

Appellant's Brief

BRIEF OF APPELLANT

IN THE
United States Court of Appeals
FOR THE FEDERAL CIRCUIT

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

OCT 25 1988

Appeal Nos. 88-1574, -1575

FRANCIS X. GINDHART
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BEATRICE FOODS CO.,

Plaintiff-Appellee,

v.

NEW ENGLAND PRINTING AND LITHOGRAPHING COMPANY,

Defendant-Appellant.

Appeals from a Judgment and Order of the United States
District Court for the District of Connecticut
Honorable Thomas F. Murphy, Senior District Judge

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TABLE OF ABBREVIATIONS

The following abbreviations are used in this brief:

<u>Abbreviation</u>	<u>Explanation</u>
PTO	United States Patent and Trademark Office
New England	New England Printing and Lithographing Co.
Webcraft	Collective reference to Beatrice Foods Co., Webcraft Packaging Co., and Webcraft Technologies, Inc.
'817 Patent	United States Patent No. 3,665,817
'673 Patent	United States Patent No. 3,713,673
'273 Patent	United States Patent No. 3,743,273

The following citation forms are used in this brief:

<u>Citation</u>	<u>Explanation</u>
(A ___)	Joint appendix at page ___.

CERTIFICATE OF INTEREST

Counsel for the appellant New England Printing and Lithographing Co. certifies the following:

1. The full name of every party or amicus represented by me is:

New England Printing and Lithographing Company.

2. The name of the real party in interest represented by me is:

New England Printing and Lithographing Co. now known as Buyers' Guide Inc., a North Carolina Corporation.

3. The publicly held affiliates of any corporate party or amicus represented by me are:

Journal Communications Inc. which is a privately held company owned by current and retired employees.

4. The names of all firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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STATEMENT OF RELATED CASES

Counsel for Defendant-Appellant New England Printing and Lithographing Co. submits the following statement pursuant to Rule 47.5 of this Court.

The Civil Action in Appeal No. 88-1574 has previously been before this Court on appeal in Beatrice Foods Co. v. New England Printing and Lithographing Co., Appeal No. 84-1284 (Fed. Cir. December 21, 1984) (before Newman and Bissell, Circuit Judges and Cowen, Senior Circuit Judge).

A class action infringement case involving the same patents at issue here is pending in the United States District Court for the Northern District of Illinois, Eastern Division: Webcraft Technologies, Inc. v. Alden Press, Inc., Brookshore Litho, Inc., Excello Press, Inc., Web Letters, Inc., The Wessel Co., Inc., on behalf of themselves individually and representing all others similarly situated, Civil Action No. 85 C 3369.

STATEMENT OF JURISDICTION

Counsel for the Defendant-Appellant New England Printing and Lithographing Co. submits the following statement pursuant to Rule 47.6 of this Court.

In Appeal No. 8P-1574, the final judgment of the district court was entered on July 14, 1982. This judgment was entered after October 1, 1982 and it is based, in whole or in part, on 28 U.S.C. § 1338. Therefore, the Court of Appeals for the Federal Circuit has exclusive appellate jurisdiction. 28 U.S.C. § 1295(a)(1); Atari, Inc. v. JS&A Group, Inc., 747 F.2d 1422, 1429, 223 USPQ 1074, 1079 (Fed. Cir. 1984); Yarway Corp. v. Eur-Control U.S.A., Inc., 775 F.2d 268, 273, 227 USPQ 352, 355 (Fed. Cir. 1985). The Notice of Appeal was timely filed on July 25, 1988 within 30 days after the date of entry of the judgment. 28 U.S.C. § 2107; Fed. R. App. P. 4.

In Appeal No. 88-1575, the district court approved the Bill of Costs, Expenses and Attorney Fees pursuant to Court Order Under 28 U.S.C. § 1927 on July 19, 1988 and it was filed on July 20, 1988. This judgment was entered after October 1, 1982 and it is based, in whole or in part, on 28 U.S.C. § 1338. Therefore, the Court of Appeals for the Federal Circuit has exclusive appellate jurisdiction. 28 U.S.C. § 1295(a)(1); Atari, Inc. v. JS&A Group, Inc., 747 F.2d 1422, 1429, 223 USPQ 1074, 1079 (Fed. Cir. 1984); Yarway Corp. v. Eur-Control U.S.A., Inc., 775 F.2d

268, 273, 227 USPQ 352, 355 (Fed. Cir. 1985). The Notice of Appeal was timely filed on August 17, 1988 within 30 days after the date of entry of the Order. 28 U.S.C. §2107; Fed. R. App. P. 4.

I. STATEMENT OF THE ISSUES

1. Can the entire amount of an infringer's gross sales of infringing products be the measure of the patentee's damages, when such amount is not based upon the patentee's lost profits or any other articulated legal standard?

2. Was New England (the infringer) afforded a fair determination of damages by an impartial judge?

3. Can attorneys who file motions contemplated by a scheduling order be penalized under 28 U.S.C. § 1927, in the absence of any proof that they acted in bad faith or to cause delay?

II. STATEMENT OF THE CASE

A. Nature Of The Case

This is the appeal from a judgment (A9) and an order (A14-17) entered in the accounting phase of a patent infringement case. In the liability phase, Judge Thomas F. Murphy, a senior judge from the Southern District of New York, sitting by designation in the District of Connecticut, held that New England had infringed three Webcraft¹ patents relating to the production of certain multi-page pamphlets which include an envelope as an integral part, and granted attorney fees. (A632-43; 224 U.S.P.Q. 982-93) This Court affirmed on the merits and vacated the award of attorney fees and remanded for consideration of whether this was an "exceptional" case. (A644-45) Judge Murphy decided that the case was not exceptional and that no award of attorney fees was appropriate. (A646-47) Proceedings on the damage phase followed.

On July 11, 1988, Judge Murphy issued a decision that Webcraft was entitled to judgment against New England for over \$40 million (that included prejudgment interest at 10%), a figure he based on what he thought to be New England's gross sales of both infringing and certain other products. (A1-8) Three days later, the clerk entered judgment in accordance with that decision. (A9)

¹ The suit was originally brought by Beatrice Foods Co. on behalf of Webcraft Packaging Co., at the time a division of Beatrice. This division later became a subsidiary under the name Webcraft Technologies, Inc. Webcraft Technologies, Inc. is presently a privately owned corporation, and is the real party in interest. Therefore, the plaintiff-appellee will be referred to hereinafter as "Webcraft."

These consolidated appeals are from that judgment (A9) and from an order, under 28 U.S.C. § 1927, awarding Webcraft its costs and attorney fees in the amount of \$17,754.99 in connection with pretrial motions. (A14-17).

The principal issue tried in the accounting phase was the appropriate measure of damages: whether the measure should be Webcraft's lost profits or a reasonable royalty as to some or all of the sales of the infringing products. Although the quantity of sales was in issue, the parties eventually reduced the level of their disagreement on the number of infringing products to about 3 million out of more than 950 million products sold. Other issues at trial, in addition to the measure of damages, included whether Webcraft satisfied marking requirements, whether there were convoyed sales and whether sales of products that infringed a claim which was not asserted in the liability case should be included in the damages calculation.

B. Course Of Proceedings And Statement Of Facts²

1. Proceedings Leading To The Accounting Trial

Following Judge Murphy's determination in June 1985 that the infringement had not been willful and that Webcraft was not entitled to the attorney's fees (A646-47), the parties engaged in discovery on the accounting issues. At no time during the discovery period did Webcraft (which was itself taking

² In New England's view, the relevant facts here are primarily what occurred in the district court. Accordingly, the Course of Proceedings and the Statement of Facts are combined.

discovery) or Judge Murphy suggest that New England was dragging its feet or otherwise interfering in any way with the timely disposition of the accounting issues.

On July 23, 1987, in the course of a pretrial conference, New England proposed an accounting pretrial order, the form of which Webcraft agreed to and Judge Murphy signed on August 10. (A650-51) That order provided that summary judgment motions or "any other motion[s] to eliminate or simplify the issues" were to be filed by August 28, and that responsive memoranda were to be filed within 20 days thereafter. (A650-51) On July 22, the day before the pretrial conference, Webcraft had filed a motion for partial summary judgment on the issue of patent marking. (A652-95) New England interpreted the accounting pretrial order to apply to Webcraft's pending motion because the motion sought to eliminate an issue, as well as to others both parties would file, so that a response to the newly filed motion and all others could be filed up to 20 days after August 28. (A738-49) While this interpretation may have been incorrect, it was made in good faith. Neither Webcraft nor Judge Murphy ever suggested to the contrary. New England informed the court on August 17 that it so interpreted the order, when the district court clerk called to inquire whether New England intended to respond to Webcraft's motion. (A738-49).

In fact, New England had planned to and did raise the same questions in one of its pretrial motions and had combined its response to Webcraft's marking motion with the memorandum supporting its own motion, which it filed on August 28. (A757-

811) Unknown to New England, Judge Murphy had, on August 25, without warning to New England, granted Webcraft's motion solely on the ground that New England had defaulted by failing to file a timely response. (A699).

Notice of that decision did not reach New England until August 31. (A703; A747-48) New England immediately moved to set aside the order. (A700-730) Webcraft opposed the motion to set aside the default, but did not point to any prejudice if its patent marking motion were to be considered on the merits. (A731-37) On October 22, Judge Murphy denied the motion to set aside the default. (A750) He gave no reason for his decision.

On August 28, in addition to filing its response to Webcraft's marking motion, New England filed four motions of its own, each of which sought to limit the issues at trial or to obtain pretrial rulings on questions likely to arise during trial. These were a motion for summary judgment to limit the relevant time period for the accounting (marking and notice) (A757-811); a motion to admit evidence relating to reasonable royalties (in view of Webcraft's indication it would object to such evidence) (A837-92); a motion for partial summary judgment on the issue of prejudgment interest (A913-28); and a motion to limit proofs regarding increased damages. (A953-65) Webcraft filed two more pretrial motions on August 28, a motion under Rule 408 to exclude evidence of a Webcraft license and offers to license (A979-1000), and another for partial summary judgment on the issue of adequate compensation under 35 U.S.C. § 284. (A1030-66).

None of the motions filed by either party was an unusual motion for a patent case. All were directed to active evidentiary disputes. Webcraft had not claimed that the motions filed by New England were unreasonable or "vexatious." Rather, Webcraft's responses to New England's motions treated them as the serious attempts they were to raise legal issues for resolution before trial.³

On November 17, 1987, Judge Murphy issued a decision on the outstanding pretrial motions. (A10-13) Without discussing the merits of any of the motions, he denied all of New England's motions and granted all of Webcraft's motions. (A10-13). He denounced the number (and supposed weight) of New England's papers (Webcraft had also filed an extensive set) and ordered its attorneys to pay Webcraft costs under 28 U.S.C. § 1927 for "multiplying the proceedings unreasonably and vexatiously."⁴ (A10-13).

The tone of the language used by Judge Murphy is noteworthy. After mentioning his decision in the liability phase, Judge Murphy wrote:

Now almost three years later we are faced with plaintiff's efforts to get what belongs to it - namely, some of defendant's money, but unfortunately, all that it has been getting is lawyer's talk and postponing or stalling in the payment of the money defendant owes by using plaintiff's patents. (A10).

³ Solely to show that its and Webcraft's submissions on these motions were of the character referred to herein, New England is moving for leave to include them in the Appendix.

⁴ The ultimate order fixing the amount of those costs is the subject of Appeal No. 88-1575.

Judge Murphy characterized New England's filing of its pretrial motions (and apparently its opposition to Webcraft's pretrial motions) as "resisting an accounting," an attempt to "stall defendant's day of reckoning" and "outrageous." (A10-13) He concluded, without reason, that all of New England's motions were made "for the purpose of delaying the eventual payment of a great deal of money" by New England (emphasis added). (A13) The judge made the following remarks:

Such wanton activity by defendant's counsel recalls for us the book TEN THOUSAND A YEAR, by Samuel Warren, published in 1841, relating to an action in ejectment by a Mr. Titmouse.⁵

(All) Judge Murphy further stated that "we assume" that all New England's motions had been made "from pure spite." (All).

2. The Damages Decision

In his decision of July 11, Judge Murphy began by stating that Webcraft was seeking "money damages from defendant to compensate for its wilful infringements." (A1) In his earlier decision on attorney fees, Judge Murphy had found that Webcraft had failed to prove that the infringement was either willful or deliberate. (A646-47).

Judge Murphy repeatedly said in his decision that New England had intentionally and "cowardly" destroyed documents, suggesting further that its counsel be investigated by the Connecticut Bar Association. (A2; A4) There was no evidence that

⁵ Thus, Judge Murphy equates New England's attorneys with some of literature's sleaziest lawyers, descriptively named Oily Gammon, Quicksilver, Lynx, Mortmain, Bluster, Slang and Traverse, who prevail in a scheme of fraud and forgery for their witless client, Tittlebat Titmouse.

S. Warren, Ten Thousand A Year (1841), chapters XII and XIII.

the documents had been intentionally destroyed and nothing to suggest that counsel was in any way connected with any document destruction or had any contemporaneous knowledge of it. What testimony there had been (in the liability phase), had suggested that the papers had been disposed of in the routine business of New England and when it discontinued business in February 1983. (A281-82).

Judge Murphy made clear that he thought New England had the burden of proof on the damages issue. He found it "surprising[]" that New England would argue that Webcraft had failed to prove that it would have made the sales New England made, adding that New England "knows that the sales it made could not have been made by it without first stealing plaintiff's property." (A2-3) At another point, he characterized New England's argument that Webcraft had the burden of showing that it would have made the same sales as "insult[ing] honesty in favor of larceny." (A5) He failed to note that Webcraft had previously granted an arch competitor a paid up license for \$80,000.00 and that there were other competitive products.

Several times Judge Murphy suggested that New England had acted in a fraudulent or criminal manner, referring to the infringement he had earlier found was not willful as "stealing" and calling New England a "thief." (A1-6) He suggested, without any basis in the record and contrary to fact, that New England had a Swiss bank account and "a swollen bank balance" and implied that New England had engaged in tax evasion, referring at one point to "the investigation by the United States which we will

invite." (A3-4) At another point, he wrote, "Perhaps the IRS might help defendant explain what taxes are due from its windfall." (A4)

Although Judge Murphy had told counsel that there was no page limitation on post-trial briefs (A570-71), he repeatedly disparaged New England's counsel for submitting a 61-page brief and described the brief as "only one of the outrageous incidents in this case." (A2) He even expressed irritation that the brief had been signed by "the last named partner in defendant's law firm." (A2) The lawyer named had not signed the brief; New England's lead counsel had.

The decision culminated in Judge Murphy's conclusion that he should award as damages \$22,107,837.69 (plus interest), representing New England's gross sales,⁶ because, he said, that was "exactly how much the thief stole." (A1-8) His rationale was apparently that "everything [New England] received on its sales was profit because it had no cost to subtract." (A3-4) The decision did not even mention Webcraft's lost profits.

Webcraft had only asked for damages based on its own lost profits. It's post-trial reply brief sought an award (likewise before interest, but including double damages and attorney fees) of \$6,980,436.28. (Plaintiff's Post Trial Reply Brief at 36-37).

⁶ The figure Judge Murphy used came from a chart attached to Webcraft's opening post-trial brief. (A1628). However, that chart had been replaced by one in Webcraft's reply brief that reduced the gross sales. (A1630). Judge Murphy ignored this revision.

III. SUMMARY OF THE ARGUMENT

The judgment and the order appealed from resulted from Judge Murphy's pervasive bias against New England and its counsel. The judgment and the order should be reversed and the cause remanded for a new trial before a different judge on this ground alone.

The damage award of over \$22 million, representing what Judge Murphy thought were New England's gross sales of the infringing products, was based on no recognized legal standard applicable in a patent infringement case. This ground, too, requires reversal of the judgment.

Judge Murphy's unexplained pretrial rulings on several issues going to the measure and the extent of damages were infected by mistaken views of the law and by procedural errors which require reversal and full consideration by the new judge on remand.

The award of costs against New England's counsel, under 28 U.S.C. § 1927, made without notice or a hearing and without any facts to support it, must also be reversed.

IV. ARGUMENT

A. New England Was Denied A Fair Determination Of Damages Because Of Judge Murphy's Pervasive Bias

The "right to be tried by a judge who is reasonably free from bias is a part of the fundamental right to a fair trial." Whittaker v. McLean, 118 F.2d 596 (D.C. Cir. 1941). "It is important," courts have noted, "that the litigant not only actually receive justice, but that he believed that he has

received justice." Crandell v. United States, 703 F.2d 74, 78 (4th Cir. 1983); Pfizer, Inc. v. Lord, 456 F.2d 532, 544 (8th Cir. 1972). To suggest that a judge's conduct reflects a bias so thoroughgoing that the party aggrieved has been denied due process is not undertaken lightly. Unfortunately, Judge Murphy's extraordinary conduct in handling the accounting phase can lead to no other conclusion but that he was pervasively biased against New England.

The most disturbing evidence of Judge Murphy's bias came, of course, in his accounting decision. That decision was marked not by reason, but by scorn, as demonstrated by the following excerpts:

Plaintiff, the owner of the patents seeks money damages from defendant to compensate for its wilful infringements. (A1)

Judge Murphy had previously ruled, on remand in the liability phase, that the infringement was not willful and, therefore, plaintiffs were not entitled to attorney fees. (A646-47) The accounting trial was limited to the issue of damages. No evidence bearing on whether the infringement was intentional was offered or received. Webcraft never asserted the infringement was willful. Judge Murphy's comments could only stem from a bias unsupported by evidence.

New England's "destruction [of documents] proves its guilt for a second time, and suggests possibly an inquiry of its lawyers' knowledge and advise by the Connecticut Bar Association." (A2)

There was no evidence presented of any intentional destruction of documents by either New England or its counsel. The only evidence was that the New England job tickets⁷ no longer exist. The deposition testimony of Arthur Gorman, Vice President of Manufacturing and Plant Manager at New England, was read at the accounting trial. Mr. Gorman testified only that the documents were probably discarded during the normal course of business. (A281-82) Further evidence established only that New England's job tickets could not be located. (A473-75) The mere failure to retain documents does not give rise to an inference of bad faith or "willful destruction." Loctite Corp. v. Ultraseal Ltd., 225 U.S.P.Q. 67 (E.D. Wis. 1984), aff'd in part, 781 F.2d 861, 878, 228 USPQ 90, 101 (Fed. Cir. 1985).

The absence of job tickets, moreover, did not prevent New England from fully accounting for all of the infringing quantities asserted by Webcraft. A full and complete accounting was possible because the information on the missing documents was available from other documents. Invoices were available for many of the products. For the missing invoices, a quantity was derivable from the job book⁸ and the sales price was usually available from the accounting ledgers. (A1571-87) In fact, Webcraft's own comparison demonstrates that the pamphlet quantities listed in the job book exceeded the quantities that

⁷ The job tickets folders contained a sample of the job and the press specification sheet which listed the press number, amounts and press counts. (A.Tr. 438).

⁸ The job book, also known as the work order book or job record book, was considered by Mr. Gorman to be the next "best evidence" of the sales. (A282)

were ultimately produced for the customer and charged on the invoices. (A1550) In addition, in a memorandum which Webcraft prepared for the Special Master, it admitted that "of the thousands of entries in the job book and of the thousands of invoices [for non-infringing and infringing products], only those which could be reasonably asserted as multi-page pamphlets with integral envelopes have been included in this count." (A1229)

During and after trial, the parties agreed on the actual invoices and job book entries which should be encompassed by this accounting (A436-37) and were in substantial agreement on the number of infringing products sold. Webcraft contended the total of infringing products was 956,348,522. (A1631) New England said it was 806,693,784. (A1587; A1591-93) However, Webcraft's quantity included the alleged convoyed sales and the parchment format.⁹ (A1631) New England disagreed as a matter of law over the inclusion of the convoyed sales and parchment pamphlets and thus, New England's total did not include the 146,505,988 units falling within these categories. (A1563-69; A1604-09) Aside from this legal dispute, New England and Webcraft differed by only 3,148,750 pamphlets. This difference involved only a mathematical disagreement.

There was neither evidence of malfeasance on the part of New England nor undue difficulty in accounting for the number of infringing pamphlets sold. There was no reason for Judge Murphy to react as he did.

⁹ The parchment format pamphlets are relevant to the issue concerning Claim 10 of the '817 patent. As discussed below, the parties disagreed whether Claim 10 was properly included in the damage case.

Surprisingly defendant argues that as to the sales it made, plaintiff failed to prove that it could have made them. Defendant knows that the sales it made could not have been made by it without first stealing plaintiff's property. (A2-3) Defendant argues that plaintiff's primary premise is to prove it would have made the sales defendant made. Such an argument by one who stole the "goods" insults honesty in favor of larceny. (A5).

New England's argument did not "insult honesty;" it was an accurate statement of the law, that the patent owner has the burden of proving lost profits. Radio Steel & Mfg. Co. v. MTD Products, Inc., 788 F.2d 1554, 1555, 229 USPQ 431, 432 (Fed. Cir. 1986); Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp., 739 F.2d 604, 616, 222 USPQ 654, 663 (Fed. Cir. 1984); Panduit Corp. v. Stahlin Bros. Fibre Works, Inc., 575 F.2d 1152, 1156, 197 USPQ 726, 729-30 (6th Cir. 1978). Judge Murphy, however, switched the burden of proof -- and apparently did so because of his belief, formed in the absence of evidence, that New England was a "thief."

[T]here was enough demand for the product for the defendant to have made a fortune, which we think will be diluted if it is not already shrinking with the investigation by the United States which we will invite (A3) Perhaps the IRS might help defendant explain what taxes are due from its windfall. Profit increases enormously when the cost is zero. The IRS will explain the formula. (A4) The increase in defendant's bank account perhaps in Switzerland, would make a vivid picture of a swollen bank balance that by right belongs to the rightful owner, the plaintiff. (A4).

These comments are not supported by any facts. New England's costs were not zero. It has not failed to pay its taxes. It has no Swiss bank account.

If we knew or could discover exactly how much the thief stole, that amount would certainly and accurately tell us what was taken. We have such in Exhibits entitled "New England's Sales of Pamphlet Products, Quantities in Dollars (\$), Grand Total \$22,107,837.69." (A4) Plaintiff's damages we find are \$22,107,837.69... (A4).

The damage decision is the ultimate result of Judge Murphy's bias. Incredibly, he awarded damages equivalent to actual gross sales. He applied no legally accepted -- or rational -- theory of damages. Such an outlandish and legally unsupportable conclusion can only be explained by bias of the most perverse and pervasive type.

Judge Murphy's conduct calls to mind the behavior of the district judge in Nicodemus v. Chrysler Corp., 596 F.2d 152 (6th Cir. 1979). The plaintiffs had sued the defendant, Chrysler Corporation, for sex discrimination. After a finding of liability and during the interim prior to the damages phase, the plaintiff was fired and sought a temporary restraining order and preliminary injunction reinstating her. In a decision from the bench granting the injunction, the district judge stated Chrysler Corporation consisted of a "bunch of villains" who were "interested only in feathering their own nests." He accused the company of "the most transparent and the most blatant attempt to intimidate witnesses and parties that I have seen in a long time." Nicodemus, 596 F.2d at 155.

The Court of Appeals reversed. Because, as is the case here, these remarks were "both unsupported by the record and unnecessary in the circumstances," it concluded that the district judge had gone beyond righteous indignation and "overstepped."

The Court of Appeals held that the trial court, "[w]hether unconsciously or otherwise . . . failed from the start of the [hearing] to view this case with the impartiality between litigants that [appellant was] entitled to receive." Nicodemus, 596 F.2d at 156 (quoting Knapp v. Kinsey, 232 F.2d 458, 467 (6th Cir. 1956), cert. denied, 352 U.S. 892 (1956)). The district judge's clearly manifested bias and villification of the defendant constituted a denial of due process. Nicodemus, 596 F.2d at 157. The Court of Appeals further ordered that on remand the matter be assigned to a new judge.

In Crandell v. United States, 703 F.2d 74, 78 (4th Cir. 1983), the district court dismissed a medical malpractice claim brought against the United States. The Court of Appeals reversed the dismissal because of the judge's repeated statements that the plaintiffs were unreasonable for not settling the case, as well as for other "disparaging" remarks directed toward the plaintiffs. As in Nicodemus, the appellate court directed that the case be reassigned to a new trial judge.

As in Nicodemus and Crandell, Judge Murphy, for reasons quite apart from anything in the record, was biased against New England's cause and any defense it asserted. The source of that bias seems to have been his apparent belief that, because New England was found to have infringed Webcraft's patent, it was entitled to no defense in the accounting phase. He "found" that New England intentionally destroyed documents and engaged in tax evasion, all without evidence to support these conclusions. (A1-8) These "findings" were made without notice that he was even

considering such extraordinary matters and without affording New England or its counsel a hearing on the "charges." Yet, "a court must hear before it condemns." Gardiner v. A. H. Robbins Co., Inc., 747 F.2d 1180, 1183 (8th Cir. 1984).

Here, Judge Murphy's unwarranted contempt for New England clearly influenced his consideration of the merits and application of the law. There can be no other explanation for his decision to award Webcraft damages in an amount equal to its gross sales, an outcome so devoid of any principled justification or legal support that it can only be characterized as "lawless." The judgment should be reversed on these grounds alone.

It should also be remanded with instructions that the case be assigned to a new judge. The Second Circuit, whose law this Court applies on non-patent issues arising in this appeal,¹⁰ has made clear that, where appropriate, a case may be remanded with instructions that it be assigned to a new judge, even where the wronged party has not requested reassignment. Sobel v. Yeshiva University, 839 F.2d 18, 37 (2d Cir. 1988); see Outley v. City of New York, 837 F.2d 587 (2d Cir. 1988); United States v. Stratton, 820 F.2d 562 (2d Cir. 1987); United States v. Pugliese, 805 F.2d 1117 (2d Cir. 1986). This may be done where the district judge's conduct sullies the "appearance of justice."

¹⁰ Atari, Inc. v. JS&A Group, Inc., 747 F.2d 1422, 1438-40, 223 USPQ 1074, 1086-87 (Fed. Cir. 1984) (en banc;); Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1574-75, 223 USPQ 465, 470-71 (Fed. Cir. 1984).

United States v. Diaz, 797 F.2d 99, 100 (2d Cir. 1986). Again, this is such a case. Reassignment is required to insure impartiality in the proceedings necessitated by remand.¹¹

B. Judge Murphy's Determination Of Damages Was Clearly Erroneous

Even if Judge Murphy had not exhibited bias toward New England throughout the accounting phase, depriving it of its right to a fair determination of damages by an impartial judge, his decision awarding New England's gross sales as damages cannot stand. It is unsupportable under the law and the facts.

The object of an award of damages to a patent owner against an infringer is to make the owner whole for losses caused by the infringement and to restore him to the financial position he would have been in if the infringement had not occurred. Seymour v. McCormick, 57 U.S. (16 How.) 480, 490 (1854). The cases recognize that the measure of damages can be (1) the patent owner's lost profits; (2) an established royalty actually paid to the owner during the period of infringement; or (3) a "reasonable royalty," based on the circumstances found to have existed during the infringement period. Panduit Corp. v. Stahlin Bros. Fibre Works, Inc., 575 F.2d 1152, 1156, 197 USPQ 726, 729 (6th Cir. 1978)(Markey, J. sitting by designation).

¹¹ New England is not challenging Judge Murphy's decision on liability and seeks only a fair determination of damages.

1. The Determination Of Damages Was Not Based On Any Recognized Legal Standard

As is normal in these cases a principal dispute between the parties was the proper measure of damages. Webcraft maintained that it had carried its burden of proof to entitle it to recover as lost profits what it would have made on the sale of the infringing products. New England contended that Webcraft had failed to carry its burden as to several of the elements of proof necessary for an award of lost profits. New England also argued that a number of Webcraft's offers to license the patents during and after the period of infringement and after the liability decision came down were particularly strong evidence of what a reasonable royalty would be in this case, and that Webcraft's damages should be assessed on that basis.

Under the "lost profits" test in Panduit, Webcraft had the burden to prove each of the following elements in order to recover the profits it allegedly would have made but for the sales made by New England: (1) demand for the patented product; (2) absence of acceptable noninfringing substitutes; (3) Webcraft's manufacturing and marketing capability to exploit the demand for the patented product; and (4) the amount of profit Webcraft would have made. Panduit Corp. v. Stahlin Bros. Fibre Works, Inc., 575 F.2d 1152, 1156, 197 USPQ 726, 729 (6th Cir. 1978). Radio Steel v. MTD Products, 788 F.2d 1554, 1555, 229 USPQ 431, 432 (Fed. Cir. 1986).

Under the test of Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp., 739 F.2d 604, 616, 222 USPQ 654, 663 (Fed. Cir. 1984), an award of lost profits may also be proper when it can be

demonstrated that "but for" the infringement, the patent holder would have made the sales. King Instrument Corp. v. Otari Corp., 767 F.2d 853, 863, 226 USPQ 402, 409 (Fed. Cir. 1985); Paper Converting Machine Co. v. Magna-Graphics Corp., 745 F.2d 11, 21, 223 USPQ 591, 598 (Fed. Cir. 1984). The recovery of lost profits under the "but for" method requires proof of two elements: (1) causation and (2) proper evidence for the computation of the lost profits. King Instrument Corp., 767 F.2d at 863, 226 USPQ at 409; Paper Converting Machine Co., 745 F.2d at 21, 223 USPQ at 598.

Judge Murphy did not follow any of the recognized tests for determining damages in a patent case. While at various places in his decision he used the phrase "lost profits," and he cited the cases (A5), what he purported to do was award Webcraft New England's "profits" on the sale of the infringing products. He found that these "profits" equaled gross sales, because, in his view, New England was a "thief." It had no costs and, therefore, its profits were 100%.

Even if it were true that New England managed to produce almost a billion pamphlets without cost and earned "profits" equivalent to its gross sales, an award of that amount would be improper. An accounting of the infringer's profits has not been a proper measure of damages since Congress changed the law over 40 years ago. Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 505-06 (1964) (plurality opinion); Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc., 761 F.2d 649, 654-55, 225 USPQ 985, 988 (Fed. Cir. 1985).

"Abuse of discretion [in awarding damages for infringement] may be established by showing that the district court either made an error of law, or a clear error of judgment, or made findings which were clearly erroneous." TWM Manufacturing Co. v. Dura Corp., 739 F.2d 895, 898, 229 USPQ 525, 526 (Fed. Cir. 1986). Here, Judge Murphy made all three.

2. On Remand, There Should Be A De Novo Determination Of Both The Measure And The Amount Of Damages

Judge Murphy's failure to apply any legally recognized measure of damages requires that, on remand, the new judge determine which measure of damages should apply. The burden of establishing that lost profits is the proper measure of recovery will be on Webcraft. Radio Steel & Mfg. Co. v. MTD Products, Inc., 788 F.2d 1554, 1555, 229 USPQ 431, 432 (Fed. Cir. 1986).

Judge Murphy's occasional references to issues, such as acceptable noninfringing substitutes, which would have been relevant had he attempted to apply a recognized theory of damages, cannot be considered "findings of fact." Fed. R. Civ. P. 52(a) requires that a court "shall find the facts specifically and state separately its conclusions of law thereon...." Findings must be "sufficiently comprehensive and pertinent to the issue to form a basis for the decision" 5A Moore's Federal Practice § 52.06[1], at 52-142 (1988).

Even if those occasional references could be considered as "findings," they were fatally tainted by Judge Murphy's bias and his erroneous belief that the burden of proof rested upon New England. Indeed, Judge Murphy professed shock at New England's suggestion that Webcraft must meet its burden of proof:

Surprisingly defendant argues that as to the sales it made, plaintiff failed to prove that it could have made them. Defendant knows that the sales it made could not have been made by it without first stealing plaintiff's property. (A2-3)

He ridiculed New England's argument that Webcraft "must prove it would have made the sales that defendant made," stating that it "insults honesty in favor of larceny." (A5) Cf. Bio-Rad, 739 F.2d at 616, 222 USPQ at 663 ("To obtain lost profits, a patent owner must prove that he would have made the sales but for the infringing activity.")

Judge Murphy's assertion that the proper measure of damages was New England's gross sales reflects a complete failure on his part to apply the tests of Panduit and Bio-Rad. Accordingly, Judge Murphy's "findings" are entitled to no deference in this Court or on Remand.

a. Judge Murphy Made No Attempt To Apply The Panduit Test

i. Acceptable Noninfringing Substitutes

Webcraft had the burden of proof on the absence of acceptable non-infringing substitutes. Central Soya Co. v. Geo. Hormel & Co., 723 F.2d 1573, 1579, 220 USPQ 490, 494 (Fed. Cir. 1983). However, Webcraft produced no evidence.

New England, on the other hand, presented substantial evidence of acceptable noninfringing substitutes. An acceptable substitute must contain those features of the patented product which the customer sought when purchasing the product. TWM Mfg. Co. v. Dura Corp., 789 F.2d 895, 901, 229 USPQ 525, 529 (Fed. Cir. 1986); Radio Steel Mfg. Co. v. MTD Products, Inc., 788 F.2d 1554, 1556, 229 USPQ 431, 432 (Fed. Cir. 1986). The important feature of the patents-in-suit was a multi-page pamphlet with a response vehicle, e.g., an envelope, which was integral to the pamphlet and not stapled in. (A633; 224 U.S.P.Q. 982, 983) New England offered evidence of two types of alternative multi-page pamphlets with response vehicles. One alternative was the multi-panel single sheet design with a formed-in envelope. (A.530-37; A2185-90; A2213-22; A2257-64; A2269-70) The other alternative was the multi-page pamphlet with a user-formed envelope which had a format similar to the patented product. (A530-37; A2223-54).

In fact, New England offered proof that DAX 529, an infringing pamphlet, and DAX 385, a noninfringing alternative pamphlet, were almost identical. (A534-35; A2239-46; A2826-2835) Both had the same format and were designed to sell insurance. (A534-35; A2239-46; A2826-2835) The only difference between the two pamphlets was that the user must form the envelope in DAX 385. (A534-35; A2239-46; A2826-2835)

Millions of these alternative pamphlets were produced and sold. (A326-334) The cost of producing the noninfringing alternative pamphlets was less than the cost of producing the patented product. (A338-343)

In the accounting decision, Judge Murphy declined to consider New England's proof and, in fact, exhibited little understanding of the concept of acceptable noninfringing substitutes. Judge Murphy's statement that "[i]f there was [an acceptable non-infringing substitute], defendant could steal it and beat plaintiff twice over" (A3) makes no sense. If there was an acceptable noninfringing substitute, it would not belong to Webcraft. New England's sale of it would not be "stealing." The fact that Judge Murphy believed otherwise mandates fresh consideration of the issue on remand.

Judge Murphy further stated that "defendant claims that another noninfringing patent pamphlet used in the marketplace was an alternative to plaintiff's products. The problem with such argument is that we have already determined that there is none in the marketplace like plaintiff's product." (A3).

This statement confuses two distinct concepts. In the liability phase, the question was whether the six-pager with envelope was not invalid and infringed. In the accounting trial, the question was whether there were other products that did not infringe the patent and whether they were acceptable to and used by customers in its place.

ii. Lost Sales And Profits

Judge Murphy, as noted above, made no attempt to determine Webcraft's lost sales and profits.

b. Judge Murphy Made No Attempt To Apply
The "But For" Test

This Court has held that, while the Panduit test is a permissible standard, it is not the exclusive method for determining a patentee's entitlement to lost profits. Under Bio-Rad, supra, an award of lost profits can be made where the patentee demonstrates that "but for" the infringement, it would have made the sales in question. The patentee must demonstrate both causation and actual lost profits.

Judge Murphy cited the Bio-Rad case but did not apply it. (A5) As noted earlier, his response to New England's argument that plaintiff must prove it could have made the sales made by New England was:

Defendant knows the sales it made could not have been made by it without first stealing plaintiff's property. Now it has to give back what it stole with interest. (A2-3)

This is not an application of the "but-for" standard. That an infringer made sales of the patented product does not establish that the patent holder would have made them.

New England presented evidence of substantial competition in the relevant marketplace. (A155; A157-158; A489-490; A2097-2105; A2806-25; A2932-35; A2968-69; A2978-80) It pointed out that Webcraft, when it took discovery of several large purchasers of pamphlet products which it suspected were major customers of New England, found that several of these customers never purchased from New England. (A2438-41; A2442-47) In fact, at least one was a customer of Cadillac, Webcraft's

licensee. (A2536-64) Judge Murphy's decision gives no indication that he considered the existence of the licensee or the competitors.

Webcraft's own counsel has recently admitted¹² that Webcraft could not satisfy the "but for" test:

Mr. Muskal: ... There is no evidence of lost profits in this particular case, primarily because essentially, we are looking at the industry now.

And the industry really started to take over when New England closed its door in 1983. And they preceded it somewhat; because we are talking about six years prior to the filing date of this lawsuit, which dips back into 1979. But that's when the business really was spread around among the defendants in this case, both named parties and the class that has been named in this action.

So, I think that what we would have is an insurmountable burden at this point to establish the "but for" test, if that is still part of the law; because there is some distinction from the two different CAFC cases. (Emphasis supplied) (A1557)

3. Judge Murphy Did Not Give Proper Consideration To Issues Of Convoyed Sales And Claim 10 Of The '817 Patent

a. Convoyed Sales

Webcraft sought, as damages, certain alleged convoyed sales of New England. (A7-8) Evidence must be presented to prove a nexus between the sale of the patented product and the sale of other non-patented products, before such collateral or convoyed

¹² Webcraft Technologies v. Alden Press, et al., No. 85 C 3369 (N.D. Ill.) is a class action suit against dozens of companies involved in the multi-page pamphlet business. The referenced admission was made by Mr. Muskal during his closing argument at trial on May 13, 1988 and was submitted to Judge Murphy in New England's Post Trial reply brief. New England asks the Court to take judicial notice of the relevant portion of the trial transcript (A1552-60), pursuant to Fed. R. Evid. 201(b). The parties are awaiting a decision from the trial court.

sales can be included in a damage award. Georgia-Pacific Corp. v. United States Plywood Corp., 318 F.Supp. 1116, 1131-32, 166 USPQ 235, 247 (S.D.N.Y. 1970), modified on other grounds, 446 F.2d 295 (2d Cir. 1971).

Webcraft failed to present evidence necessary to prove a nexus between the sale of the patented product and the sale of other non-patented products. The pamphlets asserted to be convoyed products were separate products not related in any way to the infringing pamphlets. (A2731-42) The National Liberty Family Album pamphlets, alleged to be convoyed, were for inspirational literature and bore no relationship to insurance or to the infringing pamphlet. (A2197-2200; A2201-06) Similarly, a pamphlet for MBI, Inc. was a flat sheet, two-page pamphlet selling coffee mugs and bore no relationship to the infringing pamphlet. (A2255-56)

With regard to the convoyed sales issue, Judge Murphy ignored Webcraft's burden with the following non sequitur:

Defendant [New England] also stabs at shadows. For example, it [New England] claims that plaintiff [Webcraft] failed to present evidence illustrating ... convoyed sales. This argument proves again that defendant [New England] assumes it really owned the six-pager. (A4)

This comment reflects again a misconception of the law and Judge Murphy's belief that because New England had "infringed" it was entitled to no defense. Ownership of the patents for the six-pager was not the issue. The convoyed products by definition were not the patented product. Webcraft had the burden of showing that there was a nexus between the patented product and the other products for which it sought damages, so that sale of

the infringing products would "convoy" sales of these other items. The inclusion of these alleged convoyed products in Webcraft's damage award should be fully considered on remand.

b. Claim 10 Of The '817 Patent

During the accounting trial, Judge Murphy ruled that Claim 10 of the '817 patent should be included in the damage calculation. (A407-23) In addition, the chart apparently relied upon in his decision included pamphlets that only infringed Claim 10.¹³ (A7-8) In the liability phase, Webcraft chose not to allege or prove infringement of this claim. Consequently, damages attributable to such infringement cannot be included in Webcraft's damage award.

A plaintiff suing for patent infringement must allege the claims of the patent that have been infringed. Coyne & Delaney Co. v. A.W. Onthank Co., 10 F.R.D. 435, 436, 86 USPQ 474, 475 (S.D. Iowa 1950); Bonney Supply Co., Inc. v. Heltzel, 243 F. 399 (N.D. Ohio 1917). The only reference to Claim 10 in the liability trial was in the direct examination of New England's expert witness, who stated that Claim 10 was not involved in the lawsuit. (A1918; A408-09)

In response to New England's argument that it should not be held liable for infringing a claim that was never litigated, Judge Murphy remarked, "[t]hat is like the thief that

¹³ Claim 10 of the '817 patent is an independent claim that requires a separate source of paper to produce the pamphlet. The parchment format pamphlet has standard stock for the interior pages and a heavier stock (parchment-type paper) for the exterior pages which become the front and back covers of the pamphlet. (DAX 347, 361). Therefore, a second source of paper is required to produce a pamphlet in the parchment format.

steals something and says, you ought to have caught me on the way out." (A419) Because Judge Murphy had already decided New England was a "thief", he obviously felt that it had no right to a hearing on Claim 10. Products which only infringe Claim 10 cannot be part of the damage award.

C. Judge Murphy Erred By Granting Webcraft's Motion To Exclude Evidence Relating To A Reasonable Royalty

Because Judge Murphy did not apply the accepted law of damages for patent infringement, he did not reach the question of reasonable royalties. He erred as a matter of law, however, in denying New England's motion in limine to admit evidence relating to reasonable royalty rates. He summarily denied New England's motion to admit this evidence (offering no reason) and sustained objections to offering such evidence at trial. (A10-13) Because Judge Murphy never gave reasons for these decisions, his decisions are entitled to no deference.

An offer of proof regarding a reasonable royalty made before and during trial establish the following:

In 1973, when the patents issued and the infringement commenced, Webcraft offered licenses to the industry at a royalty rate of 50¢/M for the first ten million pieces, 25¢/M for the ten to fifty million pieces, 15¢/M from fifty to one hundred million pieces and 10¢/M for all pieces above one hundred million.¹⁴ (A1693-96) Additionally, Robert Katz, president of Webcraft, testified in his deposition that this royalty scheme was considered reasonable at the time it was offered. (A497)

¹⁴ The x¢/M is an abbreviation used to indicate the royalty rate per one thousand pieces or items.

In 1979, when Webcraft sent its notice of infringement, it offered New England a lifetime license for \$100,000.00, or as an alternative, 25¢/M. (A3661-63) Moreover, Webcraft offered a series of license offers at these proposed rates throughout the industry from 1979 until 1981. (A1939-62; A1747-64; A1769-72)

In August 1984, after the liability decision and in anticipation of affirmance by this Court, Webcraft offered licenses to a number of competitors at a 4% royalty rate, providing for, at least, delayed payment for past infringement. (A1929-38; A1844-95) No one accepted this proposal, establishing that even this amount was excessive.

Finally, in October 1984, Webcraft indicated to a major competitor that it was "seriously interested" in giving a license at 25¢/M, at least as it would relate to past infringement. (A1846-47; A1898-99; A1903-04)

In Pitcairn v. United States, 547 F.2d 1106, 1119, 192 USPQ 612, 619 (Ct. Cl. 1976), cert. denied, 434 U.S. 1051 (1978), the court held that a patentee's offers to license the industry should be accepted prima facie as the reasonable royalty for the period of infringement. In Pitcairn the offers to license were made near the beginning of the seventeen-year infringement period and, although the offerees all refused to take licenses, "the significant fact is that plaintiff made the offer and made it wisely." Pitcairn, 547 F.2d at 1116, 192 USPQ at 617. Pitcairn was cited with approval by the Third Circuit in affirming a reasonable royalty award based on industry-wide offers by a licensor. Devex Corp. v. General Motors Corp., 667 F.2d 347,

361-62, 212 USPQ 643, 656 (3d Cir. 1981), aff'd, 461 U.S. 648 (1983). Similarly, Webcraft's offers made widely to the industry at the beginning of the infringement period in 1983 prima facie set the reasonable royalty which should have been admitted as evidence in this case.

Webcraft's license offers are not barred under Fed. R. Evid. 408, which only excludes evidence of offers to compromise when there is a disputed claim. Here, the Webcraft license offers were sent as a blanket offer to the entire industry. This Court has held that where no actual dispute has arisen, there is no disputed claim within the meaning of the rule. Deere & Co. v. International Harvester Co., 710 F.2d 1551, 1556, 218 USPQ 481, 485 (Fed. Cir. 1983). This Court stated:

Rule 408, on its face, is limited to actual disputes over existing claims and, accordingly, cannot be applicable to an offer, albeit one ultimately rejected, to license an, as yet, uncontested patent. We conclude, therefore, that the district court erred as a matter of law by ruling evidence of Deere's 1973 [first pre-suit] offer inadmissible under rule 408.

Deere & Co., 710 F.2d at 1557, 218 USPQ at 486. All Webcraft's pre-litigation offers to New England and the rest of the industry were admissible evidence under Rule 408 because, at the time of the offer, there was no actual dispute. (A3661-63; A1735; A1739; A1740-41; A1742-44)

D. Judge Murphy Erred By Granting Webcraft's Motion For Partial Summary Judgment On Marking

Judge Murphy should not have granted Webcraft's Partial Summary Judgment Motion On The Marking Of The Method Patents by default. He granted the motion without explanation and refused to reconsider his ruling, although both parties had briefed the issue on the merits. (A10-13)

A motion for summary judgment cannot be granted on the sole ground that the non-moving party failed to respond. John v. State of Louisiana, 757 F.2d 698, 709-10 (5th Cir. 1985); Hibernia National Bank v. Administracion Centra, S.A., 776 F.2d 1277, 1279 (5th Cir. 1985). Judge Murphy's grant of partial summary judgment by default, particularly in light of the questionable nature of the "default" (See supra, pp. 4-5), constituted reversible error. See Hibernia, 776 F.2d at 1279.

Judge Murphy's failure to consider the issue appears to have been affected by his erroneous assumption that the issue had already been decided. This assumption arose from his statement in the liability decision that Webcraft was entitled to damages "during the six years prior to July 7, 1980." (A642; 224 U.S.P.Q. at 992) This statement was nothing more than an acknowledgement of the statutorily mandated six-year limitation on the recovery of damages set forth in 35 U.S.C. § 286.

Whether a patent has been properly marked such that the further limitation of 35 U.S.C. § 287 may be applicable to additionally limit damages is a question routinely considered in the damages phase of a bifurcated patent proceeding. Union Carbide Corp. v. Graver Tank, 282 F.2d 653, 675, 127 USPQ 3, 20

(7th Cir. 1960), cert. denied, 365 U.S. 812 (1961); Ellipse Corp. v. Ford Motor Co., 461 F. Supp. 1354, 1359-60, 201 USPQ 455, 459-60 (N.D. Ill. 1978), aff'd, 614 F.2d 775 (7th Cir. 1979), cert. denied, 446 U.S. 939 (1980). In fact, the Court of Claims refused to consider marking issues under § 287 during the liability phase. Ampex Corp. v. United States, 224 Ct. Cl. 609, 213 U.S.P.Q. 382, 383 (Ct. Cl. 1980). The Ampex court held that § 287 "operates only as a limitation of damages and should be taken into account only when and if liability is established and only the amount of recovery remains." 213 U.S.P.Q. at 383 (emphasis in original). The patent marking issues should be considered by the new judge on remand.

E. The Award Against New England's Counsel Under 8 U.S.C. § 1927 Was An Abuse Of Discretion By Judge Murphy

Before the trial, Judge Murphy found that counsel for New England had "unreasonably and vexatiously" multiplied the proceedings by filing four pretrial motions. (A10-13) He ordered that counsel personally satisfy the excess costs, expenses and attorney fees pursuant to 28 U.S.C. § 1927. (A13)

In accordance with the Accounting Pretrial Order (A650-51), New England filed four motions, and Webcraft filed three motions. The issues dealt with in New England's motions were relevant and material, as evidenced by the fact that Webcraft filed three motions to obtain rulings on the same issues. Webcraft did not request, nor even suggest that the motions were unreasonable or vexatious. Judge Murphy raised the § 1927 question sua sponte. He decided the issue which he had

raised without affording New England's counsel even the most rudimentary notice or an opportunity to be heard. Roadway Express, Inc. v. Piper, 447 U.S. 752, 767 (1980); Eash v. Riggins Trucking, Inc., 757 F.2d 557, 570-71 (3d Cir. 1985) (in banc). For this reason alone, his order should be reversed.

The Court of Appeals for the Second Circuit, whose cases govern this question, has stated that imposition of a sanction under § 1927 requires a "clear showing of bad faith." Oliveri v. Thompson, 803 F.2d 1265, 1273 (2d Cir. 1986). An award under § 1927 is proper only when the attorney's actions are so completely without merit as to require the conclusion that they must have been undertaken for some improper purpose, such as delay. Id. There was no evidence of any bad faith or delaying tactics by New England's counsel, nor could there have been, for the Accounting Pretrial Order stated that each party could "file its respective cross motion for Summary Judgment or any motion to eliminate or simplify the issues." (A650-51)

Judge Murphy's order requiring New England's counsel to pay Webcraft \$17,754.99¹⁵ (A17) was a clear abuse of his discretion and should be reversed.

¹⁵ This figure even included, as "excess costs ... reasonably incurred because of such conduct" \$5,537.34 attributable to motions Webcraft originated. (A14-17)

V. CONCLUSION

On Appeal No. 88-1574, the judgment of July 14, 1988, which awarded damages to Webcraft, and the decisions of August 25, 1987 and November 17, 1987, which granted all of Webcraft's pretrial motions and denied all of New England's pretrial motions, should be vacated, and the case should be remanded for a new trial, with instructions that the case should be assigned to a different judge.

On Appeal No. 88-1575, the decision of November 17, 1987 and the Order of July 18, 1988, which awarded excess costs, expenses, and attorney fees under 28 U.S.C. §1927 against New England's counsel, should be reversed.

Respectfully submitted,



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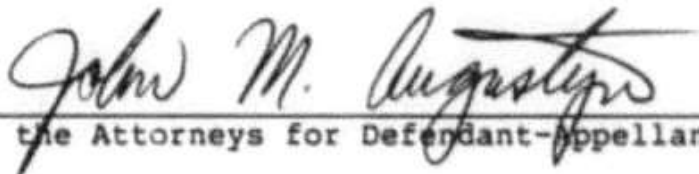
October 24, 1988

CERTIFICATE OF SERVICE

I hereby certify that two copies of the foregoing BRIEF
OF APPELLANT have been personally served upon counsel for
Plaintiff-Appellee by hand delivery to:

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on this 24th day of October, 1988.



One of the Attorneys for Defendant-Appellant