before April 9, 1998, Pentalpha hired a patent attorney to search for relevant patents and to provide an infringement opinion. (S.A. 17-37) For its redesigned deep fryer, Pentalpha sought an opinion from a different patent attorney, and received an opinion that its redesigned deep fryer did not infringe. (R.S.A. 8a-29a)

C. Under A “Willful Blindness” Standard, Pentalpha Is Entitled To Judgment On SEB’s Pre-April 9, 1998 Inducement Claims.

No reasonable jury could conclude that Pentalpha willfully blinded itself to the existence of the SEB Patent because Pentalpha hired an attorney to search for applicable patents. (J.A. 47a-50a) SEB argues “[h]ad Pentalpha given the attorney that information [concerning the SEB deep fryer], it would have received certain confirmation of SEB’s patent.” (SEB Brief 37) That is speculation. The district court recognized that the record contained no evidence that the non-disclosure of the SEB reference to the patent attorney resulted in the search failing to identify the SEB Patent. (J.A. 129a-30a)

III.**IF THE COURT APPLIES A “SOME EFFORT”
STANDARD, PENTALPHA IS ENTITLED TO
JUDGMENT AS A MATTER OF LAW ON SEB’S
PRE-APRIL 9, 1998 CLAIMS AND A NEW
TRIAL UNDER THAT STANDARD FOR
THE REMAINING CLAIMS****A. The Court Should Not Apply A “Some Effort”
Standard.**

SEB’s proposed standard that a defendant who copies a product should be liable for inducement absent “some effort to ascertain whether the copied product is protected by US patents...” (SEB Brief 17) would create a duty that is inconsistent with *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007)(en banc), cert. denied, 552 U.S. 1230 (2008). *Seagate* held that an accused direct infringer has no duty to investigate whether its product infringes, or to obtain an opinion of counsel, even after being charged with an infringement. *Id.* at 1371. Imposing on a potential inducer a duty to investigate whether its customers’ sales would infringe would conflict with *Seagate*.

Similarly, SEB’s argument that allowing Pentalpha to avoid liability would provide a roadmap for “unscrupulous foreign manufacturers” to violate patents (SEB Brief 43) rings hollow. Unscrupulous foreign manufacturers could avoid all liability under any standard this Court adopts by insulating their assets from judgment enforcement proceedings. The standard that the Court adopts will impact only foreign companies that have United States assets, like Pentalpha.

SEB's proposed standard violates the rule that the text of a statute should not have different meanings in different situations. SEB proposes that the meaning of "actively induces" should change depending on whether "a defendant reverse engineers and copies a commercial product." (SEB Brief 17) Such a standard would contravene *Santos*, 553 U.S. at 522 ("*Clark v. Martinez*, 543 U.S. 371, 125 S. Ct. 716, 160 L. Ed. 2d 734 (2005), held that the meaning of words in a statute cannot change with the statute's application.>").

B. Pentalpha's Liability Under The "Some Effort" Standard Presents At Least A Jury Question.

Because Pentalpha hired a patent attorney to find relevant patents, and received his written opinion that its deep fryer did not infringe (S.A. 17-37), a jury could find that Pentalpha met the "some effort" standard that SEB advances.

SEB's "some effort" standard is different than a negligence standard. The Court should therefore not rely upon the Jury's finding of negligence. Moreover, despite Pentalpha's objection (J.A. 135a), the district court's "knew or should have known of the infringement" charge (J.A. 148a) allowed the Jury to find liability because the Patent was on file at the Patent and Trademark Office and because it believed that Pentalpha should have found it.

C. Under A "Some Effort" Standard, Pentalpha Is Entitled To Judgment On SEB's Pre-April 9, 1998 Inducement Claims.

By hiring a patent attorney to search for relevant patents, Pentalpha made at least "some effort" to

determine whether its deep fryer would infringe a patent, and therefore met SEB's proposed standard.

IV.

THE COURT SHOULD REJECT THE “INTENT TO CAUSE THE ACTS” STANDARD THAT SEB’S AMICI ADVOCATE

SEB's Amici advocate imposing § 271(b) liability on parties selling a staple article of commerce intending it will be used in a finished product, but not knowing that the finished product infringes a patent. (*See* Hoffman-LaRoche 13-15; Professors 24-26; AIPLA 11-12; Mitchell 24) SEB, wisely, shuns this standard. (SEB Brief 30)

A. An “Intent To Cause The Acts” Standard Is Inconsistent With *Grokster*.

Grokster held that inducement requires an “unlawful purpose” to encourage an infringement. *Grokster*, 545 U.S. at 938. (Pentalpha Brief 16-18; Yahoo 5-6)

SEB's Amici have incorrectly paraphrased *Grokster*'s language. (*Compare* Hoffman-LaRoche 13 (“where a person is shown to have ‘actively induced’ another to perform acts that infringe a patent or copyright, such a showing ‘overcomes...’”) with *Grokster*, 545 U.S. at 936 (“A showing that infringement was encouraged overcomes...”); Professors 25) SEB's Amici further ignore *Grokster*'s reliance on evidence that defendants intended to serve former Napster users. *Grokster*, 545 U.S. at 939 (“Three features of this evidence of intent are particularly notable. First, each company showed itself to be aiming to satisfy a known source of demand for copyright infringement,

the market comprising former Napster users.”). If an “intent to cause the acts” standard applied, the Court would not have needed to address these facts concerning defendants’ knowledge of the infringing proclivities of the Napster users.

B. An “Intent To Cause The Acts” Standard Renders § 271(c) Insignificant.

Section 271(c) requires knowledge of the patent. *Aro Mfg. Co.*, 377 U.S. at 488. Under an “intent to cause the acts” standard, § 271(b) would not require knowledge of the patent. A component seller could therefore violate § 271(b), under an “intent to cause the acts” standard, with a lower state of mind than § 271(c) requires, and without meeting the additional requirements that § 271(c) imposes. Thus, under an “intent to cause the acts” standard, a seller of staple articles could be liable under § 271(b) if it merely intended the article be used in the buyer’s finished product, but could not be liable under § 271(c). Because § 271(c) specifically addresses the sale of staple articles, Congress would not have intended such an anomalous result.

Amicus Hoffman-LaRoche presents one situation where the “intent to cause the acts” standard would create liability for a component seller under § 271(c), but not § 271(b): A supplier of (i) a non-staple product, (ii) that is a material part of the invention, (iii) which the seller knows is especially made or especially adapted for use in an infringement of a patent, supplies the good to its customer, but (iv) does not intend for the customer to use the non-staple as it was specifically designed. (Hoffman-LaRoche Brief 8, n.3) This situation, however, is commercially insignificant.

The reliance of SEB’s Amici upon The Restatement of Torts (First) § 876 is misplaced because that section has a different structure than § 271. Section 876(b) does not contain any additional requirements beyond a state of mind and an encouragement of an act. That differs from § 271(c) which has additional requirements, such as the sale of a non-staple article. Unlike § 271, the Restatement therefore does not present any risk that conduct within a safe harbor of one sub-section would be actionable under another.

C. An “Intent To Cause The Acts” Standard Is Inconsistent With The Statutory Language.

Two of SEB’s Amici argue that the text of § 271(b) supports the “intent to cause the acts” standard. (AIPLA 5, Hoffman-LaRoche 4-6) However, § 271(b) states “actively induces infringement,” not “actively induces the making, using, offering to sell, or selling” of a product, as set forth in § 271(a). As SEB’s Amicus Professors concede, the statutory language is, at best for SEB, ambiguous. (Professors 24-26)

D. The Pre-1952 Cases Have Little Relevance.

SEB’s Amici argue that pre-1952 case law did not contain a knowledge of the patent, or a purpose to cause an infringement, requirement. (AIPLA 6-10, Hoffman-LaRoche 9-13, Professors 5-23, Mitchell 4-10)

However, § 271(b), enacted in 1952, changed existing law. H.R. Rep. No. 1923, 82d Cong. 2d Sess. 5 (1952) (Identifying § 271 as one of the “major changes or innovations in the title”); *Dawson Chem. Co. v. Rohm &*

Haas Co., 448 U.S. 176, 213 (1980) (“It is the consistent theme of the legislative history that the statute was designed to accomplish a good deal more than mere clarification.”); (SEB Brief 25, n.11) (“[T]his Court has already concluded that § 271(b) was *not* intended merely to codify the common law.”). Thus, pre-1952 cases should not impact the analysis.

The pre-1952 cases SEB’s Amici cite provide little support for an “intent to cause the acts” standard. Most involve lower courts decisions. Most decisions of this Court involved § 271(c) fact patterns, and many involved actual knowledge of the patent. *See, e.g. Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 664-69 (1944) (“[I]t could find no use for the accused devices other than in the Cross combination patent...Mercoïd knew of Mid-Continent’s actions and the license agreement prior to 1935 when the earlier suit involving the validity of the Cross patent...”); *Henry v. A. B. Dick Co.*, 224 U.S. 1, 33 (1912) overruled by *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917) (“But if the defendants knew of the patent and that she had unlawfully made the patented article, and then sold her ink or other supplies without which she could not operate the machine, with the intent and purpose that she should use the infringing article by means of the ink supplied by them, they would assist in her infringing use.”); *Leeds & Catlin Co. v. Victor Talking Mach. Co.*, 213 U.S. 325, 331 (1909) overruled by *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944) (the accused contributory infringer and contemnor “knew, and sold its records with the knowledge, that if its output was to be used at all by the public it would be used with the Victor machine, and in the combination protected by the claims of the Berliner patent...”); *Morgan Envelope Co.*

v. Albany Perforated Wrapping Paper Co., 152 U.S. 425, 436 (1894) (“That, before a patent was issued, [defendant] himself applied for protection in England, and learning of the filing of the application there by [plaintiff], filed a protest against the issuance of a patent to the latter..”); *Cotton-Tie Co. v. Simmons*, 106 U.S. 89, 95 (1882) (“Because the defendants prepare and sell the arrow tie, composed of the buckle or link and the band, intending to have it used to bale cotton and to produce the results set forth in the Cook and the McComb patents, they infringe those patents.”).

V.

BOTH OF SEB’S HARMLESS ERROR ARGUMENTS FAIL, IN PART BECAUSE SEB MISSTATED THE RECORD

A. Because No One Knows Whether The Jury Awarded Damages For Inducing Infringement, Selling An Infringing Product Or Offering To Sell An Infringing Product, Any Error Concerning The Standard For Inducing Infringement Should Require A Remand.

The Federal Circuit held “[t]he record therefore does not clearly indicate that the jury found damages based on inducement alone, or based on direct infringement alone, or both” (Pet. App. 24a), due to an inconsistency between the charge and the verdict sheet concerning the number of deep fryers that Pentalpha sold and the number its customers sold. (Pet. App. 23a-24a) The Federal Circuit therefore correctly concluded that “the only way this court can affirm in such a circumstance is by determining

that the jury's finding of both direct infringement and inducement of infringement was proper." (Pet. App. 24a)

SEB argues that the Federal Circuit erred in analyzing this issue because "there was no difference at all in the number of fryers sold by Pentalpha and the number of fryers sold by retailers--*by stipulation, both were identical.*" (SEB Brief 51; emphasis added)

SEB is mistaken. The stipulation concerned only Pentalpha's sales to its customers (R.A. 63), not sales by Pentalpha's customers:

"14. Defendants sold approximately 312,736 deep fryers to Sunbeam Products, Inc.. [sic]

"15. Defendants sold approximately 46,418 deep fryers to Montgomery Ward.

"Number 16. Defendants sold approximately 47,604 deep fryers to Fingerhut." (R.A. 63)

The Jury therefore needed to determine, based upon the evidence and not upon the stipulation, whether Pentalpha's customers resold in the United States all of the deep fryers that they purchased from Pentalpha. Pentalpha argued in summation that there was no evidence that Montgomery Ward sold all of Pentalpha's deep fryers in the United States, rather than Canada. (R.S.A. 33a) No one knows what the Jury determined in that respect. Moreover, no one knows whether the Jury would have awarded the same royalty rate for a sale by Pentalpha as a sale by its customers.

In addition to the uncertainty that the Federal Circuit identified concerning the basis for the Jury's damage award, a more serious uncertainty existed. The Jury made one award of damages, by customer, for all theories of liability. (J.A. 151a-152a) Although the Jury found direct infringement, no one knows how much damage, if any, the Jury awarded for direct infringement, as opposed to inducing infringement. The Jury's finding of direct infringement, moreover, did not distinguish between liability for selling a deep fryer and liability for offering to sell a deep fryer. (J.A. 150a) Thus, no one knows whether the Jury found liability for direct infringement based upon selling in the United States, offering to sell in the United States, or both. Consistent with the charge and Pentalpha's summation, the Jury may have found that Pentalpha's sales FOB Hong Kong or China were not sales "in the United States" (R.A. 25; R.S.A. 30a-31a) and that Pentalpha was liable for direct infringement based solely upon an offer to sell deep fryers in the United States. (R.A. 33-34; R.S.A. 31a-32a) Also consistent with the charge (R.A. 25) and Pentalpha's summation (R.S.A. 31a-32a), the Jury may have found that an offer to sell in the United States did not require the payment of a royalty. Accordingly, the Jury's entire damage award may have rested on an inducement theory.

The Jury's finding of inducement did not distinguish between liability before, and after, Pentalpha learned of the Patent on April 9, 1998. (J.A. 150a)

Therefore no one knows what portion of the \$4,650,000 damage award rested upon a theory of (i) sales, (ii) offers to sell, (iii) inducement before April 9, 1998, or (iv) inducement after April 9, 1998. Any legal error concerning

the inducement claims should therefore require a remand for a new trial.

B. The Jury Did Not Find That Pentalpha Had Actual Knowledge Of The Patent Before April 9, 1998.

SEB argues that the Jury awarded damages for willful infringement (based upon a subsequently overruled standard), that willful infringement under the charge required actual knowledge of the Patent, and that the Jury therefore found that Pentalpha had actual knowledge of the Patent. (SEB Brief 51-53)

SEB is mistaken. The district court and parties agreed at the charging conference (J.A. 138a-47a) that Pentalpha had actual knowledge of the Patent on April 9, 1998, and not before that date. (J.A. 147a) The district court therefore did not charge the Jury to determine willfulness before April 9, 1998.

Accordingly, SEB's argument that the Jury found that Pentalpha had actual knowledge of the Patent before April 9, 1998 rests upon a misstatement of the record.

CONCLUSION

This Court should reverse the judgment of the Federal Circuit and remand the action to the district court for further proceedings.

Dated: January 31, 2011

Respectfully submitted,

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**REPLY SUPPLEMENTAL
APPENDICES**

**APPENDIX A — MEMORANDUM DECISION AND
ORDER OF THE UNITED STATES DISTRICT
COURT, SOUTHERN DISTRICT OF NEW YORK,
DATED JUNE 26, 2001**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

99 Civ. 9284 (BDP)

SEB S.A.,

Plaintiff,

-against-

MONTGOMERY WARD & CO., INC.,
GLOBAL-TECH APPLIANCES, INC.,
and PENTALPHA ENTERPRISES LTD.,

Defendants.

**MEMORANDUM DECISION
AND ORDER**

BARRINGTON D. PARKER, JR., U.S.D.J.

Plaintiff, SEB S.A. (“SEB”) commenced this action in August 1999 against Montgomery Ward & Co, Inc., Global-Tech Appliances, Inc. and Pentalpha Enterprises Ltd., claiming that a deep fryer, Admiral Model No. 4564205, marketed by Montgomery Ward and manufactured by Pentalpha, infringed United States Patent No. 4,995,312 (the “312 Patent”). *See* 35 U.S.C. § 271.

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In December 1999, this Court, based on Findings of Fact and Conclusions of Law dated November 23, 1999, issued a preliminary injunction against the continued sale of the original fryer (the “1999 Order”). There, the Court concluded that SEB was likely to prove at trial that the original deep fryer literally infringed Claim 1 of the ‘312 Patent. Accordingly, the defendants were enjoined from “making, using, importing, selling, distributing, advertising, or offering for sale deep fryers which are covered by claim 1 of the [‘312 Patent],” as of December 16, 1999.¹ *See* 1999 Opinion, at ¶ 1. The defendants appealed this preliminary injunction to the United States Court of Appeals for the Federal Circuit, which affirmed the Court’s decision on November 6, 2000. *See SEB, S.A. v. Montgomery Ward & Co., Inc.*, 243 F.3d 566 (Fed. Cir. 2000).

Subsequent to the issuance of the 1999 Order, Pentalpha developed a new, modified deep fryer, Admiral Model No. 4567703, which was altered to remove the “ring” segments found to infringe the patent in the original product. On March 20, 2001, the Court issued Supplemental Findings of Fact and Conclusions of Law, ruling that this modified deep fryer also likely infringed, under the doctrine of equivalents, the ‘312 Patent (the “2001 Order”). Familiarity with both prior opinions is assumed.

Here, SEB seeks contempt sanctions against Pentalpha and certain of its affiliates, claiming that all

1. The Court stayed the 1999 Order pending appeal until December 21, 1999.

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sales of the modified fryer by Pentalpha and its affiliates after November 1999 violated the Court's 1999 Order. In this regard, the Court held an evidentiary hearing on June 12, 2001, where it heard the testimony of two witnesses -- Peter Canelias, Esq., Pentalpha's patent attorney, and Joseph Aglione, a private investigator -- and received documents and transcripts from the parties.

The evidence supplied by the parties demonstrated that shortly after the 1999 Order was issued, Pentalpha sought a legal opinion from Canelias on whether the modified fryer infringed the '312 Patent. In late November 1999, after examining a prototype of the modified fryer, Canelias orally opined that the modifications were sufficient, and that the new modified product would not violate the Court's 1999 Order.

A written opinion was issued on December 8, 1999. *See* Defendant's Exh. 1. There, Canelias claimed to have examined the '312 Patent, the file history, the prototype modified fryer and the Court's initial Findings of Fact and Conclusions of Law. After an description of the patent claim, the prosecution history and the product itself, the opinion engaged in a legal analysis concerning the relevant infringement analysis. Upon completion of the analysis, Canelias again concluded that the modified fryer would not, either literally or under the doctrine of equivalents, infringe the '312 Patent nor violate the Court's 1999 Order.

From December 16, 1999 until March 2001, at which time the 2001 Order was issued, Pentalpha and certain of its affiliates sold roughly 47,000 units of the modified fryer to Montgomery Ward and Fingerhut Corporation.

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See Supplemental Declaration of Wendy E. Miller, ¶¶ 7-8 and Exh. J-K. The parties do not dispute that within three days of the 2001 Order, all sales of the modified fryer were immediately ceased.

DISCUSSION

SEB contends that the Court should award contempt sanctions against Pentalpha because the sales of the modified fryers that occurred from December 1999 until March 2001 were violative of the 1999 Order. In order to demonstrate contempt, SEB must prove “by clear and convincing evidence that the party violated a clear and unambiguous order of the Court.” *City of New York v. Local 28, Sheet Metal Workers’ Int’l Assoc.*, 170 F.3d 279, 282 (2d Cir. 1999). Moreover, “[t]he violation need not be willful, but it must be demonstrated that the contemnor was not reasonably diligent in attempting to comply.” *Id.* at 283 (internal quotations omitted); *see also Jaeger v. Massis*, 234 F.3d 1262 (2d Cir. 2000); *Equal Employment Opportunity Comm’n v. New York Times Co.*, 196 F.3d 72, 80-81 (2d Cir. 1999).

Assuming that the sales by Pentalpha of the modified fryer violated the 1999 Order, while SEB has produced some evidence that Pentalpha was not reasonably diligent in attempting to comply, the evidence is not sufficiently clear and convincing. SEB cannot escape the fact that Pentalpha sought and received a legal opinion from counsel prior to participating in sales activity with regard to the modified fryer. Although that opinion was contrary to the Court’s ultimate conclusion as set forth in its Supplemental

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Findings of Fact and Conclusions of Law, its conclusion is, nonetheless, sufficient to support Pentalpha's contention of reasonable diligence. *See, e.g., Amsted Ind. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 182 (Fed. Cir. 1994) (finding that when examining whether a legal opinion insulates a defendant from liability for potentially infringing activity, "[w]hat matters is the nature of that opinion and what effect it had on an infringer's actions.") (internal citations omitted) (internal quotations omitted).

While the mere existence of a legal opinion does not dictate that an infringement was not willful, *see id.*, both the scope of the Canelias opinion and its effect on Pentalpha's conduct are consistent with efforts to engage in lawful activity. As noted, the opinion describes the breadth of materials examined by Canelias, including the patent history and the nature of the fryer's modifications, and includes a reasonably detailed legal analysis before reaching the conclusion that the modified fryer did not infringe the '312 Patent, and that sales of that fryer would not violate the Court's 1999 Order.

Moreover, the record also supports the contention that Pentalpha relied upon Canelias' opinion before selling the modified fryers. First, the timing of the activity is consistent with reliance on the opinion. Once the 1999 Order was issued in November 1999, a modified fryer was sent to and examined by Canelias later that month. An oral opinion of non-infringement was provided in late November, and a written opinion was delivered shortly thereafter on December 8. Sales records indicate that the modified fryers were not sold until December 16,

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1999. *See* Supplemental Declaration of Wendy E. Miller, Esq., ¶ 7-8. This timeline is not inconsistent with efforts reasonably trying to comply with the Court’s order. In any event, evidence to the contrary is not sufficiently clear and convincing.

Second, SEB does not dispute that John Sham, President of Pentalpha, was informed of counsel’s conclusions prior to selling any modified units to Montgomery Ward or Fingerhut. Although SEB points to Sham’s admitted failure to read the entire written opinion carefully, for purposes of determining whether there was a violation of a court order, the Court is unaware of - - and, indeed, SEB provides no authority in support of -- any requirement that Sham, a non-lawyer, must analyze, absorb and second-guess his attorney’s legal opinion before he may reasonably rely on his conclusions. *See Mac Corp. of America v. Williams Patent Crusher & Pulverizer Co.*, 767 F.2d 882, 885 (Fed. Cir. 1985) (“Civil contempt is a severe remedy, and should not be resorted to where there is a fair ground of doubt as to the wrongfulness of defendant’s conduct.”) (internal quotations omitted).

In further support for contempt sanctions, SEB argues that Pentalpha’s actions “actively induce[d] infringement” of the ‘312 Patent, in violation of § 271(b) of the U.S. Patent Laws. That provision states, in relevant part that, “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b).

Section 271(b) requires, however, that the plaintiff establish that the defendant “possessed specific intent to encourage another’s infringement, and not merely that the defendant had knowledge of the acts alleged

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to constitute inducement.” *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990); *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988) (holding that § 271(b) requires a person to “actively and knowingly” aid and abet another’s direct infringement). In light of the nature of the legal opinion and its effect on Pentalpha’s behavior as discussed above, SEB -- on the current state of the record and for purposes of this contempt proceeding -- fails to show the requisite specific intent necessary to demonstrate active and knowing infringing behavior on the part of Pentalpha. *See, e.g., Micro Chemical, Inc. v. Great Plains Chemical Co., Inc.*, 194 F.3d 1250, 1261 (Fed. Cir. 1999) (finding officer of company not liable under § 271(b) because he took reasonable steps to avoid infringement, particularly since he “sought and relied on the advice of counsel in redesigning the accused machine.”).

CONCLUSION

For the foregoing reasons, a finding of contempt is inappropriate at this juncture of the litigation, and plaintiff’s motion for contempt sanctions is denied.

SO ORDERED:

/s/

Barrington D. Parker, Jr.
U.S.D.J.

Dated: White Plains, New York
June 26, 2001

8a

**APPENDIX B — ATTORNEY OPINION
FOR U.S. PATENT NO. 4,995,312**

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December 8, 1999

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Mr. Philip D. Delk, Esq.
Montgomery Ward
535 West Chicago Avenue
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**PRIVILEGED AND CONFIDENTIAL
THIS DOCUMENT CONTAINS MATERIAL
SUBJECT TO THE ATTORNEY CLIENT
PRIVILEGE AND ATTORNEY WORK PRODUCT**

Dear Mr. Sham and Mr. Delk:

You have asked for an opinion concerning a deep fryer,
bearing the label “Chef’s Mark™ Preferred Quality”,

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Attorney Opinion for U.S. Patent No. 4,995,312
Privileged and Confidential

comparing the product to the claims of United States Patent No. 4,995,312 (the “**312 Patent**”), to Leiros, issued on February 26, 1991 with the assignee shown as SEB S.A. (“**SEB**”). I have examined the ‘312 Patent, together with the file history, and have examined the product sample sent to me. [REDACTED]

I. Executive Summary

It is my opinion that the deep fryer model described above does not infringe the ‘312 Patent, either literally or under the doctrine of equivalents. The product does not have “a ring (5) which joins only the top edge (3a) of the skirt to the top edge (1c) of the pan (1),” as required by the claims of the ‘312 Patent. The oil pan in the product is supported and elevated at the top by tabs which hold the pan above the plastic covering, creating a circumferential ventilation gap, contrary to one of the functions of the claimed ring, which is that “it completely closes-off the air space between the pan 1 and the skirt 3,” (col. 4, lines 51-52). It is also my opinion that the product does not meet the limitation “said skirt (3) being completely free with respect to the pan (1) with the exception of a ring (5) ” either literally or under the doctrine of equivalents. The product has four supporting columns and a metal bottom piece, where the columns cooperate with the tabs to elevate and

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Attorney Opinion for U.S. Patent No. 4,995,312
Privileged and Confidential

support the oil pan, thus maintaining the ventilation gap. I therefore conclude that the sample product would not be in violation of the proposed order, which would exclude products that infringe claim 1 of the '312 Patent.

II. The '312 Patent

The '312 Patent is titled "Cooking Appliance with Electric Heating" and is directed to an electric deep fryer. The U.S. application that matured into the '312 Patent was filed on August 28, 1990 as a continuation of application serial no. 488,504 (Mar. 5, 1990) (abandoned) which was a continuation of application serial no. 191,864 (May 9, 1988) (abandoned). The application that matured into the '312 Patent, through the recited chain of applications, claims priority to an application in France dated May 13, 1987. The '312 Patent contains two (2) drawing sheets containing four (4) figures total. The specification concludes with thirteen (13) claims, wherein claim 1 is the only independent claim, and the remaining twelve (12) claims dependent at least on claim 1.

A. Claim 1

Because claim 1 is the only independent claim, and hence the broadest claim in the '312 Patent, the analysis will focus on claim 1 to assess the likelihood that the sample product would infringe the '312 Patent. Claim 1 provides for:

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1. An electrical deep fryer comprising a metal pan (1) having a wall, and an electric heating resistor (2) that heats said wall directly by conductive heating to a temperature higher than 150° C., said pan (1) being surrounded by a plastic skirt (3), wherein said skirt (3) is of plastic material which does not continuously withstand a temperature of 150° C., said skirt (3) entirely surrounding the lateral wall (1a) and the base (1b) of the pan and being separated from said wall and said base by an air space (4) of sufficient width to limit the temperature of the skirt (3) to a value which is compatible with the thermal resistance of the plastic material of the skirt (3), said skirt (3) being completely free with respect to the pan (1) with the exception of a ring (5) which joins only the top edge (3a) of the skirt to the top edge (1c) of the pan and to which this latter is attached, said ring (5) being of heat-insulating material which is continuously resistant to the temperature of the top edge (1c) of the pan (1).

B. The Specification

The specification provides that “the pan is attached to the interior of the skirt in such a manner as to ensure that the only contact between said skirt and said pan is

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located at the level of the ring.” (Col. 2, lines 3-6). It also provides that “the pan is suspended from said ring which is in turn engaged on the top edge of the skirt, thus ensuring that the pan is reliably attached within the skirt without any thermal bridge other than the very narrow contacts between the edges of the pan, of the ring and of the skirt.” (Col. 2, lines 47-52).

As to the functions of the ring, the specification provides that:

The merit of the present invention lies in particular in the fact that, by virtue of a ring of simple design, there has been found an effective solution to the problem presented. This ring alone carries out all the following functions:

it defines the spacing between the pan
1 and the external plastic skirt 3,

it serves to support and to center the
pan 1 within the skirt 3,

it completely closes-off the air space
between the pan 1 and the skirt 3,

it permits free expansion of the pan 1
with respect to the skirt 3,

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it has the effect of limiting heat transfer between the pan 1 and the skirt 3.

Col. 4, lines 42-56.

C. The Prosecution History

On May 9, 1988, SEB filed its original (grandparent) application. It consisted of one independent claim, 1, and 10 dependent claims, 2-11. On October 14, 1988, the examiner rejected each of the 11 claims in view of U.S. Patent No. 4,672,179 to Onishi, stating that:

Claims 1-6 and 8 are rejected under 35 U.S.C. 102(a) as being anticipated by Onishi et al.

The patent to Onishi et al discloses a cooking apparatus comprising a metal pan 7a having a peripheral annular support flange 6, a electrical heating element 8a and a surrounding plastic skirt 1, 2. Said pan is covered by a metal lid which is in turn connected to a plastic lid 27 (with an airspace 34 located therebetween). The metal pan's support flange 6 seat upon the L-shaped plastic ring 4. Ring 4 has annular groves into which the peripheral wall 1 and 2

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seat. The base of the pan sits upon pin 14, 15 that has a heat protecting sleeve 9 biased for upward movement against the pan 7a via the spring 11.

In an amendment dated February 14, 1989, SEB withdrew claim 1 and substituted a new claim, 12. SEB also submitted a statement of why that amendment overcame the October 14, 1988 rejection:

Accordingly, applicant's deep fryer comprises as stated in claim 12 an external plastic skirt 3 which is *separated* from the external metal wall of the pan 1 by an air space 4 of sufficient width to limit the temperature of the skirt 3 to a value which is comparable with the thermal resistance of the plastic material of said skirt 3. (Emphasis in original).

Said skirt 3 is thus completely free with respect to the pan 1 with the exception of a ring 5 which supports the pan and thus constitutes the sole contact between the pan and the outer plastic skirt. Said ring 5 is of heat insulating material which withstands continuously the temperature of the top edge of the pan 1.

* * *

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

Concerning the "ring" limitation in the claims, applicant further stated in its remarks, in near identical form to that set out in the specification, that:

This ring alone carries out all the following functions:

- it defines the spacing between the pan 1 and the external plastic skirt 3,
- it serves to support and to center the pan 1 within the skirt 3,
- it completely closes off the *upper end* of the air space between the pan 1 and the skirt 3,

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- it permits free expansion of the pan **1** with respect to the skirt **3**,
- it has the effect of limiting heat transfer between the pan **1** and the skirt **3**.

The emphasis is supplied to distinguish this remark from the nearly identical representation made in the specification as noted above, which states that the ring alone “completely closes-off the air space”.

In a preliminary amendment dated August 28, 1990 filed in a continuation, the applicant disclosed a Spanish reference, utility model 290,283, and made the following representations to the examiner to distinguish the Spanish reference:

The Spanish reference, Utility Model 290,283, attached hereto, discloses a device in which the space between the inner and outer walls is *cooled* by circulation induced through openings in the outer walls. It is still possible for the user to become burned upon touching a portion of the device thus heated by the air whose circulation is induced past the hot inner wall. Accordingly, this arrangement does not suggest the present invention. (Emphasis in original).

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III. The Product

The modified product that I have examined is a table top deep fat fryer unit, bearing the label “Chef’s Mark™ Preferred Quality”. The packaging indicates that the product is marketed outside of the United States. The packaging also indicates a model no. SC-181, sold as the Scarlett England Deep Fryer. I have addressed those features in relation to the specific claim elements to which they most likely correspond.

In general, the product has an oil pan made from a metallic material. Within the oil pan is a basket to which is attached a folding handle, the handle allowing the user to raise and lower the basket. The oil pan is mostly encompassed by a plastic material, the thermal properties of which are unknown. The pan rests, *inter alia*, on five (5) tabs, which appear to be formed of a plastic-type material, and are slotted to receive corresponding plastic projections formed as part of the outer plastic material. The five tabs in turn are removably joined to the plastic projections. Each tab has two (2) bosses on their respective top surfaces to aid in securing the top edge of the pan to the tabs. In addition to being supported by the tabs, the pan also rests on four column supports which are secured to projections in the bottom of the outer plastic covering. There is also a metal plate secured in the area between the bottom of the pan and the bottom of the plastic covering.

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The pan is secured in its bottom center to the plastic covering by means of a bolt. The bolt, in combination with the tabs and the support columns, rigidly fixes the pan to the outer plastic cover.

When in place within the outer plastic covering, the pan is elevated and supported by the tabs and column supports so that the upper, downwardly turned lip of the pan does not contact the plastic covering. The elevation of the pan creates a circumferential ventilation gap between the top edge of the pan and the top edge of the outer plastic covering. The bottom of the product is equipped with six (6) L-shaped feet which support the unit, each foot, at its connection point with the plastic covering, proximate to a respective rectangular opening in the plastic covering, the openings in fluid (air) communication with the space between the plastic covering and the pan and with the circumferential ventilation gap.

IV. Infringement Analysis

To infringe a patent, and be liable for such infringement, infringement of only one valid and enforceable patent claim is required. *Bio-Technology General Corp. v. Genentech, Inc.*, 80 F.3d 1553, 38 USPQ2d 1321 (Fed. Cir. 1996), *cert. denied*, 117 S. Ct. 274 (1997). This analysis focuses on claim 1, the only independent claim and the broadest claim of the '312 patent. This is because dependent claims, such as

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claims 2-13, incorporate by reference all of the limitations of the claim from which they depend (here at least claim 1). 35 U.S.C. § 112 ¶ 4. *See Bloom Engineering Co., Inc. v. North American Manufacturing Co., Inc.*, 129 F.3d 1247, 44 USPQ2d 1859 (Fed. Cir. 1997).

The infringement analysis entails two steps: The first step is determining the meaning and scope of the patent claims asserted to be infringed, and the second step is comparing the properly construed claims to the accused device. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 34 USPQ2d 1321 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370, 38 USPQ2d 1461 (1996).

A. Step 1 - Claim Construction

Generally, claims are construed independent of the accused product, in light of the specification and the prosecution history.

Critical limitations¹ are found in the latter part of claim 1, specifically that “said skirt (3) being completely free with respect to the pan (1) with the exception of a ring (5) which joins only the top edge (3a) of the skirt

1. I note that there are a number of claim limitations that lack antecedent basis, such as “the lateral wall (1a) and the base (1b) of the pan and being separated from said wall and said base”.

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to the top edge (1c) of the pan and to which this latter is attached, said ring (5) being of heat-insulating material which is continuously resistant to the temperature of the top edge (1c) of the pan (1).”

The applicant defined the limitation of “completely free with respect to the pan” as meaning; “the only contact between said skirt and said pan is located at the level of the ring.” (Col. 2, lines 3-6). The applicant further represented to the PTO, in distinguishing over the prior art, that “in ONISHI et al.’s appliance, the two walls 1 and 3 are separated by an adiabatic material 2 (whose nature is not specified) whereas in the present invention the outer plastic skirt 3 is completely free with respect to the pan 1 with the exception of a ring 5. This means that the space comprised between the skirt 3 and the pan 1 is entirely occupied by air and that there is no solid material therebetween.” The applicant further represented that “[s]aid skirt 3 is thus completely free with respect to the pan 1 with the exception of a ring 5 which supports the pan and thus constitutes the sole contact between the pan and the outer plastic skirt.” Based on the claim language read in view of the specification and the prosecution history, I would construe the limitation “completely free” as being precisely what the applicant represented, i.e., that the space comprised between the skirt and the pan is entirely occupied by air and that there is no solid material therebetween. The applicant gave up

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any different construction through its representations to the examiner, and should be estopped from using claim interpretation to enlarge the claims to encompass that which was disclaimed in the prosecution history.

[REDACTED]

I have construed claim 1 of the '312 Patent consonant with the construction of the "completely free" limitation found in the findings of fact and conclusions of law that I have reviewed, construing the above limitation to mean "completely free" except to necessarily read on a preferred embodiment recited in the detailed description portion of the specification. *See Burke, Inc. v. Bruno Independent Living Aids, Inc.*, 183 F.3d 1334 (Fed. Cir. 1999). *But see Renishaw PLC v. Marposs Societa' Per Azioni*, 158 F.3d 1243, 48 USPQ2d 1117 (Fed. Cir. 1998) ("[N]o canon of construction is absolute in its application.").

The '312 Patent shows a "detailed description of the invention" which includes a "vertical rod 19", separated by "a sleeve 23 of heat-insulating and heat-resistant material" with a "spring 25, said spring being applied against the edge of the opening 20 which is remote from the pan 1. This arrangement serves to compensate for manufacturing tolerances as well a dimensional variations caused by heat expansion." Col. 3, lines 55 -65. In the detailed description, applicant further states that "in addition to the fact that

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the skirt 3 is practically free with respect to the pan 1 or in other words that no thermal bridge is created between the pan and the skirt, this latter can be fabricated from inexpensive ordinary-grade material which does not afford resistance to high temperatures, thus permitting low cost production of the fryer.”

Thus, according to the construction in the findings of fact and conclusions of law “completely free” is construed so as to cover the rod in addition to the ring, as well as the other two points of contact noted in the findings and conclusions, i.e., a heating element and a thermostat (*see* ¶ 36). This construction was phrased in terms of the absence of “thermal bridges”, a term which does not appear in the claims, and thus is not itself susceptible of construction. *Renishaw PLC v. Marposs Societa' Per Azioni*, 158 F.3d 1243, 48 USPQ2d 1117 (Fed. Cir. 1998) (“[A] claim must explicitly recite a term in need of definition before a definition may enter the claim from the written description.”). An additional consideration, however, is that the limitation should be construed to comport with the ring limitation, in that contacts between the pan and the plastic skirt should not interfere with or obviate the functions of the ring, including the ring’s recited capacity to limit heat transfer (thermal bridges) between the pan and the skirt. The ring limitation was not construed in the findings of fact and conclusions of law as this was apparently not at issue at the time, nor was

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the “completely free” limitation construed apart from the function of thermal insulation. This limitation, therefore, consonant with the District Court’s interpretation for purposes of this opinion, is construed to be consistent, as far as possible, with the balance of the claim limitations appearing in claim 1, in that the pan must be completely free with respect to the skirt of any structure that would interfere with or obviate the functions of the recited ring.

The “ring” limitation is recited in claim 1 as follows: “a ring (5) which joins only the top edge (3a) of the skirt to the top edge (1c) of the pan and to which this latter is attached, said ring (5) being of heat-insulating material which is continuously resistant to the temperature of the top edge (1c) of the pan (1).” Construing the claim in accordance with the specification and the prosecution history, the ring joins only the top edge of the skirt to the top edge of the pan and to which this latter is attached; the ring is made of an insulating material which continuously resists the temperature of the top edge of the pan; it serves to support and to center the pan within the skirt; it provides a sealing attachment of the pan to the skirt so as to close off the air space between the pan and the skirt; it permits free expansion of the pan with respect to the skirt; and it limits heat transfer between the pan and the skirt.

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B. Step 2 - Application of the Construed Claim to the Product

To establish infringement, every limitation (element) in the claim must be found in the accused product either exactly (literally) or by an equivalent. *Laitram Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 19 USPQ2d 1367 (Fed. Cir. 1991). See *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 117 S. Ct. 1040, 41 USPQ2d 1865 (1997).²

Even where the limitation “completely free” is construed to allow the contacts disclosed in the specification, the supporting columns in the product preclude literal infringement of the “completely free” limitation. Again, this is according to the claim construction apparent from the findings of fact and conclusions of law that I have reviewed, and adopted only for the purpose of this opinion, together with a construction that allows the completely free limitation to coexist with the ring limitation in the claim where possible. The columns (and the metal sheet) interfere with the capacity of the ring to thermally

2. In applying the claim limitations to the sample product, I have focused on what I believe to be the clearest indications of non-infringement. Such focus is not a limitation on additional evidence or arguments that may be presented as to non-infringement. Further, I do not opine on the thermal resistance properties of the plastic material used in the product because I do not have that information.

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insulate the surrounding plastic cover, and rigidly support the pan with respect to the skirt, i.e., prevent the ring from functioning to permit free expansion of the pan with respect to the skirt. They also cooperate with the tabs to prevent closure of the upper end of the air space between the pan and the skirt. Thus I believe that the “completely free” limitation is not literally present in the sample product.

Application of the limitation of the ring to the product shows that the product does not have a ring, as that limitation is properly construed. The product does not contain, literally, a ring which “joins only the top edge (3a) of the skirt to the top edge (1c) of the pan and to which this latter is attached, said ring (5) being of heat-insulating material which is continuously resistant to the temperature of the top edge (1c) of the pan (1).” The absence of this limitation in the product also precludes literal infringement of the ‘312 Patent.

1. Doctrine of Equivalents

Having determined that the “completely free” and “ring” limitations are not literally met in the product, I also believe that the product does not contain substantial equivalents of these limitations. To be a substantial equivalent, an element ordinarily must perform substantially the same function, in substantially

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the same way, to achieve substantially the same result as the claimed element. *See Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 117 S. Ct. 1040, 41 USPQ2d 1865 (1997).

It is my opinion that the column supports do not perform the same function in the same way to achieve the same result as the “completely free” limitation nor are they the equivalent of any of the contacts shown in the specification. The existence of the columns contacting both the pan and the plastic covering, with the interposition of a metal sheet between the pan and the bottom of the plastic covering are clearly not the functional equivalents of the claim limitation. The columns cooperate with the tabs to elevate, support and ventilate the pan of the product, and to rigidly fix the pan to the plastic covering, inhibiting expansion of the pan independent of the plastic covering. To apply the claim in such a way as to encompass these elements would effectively read the “completely free” limitation out of the claims, which is prohibited. *Warner-Jenkinson v. Hilton Davis*, 117 S. Ct. at 1049, 41 USPQ2d at 1871 (“It is important to ensure that the application of the doctrine [of equivalents], even as to an individual element, is not allowed such broad play as to effectively eliminate that element in its entirety.”).

As to the ring limitation, clearly the five tabs do not fall within the function-way-result test, as the circumferential

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ventilation gap provided by the tabs is directly contrary to one of the stated functions of the ring in the claimed device, i.e., to close off at least the top end of the air gap between the plastic skirt and the pan. The product allows air to circulate from the openings in the bottom of the plastic covering, through the air space, and through the circumferential ventilation gap at the upper end of the plastic covering. The advantages of this cooling mechanism are balanced against the disadvantage of heat loss and excess power consumption. The avoidance of such heat loss and excess power consumption are cited as benefits of the claimed invention by the applicant. Col. 2, lines 15-18; col. 4, lines 24-27. Thus, the structures found in the product are not an equivalent of the ring limitation of the claims.

(a) Prosecution History Estoppel

Irrespective of the application of the tri-partite test, prosecution history estoppel prevents a patentee from reclaiming under the doctrine of equivalents subject matter given up to obtain the patent. In this regard, “[a]rguments made during the prosecution of a patent application are given the same weight as claim amendments.” *Elkay Manufacturing Co. v. Ebco Manufacturing Co.*, 192 F.3d 973, 52 USPQ2d 1109, 1113 (Fed. Cir. 1999). As noted above, the applicant made the following representations to the examiner to overcome a rejection over the prior art:

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Said skirt 3 is thus completely free with respect to the pan 1 with the exception of a ring 5 which supports the pan and thus constitutes the sole contact between the pan and the outer plastic skirt.

Applicant further stated that “the space comprised between the skirt 3 and the pan 1 is entirely occupied by air and that there is no solid material therebetween.” Thus, even construing the claim to encompass the particular embodiment shown in the drawings, the applicant disclaimed any further contact between the pan and the plastic skirt. I believe that SEB would be estopped from extending the scope of the claim to cover a product that has four support columns between the pan and the plastic covering.

As to the ring limitation, the applicant expressly argued over the Spanish reference which disclosed a device in which “the space between the inner and outer walls is *cooled* by circulation induced through openings in the outer walls.” (Emphasis in original). The applicant declared that “this arrangement does not suggest the present invention.” The applicant further distinguished its ring by arguing that “[t]his ring alone carries out all the following functions: ... - it completely closes off the *upper end* of the air space between the pan 1 and the skirt 3” Emphasis supplied. I believe that these arguments

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clearly estop SEB from claiming a device that is cooled by a ventilation gap at the upper end of the air space between the pan and the plastic covering.

V. Conclusion

For the above reasons, without limitation as to other possible grounds for non-infringement, I conclude that the product described above does not infringe the claims of the '312 Patent, either literally or by equivalents. Based on this conclusion, and based on the proposed preliminary injunction order prohibiting the sale of articles which infringe claim 1 of the '312 Patent, [REDACTED]

Very truly yours,

/s/ _____
Peter S. Canelias

**APPENDIX C — EXCERPTS OF
CLOSING ARGUMENT**

[883] THE COURT: I am not going to waste your time with my comments. We are going to go straight into summations, starting with the defendants. Since the plaintiff has the burden of proof, the defendants will sum first, and then the plaintiff will have the last opportunity to speak to you until my charge.

Mr. Dunnegan.

MR. DUNNEGAN: Your Honor.

In my opening I told you that I was going to prove three things. I told you I was going to prove first that the products Pentalpha sold didn't infringe SEB's patent. Second, I told you that Pentalpha operated out of Hong Kong and didn't commit any act that should allow SEB to recover any damages under the United States patent laws. And third, I told you that at best for SEB, its damages would be a [884] modest reasonable royalty.

Now I'm going to go through the evidence and explain to you how I've proven each of those things to you.

* * *

[898] My second point is that Pentalpha didn't infringe the SEB patent because Pentalpha didn't do anything that caused any damage to SEB under the United States patent laws. Now, Pentalpha didn't sell any deep fryers in the United States. Has SEB showed you any evidence that Pentalpha sold a deep fryer within the limits of this country?

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The answer is no.

[899] John Sham testified consistently, and without contradiction, that Pentalpha sold the deep fryers free on board -- that's the "F.O.B." term in the books that we gave you, which had the invoices in them -- a ship in Hong Kong or in China.

The documents consistently demonstrate that Mr. Sham's testimony is correct. Look at Exhibits, in your book, which are E, AK, BY, CA, CB. It's the first page of a set of invoices which are in evidence.

Now, is it possible that there could, in some commercial transactions, be a case where the F.O.B. term on the invoice or on the purchase order isn't controlling? Perhaps. But that's not the situation here.

The situation here is that the reality of the commercial transaction was, the risk of loss of these goods took place, from Pentalpha to Pentalpha's customer, when they went over the rail of the ship, which was docked at some port in either Hong Kong or China. It certainly wasn't in the United States. There's no evidence suggesting anything else.

Now, let's spend a moment talking about offers to sell. Now, offers to sell I don't think are going to be very important in this case, because, as Mr. Newman told you, royalties are based upon net sales. There's no evidence that royalties can be based upon an offer to sell. But let me spend a few minutes talking about the offers for sale on [900] which we have evidence in this case.

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Now, the only offers to sell, on which I believe we have evidence, occurred in June and October of 1997, when Pentalpha entered into a product supply agreement to cover 50 models, 50 models of products for 14 different products. Those agreements were signed with Sunbeam.

And at the time of the first agreement, which is Exhibit 11, Pentalpha had already locked up the deep fryer business with Sunbeam. In other words, Sunbeam was going to keep buying deep fryers from Pentalpha regardless of whether Pentalpha entered into yet an additional contract concerning the many, many products it concerned.

Here is why. Pentalpha owned the tooling for the deep fryers. John Sham testified that Pentalpha had spent more than \$200,000 for the tooling to build them. That was both injection mold tooling for the plastic parts and die cast molding for the metal pan.

Sunbeam had no incentive to leave Pentalpha and try to buy its deep fryers from someone else at a later time, as long as Pentalpha kept selling them or wanted to sell them, because if Sunbeam did that, Sunbeam has to confront the issue of where do we get the tooling. Pentalpha owned the tooling. Sunbeam couldn't tell Pentalpha, "hey, go ship it to your competitor who we want to buy it from." Sunbeam would be at square one, either buying the tooling itself or [901] paying the premium for additional tooling which had to be constructed in the future.

Now, these contracts with Sunbeam, which were signed in the United States, didn't result of the sale

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-- didn't result in the sale of any more deep fryers by Pentalpha, and therefore didn't cause any more damage to SEB.

Now, the other person whose name has come up during the testimony is Dan Mullins. However, I suggest to you that the evidence does not show that he was making any offer to sell the deep fryer or any other products to Pentalpha's customers. Dan Mullins, Mr. Sham testified, was simply introducing potential customers to Pentalpha. There's no evidence from Fingerhut that Dan Mullins made an offer to sell any specific product or any specific deep fryer to it.

* * *

[905] There also cannot be any inducement of infringement with respect to the sales of Montgomery Ward. I do not believe -- I believe you can find that there is no evidence in the record that Montgomery Ward ever sold any of the deep fryers in the United States.

Montgomery Ward went out of business a long time ago. The deep fryers that were sold to Montgomery Ward were built for the North American market, not simply for the United States market. SEB didn't prove -- didn't produce any proof that these deep fryers were sold at any time in the United States.

So that's my second point. Pentalpha sales don't have enough of a connection to the United States to make [906] Pentalpha liable for infringement.

* * *

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[914] Ladies and gentlemen, you have been here for too [915] long. I have been here for too long. It's time for me to stop, but before I stop --

THE COURT: Well, they haven't been here too long because they haven't heard from me yet.

MR. DUNNEGAN: With that caveat, it's time for me to shut up, but before I do, I wanted to thank you for your, your patience, your attentiveness, your promptness in getting here, and I wanted to especially thank you for your smiles. Have a great day.

THE COURT: Thank you, Mr. Dunnegan.

MR. DUNNEGAN: Thank you, Your Honor.

* * * *