

United States District Court,
W.D. North Carolina.

DIA-COMPE, USA, INC., d/b/a Cane Creek Cycling Components,
Plaintiff/Counterdefendant.

v.

TEAM VISION INTERNATIONAL CORP,
Defendant/Counterclaimant.

No. 1:99CV182-T

Aug. 11, 2000.

Wyatt S. Stevens, Vincent D. Childress, Roberts & Stevens, P.A., Asheville, NC, Gilberto M. Villacorta, Mark L. Hogge, Pepper Hamilton LLP, Washington, DC, for Dia-Compe, USA, Inc. dba Cane Creek Cycling Components, plaintiff.

Philip S. Anderson, Long, Parker & Warren, P.A., Asheville, NC, Philip P. Mann, Christensen O'Connor Johnson & Kindness, Seattle, WA, for Team Vision International Corp., defendant.

Philip S. Anderson, Long, Parker & Warren, P.A., Asheville, NC, Philip P. Mann, Christensen O'Connor Johnson & Kindness, Seattle, WA, for Team Vision International Corp., counter-claimant.

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MEMORANDUM AND RECOMMENDATION

COGBURN, Magistrate J.

THIS MATTER is before the court upon defendant's Motion for Summary Judgment. Having carefully considered that motion and reviewed the pleadings, the court enters the following findings, conclusions, and recommendation.

FINDINGS AND CONCLUSIONS

I. Background

In this action, plaintiff contends that defendant's "Moxey" bicycle seat suspension post products infringe U.S. Patent 5.489,139 ("the '139 patent"), which it holds for a bicycle suspension seat post that it markets under the name "Thudbuster." Both the patent and the alleged infringing product dampen shock transmitted to a bicyclist through the saddle on rough terrain. Through the use of a parallelogram configuration, both devices maintain relative distance from the top of the seat post to the bottom bracket through a down-and-

back motion, as opposed to an up-and-down motion that would be expected in a traditional piston-type damper. Plaintiff and defendant are competitors in the bicycle component industry.

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II. Claim of Infringement of the '139 Patent

It is plaintiff's contention that defendant's Moxey seat post products infringe claims one through four of its '139 patent. Primarily, plaintiff contends that the Moxey products contain each and every element set forth in the claims of the '139 patent, resulting in literal patent infringement. In the alternative, plaintiff claims that the Moxey products perform substantially the same function, in substantially the same way, to achieve substantially the same result as the '139 patent, resulting in infringement under the "doctrine of equivalents."

In its Motion for Summary Judgment, defendant contends that its Moxey products do not literally infringe the '139 patent because its device does not contain arms "having the general shape of an 'L'," and that the doctrine of equivalents has no application based on prosecution history estoppel.

III. Summary Judgment Standard

On a motion for summary judgment, the moving party has the burden of production to show that there are no genuine issues for trial. Upon the moving party's meeting that burden, the nonmoving party has the burden of persuasion to establish that there is a genuine issue for trial. This is true even in a patent infringement action.

When the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as to the material facts. In the language of the Rule, the nonmoving party must come forward with "specific facts showing that there is a *genuine issue for trial*." Where the record taken as a whole could not lead a rational trier of fact to find for the non-moving [sic] party, there is no "genuine issue for trial."

Matsushita Electric Industrial Co. v. Zenith Radio Corp., 475 U.S. 574, 586-87 (1986) (citations omitted; emphasis in the original) (quoting Fed.R.Civ.P. 56). There must be more than just a factual dispute; the fact in question must be material and readily identifiable by the substantive law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986).

By reviewing substantive law, the court may determine what matters constitute material facts. *Id.* "Only disputes over facts that might affect the outcome of the suit under governing law will properly preclude the entry of summary judgment." *Id.*, at 248. A dispute about a material fact is "genuine" only if the evidence is such that "a reasonable jury could return a verdict for the nonmoving party." *Id.*

[T]he court is obliged to credit the factual asseverations contained in the material before it which favor the party resisting summary judgment and to draw inferences favorable to that party if the inferences are reasonable (however improbable they may seem).

Cole v. Cole, 633 F.2d 1083, 1092 (4th Cir.1980). Affidavits filed in support of defendant's Motion for Summary Judgment are to be used to determine whether issues of fact exist, not to decide the issues themselves. *United States ex rel. Jones v. Rundle*, 453 F.2d 147 (3d Cir.1971). When resolution of issues of fact depends upon a determination of credibility, summary judgment is improper. *Davis v. Zahradnick*, 600 F.2d 458 (4th Cir.1979).

IV. Distinguishing Issues of Law From Issues of Fact In Patent Actions

The respective parties have presented arguments concerning what matters are issues of law for the court to resolve and what are issues of fact for resolution by the jury. Review of relevant authority reveals that resolution of some issues of law in patent actions are dependent upon prior resolution of facts by a jury.

The interpretation of a claim is the exclusive province of the court. Since letters patent are contracts, question of construction are questions of law for the judge, not questions of fact for the jury. The ultimate question of patent validity is one of law.

The question of infringement is one of fact for the jury. The requirement of definiteness in claims also presents issues of fact. While the question of patent validity is one of law, it must be decided on the results of the facts of the case.

6 Lipscomb s. 21:6, at 277.

Under *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384 (1996), it is a question of law for this court to determine the scope of the claims of the '139 patent; it is a question of fact as to whether defendant's Moxey products infringe such claims. On summary judgment, it is defendant's burden to show this court that plaintiff has no evidence upon which a reasonable fact finder could conclude that defendant's products infringed plaintiff's patent.

Under plaintiff's alternative theory of infringement-equivalents-it is an issue of law for this court to determine whether plaintiff's reliance upon such theory is barred as a matter of prosecution history estoppel. If such theory survives that determination, it becomes defendant's burden to show that no genuine issues of material fact remain for the jury as to infringement by equivalency and that it is entitled to judgment under Rule 56. *See National Presto Industries Inc. v. West Bend Co.*, 76 F.3d 1185 (Fed.Cir.1996).

V. Scope of the Claims at Issue

Plaintiff's '139 patent contains four claims-two "independent claims" (one and three) and two "dependent claims" (two and four). Each claim of the '139 patent calls for "a rear arm having the general shape of an 'L" ' and a "front arm having the general shape of an 'L." ' The relevant clauses of independent claim one provide, as follows:

(2) A rear arm having the general shape of an "L" with a longer leg of the "L" near the bottom, with the shorter leg of said "L" near the top, and with said "L" opening toward the front of the bicycle, the longer leg having a notch which fits over the rearward end of said bracket....

(3) A front arm having the general shape of an "L" with a longer leg of the "L" near the top, with the shorter leg of said "L" near the bottom, and with said "L" opening toward the rear of the bicycle, the shorter leg having a notch which fits over the forward end of said bracket....

These claim limitations are contained in the remaining claims of the '139 patent.

The court has also considered the prosecution history of the '139 patent. *See 6 Lipscomb s. 21:40, at 393.* Accompanying the inventor's April 27, 1995, application to the United States Patent and Trademark Office

was an "Information Disclosure Statement," which provided, as follows:

[T]he present invention provides a simple, lightweight, and inexpensive bicycle suspension system which cushions a rider from the shocks transmitted to the rider when the rear wheel hits a bump. It accomplishes this as stated on pages 2 and 3 of the application by providing a cushioning spring in a bicycle seatpost interposed between two "L" shaped arms with a system of pivot pins which allow the upper parts of the seatpost and bicycle seat to react to such bumps by moving in a combined downward and rearward arc.

The patent examiner reviewing that application issued a "Notice of Allowability" and attached an "Examiner's Statement of Reasons for Allowance" on October 13, 1995, which provided, as follows:

[The] claims are allowable over the prior art of record because the prior art fails to show or suggest, either singly or in combination, a suspension system for a bicycle seat as set forth in the claim, including front and rear "L" shaped arms that are pivoted between the seat and the post, and which are oppositely inverted relative to one another, with a resilient means extending between the arms for providing a cushioning suspension to the seat.

In construing the claims, this court applies the same rules it would apply to the construction of terms in a contract. 6 *Lipscomb* s. 21:40, 393. Such construction should be literal, grammatical, and in accordance with the common usage of language. *Id.* The court considers the evidence submitted, the patent subject matter as a whole, and the state of the prior art at the time the invention was made. *Id.*

As used in the '139 claims to describe the fore and aft arms of the device, the recurring phrase "general shape of an 'L'" contains within it the word "general," which is a word which invites a degree of imprecision, thus broadening plaintiff's claim. *See Hybritech, Inc. v. Abbot Labs*, 949 F.2d 1446, 1455 (Fed.Cir.1988). Significantly, there are no dimensions attached to the shape of the fore and aft arms in the above-referenced claims.

Accordingly, restrictive words in claims must be given their true meaning even though a worthy invention may sometimes be rendered valueless thereby. But words which are ordinarily restrictive in their meaning may be used as words of description which were not intended to tie the patent by inelastic bands, so when descriptive words are of necessity somewhat general, the court should accord them a reasonable, rational resiliency [*sic*].

6 *Lipscomb* s. 21:1, at 262-63. Further, a patentee's own definition of terms and appraisal of the nature of his invention generally govern and are given great weight. As *Lipscomb* concludes, the "patentee is his own grammarian and lexicographer. He is allowed much latitude in terminology, and his language will be given the meaning intended if it can be ascertained from the context." 6 *Lipscomb* s. 21:4, at 273. However, a court must "follow the patentee's own interpretation made in and accepted by the Patent Office." *Id.*

Reading the '139 claims both broadly and liberally "in a manner intended to uphold and not destroy the rights of the inventor," 6 *Lipscomb* s. 21:40, at 394, and reading the claims within the four corners of the patent issued, and having considered the expert report submitted by the inventor insofar as it does not depart from the plain, contextual meaning of his submission to the Patent Office, the phrase "having the general shape of an 'L'" means not just arms in the shape of an "L," but, through use of the term "general shape," is broad enough to encompass nonlinear elements composed of arms coming together other than straight on. *See McFarland Report*, Plaintiff's Ex. 2. Clearly, the intent of the patentee was to describe a rigid, other-

than-straight structure, which was the linchpin to the invention, inasmuch as it created a space, which the inventor describes as "bowed," in which to place the elastomer, which is critical to the "cushioning" function of the invention. Arms in an "I" configuration would be beyond the scope of literal infringement of the '139 patent. Examples of structures that could be covered by this claim include "L" shapes, chevrons, crescents, ovals, and semicircles.

VI. Literal Infringement of the Claims

A claim is literally infringed when the accused device literally embodies each limitation of the claim. *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1217 (Fed.Cir.1995), *cert. denied*, 520 U.S. 115 (1997). Review of the Rule 30(b)(6) deposition of defendant reveals defendant has conceded that beyond the shape of the arm, there is no difference between the '139 patent and its Moxey products.

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Defendant contends that its fore and aft members are generally in the shape of a "C," not an "L," and that judgment should be rendered in its favor because a reasonable juror could not find that such component literally infringes plaintiff's claim. Defendant has submitted evidence that, if taken as true, would support such factual issue being submitted to a jury.

On the other hand, plaintiff contends that the '139 patent is infringed because defendant's Moxey seatpost reads on each and every element of the claims set forth in the '139 patent. Plaintiff has presented evidence, including expert testimony, that, if taken as true, would support its contention of infringement being submitted to a jury as an issue of fact.

As discussed above, where there exists a genuine issue of material *fact* (even in a patent action), such issue must be resolved by a jury. *Markman, supra*. Infringement occurs where the heart of an invention has been misappropriated. *Weidman Metal Masters Co. v. Glass Master Corp.*, 623 F.2d 1024 (5th Cir.1980). This is precisely plaintiff's contention-that defendant has admitted no difference between its Moxey products and plaintiff's '139 patent, with the exception of shape of the fore and aft arms. Plaintiff argues that whether the arms look more like a "C" or "L" is not what is at issue. Rather, it argues, it is the bowing of the arms to allow the placement and compression of the shock-absorbing elastomer that has been usurped and thinly veiled. Defendant strongly disagrees.

Finding the existence of a genuine issue of material fact, the undersigned will recommend to the district court that defendant's Motion for Summary Judgment be denied on the issue of literal infringement of the claims as construed under *Markman*.

VII. Infringement Under the Doctrine of Equivalents

In *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605 (1950), the Supreme Court held, as follows:

Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form.... The doctrine of equivalents evolved in response to this experience. The essence of the doctrine is that one may not practice a fraud on a patent.... "To temper unsparing logic and prevent an infringer from stealing the benefit of an invention" a patentee may invoke this doctrine to proceed against the producer of a device "if it

performs substantially the same function in substantially the same way to obtain the same result."

Through reverse engineering and making subtle changes to an invention, an alleged infringer may skirt literal infringement while taking the essence of the inventive process.

Where literal infringement does not lay, the patentee may attempt to enforce his patent rights through a case of action sounding in equivalents. The essential elements of such a claim are, as follows:

- (1) the accused device performs substantially the same function as the patented device;
- (2) the accused device performs in substantially the same way as the patented device; and
- (3) the accused device performs to obtain the same result as the patented device.

Plaintiff has presented a *prima facie* case by presenting evidence upon which a jury could find in its favor on each of the essential elements. *See* Expert Report of F. Treavis Taylor, Jr. P.E.; Declaration of Ryan McFarland. Counter-opposed is defendant's evidence concerning the shape of the arms of the accused device, creating a genuine issue of material fact as to the second element.

Defendant contends that plaintiff should not be allowed to go forward on its doctrine-of-equivalents claim based on prosecution history estoppel. Defendant argues that such estoppel does not only result from actual amendment to claims made during the application process, but can also arise from arguments made and not made by the applicant during the process.

The court finds that the more precise statement of what constitutes prosecution history estoppel is found in the Supreme Court's recent decision in *Warner-Jenkinson Co. v. Hilton Davis Chemical*, 520 U.S. 15, 31-33 (1997), which provides, in relevant part, as follows:

Our prior cases have consistently applied prosecution history estoppel only where claims have been amended for a limited set of reasons, and we see no substantial cause for requiring a more rigid rule invoking estoppel regardless of the reasons for a change.

The prosecution history of the '139 patent is found as exhibit 7 to plaintiff's responsive brief. There is no indication that the patentee, in any way, surrendered or disclaimed anything in prosecuting his '139 patent. The routine request for comments which accompanied the "Notice of Allowance" required no action by the patentee. Prosecution history estoppel has no application in this particular matter to plaintiff's alternative claim under the doctrine of equivalents.

VIII. Equitable Estoppel

Defendant next argues that plaintiff should be estopped from attempting to enforce its patent rights under either literal infringement or the doctrine of equivalents based on equitable estoppel. In doing so, defendant contends that after an alleged series of patent-infringement accusations within the trade by the inventor, letters were exchanged between counsel for the respective parties setting forth their positions on the matter, and nothing more was heard until nearly 30 months later when plaintiff filed this action. Defendant contends that because it heard nothing after the exchange of letters, it continued to develop and market its Moxey products at substantial costs and with comparatively limited resources and that plaintiff should now be

estopped from asserting such claims.

Equitable estoppel is a common law affirmative defense. To invoke the doctrine of equitable estoppel, the party seeking the equitable relief must prove the following elements:

- (1) The conduct to be estopped must amount to false representation or concealment of material fact or at least which is reasonably calculated to convey the impression that the facts are other than and inconsistent with those which the party afterwards attempted to assert;
- (2) Intention or expectation on the party being estopped that such conduct shall be acted upon by the other party or conduct which at least is calculated to induce a reasonably prudent person to believe such conduct was intended or expected to be relied and acted upon[;]
- (3) Knowledge, actual or constructive, of the real facts by the party being estopped;
- (4) Lack of knowledge of the truth as to the facts in question by the party claiming estoppel;
- (5) Reliance on the part of the party claiming estoppel upon the conduct of the party being sought to be estopped; [and]
- (6) Action based thereon of such a character as to change his position prejudicially.

State Farm Mut. Auto. Ins. Co. v. Atlantic Indemnity Co., 122 N.C.App. 67, 75 (1996) (citations omitted). Equitable estoppel is not available to a party who "was put on inquiry as to the truth and had available the means for ascertaining it." Hawkins v. Finance Corp., 238 N.C. 174, 179 (1953). In the context of a patent dispute, the essential elements of a defense of equitable estoppel are best defined in the following terms:

- (1) the plaintiff, by and through misleading conduct, led the defendant to reasonably believe that the plaintiff did not intend to enforce its patent;
- (2) the defendant relied upon that conduct; and
- (3) the defendant will be materially prejudiced if the plaintiff is entitled to enforce its patent rights.

The court has reviewed closely the "cease-and-desist" letter sent to the inventor by counsel for defendant and the responsive letter sent by counsel for the inventor. In the first letter, counsel for defendant threatens the inventor with legal action if he does not cease and desist in claiming and communicating to others in the industry that the Moxey products infringe his patent. That letter invites the inventor to describe how he believes the Moxey products infringe his patent.

In response, counsel for the inventor denies any defamation of defendant by the inventor and, at length, describes in detail how the inventor and his counsel believe Moxey products violate the inventor's patent. That letter goes on to cite supportive case law and ends by inviting defendant to seek licensure of its products under the '139 patent to avoid costly litigation. It is undisputed in this matter that *plaintiff's* letter was the last correspondence in this matter prior to the commencement of this civil action.

The court can fathom no further action that was required of plaintiff after plainly stating that Moxey

infringed the '139 patent. The ball was squarely in defendant's court to seek declaratory relief, cease its allegedly infringing activity, or seek licensure from plaintiff. There is no requirement that a patent holder remind an alleged infringer that the patent holder was serious when his attorney sent that last letter threatening federal action. Had the letters been reversed-that is, had defendant sent a letter unequivocally denying infringement after receiving a cease-and-desist letter from plaintiff-the argument could have been made that plaintiff, through inaction, had acceded to defendant's viewpoint. In any event, plaintiff's conduct cannot be considered misleading in any regard, inasmuch as a reasonable person would believe that litigation was likely unless a license was secured or production and sales terminated. Defendant cannot satisfy the first element by submitting any evidence of "misleading conduct"; therefore, summary judgment should be granted to plaintiff on defendant's affirmative defense of equitable estoppel.

RECOMMENDATION

IT IS, THEREFORE, RESPECTFULLY RECOMMENDED that defendant's Motion for Summary Judgment be DENIED in its entirety and that plaintiff's claims of literal infringement of the '139 patent and infringement under the doctrine of equivalents be tried during the September 2000 term of court.

IT IS FURTHER RECOMMENDED that defendant's affirmative defenses of prosecution history estoppel and equitable estoppel be DISMISSED, inasmuch as those defenses, while argued in the respective briefs, find no factual or legal support in the record now before the court.

The parties are hereby advised that, pursuant to 28, United States Code, Section 636(b)(1)(C), written objections to the findings of fact, conclusions of law, and recommendation contained herein must be filed within ten (10) days of service of same. Failure to file objections to this Memorandum and Recommendation with the district court will preclude the parties from raising such objections on appeal. *Thomas v. Arn*, 474 U.S. 140 (1985), *reh'g denied*, 474 U.S. 1111 (1986); *United States v. Schronce*, 727 F.2d 91 (4th Cir.), *cert. denied*, 467 U.S. 1208 (1984).

This Memorandum and Recommendation is entered in response to defendant's Motion for Summary Judgment (# 17).

W.D.N.C.,2000.

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