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Contributory Infringement Missed in the Fog

Friday, July 30, 2010
by: [Michael J. Keller](#)

The U.S. Court of Appeals for the Eleventh Circuit upheld a jury award of attorneys' fees and interest of \$4.4 million in a malicious prosecution case. *Mee Industries v. Dow Chemical Company*, Case 1:08-16747 (11th Cir., June 15, 2010) (Anderson, J.).

Appellant Mee won an infringement suit filed by Dow and then sued Dow for malicious prosecution. On appeal Mee argued the lower court erred by granting Dow's motion excluding punitive damages and excluding evidence of Mee's loss of goodwill. Dow's cross appeal argued that the court erred by denying Dow's motions on the issues of lack of probable cause and its advice of counsel defense.

Dow's patents in the underlying infringement suit claimed methods of using nebulized water particles to increase the output of gas turbines. Dow met with Mee seeking to license the patents. Mee provided Dow with information on Mee's fogging systems for use in the power generating field, including a user's manual and information on Mee's installations. Dow's in-house counsel opined that Mee's system infringed under certain conditions. The matter was subsequently referred to outside counsel who formally opine on infringement before filing suit.

At the initial trial, the district court ruled that representative claims of both patents were obvious and that the claims were not infringed either directly or via contributory infringement. This ruling was upheld in part by the Federal Circuit in finding certain claims of Dow's patents obvious, but overruling the trial court with respect to invalidity and infringement for two dependent claims. [*Dow Chem. Co. v. Mee Indus, Inc.*, 341 F.3d 1370, 1376 (Fed. Cir. 2003).] On remand, Dow failed to introduce evidence that Mee's customers infringed any claims. Central to these two cases is the concept that method claims can only be infringed by the party actually performing the method, in this case Mee's customers.

Mee's malicious prosecution case alleged that Dow knew that Mee could not directly infringe the patent and therefore lacked a reasonable basis to sue for infringement. Mee sought damages for a failed sale of the company, attorneys' fees and punitive damages. During its pretrial statement, Mee asked for the loss of goodwill resulting from the patent litigation. Dow had conceded in the infringement case the need to prove that Mee's customers were infringing and that Mee either induced or contributorily infringed. The central issue in the malicious prosecution case was whether Dow lacked a reasonable basis for pursuing claims against Mee. While Dow, through counsel, construed the claims and evaluated whether Mee's

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equipment could perform the claimed method, counsel failed to assert that any of Mee's customers were infringing. The Federal Circuit affirmed on this issue finding there were material issues of fact properly left for a jury to decide. Absent an explicit statement finding infringement by Mee's customers, the jury had support to find Dow lacked reasonable suspicion that Mee's customers were infringing.

As to Dow's advice of counsel defense, the Court held that since Dow's opinion of counsel did not address any theory of indirect infringement (a required element of its case), a jury could find that Dow did not rely on the opinion. Dow argued that teaching the steps of a method is sufficient to state a claim for inducement of infringement. Because there were issues of fact, this was properly for a jury to decide and the Court affirmed the jury. With respect to punitive damages, the grant of Dow's motion excluding punitive damages was affirmed, finding the issues were close enough to put to a jury and as such could not allow a jury to find liability for punitive damages under a higher clear and convincing standard. With respect to Mee's claim for goodwill, Mee failed to timely advise of its claim as required by the statute.

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