

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

CALLAWAY GOLF COMPANY,)
)
 Plaintiff,) C.A. No. 06-91 (SLR)
)
 v.)
)
 ACUSHNET COMPANY,) **PUBLIC VERSION**
)
 Defendant.)

**ACUSHNET'S REPLY BRIEF IN FURTHER SUPPORT OF
ITS MOTION TO STAY ANY PERMANENT INJUNCTION**

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I. INTRODUCTION

Acushnet Company (“Acushnet”) files this reply in further support of its contingent motion to stay, pending appeal to the Court of Appeals, any permanent injunction that may issue.

Since Acushnet’s opening brief was filed, the reexaminations of the patents-in-suit have progressed further and these proceedings are reaching the final stage at the examiner level. On March 4, 2008, the Patent Office issued an action again rejecting all the claims of the ‘130 Patent. *See* Exhibit A, 3/4/08 Office Action re ‘130 Patent. In addition, the Patent Office issued an order *closing* prosecution on the merits as to the ‘130 patent. *Id.* at 2. This means that the examiner has completed his review (subject to certain Patent Office procedures), concluded that the patent is invalid, and is prepared to force Callaway to either amend and narrow the claims or appeal his decision to the Patent Office Board of Appeals and Interferences.

As a result, Callaway can no longer hide behind the “interim” or “tentative” adjectives it has used in the past to describe proceedings in the Patent Office. The reexamination examiner has concluded that the ‘130 claims are invalid. That phase of the reexamination is essentially over. Callaway has lost. Given the schedule followed by the Patent Office in this and previous examinations, it is likely that within three months similar actions closing prosecutions will be issued on the other three patents-in-suit.

Unable to derail or dismiss the Patent Office’s inexorable progress towards invalidating the patents-in-suit, Callaway spends much of its brief requesting that the Court ignore the Patent Office’s repeated findings. Callaway argues that the proceedings should be ignored because Acushnet filed them in breach of the 1996 Agreement, as the Court has found. D.I. 457 at 21-22. This argument is misplaced.

Acushnet initiated the reexaminations in good faith, believing that the 1996 Agreement did not apply. The Court found otherwise, and Acushnet will appeal that finding. However,

once initiated, the reexaminations were conducted by the Patent Office pursuant to its statutory duty to reexamine patents and to strike invalid patents. Callaway fully participated in the reexamination, made all of its arguments, and lost. Callaway can appeal that decision in the Patent Office. In this Court, Callaway may, in the end, have a remedy for breach of contract, but that fact in no way detracts from the fact that the Patent Office decision demonstrates that Acushnet has a strong likelihood of success on appeal.

Callaway also fails to explain how it is possible for the Court to make a proper balancing of the equities, which involves a determination of whether damages are adequate to fully compensate Callaway for infringement, without first determining what those damages should be. Callaway apparently cannot dispute Acushnet's showing on this point.

Callaway's opposition and actions since the jury verdict also suggest that Callaway hopes to use the injunction as a marketing tool to undermine Acushnet's relationships with its retailers and customers. Callaway also seeks to use the injunction as a hammer to try to pressure Acushnet to settle, as it tacitly admits in its opposition brief. D.I. 457 at 9. Neither of these is a legitimate purpose of an injunction. Acushnet reiterates that any determination of an injunction should be made once all relevant information is available to the Court. Callaway should not succeed in its attempt to have the Court rush to judgment on this vital matter.

In *Nichols Institute Diagnostics, Inc. v. Scantibodies Clinical Laboratory, Inc.*, 166 F. App'x 487, 488-89 (Fed. Cir. 2006), a party seeking a stay must demonstrate "*either* a strong likelihood of success on the merits or ... that it has a substantial case on the merits and that the harm factors militate in its favor." (emphasis added). As Acushnet has demonstrated, both in its opening brief, D.I. 441, and in its briefing of the injunction and post trial motions, D.I. 417, 434,

it has a strong likelihood of success on appeal. Without a doubt it has at least shown a substantial case on the merits; Callaway will suffer little or no additional harm from a stay.

II. ARGUMENT

A. Contrary to Callaway's Assertions, Acushnet is Likely to Succeed On Appeal

It is not Acushnet's intention to reargue each individual point here, but instead to direct the Court's attention to a limited number of salient issues inadequately addressed by Callaway that demonstrates Acushnet's likelihood of success on appeal.

1. Claim Construction

Callaway argues that Acushnet will not prevail on the claim construction issue, and, that even if Acushnet does prevail, that the correct claim construction will not alter the outcome of the trial. D.I. 457 at 3-6. Callaway is incorrect on both grounds.

The Court recognized that the claim construction issue was a close one. The Court indicated that "there is support for both parties' respective claim constructions in the intrinsic and extrinsic evidence of record." D.I. 345 at 1-2. The Court stated that, "in a case like this, where, quite frankly, the claim construction could go either way, I never predict what the Federal Circuit is going to do." D.I. 349 at 4. Callaway's opposition references only the second part of this quote, glossing over the first part. D.I. 457 at 3. This situation is far from what Callaway deliberately understates as "the existence of some uncertainty in construing claims." *Id.* The Court clearly conceded that either construction (on or off the ball) was reasonable.

Plaintiff relies on evidence that those in the art sometimes measured Shore D hardness "on the ball." D.I. 457 at 3-4. However, Callaway's evidence tells only part of the story. What *all* the evidence shows, and what Callaway even conceded in the Markman hearing, is that those

skilled in the art measured hardness **both ways** -- on *and* off the ball. Both readings are plausible and consistent with the practices of those in the art. T. Tr. 493:8-494:3.

More fundamentally, the claim construction issue turns not on whether Shore D hardness *can* be measured on the ball as well as on the plaque, but rather on whether the '130 patent claims *require* that Shore D hardness be measured on the ball. Here, the ASTM standard cited in the specification as defining a hardness measurement *requires* it to be measured off the ball. The relevant part of the '130 patent's specification states that "[s]hore hardness was measured *in accordance* with ASTM test 2240. D.I. 216, Ex. 2, '130 Patent, Col. 6, ll. 63-64. Thus, the plain language of the patents define that Shore D hardness be measured in accordance with the ASTM standard, which requires a plaque or "off the ball" measurement. PX-804. This specification definition should control the claim construction inquiry.

Other aspects of the patents-in-suit demonstrate that a strictly "on the ball" construction cannot be correct. Claim 6 of the '130 patent, for example, claims an "outer cover layer having a modulus in the range of about 1,000 to about 30,000 psi and a Shore D hardness of 64 or less." D.I. 216, Ex. 2, '130 Patent, Col. 24, ll. 1-3. However, the flexural modulus of a cover layer cannot be measured "on the ball." It is an impossibility to do so -- the test requires a bar of rectangular cross section be bent or deflected. D.I. 211, Ex. J.

Thus, just as the reference to the flexural modulus of the "cover layer" has to refer to the flexural modulus of the material from which the cover layer is made, the reference to the Shore D hardness of the same "cover layer" has to refer to the hardness of the material as well. The term "cover layer" must be construed consistently, *see CVI/Beta Ventures v. Tura LP*, 112 F.3d 1146, 1159 (Fed. Cir. 1997), and the intrinsic evidence of the claims dictates that the Shore D measurements refer to the properties of the cover layer material, an "off the ball" measurement.

In its latest ruling, the Patent Office considered both Callaway's and Acushnet's claim arguments. The Patent Office found Acushnet's claim construction was reasonable and also expressly found that "the arguments of [Callaway] concerning measuring of hardness "on the ball" in the claim language [were] unpersuasive." Ex. A., '130 action 3/4/08 at 182. The examiner specifically rejected Callaway's arguments regarding the requirement to measure "on the ball," *id.* at 182-84. The Patent Office decisions on this point surely suggest that Acushnet has demonstrated at bare minimum a "substantial case on the merits for appeal." *Nichols Inst. Diagnostics, Inc.*, 166 F. App'x at 489. *See also Standard Havens Prods., Inc. v. Gencor Inds., Inc.*, No. 93-1208, 1993 U.S. App. LEXIS 11963, at *2 (Fed. Cir. May 21, 1993) (legal error to refuse to stay injunction until reexamination decision became final).

Callaway further claims that even if Acushnet were to prevail on appeal on the claim construction issue, the ultimate outcome of the case would not change. D.I. 457 at 5. Callaway claims that none of the asserted prior art references themselves disclose "off the ball" polyurethane Shore D hardness values. *Id.* Callaway's argument badly misses the mark.

Some of the prior art references before the Patent Office in the original prosecution do not state, on their face, the Shore D hardness of polyurethane when measured "off the ball." However, the Shore D hardness of polyurethane is an inherent property, readily determinable from widely available product specification sheets in use at the time of the prior art. The hardness of these polyurethanes can categorically be shown to be less than 64 measured "off the ball." Polyurethane was well known as a soft material both on and off the ball, as the trial testimony itself established. T. Tr. 467:1-21; 493:23-494:3. Indeed, when the Patent Office was presented the data on the intrinsic hardness properties of the prior art cover materials during the reexamination, it rejected all the patents-in-suit. The polyurethanes in the prior art references

have a Shore D less than 64 off the ball. Acushnet can prove the same; and, as the reexamination shows, under this construction the Court should find that all of the patents are invalid.

Callaway also argues that there was no motivation to combine polyurethane golf ball covers with three-piece golf ball constructions because of alleged “well-documented difficulties and disadvantages with using polyurethane.” D.I. 457 at 5-6; D.I. 455 at 5-6. These alleged difficulties apparently refer to that fact in the late 1980s, Spalding chose to replace the cover of balls using the Molitor ‘751 cover with a different cover. T. Tr. 704:17-24.

Contrary to Callaway’s assertions, by 1995, when the applications leading to the patents-in-suit were filed, castable polyurethanes, like those disclosed in the Wu patent, had been shown to be remarkably successful through Acushnet’s leading Titleist Professional golf ball. T. Tr. 351:22-352:13; 357:4-13. An artisan would, moreover, be familiar with the publicly available Molitor ‘751 itself, which endorses (and indeed specifically instructs) the use of polyurethane on a three-piece golf ball. Furthermore, the art was aware of the polyurethane-covered Spalding Tour Edition, which used the Molitor ‘751 polyurethane and was played by Greg Norman to win the British Open. *See* Exhibit B, Deposition of Greg Norman, 60:12-62:13; T. Tr. at 957:17-959:3. Thus, contrary to Callaway’s assertions, the person of ordinary skill in 1995 would find multiple teachings suggesting the combination of polyurethane covers with a three-piece ball. The fact that Spalding in the 1980s chose, for its own manufacturing reasons, to change the cover on a ball that had won the British Open in no way supports the inference Callaway asserts, that the art disfavored polyurethane covers in 1995 at the time of the invention.¹

¹ There are other areas in which Acushnet contends that the Court was led into error by following improper suggestions in Callaway’s briefs. For example, in summary judgment, the Court relied on Callaway’s citation of *Continental Can Co. USA, Inc. v. Monsanto Co.*, 948 F.2d 1264, 1268 (Fed. Cir. 1991) for the proposition that “extrinsic evidence used to fill a gap in a reference ‘must make clear that the missing descriptive matter is necessarily present in the thing

B. Acushnet's Redesign Efforts are Timely and Being Conducted Expeditiously

Callaway argues that Acushnet should have redesigned its balls sooner, and that Acushnet could redesign its product in "a few weeks" if it really were interested in doing so. (D.I. 457 at 9-10). These arguments are not accurate.

Initially, as set forth *infra*, Acushnet proceeded under the good faith belief that these patents are invalid since the first one issued in 2001. [REDACTED]

[REDACTED] the Patent Office agrees that they are invalid today. A party that believes a patent is invalid has no obligation to design around it. Plainly, Acushnet cannot be faulted (except by hindsight) for not redesigning the balls before the jury ruled.

Nor has Acushnet been dilatory in its redesign efforts. [REDACTED]

described in the reference, and that it would be so recognized by persons of ordinary skill.” In fact, in both *Schering Corp., v. Geneva Pharmaceuticals, Inc.*, 339 F.3d 1373, 1377 (Fed. Cir. 2003) and later in *Toro Co. v. Deere & Co.*, 355 F.3d 1313 (Fed. Cir. 2003), the Federal Circuit changed this standard. This Court has repeatedly recognized the new, different standard. See *IMX, Inc. v. Lending Tree, LLC*, 405 F. Supp. 2d 479, 489 (D. Del. 2005) (Robinson, J.); see also *Boston Scientific Scimed, Inc. v. Cordis Corp.*, C.A. No. 03-283-SLR, 2005 U.S. Dist. LEXIS 10751, at *16 (D. Del. June 3, 2005) (Robinson, J.); see also *Atofina v. Great Lakes Chem. Corp.*, C.A. No. 02-1250-SLR, 2005 U.S. Dist. LEXIS 7365, at *46 (D. Del. Mar. 16, 2005) (Robinson, J.). The *Continental Can* standard is also inconsistent with *K.S.R. Int’l Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007). The Court did not allow Acushnet to file motions for reconsideration in order to correct these misperceptions. On appeal, it is clear that the Federal Circuit will implement the correct standard, regardless of Callaway’s continued miscitations in case briefing.

Callaway also does not address the issue of the Court’s determinations relating to incorporation by reference. Acushnet maintains that under a correct reading of *Zenon Environmental, Inc., v. United States Filter Corp.*, 506 F.3d 1370 (Fed. Cir. 2007), Nesbitt must be seen as incorporating Molitor ‘637 by reference. D.I. 205 at 5; 263 at 1-8. In its most recent decision, the Patent Office analyzed the teachings of the references and agreed with Acushnet. Ex. A at 23-30. At the very least, Acushnet has demonstrated a “substantial case on the merits” as to this issue as well. *Nichols Inst. Diagnostics, Inc.*, 166 F. App’x at 488-89.

[REDACTED]

[REDACTED] Callaway cannot and does not dispute this showing.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Callaway’s speculation that this should take only a few weeks is uninformed and wrong.

C. Callaway Uses Inapposite Case Law To Suggest A Stay Should Not Be Granted

Callaway claims that “this Court has repeatedly held that stays are not warranted for companies in Acushnet’s position.” D.I. 457 at 10. The cases Callaway relies on are distinguishable from this case. Noticeably, Callaway’s cases all predate *eBay*, and were decided when injunctions were entered based on a presumption of irreparable harm. Also, in all of the cases cited by Callaway, the Court found that the party seeking a stay was unlikely to succeed in post-trial and appellate proceedings. *See Arthrocare Corp. v. Smith & Nephew, Inc.*, 315 F. Supp. 2d 615, 619 (D. Del 2004) (“[T]here is no convincing evidence that Smith & Nephew’s

appeal carries a strong likelihood of success.”); *Honeywell Int’l., Inc. v. Universal Avionics Sys. Corp.*, 397 F. Supp. 2d 537, 550 (D. Del. 2005) (“[T]he Court finds that Universal has failed to make an adequate showing that it will succeed on the merits.”); *Philips Elecs. N.A. Corp. v. Contec Corp.*, C.A. No. 02-123-KAJ, 2004 WL 2009370, at *1 (D. Del. Aug. 24, 2004) (same). Thus Callaway’s authorities are not on point here.

D. Callaway Erroneously Argues That Acushnet May Not Be Able To Meet Any Damages Award

Callaway argues further that an injunction should issue because “it is not at all clear ... that Acushnet can easily or promptly pay the ultimate damages award.” D.I. 457 at 12. This runs in clear contrast to Callaway’s other statements. A mere two pages early in its brief, Callaway states “Acushnet is part of a huge conglomerate, Fortune Brands, and Acushnet, itself, also sells numerous products ... that are not impacted by the proposed injunction.” *Id.* at 10 n.8. In fact, there is no evidence that Acushnet will be unable to pay a damages award, even the inflated one claimed by Callaway.

E. Callaway Ignores The *Innogenetics* and *Paice* Decisions, Which Eviscerate Its Irreparable Harm Arguments

Callaway argues that lost market share can constitute irreparable harm, and cites to older cases supporting this proposition. The Federal Circuit’s recent *Innogenetics* decision makes clear, however, that when a patentee requests compensation for such factors in its damages analysis, such harm is, by definition, compensable and not irreparable. It is therefore no surprise that Callaway ignores this case, and [REDACTED]

[REDACTED]

F. The Court Should Not Disregard Subsequent Proceedings In The Patent Office

Callaway argues that the Court should not give weight to the developments in the Patent Office reexaminations because they were the product of Acushnet's "illegal" or "unlawful" breach of the 1996 Agreement. D.I. 457 at 21-22. This argument is badly misplaced.

First of all, as noted above, Acushnet started the reexaminations in a good faith belief it had the right to do so. Once instituted, the Patent Office had an obligation to conduct these reexaminations. 35 U.S.C. § 314. It has discharged that duty and has found the patents invalid. Callaway fully participated in that proceeding and, to date, has lost all the claims in all the patents on numerous grounds. The Patent Office proceeding is entitled to consideration by the Court in ruling on a motion to stay. *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d at 1360 (Fed. Cir. 2007). Nothing in Federal Circuit case law, or common sense, suggests that the reexamination is entitled to any less weight because Acushnet instituted it in what the Court has found was a breach of contract. The relevance of the reexamination is what the Patent Office did, not that Acushnet instituted them.

Nor would it be appropriate under contract law to "punish" Acushnet's breach of contract by ignoring the effect of the reexamination. Contract law awards compensatory damages only -- punitive awards are not available. *Morabito v. Harris*, C.A. No. 1462-K, 2002 Del. Ch. LEXIS 27, at *10 (Del. Ch. Mar. 26, 2002) ("Our jurisprudence, however, is best reflected in Oliver Wendell Holmes' famous line: 'The only universal consequence of a legally binding promise is, that the law makes the promisor pay damages if the promised event does not come to pass.'").

Moreover, contrary to Callaway's rhetoric, it is neither "unlawful" nor "illegal" to breach a contract. If the Court is affirmed on appeal, it will turn out that Acushnet was wrong in its reading of the agreement. If so, it may owe damages. But Acushnet did not act "illegally" or

“unlawfully” in pursuing its view of the contract, and there is no basis to “punish” Acushnet for pursuing the course it took. *See E.I. DuPont de Nemours & Co. v. Pressman*, 679 A.2d 436, 445 (Del. 1996) (“Traditional contract doctrine is also supported by the more recent theory of efficient breach.”) (*citing Restatement (Second) of Contracts*, Reporter’s Note to Introductory Note to Ch. 16, Remedies).

Callaway’s transparent effort to encourage the Court to altogether ignore the Patent Office’s actions should be rejected. The progress of the reexaminations certainly suggests that Acushnet has a strong likelihood of success on appeal. *See also Custom Accessories, Inc., v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 961 (Fed. Cir. 1986) (trial court erroneously failed to “give any credence to the PTO reexamination proceeding”); *Pfizer, Inc.*, 480 F.3d at 1360 (basis of an “examiner’s initial finding of prima facie obviousness of an issued patent” is a consideration “the trial court must consider in context of the totality of the evidence ‘in determining whether the party asserting invalidity has met its statutory burden’”) (quoting *Fromson v. Advance Offset Plate*, 755 F.2d 1549, 1555 (Fed. Cir. 1985) (examination proceedings are “evidence the court must consider”)); *Fresnius Med. Care Holdings v. Baxter Int’l, Inc.*, No. C 03-1431, 2006 WL 1330003, at *4 (N.D. Cal. May 15, 2006) (determining that evidence of pending reexamination proceedings and a final BPAI decision of a related application were both relevant and admissible on the question of validity of the patents at issue).²

² Callaway implies that Acushnet knowingly breached the 1996 Settlement Agreement, which is not true. D.I. 457 at 14. Acushnet did not believe reexamination requests were covered by this agreement. It took Callaway itself several months to stumble upon this idea. Its original complaint did not allege breach of contract. In its amended complaint, Callaway tacked on this assertion. [REDACTED]

G. Callaway And Spalding's Long Delays In Filing Suit Justify A Stay Pending Appeal

Callaway also disregards the effects of its delay in filing suit on its claims of irreparable harm. Callaway cannot ignore the fact that, as assignee, it is charged with the delays of its assignor. Callaway seeks to dismiss Spalding's delay in filing suit by referencing Spalding's "[REDACTED]" (D.I. 457 at 14). [REDACTED]

[REDACTED] *See Tiber Labs., LLC. v. Hawthorn Pharms., Inc.*, 527 F. Supp. 2d 1373, 1382 n.7 (N.D. Ga. 2007) ("Tiber has cited no authority to the contrary, and has offered no legal support for its proposition that the Court should excuse its predecessor's dilatory conduct because of its financial distress.").

Callaway attempts to explain the almost five years of delay from the issuance of the patents (at a time when the Pro V1 was *already* being sold) by claiming the 1996 Settlement Agreement between Spalding and Acushnet "[REDACTED]" of the delay. *Id.* This argument is unsupportable. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Callaway further attempts to justify its delay by claiming that it spent "[REDACTED]" [REDACTED] *Id.* Initially, this allegation is unbelievable on its face given the low Rule 11 obligation the Federal Circuit places on patentees. Callaway could have

performed simple tests on the balls, measuring the thickness of the layers and the hardness of the balls, sufficient to meet its Rule 11 standard of good faith in a law suit. It is unreasonable to suggest, without any support, that those tests required [REDACTED]. Callaway's argument is also inconsistent when one considers that Callaway contends that infringement is so clear here that Acushnet should have admitted it years earlier. D.I. 412 at 3. Callaway's argument is further factually unsupported. It is apparent that Callaway did not really spend [REDACTED] [REDACTED], preparing its case for court. Indeed, even before Callaway bought these patents [REDACTED]. D.I. 285, Exs. 7, 22. Callaway took its time because it was [REDACTED] was only looking for money. Callaway took its time because it was not suffering irreparable harm. A denial of an injunction altogether is warranted; however, at a minimum it is apparent that all Callaway wants is money and a stay pending appeal will not harm it.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

reputation as a research institution has been impugned” by the infringement. *Id.* at 605.

Callaway, however, was not the innovator here -- it purchased the patents after infringing them.

Smith & Nephew, Inc. v. Synthes (U.S.A.), 466 F. Supp. 2d 978 (W.D. Tenn. 2006) also does not

provide the support Callaway claims. As Callaway itself cites, the plaintiff in *Smith* was

unwilling to license the patent, [REDACTED].⁴

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

I. Callaway’s Other “Harm” Arguments Lack Merit

Callaway claims that Acushnet has failed to demonstrate “irreparable harm” from an injunction. D.I. 457 at 8-11. Callaway has misstated the standard for stay of injunction. *Nichols Inst. Diagnostics*, 166 F. App’x at 488-89, makes clear that a party seeking a stay must demonstrate “either a strong likelihood of success on the merits or ... that it has a substantial case on the merits and that the harm factors militate in its favor.” Acushnet here has done **both**. The harm demonstrated by Acushnet in its Motion to Stay, D.I. 441, substantially outweighs any

⁴ While the court goes on to state that a willingness to license is not *sufficient* to prevent an injunction, Acushnet has not claimed that it is -- it is, however, as borne out by case law, a factor which courts must consider in the determination of whether to issue an injunction.

further additional harm to Callaway from a small number of months delay while Acushnet shifts production to a non-infringing ball.

Callaway repeatedly chastises Acushnet for alleged deliberate infringement of the patents-in-suit over a number of years. There is no factual basis for such a claim. For example, Callaway notes that “[REDACTED]” D.I. 457 at 1 n.1. Of course, Acushnet received opinions of counsel stating that all four of the patents-in-suit were invalid. D.I. 434, Ex, 29-31. Not only need is a party not required to acquire opinions of counsel in both areas, *see Autobytel, Inc. v. Dealix Corp.*, 455 F. Supp. 2d 569, 575 (E.D. Tex. 2006) (“Non-infringement, invalidity, and unenforceability are separate and independent defenses to infringement”), it is also impossible to be liable for infringing an invalid patent. Acushnet’s honest belief in the invalidity of the patents-in-suit led it to practice the technology therein, believing there was no valid patent to be infringed.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

J. Callaway Seeks An Injunction For Illegitimate Purposes

Callaway provides no justification for the misinformation its employees have been spreading to Acushnet retailers regarding this case. Callaway criticizes Acushnet’s press releases, yet concedes that the statements in those press releases are true. D.I. 460 at 10. On the other hand, Callaway employees have been spreading demonstrably false information regarding

the likely scope of an injunction, [REDACTED]

[REDACTED]. Callaway refers to this outrageous statement as “an obvious joke.” (*Id.* at 11). Acushnet does not feel that deliberately attempting to interfere with its relationships with its retailers through such falsehoods is a laughing matter.

Callaway mistakenly lets slip its true reason for seeking an injunction -- to act as leverage in settlement negotiations. Callaway states that “issuing an injunction and denying a stay might obviate the need for [a damages] trial altogether.” D.I. 457 at 9. The only explanation for this extraordinary statement is that Callaway hopes an injunction will lead to a settlement on favorable terms for it. This is exactly the sort of extortion which courts have stated is an illegitimate reason to grant an injunction. *See e.g. Mercexchange L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 582 (E.D. Va. 2007) (“Utilization of a ruling in equity as a bargaining chip suggests both that such party never deserved a ruling in equity and that money is all that such party truly seeks, rendering monetary damages an adequate remedy in the first instance.”); *Foster v. Am. Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974) (“An injunction ... is not intended as a club to be wielded by a patentee to enhance his [license] negotiation stance.”).

III. CONCLUSION

Acushnet has demonstrated “either a strong likelihood of success on the merits or ... a substantial case on the merits and that the harm factors militate in its favor.” *Nichols Inst. Diagnostics, Inc.*, 166 F. App’x at 488-89. While ultimately an injunction is simply not warranted in this case, Acushnet has demonstrated that should any injunction issue, the injunction should be stayed as set out in Acushnet’s briefing.

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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

CERTIFICATE OF SERVICE

I, David E. Moore, hereby certify that on March 31, 2008, the attached document was electronically filed with the Clerk of the Court using CM/ECF which will send notification to the registered attorney(s) of record that the document has been filed and is available for viewing and downloading.

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