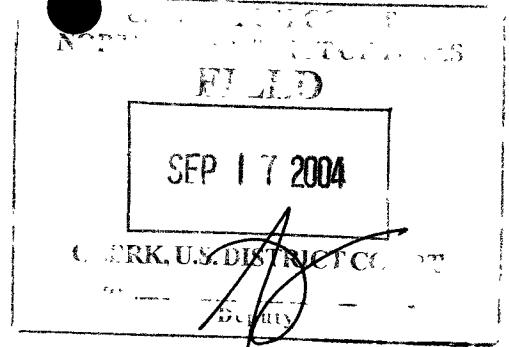


IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



GOLDEN BLOUNT, INC.

Plaintiff,

v.

ROBERT H. PETERSON CO.

Defendant.

Civil Action No. 3-01CV0127-R

(JURY TRIAL DEMANDED)

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NOTICE OF APPEAL

Notice is hereby given that the Robert H. Peterson Co., Defendant in the above-identified action, hereby appeals to the United States Court of Appeals for the Federal Circuit from this Court's August 18, 2004 Order, vacating Defendants findings of fact and conclusions of law and adopting Plaintiff's findings of fact and conclusions of law (attached hereto as Exhibit A).

In the alternative, Defendant Robert H. Peterson Co. appeals from the following:

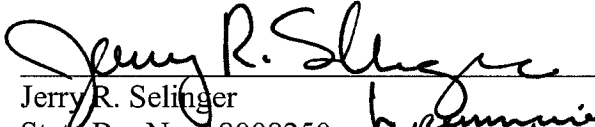
- 1) Order entered September 2, 2004, vacating Defendant Robert H. Peterson's Application for Attorneys' Fees previously adopted on August 11, 2004 (attached hereto as Exhibit B);
- 2) Order entered September 2, 2004, vacating Defendant's Findings of Fact and Conclusions of Law previously adopted on June 22, 2004 and adopting Plaintiff's Findings of Fact and Conclusions of Law submitted on August 31, 2004 (attached hereto as Exhibit C); and

Handwritten notes:
TAC
NOTED
ORIGINAL

- 3) Findings of Fact and Conclusions of Law dated September 2, 2004 (attached hereto as Exhibit D).

Dated: September 17, 2004

Respectfully submitted,


Jerry R. Selinger
State Bar No. 18008250
JENKINS & GILCHRIST, A.P.C. *by permission P. H. [unclear]*
1445 Ross Avenue, Suite 3200
Dallas, Texas 75202
214/855-4776 (Telephone)
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OF COUNSEL:

Leland W. Hutchinson, Jr.
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Chicago, Illinois 60606
312/360-6000 (Telephone)
312/360-6572 (Facsimile)

#631561

CERTIFICATE OF SERVICE

This certifies that a copy of the foregoing document 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 Gaines, Hitt Gaines, P.C., 2435 North Central Plaza, Suite 1300, Richardson, Texas 75080, this 17th day of September, 2004.



A

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

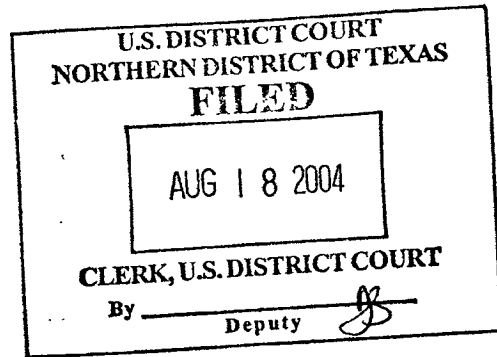
INTERPRETER: CSO : Present COURT TIME: 2.0

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

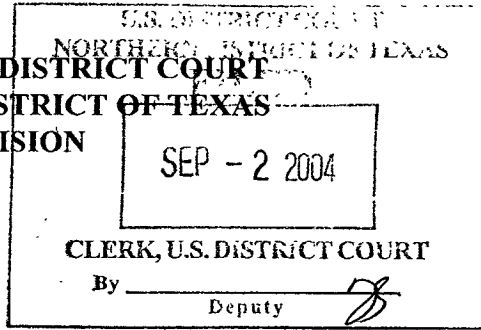
Dft's findings of fact and conclusions of law
VACATED....Plaintiff's findings of fact and
conclusions of law adopted.

11:40 a.m. Court adjourned



B

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.

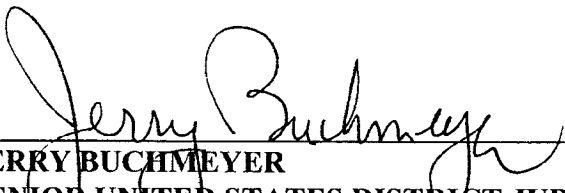
3-01CV0127-R

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.

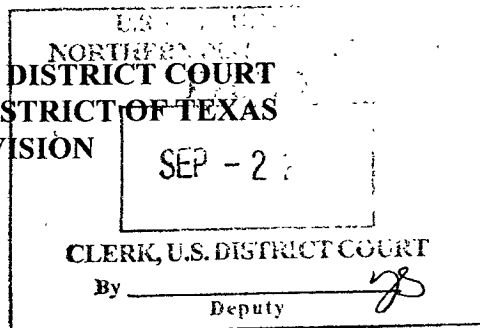
ENTERED: this 2 day of Sept., 2004.



JERRY BUCHMEYER
SENIOR UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

C

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'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.

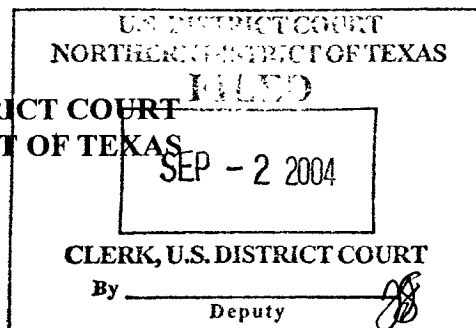
IT IS SO ORDERED.

ENTERED: this 2 day of Sept., 2004.

JERRY BUCHMEYER
SENIOR UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

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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).

²This 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*.⁸

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).

⁸ 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 wilfulness.

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.

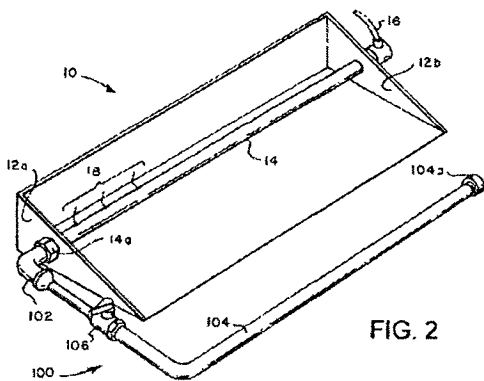
132. If one is arguing that proof of inducing infringement or direct infringement requires *direct*, as opposed to *circumstantial evidence*, the Federal Circuit disagrees. It is hornbook law that direct evidence of a fact is not necessary. "Circumstantial evidence is not only sufficient, but may also 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,

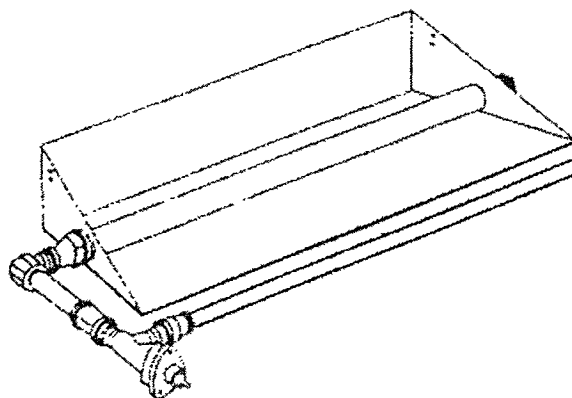
even though it may also be capable of non-infringing modes of operation. See, *Intel Corp. v. United States Int'l Trade Comm'n*, 946 F.2d 821, 832, 20 USPQ2d 1161, 1171 (Fed.Cir.1991); *Key Pharms., Inc. v. Hercon Labs. Corp.*, 981 F.Supp. 299, 310 (D.Del.1997), *aff'd*, 161 F.3d 709, 48 USPQ2d 1911 (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