

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

BRIGGS & STRATTON CORP.,

Plaintiff,

OPINION AND
ORDER

v.

05-C-0025-C

KOHLER CO.,

Defendant.

In this civil action, plaintiff Briggs & Stratton Corp. has accused defendant Kohler Co. of infringing plaintiff's United States Patent No. 6,382,166 (the '166 patent) and United States Patent No. 6,460,502 (the '502 patent). Defendant has asserted counterclaims of non-infringement, patent invalidity and violations of 15 U.S.C. §§ 1 & 2 of the Sherman Act, Wisconsin antitrust laws and the Wisconsin common law of unfair competition. Jurisdiction is present under 28 U.S.C. §§ 1331 and 1337.

The case is before the court on plaintiff's motion for sanctions and defendant's motion to preclude from trial any reference to its alleged litigation misconduct. Plaintiff alleges that defendant "willfully withheld" documents relevant to discovery on plaintiff's patent infringement claims and asks the court to sanction defendant by entering default

judgment in plaintiff's favor. Defendant denies wrongdoing and asks the court to exclude all reference to the alleged litigation misconduct from trial testimony and from jury instructions. Because I find insufficient evidence to support plaintiff's allegations of willful misconduct on the part of defendant and because plaintiff has not been prejudiced by the disclosure of untimely-produced documents, plaintiff's motion will be denied. Plaintiff's proposed evidence of litigation misconduct poses a substantial risk of misleading the jury, confusing the issues and wasting time. Therefore, defendant's motion will be granted.

I draw the following facts from the record.

FACTS

As soon as defendant received notice that this lawsuit had been filed, it directed its employees to preserve all documents potentially relevant to the case, including any documents relating to the development of the Courage engine, and to produce them to designated individuals. The document collection process was supervised by attorneys Christopher Hanewicz from the Heller Ehrman law firm and Michael Gray from Kohler.

In February 2005, plaintiff asked defendant to produce documents "concerning the research and development of the reciprocating counterbalance system" contained in the Courage engine. Defendant agreed to produce the requested documents.

As part of its own litigation preparation, defendant collected 1999 and 2000 day

planners from its chief engineer, Terry Rotter. These planners were disclosed to plaintiff. Rotter was not asked specifically to produce his planners from 2001-2005, but was asked to turn over any documents relevant to the lawsuit.

As a defense to plaintiff's claims of willful infringement in this lawsuit, defendant contends that it sought the opinion of outside counsel John Pienkos before it manufactured its Courage engine. In order to proceed with this defense, defendant waived its attorney-client privilege with Pienkos with respect to the opinion he had rendered to defendant during the development of the Courage engine. Consequently, plaintiff issued a subpoena for Pienkos's files. Defendant disclosed much of the material contained in the files. On July 20, 2005, defendant provided plaintiff with a privilege log identifying the documents that had been withheld from the files.

The parties continued to exchange documents throughout the summer and into the fall of 2005. Following the October 26, 2005 deposition of Michael Gray, plaintiff reviewed the July 20 privilege log. One of the entries on the privilege log was numbered JP-P000332-339 and was described as "e-mail concerning litigation strategy" written by Gray and sent to Pienkos, David Harth, defendant's counsel, and to Natalie Black, defendant's general counsel and corporate secretary. On November 3, 2005, plaintiff's attorney wrote to defendant, raising questions about several of the items listed in the privilege log, including items JP-P000332-339.

On November 9, 2005, defendant agreed to produce several of the items defendant requested, including the e-mail message sent to Pienkos, Harth and Black. Attached to the message was an invention disclosure for the Courage engine's cylinder head assembly, file-stamped March 14, 2001. The document was annotated with several signatures and two handwritten dates: "7/26/99" and "3/1/01." (Earlier in discovery, defendant had produced a nearly-identical invention disclosure, file-stamped March 15, 2001, listing 3/1/01 as the invention date, without the "7/26/99" notation.) Also attached to this message were several pages from Rotter's 2001 and 2002 day planners. One of these pages contained notes taken at a staff meeting held on February 12, 2001, at which the development of the Courage engine was discussed. The notes include the following entry: "Bill – added guide rails to cover for flying brick." Defendant used the term "flying brick" to refer to the counterbalance weight contained in the Courage engine.

Upon receipt of Rotter's February 12 notes, plaintiff asked defendant whether Rotter had day planners from 2001 onward. After finding that the planners had not been disclosed previously, defendant ordered Rotter to make immediate production of the planners, which contained over 1,000 pages of handwritten notes. Defendant delivered the planners to plaintiff the following day and made Rotter and Pienkos available for deposition.

At his deposition on November 14, 2005, Pienkos testified that he did not know how or when he obtained the documents found in his files and that he didn't recall reviewing the

documents or discussing them with Rotter or Gray at any time. Rotter testified that he makes notes of all his activities in a daily planner and stores his planners for the current year on a shelf in his office. He keeps past years' planners on a shelf in a locked stockroom. Rotter testified that he did not provide Pienkos or Gray with a copy of his planner notes from February 12, 2001 and that he has no recollection of discussing those notes with Pienkos or Gray.

OPINION

In this litigation, defendant has produced over 200,000 documents in response to plaintiff's discovery requests. Now plaintiff contends that the court should enter default judgment against defendant because it failed to produce two sheets of paper in a timely fashion. Because plaintiff has not shown that defendant's oversight was intentional or that it has been prejudiced by the late disclosure of the information, I will deny the motion. In addition, I will grant defendant's motion to preclude from trial any reference to the alleged litigation misconduct.

A. Motion for Sanctions

The imposition of sanctions for failure to disclose information required by Fed. R. Civ. P. 26(a) or (e) is a decision that rests in the discretion of the court. Godlove v.

Bamberger, 903 F.2d 1145, 1148 (7th Cir. 1990). In deciding whether and in what measure to impose sanctions, the district court should consider the egregiousness of the conduct in question in relation to all aspects of the judicial process. Dotson v. Bravo, 321 F.3d 663, 667 (7th Cir. 2003). Dismissing a case for failure to comply with discovery is a sanction that “should be employed sparingly” and must be supported by clear and convincing evidence. Id.; Maynard v. Nygren, 332 F.3d 462, 468 (7th Cir. 2003). Default judgment can be entered against a party only when the court finds that a discovery violation has been made with “willfulness, bad faith or fault” and that lesser sanctions would be inappropriate. Maynard, 332 F.3d at 467-68.

Plaintiff contends that Rotter’s February 12, 2001 notes and the March 14, 2001 annotated invention disclosure were highly relevant documents that defendant revealed to its outside opinion counsel but concealed purposely from plaintiff. Furthermore, plaintiff alleges that its efforts to prosecute this case have been handicapped by defendant’s failure to produce these documents. It is undisputed that defendant failed to disclose both documents in response to plaintiff’s initial request for document production. However, it is not clear that defendant’s failure was more than an oversight.

Early in discovery, defendant produced a copy of the relevant invention disclosure, file-stamped March 15, 2001. This copy listed “3/1/01” as the date the Courage engine’s cylinder head was invented. Defendant’s failure to disclose a nearly-identical copy of the

disclosure statement which also contained the date “7/26/99” was more likely a mistake than a plot to undermine plaintiff’s case. Moreover, the difference between the documents was negligible and, as discussed below in greater detail, largely irrelevant.

Of greater concern is defendant’s failure to disclose Rotter’s notes from February 12, 2001. How the notes made their way from Rotter’s secure day planners into the files of defendant’s opinion counsel remains a mystery. Rather inexplicably, defendant has denied that it or any of its agents “ever reviewed” Rotter’s planners prior to November of this year. Def. Br., dkt. #188, at 7. This statement is highly implausible given the undisputed fact that a copy of several pages from the planner were in Pienkos’s file before July 2005. Plaintiff emphasizes that defendant has failed to provide an “innocent explanation” for the disclosure of the documents to Pienkos but not to plaintiff.

Despite defendant’s refusal to acknowledge that *someone* at Kohler provided Pienkos with the information contained in Rotter’s planner, defendant does not deny that Pienkos possessed the document in question or that the document was found attached to the e-mail message and related items numbered as JP-P000332-339 on the privilege log defendant provided to plaintiff. When questioned, both Rotter and Pienkos stated that they do not know how the document was retrieved from Rotter’s planner or sent to Pienkos. Unsatisfactory as this answer may be to plaintiff, it is not an unreasonable one. Given the scope and volume of the discovery in this case, it is not surprising that defendant does not

recall each specific document, how it was located and when it was disclosed to each relevant individual. Although defendant was obligated to engage in diligent discovery, the fact that some documents were overlooked is not conclusive evidence of misconduct.

From the evidence plaintiff has presented, the court cannot exclude the possibility that defendant located relevant, discoverable documents and “hid” them in the files of its outside opinion counsel in order to thwart plaintiff’s prosecution of this case. However, as plaintiff implicitly acknowledges when it characterizes the evidence against defendant as “circumstantial,” the court also cannot exclude the possibility that defendant’s failure to disclose the documents to plaintiff was anything more than an oversight. The burden is on plaintiff to show by clear and convincing evidence that defendant acted in bad faith. Maynard, 332 F.3d at 468. It has failed to meet that burden.

Furthermore, plaintiff has failed to show that it has been prejudiced by the late disclosure of either the annotated invention disclosure or Rotter’s February 12, 2001 notes. Plaintiff admits that the annotated invention disclosure is relevant only to defendant’s now-abandoned defense that it was the first to reduce to practice the invention disclosed in the ‘502 patent. Moreover, plaintiff acknowledges that defendant timely disclosed a nearly identical copy of the same document during discovery. Although the undisclosed document contained two dates, 7/26/99 and 3/1/01, the disclosed document listed only one: 3/1/01. This later date of invention *avored* plaintiff. Having already disclosed a nearly-identical

document that undermined its § 102(g) defense, defendant's failure to disclose a document with more ambiguous notations did not prejudice plaintiff.

Next, plaintiff argues that Rotter's February 12, 2001 notes were a "key document" whose "importance would be hard to overstate." Plaintiff's characterization is itself overstated. In his notes, Rotter characterized features shown in an early prototype of the Courage engine as "rails." Because defendant has argued in this litigation that later versions of these features are not rails within the meaning of the '166 patent, it is understandable that plaintiff views Rotter's use of the term "rail" as relevant. However, when construing claim terms and comparing the accused product with the claims of the '166 patent, the court looks first to the intrinsic evidence of the patent specification and the prosecution history and then, only if necessary, to extrinsic evidence such as dictionaries, treatises or expert testimony. See, e.g., Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc., 381 F.3d 1111, 1116 (Fed. Cir. 2004) (relevant sources for claim construction analysis include "words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art."); Nazomi Communications, Inc. v. Arm Holdings, PLC, 403 F.3d 1364, 1369 (Fed. Cir. 2005). Notes scribbled in a planner during the development of a precursor to the accused product are unlikely to shed light on the proper construction of the disputed claim terms or the question of infringement. Should the notes have been disclosed?

Certainly. Was plaintiff prejudiced by defendant's failure to disclose them? Not at all. Plaintiff's motion for sanctions will be denied.

B. Motion to Preclude from Trial Reference to Alleged Misconduct

As part of its original pre-trial submissions, plaintiff proposed jury instructions relating to defendant's alleged litigation misconduct. Specifically, plaintiff proposed the following instruction regarding willful infringement:

Another factor to consider in deciding whether Kohler's [sic] willfully infringed the '166 and '502 patents is Kohler's conduct during this law suit. Evidence that Kohler behaved improperly during this litigation can demonstrate that Kohler's [sic] willfully infringed Briggs & Stratton's patents. Evidence that Kohler did not comply with the rules governing this litigation also can demonstrate that Kohler willfully infringed Briggs & Stratton's patents. As an example, evidence that Kohler was aware of documents highly damaging to its case but failed to produce these documents to Briggs & Stratton is evidence that Kohler willfully infringed Briggs & Stratton's patents. As another example, evidence that Kohler did not gather highly relevant documents and produce them to Briggs & Stratton long after it was obligated to do so can also be evidence that Kohler willfully infringed Briggs & Stratton's patents . . .

Defendant moves to preclude any reference to alleged litigation misconduct from both jury instructions and trial testimony, contending that such testimony is irrelevant to the jury's finding of willfulness and proper only to the court's award of damages and fees under 35 U.S.C. §§ 284 and 285. Although I agree with plaintiff that the proffered evidence is relevant within the meaning of Fed. R. Evid. 401, I find that its probative value is

substantially outweighed by the danger it poses. Moreover, the court can avoid any potential prejudice caused by excluding the evidence at trial by considering it when deciding whether damages should be increased under § 284 or attorney fees awarded under § 285. Therefore, defendant's motion will be granted.

At trial, if plaintiff proves that defendant has infringed its patents, the jury must decide whether defendant's infringement was willful. "The concept of willful infringement is not simply a conduit for enhancement of damages; it is a statement that patent infringement, like other civil wrongs, is disfavored, and intentional disregard of legal rights warrants deterrence." Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1342 (Fed. Cir. 2004). The Court of Appeals for the Federal Circuit has held that willfulness should be determined using a "totality of the circumstances" test, which may include factors such as "whether the infringer intentionally copied the ideas of another; whether the infringer, once on notice of the patented invention, investigated the scope of the patent to form a good-faith belief that it was invalid or not infringed; and the infringer's behavior as a party to the litigation." In re Hayes Microcomputer Products, Inc. Patent Litigation, 982 F.2d 1527, 1543 (Fed. Cir. 1992).

Although the Court of Appeals for the Federal Circuit has included litigation misconduct as a factor to be considered in the "totality of the circumstances," it has also

endorsed the practice of reserving evaluation of the parties' conduct to the trial judge. Advanced Cardiovascular Systems, Inc. v. Medtronic, Inc., 265 F.3d 1294, 1311 (Fed. Cir. 2001). The reason for this is clear. Not only is the court best positioned to evaluate the behavior of the parties, but it is also the court that imposes the remedy for willful infringement. This remedy is founded on 35 U.S.C. § 284, which authorizes the court to "increase the damages up to three times the amount found or assessed" and 35 U.S.C. § 285, which authorizes the court to "award reasonable attorney fees to the prevailing party" in exceptional cases. Dana Corp., 383 F.3d at 1342.

Plaintiff contends that no per se rule prohibits the jury from hearing evidence regarding a party's litigation misconduct and that evidence on the topic should be presented to the jury because it is relevant to the question of willful infringement. The general rule in any case is that relevant evidence is admissible unless its exclusion is authorized expressly by rule or by law. Fed. R. Evid. 402. Federal Rule of Evidence 401 defines relevant evidence as evidence "having any tendency to make the existence of any fact that is of consequence to the determination of the action more or less probable than it would be without the evidence." If, as plaintiff contends, defendant knowingly concealed from plaintiff documents that it disclosed to its opinion counsel and that undermined the validity of the resulting opinion, defendant's conduct makes it more probable that defendant's subsequent infringement was willful.

Because the proffered evidence is relevant, plaintiff argues that it can be excluded by the court “*only* if its probative value is *substantially* outweighed by considerations of undue delay, waste of time, or needless presentation of cumulative evidence.” Plt.’s Br., dkt. #205, at 5 (emphasis in original). Not so. Under Fed. R. Evid. 403, otherwise relevant evidence can be excluded if its probative value is substantially outweighed “by the danger of unfair prejudice, confusion of the issues or misleading the jury.” Given the finding that plaintiff’s evidence of misconduct is tenuous, its probative value is low. Moreover, the evidence plaintiff seeks to introduce would most certainly confuse the issues, mislead the jury and waste time. To the extent that the conduct of the parties is relevant to this litigation, the court is more than capable of evaluating that conduct and considering it when deciding whether damages should be enhanced under 35 U.S.C. §§ 284 or 285. Therefore, defendant’s motion to preclude from trial reference to its alleged litigation misconduct will be granted.

ORDER

IT IS ORDERED that

1. Plaintiff’s motion for sanctions is DENIED.
2. Defendant’s motion to preclude from trial reference to its alleged litigation

misconduct is GRANTED.

_____Entered this 15th day of December, 2005.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge