



WHEREAS, the Court has considered the parties' briefing on each issue (D.I. 231, 233, 237);

WHEREAS, the Court heard oral argument on June 23, 2021 (D.I. 241) ("Tr."); and

WHEREAS, on June 30, 2021, the parties advised the Court they had reached agreement on the terms of a permanent injunction, if the Court decides to enter an injunction, which BWC continues to oppose (D.I. 243);

**NOW, THEREFORE, IT IS HEREBY ORDERED** that: (1) no permanent injunction shall issue; (2) A.O. Smith shall be further entitled to damages in the sum of \$601,620 for the period of infringement between September 20, 2017 and December 31, 2017; (3) A.O. Smith shall be awarded an additional \$836,940 for the period of April 1, 2021 through May 31, 2021; and (4) A.O. Smith shall be entitled to prejudgment interest at the prime rate compounded quarterly.

1. Permanent injunctions in patent cases are no longer automatic and may only issue after exercise of a Court's "discretion in accordance with traditional principles of equity." *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1148 (Fed. Cir. 2011) (citing *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006)). A patentee must therefore establish, without reference to "broad classifications" and "categorical rule[s]," that (1) "it has suffered an irreparable injury;" (2) "remedies available at law, such as monetary damages, are inadequate to compensate for that injury;" (3) "considering the balance of hardships between the plaintiff and the defendant, a remedy in equity is warranted;" and (4) "the public interest would not be disserved by a permanent injunction." *eBay*, 547 U.S. at 391.

A.O. Smith has failed to show irreparable injury. A.O. Smith contends that four independent reasons demonstrate irreparable harm: (1) the direct competitor relationship between

A.O. Smith and Bradford White; (2) A.O. Smith's refusal to license; (3) loss of market share and relationships; and (4) loss of A.O. Smith's reputation as an innovator. (D.I. 231 at 6-8) Bradford White counters that these considerations are outweighed by "the amount of time it took [A.O. Smith] to bring a lawsuit and its failure to seek a preliminary injunction." (D.I. 233 at 4) The Court agrees with Bradford White that A.O. Smith has failed to meet its burden.

A.O. Smith argues that it "was not aware of BW's potential infringement until 2017" and so it should be excused for not filing suit earlier. (D.I. 237 at 5) But the pertinent question is whether A.O. Smith either knew *or should have* known, before 2017, that Bradford White's product was infringing. See *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992), *overruled in part by SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954 (2017). That inquiry focuses on whether "sales, marketing, publication, public use, or other conspicuous activities of potential infringement" sufficiently put a patentee on notice to conduct an inquiry into infringement. *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998).

A.O. Smith admits that it was aware of the market presence of Bradford White's Commander Series water heaters. (Tr. at 17) But A.O. Smith did nothing to act upon that knowledge. At trial, A.O. Smith cited as evidence of Bradford White's infringement various pieces of marketing literature published during the Commander Series' distribution. (See e.g., Heideman Tr. 49-50) Despite asking the Court to find in this marketing material support for a finding of infringement, A.O. Smith implausibly denies that the same materials provided it with any notice of possible infringement. Additionally, as Bradford White notes, there are no record facts establishing that "there was any difficulty or hurdle in testing BWC's products." (D.I. 233 at 4) Given the evidence that A.O. Smith regularly purchased, tested, and analyzed Bradford

White products (Schultz Tr. 472-73), it appears A.O. Smith could have done so with the accused Commander Series, and inexplicably chose not to.

Ordinarily, a direct competitor relationship, combined with an award of lost profits, will weigh in favor of a finding of irreparable injury. *See Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 702 F.3d 1351, 1363 (Fed. Cir. 2012). Allowing the competitive harm to persist for years, however, may support the contrary conclusion. *See Quest Integrity USA, LLC v. Clean Harbors Indus. Servs., Inc.*, 2015 WL 3764646, at \*7-8 (D. Del. June 12, 2015). Here, the competitive situation undermines A.O. Smith's attempt to prove irreparable harm. A.O. Smith not only tolerated (or at minimum failed to take reasonable steps to detect) BWC's infringement, it also for many years did nothing about the infringement of two other competitors, Rheem and American Standard. A.O. Smith has long accused these two companies of infringing the patent-in-suit, but A.O. Smith did not sue either of them until June 29, 2021. (D.I. 243 at 2)

It is true, as A.O. Smith observes (*see* D.I. 237 at 4), that “a patentee need not sue all infringers at once.” *Bosch*, 659 F.3d at 1151. However, a failure to do so combined with “additional facts” may show that “the presence of additional competitors renders the infringer's harm reparable.” *Id.* In *Bosch*, the Federal Circuit found Bosch's diligent pursuit of infringers *other than* the defendant weighed in favor of a finding of irreparable injury. *See id.* (“[T]he patentee has sought to enforce its rights against other infringers in the market . . .”). Here, by contrast, A.O. Smith failed repeatedly and at length to pursue infringement claims against other substantial market competitors. That failure strongly suggests that marketplace competition does not cause any irreparable injury of the sort A.O. Smith alleges.

A.O. Smith's other purported bases for a finding of irreparable harm are also severely undermined by its delay. The Court recognizes that A.O. Smith does not license the technology

of the '897 patent and has a general reputation as an innovator;<sup>1</sup> these factors tend to support a finding of irreparable injury. *See Presidio*, 702 F.3d at 1363-64. On the record here, however, these considerations are overwhelmed by others. That A.O. Smith failed to sue Bradford White for nearly five years after Bradford White began to infringe and cause harm to A.O. Smith, and that A.O. Smith then waited several more years to sue Rheem and American Standard, lead the Court to conclude that the harms to A.O. Smith are reparable without injunctive relief.

For largely these same reasons, the other factors also do not support the entry of an injunction. There is no evidence that monetary damages are inadequate. As for balance of hardships, A.O. Smith complains that it is a hardship to compete against its own technology (D.I. 231 at 10-11), but A.O. Smith had the opportunity to prevent such competition many years ago and chose not to do so.<sup>2</sup> Finally, while the public interest favors a strong patent system and increased competition, the fact that A.O. Smith sat on its property rights with respect to Bradford White (and with respect to Rheem and American Standard), combined with the public interest in the availability of hot water and water heaters (including those meeting stringent local environmental standards), causes this last factor to weigh against injunctive relief.

2. A.O. Smith asks the Court to revisit its March Opinion with respect to the award of nominal damages for indirect infringement between September 20, 2017 and December 31, 2017. (D.I. 231 at 12-15) The Court will do so and will award A.O. Smith damages of \$601,620

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<sup>1</sup> A.O. Smith's contentions that Bradford White has harmed its reputation as an innovator (*see* D.I. 231 at 8) and its relationship with distributors are not supported by persuasive evidence. The record establishes generally that A.O. Smith invests in research, development, and patent protection. (*See* Heideman Tr. 36-39) Nothing ties this general evidence to a reputation as an innovator or anything specific to the ultra-low NOx market in which the parties compete.

<sup>2</sup> On the other hand, there is little evidence an injunction in the agreed-upon form would harm Bradford White, particularly as it has already redesigned its product. (*See* Tr. at 29)

for this infringement, which is equal to one-fourth of the total amount of lost profits attributed to Bradford White sales in calendar year 2017.

The Court previously found the record insufficient to determine “the number of infringing units sold by BW in the infringing period of 2017.” (D.I. 220 at 77) Hence, the Court awarded A.O. Smith just \$1 of nominal damages for this period. Only when proof is entirely lacking may the Court award nominal damages. *See, e.g., TecSec, Inc. v. Adobe Inc.*, 978 F.3d 1278, 1291-92 (Fed. Cir. 2020) (“[I]n a case completely lacking any evidence on which to base a damages award, the record may well support a zero royalty award.”). Here, having reconsidered the matter after having the parties’ responses to the Court’s analysis, the Court is persuaded that the trial record is sufficient to permit a reasonable approximation of damages. (*See generally* D.I. 231 at 13-14) (collecting cases)

In particular, “a reasonable inference from the record evidence supports an award to AOS of lost profits in the amount of \$█ per unit for 740 units equaling \$601,620” (D.I. 231 at 15), as \$█ is the same per unit amount the Court used for other periods of infringement and 740 units is one quarter of all infringing units sold by Bradford White in 2017.<sup>3</sup> Bradford White impugns this type of analysis as “built on speculation” and lacking “any semblance of precision.” (D.I. 233 at 12-13) In the Court’s view, however, concluding that BWC sold approximately one quarter of its annual sales in the last quarter of the year is not the type of “mere speculation or guess” proscribed by the Federal Circuit. *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1327 (Fed. Cir. 1987). Moreover, any imprecision cuts against Bradford White, the

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<sup>3</sup> The Court has not reopened the record and has not considered the supplemental report of Mr. Richard Bero, found at D.I. 231 Ex. A at 4-5. Instead, again, the Court’s award is based on taking the number of units sold in 2017 (2,961 units), dividing by four (740 units), and then multiplying by A.O. Smith’s incremental profit (\$█/unit).

infringer. *See generally Masimo Corp. v. Philips Elec. N. Am. Corp.*, 62 F. Supp. 3d 368, 377 (D. Del. 2014). This is especially so here as BWC has had multiple opportunities to produce evidence of its actual sales in the fourth quarter of 2017 and has chosen not to do so. (*See Tr.* at 45-46)

3. The parties agree that the Court should add to its award damages of \$4,732,910 for the period running between June 1, 2019 and March 31, 2021. (*See D.I.* 231 Ex. A at 3 & Sched. 1.0-2.0) The Court will also add \$836,940 as infringement damages for the period of April 1, 2021 to May 31, 2021. Bradford White requests that the Court do so and A.O. Smith has not indicated any opposition. (*See D.I.* 243 at 1-2) The request seems reasonable and is supported by the record as well as agreements reached between the parties.

Therefore, the Court will award lost profits damages of \$10,715,930<sup>4</sup> for Bradford White's indirect infringement. The Court's previous award of \$1 for nominal damages from Bradford White's direct infringement remains undisturbed. The total sum of damages is \$10,715,931.

4. Finally, the Court turns to the question of prejudgment interest. Neither party disputes that A.O. Smith is entitled to some form of prejudgment interest. *See LG Display Co. v. AU Optronics Corp.*, 722 F. Supp. 2d 466, 475 (D. Del. 2010) ("As a general matter, prejudgment interest should ordinarily be awarded in patent cases to provide patent owners with complete compensation."). Their dispute relates to how the Court should calculate that interest: Bradford White proposes application of the Treasury Bill Rate with annual compounding (D.I.

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<sup>4</sup> Representing \$601,620 for the period between September 20, 2017 and December 31, 2017; a total of \$4,544,460 for the period between January 1, 2018 and May 31, 2019, as previously awarded by the Court; and a total of \$4,732,910 for the period between June 1, 2019 and March 31, 2021, as calculated by Mr. Bero; and the additional \$836,940 for April 1, 2021 through May 31, 2021.

233 at 14) while A.O. Smith prefers the prime rate with quarterly compounding (D.I. 231 at 15-16). The commonly-accepted practice in this District is that prejudgment interest is awarded at the prime rate with quarterly compounding. *See, e.g., Idenix Pharms. LLC v. Gilead Scis., Inc.*, 271 F. Supp. 3d 694, 705 (D. Del. 2017). The Court perceives no meritorious reason to depart from this consistent practice here.<sup>5</sup>

Bradford White's preferred reasons for the lower Treasury rate and annual compounding lack merit. A.O. Smith's four-year delay in filing suit is irrelevant because it does not seek prejudgment interest for this period; interest will be awarded only from September 20, 2017, the date A.O. Smith provided Bradford White notice of infringement. Nor is the lack of evidence that A.O. Smith could borrow at the prime rate dispositive. Such evidence is not required. *See Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed. Cir. 1991).

**IT IS FURTHER ORDERED** that the parties shall meet and confer and, no later than: (i) July 12, submit a proposed redacted version of this Order, should they believe any redactions are warranted; and (ii) July 13, submit a form of judgment order consistent with this order, to allow the Court to enter judgment and close the case.

July 9, 2021  
Wilmington, Delaware

  
HONORABLE LEONARD P. STARK  
UNITED STATES DISTRICT JUDGE

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<sup>5</sup> The parties agree these decisions are committed to the Court's discretion. (*See Tr.* at 47)