

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

L.C. ELDRIDGE
SALES CO., LTD., et al.

v.

AZEN MANUFACTURING
PTE., LTD., et al.

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No. 6:11cv599

ORDER ON PENDING MOTIONS

At the pretrial conference held on November 7, 2013, the Court issued rulings on pending motions from the bench (Doc. No. 286). This order memorializes those rulings.

1) Defendants' Motion to Exclude Opinions of Todd W. Schoettelkotte (Doc. No. 211)

This motion is **DENIED**. Plaintiffs have demonstrated that their damages expert, Mr. Schoettelkotte, considered market conditions, specifically the rule of supply and demand. For example, Mr. Schoettelkotte considered the following facts: (1) there were only two suppliers, Plaintiffs and Azen, (2) Plaintiffs have had continued success selling their products at the higher price, (3) the accused products were considered a necessary element of the rigs, and (4) there was not a non-infringing alternative. Further, Mr. Schoettelkotte explains that the patented invention is the driving force of the system. The remaining parts—the fans, electrical wiring, etc.—are merely the vehicles to bring to life the patented invention and would not independently be consider “saleable units.” Accordingly, Mr. Schoettelkotte’s opinion does not violate the entire market value rule and is admissible. *See LaserDynamics, Inc. v. Qanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012). Accordingly, Mr. Schoettelkotte’s opinions are founded in valid economic principles and thus are admissible.

2) Defendants' Motion to Exclude Certain Opinions of Joseph Byron Davis Relating to Patent Validity (Doc. No. 212)

This motion is **DENIED**. Defendants challenged Joseph Byron Davis's opinion on the long-felt need for the invention on the grounds that the customer and industry input Mr. Davis based that opinion on constitute inadmissible hearsay. That challenge lacks merit. *See* Fed. R. Evid. 703 ("An expert may base an opinion on facts or data in the case that the expert has been made aware of or personally observed. If experts in the particular field would reasonably rely on those kinds of facts or data in forming an opinion on the subject, they need not be admissible for the opinion to be admitted."); *see also i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 855-56 (Fed. Cir. 2010).

3) Plaintiffs' Motion for Partial Summary Judgment (Doc. No. 217)

This motion is **GRANTED**. The parties dispute whether the rigs at issue in this case (the Accused Rigs), which operate in the Gulf of Mexico, are subject to the Patent Act. Plaintiffs moved for partial summary judgment on this issue. The Outer Continental Shelf Lands Act (the OCSLA) extends the laws of the United States to the seabed of the outer Continental Shelf and "devices or vessels permanently or temporarily attached to the seabed" for the purpose of developing natural resources. *WesternGeco, L.L.C., v. Ion Geophysical Corp.*, 776 F. Supp. 2d 342, 371 (S.D. Tex. 2011). The Patent Act is a law of the United States extended through the OCSLA. *See id.* The Court finds that the parties do not dispute that the Accused Rigs operate on the outer Continental Shelf. The Court further finds that Plaintiffs established through deposition testimony of Atwood and Seadrill representatives that the Accused Rigs attach to the sea bed of the outer Continental Shelf in order to drill. Therefore, no genuine issue of material fact exists on this issue and partial summary judgment is appropriate. *See Norton v. Assisted Living Concepts*, 786 F. Supp. 2d 1173 , 1187 (E.D.T.X. 2011) (noting that after the December 1, 2010

amendments to the Federal Rules of Civil Procedure, summary judgments directed to less than all of a particular claim are appropriate); *accord* Fed. R. Civ. P. 56(a). Accordingly, the Court concludes that the Patent Act applies to the Accused Rigs. *See WesternGeco*, 776 F. Supp. 2d at 371; *accord Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1310–11 (Fed. Cir. 2010).

4) Defendants’ Motion for Summary Judgment (Doc. No. 218)

This motion is **DENIED**.

Defendants moved for summary judgment on several grounds. Defendants’ first ground is a cross-motion with Plaintiffs’ motion for summary judgment on the Patent Act’s applicability. For the reasons stated above in the Court’s ruling related to Plaintiffs’ motion for partial summary judgment (Doc. No. 217), the Patent Act applies to the Accused Rigs.

The next ground Defendants sought summary judgment on was that Jurong cannot be liable for induced infringement because it transferred title to the Accused Rigs in Singapore and was unaware of where the rigs would operate. Jurong’s corporate representative testified that Jurong knows where the rigs it builds will operate. And in Jurong’s Dolphin Magazine, it stated that the Accused Rigs would operate in the Gulf of Mexico. Therefore, a credible question of fact exists as to whether Jurong induced infringement under the Patent Act. *See Litecubes, LLC v. Northern Light Products, Inc.*, 523 F.3d 1353, 1569–70 (Fed. Cir. 2008).

Defendants next moved for summary judgment on non-infringement, arguing that a wye duct, as used in the Accused Rigs, is not a “housing.” The Court construed the term “housing” to mean “a case or enclosure.” Plaintiffs cited the expert report of Joseph Byron Davis, which identifies portions of the accused exhaust systems that constitute a housing serving as a case or enclosure as is required by independent claims 1 and 16. Defendants argued that a housing must

encase or enclose something mechanical, which is inconsistent with the Court's construction. Accordingly, the Defendants' housing argument lacks merit.

Defendants then moved for summary judgment on invalidity, arguing anticipation and obviousness. Defendants failed to carry the heightened burden imposed on them in the invalidity context, and thus, genuine issues of material fact remain. *See Microsoft v. i4i Ltd. P'ship.*, 131 S. Ct. 2238, 2242–43 (2011).

Finally, Defendants asserted invalidity for lack of written description in their motion for summary judgment. Their motion for summary judgment marked the first time in this litigation that Defendants asserted invalidity based on lack of written description. The Patent Rules for Practice Before the Eastern District of Texas 3–3 and 3–6 require that Defendants either timely disclose their invalidity contentions or obtain leave of the Court on a showing of good cause to amend their invalidity contentions. *See Finisar Corp. v. DirecTV Group*, 424 F. Supp. 2d 896, 902 (E.D. Tex. 2006). Defendants did not timely disclose this invalidity theory, nor have they sought leave of the Court to amend their invalidity contentions. Further, the factors pertinent to determining whether the Court should allow an amended invalidity theory weigh heavily against Defendants because no good cause exists to allow this eleventh-hour amendment. *See Tyco Healthcare Grp. LP v. Applied Med. Res. Corp.*, No. 9:06-CV-151, 2009 WL 5842062, at *1, *4 (E.D. Tex. March 30, 2009). Therefore, Defendants may not assert this invalidity theory at trial.

5) Defendants' Motion in Limine to Exclude Evidence and Testimony Regarding the Reexamination of the U.S. Patent 7,707,828 (Doc No. 250)

This motion is **DENIED**. Defendants instigated an inter partes reexamination of the patent in suit (the '828 patent) before the USPTO. The USPTO granted review of independent claim 1 and its dependent claims. The examiner confirmed the patentability of those claims. Defendants argue that reference to the reexamination will confuse the jury. The Court finds that

the risk of confusion is minimal because a lower threshold of proof is required to show invalidity before the USPTO than is required by Defendants in this Court. Further, the evidence is highly probative. Therefore, the Court finds that any prejudicial qualities do not outweigh the reexamination's probative value.

6) Defendants' Motion in Limine to Exclude Evidence and Testimony Regarding Rigs Not Located in the Gulf of Mexico (Doc. No. 251)

This motion is **DENIED** pursuant to the Defendants' notice that they withdrew this motion in limine (Doc. No. 284).

7) Plaintiffs' Motion in Limine Regarding the Inventorship of the '828 Patent (Doc. No. 242)

This motion is **GRANTED**.

8) Plaintiffs' Motion in Limine Regarding Interpretation of Claim Terms so as to Contradict the Court's Claim Construction Opinion (Doc. No. 244)

This motion is **GRANTED**. Neither party, nor their retained experts, may argue a construction that differs from the Court's construction.

9) Plaintiffs' Motion in Limine Regarding Richard Stempkovski's Opinion (Doc. No. 253)

This motion is **GRANTED IN PART** and **DENIED IN PART**. In *In re Echostar*, the Federal Circuit held that opinions of counsel never communicated to clients are not relevant to willfulness analysis. 448 F.3d 1294, 1303–04 (Fed. Cir. 2006); *see also In re Seagate Tech., LLC*, 497 F.3d 1360, 1374–75 (Fed. Cir. 2007) (noting that prelitigation conduct is what is primarily relevant to willfulness analysis). It is unclear whether any remaining Defendant read Mr. Stempkovski's letter. Thus, Defendants must lay the proper foundation for the letter's admissibility before discussing the letter at trial. Defendants may still call Mr. Stempkovski at trial to testify to whatever relevant and admissible information he possesses.

10) Plaintiffs' Supplemental Motion in Limine Regarding Dr. Beaman's Proposed Reliance on Drawings (Doc. No. 283)

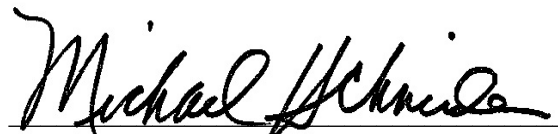
This motion is **DENIED**. Plaintiffs filed this motion in limine on November 5, 2013. The Court's scheduling order set a deadline to file pretrial materials of October 11, 2013. Plaintiffs did not seek leave to file their untimely motion. Therefore, the Court strikes Plaintiffs' Motion in Limine as untimely.

All rulings on the motions in limine are preliminary and are not final evidentiary rulings. To the extent the Court grants a motion in limine, the parties are instructed to approach the bench prior to addressing the issue in the jury's presence. To the extent a motion is denied, the parties must make their objection at trial.

The parties may not file any further motions without first obtaining leave of Court.

It is SO ORDERED.

SIGNED this 13th day of November, 2013.


MICHAEL H. SCHNEIDER
UNITED STATES DISTRICT JUDGE