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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

DIVIX GOLF INC.)	Civil No. 05CV1488 JAH (CAB)
)	
Plaintiff,)	FINDINGS OF FACT, CONCLUSIONS OF
v.)	LAW AND ORDER
)	
JEFFREY P. MOHR, et al.)	
)	
Defendants.)	
_____)	

I. INTRODUCTION

This opinion sets forth the rationale for the Court’s oral ruling that the patent at issue is not invalid based on anticipation or obviousness as well as the Court’s damages analysis.¹ The Court divided the bench trial on this matter into three parts. At the parties’ request, the Court heard defendants’ arguments solely on the affirmative defense of inequitable conduct during the first part of the trial. After the Court found plaintiff did not obtain the subject patent through inequitable conduct, the Court held part two of the trial on the affirmative defenses of anticipation and obviousness. The Court subsequently issued an oral ruling that the subject patent was not anticipated or obvious. Thereafter, the Court held the final part of the trial solely on the issue of damages.

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¹The background of this litigation is contained in the Court’s opinion on the first part of the bifurcated trial [Doc. 226].

1 II. FINDINGS OF FACT

2
3 This Court incorporates its findings of fact from the first phase of trial [See Doc. 226] and
4 makes the following additional findings of fact:

- 5
- 6 1. The Markman Order is controlling with respect to all issues of claim construction.
 - 7 2. The Markman Order states element (b) of Claim 1 is written in a means-plus- function
8 format, where the function is “to pry up a ball mark in turf” and the corresponding
9 structure in the specification is “a shank terminating in a pair of tines, a blade or a
10 shovel-like head.”
 - 11 3. The Markman Order states element (c) of Claim 1 is written in a means-plus-function
12 format, where the function is “to releasably lock the means for prying at both
13 positions” and the corresponding structure is “ a detent mechanism consisting of a rod,
14 rod seat and push pin.”
 - 15 4. The GT Knife has a handle.
 - 16 5. The GT Knife has a shank that terminates in a blade.
 - 17 6. The GT Knife has a detent mechanism that consists of a key, biscuit, flange and push
18 pin.
 - 19 8. The key in the GT Knife mechanism has a wedge shape with four sides that perfectly
20 fit in a tapered slot called the flange.
 - 21 9. When the GT Knife blade is in the open position, the key interlocks with the blade to
22 prevent the blade from moving.
 - 23 10. When functioning properly, the GT Knife operates as a switchblade.
 - 24 11. If a piece of sand or dirt becomes lodged between the key and the flange, the blade will
25 lock and the knife will malfunction.
 - 26 12. The GT Knife is unable to function properly as a switchblade if small particles, such
27 as dirt and sand, become lodged inside the detent mechanism.
 - 28 13. The GT Knife can be used to perform either the function of prying up a ball mark in

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- turf or releasably locking the means for prying at both positions.
14. The GT Knife cannot be used to perform both functions of prying up a ball mark in turf or releasably locking the means for prying at both positions.
15. The rod in the divix mechanism, the mechanism claimed in the '137 Patent, has a cylindrical shape with six sides.
16. When the divix tines are in the open position, the rod fits loosely into the rod seat and does not interlock with the blade.
17. The loose fit of the rod and rod seat prevents small particles from becoming permanently lodged inside the mechanism.
18. Defendants did not introduce any prior art that contained a detent mechanism with a rod and rod seat.
19. The mechanism in later models of the divix tool do not have a rod or rod seat.
20. United States Patent No. 4,261,103 issued on April 14, 1981 disclosed a switchblade style tool consisting of a pen, tweezers, nail file and scissors [hereinafter "combination device"].
21. United States Patent No. 5,293,690 issued on March 15, 1994 disclosed a locking mechanism for a folding hand tool that allows the instrument to be released without the operator touching the instrument.
22. Non-switchblade multipurpose divot repair tools were patented and marketed before the invention of the divix.
23. Defendants did not introduce any prior art that operated as a switchblade style divot repair tool.
24. Neither party explained how the mechanism of the Zivot, another switchblade style divot repair tool that is not prior art, operates.
25. Defendant Jeffrey Mohr has been playing golf for over fifty years and has no experience making divot repair tools or other mechanical devices.

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1 III. DISCUSSION

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3 The device at issue in this litigation is a switchblade style ball mark repair tool² sold under the
4 name “divix.” The United States Patent and Trademark Office issued patent number 6,162,137 (‘137’)
5 for this device on December 19, 2000. The ‘137 patent has 14 claims. Prior to trial, the parties
6 stipulated on the record before Magistrate Judge Cathy Bencivengo that if this Court found the subject
7 patent valid and enforceable, defendants infringed on Claims 1 and 8-14 of the patent. In that
8 stipulation, the parties also acknowledged that of the fourteen claims in the patent, Claim 1 is the only
9 independent claim. Thus, a finding that Claim 1 is valid and enforceable necessarily means all the
10 dependent claims in the patent are also valid and enforceable. The Court will therefore address
11 Claim 1 first.

12
13 **A. Anticipation**

14
15 **1. Legal Standard**

16
17 Under 35 U.S.C. §102(a):

18 A person shall be entitled to a patent unless . . . the invention was known or used by others
19 in this country, or patented or described in a printed publication in this or a foreign country,
before the invention thereof by the applicant for a patent.”

20 The conduct described in this statute is commonly referred to as anticipation. In order for a
21 patent claim to be invalid based on anticipation, there must be a single prior art reference that reads
22 on each element of the claim. In other words, there must be a known device that existed before the
23 invention of the device claimed in the patent that satisfies all of the criteria in the claims. Further,
24 “[a]nticipation requires the presence in a single prior art disclosure of all elements of a claimed
25 invention *arranged as in the claim.*” Net MoneyIN, Inc. v. VeriSign, Inc., 545 F.3d 1359, 1371
26 (emphasis in original)(internal citations omitted). “[U]nless a reference discloses within the four
27 corners of the document not only all of the limitations claimed but also all of the limitations arranged

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29 ²The Court uses the terms “ball mark repair tool” and “divot repair tool” interchangeably.

1 or combined in the same way as recited in the claim, it cannot be said to prove prior invention of the
2 thing claimed and, thus cannot anticipate under 35 U.S.C. §102.” Id. “The requirement that the prior
3 art themselves be ‘arranged as in the claim’ means that claims cannot be ‘treated . . . as mere catalogs
4 of separate parts, in disregard of the part-to-part relationships set forth in the claims and that give the
5 claims their meaning.’” Therasense, Inc. v. Becton, Dickinson and Co., 593 F.3d 1325, 1332 (Fed. Cir.
6 2010)(citing Lindemann Maschinenfabrik GMBH v. Am. Hoist & Derrick Co., 730 F.2d 1452, 1459
7 (Fed. Cir. 1984).³

8 Defendants have the burden of proving anticipation by clear and convincing evidence. See
9 Carella v. Starlight Archery and Pro Line Co, 804 F.2d 135, 138 (Fed. Cir. 1986).

10 Under 35 U.S.C. §112(6) “[a]n element in a claim for a combination may be expressed as a
11 means or step for performing a specified function without the recital of structure, material, or acts in
12 support thereof, and such claim shall be construed to cover the corresponding structure, material, or
13 acts described in the specification and equivalents thereof.”

14 In Odetics, Inc. v. Storage Technology Corp, the Court stated that literal infringement of a
15 §112 (6) element or claim “requires that the relevant structure in the accused device perform the
16 identical function recited in the claim and be identical or equivalent to the corresponding structure in
17 the specification.” 185 F.3d 1259, 1267 (Fed. Cir. 1999). The Court also noted that statutory
18 equivalence under §112(6) is different from the judicially created doctrine of equivalents. In the latter,
19 the test is whether the “‘function, way or result’ of the assertedly substitute structure is substantially
20 different from that described by the claim limitation.” Id. However, under §112(6) statutory
21 equivalence functional identity is **required** and thus “the test for insubstantial differences . . . [is
22 reduced] to ‘way’ and ‘result.’” Id. This undertaking does not require a “component by component
23 analysis.” “The individual components, if any, of an overall structure that corresponds to the claimed
24 function are not claim limitations. Rather, the claim limitation is the overall structure corresponding
25

26 ³In its Part 1 opinion, the Court focused on the intent of the patent applicants and the
27 information a reasonable patent examiner would have deemed material during the patent application
28 process. Because a reasonable patent examiner at that time of the patent application would not have
had the benefit of this Court’s Markman Order, the specific construction of the ‘137 claims was not
at issue in Part 1 of this trial. During this phase of the trial, the intent of the patent applicants and
mindset of the patent examiner is not at issue. The sole concern of this court is whether at the time
the ‘137 patent issued there existed prior art that anticipated the ‘137 patent or made it obvious.

1 to the claimed function. This is why structures with different numbers of parts may still be equivalent
2 under §112, ¶6, thereby meeting the claim limitation.” Id. at 1268. Finally, “[e]ach element
3 contained in a patent claim is deemed material to determining the scope of the patented invention.”
4 Id. (citing Warner-Jenkinson, 520 U.S. at 29).

6 **2. Analysis**

7
8 An infringement analysis requires the Court to construe the claim at issue to ascertain its
9 meaning and scope, then compare the allegedly infringing device to the construed claim. Dawn
10 Equipment Co. V. Kentucky Farms Inc., 140 F.3d 1009, 1014 (Fed. Cir. 1998).

11 Defendants argue two devices are prior art that anticipate Claim 1. The first device is the GT
12 Knife, a switchblade knife created and sold, but not patented, by Todd Jones, the inventor of the divix,
13 before he invented the divix. The second device is a switchblade style tool accessory consisting of
14 a pen, scissors, nail file and tweezers (“combination device”) that was patented in 1981. The Court
15 will address the GT Knife first.

16
17 Claim one states:

18 A device for repairing a ball mark in turf comprising:

19 (a) a handle,

20 (b) means, connected to the handle, for prying up a ball mark in turf, the means for prying
21 being pivotable between two operable positions, a first position at which said means is
22 retracted into the handle and a second position at which the handle can [sic] used leverage
23 [sic] to pry up the turf, and,

24 (c) means for releasably locking the means for prying at both positions.

25 The Court previously construed the means-plus-function elements of Claim 1 in its Markman
26 Order [Doc. 96] and that construction is binding here. According to the Markman Order the function
27 of element (b) is “to pry up a ball mark in turf” and its corresponding structure is “a shank terminating
28 in a pair of tines, a blade or a shovel-like head. The function of element (c) is “to releasably lock the
means for prying at both positions⁴” and its corresponding structure is “a detent mechanism consisting

⁴The Court will refer to “both positions” as the “open” and “closed” position throughout this opinion.

1 of a rod, rod seat, and push pin.”

2 Plaintiffs did not contest that the GT Knife has a handle and thus literally reads on element (a).
3 For a prior art reference to anticipate devices written in means-plus-function format, the prior art
4 reference must perform the **identical** function as the claimed device and have a corresponding
5 structure that is identical to the claimed structure or equivalent. See Odetics, 185 F.3d at 1267. The
6 Court construed the function of the structure in element (b) as “to pry up a ballmark in turf.”
7 Defendants contend that a knife blade can be used to pry up a ballmark in turf, albeit not as effectively
8 as a pair of tines, and thus performs the identical function claimed in element (b). The Court
9 construed the structure of element (b) as “a pair of tines, **blade**, or shovel like head.” Because the GT
10 Knife has a **blade**, defendants claim it has the same structure as the device listed in element (b).

11 With respect to element (c), the Court construed its function as “to releasably lock the means
12 for prying at both positions.” Defendants contend the GT Knife mechanism can perform that function
13 because the knife mechanism releasably locks the knife blade in both the open and closed position.
14 Defendants concede the GT Knife mechanism’s components, a detent, push pin, key, and biscuit, are
15 not identical to the claimed mechanism’s components, a detent, push pin, rod and rod seat. Therefore,
16 the structure of the GT Knife does not literally read on element (c). However, defendants claim the
17 mechanisms are equivalent because depressing the push button on both mechanisms compresses the
18 torque spring, which then either slides the key into the biscuit in the knife or the rod into the rod seat
19 in the claimed device. Thus, according to defendants the mechanisms accomplish the function of
20 releasably locking the means for prying in the open and closed positions in the same way and achieve
21 the same result, in that the means for prying locks in the open and closed position on each tool.

22 In contrast, plaintiff argues that the GT Knife blade is not the type of blade envisioned by the
23 Markman Order and therefore the GT Knife does not have the same structure as the device listed in
24 element (b). Plaintiff further argues that the GT Knife mechanism is not the structural equivalent of
25 the claimed mechanism in element (c). According to plaintiff, the rod/rod seat combination in the
26 claimed mechanism is substantially different from the key/ biscuit combination in the GT Knife
27 mechanism. Plaintiff asserts the rod is uniquely designed to loosely fit in the rod seat while the key
28 is specifically designed and customized to fit tightly into the biscuit. When the claimed device is used

1 for its intended purpose and inserted in dirt to repair ball marks, the rod/rod seat design allows the
2 claimed mechanism to remain functional. In contrast, when the GT Knife is inserted in dirt to repair
3 ball marks, dirt will become lodged between the key and biscuit, which causes the GT Knife
4 mechanism to malfunction.

5 In response, defendants claim the mechanism's ability to function well in dirt is not a claimed
6 function and thus is irrelevant to the equivalence analysis.

7 Under Odetics the accused device must satisfy two criteria to be deemed the statutory
8 equivalent of the claimed device: 1) the accused device must perform the identical function as the
9 claimed device; and 2) the structure in the accused device must perform that function in a substantially
10 similar way as the claimed device and obtain a substantially similar result. If the GT Knife does not
11 satisfy both criteria, it does not meet the requirements for anticipation of a §112 (6) element.

12 13 **I. Functional Identity**

14
15 During trial defendants demonstrated how the GT Knife operates. In typical switchblade
16 fashion, pressing the detent button on the knife handle releases the knife blade out of the handle into
17 its open position. Once the knife blade is released it is locked and will not move until the detent
18 button is pressed by the operator again. As the detent button is pressed and held down, the operator
19 can push the blade back into the handle. While the mechanisms of the claimed device and GT Knife
20 are different, the mechanism disclosed in element (c) of Claim 1 also allows the claimed device to
21 operate in a switchblade manner. However, the distinguishing feature of the device in Claim 1 is not
22 that it discloses a switchblade tool, but a switchblade tool that can operate in turf. This distinction is
23 made clear once an operator attempts to use the GT Knife to perform the claimed functions.

24 In order for the GT Knife to pry up a ball mark in turf, the knife blade must be released from
25 the handle to its open position. At that stage, the knife is in the necessary position to pry up a ball
26 mark. According to the undisputed trial testimony, once the knife blade is inserted in turf to pry up
27 the ball mark, the dirt from the turf will become lodged inside the knife mechanism. Because of the
28 mechanism's design, once dirt is lodged inside the mechanism it is no longer functional. The knife

1 blade will thus be stuck in the open position and no longer able to releasably lock back to the closed
2 position, part of the function listed in element (c). As a result, the GT Knife will not operate as a
3 switchblade and will instead be transformed into a knife with a stationary blade that is unable to retract
4 back into the handle.

5 In contrast, an operator can release the tines in the claimed device to the open position, insert
6 the tines in turf, pry up a ball mark, then release the tines back to the closed position, and thus
7 perform all the functions recited in Claim 1.

8 Defendants appear to argue the claimed device is anticipated by the GT Knife because the GT
9 Knife can perform either function in isolation. The GT Knife has a handle and **either** a means for
10 prying that can pry up a ball mark in turf **or** means to releasably lock the means for prying in both the
11 open and closed position. However, this type of analysis examines Claim 1 as a “mere catalog[] of
12 separate parts, in disregard of the part-to-part relationships set forth in the claims.” See Therasense,
13 593 F.3d at 1332. The elements in Claim 1 are listed in the conjunctive and therefore disclose a
14 device with a handle **and** a means for prying that can pry up a ball mark in turf **and** means to
15 releasably lock the means for prying in the open and closed position, or in other words, a switchblade
16 style device that can be inserted in turf to repair ball marks. As a result, for the accused device to
17 anticipate it must be able to perform all the functions recited in Claim 1 together. The claimed device
18 is able to perform both the function of operating as a switchblade and repairing a ball mark in turf.
19 On the other hand, an operator of the GT Knife would have to choose which function the knife is to
20 perform, operating as a switchblade or repairing a ball mark in turf.

21 In sum, although the GT Knife can perform either function listed in Claim 1, it cannot perform
22 both functions.

23 Defendants contend that the divix mechanism’s ability to function in dirt is not specifically
24 claimed in Claim 1 and consequently the GT Knife’s inability to operate in dirt is irrelevant. See
25 Odetics, 185 F.3d at 1271 (“That two structures may perform unrelated and, more to the point,
26 unclaimed- functions differently or not at all is simply not pertinent to the measure of § 112, ¶6
27 equivalents.”). However, as mentioned previously, the two functions of Claim 1 are “to pry up a ball
28 mark in turf” and “releasably lock the means for prying in both positions.” Accordingly, for a device

1 to perform the functions in Claim 1 it must be able to operate in turf, which according to common
2 usage, and especially in the context of a ball mark repair tool, includes dirt. Consequently, any device
3 that is unable to operate in turf cannot perform one of the functions in Claim 1.

4 Because the undisputed testimony at trial demonstrated the GT Knife is unable to operate as
5 a switchblade after being inserted it turf, it cannot perform the identical functions as the device
6 disclosed in Claim 1. Thus, the GT Knife does not meet the first Odetics factor.

7 8 **2. Structural Equivalence**

9
10 Even if the Court found the GT Knife performed the same functions as the device disclosed in
11 Claim One, the Court finds the GT Knife mechanism is not the structural equivalent of the mechanism
12 disclosed in element (c) of Claim 1. For two structures to be equivalent they must perform the claimed
13 function in a substantially similar way to achieve a substantially similar result.

14 There are two means-plus-function limitations in Claim 1. Each limitation has a corresponding
15 structure. The structure in element (b) is a shank terminating in a pair of tines, a blade or a shovel-like
16 head. Plaintiff did not dispute that the knife has a shank. The Court finds that while the GT Knife
17 blade may not be the type of blade envisioned by plaintiff for use on a divot repair tool, it does meet
18 the structural definition outlined in the Markman order.

19 In its Markman Order the Court construed the structure claimed in element (c) as having a rod,
20 rod seat, and push pin. The GT Knife mechanism has a key, biscuit, flange, and push pin. Because
21 the mechanisms are not identical, the GT Knife mechanism will not read on the claimed mechanism
22 unless the mechanisms are equivalent. Both the GT Knife mechanism and the claimed mechanism
23 allow their respective devices to act in a switchblade manner by releasably locking an instrument in
24 the open and closed position. The pertinent question for this Court is whether the two mechanisms
25 perform that function in a substantially similar way to achieve a substantially similar result. As stated
26 supra in this Court's discussion on functional identity, the elements of Claim 1 cannot be viewed in
27 isolation. Accordingly, whether the two structures perform the claimed function of releasably locking
28 the means for prying in both positions to achieve a substantially similar result must be viewed in

1 context of performing the other function disclosed in Claim 1, prying up a ball mark in turf.

2 According to defendants, both the GT Knife mechanism and the claimed mechanism operate
3 in the same manner. In both mechanisms when the detent is pressed down, the torque spring is
4 compressed which either pushes the key into the biscuit (GT Knife) or the rod into the rod seat (claimed
5 device). When that process occurs, the means for prying is released and can be locked in the open
6 position. However, Plaintiff argues the components in the claimed mechanism, namely the rod and rod
7 seat, operate differently than the components in the GT Knife mechanism and consequently produce
8 a different result when the operator attempts to lock the means for prying in the closed position.
9 According to inventor Todd Jones' testimony, the rod has a cylindrical shape and fits loosely into the
10 rod seat while the key is wedge shaped and fits tightly into the biscuit. When the operator presses the
11 detent button, the torque spring compresses the rod into the rod seat. This process releases the tines
12 into the open position. The tines remain locked in the open position as long as the rod remains
13 compressed into the rod seat. After the tines have been submerged in turf to pry up a ball mark, dirt
14 will become lodged inside the mechanism. When the operator presses the detent to retract the tines
15 back to the closed position, the rod wipes out the dirt inside the mechanism. This give the rod the
16 necessary clearance to come out of the rod seat which allows the tines to fold back into the closed
17 position inside the handle.

18 However, when the operator presses the detent on the GT Knife, the torque spring compresses
19 the key tightly into the biscuit. When the GT Knife is inserted in dirt, as required to perform the
20 function in element (b), "pry up a ball mark in turf," the dirt becomes trapped between the key and the
21 biscuit. Unlike the claimed mechanism, the GT Knife mechanism does not have a means to remove
22 the dirt. The end result is that the key cannot be extricated from the biscuit, a necessary process for
23 the blade to retract to the closed position inside the handle. Thus, when the operator presses the detent
24 button to retract the blade back into the handle, the blade will not move.

25 In sum, the key and biscuit combination in the GT Knife mechanism does not perform in a
26 substantially similar way as the rod and rod seat combination in the claimed mechanism. Further, the
27 GT Knife mechanism does not obtain a substantially similar result as the claimed mechanism, because
28 the GT Knife mechanism malfunctions when used to perform the functions recited in Claim 1 while

1 the claimed mechanism remains functional. Accordingly, the Court finds the GT Knife mechanism is
2 not equivalent to the structure claimed in element (c).

3 Because the GT Knife cannot perform the identical functions as the device disclosed in Claim
4 One and does not have the literal or equivalent structure of the device listed in element (c), the Court
5 finds the GT Knife does not anticipate Claim 1.

6 In light of this analysis, the Court also finds equivalence is not met under the doctrine of
7 equivalents. “An equivalent under the doctrine of equivalents results from an insubstantial change
8 which, from the perspective of one of ordinary skill in the art, adds nothing of significance to the
9 claimed invention.” Valmont Industries, Inc. v. Reinke Mfg. Co., Inc., 983 F.2d 1039, 1043 (Fed. Cir.
10 1993). The claimed mechanism is not an equivalent of the GT Knife mechanism because the claimed
11 mechanism’s components allow it to operate in turf. This is a significant change from the GT Knife
12 mechanism in that it makes a switchblade style divot repair tool possible.

13 With respect to the combination device, defendants did not introduce any evidence regarding
14 the structure of its mechanism. Defendants appear to argue that because the combination device is a
15 switchblade style tool with various instruments, it anticipates a switchblade style divot repair tool.
16 However, without any evidence on the structure or function of the combination device, this Court
17 cannot find that it reads on the elements recited in Claim 1.⁵

18
19 **3. Obviousness**

20
21 Under 35 U.S.C. §103(a):

22 A patent may not be obtained though the invention is not identically disclosed or described as
23 set forth in section 102 of this title, if the differences between the subject matter sought to be patented
24 and the prior art are such that the subject matter as a whole would have been obvious at the time the
invention was made to a person having ordinary skill in the art to which said subject matter pertains.
Patentability shall not be negated by the manner in which the invention was made.

25
26 ⁵Although defendants did not go into the same detail during this part of the trial, defendants
27 also reference the fact that the mechanism from a miniature version of the GT Knife will work inside
28 the divix, in that it will allow the tines to lock in the open and closed position. However, “a finding
of known interchangeability, while an important factor in determining equivalence, is certainly not
dispositive.” Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc., 145 F.3d 1303, 1309
(Fed. Cir. 1998). As defendants did not demonstrate that a device containing this mechanism could
perform the function of prying up a ball mark in turf, the Court does not find the mechanism is
equivalent to the mechanism disclosed in Claim 1.

1 In Graham v. John Deere Co. Of Kansas City, the Supreme Court enumerated four factors to
2 evaluate obviousness under §103: 1) the scope and content of the prior art; 2) the level of ordinary skill
3 in the prior art; 3) the differences between the claimed invention and the prior art; 4) evidence of
4 secondary considerations such as commercial success, long-felt but unsolved needs, failure of others,
5 etc. 383 U.S. 1, 17-18 (1966).

6 In KSR Intern. Co. v. Teleflex, Inc., the Court lowered the burden for declaring patents invalid
7 based on obviousness. 550 U.S. 398 (2007). Specifically, the KSR Court stated “when a patent claims
8 a structure already known in the prior art that is altered by the mere substitution of one element for
9 another known in the field, the combination must do more than yield a predictable result.” Id. at 418.
10 However, the Court also found that “when the prior art teaches away from combining certain known
11 elements, discovery of a successful means of combining them is more likely to be nonobvious.” Id.
12 In KSR the Court rejected the “rigid and mandatory formula[]” previously used by the federal circuit
13 that required the prior art demonstrate “a teaching, suggestion, or motivation to combine known
14 elements in order to show that the combination is obvious.” Id. at 418. The Court stated:

15 In determining whether the subject matter of a patent claim is obvious, neither the particular
16 motivation nor the avowed purpose of the patentee controls. What matters is the objective reach of the
17 claim. If the claim extends to what is obvious, it is invalid under §103. One of the ways in which a
18 patent’s subject matter can be proved obvious is by noting that there existed at the time of invention
19 a known problem for which there was an obvious solution encompassed by the patent’s claims. . . The
20 question is not whether the combination was obvious to the patentee but whether the combination was
21 obvious to a person with ordinary skill in the art. Id. at 419-420.

22 The Court also reiterated that the Graham factors were the proper framework to evaluate obviousness.
23 See id. at 406-407 (“While the sequence of these questions might be reordered in any particular case,
24 the factors continue to define the inquiry that controls.”)

25 Like anticipation, defendants have the burden of proving obviousness by clear and convincing
26 evidence. See Carella, 804 F.2d at 138. During the trial defendants presented no evidence on the
27 second and fourth Graham factors. Defendants also did not present any expert testimony due to their
28 belief that the level of ordinary skill in this matter is that of a layperson. When the Court questioned
defendants about the lack of expert testimony during closing arguments, defendants stated expert
testimony is not necessary when the level of ordinary skill in the art is that of a layperson. In the

1 alternative, defendants claimed that testimony from Mr. Jones in both trials, the inventor of the GT
2 Knife and the divix, as well as the deposition testimony of Eric Murray introduced during part one of
3 the trial, would be sufficient expert testimony.

4 The Court finds defendants' argument unavailing on this point. While the divix is a simple
5 device to operate, the mechanism inside the device does not appear simple enough for a layperson to
6 design. The pertinent people with ordinary skill in the art are more aptly classified as those who make
7 divot repair tools or other simple mechanical devices.

8 With respect to Eric Murray, at the time of his deposition Mr. Murray, not testifying in an
9 expert capacity, was a machinist at Turnamics, Inc., a company that manufactures military knives and
10 the Zivot, a rival switchblade style divot repair tool.⁶ Defendants offer this testimony to show that the
11 creation of a switchblade style divot repair tool was obvious to makers of other switchblade tools.
12 During his deposition the only statement offered by Mr. Murray that could be deemed relevant is “[w]e
13 make military knives and, therefore, a lot of the spring loadedness in them kind of give way to the
14 owner, who likes golf, making a switchblade golf tool kind of.”⁷ This statement does not provide the
15 Court with insight on whether the actual mechanics involved in making the switchblade style divot
16 repair tool disclosed in Claim 1 of the ‘137 patent was obvious to persons of ordinary skill in the art.
17 Further, even if the Court accepts defendants' argument that the trial testimony of Mr. Jones, the
18 inventor of the divix device, constitutes expert testimony, “[t]he question is not whether the
19 combination was obvious to the patentee but whether the combination was obvious to a person with
20 ordinary skill in the art.” KSR, 550 U.S. at 420.

21 Returning to the Court's discussion of this affirmative defense, defendants did not specifically
22 argue that Claim 1 was invalid based on obviousness. However, defendants stated generally that the
23 entire device is obvious. As the Court has found the GT Knife and combination device do not
24 anticipate Claim 1, if the Court also finds that Claim 1 is not obvious then it, as well as the dependent
25 claims, are valid and enforceable.

26 With respect to the first Graham factor, the prior art introduced at trial included the GT Knife,

27
28 ⁶Plaintiff filed and settled litigation with Turnamics, Inc. on the issue of whether the Zivot
infringed plaintiff's patent for the divix.

⁷Murray Deposition at 6.

1 non-switchblade divot repair tools, the combination device, and a mechanism for a folding Knife.

2 The claimed device is a switchblade style divot repair tool with a means for prying that both
3 pivots between the open and closed position and locks in the open and closed position. Among the
4 non-switchblade divot repair tools introduced at trial were tools with a means for prying that 1) did not
5 pivot or lock in the open and closed position; 2) locked in the open and closed position but did not
6 pivot; and 3) pivot but did not lock in the open and closed position. By adding a switchblade feature,
7 the divix combined the features listed in 2) and 3). The Court notes, however, that although the
8 claimed device combined features that were separately contained in the prior art devices, there is no
9 evidence the claimed device combined the components in these prior art devices.

10 Defendants essentially makes four arguments on the issue of obviousness: (1) the existence of
11 divot repair tools that either pivot but do not lock in the open and closed position or do not pivot but
12 lock in the open and closed position, made the divix' combination of those features obvious; (2) the
13 existence of other switchblade style tools unrelated to divot repair in the marketplace made a
14 switchblade divot repair tool obvious; (3) the creation of a switchblade divot repair tool would have
15 been obvious to a manufacturer of switchblade knives; and (4) the existence of a folding knife
16 mechanism made the idea of a switchblade divot repair tool obvious.

17
18 In their trial brief defendants state:

19 "it is known in the prior art to provide a foldable hand tool with a means to lock the operative
20 portion of the tool in both its open and closed positions. Heck teaches further that it is known
21 in the prior art that the operative portion of the tool can take the form of a variety of different
22 items such as a pen, scissors, a nail file, or a pair of tweezers and can be ejected from the closed
23 handle position in the same manner as a switchblade knife.

24 Based on these teachings, it would have been obvious to one skilled in the art at the time
25 the claimed invention of the '137 Patent was made to modify Heck, Cassady, and/or the GT
26 Knives to include a means such as a blade, pair of tines, or shovel like head to be used as a
27 folding divot repair tool that operated like a switch blade knife and locked in both the opened
28 and closed positions.⁸

29 With this statement, Defendants attempt to portray the divix as a smaller version of the GT Knife, or
30 other switchblade tool, with a pair of tines substituted for the blade or operating instrument. If that
31 were true, this Court's rationale on this issue would be markedly different. However, the divix is not

⁸Doc. 254 at 11.

1 simply a combination of prior art elements, a handle and mechanism from a switchblade knife with a
2 pair of tines from another divot repair tool. According to the Markman Order, the claimed device has
3 a different mechanism than the GT Knife.⁹ It is this mechanism that enables the device to operate as
4 a switchblade tool that repairs ball marks in turf.

5 Defendants focus on whether the idea of a switchblade style divot repair tool is obvious. Yet
6 the pertinent inquiry for the Court is whether the “objective reach of the claim” is obvious. The claim
7 discloses a ball mark repair tool that operates as a switchblade. The only switchblade mechanisms
8 presented during trial were the divix mechanism and GT Knife mechanism. There was no testimony
9 during trial on the mechanical components of the combination device. Mr. Jones offered unrefuted
10 testimony at trial that it is a “cardinal sin” to put a switchblade knife in dirt. Although the Court heard
11 no expert testimony on this matter, the Court will make the rational inference that persons ordinarily
12 skilled in making divot repair tools or other switchblade style devices knew the dangers of using a
13 switchblade knife in dirt as well. While the creation of other switchblade style devices may be
14 predictable based on the prior art, a switchblade style divot repair tool seems improbable because of
15 a switchblade knife’s limitation in dirt. The predictable result of a switchblade style divot repair tool
16 would be an object that became inoperable as soon as it was inserted in dirt to repair a divot. Based
17 on the evidence before the Court, this situation is one where “the prior art teaches away from
18 combining certain known elements.” KSR, 550 U.S. at 418 . Mr. Jones’ “discovery of a successful
19 means of combining” a switchblade feature with a tool used exclusively in dirt is thus likely to be
20 nonobvious, unless the different mechanism created by Mr. Jones would have been obvious to a person
21 of ordinary skill in the art.

22 According to defendants, the structure of the GT Knife mechanism with a detent, torque spring,
23 key, flange and biscuit made the divix mechanism, with a detent, torque spring, rod and rod seat,
24 obvious. During trial defendants did not present evidence that any of the prior art contained a
25 mechanism with a rod/rod seat combination. Moreover, the question is not whether the divix
26 mechanism was obvious to Mr. Jones, the inventor of both the GT Knife and divix, but to a person of
27 ordinary skill in the art. Without expert testimony on this subject, the Court is bereft of the necessary
28

⁹Defendants did not discuss the mechanisms in the other switchblade style tools.

1 evidence it needs to make this determination. Further, even if a layperson is the person of ordinary skill
2 in the art, as defendants suggest, defendants have not presented any evidence to demonstrate the
3 obviousness of using a rod and rod seat in the mechanism to make it functional in turf rather than a key
4 and biscuit.¹⁰

5 Because the prior art teaches away from creating a switchblade style divot repair tool and there
6 is no testimony on whether one skilled in the art would have known how to create a switchblade type
7 mechanism that could operate in dirt, defendants have not met their burden of showing by clear and
8 convincing evidence that Claim 1 of the ‘137 patent is obvious.

9
10
11 III. ADDITIONAL FACTUAL FINDINGS PERTAINING TO DAMAGES

12
13 The Court makes the following additional findings of fact with respect to the damages phase
14 of this trial:

- 15
16 1. Defendants Jeffrey Mohr (“Mohr”), Remedy Golf, Inc. (“Remedy”) and Bandwagon,
17 Inc. (Bandwagon) stipulated that they infringed Claims 1 and 8 through 14 of the ‘137
18 Patent if the Court found those claims valid and enforceable.
- 19 2. The “accused products” referred to in the infringement stipulation are Remedy’s
20 switchblade divot repair tools which have the same detent mechanism as the patented
21 Divix switchblade divot repair tools.
- 22 3. Mohr initially viewed the ‘137 Patent in late December 2000 or early 2001.
- 23 4. Mohr was interested in selling the divix as early as March 2001 and sent samples of the
24 divix to a manufacturer to obtain an estimate of production costs without authorization
25 from or by Divix.
- 26 5. Mohr was President of Divix from January 2003 until his termination in June 2004.
- 27 6. As president of Divix, Mohr learned Divix’ manufacturing techniques, processes, and

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¹⁰The fact that other companies subsequently designed switchblade divot repair tools does not convince this Court that Mr. Jones’ initial invention of such a tool was obvious.

1 manufacturing know-how, had access to all of Divix' books and records, and was privy
2 to all of Divix' contracts, agreements, customer lists and customer relationships.
3 Additionally Divix' sales representatives reported to Mohr.

4 7. While president of Divix, Mohr determined and controlled the pricing of Divix products
5 and created Divix' pricing structure.

6 8. During Mohr's tenure at Divix, he became aware of competing switchblade divot repair
7 tools in the marketplace and consulted Divix' attorneys about whether those tools
8 infringed the '137 Patent.

9 9. As a result of the conversations Mohr had with Divix' attorneys about the potential
10 infringement of the '137 patent, Mohr authorized cease and desist letters to other
11 manufacturers of switchblade divot repair tools.

12 10. Turnamics, Inc., the manufacturer of the Zivot, a switchblade divot repair tool that
13 competes with the divix, received a cease and desist letter from Mohr.

14 11. In response to Mohr's cease and desist letter, Turnamics filed an action for declaratory
15 judgment in a North Carolina federal district court to have the '137 Patent declared
16 invalid.

17 12. As part of that litigation, Mohr reviewed affidavits from various Turnamics personnel
18 who claimed that Harvey Spiegel, the founder of Turnamics, created the Zivot in the
19 early 90s.

20 13. Mohr subsequently spoke to Harvey Spiegel about the circumstances surrounding his
21 invention of the Zivot.

22 14. Mohr claimed he believed the '137 Patent was invalid based on his review of affidavits
23 from Turnamics personnel and discussions with Harvey Spiegel.

24 15. Thereafter, Mohr did not consult with an attorney regarding the possible invalidity of
25 the '137 Patent.

26 16. Mohr sent a letter to Greg Bark, one of the Divix founders, in February 2004 which
27 states:

28 Given that, there is no long term future for the two of us to participate in Divix Golf,
Inc. One of us has to go. If you go, Divix survives, GT Knives does not go Bankrupt
and you and Todd don't lose your collateralized property, at least not for awhile. If I
go, Divix will collapse, and not just because my leadership is crucial at the moment but

1 because I will actively make sure that it does. Let me remind you that I do not have a
2 non-compete clause in my contract. Divix does not have an International Patent. Nor
3 do you and Todd have the financial wherewithal or will to defend a challenge to your
4 Domestic Patent by me, the employees and the Reps, in concert with new financial
5 backers with a competitive, low cost, offshore product.

- 6 17. While President of Divix, Mohr ordered molds for Divix' switchblade divot repair tool,
7 known as the "divix" from Bandwagon in late February or early March 2004.
- 8 18. The target date for production of the switchblade divot repair tools based on these
9 molds was August 2004.
- 10 19. After Mohr left Divix, a dispute arose between Mohr and Divix as to who owned the
11 molds that Mohr ordered from Bandwagon.
- 12 20. Bandwagon sent Divix samples based on the molds ordered by Mohr but refused to
13 send the actual molds.
- 14 21. Mohr formed Remedy in September 2004.
- 15 22. Remedy paid Bandwagon in the fall of 2004 to source its molds for switchblade divot
16 repair tools in China.
- 17 23. Bandwagon was the middleman between Remedy and the Chinese manufacturers of the
18 switchblade divot repair tools.
- 19 24. Remedy began receiving switchblade samples from Bandwagon in October 2004.
- 20 25. Bandwagon began sending Remedy switchblade type divot repair tools in late
21 December of 2004.
- 22 26. The process for obtaining a final switchblade divot repair tool from Bandwagon is as
23 follows: Once molds are requested from Bandwagon, it takes about ninety days to
24 obtain a prototype, first-article sample. An initial sample is then sent to the purchaser
25 who makes comments about the items that need to be corrected. The purchaser then
26 sends the corrections back to Bandwagon who will then resend the corrected version
27 to the purchaser. Once a sample receives final approval, it takes approximately eight
28 weeks to get a production model that can be sold. The overall process takes about eight
to nine months.

- 1 27. Remedy received tools based on the molds ordered from Bandwagon in November 2004
2 by January 2005, five to six months faster than usual production time.
- 3 28. Instead of using new molds, Bandwagon modified the molds it made for Divix'
4 switchblade divot repair tools to make Remedy's switchblade divot repair tools.
- 5 29. The switchblade divot repair tools that Remedy received from Bandwagon were offered
6 for sale and sold in the United States.
- 7 30. The approximate number of Remedy switchblade divot repair tools with mechanisms
8 identical to the divix that were imported by Bandwagon is 60,000.
- 9 31. Approximately 10,000 more tools with mechanisms similar to the divix were imported
10 by Bandwagon for Remedy.
- 11 32. The mechanism in the switchblade divot repair tools that Remedy received prior to June
12 2005 differed from the mechanism in tools Remedy received after June 2005 only with
13 respect to its size.
- 14 33. Todd Jones purchased a Remedy switchblade divot repair tool on June 3, 2005 that was
15 made from the Divix mold Bandwagon modified for Remedy.
- 16 34. Remedy received 500 switchblade-type divot repair tools from a company called
17 Advanced Plastics that were a knockoff of the divix.
- 18 35. Remedy distributed the switchblade divot repair tools from Advanced Plastics to its
19 sales representatives to determine whether customers would be interested in a tool with
20 a cigar-cutter.
- 21 36. Remedy received another shipment of switchblade divot repair tools in late 2006 or
22 early 2007 from the Chinese company Master Year.
- 23 37. Between January 2005 and July 2009, Remedy sold 108,984 infringing tools for a total
24 sale value of \$609, 237.54.
- 25 38. The terms "Switchblade" and "Folding Divot" in the "Memo" category on Remedy's
26 Sales Summaries Charts used by plaintiff's expert Randall Smith and those items
27 designated as SB under the "Inventory" column indicate accused products.
- 28 39. Sales of the divix account for 96% of plaintiff's overall sales.
40. Plaintiff's gross profit between January 1, 2005 and August 2007 is 70%.

- 1 41. Plaintiff's total income on all items sold between January 1, 2005 and August 2007 is
2 \$126,893.
- 3 42. Plaintiff's profit margin on all goods sold is 4.1%.
- 4 43. The prices charged by Remedy to former Divix customers were between 25% and 50%
5 below prices charged by Divix.
- 6 44. Remedy's average selling price was approximately 40% below Divix's average selling
7 price between January 1, 2005 and May 31, 2006.
- 8 45. Forty-Six percent of Remedy sales during the period between January 1, 2005 and May
9 31, 2006 were to Divix' former customers. Twenty-Eight percent of Remedy revenues
10 during the period January 1, 2005 through May 31, 2006 were from plaintiff's former
11 sales representatives.
- 12 46. Many Divix sales representatives are independent contractors who are allowed to work
13 with the company of their choice.
- 14 47. The ultimate purchasers of the switchblade divot repair tools have relationships with
15 individual sales representatives rather than specific companies; however, the purchaser
16 contracts with the company rather than the representative.
- 17 48. Plaintiff's expert testified that a typical manufacturing company has between forty and
18 fifty percent gross profit and that percentage would merit a royalty rate between six and
19 ten percent.
- 20 49. Plaintiff's expert testified that gross profit is more important than actual profit in
21 determining a royalty rate.
- 22 50. Plaintiff filed the instant lawsuit against defendants on July 26, 2005.
- 23 51. The Court issued the Markman Order construing the claims in the '137 Patent on
24 February 13, 2007.
- 25 52. The Court issued its order finding the '137 Patent not invalid based on inequitable
26 conduct on January 6, 2010 and its oral ruling finding the '137 Patent valid and
27 enforceable on July 28, 2010.
- 28 53. As of September 1, 2010, Mr. Mohr and Remedy had not informed any resale
purchasers that the accused products infringed on the '137 patent.

- 1 54. The accused products were still listed on Remedy's website as of September 1, 2010.
- 2 55. There were at least two other switchblade divot repair tools on the market besides those
- 3 manufactured by Divix and Remedy during the period of defendants' infringement.
- 4 56. A unit royalty of \$1 would bring the cost of the switchblade divot repair tool
- 5 manufactured by Remedy to the approximate manufacturing cost of the Divix
- 6 switchblade divot repair tool.
- 7 57. The sales figures for Divix' switchblade tool listed in Divix's sales summaries, \$2,
- 8 529,560, are lower than the sales figures on Divix' profit and loss statement,
- 9 \$2,823,452.22.
- 10 58. The sales figures listed on Divix' profit and loss statement are the most accurate.
- 11 59. The gross profit listed on Divix' profit and loss statement is for all Divix items sold,
- 12 rather than just Divix' switchblade divot repair tool.
- 13 60. Plaintiff's expert did not verify the profit and loss statements provided by Divix.
- 14 61. Plaintiff's expert used factors other than those identified in the AICPA to determine the
- 15 appropriate royalty rate.
- 16 62. Mohr and Remedy willfully infringed the '137 Patent.
- 17 63. The conduct of Mohr and Remedy with respect to the infringement of the '137 Patent
- 18 is exceptional.
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22 IV. DAMAGES ANALYSIS

23

24 1. Legal Standard

25

26 Pursuant to section 284 of the 1952 Patent Act, “[u]pon finding for the claimant the court shall

27 award the claimant damages adequate to compensate for the infringement, but in no event less than a

28 reasonable royalty for the use made of the invention by the infringer.” 35 U.S.C. §284. “Damages is

the amount of loss to a patentee . . . A patentee may seek to recover actual damages, usually, the

1 amount of profits actually lost, or if unable to prove actual damages, the patentee is entitled to a
2 reasonable royalty.” SmithKline Diagnostics, Inc. v. Helena Laboratories Corp., 926 F.2d 1161, 1164
3 (Fed. Cir. 1991)(internal citations omitted). Damages “may be split between lost profits as actual
4 damages to the extent they are proven and a reasonable royalty for the remainder.” State Industries,
5 Inc. v. Mor-Flo Industries, Inc., 883 F.2d 1573, 1577 (Fed. Cir. 1989). “[T]he amount of a prevailing
6 party’s damages is a finding of fact on which the plaintiff bears the burden of proof by a preponderance
7 of the evidence.” Id.

8 9 10 **2. Analysis**

11 12 a. Lost Profits

13
14 Defendants contend that plaintiff must satisfy the standard set forth in Panduit Corp. v. Stahlin
15 Bros. Fibre Works, Inc., 575 F.2d 1152, 1156 (6th Cir. 1978), in order to receive lost profits. Under
16 Panduit, four elements must be proved to demonstrate a patentee’s entitlement to lost profits: 1)
17 demand for the patented product; 2) the absence of an acceptable, non-infringing substitute for the
18 patented product; 3) the patent owner’s manufacturing and marketing capability to exploit the demand
19 for the patented product; and 4) the amount of profit the patent owner would have expected to make
20 if the patent owner had made the infringer’s sales.

21 However, the Federal Circuit has stated that patentees are not restricted “to any one particular
22 method of proving ‘but for’ causation. Micro Chemical, Inc. v. Lextron, Inc., 318 F.3d 1119, 1122
23 (Fed. Cir. 2003). “A patentee may resort to any method showing, with reasonable probability,
24 entitlement to lost profits ‘but for’ the infringement.” Id.

25 Per Magistrate Judge Bencivengo’s prior order, plaintiff is only eligible to receive a reasonable
26 royalty for the period between June 1, 2006 and January 1, 2010. See Doc. 237. Plaintiff argues lost
27 profits should be awarded for the period between January 1, 2005 and May 2006.

28 To demonstrate plaintiff’s entitlement to lost profits, plaintiff’s expert Randall Smith testified
that forty-six percent of Remedy’s sales of the infringing tool were to former customers of plaintiff

1 during the period of January 1, 2005 through May 2006. Mr. Smith also testified that Remedy made
2 sales to plaintiff's four largest customers and twenty eight percent of Remedy's revenues for the period
3 January 1, 2005 through May 31, 2006 were from plaintiff's former sales representatives. Mr. Smith
4 further testified that he knew there were a few other switchblade divot repair tools similar to the divix
5 in the marketplace during this period.

6 Defendant did not present any evidence to contradict the aforementioned opinions by Mr.
7 Smith.

8 Plaintiff does not contend it meets the Panduit factors and because the evidence demonstrates
9 there were acceptable, non-infringing substitutes in the marketplace during the relevant time period,
10 the Court finds plaintiff would be unable to meet the second Panduit factor. While the Court
11 recognizes that Panduit is not the exclusive means for ascertaining entitlement to lost profits, plaintiff
12 is nonetheless required to prove that it would have made Remedy's sales but for the infringement.
13 Although the expert testified that forty-six percent of revenue Remedy received from plaintiff's former
14 customers would have gone to plaintiff but for Remedy's infringement, plaintiff put forth no evidence
15 to demonstrate that it would have received Remedy's remaining fifty-four percent of revenue in light
16 of the existence of other companies that sold a similar, non-infringing product. Although "[a] patentee
17 need not negat[e] every possibility that the purchaser might not have bought another product other than
18 his absent the infringement," the patentee must nonetheless demonstrate "a reasonable probability that
19 the sales would have been made 'but for' the infringement." Kaufman Co., Inc. v. Lantech, Inc., 926
20 F.2d 1136 (Fed. Cir. 1991). As plaintiff has not shown a reasonable probability that it would have
21 made the majority of Remedy's sales given the existence of other non-infringing switchblade divot
22 repair tools on the market, the Court finds plaintiff has not met its burden in this regard.¹¹

23
24 b. Reasonable Royalty

25
26 As plaintiff cannot obtain lost profits, the Court must now determine the reasonable royalty rate

27
28 ¹¹While this Court could infer that the forty-six percent of Remedy's sales to Divix' former customers would have gone to plaintiff but for the infringement, plaintiff did not submit data pertaining to its lost profits for the period between January 1, 2005 and May 31, 2006. As a result, the Court is unable to calculate plaintiff's lost profits for that time frame.

1 to which plaintiff is entitled.

2 “A district court may calculate a reasonable royalty by postulating a hypothetical negotiation
3 between a willing licensor and licensee at the time infringement commenced.” Minco, Inc. v.
4 Combustion Engineering, Inc., 95 F.3d 1109, 1119 (Fed. Cir. 1996). “This hypothetical construct seeks
5 the percentage of sales or profit likely to have induced the hypothetical negotiators to license use of
6 the invention.” Id.

7 Mr. Smith contends a 20% royalty on Remedy’s infringing tools is appropriate in this case
8 because the patented tool sold by plaintiff has the following factors: 1) high gross profit of 70%; 2) few
9 competitors; 3) low retail price of \$20, therefore making it an impulse buy; 4) effective and low-cost
10 promotional product that can be labeled with any brand name for advertising purposes; 5) unique
11 design and function; 6) accepted and known in the marketplace.

12 Defendants argue in their post-trial brief that the appropriate royalty is 5%, the amount equal
13 to plaintiff’s net profit. However, Mr. Smith testified that gross profit is more important to the royalty
14 assessment than net profit and defendants did not present any contrary evidence during trial.

15 In Georgia- Pacific Corp. V. United States Plywood Corp, the Southern District of New York
16 set forth a non-exhaustive list of factors that are relevant for determining a reasonable royalty. 318 F.
17 Supp. 1116 (S.D.N.Y. 1970). The American Institute of Certified Public Accountants (“AICPA”)
18 Guide for Valuing Intellectual Property and Calculating Infringement Damages includes Georgia-
19 Pacific in its chronology of cases discussing patent infringement damages. The factors Mr. Smith
20 relied on to arrive at the 20% royalty figure were deemed relevant by the Georgia-Pacific court.

21 However, based on the trial testimony, the Court will consider only the first four factors utilized
22 by Mr. Smith: high gross profit, few competitors, low retail price, and low-cost promotional product.
23 During his testimony, Mr. Smith did not credibly establish that the divix had a unique design and
24 function during the period of defendants’ infringement given the existence of competitors with similar
25 devices, nor that the divix was accepted and known in the marketplace.

26 The Court will also consider Mr. Smith’s testimony that most royalty rates are ten percent or
27 less and that manufacturing companies with a gross profit between forty and fifty percent would
28 warrant a royalty between six and eight percent. According to Mr. Smith, plaintiff’s gross profit of
seventy percent is substantially above the average and therefore warrants a higher royalty.

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Additionally, the Court finds the following additional factors appropriate to the royalty analysis: Due to Mohr's previous employment as President of Divix, Remedy had unique knowledge of plaintiff's pricing and manufacturing structure which enabled Remedy to undercut plaintiff's prices. Next, there were only a few acceptable non-infringing substitutes in the marketplace which made Remedy's infringement have a significant impact on plaintiff's sales. Further, for the period between January 1, 2005 and May 31, 2006, almost half of Remedy's sales of the infringing device came from plaintiff's customers thus making Remedy a direct competitor of plaintiff. Also, 96% of plaintiff's overall sales were from the patented device thus making it an extremely valuable component of plaintiff's business.

Under these circumstances, it is highly unlikely that plaintiff would have issued a license to Remedy to sell the infringing tools as Remedy was a direct competitor with knowledge of plaintiff's pricing structure and the ability to sell the product for a lower royalty amount. Further, the owner of Remedy had been previously fired from plaintiff's employ thus making a future business relationship unlikely. Additionally, Mohr in his letter to Greg Bark in February 2004 threatened to ruin plaintiff's business before leaving plaintiff's employment. If, however, the parties could have agreed to a willing licensor-licensee relationship after this course of events, the Court finds it reasonable to infer that a high royalty rate would be assessed. Accordingly, the Court concludes a royalty rate of 20% is appropriate here.

c. Willfulness

The Court must next determine whether defendants' conduct entitles plaintiff to an enhanced damage award.

The Federal Circuit has set forth the following standard for determining willfulness:

"[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. . . The state of mind of the accused infringer is not relevant to this objective inquiry. If the threshold objective standard is satisfied, the patentee must also demonstrate that this objectively defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer. In re Seagate Technology, LLC, 497 F.3d 1360, 1371 (Fed. Cir.

1 2007)(internal citations omitted).

2 With respect to the first prong of the Seagate standard, whether clear and convincing evidence
3 established that the infringer acted despite an objectively high likelihood that its actions constituted
4 infringement of a valid patent, the Court finds that plaintiff has met its burden with respect to
5 defendants Mohr and Remedy for the reasons set forth below.

6 It is undisputed that Mohr knew about the ‘137 patent years prior to the infringement and knew
7 that the switchblade tools Remedy sold would infringe the ‘137 patent if the patent were deemed valid.
8 It is also undisputed that Mohr created Remedy. Therefore, the only question is whether Mohr had a
9 reasonable basis for believing the ‘137 patent was invalid. The Court concludes Mohr did not.

10 In the first instance, there is no evidence that the ‘137 patent was ever declared invalid. During
11 Mohr’s tenure as Divix’ President, Turnamics, Inc., the manufacturer of a competing tool called the
12 “Zivot,” filed a declaratory judgment action against Divix seeking a judgment of non-infringement of
13 the ‘137 Patent. Mohr claims he believed the ‘137 Patent was invalid based upon his review of
14 documents obtained during discovery in that litigation. These affidavits were from Turnamics’
15 personnel and pertained to the circumstances surrounding the creation of the Zivot. According to Mohr
16 his review of those affidavits, along with conversations with the creator of the Zivot, Harvey Spiegel,
17 led him to believe the ‘137 patent is invalid. However, Mohr did not obtain an opinion from counsel,
18 or another person skilled in patent matters, stating the ‘137 patent is likely invalid. Nor was there a
19 finding in the Turnamics’ litigation that the patent was invalid. Upon becoming aware of other
20 switchblade divot repair tools in the market during his employment at Divix, Mohr sought the advice
21 of counsel to determine whether those tools infringed the ‘137 Patent. Yet, Mohr did not take similar
22 action when he decided to create his own switchblade divot repair tool.

23 During trial, plaintiff asserted attorney-client privilege to prevent Mohr from discussing the
24 conversations Mohr had with Divix’ counsel regarding the Turnamics litigation. Although the Court
25 does not know the content of those conversations, it is clear that Divix nonetheless filed the instant
26 lawsuit alleging infringement of the ‘137 patent.

27 In considering the second prong of the Seagate standard, whether this risk of infringement “was
28 either known or so obvious that it should have been known to the accused infringer,” the Court answers
that question in the affirmative. *Id.* Mohr knew about the ‘137 Patent years prior to selling the

1
2 infringing tool and had no knowledge that the patent had been declared invalid, or otherwise not
3 effective. Mohr also knew that the tools sold by Remedy would infringe the ‘137 Patent. The Court
4 also takes into consideration the fact that as of September 1, 2010, Remedy continued to advertise the
5 infringing tools on its website despite the Court’s order on January 6, 2010 finding the ‘137 Patent was
6 not invalid based on inequitable conduct and the Court’s ruling on July 28, 2010 that the ‘137 Patent
7 is valid and enforceable. As of September 1, 2010, Remedy had not informed any resale purchasers
8 that its products infringed on the ‘137 Patent.

9 Finally, the Court considers the following statement contained in a letter from Mohr to Greg
10 Bark, another Divix employee:

11 Given that, there is no long term future for the two of us to participate in Divix Golf, Inc. One
12 of us has to go. If you go, Divix survives, GT Knives does not go Bankrupt and you and Todd
13 don’t lose your collateralized property, at least not for awhile. If I go, Divix will collapse, and
14 not just because my leadership is crucial at the moment but because I will actively make sure
15 that it does. Let me remind you that I do not have a non-compete clause in my contract. Divix
16 does not have an International Patent. Nor do you and Todd have the financial wherewithal or
17 will to defend a challenge to your Domestic Patent by me, the employees and the Reps, in
18 concert with new financial backers with a competitive, low cost, offshore product.

19 Regardless of the truth of the statements contained therein, from this letter it is clear Mohr knew
20 that the creation of his own switchblade tool may result in allegations of patent infringement.

21 Under the circumstances, the Court finds Mohr was aware that his actions could constitute
22 infringement of the ‘137 Patent. Therefore, the Court concludes that the conduct of Mohr and Remedy
23 satisfies the Seagate criteria for willfulness.

24 Under Section 284, upon a finding of willfulness “the Court may increase the damages up to
25 three times the amount found or assessed.” 35 U.S.C. §284. The decision about whether to award
26 enhanced damages is committed to the sole discretion of the trial judge. Goodwall Const. Co. v. Beers
27 Const. Co., 991 F.2d 751, 758 (Fed. Cir. 1993).

28 The Court finds the willful infringement of Mohr and Remedy supports a damages award
amounting to two times the amount assessed appropriate. The willful infringement of Mohr and
Remedy also supports a finding that this case is “exceptional” within the meaning of 35 U.S.C. §285.
See Leviton Mfg. Co., Inc. v. Universal Sec. Instruments, Inc., 606 F.3d 1353, 1357 (Fed. Cir.
2010)(“The prevailing party may prove the existence of an exceptional case by showing inequitable

1 conduct before the PTO; litigation misconduct; vexatious, unjustified, and otherwise bad faith
2 litigation; a frivolous suit or willful infringement.”)(citing Epcon Gas Sys., Inc. v. Bauer Compressors,
3 Inc., 279 F.3d 1022, 1034 (Fed. Cir. 2002). Once a Court finds a case exceptional, it has discretion to
4 award attorney’s fees. See Aspex Eyewear Inc. v. Clariti Eyewear, Inc., 605 F.3d 1305, 1314 (Fed. Cir.
5 2010); 35 U.S.C. §285. Based on the extent of Mohr and Remedy’s willfulness, especially with respect
6 to the decision to continue advertising the infringing tools after the Court found the patent not invalid
7 based on inequitable conduct and ultimately valid and enforceable, the Court finds attorney’s fees
8 warranted.

11 CONCLUSION

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13 Based on the foregoing, the Court finds that Claim 1 of the ‘137 patent is valid and enforceable.
14 As Claim 1 is the only independent claim in the ‘137 patent, the Court further finds that the remaining
15 dependent claims of the ‘137 patent, Claims 2-14, are valid and enforceable. Due to the pre-trial
16 stipulation filed by defendants Mohr, Remedy and Bandwagon, the Court finds those defendants have
17 infringed Claims 1, and 8-14 of the ‘137 patent. The Court enters a damage award of \$121,847.50
18 against defendants Mohr, Remedy and Bandwagon.¹² Further, an enhanced damage award equal to two

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20 ¹²In its post-trial brief, defendants argue that damages should not be assessed against defendant
21 Bandwagon because plaintiff has not demonstrated Bandwagon was a contributory infringer under 35
22 U.S.C. § 271 (c). See 35 U.S.C. §271(c):

23 [w]hoever . . . imports into the United States a component of a patented machine, manufacture,
24 combination or composition, or a material or apparatus for use in practicing a patented process,
25 constituting a material part of the invention, knowing the same to be especially made or especially
26 adapted for use in an infringement of such patent, and not a staple article or commodity of commerce
27 suitable for substantial noninfringing use, shall be liable as a contributory infringer.”

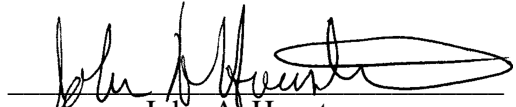
28 See also Cross Medical Products, Inc. v. Medtronic Sofamor Danek, Inc., 424 F.3d 1293, 1312 (Fed.
Cir. 2005)(“In order to succeed on a claim of contributory infringement, in addition to proving an act
of direct infringement, plaintiff must show that defendant ‘knew that the combination for which its
components were especially made was both patented and infringing’ and that defendant’s components
have no substantial non-infringing uses.”)

Due to the parties’ pre-trial stipulation that defendant Bandwagon infringed Claims 1 and 8-14
of the ‘137 Patent, provided the Court found the patent valid and enforceable, plaintiff was not
required to put forth any evidence of Bandwagon’s infringement. Nonetheless, plaintiff presented
evidence that after sending Divix switchblade tool samples based on the molds Divix ordered,
Bandwagon modified those molds to make Remedy’s infringing tools. Therefore, the Court finds
damages are properly assessed against defendant Bandwagon for the infringing tools it imported for
Remedy. Accordingly, Bandwagon is jointly and severally liable with co-defendants Mohr and

1 times the amount assessed shall be entered against defendants Mohr and Remedy for a total of
2 \$243,695.02. Plaintiff shall submit briefing with respect to its attorney's fees no later than thirty days
3 from the date of this order. Finally, defendants are permanently enjoined from advertising,
4 manufacturing or selling any products that infringe the '137 Patent.

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6 IT IS SO ORDERED.

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9 Dated: August 19, 2011

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11 John A. Houston
12 United States District Judge
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Remedy for the infringement.