

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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KENNETH A. SLABY,

Plaintiff,

v.

MEMORANDUM AND ORDER  
06-C-250-S

LON G. BERNDT, BERLON INDUSTRIES, LLC,  
PETERSON IMPLEMENT, INC.,  
MDMA EQUIPMENT DEALERS, INC. and  
HEHLI-VOLD CORPORATION,

Defendants.

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        Plaintiff Kenneth Slaby commenced this patent infringement action alleging that Defendants Lon Berndt and Berlin Industries, LLC, willfully infringed his United States Patents Nos. 5,495,987 and 6,814,322 relating to silage unloaders for use on bunker stored silage. The matter was tried to a jury on January 29 and 30, 2007. The jury found that defendants had willfully infringed and that plaintiff had incurred damages in the amount of \$366,754. As a result of the willfulness finding the Court doubled the damages and entered judgment for plaintiff in the amount of \$733,508. The matter is presently before the Court on plaintiff's motion for attorneys fees, defendants' motion for a new trial and for a stay pending appeal. The following is a summary of the relevant facts presented at trial, viewed favorably to plaintiff.

## FACTS

Plaintiff developed a prototype, bunker silo silage cutter in a shed on his dairy farm in 1992. Because plaintiff owned only an upright silo, he asked his neighbor, Fred Kulig, who owns an adjacent farm with bunker silos, to test the silage cutter on the Kulig farm. Plaintiff moved the device to the Kulig farm in September or October 1992. Kulig's two farm hands were the only people to use plaintiff's device. Plaintiff came to the Kulig farm at least once a week to observe and discuss the operation of the device. The device was used approximately five minutes, twice a day during feeding operations. Ongoing modifications, repairs and changes were performed at the Kulig farm solely by plaintiff. Kulig paid nothing to use the device. The device was never removed from the Kulig farm and was not openly visible to visitors. The device was removed and returned to the Slaby farm in fall of 1993.

The '987 patent was issued on March 5, 1996, based on plaintiff's application filed May 20, 1994. Plaintiff made and sold silage cutters using the patented invention under the "silage master" trademark. In 2000 plaintiff developed a new hook blade model which made the cutter more marketable. Plaintiff sold seven cutters in spring 2001 which included the new blade type. He alone manufactured the cutters on his farm and assembled a cutter in about twenty hours. Plaintiff sold the cutters for an average price of \$5004 per unit. His cost to manufacture a unit was \$2386.

Plaintiff also received a quote from another manufacturer to fabricate his silage cutters in quantities from one to twenty-five for \$2850 per unit.

Plaintiff approached defendant Berndt in January 2002 seeking to arrange a license under which Berlon would manufacture and sell the device. In January 2002 plaintiff delivered a sample silage cutter to Berlon. Defendant Berndt drafted a license agreement providing for \$250 per unit warranty which plaintiff rejected.

Defendant Berlin copied plaintiff's sample and began manufacturing and selling infringing silage cutters without a license in March 2003. On April 15, 2002 plaintiff visited defendant Berndt to discuss the manufacture of the patented device. During this meeting, defendant refused to enter into any license agreement and frankly admitted that he intended to continue to manufacture and sell the infringing device and would escrow money so that he could pay when he would "get caught for doing this." The conversation was recorded and the recording was admitted into evidence at trial without objection.

During the period of infringement defendant sold a total of 186 infringing units, an average of four units per month. The jury determined that 164 units would have been sold by plaintiff who would have realized \$358,504 profit on the sales.

## MEMORANDUM

Defendant seeks a new trial on the basis that there was insufficient evidence for the jury to conclude that plaintiff's public use of the prototype silage cutter on the Kulig farm was an experimental use, or to sustain the jury's damage calculation. Plaintiff contends the evidence was sufficient to sustain both findings. Plaintiff moves the Court for a finding that the case is exceptional within the meaning of 35 U.S.C. § 285 and for an award of attorneys fees in the amount of \$106,020. Defendants ask the court to exercise its discretion not to award fees because damages have already been enhanced for willfulness. Finally, defendants seek a stay pending appeal pursuant to Rule 62 based on a proffered two year irrevocable line of credit. Plaintiff opposes the motion, seeking to require a supersedeas bond as a prerequisite to a stay.

### Motion for New Trial

A new trial may be granted pursuant to Rule 59 if the verdict is against the weight of the evidence or for some other reason the trial was not fair to the moving party. Forrester v. White, 846 F.2d 29, 31 (7th Cir. 1988). A jury verdict is not set aside if a reasonable basis exists in the record to support the verdict, viewing the evidence in the light most favorable to the prevailing party. Kapelanski v. Johnson, 390 F.3d 525, 530 (7th Cir. 2004). Defendants offer no basis for a new trial other than the alleged

inadequacy of the evidence to sustain the jury's findings on the issue of the public use defense and the amount of damages. Defendants offer no objection to the instructions provided to the jury on these issues. Accordingly, the issues before the Court are whether the jury, applying the instructions provided, could reasonably have found that the use of the silage cutter on the Kulig farm was experimental, not a public use and could have reasonably determined the lost profit as stated.

Concerning the issue of experimental public use the jury was instructed in relevant part as follows:

Prior use of the device is not a "public use" if the use was experimental. The law recognizes that the inventor must be given the time and opportunity to develop his invention through experimentation. For this reason, placing the invention in "public use," more than one year prior to the application filing date will not invalidate a claim to the invention if the primary purpose was experimentation rather than commercial benefit. Such activities are experimental if they are legitimate efforts to perfect the invention or to determine whether the invention will accomplish its intended purpose. So long as the primary purpose is experimentation, it does not matter that the public used the invention or that the inventor incidentally derived profit from it.

Only experimentation by or under the control of the inventor of the patent qualifies for this exception. Experimentation by a third party, for its own purposes, does not. The experimentation must relate to the features of the claimed invention, and it must be for the purpose of technological improvement, not commercial exploitation. If any commercial exploitation does occur, it

must be merely incidental to the primary purpose of experimentation. A test done primarily for marketing, and only incidentally for technological improvement, is a public use.

Far from being unreasonable, the jury's determination that the use was experimental was overwhelmingly supported by the evidence. The evidence was consistent that the only purpose for using the prototype silage cutter on the Kulig farm was to test and improve it. Plaintiff derived no benefit from its use other than the benefit from observing its failings and making improvements. It was certainly not any type of marketing venture. While Kulig may have gained some minor incidental benefit from using the machine, the purpose of the use was unquestionably technological improvement. In fact, employing the device in a neighbor's farming operation was the most logical and common sense experimentation method available to plaintiff to further the development of the invention. The fact that the experimentation was not particularly sophisticated does nothing to change its obviously experimental purpose. Under any reasonable view of the facts, the silage cutter's use on the Kulig Farm was "a legitimate effort to perfect the invention or to determine if the invention will accomplish its intended purpose."

On the issue of lost profit damages, the jury was instructed as follows.

Plaintiff is seeking lost profits as his patent damages. Plaintiff must prove the amount of his lost profits. Your determination of that amount must not be based

on speculation or guess. However, the law does not require mathematical precision in this proof of loss, but only proof to a reasonable, although not absolute, certainty. To recover lost profits for some or all of the infringing sales, plaintiff must show that if defendant had not infringed, plaintiff would have made those sales that defendants made with the infringing product. You must determine what the customers who purchased the infringing product would have done if the infringing product did not exist. Plaintiff need not present absolute proof that purchasers of the infringing product would have bought plaintiff's product instead. Plaintiff need not eliminate every possibility that purchasers might not have bought another product or might not have bought any comparable product at all. Rather, plaintiff must show that there is a reasonable probability that plaintiff would have made some or all of the sales that defendant made of the infringing product.

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Plaintiff is only entitled to lost profits for sales he could have made. Plaintiff must prove that he would have had the ability to manufacture or otherwise obtain his product and the capability to sell the amount of product for which he is now claiming lost profits.

Defendants argument with respect to the lost profits portion of the verdict focuses primarily on plaintiff's capability to manufacture and sell the 164 units the jury determined that plaintiff would have sold in the absence of infringement. Secondly, defendants suggest that the profit margin used by the jury to calculate total damages was unsupported by evidence.

The jury's damages verdict was amply supported by the evidence. Not only did the evidence support a finding that plaintiff could have manufactured the four units per month which were sold by defendant, it also established that plaintiff had an alternate manufacturer who could have manufactured the silage cutters if demand exceeded his personal ability to manufacture.

Concerning plaintiff's ability to sell an equivalent number of units, the first fact to consider is that defendant Berlon only managed to sell 186 over a period of four and one half years. Plaintiff demonstrated substantial marketing efforts including presentations at farm shows, preparation of professional brochures and numerous contacts and requests from potential purchasers. The activities were substantially similar to those undertaken by defendant. Given the relatively few sales over a relatively long period the jury could have reasonably determined that plaintiff could have matched this sales output.

Finally, the profit margin employed by the jury to compute total lost profits was consistent with plaintiff's undisputed testimony concerning cost of production. In fact the figure used by the jury reflects an increase in cost to account for arguments advanced by the defendants that certain costs had not been included in the calculation.

Both the liability and damage verdicts were reasonable and amply supported by the evidence at trial. Accordingly, defendants' motion for a new trial must be denied.

### Exceptional Case and Attorney's Fees

Section 285 provides that a "court in exceptional circumstances may award reasonable attorney fees to the prevailing party. 35 U.S.C. § 285. Exceptional cases include those involving inequitable conduct before the [Patent and Trademark Office]; litigation misconduct; vexatious, unjustified, and otherwise bad faith litigation; a frivolous suit or willful infringement." Q-Pharma, Inc. v. Andrew Jergens Co., 360 F.3d 1295, 1304 (Fed. Cir. 2004) (internal quotation marks omitted) (alteration in original) (citing Forest Labs., Inc. v. Abbott Labs., 339 F.3d 1324, 1329 (Fed. Cir. 2003)). The exceptional nature of a case must be established by clear and convincing evidence. Cambridge Products, Ltd. v. Penn Nutrients, Inc., 962 F.2d 1048 (Fed. Cir. 1992).

This case is truly exceptional. It presents a most unusual circumstance of self-proclaimed willful infringement without even an arguable basis to believe that the conduct was not infringement. It is a case of unabashed misuse of trust and copying of plaintiff's patented device after it was provided in good faith negotiations. Furthermore, defendants insisted that to stop further infringement or to recover compensation plaintiff would be required to pursue patent litigation. Defendants' conduct compelled plaintiff to bring this suit to enforce his rights. As a result it is completely fair and equitable to impose the cost of the litigation on defendants.

Defendants do not contest that their infringement was willful or that the case is exceptional. Rather they argue that the Court should exercise its discretion not to award fees in light of the already enhanced damages awarded for willful infringement. The two awards are not inconsistent with one another, particularly where defendants insisted that plaintiff pursue litigation to realize the patent rights that defendants knew plaintiff possessed and were infringed. Defendants do not contest the reasonableness of the amount of fees requested by plaintiff. Plaintiff is entitled to recover his attorney's fees in the amount of \$106,020.

#### Stay Pending Appeal

Rule 62, Fed. R. Civ. P., provides that a stay pending appeal may be obtained "by giving a supersedeas bond."

The philosophy underlying Rule 62(d) is that a plaintiff who has won in the trial should not be put to the expense of defending his judgment on appeal unless the defendant takes reasonable steps to assure that the judgment will be paid if it is affirmed. Posting a supersedeas bond is the simplest way of tendering this guaranty...

Lightfoot v. Walker, 797 F.2d 505, 506-07 (7th Cir. 1986).

While a Court may permit an alternate form of security, such a substitution must be justified by the appellant. Id. at 507. Here, defendants have offered an alternative to the supersedeas bond (a two year irrevocable letter of credit) without any suggestion why a supersedeas bond, which is clearly a superior form

of security from plaintiff's perspective, should not be required. Presumably, defendants were able to obtain the letter of credit for a lower cost than the cost of a bond. However, mere cost savings to the appellant is not a particularly persuasive factor, see id., and this is especially true where defendants have not even proffered the extent of such savings.

Contrary to defendants' approach, it is not plaintiff's burden to prove that defendants' offer of security is inadequate, but rather defendants' burden to justify why a bond should not be required as provided in the Rule. Based on the present record there is no basis to permit defendants to substitute the line of credit for a bond.

#### ORDER

IT IS ORDERED that defendants' motion for new trial pursuant to Rule 59 is DENIED.

IT IS FURTHER ORDERED that plaintiff's motions for an award of attorney's fees pursuant to 35 U.S.C. § 285 is GRANTED in the amount of \$106,020 and that judgment be amended accordingly.

IT IS FURTHER ORDERED that defendants' motion to stay execution of judgment pending appeal pursuant to Rule 62(d) is DENIED, subject to reconsideration upon presentation of an appropriate supersedeas bond.

Entered this 5th day of April, 2007.

BY THE COURT:

S/

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JOHN C. SHABAZ  
District Judge