United States District Court,
W.D. Pennsylvania.

The SOLLAMI COMPANY,
Plaintiff.
v.
KENNAMETAL, INC,
Defendant.

Dec. 28, 2007.

Jeffrey T. Morris, The Cook Law Group, P.C., Pittsburgh, PA, for Plaintiff.

Alan G. Towner, Eric G. Soller, Pietragallo, Bosick & Gordon, Pittsburgh, PA, for Defendant.

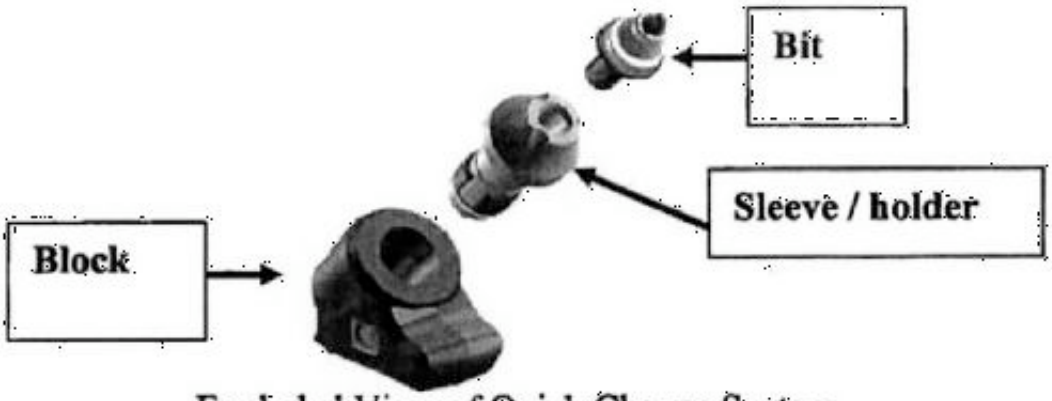
REPORT AND RECOMMENDATION OF THE SPECIAL MASTER CONCERNING MOTIONS FOR SUMMARY JUDGMENT

DONALD E. ZIEGLER**, Special Master.**

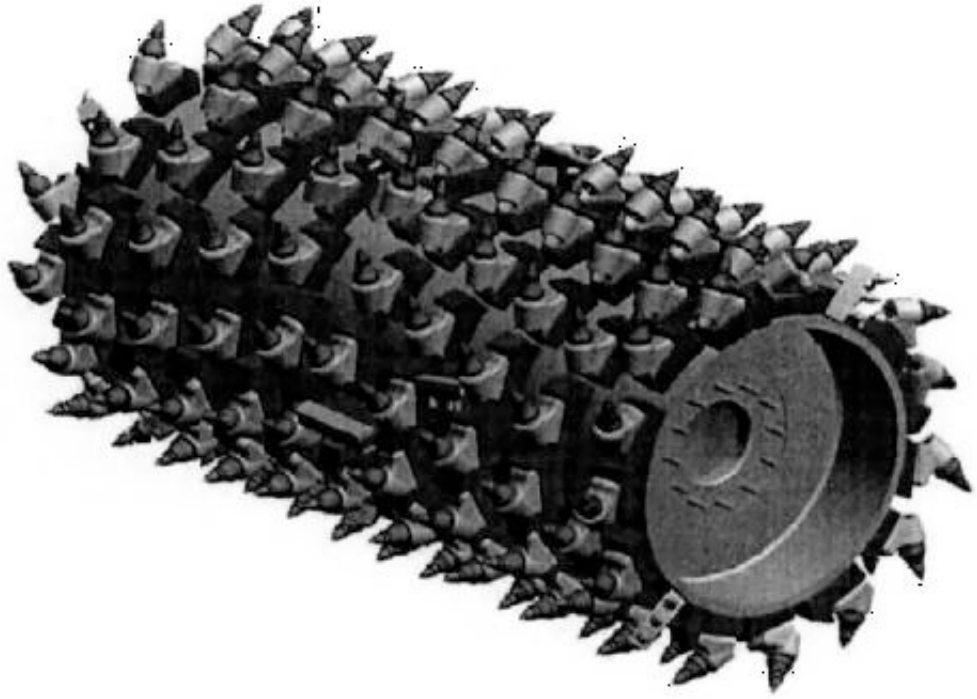
Before the Special Master are the cross-motions for summary judgment filed by defendant, Kennametal, Inc. ("Kennametal"), and plaintiff, The Sollami Company ("Sollami"). After consideration of the arguments of the parties, the Special Master hereby issues the following Report and Recommendation to the United States District Court for the Western District of Pennsylvania.

I. *INTRODUCTION AND BACKGROUND*

Sollami is the assignee/owner of the certain United States patents relating to road milling, trenching and mining equipment: U.S. Patent No. 6,585,326 B2 (the "'326 Patent"), U.S. Patent No. 6,371,567 B1 (the "'567 Patent") and U.S. Patent No. 6,585,327 B2 (the " '327 Patent") (collectively, the "patents-in-suit"). The claims of the patents-in-suit each describe a bit (or tool) holder that makes up part of a "quick change" road milling machine. The road milling machine consists of a large drum upon which are affixed between 100 and 200 bit blocks that are welded onto the surface of the drum. A bit holder is mounted onto each block and a bit is inserted in each bit holder. An exploded view of a quick change system is shown below, along with a graphic of a road milling drum equipped with such a system.

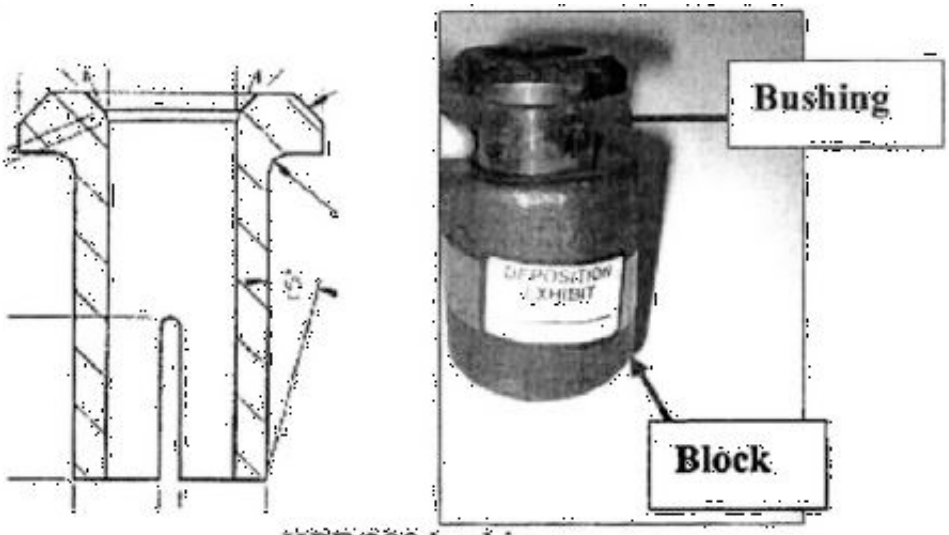


Exploded View of Quick Change System

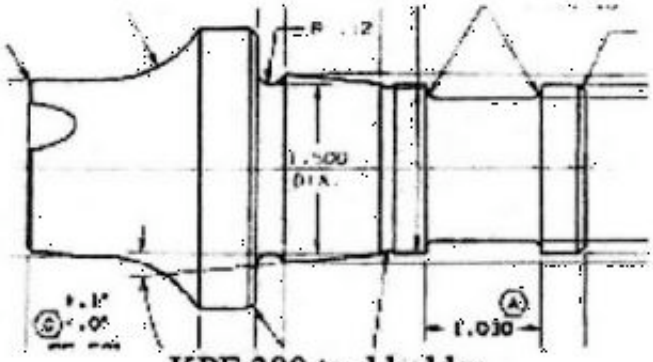


Road Milling Drum

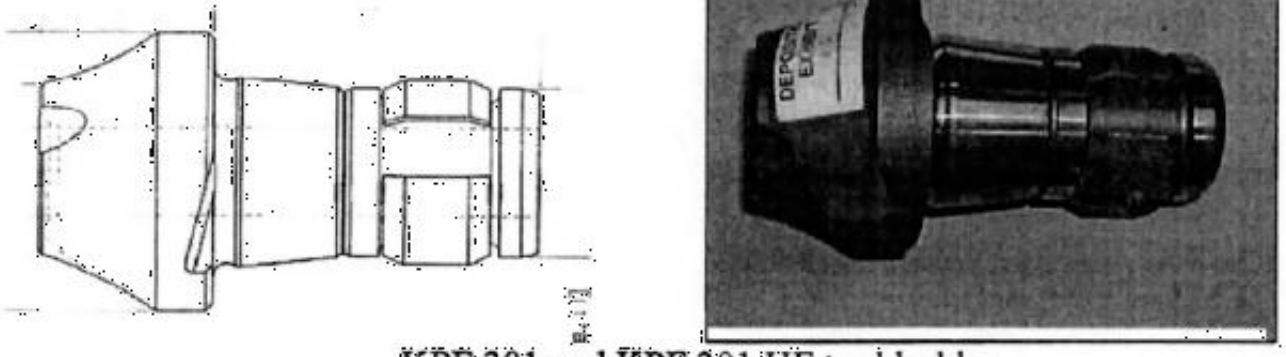
In this patent infringement action, Sollami contends that a number of products manufactured by Kennametal infringe upon certain claims of the patents-in-suit, specifically (i) the KPF 200 bit holder; (ii) the KPF 300 bit holder; (iii) the KPF 301 bit holder; (iv) the KPF 301HF bit holder; (v) the KPF 302 bit holder; and (6) the KPF 303 bit holder. Each of the accused Kennametal products is depicted below.



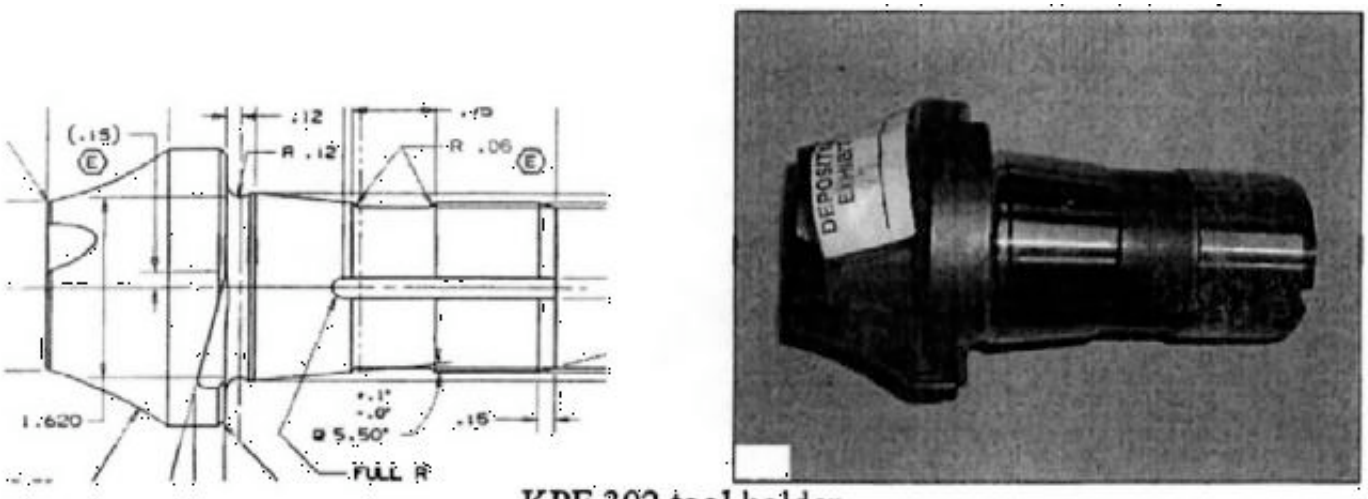
KPF 200 bushing



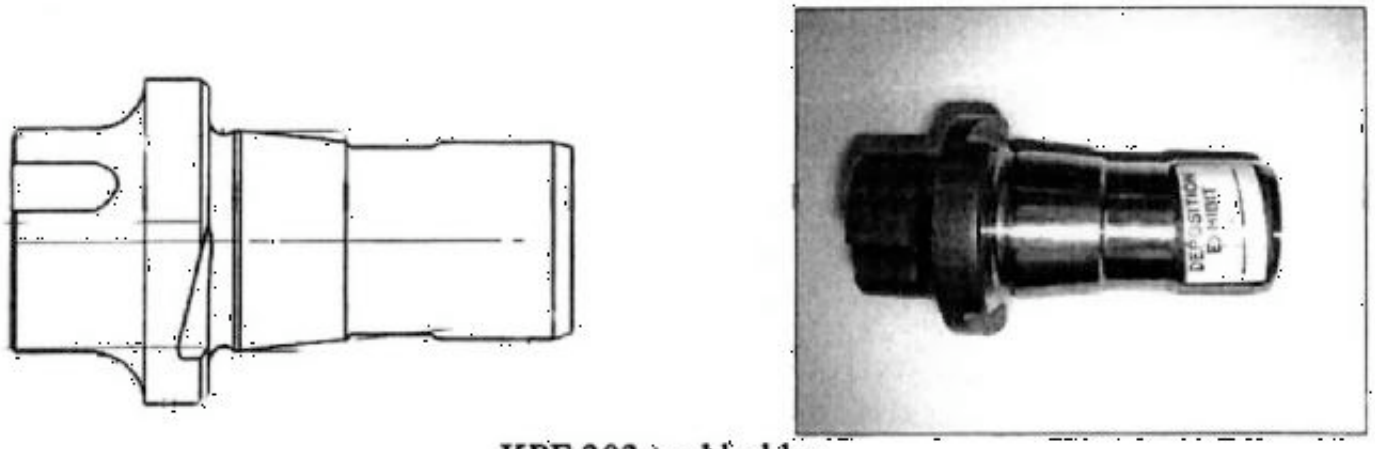
KPF 300 tool holder



KPF 301 and KPF 301 HF tool holder



KPF 302 tool holder



KPF 303 tool holder

On July 20, 2006, a *Markman* hearing was held before Special Master John K. Williamson regarding disputed claim terms. Special Master Williamson submitted a Report and Recommendation dated August 29, 2006, which he thereafter supplemented on October 17, 2006. The Report and Recommendation, as supplemented, was adopted in its entirety by Order of Court dated October 20, 2006 (the "Claim Construction Order"). Accordingly, in determining whether the accused products infringe upon the claims of the patents-in-suit, we will incorporate the claim term definitions as set forth in the Claim Construction Order.

By Stipulated Order of Court Appointing Special Master, dated March 13, 2007, the district court appointed the undersigned as Special Master for the purpose of preparing and submitting a Report and Recommendation respecting all motions for summary judgment filed by the parties. Following the completion of all fact and expert discovery, the parties filed cross-motions for summary judgment. Plaintiff Sollami seeks summary judgment that: (1) the patents-in-suit are valid, and (2) certain claim elements are present in accused Kennametal products KPF 200, KPF 302 and KPF 303.

Defendant Kennametal has moved for summary judgment on the grounds that: (1) the accused products do not infringe the claims of the patents-in-suit, either literally or through the doctrine of equivalents; and/or (2) the patents-in-suit are invalid under 35 U.S.C. s.s. 102 and 103 and/or unenforceable due to the allegedly inequitable conduct of Sollami before the U.S. Patent and Trademark Office. Kennametal also seeks partial summary judgment on the issue of damages.

For the reasons set forth below, we recommend that Kennametal's motion for summary judgment on the issue of non-infringement be granted in substantial part because the evidence establishes as a matter of law that none of the accused Kennametal products infringe, either literally or under the doctrine of equivalents, the claims of the '327 Patent or the '567 Patent. The evidence further establishes as a matter of law that the accused product KPF 200 does not infringe, either literally or under the doctrine of equivalents, the claims of the '326 Patent. On the other hand, disputed issues of fact preclude summary judgment on the issue of whether the accused products KPF 302 and KPF 303 infringe the claims of the '326 Patent and, therefore, summary judgment on this issue should be denied.

In light of our findings regarding infringement, issues regarding the validity and/or enforceability of the patents-in-suit, with the exception of the '326 Patent, have been rendered moot. With respect to the validity and enforceability of the '326 Patent, we find that the evidence does not support summary judgment for either party and, therefore, recommend that the district court deny the parties' respective motions on this issue. Furthermore, we find that Sollami's motion for summary judgment regarding the alleged presence of certain claim elements in accused Kennametal products should be denied, either as moot or due to the existence of genuine issues of material fact.

Finally, we recommend that the district court grant in part and deny in part Kennametal's partial motion for summary judgment on the issue of damages.

II. *LEGAL STANDARD-PATENT INFRINGEMENT*

The patentee has the burden of proving infringement by a preponderance of the evidence. SmithKline Diagnostics, Inc. v. Helena Labs. Corp., 859 F.2d 878, 889 (Fed.Cir.1988). In general, "a finding of infringement depends on whether the accused device falls within the scope of the asserted claims as properly interpreted." Envirotech Corp. v. Al George, Inc., 730 F.2d 753, 758 (Fed.Cir.1984). Once the claims are properly interpreted to determine their proper scope, the claims as thus interpreted must be applied to the accused device. Lantech, Inc. v. Keip Mach. Co., 32 F.3d 542, 546 (Fed.Cir.1994).

"Literal infringement requires that the accused device contain each limitation of the claim exactly; any deviation from the claim precludes a finding of literal infringement." Litton Sys. v. Honeywell, Inc., 140 F.3d 1449, 1454 (Fed.Cir.1998). "If, however, even one claim limitation is missing or not met, there is no literal infringement." MicroStrategy Inc. v. Business Objects, S.A., 429 F.3d 1344, 1352 (Fed.Cir.2005).

If an accused product does not literally infringe a patent, but there is "equivalence" between the elements of the accused product and the corresponding elements of the claimed invention, the law may find infringement under the "doctrine of equivalents." The doctrine of equivalents "allows the patentee to claim those *insubstantial* alterations that were not captured in drafting the original patent claim but which could be created through trivial changes." Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 733, 122 S.Ct. 1831, 152 L.Ed.2d 944 (2002) (emphasis supplied). In Graver Tank & Mfg. Co. v. Linde Air

Prods. Co., 339 U.S. 605, 607, 70 S.Ct. 854, 94 L.Ed. 1097 (1950), the Supreme Court set forth the underlying purpose for the doctrine:

[C]ourts have recognized that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. Such a limitation would leave room for-indeed encourage-the unscrupulous copyist to make unimportant and insubstantial changes and substitutions in the patent which, though adding nothing, would be enough to take the copied matter outside the claim, and hence outside the reach of law.

To constitute infringement under the doctrine of equivalents, "an accused device must embody exactly each claim limitation ***or its equivalent.***" Charles Greiner & Co. v. Mari-Med Mfg., Inc., 962 F.2d 1031, 1034 (Fed.Cir.1992) (emphasis supplied). Since "each element contained in a patent claim is deemed material to defining the scope of the patented invention, ... the doctrine of equivalents must be applied to individual elements of the claim, not to the invention as a whole." Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 29, 117 S.Ct. 1040, 137 L.Ed.2d 146 (1997). Moreover, the doctrine must not be "allowed such broad play as to effectively eliminate [an] element in its entirety." *Id*.

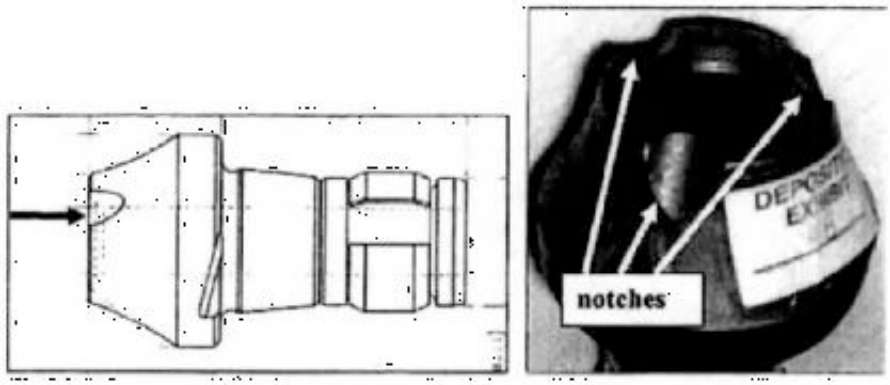
The courts generally utilize two tests in determining whether the doctrine of equivalents is applicable-the "insubstantial differences" test and the "triple identity" test. The "insubstantial differences" test requires proof of insubstantial differences between the limitations of the claimed invention and those of the accused device. Oak Tech., Inc. v. ITC, 248 F.3d 1316, 1331-32 (Fed.Cir.2001). The "triple identity" test considers whether an "element of the accused device at issue performs substantially the same function, in substantially the same way, to achieve substantially the same result, as the limitation at issue in the claim." Dawn Equip. Co. v. Kentucky Farms Inc., 140 F.3d 1009, 1016 (Fed.Cir.1998).

III. *ANALYSIS OF INFRINGEMENT CLAIMS*

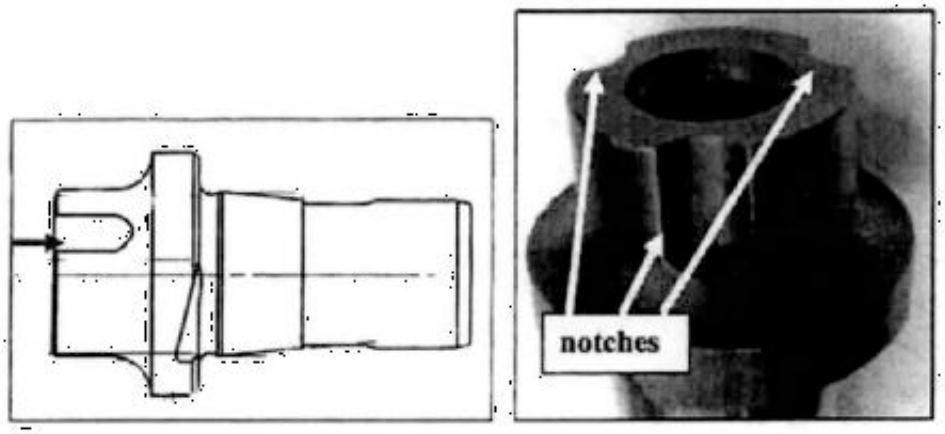
A. *The Accused Kennametal Products Do Not Infringe The* '327 Patent

Sollami alleges that each of the accused Kennametal products infringe claim 8 of the '327 Patent but has conceded, in light of the Claim Construction Order, that the products do not literally infringe the patent because they do not contain at least one "groove" on the forward surface that extends "radially outward through said forward surface to said side surface of said tool retainer." Sollami continues to contend, however, that the products infringe claim 8 under the doctrine of equivalents.

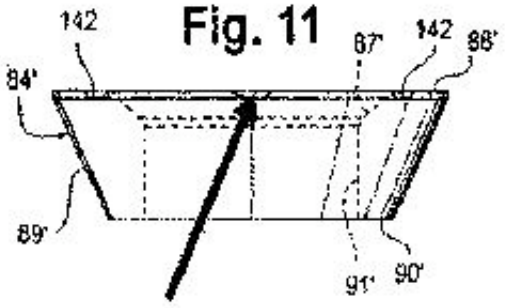
The crux of the issue is whether the "notches in the nose" of the accused products perform essentially the same function as the "grooves" described in claim 8. For purposes of comparison, a depiction of the "notches in the nose" of the accused products and of the "grooves" in Figures 11 and 12 of the '327 Patent are set forth below.

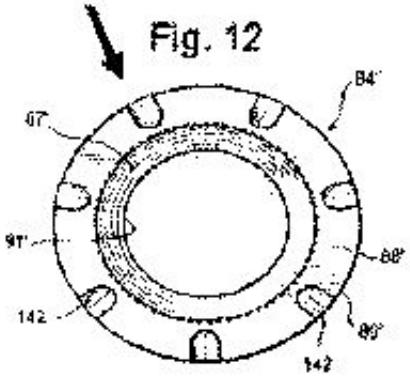


KPF 301 and KPF 301 HF



KPF 303





Figures 11 and 12 of the `327 Patent

As can be seen from the depictions, the "notches" or "grooves" in the accused products are not formed in the "front surface" of the tool holder, nor do they "extend[ ] radially outward through said forward surface to

said side surface of said tool retainer," rather, they are formed in the side of the tool holder and extend axially, i.e., parallel to the axis of the bore in the sleeve. As a result, there is no literal infringement.

Sollami contends, however, that the "notches" in the accused products perform all of the same functions, in the same way, and with the same result, as the "grooves" described in the patent. We disagree and find that the function of the "notches" in the accused products differs from the function of the "grooves" of claim 8. The function of the "grooves" is described in the patent as follows:

The grooves 142-142 provide clean out channels into which particles of material which work between the forward surface 88' and the rearward surface 130 of the flange 128 will be ejected out as the tool 122 rotates within the mounting block 70. The grooves 142-142 also reduce the surface area of surface 88', thereby reducing the friction between the forward surface 88' and the rearward surface 130, and thereby facilitate rotation of the tool 122.

In contrast, the record establishes that the function of the so-called "knock-out notches" in the accused products is to assist in the removal of the tool bit assembly from the holder. The tool bit assembly can be forced out of the tool holder by placing a punch in the notch and applying pressure to the underside of the tool bit.

Sollami argues that one of the "major purposes" of the "grooves" in claim 8 is to assist in the removal of the tool bit assembly and, in support thereof, relies upon the report of its technical expert, Edward J. Patula. We have reviewed Mr. Patula's report and deposition testimony and find it to be unpersuasive on this issue. In concluding that one of the "major functions" of the "grooves" is to provide a means for easy removal of a tool bit, Mr. Patula relies primarily on (i) the self-serving deposition testimony of Philip A. Sollami, Sollami's President and the listed inventor of the patents-in-suit; and (ii) the discussion of the "notches" on the figures in the '567 and '326 Patents wherein the function of said "notches" is specifically described as an aid in the removal of a tool bit.

We find Mr. Patula's reliance on the testimony of Mr. Sollami to be misplaced, particularly since Mr. Sollami identified in the '327 Patent the functions of the "grooves" but failed to include the alleged "knock-out" function. At the time he applied for the '327 Patent, there is no dispute that Mr. Sollami was aware that "notches" placed on a tool holder could function as a "knock-out" device, but he failed to identify such a function for the "grooves" in the '327 Patent. FN1 Similarly, Patula's reliance on the described function of the "notches" depicted in the '567 and ' 326 Patents is faulty. The "notches" identified and described in those patents have a completely different structure than the "grooves" described in the ' 327 Patent and, indeed, more closely resemble the "knock-out notches" in the accused Kennametal products. Thus, the fact that the "notches" in the '567 and '326 have a "knock-out" function does not support Sollami's claim that the "grooves" in the ' 327 Patent serve a similar function. FN2

FN1. Sollami's patent law expert, Edward L. Penkoske, testified that if Mr. Sollami was aware that the "grooves" could be used as a "knock-out" device and intended to claim the "grooves" as a "knock-out" device, he had a duty to disclose that function to the patent office.

FN2. We also find persuasive Kennametal's argument that the "result" of the two elements is different. Unlike the "knock-out notches" which can be used throughout the life of the product, the usefulness of the "grooves" in the claimed invention would be reduced and eventually eliminated as the forward surface of

the tool holder was worn down from significant use.

In sum, we find that the "knock-out notches" found in the accused products perform a substantially different function than the "grooves" described in the '327 Patent and, therefore, the accused products do not infringe claim 8 of the '327 Patent under the doctrine of equivalents.

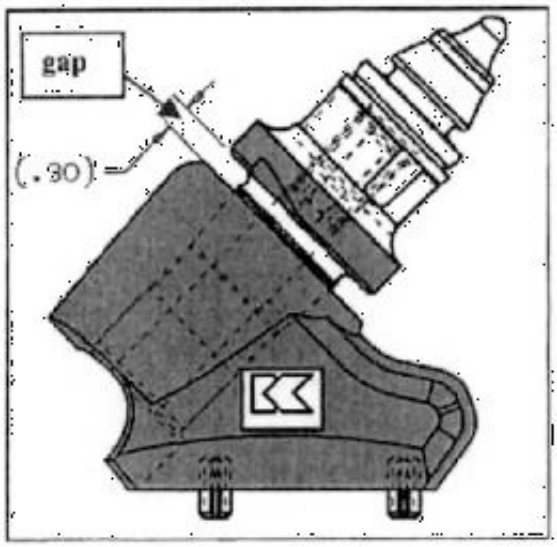
B. ***The Accused Kennametal Products Do Not Infringe The*** '567 Patent

Sollami initially alleged that Kennametal products KPF 200, KPF 302 and KPF 303 infringed claims 1-7 of the '567 Patent but has since conceded that claims 4-7 are not infringed. Thus, Sollami claims infringement of claims 1-3 only.

1. ***KPF 302 and KPF 303 Do Not Infringe Claims 1-3 of the*** '567 Patent ***Because the Annular Flange Does Not Engage the Face of the Block***

Independent claims 1 and 3 of the '567 Patent contain the following claim limitation: "a bit receiving front portion terminating at an ***annular flange for engaging*** a face of said bit block." The limitation also applies to dependent claim 2. In the Claim Construction Order, this limitation is defined to mean "the rear surface of the bit holder flange ***physically contacts*** the bit block face." (emphasis supplied). Accordingly, for the accused products KPF 302 and KPF 303 to literally infringe the '567 Patent, the annular flange on the products must physically contact the bit block face.

The record establishes, and Sollami has conceded, that the rear surface of the annular flange in the KPF 302 and KPF 303 does not engage or come into contact with the face of the bit block. Indeed, there is a gap of approximately 0.30 inch, as shown in the following depiction of KPF 303 as fully assembled.



Accordingly, these two accused products do not literally infringe the '567 Patent as a matter of law.

We also find that there is no infringement under the doctrine of equivalents. As rehearsed, for there to be an

infringement under the doctrine of equivalents, the accused device must "embody exactly each claim limitation ***or its equivalent,***" Charles Greiner & Co., 962 F.2d at 1034, and the doctrine may not be applied so as to "effectively eliminate [an] element in its entirety." *Warner-Jenkinson,* 520 U.S. at 2. In a somewhat analogous situation, the Court of Appeals for the Federal Circuit in Asyst Tech., Inc. v. Emtrak, Inc., 402 F.3d 1188, 1195 (Fed.Cir.2005), held that an element that was "unmounted" could not be the equivalent of claimed "mounted on" element:

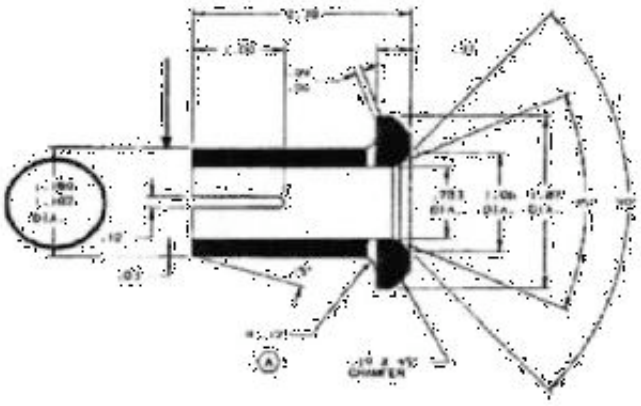
To hold that "unmounted" is equivalent to "mounted" would effectively read the "mounted on" limitation out of the patent. As the district court noted, the "all elements rule" provides that the doctrine of equivalents does not apply if applying the doctrine would vitiate an entire claim limitation.

Similarly, and because the KPF 302 and KPF 303 do not have a feature that is equivalent to the "engaging" limitation cited in the claims, application of the doctrine equivalents to this situation would improperly read the "engaging" limitation out of the patent. Accordingly, we find that the accused Kennametal products KPF 302 and KPF 303 do not infringe, either literally or under the doctrine of equivalents, claims 1-3 of the '567 Patent.

2. ***KPF 200 Does Not Infringe Claims 1-3 of the*** '567 Patent ***Because It Does Not Have a Shank Portion Including a Declining Taper From the Flange to the Distal End***

Claims 1-3 of the '567 Patent each contain the following limitation: "shank portion including a declining taper from adjacent said annular flange to adjacent distal end thereof." This limitation was construed in the Claim Construction Order to mean "that the shank tapers from a first diameter adjacent to the flange to a second smaller diameter near the distal end but not necessarily uniformly or continuously."

We find that the KPF 200 does not have a shank with a "declining taper," but rather has a shank that is perfectly cylindrical, as shown below. Accordingly, the KPF 200 does not literally infringe claims 1-3 of the '567 Patent.



KPF 200 Manufacturing Drawing

Sollami argues that, pursuant to the definition in the Claim Construction Order, the KPF 200 has a shank

with a "declining taper" because the "transition radius" from the flange to the shank allegedly constitutes part of the shank and, therefore, the "first diameter adjacent to the flange" is greater than the second diameter near the distal end."

We reject this argument. First, we find that the transition radius is a separate and distinct element and does not constitute part of the shank or the flange. As its name explicitly provides, the transition radius constitutes the transitioning area between the flange and the shank. Indeed, Mr. Patula, Sollami's technical expert, identified the transition radius as a separate element (Element C) in his report. Although Mr. Patula also concluded that the transitioh radius "is more appropriately considered part of the shank," he provided no basis or other rationale to support that conclusion, and we find it to be unpersuasive. Second, even if the transition radius were deemed part of the shank, the depiction above establishes that the shank cannot, under any reasonable interpretation of the word, be deemed to "taper" from the flange to the distal end of the shank. FN3 The common meaning of the word "taper" is to "become ***gradually*** smaller toward one end." *See* WEBSTER'S Third New International Unabridged Dictionary. Even assuming for purposes of argument that the transition radius is part of the shank, the shank does not "become gradually smaller" from the flange to the distal end, rather, it "tapers" ***immediately adjacent to the flange*** and then is perfectly cylindrical through the distal end of the shank. Moreover, the cylindrical portion of the shank runs nearly its entire length, and is approximately 16 times longer than the transition radius. FN4 Accordingly, KPF 200 does not literally infringe claims 1-3 of the ' 567 Patent.

FN3. The Claim Construction Order does not define the word "taper" but uses the word in defining the claim limitation (the limitation "means that the shank ***tapers*** from a first diameter adjacent to the flange to a second smaller diameter near the distal end ...").

FN4. The "tapering" portion (the transition radius) is only 0.12 inch, while the "cylindrical" portion (the shank) is nearly 16 times larger at 1.89 inches.

Kennametal further argues that the KPF 200 does not infringe under the doctrine of equivalents because the cylindrical fit of the KPF 200 is "structurally and functionally different than the 'declining taper' claim in the '567 Patent." One such difference is the fact that a cylindrical fit cannot become a "locking interference" fit as claimed in the '567 Patent. Sollami does not appear to seriously dispute that there is no infringement under the doctrine of equivalents and, in any event, we find as a matter of law that the KPF 200 does not infringe claims 1-3 of the '567 Patent, either literally or under the doctrine of equivalents.

C. *KPF 200 Does Not Infringe the* '326 Patent ***as a Matter of Law; Genuine Issues of Material Fact Exist that Preclude Summary Judgment with Respect to the Remaining Accused Products***

Sollami asserts that Kennametal products KPF 200, KPF 302 and KPF 303 infringe claims 1-15 of the 52C326 Patent.

1. *The KPF 200 Does Not Infringe the* '326 Patent ***Because it Does Not Have a Frustoconical Front Portion***

Kennametal contends that the KPF 200 does not infringe the '326 Patent because it does not contain a "generally frustoconical bit holder front portion terminating at an annular flange." This limitation is found in independent claims 1, 6 and 11, and is also a requirement in each of the dependent claims.

Kennametal argues that the KPF 200 does not have a "front portion" at all, and merely has an annular flange with a beveled front edge. In response, Sollami argues that the beveled front edge of the annular flange ***is*** the frustoconical front portion. Reference to the Specifications of the '326 Patent, along with Figure 3 therein (which is shown below), is instructive on this issue.

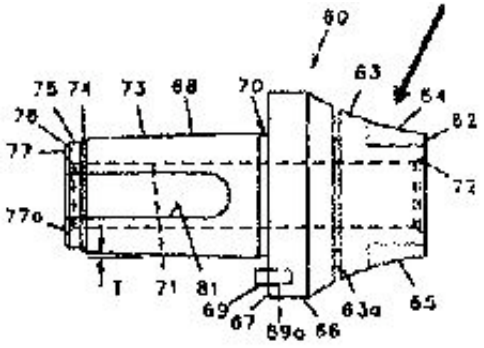


FIG.3

Figure 3 depicts an embodiment of the claimed invention and shows both a generally frustoconical front end (63) and an annular flange (66). Figure 3 and the Specifications that describe it make clear that the ***front end portion*** of the bit holder terminates at the groove (63a) and that, like the KPF 200 bit holder, the annular flange of the embodiment ***has a beveled front edge.*** Stated another way, the '326 Patent demonstrates that the inventor considered the frustoconical front portion to be an element that was separate and distinct from the beveled annular flange. *See also,* Figure 2 of the '326 Patent (element 33 shown as a flange with a beveled or tapered edge). Therefore, we find as a matter of law that the KPF 200 does not have a "frustoconical front portion" and does not literally infringe the '326 Patent.

Kennametal further argues that the KPF 200 does not infringe the '326 Patent under the doctrine of equivalents because of the various functions performed by the frustoconical front portion in the invention described in the '326 Patent, including (i) acting as a buffer to protect the sleeve and block from impact stresses during use; (ii) providing an area for bit removal notches; and (iii) providing an area for a predetermined failure point. Kennametal asserts that none of these functions are performed by the annular flange on the KPF 200. In addition, Kennametal states that the lack of a front portion on the KPF 200 allows for easy removal of the bit from the rear of the assembly, which could not be accomplished in the '326 Patent design.

We find Kennametal's arguments on this issue to be persuasive, particularly in view of the fact that neither of Sollami's experts addressed this particular issue in their respective reports and Sollami has not attempted to counter Kennametal's argument in its summary judgment filings. Accordingly, the KPF 200 does not infringe claims 1-15 of the '326 Patent and we recommend that summary judgment on the issue be entered in favor of Kennametal.

2. ***Genuine Issues of Material Fact Exist that Preclude Summary Judgment on Whether KPF 302 and KPF 303 Infringe the*** '326 Patent

Kennametal asserts that the evidence establishes, as a matter of law, that Kennametal products KPF 302 and KPF 303 do not infringe claims 1-15 of the '326 Patent. In support, Kennametal argues that (i) the front portions of KPF 302 and KPF 303 are not "generally frustoconical," (ii) the shank portions of the two accused products are not "generally cylindrical," and (iii) the products do not provide for an interference fit by the C-shaped portion that is "sufficient" to maintain the bit holder in the bit block. We will address each of these arguments in turn.

a. "*Generally Frustoconical*"

Independent claims 1, 6 and 11 of the '326 Patent include the limitation "generally frustoconical bit holder front portion terminating at an annular flange." The limitation also applies to their respective dependent claims-2, 3, 4, 5, 7, 8, 9, 10, 12, 13, 14 and 15. Kennametal contends that neither the KPF 302 nor the KPF 303 bit holders infringe the '326 Patent because they allegedly do not have a front portion that is "generally frustoconical." FN5

FN5. Sollami has also moved for summary judgment on this issue and contends that the front portion of the KPF 302 and KPF 303 is "generally frustoconical" as a matter of law.

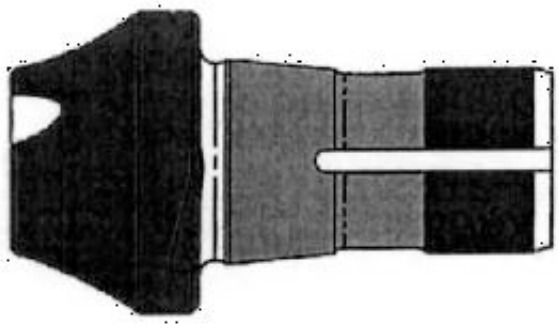
The Claim Construction Order defined "generally frustoconical" to mean "having a shape that in its overall impression resembles the frustum of a cone." Notably, the Order states that the term "does not carry a limitation that the sides of the shape must be defined by straight lines." An example of a frustum of a cone is depicted below.

Comparing the front portions of the KPF 302 and KPF 303 bit holders (depictions of the products are set forth in the following section relating to "generally cylindrical") to a frustum, we find that persons of ordinary skill in the art could reasonably differ on the issue of whether said front portions are "generally frustoconical." Although the front portions clearly do not match the shape of a frustum of a cone exactly, one of ordinary skill in the art could reasonably determine that the "overall impression" of the front portions *resembles* a frustum of a cone. Accordingly, summary judgment on this issue is not appropriate and should be denied.

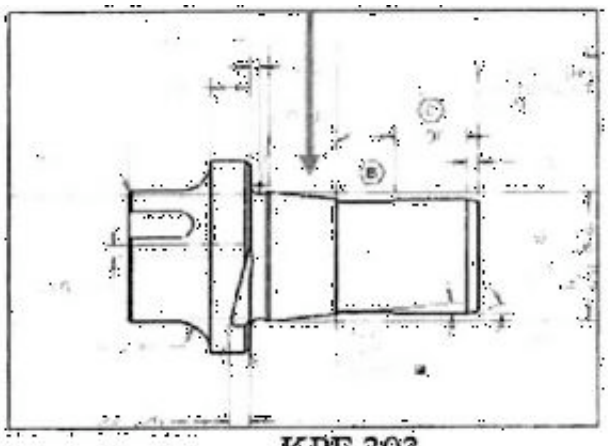
b. "*Generally Cylindrical*"

Similarly, Kennametal argues that the shank portions of KPF 302 and KPF 303 are not "generally cylindrical," a limitation of all of the claims of the ' 326 Patent. The shank portions of KPF 302 and KPF

303 are depicted below.



KPF 302



KPF 303

The Claim Construction Order defines "generally cylindrical" to mean "having a shape that in its overall impression resembles a cylinder." Kennametal argues that, because the shanks are comprised of several sections and include a tapered portion, they are not "generally cylindrical" as a matter of law. We disagree. For the same reasons that we rejected Kennametal's argument regarding "generally frustoconical," we find that a genuine issue of fact exists as to whether the "overall impression" of the shanks ***resemble*** a cylinder, and hold that one of ordinary skill in the art could so conclude. Therefore, summary judgment on this issue should be denied.

c. *C-Shaped Portion "Sufficient" to Maintain the Bit Holder in the Block*

Finally, Kennametal argues that the KPF 302 and KPF 303 do not literally infringe the claims of the '326 Patent because the C-shaped portion of the shanks in those products allegedly are not "sufficient," by themselves, to maintain the bit holder in the block. Independent claims 1 and 11 of the ' 326 Patent provide that the "outer surface of said C-shape portion providing interference with said second bore on said bit block ***sufficient*** to maintain said bit holder in said bit block during use." (emphasis supplied).FN6

FN6. Independent claim 6 contains similar language.

Kennametal does not deny the existence of the C-shaped portion in the shanks of the accused products, rather, it contends that the C-shaped portion is not "sufficient" to hold the bit holder in the bit block and that the tapered or frustoconical portion of the shanks of these products assist in holding the bit holder in the bit block during use.

We find that genuine issues of material fact exist with respect to this issue. In response to Kennametal's argument, Sollami conducted its own test on a modified KPF 303 bit holder to determine whether the tapered or frustoconical portion of the shank assisted in holding the bit holder in the block during use. Based upon this test, Sollami's expert, Mr. Patula, concluded that the tapered shank portion did not assist in holding the bit holder in the block and was, rather, merely a "locating or seating" taper. Although Kennametal denies

the relevancy of this test because the KPF 303 was modified and was not tested "in use," we find that Sollami has raised a genuine issue of material fact on this issue so as to preclude summary judgment.

For all of these reasons, we recommend that the district court deny Kennametal's motion for summary judgment on the issues of whether the KPF 302 and KPF 303 infringe claims 1-15 of the '326 Patent.FN7

FN7. Kennametal has also moved for summary judgment on the basis that the '326 Patent is invalid as being obvious over certain prior art. Sollami, on the other hand, has moved for summary judgment that the Patent is valid. We have carefully considered the arguments on this issue, as well as the evidence of record and expert testimony that pertains to it, and conclude that disputed issues of material fact preclude summary judgment as to whether or not the '326 Patent is valid under 35 U.S.C. s. 103(a). For the same reasons, we deny Kennametal's motion that the '326 Patent is unenforceable due to the alleged inequitable conduct of Sollami before the patent office.

IV. *DAMAGES*

Kennametal has also moved for partial summary judgment on several issues relating to damages. We address those arguments in turn.

First, Kennametal argues that, because Sollami did not provide Kennametal with "actual notice" of alleged infringement of the patents-in-suit until it filed the Complaint in this action, Sollami' damages are limited to those that occurred after the filing pursuant to 35 U.S.C. s. 287(a). We disagree. Section 287(a) provides as follows:

Patentees ... may give notice to the public that same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure to so mark, no damages shall be recoverable 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. Filing for an action of infringement constitutes such notice.

Pursuant to the plain language of this statute, "actual notice" of alleged infringement is required ***only*** where the patented article, or its packaging, is not properly marked. Here, Sollami has presented evidence that the packages of the patented products were properly marked as required by s. 287(a). Thus, Kennametal's motion for summary judgment on this issue should be denied.

Next, Kennametal contends that Sollami's damages cannot, as a matter of law, include lost sales of milling bits as "convoyed sales." Sollami's damages expert included an estimated number of milling bits that it contends Sollami would have sold "as part of an integrated package" that included its patented bit holders and bit blocks, but for the infringing conduct of Kennametal. We agree with Kennametal that such damages are not appropriate.

Under the "entire market value" rule, a patentee may recover damages "on unpatented components sold with a patented apparatus" if the patentee can establish "that the entire value of the whole machine, as a marketable article, was properly and legally attributable to the patented feature." Rite-Hite Corp. v. Kelley

Company, Inc., 56 F.3d 1538, 1549-50 (Fed.Cir.1995). Stated another way, the "entire market value" rule "permits recovery of damages based on the value of a patentee's entire apparatus containing several features when the patent-related feature is the 'basis for customer demand.' " *Id*. Although the rule has typically been applied when the unpatented and patented components are physically part of the same machine, it:

has been extended to allow inclusion of physically separate unpatented components normally sold with the patented components. However, in such cases, the unpatented and patented components together were considered to be components of a single assembly or parts of a complete machine, or they together constituted a functional unit.

Id. (internal citations omitted).

Kennametal argues that the "entire market value" rule is only applicable to ***unpatented*** components that are sold along with the patented components and, therefore, it does not apply here because Kennametal's milling bits are patented. We agree. As the cited language above makes clear, "convoyed sales" must relate only to unpatented products or components. Accordingly, we recommend that summary judgment be granted in favor of Kennametal on this issue.FN8

FN8. Notably, Sollami did not file any response to Kennametal's arguments on this issue.

Kennametal also moves for summary judgment that Sollami is not entitled to its lost profits as a measure of damages. To obtain lost profit damages, Sollami must establish the following elements: "(1) demand for the patented product, (2) absence of acceptable noninfringing substitutes, (3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of the profit he would have made." Panduit Corp. v. Stahlin Brothers Fibre Works, Inc., 575 F.2d 1152, 1156 (6th Cir.1978). We have reviewed the testimony of Philip A. Sollami and Sollami's damages expert and conclude that Sollami has adduced sufficient evidence of each of these elements to allow this issue to go to a jury. Accordingly, summary judgment should be denied.

Finally, Kennametal argues that Sollami has not adduced "clear and convincing" evidence of willful infringement to entitle it to enhanced (treble) damages under 35 U.S.C. s. 284. We disagree and find, pursuant to the teachings of the Federal Circuit in In re Seagate Technology, LLC, 497 F.3d 1360 (Fed.Cir.2007) that Sollami has adduced sufficient evidence of "willfulness" to avoid summary judgment.

V. *CONCLUSION*

For the reasons stated above, we find as a matter of law that: (i) none of the accused Kennametal products infringe claim 8 of the '327 Patent; (ii) Kennametal products KPF 200, KPF 302 and KPF 303 do not infringe claims 1-7 of the '567 Patent; and (iii) Kennametal product KPF 200 does not infringe claims 1-15 of the '326 Patent. Accordingly, we recommend that summary judgment on each of these claims be entered in favor of Kennametal.

Furthermore, with respect to damages, we find that the "entire market value" rule is inapplicable to Kennametal's sales of milling bits. Therefore, Sollami is not entitled to include such sales in its damage calculation and Kennametal's summary judgment motion on this issue should be granted. With respect to all other issues raised by the parties, we find that genuine issues of material fact exist such that summary

judgment is not appropriate and, therefore, we recommend that the district court deny the summary judgment motions in those respects.

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