

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

LEAPFROG ENTERPRISES, INC.,)
)
) Plaintiff,
)
) v. Civil Action No. 03-927-GMS
)
)
FISHER-PRICE, INC. and)
MATTEL, INC.,)
)
) Defendants.)

MEMORANDUM

I. INTRODUCTION

Presently before the court are two motions: (1) “Defendants’ Motion *In Limine* (No. 6) To Preclude Reference To Or Evidence Of Copying,” in which the defendants move the court to preclude Leapfrog Enterprises, Inc. (“Leapfrog”) from “introducing evidence, and from alleging, that Fisher-Price, Inc. (“Fisher-Price”) had in its possession and/or copied or reverse engineered Leapfrog’s LeapPad product when developing the accused PowerTouch product” (D.I. 138); and (2) “Leapfrog’s Motion *In Limine* No. 6,” in which Leapfrog moves the court to preclude the defendants “from presenting any evidence regarding the date on which end-user (i.e., in-store) customers purchased any PowerTouch systems from defendant’s retail customers” (D.I. 146). For the following reasons, the court will grant the first motion and deny the second motion.

II. DISCUSSION

A. Motion to Preclude Reference to or Evidence of Copying

This is a patent infringement case in which Leapfrog accuses Fisher-Price of willful infringement through its PowerTouch product. During the development of the PowerTouch product, Fisher-Price admits it “was aware of, and had in its possession, Leapfrog’s LeapPad product.” (D.I.

138 at 1.) Thus, at trial, Leapfrog intends to introduce this fact as evidence that Fisher-Price deliberately copied Leapfrog's ideas or designs, which is a relevant factor in determining whether infringement was willful. (D.I. 179 at 3.) Fisher-Price argues that such evidence is irrelevant because LeapPad is not an embodiment of the patent claim at issue. (D.I. 138 at 2.) Besides being irrelevant, Fisher-Price contends that this evidence is prejudicial because it may invite the jurors to mistakenly substitute evidence of copying for evidence of infringement. (Id.) Leapfrog disputes Fisher-Price's initial assertion, and argues that LeapPad embodies at least four of the five limitations contained in the asserted claim. (D.I. 179 at 2-3.)¹ Therefore, according to Leapfrog, Fisher-Price's possession of LeapPad is highly relevant to the issue of willful infringement. (Id.) Leapfrog further argues that evidence of copying is relevant to nonobviousness and lost profits. (Id. at 4; D.I. 242 at 56:7-57:12.) As to prejudice, Leapfrog points out that *unfair* prejudice is the proper test under Fed. R. Civ. P. 403, not mere prejudice alone. (D.I. 179 at 4.) It is Leapfrog's assertion that a jury is "perfectly capable" of properly applying only the relevant facts to the law. (Id.)

It is true that one factor relevant to willful infringement is "whether the infringer deliberately copied the ideas or design of another," *Read Corp. v. Portech, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992). "'Ideas' and 'design' would encompass, for example, copying the commercial embodiment, not merely the elements of a patent claim." *Id.* at 827 n.7. However, there is no requirement "that the fact finder must find 'slavish copying' in order to conclude that the infringer copied the patentee's invention." *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 96 F.3d 1409, 1414 (Fed. Cir.

¹Leapfrog's response to this motion *in limine* was written and filed before the court issued its order construing the disputed terms of the patent at issue (D.I. 224). As a result, Leapfrog left open the possibility that LeapPad is also an embodiment of the fifth claim limitation. However, at the pre-trial conference, counsel for Leapfrog admitted that LeapPad is not an embodiment of the fifth claim limitation. (D.I. 242 at 56:17-18.)

1996). Thus, as a threshold matter, it is conceivable that Fisher-Price's possession of LeapPad during the development of PowerTouch would be relevant to the issue of willful infringement.²

Even so, at the pre-trial conference, counsel for Fisher-Price made the following argument:

One point on this four out of five elements, I don't know where Mr. Holmes gets that. They have no expert testimony from anybody talking about whether LeapPad meets four out of five or five out of five or one out of five or none out of five elements. That is not something they can even put on at trial. I don't know who they think they are going to have come at trial saying LeapPad comes close but not quite, it has four out of five elements, because their expert, Mr. Leeb, who compares the claim with our product, certainly doesn't say that the LeapPad meets four out of the five elements. I personally dispute that. That is simply attorney argument on either party's side.

(D.I. 242 at 55:16-56:2.) Counsel for Leapfrog did not dispute these assertions, despite being given an opportunity to do so. Thus, it is apparent that Leapfrog intends to rely upon mere attorney argument to prove that the copying of LeapPad amounts to the copying of Leapfrog's ideas or design regarding the asserted claim. Given Leapfrog's inability to close the evidentiary loop, even allowing evidence that Fisher-Price engaged in "slavish copying" of LeapPad to prove willfulness would be a waste of time.³ Fed. R. Civ. P. 403.

Leapfrog's arguments that evidence of copying is relevant to the issues of nonobviousness and lost profits are equally unavailing. As to nonobviousness, Leapfrog correctly points out that

²The underlying assumption in *Stryker* is that the allegedly copied product was in fact an embodiment of the asserted claim. 96 F.3d at 1412. Whether the removal of that assumption would render *Stryker* inapposite need not be addressed here because the court's holding with regard to Leapfrog's willfulness argument does not depend upon the existence of such an assumption.

³The court does not hold that closing the evidentiary loop requires Leapfrog to adduce evidence that LeapPad is an embodiment of *every* limitation of the asserted claim. Rather, closing the loop requires Leapfrog, at a minimum, to adduce *some* evidence that LeapPad is an embodiment of the "ideas or design" of the asserted claim. The question of whether Leapfrog must go beyond that need not be answered here. *See supra* note 2.

evidence of copying is a relevant consideration. *Iron Grip Barbell Co. v. USA Sports, Inc.*, 392 F.3d 1317, 1325 (Fed. Cir. 2004). However, “evidence of copying [the patentee’s product] is legally irrelevant unless the [product] is shown to be an embodiment of the claims.” *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1366 (Fed. Cir. 2001). Thus, Leapfrog’s admission that LeapPad is not an embodiment of the asserted claim (D.I. 242 at 56:17-18) is fatal to its argument, and the evidence is irrelevant to nonobviousness, Fed. R. Civ. P. 401.

As to lost profits, although this issue was not briefed, counsel for Leapfrog made the following argument at the pre-trial conference:

In order to support [our] claim that we would have sold a LeapPad in place of every PowerTouch that they sold, which is the basis for our lost profits claim, the evidence that they tried to copy the LeapPad in order to make it directly – in order to make their product directly competitive with the LeapPad is relevant to proving that these two products do in fact compete in the marketplace, which they are contesting in opposing our damages position.

(Id. at 56:23-57:5.) Counsel for Fisher-Price responded with the following:

Lost profits isn’t that easy. They have to prove a heck of a lot more than the products generally compete against each other. But even if that were the case, and it isn’t, the fact that we had a LeapPad product while we were developing the PowerTouch isn’t particularly probative as to whether the products actually compete in the marketplace years later when they are actually being sold.

Marketing folks can testify about that, say here is the product, it’s on the market, here is what was released. Does it compete? Does it not compete? It doesn’t matter what the people looked at when they were developing the product. By hook or crook, this is the product they developed. It is on the market. Does it compete or doesn’t it? That does not depend upon whether Fisher-Price had a LeapPad when it was developing the PowerTouch.

(D.I. 242 at 58:2-17.)

While Leapfrog’s argument has some initial appeal, the court is persuaded by Fisher-Price’s rationale. The ultimate question with lost profits centers on the competitive effect of Fisher-Price’s

marketing and sale of PowerTouch. As counsel for Fisher-Price says, “by hook or crook,” PowerTouch is the product they developed, and the competitive effect it has had on the market for LeapPad is unrelated to how PowerTouch came into existence. Thus, the evidence is irrelevant to lost profits as well, and therefore, it is inadmissible. Fed. R. Civ. P. 401, 402. Fisher-Price’s motion will be granted.

B. In-Store Customer Sales Data

Leapfrog’s motion *in limine* number 6 presents the court with an interesting threshold question: can Fisher-Price be held liable for post-notice acts of indirect infringement regarding the subsequent sale to end users of PowerTouch units lawfully sold to retailers before the date of notice (i.e., the date when damages began to accrue)?

Before addressing the court’s answer to this question, it is first necessary to explain a portion of Leapfrog’s theory of damages. According to Leapfrog, Fisher-Price sells PowerTouch to retail customers (“First Sale”), who subsequently sell PowerTouch to end-user customers (“Second Sale”). (D.I. 146 at 1-2.) Although Leapfrog did not mark its products with the patent at issue, it provided Fisher-Price with a notice of infringement by October 3, 2003 (“the Notice Date”). (Id. at 2.) Therefore, while Leapfrog concedes that Fisher-Price cannot be held liable for First Sales (i.e., direct infringement) occurring before the Notice Date, Leapfrog maintains that Fisher-Price can nevertheless be held liable for advertising and marketing that induced Second Sales (i.e., indirect infringement) after the Notice Date, even if the PowerTouch units sold in the Second Sales were the subject of First Sales made before the Notice Date.⁴ (Id.) However, according to Leapfrog, the data

⁴Leapfrog also argues without explanation that Fisher-Price’s “sale of component books” gives rise to liability in the same way. (D.I. 214 at 1.) The court assumes Leapfrog is alleging that Fisher-Price sold some sort of “component books” after the Notice Date for use with the

relating to those Second Sales is unavailable due to Fisher-Price's non-compliance with Leapfrog's discovery requests. Thus, Leapfrog moves the court to (1) preclude Fisher-Price from presenting any evidence regarding the dates of Second Sales, and (2) instruct the jury that it may draw an adverse inference with regard to whether the dates of Second Sales were after the Notice Date. (Id. at 1.) Of course, the court need not address these requests if, as Fisher-Price contends, the above-described portion of Leapfrog's theory of damages is impermissible as a matter of law.

Upon an initial inspection of the marking statute, 35 U.S.C. § 287 (2001), and the infringement statute, 35 U.S.C. § 271 (2001), the court sees merit on the surface of Leapfrog's argument. The marking statute provides, in relevant part:

In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement *and continued to infringe thereafter*, in which event damages may be recovered only for infringement occurring after such notice.

§ 287(a) (emphasis added). And the infringement statute provides:

(b) Whoever actively induces infringement of a patent *shall be liable as an infringer*.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, *shall be liable as a contributory infringer*.

§ 271 (emphasis added). By the plain language of § 271, both inducing infringement and contributing to infringement are themselves acts of infringement. Consequently, such acts, if committed after notice, should give rise to damages under the marking statute's "and continued to

PowerTouch units that were the subject of First Sales before the Notice Date, thereby rendering Fisher-Price a contributory infringer as well.

infringe thereafter” language. As applied in this case, advertising and marketing to induce Second Sales, as well as selling “component books,” after the Notice Date would seem to be acts of indirect infringement giving rise to damages, regardless of the date of the First Sale.

However, that conclusion relies upon the assumption that all Second Sales occurring after the Notice Date are automatically acts of direct infringement. It is well established that there can be no liability for indirect infringement without an underlying act of direct infringement. *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 341 (1961) (contributory infringement); *Nat’l Presto Indus., Inc. v. The West Bend Co.*, 76 F.3d 1185, 1196 (Fed. Cir. 1996) (induced infringement). Therefore, if a retailer cannot be held liable for direct infringement by selling PowerTouch units (i.e., Second Sales) that were the subject of pre-Notice Date First Sales, then Fisher-Price cannot be held liable for indirect infringement with regard to the sale of those units either.

The Federal Circuit was presented with closely analogous facts in *Fonar Corp. v. Gen. Elec. Co.*, where the plaintiff argued that the defendant induced infringement after receiving notice of the patent by continuing to service the infringing products it sold before receiving notice of the patent. 107 F.3d 1543, 1554 (Fed. Cir. 1997). The court disagreed with the plaintiff:

The machines in question were not marked, so that no damages were recoverable before notice was given. Moreover, servicing of the machines was analogous to repair, and repair is not infringement. If a machine was sold under circumstances that did not subject its seller to damages, then subsequent repair cannot subject it to damages. One is entitled to repair that which is sold free of liability for infringement.

Id. at 1555 (citations omitted). Likewise here, the Second Sale of a PowerTouch unit sold to a retailer “under circumstances that did not subject its seller [i.e., Fisher-Price] to damages” does not subject the retailer to liability for direct infringement. As a result of there being no direct

infringement by the retailer under these circumstances, there can be no indirect infringement by Fisher-Price.

Leapfrog argues that “the *Fonar* Court *did not* hold that the defendant was never liable for indirect infringement in such a situation. Instead, the court found that defendants in that case were not liable because servicing was not an infringing act” (D.I. 214 at 2 (emphasis in original).) However, the only reason servicing and/or repair was not infringement in *Fonar* was because the underlying use of the product was not infringement. See *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.*, 377 U.S. 476, 484 (1964) (“Where use infringes, repair does also, for it perpetuates the infringing use.”). And the only reason the underlying use was not infringement was because the “machine was sold under circumstances that did not subject its seller to damages.” *Fonar*, 107 F.3d at 1555. Therefore, Leapfrog’s attempt to distinguish *Fonar* is futile.

Thus, the court concludes that Fisher-Price cannot be liable as an indirect infringer with regard to the Second Sale of any PowerTouch units with First Sale dates prior to the Notice Date. Consequently, the court will deny Leapfrog’s motion.

III. CONCLUSION

For the foregoing reasons, the defendants’ motion will be granted and the plaintiff’s motion will be denied.

Dated: May 9, 2005

/s/ Gregory M. Sleet
UNITED STATES DISTRICT JUDGE

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)
 Plaintiff,)
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 FISHER-PRICE, INC. and)
 MATTEL, INC.,)
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 Defendants.)

ORDER

IT IS HEREBY ORDERED THAT:

1. The Defendants' Motion *In Limine* (No. 6) To Preclude Reference To Or Evidence Of Copying (D.I. 138) be GRANTED; and
2. Leapfrog's Motion *In Limine* No. 6 be DENIED.

Dated: May 9, 2005

/s/ Gregory M. Sleet _____
UNITED STATES DISTRICT JUDGE