

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

CALLAWAY GOLF COMPANY,

Plaintiff,

v.

ACUSHNET COMPANY,

Defendant.

C. A. No. 06-91 (SLR)

EXHIBIT 12

DEFENDANT ACUSHNET'S STATEMENT OF INTENDED PROOF

Defendant Acushnet Company ("Acushnet") hereby submits its statement of what it intends to prove at trial. In the following summary, Acushnet sets forth the main themes and points it intends to prove at trial. However, the list is not exhaustive and, in addition to what is set out, Acushnet reserves the right to prove any matters identified in its Answer to Callaway's Amended Complaint, in its interrogatory responses, and in the expert reports and rebuttal reports of its expert witnesses. Acushnet also intends to offer proof on the issues of fact and issues of law identified by the parties in this Joint Pre-Trial Order. Acushnet will also seek to disprove certain matters raised in Callaway's summary of issues.

I. INTRODUCTION

A. Acushnet Company

For over 50 years, Acushnet Company has been the leading manufacturer of golf balls in the United States and the world. For over 40 years, Acushnet's *Titleist* brand of golf balls have been the "No. 1 Ball in Golf," which means that more professionals play the Titleist brand than any other brand of ball on professional tour events.

Acushnet's current product offering in the tour played ball category is a family of balls called the Titleist Pro V1. The balls at issue are known as the Pro V1 and the Pro V1x (a dual core version of the Pro V1). The Court may also hear reference to a "Pro V1*," pronounced "Pro V1 *STAR*" which was an earlier version of a ball similar in construction to the Pro V1x.

The accused Pro V1 family of balls, like the other Titleist balls before it, has garnered great success among professional players, highly-skilled amateurs, and other golfers who have an interest in playing the ball that the pros play. The evidence will show that the reasons for this are many, including the fact that it is a high quality product and that it benefits from the *Titleist* brand name and associated cache of quality, as well as the fact that Titleist products are marketed well, have excellent quality control, and are accepted in the market as top quality products.

Acushnet designed and developed the Pro V1 balls itself. It developed the urethane cover used on the balls as early as 1993, and used it on the prior art Professional ball. Acushnet began applying urethane to multi-layer, solid construction balls in 1995. Acushnet also uses a proprietary plasma treatment and corona discharge method to ensure that the polyurethane outer cover adheres to the inner cover. Other golf balls using polyurethane covers over ionomer covers have experienced poor adhesion. Acushnet has over 50 patents of its own that cover one or more of the Pro V1 balls or the methods of making them. The Pro V1 was not copied from the patents in suit, none of which even issued until after Acushnet had released the Pro V1.

In 2009, Acushnet introduced new versions of the Pro V1 and Pro V1x, both of which undisputedly do not infringe the patents-in-suit. Those balls were even more successful than the accused Pro V1 and Pro V1x balls. This fact disproves that the success of the accused Pro V1 and Pro V1x balls was due to the patents-in-suit.

B. The Asserted Claims

The claims at issue in the patents in suit are as follows:

- claims 1, 4, and 5, of United States Patent No. 6,210,293
- claims 1-3 of United States Patent No. 6,503,156
- claims 1 and 3 of United States Patent No. 6,595,873; and
- claim 5 of United States Patent No. 6,506,130.

These claims are hereafter referred to as the “asserted claims.”

II. INVALIDITY OF CALLAWAY’S PATENTS-IN-SUIT

A. Obviousness

1. Acushnet will prove that the claims at issue are invalid under 35 U.S.C. § 103. Acushnet may rely on some or all of the following combinations of prior art references:

- U.S. Patent No. 5,314,187 to Proudfit in view of U.S. Patent No. 4,674,751 to Molitor
- U.S. Patent No. 5,314,187 to Proudfit in view of U.S. Patent No. 5,334,673 to Wu
- U.S. Patent No. 5,314,187 to Proudfit in view of U.S. Patent No. 4,274,637 to Molitor
- U.S. Patent No. 5,314,187 to Proudfit in view of the Titleist Professional Golf Ball
- U.S. Patent No. 5,314,187 to Proudfit in view of the Titleist Professional 2P Golf Ball
- U.S. Patent No. 4,431,193 to Nesbitt in view of U.S. Patent No. 4,674,751 to Molitor
- U.S. Patent No. 4,431,193 to Nesbitt in view of U.S. Patent No. 5,334,673 to Wu
- U.S. Patent No. 4,431,193 to Nesbitt in view of U.S. Patent No. 4,274,637 to Molitor

- U.S. Patent No. 4,431,193 to Nesbitt in view of the Titleist Professional Golf Ball
- U.S. Patent No. 4,431,193 to Nesbitt in view of the Titleist Professional 2P Golf Ball
- The Wilson Ultra Tour Balata Golf Ball in view of in view of U.S. Patent No. 4,674,751 to Molitor
- The Wilson Ultra Tour Balata Golf Ball in view of in view of U.S. Patent No. 5,334,673 to Wu
- The Wilson Ultra Tour Balata Golf Ball in view of the Titleist Professional Golf Ball
- The Wilson Ultra Tour Balata Golf Ball in view of the Titleist Professional 2P Golf Ball
- Other art identified by Acushnet in its discovery responses

2. Acushnet will establish the scope and content of the prior art and the differences, if any, between the prior art and the asserted claims.
3. Acushnet will demonstrate that it was well within the ordinary skill in the art to make a three-piece construction golf ball with a urethane outer layer by 1995. Acushnet will show that the use of polyurethane as a cover material on golf balls was notoriously well-known for decades, and that the use and benefits of a three-piece construction golf ball were also well-known by 1995. Acushnet will show that at this time a person of ordinary skill in the art would have been motivated to combine the teachings of the prior art in the manner claimed by the patents-in-suit. For example, Acushnet will show that the Molitor '751 patent contains an express teaching to put a urethane cover onto a three-piece solid construction ball, such as the balls disclosed in the Nesbitt or Proudfit patents or the Wilson Ultra Tour Balata ball. Many other examples of such motivations to combine the use of polyurethane on a three-piece construction golf ball (such as, for example, the teaching in the Wu patent to use polyurethane as a cover material for solid balls) also existed in the art by 1995.
4. Acushnet will also rebut Callaway's attempt to save the patents in suit from invalidity by relying on the commercial success of the Pro V1. Acushnet will show that the Pro V1 is covered by scores of its own patents and other technology, which makes the process of ascribing commercial success to any one or more of the patents in suit highly speculative. Acushnet will also show that many factors unrelated to the patents in suit are responsible for the success of the Pro V1, a showing Callaway will be unable to dispute or rebut. Acushnet will also show that when Acushnet introduced the 2009 Pro V1 and Pro V1x balls that do not use the patents-in-suit, those balls were even more successful than the accused Pro V1 and Pro V1x balls, defeating Callaway's claim that there is a nexus between the patents-in-suit and the commercial success of the accused products.

B. Anticipation

1. Acushnet will prove that the asserted claims are invalid because they are anticipated under 35 U.S.C. § 102 by U.S. Patent No. 4,431,193 to Nesbitt, which incorporates by reference the Molitor '637 patent.

C. Lack of Enablement

1. Acushnet will prove that the asserted claims are invalid under 35 U.S.C. § 112 for lack of enablement.

III. DAMAGES

1. Even if Callaway could prove that Acushnet has infringed any valid claim of the patents in suit, the most likely result of the hypothetical negotiation between Callaway and Acushnet with respect to the patents in suit would have been a non-exclusive license involving a lump-sum royalty payment by Acushnet of \$10,000,000 at or about the time leading up to April 2001. This is proven by the fact that both Callaway and Spalding testified that this is the amount they would have taken for a license at the time the infringement began. Acushnet will therefore prove that if Callaway is

entitled to any damages on its patent infringement counts, that damages award should be no more than \$10,000,000.

2. Also, Callaway's damages claim of \$115,157,629 in allegedly lost profits it would have made had Acushnet not been selling the Pro V1 golf balls from September 16, 2003 through December 31, 2006 (which, when combined with an alleged residual reasonable royalty added to its lost profit claim, totals \$189,637,504 in claimed damages through December 31, 2006) is speculative, grossly inflated and unsupported. Callaway's alternative damages claim based on an alleged reasonable royalty of \$111,814,638, as well as its alleged claim to reasonable royalties not subject to its lost profits analysis, both of which are generated by applying an 8% reasonable royalty to Acushnet's worldwide dollar sales of allegedly infringing balls, is also grossly inflated and unsupported. Thus, Callaway cannot prove by a preponderance of the evidence that it is entitled to its alleged lost profits damages or to its damages based on an alleged reasonable royalty. In particular, Mr. Napper's opinions are speculative, unreliable, not economically sound, do not properly reconstruct the golf ball market absent alleged infringement, apply the wrong analysis for this industry and are otherwise pure guesswork.

Acushnet understands that Callaway will be serving a supplemental expert report on damages in the near future, and reserves its right to supplement this section or any other section of its Pretrial Order submissions in light of that report.