

Keywords: ongoing royalty, compulsory license, damages, infringement, injunction

General: After a finding of infringement, the district court denied the patentee's request for an injunction, and instead granted the infringer a compulsory license to permit future infringement.

Shatterproof Glass Corp. v. Libbey-Owens Ford Co.
758 F.2d 613, 225 U.S.P.Q. 634 (Fed. Cir. 1985)
Decided March 29, 1985

I. Facts

Shatterproof Glass ("Shatterproof") owns U.S. Patent Nos. 3,904,506 and 3,925,182. The '506 patent is generally directed towards devices for manufacturing sputter-coated glass. The '506 patent discloses and claims an apparatus for the continuous coating of glass sheets. Claim 11, which is representative of the broadest embodiment of the claimed apparatus, recites a supporting plate and a conveyer means for passing a sheet of glass through an entry and an exit of a coating chamber. In conjunction with the supporting plate and the conveyer means, claim 11 further include means for sealing the entry and exit openings of the coating chamber, means for controlling the pressure within the coating chamber, and means for depositing a continuous film of coating material onto the glass sheet as it is moved through the coating chamber via the supporting plate and conveyer means. Claim 11 further recites means actuated in response to the movement of the supporting plate for opening and closing the entry and exit openings of the coating chamber. The '182 patent is generally directed towards methods for manufacturing sputter-coated glass, and was filed as a divisional from the '506 patent.

Libbey-Owens Ford Company ("LOF") operated a manufacturing plant in Clinton, North Carolina, which produced coated glass for use in automobiles. In particular, LOF was producing the coated glass using an allegedly infringing glass coating apparatus (the "Clinton Coater"). Shatterproof sued LOF in the Eastern District of North Carolina requesting compensatory damages and a permanent injunction. Shatterproof's complaint alleged that LOF's use of the Clinton Coater infringed claims 1, 8, 10, and 11 of the '506 patent and infringed claims 1, 3, 4, and 8 of the '182 patent. LOF responded by asserting non-infringement.

During the three-week jury trial that followed, both parties relied heavily on expert testimony to present their cases to the jury. With regard to the infringement issue, an expert witness for Shatterproof, based on testimony by several LOF employees, concluded that the each of the recited elements of the asserted claims could be found in the Clinton Coater apparatus. However, a primary element at issue with regard to infringement was whether the Clinton Coater included "*means actuated in response to the movement of the supporting plate for opening and closing the entry and exit openings of the coating chamber.*" This element is recited in each of the '506 patent claims asserted against LOF. A chief engineer for LOF testified that exit door of the Clinton Coater opened not in response to movement of a frame supporting a sheet, but rather based on positional data of the frame detected by a limit switch device. However, Shatterproof's expert witness offered conflicting testimony, stating that the limit switch included arms which physically initiated the opening and closing of the chamber doors in response to the movement of the support frame. In addition to the expert testimony, the jury was also presented various videos and drawings which illustrated the Clinton Coater in operation.

Further, in addition to asserting non-infringement, LOF also presented evidence alleging that the '506 and '182 patents were both invalid under one or more of the following legal theories:

- (a) anticipation under Section 102;

- (b) on-sale bar under Section 102;
- (c) obviousness under Section 103;
- (d) indefinite under Section 112, second paragraph;
- (e) failure to name correct inventors; and
- (f) inequitable conduct.

At the close of evidence, the jury concluded that both of the '506 and '182 patents were valid, and that LOF's glass manufacturing activities infringed claims 1, 8, 10, and 11 of the '506 patent and claims 1, 3, 4, and 8 of the '182 patent. The jury awarded \$2.8 million to Shatterproof as a reasonable royalty for past infringement, a figure calculated based on 5% of LOF's gross sales.

Following the jury verdict, the district court affirmed the award, but denied Shatterproof's request for a permanent injunction. Instead, the district court granted LOF a compulsory license to permit future infringing activities based on the same royalty rate (5% of gross sales) used to calculate the damages for past infringement. Shatterproof also filed motions for treble damages and to recover attorney fees. LOF filed motions for judgment notwithstanding the verdict (JNOV) and for a new trial. All motions were denied by the district court. LOF subsequently appealed the denial of its motions for JNOV and a new trial and Shatterproof appealed the denial of its requests for treble damages and attorney fees.

II. Issues

- A. Did the district court err in denying LOF's motions for JNOV and for a new trial?
- B. Did the district court err in denying LOF's motions regarding the amount of damages and the royalty rate for the compulsory license?
- C. Did the district court abuse its discretion in denying Shatterproof's requests for treble damages and attorney fees?

III. Discussion

- A. No. The district court's denials of LOF's motions for JNOV and for a new trial were proper. On appeal to the Federal Circuit, LOF essentially attempted to re-litigate their arguments that the '506 and '182 patents were invalid under one or more of the reasons set forth above. In particular, LOF asserted that due to the conflicting evidence, testimony, expert opinions, and arguments offered by the opposing parties, that a jury *could* have found in their favor. The Federal Circuit noted that in deciding a motion for JNOV, the standard is whether, in light of the evidence, reasonable persons could have found the facts necessary to support the jury's verdict, or whether the facts properly found can in law support the verdict. *Weinar v. Rollform Inc.*, 744 F.2d 797, 805 (Fed. Cir. 1984). In the present case, there was conflicting testimony and argument on essentially all the material facts, and thus due deference must be given to the opportunity of the jury and the trial judge to observe the witnesses and exhibits over a lengthy trial. The Federal Circuit further stated that it is irrelevant as to whether there may have been trial evidence favorable to the losing party. *See Railroad Dynamics Inc., v. A. Stucki Co.*, 727 F.2d 1506, 1513 (Fed. Cir. 1984). That is, as long as there is substantial evidence supporting the verdict that was reached, it is irrelevant as to whether the jury *could* have reached a different verdict.

After reviewing each ground of LOF's invalidity arguments, the Federal Circuit concluded that there was substantial evidence that a reasonable jury could have reached the verdict that the '506 and '182 patents were valid. The Federal Circuit also reviewed and concluded that the

respective jury instructions set forth by the district court with regard to each of the invalidity issues were proper. Therefore, the Federal Circuit concluded that there was no reversible error in the district court's denial of LOF's motion for JNOV or for a new trial.

- B. No. The district court's affirmance of the jury's damage award based on a 5% royalty on gross sales and the granting of a compulsory license based off the same royalty was proper. On the issue of damages, LOF contested the \$2.8 million awarded by the jury based upon a 5% royalty rate on gross sales as being unsupported by the evidence. LOF's position is largely based on expert testimony from Shatterproof that a 4% royalty rate based on net sales would have been reasonable. Shatterproof contended that what the expert actually testified to was that the 4% royalty rate based on net sales would be reasonable *only* if accompanied by a \$300,000-\$400,000 additional down payment. The Federal Circuit, after reviewing the record, concluded that 35 U.S.C. § 285 states that a patent owner is entitled *no less* than a reasonable royalty and that the 5% royalty rate based on gross sales was supported by the evidence.

With regard to the compulsory license, it should be noted that neither party objected to the district court's granting of the license. Rather, LOF only objected that the compulsory license was based upon the 5% royalty rate on gross sales instead of a 4% rate based on net sales. For the same reasons above, the Federal Circuit held that the royalty rate set forth by the district court could be supported by the evidence and was not erroneous nor an abuse of discretion.

- C. No. The district court's denial of Shatterproof's motion for increased damages and attorney fees was proper. At trial, there was conflicting evidence from both sides as to whether LOF willfully infringed. Shatterproof argued that the trial judge denied without opinion its motion for increased damages. Although it is unclear from the record as to what the trial judge's views were on this issue, the Federal Circuit found, based on the record, that the denial of treble damages was neither a clear error nor an abuse of discretion. The Federal Circuit also emphasized that granting of attorney fees is discretionary on the court and requires exceptional circumstances per 35 U.S.C. § 285. Again, based on the records, the Federal Circuit concluded that the district court did not err or abuse its discretion in denying Shatterproof attorney fees.

IV. Conclusion

This case holds that the amount of damages awarded by a district court/jury is not an abuse of discretion as long as there is substantial evidence to support the awarded amount.

To tie this case in with *Paice LLC v. Toyota Motor Corp.*, the majority in *Paice* cited *Shatterproof* as authority for granting Toyota a compulsory license ("ongoing royalty"). However, it should be noted that the issue of whether a district court may deny an injunction and grant an infringer a compulsory license was not reviewed nor addressed by the Federal Circuit in this case because (1) Shatterproof did not appeal the denial of the injunction, and (2) neither side objected to the granting of the compulsory license.