

Special Chemistry¹

Common Facts

General Background²

This case involves a cross-border mediation after a Canadian court of first instance ruled in favor of the plaintiff in a patent infringement dispute between two competitors acting in the specialty chemicals industry. The plaintiff is a German multinational company that is a leading distributor of specialty chemicals worldwide. The defendant is a Canadian company that operates mainly in North America and develops personalized products for new market applications. The Court awarded an injunction and CA \$ 9 million in damages in favor of the plaintiff for patent infringement.

The Parties

Gigem AG

The plaintiff in this case is Gigem AG, a global market leader in specialty chemicals. Gigem's head office is in Berlin, Germany. They have subsidiaries and distribution channels in 50 countries around the world and employ around 35,000 people. According to its annual report, Gigem's revenues for last year totaled € 8,3 billion: 62% in European Middle Eastern and African countries (of which 19% comes from emerging markets), 23% in Asia Pacific, 11% Latin America, and 4% in the United States of America. Gigem is also the worldwide market leader in industrial chemicals and holds a strong position in coatings and plastics. Gigem is represented by Karla or Karl Schmidt, CEO of the German head office, and by outside counsel, Alexandra or Alexander Friedmann.

Mico Inc.

The defendant is Mico Inc, a Canadian-based developer and distributor of specialty chemical products, headquartered in Ontario, who operates mainly in North America. Mico recently acquired Chem & Co., a privately held independent chemical distributor and research & development agency based in Ohio. Mico expects its R&D and distribution capacity to increase significantly due to this acquisition. Mico also hired a former employee of the plaintiff, Luke Brand to be Mico Inc's Vice-President of Business Development. In addition to producing specialty chemical products, Mico produces high quality car refinishes. Mico is represented by Petra or Peter Mc Dermot, CEO of Mico Inc., and by its in-house lawyer Chris or Celine Powell.

Background of the Dispute and developments so far

During a large chemical industry trade exhibition in Dubai, Mico exhibited for the first time several new products containing its latest technology and developments in functional chemicals. There was a lot of excitement around its booth as the company had prepared a very professional marketing movie that demonstrated several innovative uses of its technology as being available to its clients. The movie explained that Mico's specialty chemicals could be tailored and used for almost all consumer products, ranging from cosmetics, cars and foods, to electronics, and even in the the mining, agricultural and paper industries. This was all due to Mico's latest innovation, its NENI-PARTICLE™ technology, which uses chemical components referred to as "en-particles" that enable the stable combination of several substances, including seemingly incompatible ones like water and oil.

¹ This case is written by Manon Schonewille (©2009-2010, all rights reserved) and edited by Jeremy Lack of ALTENBURGER LTD legal + tax who is a mediator and lawyer in Geneva, Switzerland. Manon is a mediator with Result ACB in The Netherlands and the President of Conflict Management Research Center ACB Foundation. She is partner in Toolkit Company, teaches at Utrecht University and co-chairs the International Committee of the American Bar Association's Dispute Resolution Section. Manon publishes regularly and is among others the author of "Toolkit Generating Outcomes." A previous version of this case was written as part of the EU sponsored project "Lawyers in ADR" and served as a mediation problem in the 5th ICC International Commercial Mediation Competition in 2010.

² Trainers and teachers wishing to use this role play for academic or training purposes are free to do so, on condition that they provide the following attribution: "© Manon Schonewille 2009-10. All rights reserved". For further information, please contact Result ACB, www.resultacb.com (info@resultacb.com, + 31 (0)20 2050251) materials may not be used in any other manner without the express prior written permission of the author. For any questions, please contact her at manonschonewille@home.nl. The role play and accompanying materials like an educational video can be downloaded from: www.resultadr.com and www.ACBfoundation.nl.

Employees from Gigem attended the Dubai conference and saw Mico's information. They were surprised to learn about Mico's NENI-PARTICLE technology, which seemed to resemble a new technology that Gigem had recently launched and received a patent for, a new binding substance called BI4A™ ("Bind it for all") which contains particles referred to as "b-particles". Mico's en-particles seemed to act in the same way and produce the same results as Gigem's b-particles. Gigem was also particularly concerned to discover in Dubai that one of its former scientists, Luke Brand, was now employed by Mico as its Vice-President of Business Development. Although not an inventor at Gigem, Luke Brand had been one of the scientists involved in the initial testing and quality control of new BI4A prototype products at Gigem. Brand had asked to be transferred from quality control to sales and marketing, but had been refused. He had resigned from Gigem and had not been heard of for several months. Gigem further heard that Luke Brand was telling everyone in Dubai who would listen that NENI-PARTICLE technology was far better than BI4A technology, which he knew as he had tested it while working at Gigem. After chemical analysis of some NENI-PARTICLE samples that were brought back from Dubai, Gigem's R&D lab concluded that Mico's technology contained Gigem's patented BI4A technology. Gigem also hired a respected and independent lab to re-run these tests, and compare Gigem's BI4A products to Mico's NENI-PARTICLE products. That lab confirmed the findings of Gigem's R&D department that the two products contained the same substances and acted essentially in the same way.

On conducting further investigations about Mico and its new products, Gigem found a press release published by Mico about its recent acquisition of Chem & Co. The press release said:

"Through the acquisition of Chem & Co, as well as by attracting Luke Brand -- a promising scientist with an impressive track record -- as Mico's Vice President of Business Development, Mico has taken a significant step forward in becoming a leader in the innovation of specialty chemicals. By customizing specialty chemical solutions for each client's individual needs, we have kept the focus on our customers, recognizing that our ability to adapt our offerings to meet changing customer needs will help us maintain the long-term relationships we value. Today more than ever, we believe the depth of our technical expertise, combined with our tailored sales and marketing approach is paramount in differentiating Mico's products and services from those of its competitors. Innovation is our signature."

Although Luke Brand probably had access to classified Gigem information before resigning, Gigem has no evidence of that, since the quality control scientists were not monitored in the same way as R&D employees. In any event, Luke Brand knew about the ideas and basic formulae behind BI4A technology while he was working at Gigem. Gigem believes that Luke Brand must have illegally provided confidential information to Mico, which would have allowed it to develop its rival NENI-TECHNOLOGY to compete with Gigem's BI4A technology.

After learning about the conclusions of its R&D's department and the independent lab's confirmation of its findings, Gigem's Legal Department wrote a letter to Mico, asserting patent infringement of Gigem's patents and misappropriation of its trade secrets in its hiring of Mr. Brand. In its letter to Mico, Gigem requested as follows:

" ... Within 10 business days you will send us:
(1) Written admission of your unlawful infringement. For every day that you continue to infringe you will pay us CA \$ 800.000.
(2). Certified audited reports of all sales and profits to date of NENI-PARTICLE products to allow us to determine the amount of damages.
(3) In case you do not comply we will immediately initiate large scale legal actions against Mico in Canada, the USA, UK, Germany, France, the Netherlands, Italy, and such other countries as have already recognized our patent rights in our BI4A technology ..."

Mico responded with a terse note denying infringement of any valid Gigem patent claims and stating that its allegations lacked any grounds.

Gigem's Law Department advised its CEO to try to negotiate before bringing the matter to court because patent disputes are often very expensive and can be complicated to coordinate worldwide. Gigem's CEO wrote a personal note to Mico's CEO suggesting they meet in order to try to resolve the matter. Mico never responded and in view of Mico's refusal to meet, Gigem sued Mico in Canada, where it is domiciled, for manufacturing and selling infringing products worldwide. Gigem

requested CA \$ 9 million in damages for patent infringement for Mico's "unauthorized making, using, offering for sale and sale of Gigem's patented inventions within Canada, the United States and Mexico." Gigem also sought an injunction ceasing all manufacture of NENI-PARTICLE products and preventing Mico from selling its NENI-PARTICLE technology from anywhere in the world. Because no evidence could be found that Luke Brand had ever signed a "non-compete" clause, he was not named as a co-defendant.

Mico argued in its defense that:

- (1) Gigem's product claims were invalid for obviousness;
- (2) that its process claims were not infringed, as they involved 9 steps in a specific order, whereas Mico's process involved 7 steps in a different order; and
- (3) Mico had lawfully designed around Gigem's published patent application claims, and that there could not be any misappropriation of Gigem's trade secrets, since the technical information it was accused of having received from Luke Brand was already in the public domain by the time Mr. Brand had joined Mico.

Gigem's BI4A technology patents issued in 12 countries, including Canada, the USA, the European Patent Office, and Japan. They will be in effect for another 16 years.

Mico also filed a patent application for its own NENI-PARTICLE technology with the Canadian Patent and Trademark Office a week before the Dubai conference. It recently filed an international PTC application, covering the same countries as Gigem, and including China. Its patent application is still not yet published.

Judicial Decision and Initiation of the Mediation

After time-consuming trial proceedings, the Canadian court of first instance ruled that Gigem's Canadian patent was valid and infringed by Mico, but that there was insufficient evidence of any trade secret misappropriation with respect to Luke Brand. The court held that Mico's BI4A patent application had already been published before Luke Brand joined Mico, and that the technical information he was accused of having provided to Mico was already in the public domain at that time. The court granted an injunction preventing Mico from selling its NENI-PARTICLE technology and products in Canada due to its finding of infringement of both Gigem's product claims and its process claims. The judge further decided that Gigem was entitled to receive CA \$ 9 million in damages, which included compensation for sales made by Mico from Canada to clients in the USA and Mexico.

Mico issued a press release that it intends to appeal the court's decision. It conducted new prior art investigations and has prepared an appeal that it has to file soon, as the deadline for filing its appeal is due in one week's time. Mico will ask for a declaration of invalidity of Gigem's product claims and of non-infringement of Gigem's process claim, as well as damages for tortious interference with its business activities due to a press release that Gigem had sent all of Mico's clients the day after the court had provided its judgment.

In order to avoid multiple lawsuits in many countries on the same issues, both lawyers have advised their clients to commence mediation proceedings before taking any further legal steps abroad. The lawyers agreed to refer the case to Result ACB, a leading European commercial ADR center based in the Netherlands, for mediation under its rules (www.resultacb.com). As the parties could not agree on who should be their mediator, they asked Result ACB to appoint a mediator according to Article 4 of Result ACB Mediation Rules. The parties agreed that English should be the language of the proceedings and that Amsterdam would be the place of the Mediation.

Confidential Facts
Plaintiff: GIGEM AG
CEO Karla or Karl Schmidt

(Please share this confidential information with your lawyer)

The CEO of Gigem, Karla or Karl Schmidt who will be attending this mediation, is taking a lot of heat for this case from her/his directors and shareholders. First, Gigem learned about the intentional use of its patented innovation by a small Canadian competitor. Next, its former employee Luke Brand had not signed any non-compete clause and he apparently played a key role, possibly facilitated by the problems with the internal security system, for which Karla or Karl has been blamed. As a result, it was not possible to sue Luke Brand for breach of contract which would have made Gigem's case stronger, and Gigem looks like it was caught sleeping.

Gigem's CEO is certain that Mico acted in bad faith, even if there is no clear evidence of this. As s/he sees it, they are "a bunch of pirates in nice suits." Mico knew that Luke Brand was a former Gigem employee and that he had worked on BI4A technology prototypes. He must have provided trade secrets and proprietary Gigem know-how to Mico for them to promote him to the position of VP of Business Development. Mico's refusal to talk or negotiate with Gigem when first asked to do so is further clear evidence of that company's bad faith. It was due to Mico's bad behavior that Karla/Karl had to resort to costly litigation in Canada, that also required her/him to be away from home repeatedly for several weeks at a time, which had a big impact on her/his personal life.

Fortunately, Gigem had sufficient resources to engage top lawyers, and this has paid off. The judge ruled in Gigem's favor, finding patent infringement although not trade secret misappropriation. Karla/Karl believes that this was a fair and just outcome and is pleased that Gigem has been awarded all of damages it had requested, which included products shipped to the USA and Mexico. Gigem is worried, however, that Mico may not be able to afford to pay damages of CA \$ 9 million and may file for bankruptcy first.

Even if Mico cannot afford to pay Gigem its damages, the litigation has been worth it, if only because of the injunction the court also granted. Gigem wants to introduce its BI4A technology in the USA and Canada soon, and is concerned that Mico's sales network in these countries may have taken key market share away from them. That is why Karla/Karl personally approved an aggressive mailing campaign immediately following the Canadian judge's ruling, sending a copy of its award to all of Mico's clients in North America.

On the other hand, BI4A is not quite ready for these markets. It seems not to be stable under all circumstances, especially at high and low temperatures. There have also been complaints that the product does not work satisfactorily when one of the substances to be bound involves metals. These are serious issues that Gigem's R&D lab is seeking solutions to before the product can be marketed in North America. Fortunately, these issues can be fixed it seems, although at a high extra cost. These issues are not known to the market, and Gigem is under pressure to fix this fast and try and justify its higher prices than Mico was charging. It is also important to fix these quality issues as soon as possible, because of a very large car coating project Gigem has been granted for BI4A technology. One of Gigem's customers is a leading European car company, and the metal coating industry represents several billions in annual revenues worldwide. So Gigem quickly needs stable products that can work in extreme temperature ranges and with the ability to work with metals

Gigem sees the litigation also as some kind of *public warning* that nobody should be allowed to use Gigem's patented technology and wishes to keep up its image as a technology leader.

Additional Confidential Facts
LAWYER for Plaintiff GIGEM AG
Alexander or Alexandra Friedmann

The appeal and litigation in other countries: you know that IP lawsuits are often expensive and time consuming, especially when they have to be repeated country-by-country. To your dismay, no matter how often Gigem tried to negotiate, Mico refused to speak. So you were forced to start an action for patent infringement in the competent court in Canada. However it turned out to be a great success as you were awarded CA \$9 million in damages in record time, because the judge included -as you asked for - sales made from Canada to the USA and Mexico, and he also awarded an injunction preventing future violations. You expect Mico will contest the Canadian court's decision. While you know that you have a strong legal case, you also know that unexpected things may happen in litigation and that the appellate judge may find for Mico at least in part. Although you were confident that your patents would not be invalidated for obviousness, and that your product claims were infringed, you were surprised that the Canadian court also found your process patents to be infringed under the doctrine of equivalents. You would prefer not to have to go through the risk of an appeal process on this point.

Regarding your claim for CA \$ 9 million in damages, you were surprised that the Canadian judge awarded these damages in full, since many of the infringing sales were made outside of Canada. There is a risk that an appellate judge will not be as generous.

Another concern of yours is that the Canadian Judge shifted the burden of proof on the process patent claims onto Mico, once he found there was infringement of the Gigem's product patent claims. This was of course very convenient during the trial, as Mico had to prove that its 7 step process was not the equivalent of a 9 step process, however you will probably not be as lucky on appeal and you see a risk that the appellate judge may conclude that the first instance judge made an error of law on this and remand the case to be tried once again at first instance on this point. This may also open up the severe development problems Gigem is facing in open court.

Another concern is that you have serious doubts as to whether Mico can afford to pay any damages. Credit reports suggest that they have been spending more money than they are making, and have had to raise money from private equity firms. Therefore you advised your client to negotiate some kind of payment plan.

The same Gigem patent has issued in 11 other countries, and although you expect that the courts in those other countries will also find in Gigem's favor should you need to resort to patent litigation there, you wish to avoid having to repeat the Canadian proceedings in every country.

The product patent claims: it is Gigem's legal position that Mico has infringed Gigem's patents on its Bi4a composition of matter claims. It is clear that the chemical composition of the NENI-PARTICLES is the same as your Bi4a product, and that they are covered by independent claim 1 of Gigem's patent, which is your product claim, as well as other dependent claims. The obviousness arguments raised by Mico on this point were weak. Mico had tried to argue the product claims were invalid for obviousness, since they were partially described in two scientific articles (Muller 1986 and Johnson 2003), which according to Mico when jointly taken together taught the benefits of creating a product having the chemical formulation of Bi4a or NENI-PARTICLE products. These articles were new to you and your client, but they were not very convincing so you are not too concerned about this, and there was no reason to consider combining these two references. Judge did not agree with Mico's experts, saying a person skilled in the art would not have thought of combining the two references. This has clearly been discussed by the Canadian court and there is no more room for discussion of this.

The process patent claims: The Canadian court ruled that Mico had tried to design around Gigem's patent by making obvious changes that did not change anything really. The judge ruled that NENI-PARTICLE's production process was similar to that of BI4A, and also found the process claims to be infringed. That is why the court issued an injunction against Mico, preventing it from making, using or selling its NENI-PARTICLE products in Canada. The judge did not focus in depth on Mico's statement of not using Gigem's 9 step process but a 7 step having found that the product claims had been infringed. He may have oversimplified the law here, by shifting the burden of proof onto Mico to prove why a 7 step process was not an infringement of a 9 step process under the "doctrine of equivalents" and ruled that Mico infringed Gigem's process claims accordingly, in the absence of compelling evidence to the contrary. You are not fully confident that this issue will be upheld during an appeal process.

**Confidential Facts
Defendant: MICO Inc.**

Petra or Peter Mc Dermot, CEO

(Please share this confidential information with your lawyer)

The CEO of Mico, Petra or Peter Mc Dermot is very worried about this case. The launch of its innovative new generation of specialty chemicals, the NENI-PARTICLE, has been a complete financial disaster after a very promising start. The basic technology came initially from Chem & Co, a company that specialized in designing around other people's patents. Mico paid far too high a purchase price for that acquisition. It had to take out a large loan in order to complete the deal and pledge all of its assets to its private equity investors. The technology was then further developed by Mico's own team of newly hired researchers to turn the 9 step process into a 7 step process. Although this resulted in unexpected results, these development expenses and the cost of the litigation have dealt Mico a heavy financial blow. The Canadian company is in a dire financial situation, and banks are reluctant to approve additional loans, especially now that sales have decreased (by approx. CA \$ 1 million to date) following Gigem's aggressive mailing campaign of the judge's decision.

Mico views itself as the biblical hero David, fighting Goliath. It perceives -- Gigem as being a big giant corporation that has intentionally "*tried to crush Mico and squeeze Mico out of the market.*"

Luke Brand had never provided trade secrets of Gigem. It is pure arrogance or bad faith for Gigem to try and claim that Luke could be guilty of providing information that is already in the public domain. It is perfectly legal to design around issued patents, and Luke Brand was simply tired of working in quality control and wanted to be involved in the sales and business development side of this basis. He left Gigem simply because he could not develop his skills further at Gigem. As it turns out, Luke is a brilliant business development person. He truly understands clients' needs, and due to his having worked in quality control for many years, he helps them to ensure they always have the optimal product. Furthermore, Luke told you, and this is common knowledge in the industry, that BI4A starts to degrade above 40°C and below -20°C. These are temperatures commonly encountered in many parts of the world during summer and winter.

Petra/Peter believes that Gigem just wants to punish Mico for having hired Luke Brand, and to wear Mico out to buy time to solve the severe quality issues that BI4A is facing, while blocking Mico from further commercializing its product.

Mico was outraged by Gigem's aggressive first letter that contained no request for clarification and no invitation to negotiate, but contained a series of ultimatums, each being more absurd than the other. Mico believes Gigem's strategy is to win simply by outspending Mico, which belief has been reinforced by how Gigem engaged countless expensive scientists and other experts to back up its story during the litigation. Mico knows from its own tests, when designing around BI4A, that it has severe quality issues. Although NENI-PARTICLE products and BI4A may serve similar needs, Mico's en-particles are far better than Gigem's b-particles. BI4A doesn't work at extreme temperatures. The 9 step process used by Bi4a also prevents it from working with metals. In contrast Mico's NENI-PARTICLE technology is stable under extreme temperature conditions and can be used on metal surfaces. By having fewer steps (7), Mico also estimates their production costs are at least 15% lower than Gigem's.

Mico respects intellectual property rights and has filed for a patent application itself to protect its NENI-PARTICLE technology. The original patent application will be published soon (18 months after the date of application). Mico's improvements were developed solely by Mico's team of scientists, when designing around the information contained in Gigem's published patent application. They were not assisted at any stage by Gigem's former employee, Luke Brand, although Luke had been able to tell the team what problems to avoid, based on many of the quality problems he had encountered with BI4A products when he had first tested them.

Mico sees a huge market potential for its NENI-PARTICLE technology in Canada, the U.S. and especially abroad, in Europe and Asia (where Mico has no distribution channels). That is also why it invested so much in the NENI-PARTICLE and its marketing campaign. This has now has all gone sour, especially as all orders for the purchase of NENI-PARTICLE products have been withdrawn, following the mass mailing campaign that Gigem did once the Canadian judge had issued its judgment. Petra/Peter is under a lot of pressure from his shareholders and Board of Directors, which includes some extremely tough Venture Capital investors.

Mico vigorously contests the Canadian court's findings and has already prepared its appeal. Following the court's decision that its obviousness arguments were no good, your patent lawyers did new searches for prior art teaching the combination of some of the prior art you had cited to the court. They just found a prior publication in China that pre-dates GIGEM's patent application, and teaches combining the exact two references you had cited as suggesting obviousness. This is new prior art that you believe invalidates Gigem's product claims. Mico also denies infringement of Gigem's process claims. The Canadian judge made a material error of law when holding that Mico's 7 step process was the equivalent of Gigem's 9 step patented process. Gigem may have won its case in this first stage, but if they do not reach a satisfactory solution in the mediation, Mico will appeal the initial decision of the Canadian Federal Court. Petra/Peter is confident that the appeal will produce a more just and accurate result.

Mico insists that Gigem pay all of its legal and non-legal expenses to date, including the entire costs of the mediation. Mico believes that Gigem's use of more witnesses and experts reports than necessary increased considerably Mico's costs during the litigation.

As the specialty chemistry market is very small, Mico intends to file a new claim against Gigem for unfair competition and tortious interference as well as damage to its reputation. Gigem sent an aggressive mass mailing to the entire specialty chemicals industry following the Canadian court's decision, sending out a copy of the judge's award that was not publicly available. You estimate that this mass mailing campaign has already caused you to lose CA \$ 1 million in cancelled orders.

Petra/Peter feels this whole situation is very unfair as Mico has done nothing illegal. Mico may have to pay damages and has incurred considerable litigation costs it can ill afford. The company now faces even more substantial legal expenses for the appeal, and risks losing any profits on this project. It has invested in substantial marketing efforts and investments. More importantly, if it loses this huge business potential, it may not be able to recover from its financial distress. Also time is of the essence. Mico needs certainty as to its rights to market and produce its product and needs to achieve this goal without additional costs. It needs to recapture its market share as soon as possible. Petra/Peter is concerned that appealing the initial decision would require more time and financial resources than Mico has available, and this will continue to keep customers away. Also Mico needs additional resources in order to spread the improved technology in other countries outside of Canada and the U.S, where it has no distribution resources and will need to invest money to create them.

Additional Confidential Facts
IN-HOUSE COUNSEL for Defendant: MICO Inc.
Chris/Celine Powell

The product claims: Mico believed the patent was invalid at trial for obviousness, since there were two scientific articles (Muller 1986 and Johnson 2003) that when jointly taken together taught the benefits of creating a product having the chemical formulation of BI4A and NENI-PARTICLES. Mico argued obviousness before the judge on that basis, but the Judge did not agree with Mico's experts on this, saying a person skilled in the art would not have thought of combining the two references. Following the ruling, however, Mico renewed their efforts to find a single piece of prior art that would do so. In fact, by looking at new databases available in China, Mico just found a doctoral thesis, from CHEN Honguang at Beijing university, that is dated from 2005 (before Gigem filed its patent application) that mentions both Muller 1986 and Johnson 2003 and suggests combining them. You have a translation of this thesis and an affidavit from Dr. CHEN confirming that he had in fact tried to combine both references, using a process very different from Gigem's but that produces binding products that are very similar to b-particles.

Under mediation confidentiality you are willing to show Gigem parts of this thesis, which discuss combining both of these two references, and an experiment carried out by CHEN that produced a very primitive form of a similar product to NENI-PARTICLES and Bi4a. Your trial counsel (who will not be in the mediation) has advised you strongly NOT to show this prior art to Gigem, and to ambush them with this information during the appellate proceedings, but you are willing to take the risk of showing it to Gigem if this may help to resolve this dispute more rapidly.

Also, Mico prefers not to have to invalidate Gigem's claim since it actually also protects Mico as well. If people do not know about the CHEN article they are unlikely to try and enter this space as well, now that Gigem's patent has issued and been recognized by the Canadian court is a deterrent against any third parties.

You also realize it will be expensive for Mico to go through the formal proceedings of having to seek a declaration of invalidity in all countries where Gigem has filed a patent. You know, however, that Mico can now prove Gigem's product claims to be invalid (although not its process claims).

The process claims: The Canadian judge is not a chemist nor is he an experienced patent judge. Because he was so focused on whether b-particles resemble n-particles, he did not realize the innovation in reducing the 9 step process to a 7 step process and how the absence of two steps in the Mico process make this a non-infringing process. He also failed to understand the importance of the difference sequence of steps in which Mico's products are manufactured, which has conferred all sorts of benefits and had reduced production costs. Not only did Mico effectively design around Gigem's process claim, but they achieved a far better and cheaper product in the process, which Mico has filed for a patent on. The appeal will highlight why it is very important to note that Mico does not practice Gigem's manufacturing steps in the same order, how this ends up conferring surprising new and improved properties, especially when it comes to binding with metals, that BI4A technology cannot match, and how Gigem's products are too unstable to be safely marketed.

Regarding appeal: You are convinced that the Judge misunderstood and misapplied the "doctrine of equivalents" concept, which does not justify shifting the burden of proof onto the defendant that its process is non-infringing. Once the judge had found there was infringement of the product claims, he basically shifted the burden of proof onto Mico, which was an error of law. This will be set right on appeal. Just like the ridiculously high number of CA \$ 9 million that was granted in damages. Gigem should not be entitled to lost profits for sales it would not have been able to make. Given that Gigem's products do not work with metal and will not work above 40°C or below -20°C its products would never have worked in Canada and in large parts of the US were products need to be able to resist such temperature ranges.

The trade secret misappropriation: as far as **Luke Brand** is concerned, you'd like to point out that there were no 'no-competition' or confidentiality clauses in his original employment agreement, or in the agreement terminating Brand's relationship with Gigem. If Gigem felt so strongly about Luke not working for a competitor, they could have taken care of that. With Mico he is in sales and marketing, not in product development, quality control or R&D. Furthermore, now that he is living and working in Canada instead of Germany, it is unlikely that any such provision would have made any difference. As the Canadian court has now recognized, Gigem's original European patent application with the European Patent Office (EPO) had published 18 months after Gigem first applied for it. There was no need for Luke to tell Mico anything, even if he did know

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something about the technology. Mico used the published EPO application as the basis to design around the product for a client. The fact is that Luke did not believe that BI4A was ready for the market. He came to Mico when he was frustrated that Gigem would not accept his feedback as to what he needed to be able to sell from a sales and marketing perspective. Mico developed its improved formula itself, and Luke had nothing to do with this.