

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 4**

**ACUSHNET'S STATEMENT OF ISSUES OF LAW  
THAT REMAIN TO BE LITIGATED**

Acushnet contends that the following legal issues remain to be litigated. To the extent that any issues of fact set forth in Exhibit 2 may be considered issues of law, Acushnet incorporates these portions of Exhibit 2 by reference. To the extent any of the issues of law set forth below may be considered issues of fact, Acushnet incorporates those issues into Exhibit 2. Acushnet also incorporates Exhibit 12 (Brief Statement of Intended Proofs) herein by reference. These issues of law may change based on the Court's decisions on the pending summary judgment motion and any motions *in limine* filed with the Court.

**I. INVALIDITY OF CALLAWAY'S PATENTS-IN-SUIT**

**A. Obviousness**

Issue of law: Whether the asserted claims of the patents-in-suit are invalid as obvious 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

35 U.S.C. §103 (a) states:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this titled, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Thus, a claim is obvious when the differences between the subject matter of the claim and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person of ordinary skill in the art. *KSR Int'l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727, 1734 (2007); *see also Alza Corp. v. Mylan Labs., Inc.*, 464 F.3d 1286, 1289 (Fed. Cir. 2006); *In re Kahn*, 441 F.3d 997, 985 (Fed. Cir. 2006) (citing *Graham v. John Deere Co.*, 383 U.S. 1, 13, 14 (1966); *Merck & Co. v. Biocraft Labs., Inc.*, 874 F.2d 804, 807 (Fed. Cir. 1989)).

Obviousness is a question of law based upon underlying factual questions, which are (1) the scope and content of the prior art; (2) the level of ordinary skill in the prior art; and (3) the differences between the claimed invention and the prior art. *KSR*, 127 S. Ct. at 1734. In addition, objective evidence of non-obviousness might also be utilized to give light to the circumstances surrounding the origin of the claimed subject matter. *Id.*; *Graham v. John Deere Co.*, 383 U.S. at 18; *see also Alza Corp.*, 464 F.3d at 1289-90; *Dippin' Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007); *Pfizer v. Apotex, Inc.*, 480 F.3d 1348 (Fed. Cir. 2007); *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1162 (Fed. Cir. 2007); *In re Translogic Tech., Inc.*, 2007 U.S. App. LEXIS 23969, \*26 (Fed. Cir. Oct. 12, 2007).

If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. Likewise, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious. *KSR*, 127 S. Ct. at 1740. “When there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has a good reason to pursue the known options within his

or her technical grasp. If this leads to the anticipated success, it is likely the product not [sic] of innovation but of ordinary skill and common sense.” *Id.* at 1742. In conducting an obviousness analysis, the court need not seek out precise teachings directed to the specific subject matter of the challenged claim, but rather a court can take into account the inferences and creative steps that a person of ordinary skill would employ. *Id.* at 1741.

### **1. Secondary Considerations**

Once presented with a prima facie case of invalidity based on obviousness, a patentee must come forward with rebuttal evidence if the patent is to be saved from a finding of invalidity. *See Mas-Hamilton Group v. LaGard, Inc.*, 156 F.3d 1206, 1216 (Fed. Cir.1998); *Pfizer Inc. v. Apotex*, 480 F.3d 1348, 1360 (Fed. Cir. 2007). For this, the patentee may present evidence of alleged objective indicia of non-obviousness, *i.e.* secondary considerations, such as commercial success, unexpectedly better results, failure of others, commercial acquiescence to the validity of the patent, and copying. *See Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

As part of this evidence, however, a “nexus must be established between the merits of the claimed invention and evidence of commercial success [, or other secondary considerations,] before that evidence may become relevant to the issue of obviousness.” *Iron Grip Barbell Co., Inc. v. USA Sports, Inc.*, 392 F.3d 1317, 1324 (Fed. Cir. 2004) (quoting *Solder Removal Co. v. USITC*, 582 F.2d 628, 637 (1978)).

“[E]vidence of commercial success, or other secondary considerations, is only significant if there is a nexus between the claimed invention and the commercial success.” *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311-12 (Fed. Cir. 2006); *see also Stratoflex*,

*Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1539 (Fed. Cir. 1983). Where the patentee cannot establish such a nexus, the alleged evidence of secondary considerations is given little or no weight. For example, the commercial success of a product sponsored by the preexisting market leader is of limited probative value. *Pentec, Inc. v. Graphic Controls, Corp.*, 776 F.2d 309, 316 (Fed. Cir. 1985) (Because GC was clearly the market leader well before the introduction of the [patented product], its sales figures cannot be given controlling weight in this case on the question of obviousness.”). *See also Schwinn Bicycle Co. v. Goodyear Tire & Rubber Co.*, 444 F.2d 295, 300 (9<sup>th</sup> Cir. 1970) (finding patent obvious despite commercial success where patented product was sold by market leader). This is especially true when the commercial success of a market leader’s new product replaces sales of the market leader’s previous products. *See McNeil-PPC v. Perrigo Co.*, No. 05 Civ. 1321 (WHP), 2007 U.S. Dist. LEXIS 50255 at \*\*33-34 (S.D.N.Y. July 3, 2007). Also, when a commercially successful product is covered by multiple patents, it makes it very difficult to attribute commercial success to any one of those patents. *See id.* at \*34 (finding no nexus between commercial success and asserted patent where patented product was covered by three different patents).

## **B. Anticipation**

35 U.S.C. §102 (b) states:

A person shall be entitled to a patent unless the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

Anticipation requires that a single prior art reference disclose each and every limitation of the claimed invention. *Schering Corp. v. Geneva Pharmaceuticals*, 339 F.3d 1373, 1379-80 (Fed. Cir. 2003). There is no requirement that each claim limitation be found in a single

example of the single prior art reference. *See Glaxo Group Ltd. v. Apotex, Inc.*, 376 F.3d 1339, 1349 (Fed. Cir. 2004) (“[A]nticipation requires that all limitations of the claimed invention are described in a single reference, rather than a single example in the reference.”).

A reference that discloses multiple options for a particular feature will anticipate a later application that uses one of the disclosed options. “The anticipation analysis asks solely whether the prior art reference discloses and enables the claimed invention, and not how the prior art characterizes that disclosure or whether alternatives are also disclosed.” *Perricone v. Medicis Pharm. Corp.*, 432 F.3d 1368, 1376 (Fed. Cir. 2005) (quoting *Hewlett Packard Co. v. Mustek Sys.*, 340 F.3d 1314, 1324 n.6 (Fed. Cir. 2003); *see also Leggett & Platt, Inc. v. Vutek, Inc.*, 537 F.3d 1349, 1356 (Fed. Cir. 2008) (rejecting “the erroneous assumption that the disclosure of multiple examples renders one example less anticipatory”); *In re Gleave*, 560 F.3d 1331, 1336-37 (Fed. Cir. 2009) (rejecting the argument that a prior art reference cannot anticipate by listing an element in a long list of possibilities); *In re Petering*, 301 F.2d 676, 681 (C.C.P.A. 1962). Thus, when a list of options or permutations is disclosed in the prior art, anticipation does not turn on the number of elements in the list, but rather on whether the claimed subject matter is enabled by the prior art reference. *Perricone*, 432 F.3d at 1377-78.

“[A] prior art reference may anticipate without disclosing a feature of the claimed invention if that missing characteristic is necessarily present, or inherent, in the single anticipating reference.” *SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331, 1343 (Fed. Cir. 2005); *Continental Can Co. v. Monsanto Co.*, 948 F.2d 1264, 1268 (Fed. Cir. 1991). As such, “anticipation does not require actual performance of suggestions in a disclosure. Rather, [it] only requires that those suggestions be enabling to one of skill in the art.” *Bristol-Myers Squibb Co. v. Ben Venue Laboratories, Inc.*, 246 F.3d 1368, 1378 -1381 (Fed. Cir.

2001). Furthermore, there is no requirement that a person of ordinary skill in the art recognize that the inherent property would be present in the prior art reference. *Schering Corp.*, 339 F.3d at 1378. “Where... the result is a necessary consequence of what was deliberately intended, it is of no import that the article’s authors did not appreciate the results.” *MEHL/Biophile Int’l Corp. v. Milgraum*, 192 F.3d 1362, 1366 (Fed. Cir. 1999); *Atlas Powder Co. v. Ireco, Inc.*, 190 F.3d 1342, 1348-49 (Fed. Cir. 1999). In some cases, the inherent property corresponds to a claimed new benefit or characteristic of an invention otherwise in the prior art. In those cases, the new realization alone does not render the old invention patentable. *See Atlas Powder*, 190 F.3d at 1347; *Johnson & Johnson v. W.L. Gore & Assocs.*, 436 F. Supp. 704, 725 (D. Del. 1977) (“Recognition of the inherent properties of a material does not constitute invention.”).

Material incorporated by reference into a document may be considered in an anticipation determination. *Advanced Display Systems, Inc. v. Kent State University*, 212 F.3d 1272, 1282 (Fed. Cir. 2000). “Incorporation by reference provides a method for integrating material from various documents into a host document—a patent or printed publication in an anticipation determination—by citing such material in a manner that makes clear that the material is effectively part of the host document as it is were explicitly contained therein.” *Id.* In this case, as a matter of law, Nesbitt (U.S. Patent No. 4,431,193) incorporates by reference the entire list of foamable compounds disclosed by Molitor ‘637 (U.S. Patent No. 4,274,637) as appropriate materials for use in golf ball cover layers, including polyurethane and mixtures of ionomer resins. *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331 (Fed. Cir. 2009). When a patent incorporates another patent by reference, as Nesbitt does Molitor, “that material incorporated by reference ‘is effectively part of the host document as if it were explicitly

contained therein.” *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1382 (Fed. Cir. 2007).

Prior art that supplies a specific example contained within the range(s) given by a patent claim will invalidate that claim as anticipated. *See Titanium Metals Corp. v. Banner*, 778 F.2d 775, 782 (Fed. Cir. 1985). A single example is sufficient to invalidate the entire claim. *See Atlas Powder Co. v. Ireco Inc.*, 190 F.3d 1342, 1346 (Fed. Cir. 1999). When a patent claims a limitation “in terms of ranges,” a single prior art reference that falls within each of the ranges anticipates the claim. *Id.* The example can include specific values mentioned in the prior art or it can be a point derived from a graph in the prior art. *See Titanium Metals Corp. v. Banner*, 778 F.2d 775 (Fed. Cir. 1985). Once a specific example has been found that is contained within the range(s) of the patent claim, the claim will be invalidated without regard to other considerations. *See id.*

### **C. Enablement**

Issue of law: Whether the asserted claims of the patents-in-suit are invalid under 35 U.S.C. § 112 for lack of enablement.

35 U.S.C. §112, ¶1 states:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.



The specification must describe the manner and process of making and using the invention so as to enable a person of skill in the art to make and use the full scope of the invention without undue experimentation. *See Automotive Techs. Int'l, Inc. v. BMW of N. Am.*, 2007 U.S. App. LEXIS 21271, \*\*27-28 (Fed. Cir., Sept. 6, 2007); *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1378-79 (Fed. Cir. 2007); *Lizardtech, Inc. v. Earth Resource Mapping, Inc.*, 424 F.3d 1336 1345 (Fed. Cir. 2005); *AK Steel Corp. v. Sollac and Ugine*, 344 F.3d 1234, 1244 (Fed. Cir. 2003). In particular, “there must be sufficient disclosure, either through illustrative examples or terminology, to teach those of ordinary skill how to make and how to use the invention as broadly as it is claimed.” *In re Vaeck*, 947 F.2d 488, 496 (Fed. Cir. 1991); *see also Plant Genetic Systems, N.V. v. DeKalb Genetics Corporation*, 315 F.3d 1335 (Fed. Cir. 2003) (“the scope of the claims must bear a reasonable correlation to the scope of enablement provided by the specification to persons of ordinary skill in the art.”) (citations omitted); *National Recovery Technologies, Inc. v. Magnetic Separation Systems, Inc.*, 166 F.3d 1190, 1195-1196 (Fed. Cir. 1999) (“The enablement requirement ensures that the public knowledge is enriched by the patent specification to a degree at least commensurate with the scope of the claims.”) (citations omitted).

The Federal Circuit has stated that “[p]atent protection is granted in return for an enabling disclosure of an invention, not for vague intimation of general ideas that may or may not be workable.” *Genentech Inc. v. Novo Nordisk A/S*, 108 F.3d 1361, 1365-66 (Fed. Cir. 1997). Where the claimed invention is the application of an unpredictable technology an enabling description in the specification must provide those skilled in the art with a specific and useful teaching. 108 F.3d at 1367-68; *see also In re Fisher*, 427 F.2d 833, 839 (C.C.P.A. 1970) (in cases involving unpredictable factors, such as most chemical reactions and physiological

activity, the scope of the enablement obviously varies inversely with the degree of unpredictability of the factors involved.”).

A patent is not enabled nor adequately described merely by describing one embodiment of the claims, if the claims are construed to have a scope broader than that embodiment. *Automotive Techs. Int’l.*, 2007 U.S. App. LEXIS 21271, \*\*27-28; *Liebel-Flarsheim Co.*, 481 F.3d at 1378-79. Similarly, a patent specification does not provide an enabling disclosure where it does not disclose in its specification embodiments of the invention covering points throughout the broad range claimed by the applicants. *AK Steel*, 344 F.3d at 1244; *see also*, *e.g.*, *In re Cook*, 439 F.2d 730, 735-36 (C.C.P.A. 1971) (claims properly rejected when applicants failed to establish support for range limitations in claims; although applicants disclosed six examples, they failed to disclose embodiments at “various points throughout the broader claimed range.”); *In re Fisher*, 427 F.2d at 839 (claims properly rejected where claim required potency of “at least 1” but specification disclosed products having potencies from only 1.11 to 2.30); *Syngenta Seeds, Inc. v. Monsanto Co.*, 404 F.Supp.2d 594, 603-04 (D.Del. 2005) (affirming jury verdict that claims having “at least about 60%” limitation were invalid for lack of written description where the specification disclosed only one working gene in the claimed range).

The patent must describe the invention sufficiently to convey to a person of skill in the art that the patentee had possession of the claimed invention at the time of the application, i.e., that the patentee invented what is claimed. *Lizardtech*, 424 F.3d at 1345. In other words, the court must decide whether the invention applicants seek to protect by their claims is part of the

invention that is described in the specification. *In re Wertheim*, 541 F.2d 257, 263 (C.C.P.A. 1976)

Where the claims of the patent are broader than the invention applicants described in the patent specification, the patent does not satisfy the written description requirement. *Id.* at 263 (claim properly rejected where it recites a solids content range of “at least 35%,” which is broader than the 25-65% range described in the patent); *see also In re Cook*, 439 F.2d 730, 735-36 (C.C.P.A. 1971) (claims properly rejected when applicants failed to establish support for range limitations in claims; although applicants disclosed six examples, they failed to disclose embodiments at “various points throughout the broader claimed range.”); *In re Fisher*, 427 F.2d at 839 (claims properly rejected where claim required potency of “at least 1” but specification disclosed products having potencies from only 1.11 to 2.30); *Syngenta Seeds, Inc. v. Monsanto Co.*, 404 F.Supp.2d 594, 603-04 (D.Del. 2005) (affirming jury verdict that claims having “at least about 60%” limitation were invalid for lack of written description where the specification disclosed only one working gene in the claimed range).

The enablement and written description requirements of 35 U.S.C. §112, ¶1 usually rise and fall together. “A recitation of how to make and use the invention across the full breadth of the claim is ordinarily sufficient to demonstrate that the inventor possesses the full scope of the invention, and vice versa.” *Lizardtech*, 424 F.3d at 1345.

#### **D. Presumption of Validity**

35 U.S.C. § 282 states in pertinent part:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent or multiple dependent

form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

A patent is presumed valid; however, the presumption is in no way dispositive. Instead, “The courts are the final arbiter of patent validity and, although courts may take cognizance of, and benefit from, the proceedings before the patent examiner, the question is ultimately for the courts to decide, without deference to the rulings of the patent examiner.” *Quad Envtl. Techs. Corp. v. Union Sanitary Dist.*, 496 F.2d 870, 876 (Fed. Cir. 1991). Furthermore, the presumption of validity seems diminished when the PTO has issued a patent without acting on full information. *KSR*, 127 S. Ct. at 1745. Moreover, the presumption of validity seems diminished where, as here, the PTO has reviewed the initial grant of patentability and determined that the claims of the patent at issue are not valid.

## **II. REMEDIES**

### **A. Reasonable Royalty**

35 U.S.C. § 284 states:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

In determining a reasonable royalty, courts often apply the fifteen factors first enunciated in *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *modified and aff'd*, 446 F.2d 295 (2d Cir.), *cert. denied*, 404 U.S. 870 (1971).

*See Unisplay, S.A. v. American Elec. Sign Co.*, 69 F.3d 512, 517, n.7 (Fed. Cir. 1995) (citing to *Georgia-Pacific* factors). These factors are:

1. The royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty.
2. The rates paid by the licensee for the use of other patents comparable to the patent in suit.
3. The nature and scope of the license, as exclusive or non-exclusive; or as restricted or nonrestricted in terms of territory or with respect to whom the manufactured product may be sold.
4. The licensor's established policy and marketing program to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.
5. The commercial relationship between the licensor and licensee, such as, whether they are competitors in the same territory in the same line of business; or whether they are inventor and promotor [sic].
6. The effect of selling the patented specialty in promoting sales of other products of the licensee; the existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales.

7. The duration of the patent and the term of the license.
8. The established profitability of the product made under the patent; its commercial success; and its current popularity.
9. The utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results.
10. The nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention.
11. The extent to which the infringer has made use of the invention; and any evidence probative of the value of that use.
12. The portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions.
13. The portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.
14. The opinion testimony of qualified experts.

15. The amount that a licensor (such as the patentee) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee – who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention – would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license. *Georgia Pacific*, 318 F. Supp. at 1120.

Acushnet contends that Callaway's expert, Mr. Napper, failed to consider the single most important piece of evidence probative of an appropriate reasonable royalty damages award. In particular, Mr. Napper failed to properly consider the testimony of Mr. Arturi, Spalding's General Counsel, as to how much he would have accepted in 2001 to grant Acushnet a license to the patents-in-suit. Accordingly, Mr. Napper's testimony regarding reasonable royalty damages should be excluded.

### **B. Lost Profits**

A patentee can recover lost profits as damages if it proves that "but for" the infringement it would have made the sales in question. Otherwise, a patentee normally recovers damages based on a "reasonable royalty" theory. *Panduit Corp. v. Stahl Bros Fibre Works, Inc.*, 575 F. 2d 1152, 1157 (6<sup>th</sup> Cir. 1978). "To recover lost profits, the patent owner must show 'causation in fact,' establishing that the 'but for' the infringement, he would have made additional profits." *Id.* at 1349. This analysis requires a detailed consideration of the

market – it is necessary to determine what would have occurred had there never been any infringement. *Id.* at 1350. While such a market reconstruction is a hypothetical exercise, *Grain Processing* teaches that it must not “laps[e] into pure speculation.” *Id.* Hence, a determination of lost profits “requires sound economic proof of the nature of the market and likely outcomes with infringement factored out of the economic picture.” *Id.*

Moreover, an alleged infringer cannot be considered to have simply stood still in the absence of infringement: “a fair and accurate reconstruction of the ‘but for’ market also must take into account, where relevant, alternative actions the infringer foreseeably would have taken had he not infringed.” *Id.* In particular, “[w]ithout the infringing product, a rational would-be infringer is likely to offer an acceptable noninfringing alternative.” *Id.*

Acushnet contends that Callaway’s expert, Mr. Napper, failed to properly construct the market “but for” Acushnet’s alleged infringement since he, among other flaws, ignored the period of alleged infringement between the time the first patent-in-suit issued (April 2001) and the time from which he claims lost profits (September 2003). Accordingly, Mr. Napper’s testimony regarding lost profits damages should be excluded.

### **C. Injunctions**

35 U.S.C. § 283 states in pertinent part:

The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.



“[T]he decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity. . . .” *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841 (2006).

According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. “A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.” *Id.* at 1839.

#### **D. Attorneys’ Fees**

Issue of law: Whether this is an exceptional case and that Acushnet should be awarded its attorneys’ fees pursuant to 35 U.S.C. § 285.

35 U.S.C. § 285 provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” Determining whether a case is exceptional and whether attorneys’ fees should be granted under 35 U.S.C. § 285 is a two-step process. *Tate Access Floors*, 222 F.3d at 964. The first step is a factual determination whether the case is exceptional, and in the second step, the Court exercises its discretion to determine whether attorneys’ fees should be awarded. *Id.*

Misconduct during litigation and vexatious litigation are types of conduct that can provide a basis for an award of attorneys’ under § 285. *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989). A finding that the plaintiff brought or

continued a patent infringement suit in bad faith, for example when the patentee knows the patents are invalid, is a proper basis to award attorneys' fees under § 285. *Hughes v. Novi American, Inc.*, 724 F.2d 122, 124-126 (Fed. Cir. 1984).