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UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION  
1:04-CV-5705

Lexion Medical, LLC )  
 ) ORDER  
 v. )  
 )  
Northgate Technologies, Inc.; )  
Smith & Nephew, Inc.; and )  
Linvatec Corporation )

Plaintiff moves, pursuant to Rule 59(e) and 60(a) of the Federal Rules of Civil Procedure ("Fed. R. Civ. P") to alter or amend the judgment, or in the alternative, for post-verdict discovery. Plaintiff's motion is granted in part and denied in part.

I. Background

After a week's trial in October, 2006, a jury rendered its verdict finding that defendants' Humi-Flow device infringed plaintiff's insufflator patent. The jury also found defendants' infringement was not willful. After considering the parties' post-trial motions, the Court entered judgment on February 12, 2007.

Soon thereafter, Northgate informed plaintiff it had sold an additional 570 units of the infringing device -- all of its remaining inventory -- subsequent to the verdict, but before judgment was entered. Plaintiff now seeks damages for these post-verdict sales, and asks the Court to declare this an exceptional case involving willful infringement, warranting attorneys' fees and treble damages. Plaintiff also asks the Court to clarify the

amount of prejudgment interest and the postjudgment interest rate.

## II. Analysis

### A. Post-Verdict Sales

The Court may award up to treble damages for willful infringement, see 35 U.S.C. § 284, and may award attorneys' fees in "exceptional" cases, see 35 U.S.C. § 285. Both inquiries are committed to the Court's discretion.

Northgate does not deny its sale of the Humi-Flow units after the jury verdict. Accordingly, plaintiff's motion to conduct additional discovery is denied.

When determining whether Northgate's post-verdict infringement was willful, the Court considers the totality of the circumstances. Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp., 383 F.3d 1337, 1342 (Fed. Cir. 2004) (en banc). The Court may consider, among other things, (1) whether Northgate had a good-faith belief that plaintiff's patent was invalid or not infringed; (2) the duration of the infringement; (3) any remedial action by Northgate; and (4) Northgate's motivation for continued infringement. Read Corp. v. Portec, Inc., 970 F.2d 816, 827 (Fed. Cir. 1992), abrogated in part on other grounds by Markman v. Westview Instruments, Inc., 52 F.3d 967, 975 (Fed. Cir. 1995). After considering these factors, the Court finds Northgate's post-verdict infringement was not willful.

It is undisputed that the jury's verdict put Northgate on actual notice of plaintiff's patent rights, which in turn triggered an affirmative duty of due care to avoid infringement. See Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GMBH, 408 F.3d 1374, 1377 (Fed. Cir. 2005). One way to comply with that affirmative duty is to seek the advice of counsel. See Read, 970 F.2d at 828.

This is exactly what Northgate did. Prior to shipping the additional units, it obtained an oral opinion from counsel that, despite the jury's verdict, the Humi-Flow device did not infringe. The opinion was based on (1) counsel's view that the trial jury had been unreasonable and did not understand the issues in the case; (2) the fact that the Court had not yet entered an injunction; and (3) the arguments then before the Court in Northgate's posttrial motion. (Declaration of Timothy Delaney, dated March 9, 2007.)

The Court notes that Northgate had an affirmative duty to avoid infringing plaintiff's patent, not merely to avoid contempt of the Court's injunction. Applied Medical Resources Corp. v. United States Surgical Corp., 353 F. Supp. 2d 1075, 1081-82 (C. D. Cal. 2004) ("avoiding contempt in no way mean[s] [defendant] did not infringe"). Accordingly, Northgate's second proffered basis for non-infringement, standing alone, could not reasonably be relied upon to support a conclusion of non-infringement.

That said, nothing in the remainder of counsel's opinion was so flawed as to alert Northgate to reject it as "obviously bad" legal advice. Read, 970 F.2d at 830. Accordingly, Northgate was entitled to rely on counsel's opinion, even though the Court's judgment ultimately turned out to be different. Id. The Court concludes Northgate believed in good faith its additional sales would be found not to infringe plaintiff's patent.

The remaining factors do not tip the balance. The duration of the infringement was brief: Northgate filled a single pre-existing order with units manufactured prior to trial. Northgate voluntarily informed plaintiff about the post-verdict sales, and appears willing to pay damages on them. There is no evidence that Northgate has continued to manufacture or market the Humi-Flow. Contrast Imonex, 408 F.3d at 1378 (defendants sold more than 100,000 devices after trial); Applied Medical, 353 F. Supp. 2d at 1079 (defendant made about 20% of infringing sales after court's ruling on liability). On the other hand, Northgate does not dispute plaintiff's assertion that it was motivated by a desire to liquidate its remaining inventory prior to the Court's injunction, and that it took no remedial action.

Based on the totality of the circumstances, the Court concludes Northgate's post-verdict infringement was not willful.

It was, nonetheless, infringement, and appropriate damages must be calculated. The parties agree that the post-verdict sales

amounted to \$38,052.48. Northgate asks that this figure be reduced by \$3,338.00 to compensate for what it views as an error by the jury in calculating damages, and further reduced by \$7,744.16 to reflect units remaining in defendant Linvatec's inventory.

The Court sees no basis to reduce plaintiff's damages. The jury's calculations of per-unit damages were based on Northgate's own estimate of the number of units sold, which turned out to be 50 units too high. Northgate never raised this issue with the Court in its post-trial motions, and the time to do so has expired. Because the jury's calculation is supported by the evidence, it will not be disturbed.

Neither will the Court reduce plaintiff's damages because some of the units Northgate sold post-trial allegedly remain in Linvatec's inventory. Defendants have provided neither evidence to this effect, nor any authority supporting their argument.

Accordingly, plaintiff is entitled to additional damages in the amount of \$38,052.48 for the 570 units Northgate sold after trial.

In "exceptional cases" the Court "may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. Such a finding may be warranted where there is clear and convincing evidence of "willful infringement, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit." Standard Oil Co. v. American Cyanamid Co., 774 F.2d 448, 455 (Fed.

Cir. 1985).

As already noted, there is no willful infringement. There is also no evidence that defendants have committed the kind of misconduct throughout the litigation that would support finding this case is "exceptional" under § 285. However, the Court finds that Northgate's decision to sell additional units after the verdict needlessly multiplied these proceedings, in that plaintiff was obliged to spend additional effort and funds bringing its motion for additional damages. This isolated conduct is "exceptional." Therefore, the Court will exercise its discretion and award plaintiff attorneys' fees and costs incurred in bringing the instant motion.

B. Clarification of Judgment

The parties have agreed upon the sum of \$108,061.45 for the appropriate prejudgment interest on damages, and that the proper postjudgment interest rate is 5.10%. Plaintiff has requested that the interest be compounded daily from February 12 until the date of payment, and compounded annually pursuant to 28 U.S.C. § 1961. Defendants have not opposed this request.

Accordingly, IT IS ORDERED that the Court's Judgment shall be amended and clarified as follows:

1. Northgate shall pay plaintiff an additional \$38,052.48 in damages, reflecting post-verdict sales of 570 Humi-Flow devices.

2. All defendants are immediately and permanently enjoined from selling any Humi-Flow device.
4. Northgate shall pay plaintiff attorneys' fees and costs incurred in bringing the instant motion.
5. Defendants shall pay plaintiff prejudgment interest in the amount of \$108,061.45.
6. Defendants shall pay plaintiff postjudgment interest at the rate of 5.10%. Postjudgment interest shall be compounded daily from February 12 until the date of payment, and shall be compounded annually.

IT IS FURTHER ORDERED that plaintiff's alternative motion for additional discovery is denied without prejudice.

Dated: May 29, 2007

s/ James M. Rosenbaum  
JAMES M. ROSENBAUM  
United States Chief District Judge