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Appendix A

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

No. 19-1080

ARCTIC CAT INC.,

Plaintiff-Appellant,

v.

BOMBARDIER RECREATIONAL PRODUCTS INC.,

BRP U.S. INC.,

Defendants-Appellees.

Filed: Feb. 19, 2020

Before: LOURIE, MOORE, and STOLL,

Circuit Judges.

OPINION

LOURIE, *Circuit Judge.*

Arctic Cat Inc. (“Arctic Cat”) appeals from a judgment of the United States District Court for the Southern District of Florida that Arctic Cat is not entitled to recover pre-complaint damages from Bombardier Recreational Products Inc. (“Bombardier”) due to the failure of Arctic Cat’s licensee to mark products in accordance with 35 U.S.C. § 287. *Arctic Cat Inc. v. Bombardier*

Recreational Prods., 334 F. Supp. 3d 1238, 1240 (S.D. Fla. 2018). Because we agree with the district court that § 287 continues to limit damages after a patentee or licensee ceases sales of unmarked products, and that willful infringement does not establish actual notice under § 287, we affirm.

BACKGROUND

Arctic Cat owns U.S. Patents 6,793,545 (“the ‘545 patent”) and 6,568,969 (“the ‘969 patent”), which are directed to thrust steering systems for personal watercraft (“PWCs”). The ‘545 and ‘969 patents issued in 2004 and 2003 respectively, but Arctic Cat had stopped selling PWCs before either patent issued. In 2002, Arctic Cat entered into a license agreement with Honda for several Arctic Cat patents and patent applications, as well as any later patents “that patentably cover Arctic Cat’s Controlled Thrust Steering methods, systems, and developments,” which includes the ‘545 and ‘969 patents. J.A. 256 ¶ GG; *see* J.A. 4078. The initial draft of the license agreement included a provision requiring Honda, as licensee, to mark all licensed products with the applicable patent numbers. However, that provision was deleted during negotiations, and the final version of the license agreement expressly stated that Honda had no marking obligations.

Thereafter, Honda began making and selling unmarked PWCs, and Arctic Cat made no effort to ensure that PWCs sold by Honda were marked. The parties dispute when Honda stopped selling unmarked products under its license with Arctic Cat, but Arctic Cat asserts that Honda stopped selling unmarked products no later than September 6, 2013,

approximately one year before Arctic Cat sued Bombardier. Bombardier contends that Honda continued to sell PWCs under the Arctic Cat license as late as 2018.

On October 16, 2014, Arctic Cat sued Bombardier for infringement of various claims of the '545 and '969 patents. Before trial, Bombardier moved to limit Arctic Cat's potential damages because of Honda's sales of unmarked products. The district court held that Bombardier, as defendant, bore the burden of proving that Honda's PWCs practiced the asserted claims and, because that proof was lacking, denied Bombardier's motion.

At trial, the jury found Arctic Cat's patents not invalid, awarded Arctic Cat a royalty to begin on October 16, 2008—six years before Arctic Cat filed suit—and found that Bombardier had willfully infringed the asserted claims. After post-trial briefing, as relevant here, the district court denied Bombardier's renewed motion for judgment as a matter of law on marking and willfulness. As to marking, the district court held that Bombardier had failed to meet its burden of proving that Honda's PWCs practiced the asserted claims. Bombardier appealed to this court. *See Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350 (Fed. Cir. 2017) ("*Arctic Cat I*").

On appeal, we affirmed as to willfulness but vacated and remanded as to marking. *Id.* at 1369. Specifically, we determined that the district court erred in placing the burden on Bombardier to prove that the Honda PWCs practiced the claimed invention. We held that once an alleged infringer identifies

products that it believes are unmarked patented articles subject to the notice requirements of § 287, the patentee bears the burden of proving that the identified products do not practice the claimed invention. *Id.* at 1368. Accordingly, we vacated the district court's judgment as to marking and remanded to allow Arctic Cat an opportunity to establish that the Honda PWCs do not fall within the asserted claims.

On remand, Arctic Cat conceded that it could not show that the Honda PWCs do not practice the asserted claims, J.A. 5065 ¶ K; J.A. 589, but nonetheless moved for summary judgment that it is entitled to receive pre-complaint damages. First, Arctic Cat argued that the damages limitation of 35 U.S.C. § 287 applies only while a patentee is actively making, using, or selling unmarked products. Thus, Arctic Cat argued, § 287 did not apply after the time that it alleges Honda stopped selling unmarked products, and Arctic Cat is therefore entitled to damages during the period after the cessation of Honda's sales but before the filing of its suit against Bombardier. More ambitiously, Arctic Cat also argued that it is entitled to damages for the full six-year period prior to suit allowed under 35 U.S.C. § 286—including for the period during which Honda was undisputedly selling unmarked products—because the jury's finding of willful infringement is sufficient to demonstrate actual notice under § 287.

In its own motion for summary judgment, Bombardier argued that Honda's PWCs were unmarked patented articles and Arctic Cat failed to provide constructive or actual notice under § 287, and Arctic Cat therefore cannot receive any pre-complaint

damages. Bombardier argued that noncompliance with § 287 can be cured only by either beginning to mark or providing actual notice to an alleged infringer.

The district court granted summary judgment in favor of Bombardier, and Arctic Cat appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

We review a district court's grant of summary judgment according to the law of the regional circuit. *Kaneka Corp. v. Xiamen Kingdomway Grp. Co.*, 790 F.3d 1298, 1303 (Fed. Cir. 2015) (citing *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1377 (Fed. Cir. 2014)). The Eleventh Circuit reviews grants of summary judgment *de novo*. *Myers v. Bowman*, 713 F.3d 1319, 1326 (11th Cir. 2013). Summary judgment is appropriate when "there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56.

In this appeal, we are tasked with interpreting the marking statute, 35 U.S.C. § 287. Statutory interpretation is a question of law that we review *de novo*. *Wyeth v. Kappos*, 591 F.3d 1364, 1369 (Fed. Cir. 2010) (quoting *Glaxo Operations UK Ltd. v. Quigg*, 894 F.2d 392, 395 (Fed. Cir. 1990)).

I

Section 287(a) provides in pertinent part:

Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public

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that the same is patented . . . by fixing thereon the word “patent” In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

The notice provisions of § 287 do not apply to patents directed to processes or methods. *See Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 395 (1936). Nor do they apply when a patentee never makes or sells a patented article. *Id.* at 398. Thus, a patentee who never makes or sells a patented article may recover damages even absent notice to an alleged infringer. If, however, a patentee makes or sells a patented article and fails to mark in accordance with § 287, the patentee cannot collect damages until it either begins providing notice or sues the alleged infringer—the ultimate form of notice—and then only for the period after notification or suit has occurred. Thus, a patentee who begins selling unmarked products can cure noncompliance with the notice requirement—and thus begin recovering damages—by beginning to mark its products in accordance with the statute. *See Am. Med. Sys., Inc. v. Med. Eng’g Corp.*, 6 F.3d 1523, 1537 (Fed. Cir. 1993).

A patentee’s licensees must also comply with § 287. *See Arctic Cat I*, 876 F.3d at 1366 (citing *Maxwell v. J. Baker, Inc.*, 86 F.3d 198, 1111 (Fed. Cir.

1996)). While courts may consider whether the patentee made reasonable efforts to ensure third parties' compliance with the marking statute, *id.*, here Arctic Cat's license agreement with Honda expressly states that Honda had no obligation to mark. J.A. 4081 ¶ 6.01; J.A. 259 ¶ JJ. Thus, it does not excuse Arctic Cat's lack of marking that it is Arctic Cat's licensee, rather than Arctic Cat itself, who sold unmarked products.

A patentee who makes or sells patented articles can satisfy the notice requirement of § 287 either by providing constructive notice—*i.e.*, marking its products—or by providing actual notice to an alleged infringer. *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1345 (Fed. Cir. 2001). “Actual notice requires the affirmative communication of a specific charge of infringement by a specific accused product or device.” *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994).

This case presents a discontinuous situation in which unmarked products were sold, such that Arctic Cat could not receive damages before providing notice, but the sales of unmarked products allegedly stopped for a period of time prior to the filing of Arctic Cat's complaint. Thus, the issue presented is whether the cessation of sales of unmarked products excuses noncompliance with the notice requirement of § 287 such that a patentee may recover damages for the period after sales of unmarked products ceased but before the filing of a suit for infringement. We hold that it does not.

Arctic Cat argues that, because § 287 is written in the present tense, the statute by its terms only applies

while a patentee is “making, offering for sale, or selling” its products. Thus, according to Arctic Cat, the statute limits damages only during periods when the patentee is actually making, offering for sale, or selling the patented article. Bombardier responds that, to begin recovering damages after sales of unmarked products have begun, § 287 requires that a patentee either begin marking its products or provide actual notice to an alleged infringer; cessation of sales of unmarked products is not enough. We agree with Bombardier.

We begin with the language of the statute. *Duncan v. Walker*, 533 U.S. 167, 172 (2001). While § 287 describes the conduct of the patentee in the present tense, the consequence of a failure to mark is not so temporally limited. Section 287 provides that “in the event of failure so to mark, *no* damages shall be recovered by the patentee in *any* action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter” (emphasis added). The statute thus prohibits a patentee from receiving *any* damages in a subsequent action for infringement after a failure to mark, rather than merely a reduced amount of damages in proportion to the amount of time the patentee was actually practicing the asserted patent.

Arctic Cat’s obligation to mark arose when its licensee began selling patented articles. The cessation of sales of unmarked products certainly did not fulfill Arctic Cat’s notice obligations under § 287, nor did it remove the notice requirement imposed by the statute. The notice requirement to which a patentee is subjected cannot be switched on and off as the

patentee or licensee starts and stops making or selling its product. After all, even after a patentee ceases sales of unmarked products, nothing precludes the patentee from resuming sales or authorizing a licensee to do so. In the meantime, unmarked products remain on the market, incorrectly indicating to the public that there is no patent, while no corrective action has been taken by the patentee. Confusion and uncertainty may result. Thus, once a patentee begins making or selling a patented article, the notice requirement attaches, and the obligation imposed by § 287 is discharged only by providing actual or constructive notice.

This reading of § 287 comports with the purpose of the marking statute. The policy of § 287 is to encourage marking, not merely to discourage the sale of unmarked products. We have explained that the notification requirement of § 287 “serves three related purposes: (1) helping to avoid innocent infringement; (2) encouraging patentees to give public notice that the article is patented; and (3) aiding the public to identify whether an article is patented.” *Arctic Cat I*, 876 F.3d at 1366 (citing *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998)). Requiring a patentee who has sold unmarked products to provide notice in order to begin recovering damages advances these objectives by informing the public and possible infringers that the article is patented. Arctic Cat’s proposed interpretation, on the other hand, would undermine these objectives. In Arctic Cat’s view, § 287 should be read to allow a patentee to mislead others that they are free to make and sell an article that is actually patented, but nonetheless allow the patentee to recover damages without undertaking any corrective action. We reject this view.

In *American Medical Systems*, 6 F.3d at 1537, we interpreted § 287 to allow a patentee who had sold unmarked products to begin recovering damages after the patentee began marking. Otherwise, a patentee who has sold unmarked products would have no incentive to begin marking, contrary to the objective of the statute. Here, where Honda merely stopped selling unmarked products but Arctic Cat otherwise took no action to remedy prior noncompliance or to provide notice that the articles were actually patented, Arctic Cat never complied with the notice requirement of § 287 and thus cannot recover damages for any period prior to the filing of its complaint.

II

Arctic Cat also argues that, regardless of its failure to mark, it should nevertheless recover the maximum amount of pre-suit damages allowed by 35 U.S.C. § 286 because the jury's finding that Bombardier willfully infringed the asserted claims should be sufficient to establish actual notice under § 287. Arctic Cat acknowledges, as it must, that this argument is foreclosed by our precedent. In *Amsted Indus. Inc. v. Buckeye Steel Castings Co.* we held that the determination whether a patentee provided actual notice under § 287 “must focus on the action of the patentee, not the knowledge or understanding of the infringer,” and that “[i]t is irrelevant . . . whether the defendant knew of the patent or knew of his own infringement.” 24 F.3d 178, 187 (Fed. Cir. 1994) (citing *Am. Med. Sys., Inc.*, 6 F.3d at 1537 n.18)). Accordingly, we reject Arctic Cat's argument.

Aside from our inability to reverse the decision of an earlier panel, *see Newell Cos., Inc. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988), we reiterate the conclusion that willfulness, as an indication that an infringer knew of a patent and of its infringement, does not serve as actual notice as contemplated by § 287. While willfulness turns on the knowledge of an infringer, § 287 is directed to the conduct of the patentee. The marking statute imposes notice obligations on the patentee, and only the patentee is capable of discharging those obligations. It is not directed to the infringer and does not contemplate mere knowledge of the infringer as sufficient to discharge the notice requirements placed on the patentee.

Arctic Cat bases its argument for reversing *Amsted* on a supposed typographical error in that opinion in a quotation from the Supreme Court's decision in *Dunlap v. Schofield*, 152 U.S. 244 (1894). Where the Supreme Court stated that notice "is an affirmative *fact*," *id.* at 248, our opinion in *Amsted* quoted *Dunlap* as characterizing notice as "an affirmative *act*," 24 F.3d at 187. Arctic Cat argues that this discrepancy undermines the reasoning in *Amsted* and that, properly understood, *Dunlap* stands for the proposition that notice is a fact that can be proved by knowledge of the infringer. But the alleged mistranscription in *Amsted* is inconsequential to our analysis of *Dunlap* because the relevant *fact* is the *act* of the patentee. The full context of *Dunlap* confirms this understanding:

The clear meaning of this section is that the patentee or his assignee, if he makes or sells

the article patented, cannot recover damages against infringers of the patent, unless he has given notice of his right, either to the whole public, by marking his article 'Patented,' or to the particular defendants, by informing them of his patent, and of their infringement of it.

One of these things—marking the articles, or notice to the infringers—is made by the statute a prerequisite to the patentee's right to recover damages against them. Each is an affirmative fact, and is something to be done by him.

152 U.S. at 248. Thus, the fact is the act of marking or providing notice, and both are “something to be done by” the patentee. Knowledge by the infringer is not enough. Actual notice under § 287 requires performance by the patentee.

Finally, we note that other decisions of this court predating *Amsted* similarly interpreted actual notice under § 287 to require action by the patentee. *See Am. Med. Sys.*, 6 F.3d at 1537 n.18 (Fed. Cir. 1993) (“The notice of infringement must therefore come from the patentee, not the infringer.”); *Devices for Med., Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987) (“[The patentee] failed to carry its burden of convincing the jury that it had performed affirmative acts in compliance with § 287.”).

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CONCLUSION

We have considered Arctic Cat's remaining arguments but find them unpersuasive. Accordingly, for the reasons above, we affirm the district court's denial of pre-complaint damages to Arctic Cat.

AFFIRMED

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Appendix B

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF FLORIDA**

No. 14-CV-62369

ARCTIC CAT INC.,

Plaintiff,

v.

BOMBARDIER RECREATIONAL PRODUCTS INC.,

BRP U.S. INC.,

Defendants.

Filed: Aug. 10, 2018

**ORDER ON CROSS-MOTIONS FOR
SUMMARY JUDGMENT**

THIS CAUSE is before the Court upon Defendants Bombardier Recreational Products, Inc. and BRP U.S. Inc.'s (together, "BRP") Motion for Summary Judgment and Memorandum of Law, ECF No. [307] ("BRP's Motion"), filed on June 1, 2018 and Plaintiff Arctic Cat, Inc.'s ("Arctic Cat") Sealed Motion for Summary Judgment, ECF No. [310] ("Arctic Cat's Motion"), also filed on June 1, 2018. The Court has reviewed the Motions, the materials filed in support and opposition, record, and the case law, and is otherwise fully advised.

I. The Federal Circuit Mandate

The Court writes for the parties and assumes familiarity with the procedural and factual background of this patent infringement case. On March 19, 2018, the Federal Circuit issued its mandate in the appeal of this matter following a jury trial. ECF No. [274]; *see also Arctic Cat Inc. v. Bombardier Recreational Prod. Inc.*, 876 F.3d 1350 (Fed. Cir. 2017). In its opinion, the Federal Circuit affirmed this Court’s denial of judgment as a matter of law that the patent claims asserted by Arctic Cat would have been obvious, that the jury-awarded royalty rate should be vacated, and that BRP did not willfully infringe the asserted claims. *Arctic Cat*, 876 F.3d at 1372. The Federal Circuit further affirmed this Court’s orders granting an ongoing royalty and trebling damages. *Id.* at 1372. However, the Federal Circuit vacated that portion of the Court’s order denying judgment as a matter of law as to marking under 35 U.S.C. § 287 and remanded for a new trial, finding that this Court erred when it failed to hold that “[t]he burden of proving compliance with marking is and at all times remains on the patentee.” *Id.* at 1367, 1372.

In reviewing the issue of marking, the Federal Circuit held that “an alleged infringer who challenges the patentee’s compliance with § 287 bears an initial burden of production to articulate the products it believes are unmarked ‘patented articles’ subject to § 287.” *Id.* at 1368. The Federal Circuit found that BRP had satisfied the “low bar” of the burden of production by producing evidence of the licensing agreement between Honda and Arctic Cat showing

Honda's license to practice "Arctic Cat patents that patently cover Arctic Cat's Controlled Thrust Steering methods, systems and developments" and identifying fourteen Honda personal watercrafts ("PWCs") from three versions of its Aquatrax series sold between 2002 and 2009 which allegedly practiced the patents at issue. *Id.*

The Federal Circuit found, however, that once BRP had satisfied this burden of production, the Court should have required the patentee, here, Arctic Cat, to prove compliance with § 287(a). "Arctic Cat, therefore, did not have a fair opportunity to develop its case regarding the Honda PWCs at trial." *Id.* at 1369. Accordingly, the Federal Circuit vacated this Court's judgment as to marking "so that Arctic Cat has an opportunity to proffer evidence related to the identified Honda PWCs." *Id.* The Federal Circuit remanded for new trial and left the issue of additional discovery to the discretion of this Court. *Id.* at 1369, 1369 n.2.

After issuance of the mandate, the Court entered an order requiring the parties to advise the Court whether the parties believed any additional discovery was necessary, and whether the parties planned to file any pretrial motions. In addition, the Court required the parties to submit concise statements of the issues remaining for remand. *See* ECF No. [275]. The parties thereafter complied, filing the Joint Scheduling Report, ECF No. [290]; the Concise Statement of Issues filed by Arctic Cat, ECF No. [291]; and the Concise Statement of Issues filed by BRP, ECF No. [293]. Meanwhile, Arctic Cat filed a Sealed Motion for Entry of Modified Judgment and Execution of Partial

Judgment, ECF No. [284] (“Judgment Motion”). The Court set a briefing schedule for the Judgment Motion, ECF No. [286], and BRP filed an opposition to the Judgment Motion on April 23, 2018, ECF No. [292]. Arctic Cat replied on April 30, 2018. ECF No. [295]. On May 11, 2018 BRP filed a Motion for Protective Order Regarding Plaintiff’s Notice of Deposition, ECF No. [298] (“Motion for Protective Order”).

Four days later, the Court entered an order ruling on all pending motions and setting a trial schedule based on the parties’ representations in the Joint Scheduling Report and the Concise Statements of Issues. ECF No. [300] (“Omnibus Order”). In the Omnibus Order, the Court noted that the Federal Circuit found that “the only dispute between the parties is whether any of the Honda PWCs was covered by the patent claims at issue.” *Arctic Cat Inc. v. Bombardier Recreational Prod. Inc.*, 876 F.3d 1350, 1367 (Fed. Cir. 2017). Because the Federal Circuit found BRP had met its burden of production, the burden to show compliance with the marking requirements of Section 287 on remand lay with Arctic Cat. The Court accordingly allowed limited discovery and set a pretrial briefing schedule. The parties engaged in discovery and on June 1, 2018 filed the cross-motions now before the Court. Thereafter, on June 18, 2018, Arctic Cat and BRP both moved in limine, ECF Nos. [323] and [327], and filed a pretrial stipulation, ECF No. [326]. The Court now addresses the motions pending before it.

II. LEGAL STANDARD

The standard of review for cross-motions for summary judgment does not differ from the standard applied when only one party files a motion. *See Am. Bankers Ins. Grp. v. United States*, 408 F.3d 1328, 1331 (11th Cir. 2005). Under Federal Rule of Civil Procedure 56, summary judgment is appropriate “if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986); *see also* Fed. R. Civ. Pro. 56(a). The parties may support their positions by citation to the record, including, *inter alia*, depositions, documents, affidavits, or declarations. *See* Fed. R. Civ. P. 56(c). An issue is genuine if “a reasonable trier of fact could return judgment for the non-moving party.” *Miccosukee Tribe of Indians v. United States*, 516 F.3d 1235, 1243 (11th Cir. 2008) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986)). A fact is material if it “might affect the outcome of the suit under the governing law.” *Id.* (quoting *Anderson*, 477 U.S. at 247-48).

The moving party shoulders the initial burden to demonstrate the absence of a genuine issue of material fact. *See Shiver v. Chertoff*, 549 F.3d 1342, 1343 (11th Cir. 2008). Once the moving party has met its burden, the non-movant must “go beyond the pleadings” and show that there is a genuine issue for trial. *Celotex*, 477 U.S. at 324; *see also* Fed. R. Civ. Pro. 56(c)(1). To avoid summary judgment, the non-moving party “must do more than simply show that there is some

metaphysical doubt as to the material facts.” *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986) (emphasis added). A movant must present evidence demonstrating that it can establish the basic elements of his claim. *Celotex*, 477 U.S. at 322. After the nonmoving party has responded to the motion for summary judgment, a court must grant summary judgment if there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Thus, “[a] ‘judge’s function’ at summary judgment is not ‘to weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial.’” *Tolan v. Cotton*, 134 S.Ct. 1861, 1866 (2014) (per curiam) (quoting *Anderson*, 477 U.S. at 249) (emphasis added).

As before the Court here, “cross motions for summary judgment may be probative of the nonexistence of a factual dispute, but this procedural posture does not automatically empower the court to dispense with the determination whether questions of material fact exist.” *Georgia State Conference of NAACP v. Fayette Cty. Bd. of Comm’rs*, 775 F.3d 1336, 1345-46 (11th Cir. 2015). In particular, where “the parties respond[] to each respective summary judgment motion with disputes as to the ‘undisputed’ facts, add[] ‘material facts’ of their own, and then repl[y] with subsequent objections to the other party’s additional facts,” the mere filing of cross motions for summary judgment is not conclusive. *Id.* Thus, where the parties disagree as to the facts, summary judgment cannot be entered unless one of the parties meets its burden of demonstrating that “there is no dispute as to any material facts with the evidence and

all inferences drawn therefrom viewed in the light most favorable” to the other party. *Shook v. United States*, 713 F.2d 662, 665 (11th Cir. 1983).

III. THE MOTIONS

A. BRP’s Motion for Summary Judgment

BRP moves for summary judgment to preclude Arctic Cat from seeking any damages prior to the filing of this action on October 16, 2014 based on Arctic Cat’s failure to mark the products at issue and failure to provide actual notice pursuant 35 U.S.C. § 287. As to marking, BRP states that, after limited discovery on remand, Arctic Cat has conceded that it cannot demonstrate that the unmarked Honda products identified by BRP do not practice the ‘545 and ‘969 patents. Thus, BRP argues that based on this alone it is entitled to summary judgment on the issue of failure to mark. ECF No. [307] at 5.

Second, BRP argues that based on stipulations entered into by the parties before trial, there is no genuine issue of material fact regarding both constructive and actual notice. *Id.* at 3. Specifically, BRP states that the parties entered into the following stipulations before trial:

- (1) “On or about February 15, 2002, Arctic Cat and Honda entered into a license agreement that included . . . both the ‘545 Patent and the ‘969 Patent”;
- (2) Arctic Cat “agreed to a license that did not include a marking requirement”;
- (3) Honda sold fourteen models of Aquatrax PWCs in the United States;

(4) Arctic Cat “did not make any effort to ensure Honda marked the PWCs that it sold with the patent number of the ‘545 Patent, ‘969 Patent, or any related patents.”

(5) Arctic Cat “first gave BRP actual notice of infringement of the ‘545 Patent and the ‘969 Patent on October 16, 2014, when it filed its complaint in this lawsuit.”

Id. at 2; *see also* Statement of Material Facts, ECF No. [308]. As to constructive notice, based on these stipulations, BRP argues that Arctic Cat cannot show that it meets the marking requirement of Section 287 because “Arctic Cat has not shown that the Honda Aquatrax PWCs do not practice the claims of the ‘545 and ‘969 patents, and because those products were licensed and unmarked.” *Id.* at 8. Regarding actual notice, BRP argues that Arctic Cat has not met its burden to show it provided actual notice of infringement to BRP prior to October 16, 2014 when it filed this lawsuit. *Id.* at 10. BRP argues that the jury’s finding of willfulness has no effect on whether BRP was actually on notice of infringement. *Id.*

In opposition, Arctic Cat makes two arguments asserting that it should not be limited to damages as a matter of law to those incurred after October 16, 2014. First, Arctic Cat urges that BRP’s Motion must be denied as Arctic Cat is entitled to damages from the date that Honda stopped selling the unmarked PWCs, that is, September 6, 2013. ECF No. [317] at 5. Arctic Cat argues that during the period between September 6, 2013 and October 16, 2014, Arctic Cat could not have violated Section 287’s marking requirement since Honda sold no unmarked products. Thus, Arctic

Cat is due damages during this period because there was no marking violation. *Id.* at 7. Arctic Cat additionally argues that it is entitled to all its pre-suit damages dating back to October 2008 based on the jury's finding of willfulness. *Id.* at 8.

B. Arctic Cat's Motion for Summary Judgment

Arctic Cat also moves for summary judgment arguing that there are no genuine issues of material fact regarding its entitlement to pre-suit damages on two separate theories which mirror its theories in opposition to BRP's Motion. First, Arctic Cat argues that even if it failed to comply with the marking requirements of Section 287 and even if it did not give actual notice of the infringement to BRP until October 16, 2014, Arctic Cat is due all its pre-suit damages from October 2008 onward based on the jury's finding of willfulness. In making this argument, Arctic Cat argues that the Federal Circuit's decision in *Amsted Industries Inc. v. Buckeye Steel Casting Co.*, 24 F.3d 178 (Fed. Cir. 1994), which held that actual notice under Section 287 requires an affirmative communication or notification by the patentee, was wrongly decided. Arctic Cat argues that this Court should not follow this binding precedent and its progeny. *Id.* at 13-14.

In the alternative, Arctic Cat argues that it is entitled to its pre-suit damages from September 6, 2013 onward—the date on which Honda stopped selling the unmarked PWCs—because after that date, there was no longer any products to be marked and therefore no need to comply with the marking requirements of Section 287.

BRP opposes Arctic Cat's Motion for Summary Judgment. ECF No. [314]. First, it argues that the Court should reject Arctic Cat's "invitation to ignore controlling law and Arctic Cat's own binding stipulation" in order to find that Arctic Cat is due all its pre-suit damages from October 2008 onward. *Id.* at 5. Further, BRP argues that Arctic Cat cannot avoid the marking requirements of Section 287 because Honda ceased to sell the unmarked PWCs. Rather, once the unmarked products are produced, BRP argues that the only cure is actual notice, which the parties stipulated occurred on October 16, 2014.

IV. THE MATERIAL UNCONTROVERTED FACTS ON REMAND

While the parties have filed lengthy motions in support of their cross motions for summary judgment, their Statements of Material Facts are brief and tailored to the narrow marking issue before the Court on remand. The following facts are not in dispute unless stated otherwise:

Arctic Cat developed an off-throttle steering system for PWCs and secured seven patents for the technology in 1999, including two at issue in this case, the '545 and '969 patents. ECF No. [310] at 8-9; ECF No. [326] at 6. On February 15, 2002, Arctic Cat entered into a licensing agreement with Honda that included the '545 and '969 patents. ECF Nos. [308] ¶¶ 1-2; [318] ¶¶ 1-2. The license agreement contained no marking requirement, and Arctic Cat made no effort to ensure that Honda marked the PWCs that it sold. ECF Nos. [308] ¶ 4; [318] ¶ 4. Thereafter, Honda sold at least fourteen models of PWCs in the U.S. which practiced the '545 and '969 patents. ECF

Nos. [308] ¶¶ 2, 14; [318] ¶¶ 2, 14. These personal watercrafts were unmarked. ECF No. [310] at 9. Arctic Cat states that Honda stopped manufacturing in 2009 the unmarked personal watercraft which practiced the patents and stopped selling them in 2013. ECF No. [311] at 2. Arctic Cat further states that Honda has no unsold inventory of these personal watercrafts. *Id.* BRP disputes that Honda stopped manufacturing the PWCs that practiced the patents at issue in 2009, that Honda ceased selling those PWCs in 2013, and that Honda has no unsold inventory of these PWCs.

Although Arctic Cat discussed licensing the patents with BRP, the parties never entered into a license agreement. *Id.* at 10. In the meantime, BRP developed its own off-throttle steering system that, after a jury trial, was found to have infringed on the ‘545 and ‘969 patents. While the record supports that BRP consulted both internally and externally regarding whether its system may have infringed on the ‘545 and ‘969 patents, Arctic Cat did not affirmatively communicate to BRP about the alleged infringement until it filed this lawsuit on October 16, 2014. ECF Nos. [308] para 8-9; [318] 8-9; ECF No. [1].

V. ANALYSIS

A. The Marking Statute

A patentee can only recover damages in an infringement suit for those acts of infringement that occurred after the patentee gave the alleged infringer “notice of infringement.” 35 U.S.C. § 287(a).¹

¹ Section 287(a) provides in pertinent part as follows:

Patentees, and persons making, offering for sale, or selling within the United States any patented article

“Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented” by “either by fixing thereon the word “patent” or the abbreviation “pat.”, together with the number of the patent . . .” *Id.* While permissive, marking under the statute serves three related purposes. They are “1) helping to avoid innocent infringement; 2) encouraging patentees to give notice to the public that the article is patented; and 3) aiding the public to identify whether an article is patented.” *Rembrandt Wireless Techs., LP v. Samsung Elecs. Co.*, 853 F.3d 1370, 1383 (Fed. Cir. 2017) (quoting *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998)). Thus, the marking statute “protects the public’s ability to exploit an unmarked product’s features without liability for damages until a patentee provides either constructive notice through marking or actual notice.” *Id.* (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989)).

for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word “patent” or the abbreviation “pat”, together with the number of the patent . . . In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.

Marking is not mandatory. *Rembrandt*, 853 F.3d at 1383. If the patentee—or its licensee—fails to mark, the patentee’s damages are foreclosed unless the patentee demonstrates that “the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.” 35 U.S.C. § 287(a); *see also Am. Med. Sys., Inc. v. Med. Eng’g Corp.*, 6 F.3d 1523, 1536 (Fed. Cir. 1993) (footnote omitted) (citing *Gen. Elec. Co. v. Sciaky Bros.*, 304 F.2d 724, 726 (6th Cir. 1962) (“In view of General Electric’s failure to mark its products as required by statute, or to give any notice of infringement, it could not, in any event, recover damages for infringements occurring prior to the filing of the action for infringement.” (citations omitted))); *see also Conopco, Inc. v. May Dep’t Stores Co.*, 46 F.3d 1556, 1563 (Fed. Cir. 1994) (noting “[s]ince Conopco did not mark its product with the ‘179 patent number, defendants are not liable for patent infringement damages prior to the date they had actual notice of the ‘179 patent”).

Actual notice under Section 287(a) requires “an affirmative act on the part of the patentee which both identifies the patentee and informs the defendant of infringement.” *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed.Cir.1994); *see also Rosebud LMS Inc. v. Adobe Sys. Inc.*, 812 F.3d 1070, 1074 (Fed. Cir. 2016) (quoting *Amsted*, 24 F.3d at 187) (contrasting the “proof that the infringer was notified” language of Section 287(a) with the language of Section 154(d) which requires only “actual notice”). More than simply demonstrating the alleged infringer

had some notice, “Section 287(a) explicitly requires an act of notification” by the patentee which contains “sufficient specificity [to convey that] the patent holder believes that the recipient of the notice may be an infringer.” *Rosebud*, 812 F.3d at 107; *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1470 (Fed. Cir. 1997). This requirement ensures “that the accused infringer knew of the adverse patent and the alleged infringement during the period in which its liability accrues.” *SRI*, 127 F.3d at 1470. “The correct approach to determining notice under Section 287 must focus on *the action of the patentee, not the knowledge of the infringer.*” *Amsted*, 24 F.3d at 187 (emphasis added); *see also Funai Elec. Co. v. Daewoo Elecs. Corp.*, 616 F.3d 1357, 1373 (Fed. Cir. 2010); *Minks v. Polaris Indus., Inc.*, 546 F.3d 1364, 1376 (Fed. Cir. 2008); *U.S. Philips Corp. v. Iwasaki Elec. Co.*, 505 F.3d 1371, 1375 (Fed. Cir. 2007); *Lans v. Digital Equip. Corp.*, 252 F.3d 1320, 1327-28 (Fed. Cir. 2001); *Gart v. Logitech, Inc.*, 254 F.3d at 1345. In fact, to determine whether the patentee engaged in an affirmative act to notify the alleged infringer sufficient to satisfy Section 287, “it is irrelevant . . . whether the defendant knew of . . . his own infringement.” *Amsted*, 24 F.3d at 187.

Compliance with the marking statute is a question of fact. *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996). Thus, where it is uncontested that the identified products practicing the patents at issue were unmarked, summary judgment is only properly granted when no reasonable jury could find that “the patentee either has or has not provided actual notice to the ‘particular defendants by informing them of his patent and of their infringement

of it.” *Gart*, 254 F.3d at 1339 (quoting *Amstead*, 24 F.3d at 187). “The patentee bears the burden of pleading and proving he complied with § 287(a)’s marking requirement.” *Arctic Cat Inc. v. Bombardier Recreational Prod. Inc.*, 876 F.3d 1350, 1365-66 (Fed. Cir. 2017) (citing *Maxwell*, 86 F.3d at 1111). Moreover, “the duty of alleging and the burden of proving either actual or constructive notice is upon the patentee.” *Id.* (quoting *Dunlap v. Schofield*, 152 U.S. 244, 248 (1894) (holding “if [the patented units] are not duly marked, the statute expressly puts upon [the patentee] the burden of proving notice to the infringers before he can charge them in damages”).

B. Constructive Notice

Under this standard, Arctic Cat is entitled to calculate its damages from when it constructively notified BRP of the patents by marking its products or when it engaged in an affirmative act to notify BRP of the alleged infringement. As to constructive notice by marking, the parties agree that Arctic Cat and Honda entered into a license agreement that included the ‘545 and ‘969 patents, and that the license agreement contained no marking requirement. The parties further do not dispute that Arctic Cat made no effort to ensure that Honda marked the PWCs it sold that practiced ‘545 and ‘969 patents, and that Honda sold at least fourteen models of unmarked PWCs. On remand, Arctic Cat specifically concedes that it cannot meet its burden to show that the unmarked Honda PWCs identified by BRP do not practice the ‘545 and ‘969 patents. As a licensee, the Honda PWCs which practice the patents at issue fall under the marking statute, *see, e.g., Amstead*, 24 F.3d at 185; *Maxwell*, 86

F.3d 1111. Thus, taking the facts in the light most favorable to the non-moving party, Arctic Cat cannot demonstrate that the Honda products were marked in accordance with Section 287(a).

C. Actual Notice

Since Arctic Cat failed to mark the PWCs identified by BRP, Arctic Cat can only recover damages commencing when it provided actual notice to BRP regarding infringement. The parties agree that Arctic Cat first informed BRP of the infringement on October 16, 2014 by filing this lawsuit. The parties further agree that Arctic Cat never provided any affirmative communication or notification to inform BRP of the infringement prior to filing this action. In its statement of material facts, BRP states:

8. Arctic Cat has identified no specific charge of infringement communicated to BRP by any specific accused product or device prior to filing this lawsuit.

9. Arctic Cat has produced no affirmative communication of a specific charge of infringement by a specific accused product or device dated prior to the filing of this lawsuit.

In response, Arctic Cat disagrees with these statements of material fact and clarifies by providing its own material facts:

Arctic Cat has not identified an affirmative communication from *Arctic Cat* to BRP communicating a specific charge of infringement by a specific accused product or device dated before this suit was filed. But that does not mean that BRP did not have

actual notice that its personal watercraft infringed before this suit was filed.

Arctic Cat's material facts end the inquiry. Actual notice under Section 287(a) requires the patentee to provide an "affirmative communication of a specific charge of infringement by a specific accused product or device." *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994). Arctic Cat readily admits that prior to filing this suit, it never provided any affirmative "act of notification" to BRP. *Rosebud*, 812 F.3d at 107. Because the parties agree that the first time Arctic Cat provided any affirmative notice to BRP was October 16, 2014 when Arctic Cat filed this lawsuit, Arctic Cat has failed to meet its burden to show actual notice at any time prior to October 16, 2014. Accordingly, Arctic Cat is statutorily precluded from recovering damages for infringement prior to that date.

Arctic Cat argues in its Motion and in opposition to BRP's Motion that it meets its burden to show actual notice under Section 287 based on both the Court's rulings and the jury's findings of willful infringement. ECF No. [318] at 2-3. Arctic Cat further points to evidence introduced at trial that BRP knew about the '545 and '969 patents and was aware internally about potential infringement. But the reading of the statute that Arctic Cat urges conflates the patentee-centered inquiry of notice under Section 287(a) with the infringer-centered inquiry of willfulness with regard to liability. Moreover, such a reading runs contrary to binding precedent from the

Federal Circuit.² The actual notice inquiry under Section 287(a) requires the Court to examine the conduct of the *patentee*, regardless of the knowledge or understanding of the infringer. *Amstead*, 24 F.3d at 187. The jury's finding of willfulness does not relieve Arctic Cat of its obligation to mark or notify—neither of which Arctic Cat did prior to October 16, 2014. While Arctic Cat may disagree with the Federal Circuit's holding in *Amstead*, that case and its progeny are binding on this Court. Accordingly, the Court declines Arctic Cat's invitation to disregard binding precedent and to rely on evidence of willfulness to circumvent its affirmative notice requirement under Section 287(a).

Arctic Cat argues in the alternative that it is entitled to pre-suit damages beginning on September 6, 2013. Arctic Cat states that from September 6, 2013 to October 16, 2014 it complied with the marking requirement of Section 287(a) because Honda sold no products—marked or unmarked—during that time. However, the binding authority Arctic Cat cites in support of this argument falls into two factually distinct categories: instances where no patented products were produced or sold at all, *see, e.g., Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002), or instances where, after initially failing to mark patented articles, the patentee either began affirmatively marking them or provided affirmative actual notice to the alleged infringer, *see, e.g., Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1537

² Arctic Cat admits as much and argues that this Court should not follow binding precedent. *See generally*, ECF No. [310] at 7, 15-20.

(Fed. Cir. 1993). Moreover, Arctic Cat cites to no factually similar binding case law in support of this interpretation of Section 287(a).

The Court rejects the extension of Section 287(a) that Arctic Cat urges. Such a holding would run contrary to the statute's purpose to prevent innocent infringement, encourage patentees to give notice to the public that the article in question is patented, and aid the public in identifying whether an article is patented. *Rembrandt Wireless Techs., LP v. Samsung Elecs. Co.*, 853 F.3d 1370, 1383 (Fed. Cir. 2017) (quoting *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998)). Rather, in order for Arctic Cat to cure its non-compliance with the marking statute, it needed to begin marking the products or provide actual affirmative notice to an alleged infringer. *Am. Med. Sys*, 6 F.3d at 1537. However, on remand, Arctic Cat concedes that it did no such thing. Thus, taking the facts in the light most favorable to the non-moving party, BRP is entitled to summary judgment. Arctic Cat is precluded from seeking damages prior to October 16, 2014.

VI. CONCLUSION

Based on the foregoing, it is **ORDERED AND ADJUDGED** as follows:

1. Defendants' Motion for Summary Judgment and Memorandum of Law, **ECF No. [307]**, is **GRANTED**.
2. Plaintiff's Sealed Motion for Summary Judgment, **ECF No. [310]**, is **DENIED**.
3. The parties shall confer and jointly file a proposed modified judgment consistent with this

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Order by **August 24, 2018**. Should the parties be unable to agree, Arctic Cat shall file its proposed modified judgment by **August 27, 2018**. BRP may thereafter file its proposed modified judgment by **August 31, 2018**.

4. To the extent not otherwise disposed of, all pending motions are denied as **MOOT** and all deadlines are **TERMINATED**;

5. The Clerk of Court shall **ADMINISTRATIVELY CLOSE** this case.

DONE AND ORDERED in Chambers at Miami, Florida, this 10th day of August, 2018.

[handwritten: signature]

BETH BLOOM

UNITED STATES

DISTRICT JUDGE

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Appendix C

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

No. 17-1475

ARCTIC CAT INC.,

Plaintiff-Appellee,

v.

BOMBARDIER RECREATIONAL PRODUCTS INC.,

BRP U.S. INC.,

Defendants-Appellants.

Filed: Dec. 7, 2017

Before: MOORE, PLAGER, and STOLL,

Circuit Judges.

OPINION

MOORE, *Circuit Judge.*

Bombardier Recreational Products Inc. and BRP U.S. Inc. (collectively, “BRP”) appeal from the United States District Court for the Southern District of Florida’s denial of judgment as a matter of law that the asserted claims of U.S. Patent Nos. 6,568,969 (“969 patent”) and 6,793,545 (“545 patent”) would have been obvious, that Arctic Cat Inc. (“Arctic Cat”) failed to mark patented products, that the jury’s

royalty award was based on improper expert testimony, and that BRP did not willfully infringe the asserted claims. BRP also appeals the district court's decision to treble damages and its award of an ongoing royalty to Arctic Cat. We affirm the district court's denial of judgment as a matter of law as to obviousness, the jury's royalty rate, and willfulness. We affirm the district court's decision to treble damages and award an ongoing royalty to Arctic Cat. We vacate the court's denial of judgment as a matter of law as to marking and remand for further consideration limited to that issue.

BACKGROUND

The '969 and '545 patents disclose a thrust steering system for personal watercraft ("PWC") propelled by jet stream. This type of watercraft is propelled by discharging water out of a discharge nozzle at the rear of the watercraft. *E.g.*, '545 patent at 1:22-24. The rider controls the thrust of water out of the discharge nozzle by pressing a lever mounted on the steering handle. *Id.* at 1:38-40. A sufficient amount of thrust out of the steering nozzle is required for these watercraft to steer properly because decreasing the thrust of the water out of the discharge nozzle decreases the steering capability of the watercraft. *Id.* at 1:34-36, 1:51-55.

Because steering capabilities are affected by the amount of thrust applied, the patents explain that, to avoid obstacles at high speed, riders should apply constant pressure on the throttle lever while simultaneously turning the steering handle away from the obstacle. *Id.* at 1:59-61. This is counter-intuitive to inexperienced riders who often slow down

to turn out of the way. *Id.* at 1:55-65. In these situations a rider may not be able to avoid the obstacle because steering capability has been decreased. *Id.* at 1:65-67. The patents seek to overcome this issue by automatically providing thrust when riders turn the steering system. *Id.* at 2:11-27. Claim 15 of the '545 patent is representative:

A watercraft including:

a steering mechanism;

a steering nozzle;

a thrust mechanism;

a lever adapted to allow an operator to manually control thrust of said thrust mechanism, said lever mounted on said steering mechanism and biased toward an idle position; and

a controlled thrust steering system for controlling thrust of said thrust mechanism independently of the operator;

wherein said controlled thrust steering system activates said thrust mechanism ***to provide a steerable thrust*** after said lever is positioned other than to provide a steerable thrust and after the steering mechanism is positioned for turning said watercraft.

Arctic Cat sued BRP for infringement of claims 13, 15, 17, 19, 25, and 30 of the '545 patent and claims 15-17, and 19 of the '969 patent, accusing the off-throttle thrust reapplication system in several of BRP's Sea-Doo PWC. BRP refers to its proprietary off-

throttle thrust reapplication system as Off-Throttle Assisted Steering (“OTAS”). Before trial, BRP unsuccessfully moved for summary judgment on several issues, including that Arctic Cat’s sole licensee Honda failed to mark its products with the licensed patent numbers.

At trial, the jury found both patents not invalid, awarded a royalty consistent with Arctic Cat’s model (\$102.54 per unit) to begin on October 16, 2008, and found by clear and convincing evidence that BRP willfully infringed the asserted claims. Based on the willfulness verdict, the district court trebled damages, a decision it further explained in a subsequent order.

After post-trial briefing, the district court denied BRP’s renewed motion for judgment as a matter of law on all issues. It granted Arctic Cat’s motion for an ongoing royalty, awarding \$205.08 per unit. BRP appeals the district court’s denial of judgment as a matter of law on validity, marking, damages, and willfulness, as well as its grant of an ongoing royalty and decision to treble damages. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

In appeals of patent cases, we apply the law of the regional circuit “to which district court appeals normally lie, unless the issue pertains to or is unique to patent law.” *AbbVie Deutschland GmbH & Co., KG v. Janssen Biotech, Inc.*, 759 F.3d 1285, 1295 (Fed. Cir. 2014) (internal quotation marks omitted). We review rulings on motions for judgment as a matter of law under the law of the regional circuit. *Id.* The Eleventh Circuit reviews the denial of judgment as a matter of law de novo, viewing the evidence in the light most

favorable to the non-moving party. *Howard v. Walgreen Co.*, 605 F.3d 1239, 1242 (11th Cir. 2010). “The motion should be granted only when the plaintiff presents no legally sufficient evidentiary basis for a reasonable jury to find for him on a material element of his cause of action.” *Id.* (internal quotation marks omitted).

I. Obviousness

Obviousness is a question of law based on underlying facts. *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1326 (Fed. Cir. 2016). In *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 419 (2007), the Supreme Court cautioned that the obviousness analysis should not be reduced to “rigid and mandatory formulas.” In *Graham v. John Deere Co.*, the Supreme Court set the framework for the obviousness inquiry under 35 U.S.C. § 103:

Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

383 U.S. 1, 17-18 (1966). The *Graham* factors—(1) the scope and content of the prior art; (2) the differences between the claims and the prior art; (3) the level of

ordinary skill in the art; and (4) objective considerations of nonobviousness—are questions of fact reviewed for substantial evidence. *See Apple Inc. v. Samsung Elecs. Co.*, 839 F.3d 1034, 1047-48 (Fed. Cir. 2016) (en banc); *In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1068 (Fed. Cir. 2012). “When reviewing a denial of judgment as a matter of law of obviousness, where there is a black box jury verdict, as is the case here, we presume the jury resolved underlying factual disputes in favor of the verdict winner and leave those presumed findings undisturbed if supported by substantial evidence.” *WBIP*, 829 F.3d at 1326. We examine the legal conclusion de novo in light of those facts. *Id.*

“A determination of whether a patent claim is invalid as obvious under § 103 requires consideration of all four *Graham* factors, and it is error to reach a conclusion of obviousness until all of those factors are considered.” *Apple*, 839 F.3d at 1048. This includes objective indicia of nonobviousness, which must be considered in every case where present. *See, e.g., id.* at 1048 & n.13; *Millennium Pharm., Inc. v. Sandoz Inc.*, 862 F.3d 1356, 1368-69 (Fed. Cir. 2017); *Merck & Cie v. Gnosis S.p.A.*, 808 F.3d 829, 837 (Fed. Cir. 2015); *Bristol-Myers Squibb Co. v. Teva Pharm. USA, Inc.*, 752 F.3d 967, 977 (Fed. Cir. 2014); *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, 699 F.3d 1340, 1349 (Fed. Cir. 2012). “This requirement is in recognition of the fact that each of the *Graham* factors helps inform the ultimate obviousness determination.” *Apple*, 839 F.3d at 1048. Objective indicia of nonobviousness are considered collectively with the other *Graham* factors because

they “serve to ‘guard against slipping into use of hindsight,’ and to resist the temptation to read into the prior art the teachings of the invention in issue.” *Graham*, 383 U.S. at 36 (citation omitted); *see also KSR*, 550 U.S. at 415 (inviting court “to look at any secondary considerations that would prove instructive”); *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538-39 (Fed. Cir. 1983) (noting that evidence of these factors must be considered with all the evidence and “not just when the decisionmaker remains in doubt after reviewing the art”).

Also a fact question is whether one of ordinary skill in the art had a motivation to combine the prior art to achieve the claimed combination. *Apple*, 839 F.3d at 1047-48, 1051; *Wyers v. Master Lock Co.*, 616 F.3d 1231, 1237-39 (Fed. Cir. 2010). “In *KSR*, the Supreme Court criticized a rigid approach to determining obviousness based on the disclosures of individual prior-art references, with little recourse to the knowledge, creativity, and common sense that an ordinarily skilled artisan would have brought to bear when considering combinations or modifications.” *Randall Mfg. v. Rea*, 733 F.3d 1355, 1362 (Fed. Cir. 2013). Therefore, a motivation to combine can be found explicitly or implicitly in the prior art references themselves, in market forces, in design incentives, or in “any need or problem known in the field of endeavor at the time of invention and addressed by the patent.” *KSR*, 550 U.S. at 420-21; *accord Plantronics, Inc. v. Aliph, Inc.*, 724 F.3d 1343, 1354 (Fed. Cir. 2013) (“[M]otivation to combine may be found explicitly or implicitly in market forces; design incentives; the ‘interrelated teachings of multiple patents’; ‘any need or problem known in the field of endeavor at the time

of invention and addressed by the patent'; and the background knowledge, creativity, and common sense of the person of ordinary skill." (quoting *Perfect Web Techs., Inc. v. InfoUSA, Inc.*, 587 F.3d 1324, 1328-29 (Fed. Cir. 2009))). "The court should consider a range of real-world facts to determine 'whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue.'" *Intercontinental Great Brands LLC v. Kellogg N. Am. Co.*, 869 F.3d 1336, 1344 (Fed. Cir. 2017) (quoting *KSR*, 550 U.S. at 418). Motivation to combine is a factual determination as to whether there is a known reason a skilled artisan would have been motivated to combine elements to arrive at a claimed combination. This is not the ultimate legal determination of whether the claimed combination would have been obvious to the ordinary artisan—meaning that it is possible that a reason or motivation may exist, but nonetheless the ordinary artisan would not have found the combination obvious.

When a challenger shows that a "motivation" existed for a relevant skilled artisan to combine prior art in the way claimed in the patent at issue, such a showing commonly supports and leads readily to the further, ultimate determination that such an artisan, using ordinary creativity, would actually have found the claimed invention obvious. But the latter conclusion does not follow automatically from the former finding, and additional evidence may prevent drawing it. . . . Even with a motivation proved, the record may reveal reasons that, after all, the

court should not conclude that the combination would have been obvious. . . .

Intercontinental Great Brands, 869 F.3d at 1346-47.

Determining whether a claimed combination would have been obvious to a skilled artisan requires consideration of all the facts, no one of which is dispositive. The prior art, skill, and knowledge of the ordinarily skilled artisan may present a motivation or reason to combine. The prior art, skill, and knowledge of an ordinary artisan may also provide reasons not to combine which would likewise be a question of fact. For example, a reference may be found to teach away from a claimed combination, also a question of fact. *Allergan, Inc. v. Sandoz Inc.*, 796 F.3d 1293, 1305 (Fed. Cir. 2015). Prior art teaches away when “a person of ordinary skill, upon reading the reference, would be discouraged from following the path set out in the reference, or would be led in a direction divergent from the path that was taken by the applicant.” *Id.* (citing *In re Gurley*, 27 F.3d 551, 553 (Fed. Cir. 1994)). In fact, the prior art could contain one reference suggesting a combination and others critiquing or otherwise discouraging the same. Even a single reference can include both types of statements, and we have held that it is error to fail to consider the entirety of the art. *See, e.g., W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1550 (Fed. Cir. 1983) (holding the district court erred by “considering the references in less than their entireties, i.e., in disregarding disclosures in the references that diverge from and teach away from the invention at hand”).

“The degree of teaching away will of course depend on the particular facts; in general, a reference

will teach away if it suggests that the line of development flowing from the reference's disclosure is unlikely to be productive of the result sought by the applicant." *Gurley*, 27 F.3d at 553. As our precedent reflects, prior art need not explicitly "teach away" to be relevant to the obviousness determination. Implicit in our discussion of the "degree" of teaching away is an understanding that some references may discourage more than others. *Id.*; see also *Meiresonne v. Google, Inc.*, 849 F.3d 1379, 1382 (Fed. Cir. 2017) ("A reference that 'merely expresses a general preference for an alternative invention but does not criticize, discredit, or otherwise discourage investigation into' the claimed invention does not teach away." (quoting *Galderma Labs., L.P. v. Tolmar, Inc.*, 737 F.3d 731, 738 (Fed. Cir. 2013))); *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1327 (Fed. Cir. 2009) (affirming district court's finding of teaching away where the reference "expresse[d] concern for failure"); *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 546 (Fed. Cir. 1998) (reversing a judgment of invalidity in part because references "cautioned against compressing the layers in a multilayer insulator"). Indeed, the Supreme Court has long held that "known disadvantages in old devices which would naturally *discourage* the search for new inventions may be taken into account in determining obviousness." *United States v. Adams*, 383 U.S. 39, 52 (1966) (emphasis added).

Such understandings about reasons to combine or countervailing reasons not to combine could come from the knowledge, skill, and creativity of the ordinarily skilled artisan. *KSR*, 550 U.S. at 418. We have held that where a party argues a skilled artisan would have

been motivated to combine references, it must show the artisan “would have had a reasonable expectation of success from doing so.” *Cyclobenzaprine*, 676 F.3d at 1068-69. Thus, if an ordinarily skilled artisan would not believe that a particular combination would have a reasonable expectation of “anticipated success,” the combination may not be obvious. *See KSR*, 550 U.S. at 421. Whether a reasonable expectation of success exists is yet another fact question. *PAR Pharm., Inc. v. TWI Pharm., Inc.*, 773 F.3d 1186, 1196 (Fed. Cir. 2014). Thus, whether there exist reasons a skilled artisan would combine or reasons a skilled artisan would not combine are entirely factual determinations to which deference must be given. Once all relevant facts are found, the ultimate legal determination involves the weighing of the fact findings to conclude whether the claimed combination would have been obvious to an ordinary artisan.

The jury, in this case, determined that BRP failed to prove by clear and convincing evidence that the claims at issue would have been obvious to a skilled artisan. BRP moved for judgment as a matter of law on obviousness, which the district court denied. On appeal, BRP argues that the district court erred in refusing to grant it judgment as a matter of law that the asserted claims would have been obvious in light of the off-throttle thrust reapplication system in its 1997 Sea-Doo Challenger 1800 Jet Boat (“Challenger”) and an existing PWC such as the 1998 Sea-Doo GTX RFI (“GTX”). There is no serious dispute that the Challenger system and a PWC like the GTX disclose

all elements of most of the asserted claims.¹ BRP argues a reasonable jury could only have concluded an ordinarily skilled artisan would have been motivated to combine Challenger and a PWC, and that objective indicia of nonobviousness confirm the asserted claims would have been obvious. BRP disputes whether substantial evidence exists for particular jury fact findings and the ultimate legal determination of obviousness.

BRP argues that “*KSR* compels a finding of obviousness.” Appellant’s Br. 21. It argues that a conclusion of obviousness must be reached because there was “a design need or market pressure to solve a problem” and the combination is one of “a finite number of identified, predictable solutions.” *Id.* at 24 (quoting *KSR*, 550 U.S. at 421).

In order to show a skilled artisan would have been motivated to modify a PWC with Challenger’s off-throttle thrust reapplication system, BRP principally relies on two prior art reports written by the Society of Automotive Engineers (“SAE”) that studied “personal watercraft as test vehicles in order to evaluate and test emerging off throttle steering concepts and devices.” J.A. 7530. Specifically, the SAE Interim and Draft Final Reports suggested using the Challenger system in a PWC to address the off-throttle steering problem. The Draft Final Report concluded if the Challenger system were applied to

¹ BRP argues the only claims not disclosed in the Challenger-PWC combination are dependent claims 25 of the ‘545 patent and 17 of the ‘969 patent, but notes those claims are disclosed by adding another patent to the Challenger-PWC combination. Appellant’s Br. 23-24.

PWCs, “performance characteristics would remain unchanged when operated properly, but when off-throttle steering and panic was sensed, then some additional steering torque would automatically be restored.” J.A. 7577. BRP also cites additional references that it argues provided PWC manufacturers with overwhelming pressure to implement solutions to off-throttle steering so that riders could safely avoid obstacles. For example, the National Transportation Safety Board recommended PWC manufacturers “consider . . . off-throttle steering” “to improve operator control and to help prevent personal injuries.” J.A. 7944. The National Association of State Boating Law Administrators similarly pressured the PWC industry to address the “disproportionate number of accidents” attributed to “‘off-throttle’ steering loss” in PWCs. J.A. 9536. BRP also argues its own patent application, Canadian Patent Appl. 2,207,938 (“Rheault ‘938”), and patent, U.S. Patent No. 6,336,833 (“Rheault ‘833”), disclose a throttle reapplication system and suggest its use in a PWC.

BRP argues a skilled artisan would have selected the Challenger system because it was one of a finite number of identified, predictable solutions to the problem of off-throttle steering in PWCs. *See KSR*, 550 U.S. at 421. The SAE Interim and Draft Final Reports identified the Challenger’s throttle reapplication as one of four solutions to the problem of off-throttle steering, along with rudders, flaps, and scoops. The National Association of State Boating Law Administrators also explained that jet boats and PWCs are similar and off-throttle directional control is a problem for both. Rheault ‘833 disclosed that its

steer-responsive throttle “is applicable to single-engine personal watercraft,” and Rheault ‘938 states the Challenger jet boat’s thrust steering “is applicable to all types of watercraft vehicles, including personal watercraft vehicles.” J.A. 8942 at Abstract; J.A. 8920 at 8:15-17. For these reasons, BRP argues a reasonable jury could only have found a skilled artisan would have been motivated to modify a PWC with Challenger’s off-throttle thrust reapplication system, which would have combined known elements to improve the system in the same way and yield expected results.

We presume the jury found that an ordinarily skilled artisan would not have been motivated to combine the Challenger system with a PWC given its determination that the asserted claims are not invalid as obvious. If such a fact finding is supported by substantial evidence, we may not reverse it. In briefing and oral argument, BRP devoted much of its argument to re-litigating its case and its evidence rather than addressing the evidence that could have supported the jury’s finding of no motivation to combine. We do not reweigh the evidence and reach our own factual determination regarding motivation. The question for us on appeal is only whether substantial evidence supports the jury’s presumed finding. *See, e.g., Apple*, 839 F.3d at 1052 (“Our job is not to review whether Samsung’s losing position was also supported by substantial evidence or to weigh the relative strength of Samsung’s evidence against Apple’s evidence. We are limited to determining whether there was substantial evidence for the jury’s findings, on the entirety of the record.”). We conclude that it does.

A reasonable jury could have found that a skilled artisan would not have been motivated to combine Challenger and a PWC. The SAE reports identified the combination of the Challenger system with a PWC to address the off-throttle steering problem, tested the Challenger for that purpose, and noted potential benefits of the combination. *E.g.*, J.A. 7577. But the reports did not stop there. The Draft Final Report also stated that “additional new hazards can be envisioned with such a steering system,” including collisions “when inadvertent activation of restored thrust might occur close to other boats, swimmers or fixed objects.” *Id.* It explained that because these hazards do not currently exist, “it is difficult to predict the frequency with which such events may occur.” *Id.* Kevin Breen, an author of the SAE reports and BRP’s expert at trial, testified that automatic throttle reapplication without “smart” engine controls could be dangerous. J.A. 2361-62. The Draft Final Report likewise identified potential problems with proposed “smart” engine controls, which “would only become activated when needed and would not otherwise effect [sic] handling.” J.A. 7577. The report noted some “obvious” problems with this technology, such as the system performing in a manner contrary to the operator’s intentions and the need for the system to account for several variables “to be beneficial.” *Id.* As to the thought process behind “smart” engine controls, Mr. Breen testified that throttle reapplication “would be useful only if they were smart or on demand, as opposed to they just happened.” J.A. 2231-32. The claimed invention, in contrast, “just happen[s]” when the rider turns the steering mechanism. *Id.*; *see, e.g.*, ‘545 patent at claim 1.

This evidence may not rise to the level of teaching away. Nonetheless, in light of this record, the jury's determination that there was no motivation to make this particular combination is supported by substantial evidence. Evidence suggesting reasons to combine cannot be viewed in a vacuum apart from evidence suggesting reasons not to combine. In this case, the same reference suggests a reason to combine, but also suggests reasons that a skilled artisan would be discouraged from pursuing such a combination. Under such circumstances, the jury's fact finding regarding motivation is supported by substantial evidence. Coupled with testimony confirming the potential problems of automatic throttle reapplication and suggesting an alternative approach might reduce those same problems, J.A. 2230-32, a jury could find a skilled artisan would not have been motivated to combine the Challenger system with a PWC to arrive at the claimed combination.

BRP argues that the SAE reports demonstrate market pressure to solve a problem and a finite number of predictable solutions; in fact, BRP argues there were only four articulated solutions. Appellant's Br. 9. In *KSR*, the Supreme Court explained when there is "market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp." 550 U.S. at 421. While the SAE reports identified the Challenger system, rudders, flaps, and scoops as potential solutions to the problem of off-throttle steering in PWCs, a reasonable jury could have determined that more than four solutions existed. At trial, Arctic Cat's expert and named inventor Fred

Bernier testified there were “various fins” and “a variety of things tried over a course of a number of years,” including modifying where the appendages attached to the PWC. J.A. 1219-21. BRP’s expert Richard Simard also testified BRP built seventeen prototypes incorporating various approaches over the course of five years. J.A. 1951-57. An internal BRP “brainstorming” session identified thirty-two possible designs directed to off-throttle steering. J.A. 9454. And there is evidence that other potential solutions to the off-throttle steering problem existed but were not fully disclosed for confidentiality and other concerns. *See, e.g.*, J.A. 7532 (noting that some ideas offered in response to SAE’s inquiry “have typically either not conveyed sufficient information or have patent, propriety, or litigation concerns”).

A reasonable jury also could have found that modifying a PWC with the Challenger system would not have been a predictable solution yielding expected results. Mr. Bernier testified “[i]t was quite a—quite a surprise, actually” when his team realized the technology worked on a prototype PWC. J.A. 1232. So did Mr. Simard, who testified “[w]e were surprised” that Proto-14, BRP’s prototype incorporating the Challenger system with a PWC, was “pretty good in forward speed.” J.A. 1960. He also admitted “what works on a jet boat may not work on a personal watercraft.” *Id.* And although Arctic Cat’s expert Dr. Bernard Cuzzillo testified the Challenger system reapplies some throttle when steering, he also testified he did not know whether the Challenger system was “adequate to qualify as a steerable thrust” and that it would “not necessarily” comprise a “controlled-thrust steering system.” J.A. 2876-78. This

testimony along with the SAE reports' own cautions about potential hazards of the combination provide substantial evidence upon which a jury could conclude that a skilled artisan would not have "anticipated success" with the claimed combination.

A. Objective Considerations

At trial, Arctic Cat argued the claimed invention received industry praise and satisfied a long-felt need. We presume the jury found in favor of Arctic Cat as to each of these objective considerations. We will not reverse these presumed findings if supported by substantial evidence.

1. Industry Praise

"Evidence that the industry praised a claimed invention or a product that embodies the patent claims weighs against an assertion that the same claimed invention would have been obvious." *Apple*, 839 F.3d at 1053; *accord Institut Pasteur & Universite Pierre Et Marie Curie v. Focarino*, 738 F.3d 1337, 1347 (Fed. Cir. 2013) ("[I]ndustry praise . . . provides probative and cogent evidence that one of ordinary skill in the art would not have reasonably expected [the claimed invention].").

At trial, Arctic Cat introduced a press release it issued after Captain Michael Holmes, chief of the U.S. Coast Guard Office of Boating Safety, rode and evaluated an Arctic Cat prototype incorporating the claimed invention. J.A. 9537. After his test ride, Captain Holmes stated: "I like it. It's one of the most impressive innovations I've seen all year." J.A. 9537. He continued, "What I saw today will help us move forward in developing a realistic, achievable standard for a control and safety issue that we need to address.

I'm particularly encouraged that this amount of quick-turn control can be achieved without some of the negative handling or safety ramifications that seem to accompany fins or rudders." J.A. 9537. And Mr. Bernier testified others at the prototype demonstration "were very impressed with the system and how it worked" and said "it was the first time they had seen something that had a viable chance of resolving the off-throttle steering issues." J.A. 1237.

BRP argues that substantial evidence does not support the jury's presumed factual finding that the claimed invention received industry praise because "praise from a Coast Guard official in Arctic Cat's own press release" is a "hearsay statement [that] cannot overcome persuasive evidence that the claimed technology described the same approach as BRP's system." Appellant's Br. 35-36 (citing J.A. 7828; J.A. 7871; *In re Cree, Inc.*, 818 F.3d 694, 702 (Fed. Cir. 2016)). We disagree for at least two reasons. First, Arctic Cat contends—and BRP does not contest—that BRP failed to object to this evidence as hearsay at trial, so the jury was entitled to credit the statement. Appellee's Br. 12. Second, that Captain Holmes' statements appear in Arctic Cat's press release goes to evidentiary weight. Captain Holmes' statements and Mr. Bernier's testimony constitute substantial evidence to support the jury's presumed factual finding that the claimed invention received praise from the industry. This evidence of industry recognition of the significance and value of the claimed invention weighs in favor of nonobviousness.

2. Long-Felt Need

“Evidence of a long felt but unresolved need tends to show non-obviousness because it is reasonable to infer that the need would have not persisted had the solution been obvious.” *WBIP*, 829 F.3d at 1332; *see also Iron Grip Barbell Co. v. USA Sports, Inc.*, 392 F.3d 1317, 1325 (Fed. Cir. 2004) (“Absent a showing of long-felt need or the failure of others, the mere passage of time without the claimed invention is not evidence of nonobviousness.”).

BRP does not dispute there was a long-felt need in the area of off-throttle steering and PWC rider safety. Rather, it argues Arctic Cat’s invention did not satisfy this long-felt need because the Challenger system already solved off-throttle steering. Substantial evidence supports the jury’s presumed finding that the claimed invention solved the problem of off-throttle steering. The SAE Draft Final Report noted “an effort has been ongoing to develop this [off-throttle steering] technology for more than three decades with little commercially viable success.” J.A. 7575. The report summarized test results of the *Challenger* system for its off-throttle steering capabilities and offered potential pros and cons of its use in a PWC; it did not summarize test results of a Challenger-PWC combination. And Mr. Breen conceded at trial that despite a number of people working to address the off-throttle steering problem, there “was not a publicly available personal watercraft with throttle reapplication” before Arctic Cat’s invention. Appellee’s Br. 41 (citing J.A. 2337). This is substantial evidence to support the jury’s fact finding

about long-felt need. This long-felt need weighs in favor of the nonobviousness of the claimed invention.

B. Legal Conclusion

We consider whether the claimed invention would have been obvious *de novo*, in light of the jury's underlying factual findings. *WBIP*, 829 F.3d at 1326. The evidence suggesting a motivation to combine is tempered by the evidence suggesting the Challenger-PWC combination could have serious problems, that "smart" engine controls might better address those problems, that the combination was not one of only four possible solutions, and that the combination did not yield expected results. We cannot under these circumstances reverse any of the jury's presumed fact findings regarding motivation to combine or expectations of success. In light of these fact findings along with the objective indicia of nonobviousness, which also weigh in favor of nonobviousness, we see no error in the conclusion that BRP failed to prove that the asserted claims would have been obvious by clear and convincing evidence.

II. Marking

Pursuant to 35 U.S.C. § 287(a), a patentee who makes or sells a patented article must mark his articles or notify infringers of his patent in order to recover damages. *See Dunlap v. Schofield*, 152 U.S. 244, 248 (1894). Section 287(a) provides:

Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing

thereon the word “patent” or the abbreviation “pat.”, together with the number of the patent. . . . In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.

The patentee bears the burden of pleading and proving he complied with § 287(a)’s marking requirement. *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996); *see also Dunlap*, 152 U.S. at 248 (“[T]he duty of alleging and the burden of proving either [actual or constructive notice] is upon the [patentee].”). Whether a patentee’s articles have been marked “is a matter peculiarly within his own knowledge . . .” *Dunlap*, 152 U.S. at 248. If a patentee who makes, sells, offers for sale, or imports his patented articles has not “given notice of his right” by marking his articles pursuant to the marking statute, he is not entitled to damages before the date of actual notice. *Id.*; *see also* 35 U.S.C. § 287 (noting the patentee’s “failure so to mark” limits his damages to those incurred after actual notice). Section 287 is thus a limitation on damages, and not an affirmative defense. *Motorola, Inc. v. United States*, 729 F.2d 765, 770 (Fed. Cir. 1984). Compliance with § 287 is a question of fact. *Maxwell*, 86 F.3d at 1111.

A patentee’s licensees must also comply with § 287, because the statute extends to “persons making or selling any patented article for or under [the

patentee].” *Id.* (quoting § 287(a)). Recognizing that it may be difficult for a patentee to ensure his licensees’ compliance with the marking provisions, we have held that where third parties are involved, courts may consider “whether the patentee made reasonable efforts to ensure compliance with the marking requirements.” *Id.* at 1111-12. This “rule of reason” inquiry is “consistent with the purpose of the constructive notice provision—to encourage patentees to mark their products in order to provide notice to the public of the existence of the patent and to prevent innocent infringement.” *Id.* at 1112.

We have explained that the marking statute serves three related purposes: (1) helping to avoid innocent infringement; (2) encouraging patentees to give public notice that the article is patented; and (3) aiding the public to identify whether an article is patented. *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1443 (Fed. Cir. 1998) (collecting authorities). Although patent infringement is a strict liability tort, a patentee who sells or permits the sale of unmarked, patented articles misleads others into believing they are free to make and sell an article actually covered by patent. Marking helps reduce innocent infringement by notifying the public that the article is patented. *See Motorola*, 729 F.2d at 772.

The parties dispute whether Arctic Cat’s licensee’s failure to mark certain products limits Arctic Cat’s damages. In February 2002, Arctic Cat entered into a fully paid-up license agreement with Honda in which Honda paid \$315,000 for licenses to two earlier-issued Arctic Cat patents and any later patents “that patently cover Arctic Cat’s Controlled

Thrust Steering methods, systems and developments.” J.A. 3540 ¶ EE; J.A. 7830-31 §§ 1.01, 3.01. The agreement includes the patents-in-suit. J.A. 3540 ¶ EE. The agreement specifically states Honda “shall have no obligation or requirement to mark” its licensed products. J.A. 7833 § 6.01. Honda sold PWCs in the United States through 2009 and Arctic Cat made no effort to ensure Honda marked those PWCs. J.A. 3540-41 ¶¶ II, JJ. At trial, the jury found damages began on October 16, 2008, before BRP received actual notice of infringement. J.A. 94.

There is no dispute that the patentee bears the burden of pleading and proving he complied with § 287(a). *Maxwell*, 86 F.3d at 1111. There is no dispute that Arctic Cat did not require Honda to mark; in fact, it expressly authorized Honda to sell licensed products without marking. And it is likewise undisputed that Honda did not mark any of its PWCs with the patent numbers at issue. Thus, if Honda sold PWC products covered by the patents at issue, Arctic Cat has failed to satisfy the marking requirements. The only dispute between the parties is whether any of the Honda PWCs was covered by the patent claims at issue. BRP explains the issue on appeal: “The only area of dispute between the parties was whether the PWCs that Honda sold were patented articles that were required to be marked. Which party bears the burden on this issue is a question of first impression for this Court and has split district courts.” Appellant’s Br. 37.

On summary judgment, the district court in this case held that the burden of proving compliance with marking is placed on the defendant and that “the burden of production does not shift to the plaintiff to

show compliance with a marking statute.” J.A. 58-59. And again in the denial of judgment as a matter of law, the district court repeated its belief that “BRP bears the burden of proving the defen[se] of marking.” J.A. 75. This was a legal error. The burden of proving compliance with marking is and at all times remains on the patentee. As in this case where BRP identified fourteen unmarked Honda PWCs, which it argued fell within the patent claims, it was the patentee’s burden to establish compliance with the marking statute—that these products did not fall within the patent claims.

There is a split among the district courts regarding which party must initially identify the products which it believes the patentee failed to mark. Some courts require the alleged infringer to initially identify products it believes practice the asserted patents. *See, e.g., Fortinet, Inc. v. Sophos, Inc.*, No. 13-CV-05831-EMC, 2015 WL 5971585, at *4-5 (N.D. Cal. Oct. 14, 2015). These courts reason that “[a]bsent guidance from the other side as to which specific products are alleged to have been sold in contravention of the marking requirement, a patentee . . . is left to guess exactly what it must prove up to establish compliance with the marking statute.” *Sealant Sys. Int’l, Inc. v. TEK Glob. S.R.L.*, No. 5:11-CV-00774- PSG, 2014 WL 1008183, at *31 (N.D. Cal. Mar. 7, 2014), *rev’d in part on other grounds*, 616 F. App’x 987 (Fed. Cir. 2015) (placing the initial burden on the alleged infringer to put the patentee “on notice” of unmarked products and finding it failed to meet its burden because of conflicting expert testimony and failure to produce admissible evidence showing a patented product was sold); *Fortinet*, 2015 WL

5971585, at *5 (adopting a “burden of production on [the alleged infringer] to identify the [unmarked products] it believes practice the inventions claimed” and granting partial summary judgment in favor of the alleged infringer where its expert report was “not too conclusory”); *Unwired Planet, LLC v. Apple Inc.*, No. 13-CV-04134-VC, 2017 WL 1175379, at *5 (N.D. Cal. Feb. 14, 2017) (holding “[a]t most, the infringer bears some initial burden of plausibly identifying products subject to the marking requirement” and granting summary judgment in favor of the alleged infringer where it submitted a declaration and attached exhibits identifying particular products). This district court agreed with that approach, concluding that if the defendant did not at least have the burden of identifying unmarked products it believed fell within the claims, “a defendant’s general allegations could easily instigate a fishing expedition for the patentee.” J.A. 59.

Other courts have required the patentee prove that none of its unmarked goods practice the asserted claims. *See, e.g., Adrea, LLC v. Barnes & Noble, Inc.*, No. 13-CV- 4137 JSR, 2015 WL 4610465, at *1-2 (S.D.N.Y. July 24, 2015). Courts adopting this approach reason the patentee is in a better position to know whether his goods practice the patents-in-suit. *Id.* at *2 (citing *Dunlap*, 152 U.S. at 248); *see also, e.g., DR Sys., Inc. v. Eastman Kodak Co.*, No. 08-CV-0669H(BLM), 2009 WL 2632685, at *4 (S.D. Cal. Aug. 24, 2009) (“Just as a patentee’s compliance with the marking statute is a matter particularly within its knowledge, so are the details of its own product line.”); *Kimberly-Clark Worldwide, Inc. v. First Quality Baby*

Prods., LLC, No. 1:09-CV-1685, 2013 WL 1821593, at *3 (M.D. Pa. Apr. 30, 2013).

We hold an alleged infringer who challenges the patentee's compliance with § 287 bears an initial burden of production to articulate the products it believes are unmarked "patented articles" subject to § 287. To be clear, this is a low bar. The alleged infringer need only put the patentee on notice that he or his authorized licensees sold specific unmarked products which the alleged infringer believes practice the patent. The alleged infringer's burden is a burden of production, not one of persuasion or proof. Without some notice of what market products BRP believes required marking, Arctic Cat's universe of products for which it would have to establish compliance would be unbounded. *See Fortinet*, 2015 WL 5971585, at *5 ("Without some notice of what marketed products may practice the invention, AMI's universe of products for which it would have to establish compliance with, or inapplicability of, the marking statute would be unbounded." (quoting *Sealant*, 2014 WL 1008183, at *31)). Permitting infringers to allege failure to mark without identifying any products could lead to a large scale fishing expedition and gamesmanship. Once the alleged infringer meets its burden of production, however, the patentee bears the burden to prove the products identified do not practice the patented invention.

We do not here determine the minimum showing needed to meet the initial burden of production, but we hold in this case it was satisfied by BRP. At trial BRP introduced the licensing agreement between Honda and Arctic Cat showing Honda's license to

practice “Arctic Cat patents that patently cover Arctic Cat’s Controlled Thrust Steering methods, systems and developments.” J.A. 7830 § 1.01. BRP identified fourteen Honda PWCs from three versions of its Aquatrax series sold between 2002 and 2009. J.A. 3540-41 ¶ II. BRP’s expert testified that he “review[ed] information regarding those models” and believed if BRP’s OTAS system practiced the patents, so did Honda’s throttle reapplication system in the Aquatrax PWCs. J.A. 2447-49; J.A. 2482. This was sufficient to satisfy BRP’s initial burden of production.

At summary judgment, the district court found BRP identified Honda PWCs and “presented an array of evidence” alleging they practice the asserted patents, but concluded BRP failed to meet its burden because it did not conduct a claim analysis of the products. J.A. 59-61. It later denied BRP’s motion for judgment as a matter of law because BRP “failed as a matter of law to meet its burden in *proving* that Honda sold patented articles.” J.A. 75 (emphasis added). The district court erred when it placed this burden on the alleged infringer. BRP shouldered only a burden of production to identify unmarked products that it alleges should have been marked. It was Arctic Cat’s burden to prove those products—once identified—do not practice the patent-at-issue. The alleged infringer need not produce claim charts to meet its initial burden of identifying products. It is the patentee who bears the burden of proving that it satisfied the marking requirements and thus the patentee who would have to prove that the unmarked products identified by the infringer do not fall within the patent claims. The district court erred in placing this burden

upon BRP and thus we vacate and remand on marking.

Because the district court adopted this legal approach at the summary judgment stage, it made clear to the parties that it would be BRP's burden to prove that the unmarked products fell within the patent claims. Arctic Cat, therefore, did not have a fair opportunity to develop its case regarding the Honda PWCs at trial. Because Arctic Cat was not on notice regarding its burden, and in fact labored under the assumption that BRP had the burden of proof, reversal would be improper. We thus vacate the district court's judgment as to marking and remand so that Arctic Cat has an opportunity to proffer evidence related to the identified Honda PWCs.² Because we conclude BRP has met its initial burden of production, Arctic Cat must now establish the Honda PWCs do not practice the asserted patents to recover damages under the constructive notice provisions of § 287.

III. Damages

BRP appeals the district court's denial of judgment as a matter of law that the jury's royalty award of \$102.54 per infringing unit should be vacated based on inadmissible expert testimony. Prior to trial, the district court denied BRP's *Daubert* motion to exclude this testimony of Arctic Cat's expert, Walter Bratic, regarding the calculation of a reasonable royalty rate. J.A. 24-28. BRP also appeals the district court's grant of an ongoing royalty of \$205.08 per infringing unit. J.A. 137-44.

² We leave it to the district court to determine if additional discovery on this issue is appropriate in light of our ruling.

A. Reasonable Royalty Rate

The Eleventh Circuit reviews *Daubert* decisions for abuse of discretion. *Quiet Tech. DC-8, Inc. v. Hurel-Dubois UK Ltd.*, 326 F.3d 1333, 1339-40 (11th Cir. 2003). “We review the jury’s determination of the amount of damages, an issue of fact, for substantial evidence.” *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1310 (Fed. Cir. 2009).

BRP raises the same arguments to exclude the testimony of Mr. Bratic rejected by the district court. BRP argues Mr. Bratic erroneously used BRP’s later-developed “Intelligent Brake and Reverse” (“iBR”) system as a value benchmark for BRP’s allegedly infringing and earlierdeveloped OTAS system. It argues that Mr. Bratic failed to establish that iBR is sufficiently comparable to the technology and value of OTAS, and thus his benchmark cannot serve as the basis for the jury’s royalty award. The district court found that Mr. Bratic properly relied on the opinion of another Arctic Cat expert, Dr. Cuzzillo, who opined that OTAS and iBR are of comparable technological and safety value. J.A. 24-26. The district court noted that Dr. Cuzzillo’s opinion was not vague or conclusory but based on “his own investigation of the OTAS and iBR brake technologies, how they work, and the benefits provided as well as discussions with [another expert and review of his report].” J.A. 25-26. To the extent BRP found the comparison problematic, the district court suggested “that is a line of attack more appropriately addressed through cross-examination.” J.A. 26. BRP was given this chance at trial. *E.g.*, J.A. 1738-43.

We agree with the district court's analysis and conclude it did not abuse its discretion in admitting Mr. Bratic's damages testimony. *Cf. Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1316-20 (Fed. Cir. 2014) (factually attacking the accuracy of a benchmark goes to evidentiary weight, not admissibility), *overruled on other grounds by Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (en banc). Because BRP does not argue the royalty rate is not otherwise supported by substantial evidence,³ we affirm the district court's denial of judgment as a matter of law as to the jury's reasonable royalty rate.

B. Ongoing Royalty Rate

We review for abuse of discretion a district court's grant of an ongoing royalty. *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 35 (Fed. Cir. 2012). Ongoing royalties may be based on a post-judgment hypothetical negotiation using the *Georgia-Pacific* factors. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1303 (Fed. Cir. 2009) (citing *Georgia-Pac. Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970)).

The district court did not abuse its discretion in awarding an ongoing royalty rate. The district court weighed the relevant *Georgia-Pacific* factors and determined that Arctic Cat is entitled to an ongoing

³ BRP states in a footnote that even if this testimony were admissible, it is irrelevant and thus Arctic Cat failed to provide sufficient evidence to support the jury's award. Appellant's Br. 46 n.3. This single sentence, devoid of any analysis, is insufficient for BRP to meet its burden on appeal, and we nevertheless conclude Mr. Bratic's testimony constitutes substantial evidence supporting the jury's reasonable royalty award.

royalty amount higher than the jury rate. J.A. 137-42. While BRP argues the rate impermissibly covers its profits, we have affirmed rates at or near the infringer's alleged profit margin. *See, e.g., Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1338-39 (Fed. Cir. 2004) (affirming district court's grant of a reasonable royalty the defendant argued covered its profits); *Bos. Sci. Corp. v. Cordis Corp.*, 497 F. App'x 69 (Fed. Cir. 2013) (same for ongoing royalties); *cf. Douglas Dynamics, LLC v. Buyers Prods. Co.*, 717 F.3d 1336, 1346 (Fed. Cir. 2013) (vacating and remanding a royalty award where the district court "clearly erred by limiting the ongoing royalty rate based on [the defendant's] profit margins"). And we have explained that "[o]nce a judgment of validity and infringement has been entered . . . the calculus is markedly different because different economic factors are involved." *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1362 (Fed. Cir. 2008); *see also Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1317 (Fed. Cir. 2007) (Rader, J., concurring) ("[P]re-suit and post-judgment acts of infringement are distinct, and may warrant different royalty rates given the change in the parties' legal relationship and other factors."). We see no abuse of discretion in the district court's analysis and affirm its order awarding an ongoing royalty.

IV. Willfulness & Enhanced Damages

We review enhanced damages under 35 U.S.C. § 284 for abuse of discretion. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1934 (2016). A party seeking enhanced damages under § 284 bears the burden of proof by a preponderance of the evidence. *Id.* (citing *Octane Fitness, LLC v. ICON Health & Fitness*

Inc., 134 S. Ct. 1749, 1758 (2014)). The Eleventh Circuit reviews de novo previously raised objections to jury instructions and gives district courts wide discretion in wording so long as the instructions accurately state the law. *SEC v. Big Apple Consulting USA, Inc.*, 783 F.3d 786, 802 (11th Cir. 2015).

BRP appeals the district court's denial of judgment as a matter of law that it did not willfully infringe the asserted patents because the jury's willfulness finding is not supported by substantial evidence and the district court erred in instructing the jury. It also argues the district court abused its discretion by trebling damages.

The jury's willfulness finding is supported by substantial evidence. In denying BRP's motion for judgment as a matter of law on willfulness, the district court found substantial evidence demonstrated that BRP knew about the patents before they issued, conducted only a cursory analysis of the patents, waited years before seeking advice of qualified and competent counsel, and unsuccessfully tried to buy the asserted patents through a third party. J.A. 70-72. The district court denied BRP's renewed motion for judgment as a matter of law on willfulness, stating it "will not second-guess the jury or substitute [the court's] judgment for its judgment" where the verdict is supported by substantial evidence. J.A. 124. Neither will we.

We reject BRP's argument that the district court's jury instruction was erroneous. The district court instructed the jury that as to willful infringement, "Arctic Cat must prove by clear and convincing evidence that BRP actually knew *or should have*

known that its actions constituted an unjustifiably high risk of infringement of a valid and enforceable patent.” J.A. 3037 (emphasis added). BRP argues this “should have known” standard contradicts *Halo*. Appellant’s Br. 61 (citing *Halo*, 136 S. Ct. at 1933). But this Court addressed this issue and concluded:

Halo did not disturb the substantive standard for the second prong of *Seagate*, subjective willfulness. Rather, *Halo* emphasized that subjective willfulness alone—i.e., proof that the defendant acted despite a risk of infringement that was “either known or so obvious that it should have been known to the accused infringer,” *Halo*, 136 S. Ct. at 1930 (quoting *Seagate*, 497 F.3d at 1371)—can support an award of enhanced damages.

WesternGeco L.L.C. v. ION Geophysical Corp., 837 F.3d 1358, 1362 (Fed. Cir. 2016). Thus, the court did not err in instructing the jury as BRP argues.

Finally, the district court did not abuse its discretion by trebling damages. While the district court initially trebled damages without much explanation, J.A. 97-98, it explained its decision in a subsequent thorough and well-reasoned opinion. *See* J.A. 99-116 (applying the factors outlined in *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992)). Although the district court did not allow the parties to brief the issue, we will not adopt a blanket rule that a district court abuses its discretion by deciding an issue without receiving briefing from the parties. That is especially true where, as here, BRP attacks the district court’s procedure but does not explain how additional briefing would have changed the outcome.

In short, BRP has not shown that the district court's failure to allow briefing amounts to an abuse of discretion. We affirm the district court's denial of judgment as a matter of law on willfulness and its order trebling damages.

CONCLUSION

For the foregoing reasons, we affirm the district court's denial of judgment as a matter of law that the asserted claims would have been obvious, that the jury-awarded royalty rate should be vacated, and that BRP did not willfully infringe the asserted claims. We also affirm the district court's orders granting an ongoing royalty and trebling damages. We vacate the district court's denial of judgment as a matter of law as to marking and remand for a new trial on this issue.

**AFFIRMED IN PART, VACATED IN PART, AND
REMANDED**

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Appendix D

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF FLORIDA**

No. 14-CV-62369

ARCTIC CAT INC.,
Plaintiff,

v.

BOMBARDIER RECREATIONAL PRODUCTS INC.,
and BRP U.S. INC.,
Defendants.

Filed: May 31, 2016

**ORDER DENYING JUDGMENT
AS A MATTER OF LAW**

THIS CAUSE is before the Court upon Defendants Bombardier Recreation Products, Inc. and BRP U.S. Inc.'s (hereinafter, referred to together as "BRP" or "Defendant") Motion for Judgement as a Matter of Law (the "Motion"), pursuant to Federal Rule of Civil Procedure 50(a), made in open Court on May 25, 2016, at the close of Plaintiff Arctic Cat Inc.'s ("Plaintiff," "Arctic Cat," or "AC") case-in-chief and prior to the Court's submission of the matter to the jury. *See* ECF No. [145] (trial minutes). After careful consideration of the parties' oral argument on the

Motion, the evidence presented at trial, the record, and the applicable law, the Motion is denied.

I. Background

Plaintiff brought the instant suit against BRP on October 16, 2014, for infringement on Arctic Cat's patents, including U.S. Patent Nos. 6,793,545 ("the '545 Patent") and 6,568,969 ("the '969 Patent," together with the '545 Patent, the "Patents" or "Patents at Issue"). AC filed the Patents at Issue to protect its development of "a novel and effective thrust mechanism to provide riders with temporary 'steerable thrust' in conditions where a rider turns the steering mechanism of the [personal watercraft 'PWC'] and the throttle is returned to the idle position . . . which allows for a safer and more intuitive riding experience." ECF No. [36] (Amended Complaint) at 3. Specifically, Plaintiff asserts that BRP infringed upon various claims contained within the Patents at Issue through the sale of certain models of PWCs under the name Sea-Doo, beginning in 2009, which incorporated Off-Throttle Assisted Steering ("OTAS"). OTAS is a technology that "maintains or increases engine speed to approximately 3,000 RPM for a temporary period to provide the rider with steerable thrust." *Id.* at 4.

After this action proceeded through discovery, on May 2, 2016, the Court granted in part and denied in part BRP's Motion for Summary Judgment, ECF No. [78], precluding AC from recovering damages for any alleged infringement of the '969 Patent after May 27, 2011, the date of the '969 Patent's expiration. ECF No. [119] ("Order on Summary Judgment"). Accordingly, this case proceeded to trial on all other issues relating

to infringement, validity, and damages, beginning on May 16, 2016, *see* ECF No. [138] (trial minutes). The Motion for judgment as a matter of law timely and properly renews BRP's arguments from their summary judgment motion as to validity, infringement, laches, and damages. Additionally, BRP now seeks judgment as a matter of law on the issue of willfulness.

II. Review Standard

In this patent case, this Court applies the law of the Eleventh Circuit with respect to evidentiary issues and the standard applicable to a motion for judgment as a matter of law. *See Retractable Tech., Inc. v. Becton, Dickinson and Co.*, 653 F.3d 1296, 1302 (Fed. Cir. 2011) (“In reviewing evidentiary rulings and denials of motions for JMOL, we apply the law of the regional circuit.”); *see Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1218 (Fed. Cir. 2006) (applying regional circuit law when reviewing a *Daubert* ruling). Under Rule 50(a), “[i]f a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue, the court may resolve the issue against the party.” Fed. R. Civ. P. 50(a). The Eleventh Circuit has instructed that Rule 50 motions “should be granted . . . when the plaintiff presents no legally sufficient evidentiary basis for a reasonable jury to find for him on a material element of his cause of action.” *Howard v. Walgreen Co.*, 605 F.3d 1239, 1242 (11th Cir. 2010); *see Chaney v. City of Orlando, Fla.*, 483 F.3d 1221, 1227 (11th Cir. 2007) (internal quotation and formatting removed) (“Under Rule 50, a

party's motion for judgment as a matter of law can be granted at the close of evidence or, if timely renewed, after the jury has returned its verdict, as long as there is no legally sufficient evidentiary basis for a reasonable jury to find for the non-moving party.”).

When reviewing a motion under Rule 50, the Court is obligated to review the evidence in the light most favorable to the non-moving party. *Hanes v. Greyhound Lines, Inc.*, 316 F. App'x 841, 842 (11th Cir. 2008) (citing *Daniel v. City of Tampa*, 38 F.3d 546, 549 (11th Cir. 1994)); *Sherrod v. Palm Beach Cnty. Sch. Dist.*, 424 F. Supp. 2d 1341, 1344 (S.D. Fla. 2006) (“[The Court] must view the evidence in a light most favorable to the plaintiff, and must not weigh the evidence nor assess witness credibility.”) (citing *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000))). Thus, as the Eleventh Circuit has noted, “[w] here there is no change in the evidence, the same evidentiary dispute that got the plaintiff past a summary judgment motion asserting [a particular argument] will usually get that plaintiff past a Rule 50(a) motion asserting the [same argument], although the district court is free to change its mind.” *Johnson v. Breeden*, 280 F.3d 1308, 1318 (11th Cir. 2002) (citing *Abel v. Dubberly*, 210 F.3d 1334 (11th Cir. 2000)).

III. Discussion

Pursuant to Fed. R. Civ. P. 50(a), BRP requests judgment as a matter of law in its favor. The Motion makes five primary arguments as to infringement, willfulness, laches, damages and marking. Plaintiff opposes the sought-after relief, arguing that Arctic Cat has presented enough evidence at trial for a

reasonable jury to have a legally sufficient basis to find in its favor. The Court addresses each argument in turn.

A. Infringement

Defendant first argues that Arctic Cat has not presented legally sufficient evidence from which a reasonable jury could conclude that the accused products infringe any asserted claims. Plaintiff, of course, disagrees. Nevertheless, the parties' arguments on infringement amount to disputes relating to a proper application of the claim language to the Accused Products. As the Court held on summary judgment, the application of referenced terms of art, such as "immediately," "thrust at a level," and "rotationally independent," pursuant to the Court's claim constructions, to the Accused Products are questions of fact that should be left to the jury. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996) ("The patented invention as indicated by the language of the claims must first be defined (a question of law), and then the trier of fact must judge whether the claims cover the accused device (a question of fact).") (quoting *Envirotech Corp v. AI George, Inc.*, 730 F.2d 753, 758 (Fed. Cir. 1984)).

The Court finds that Arctic Cat has presented sufficient evidence from which a reasonably jury could find that the Sea-Doo product infringes the asserted claims. Contrasting expert testimony has been presented to the jury on the issue of the term "immediately" and its application. Among other examples, Dr. Bernard Cuzzillo has opined from the stand based on his personal review and analysis of the

BRP personal watercraft, on-water testing with Mr. Paul Kamen, as well as his review and analysis of the Bosch function sheet and other documents that the BRP personal watercraft do, in fact, infringe each asserted claim of the '545 and the '969 patent. Likewise, Dr. Cuzzillo, Mr. Kamen, and Mr. Robert Taylor, spoke to variation in the amount of thrust during a single activation of a controlled-thrust steering system. Dr. Cuzzillo testified that the OTAS magnets and the OTAS switch are, in fact, rotationally independent because they do not rotate together. Mr. Taylor, likewise, testified that, as specifically described in Figure 13 of the '545 and '969 patents, what is happening is that the magnets are rotating while the switch is fixed, just like in the BRP OTAS system. As to the method claims, Arctic Cat has entered into evidence a test video of Mr. Kamen driving BRP Sea-Doo personal watercraft while enabling the OTAS feature multiple times. *See Mirror Worlds, LLC v. Apple Inc.*, 692 F.3d 1351, 1359 (Fed. Cir. 2012) (“Direct infringement of a method claim can be based on even one instance of the claimed method being performed. A patentee need not always have direct evidence of infringement, as infringement may be established by circumstantial evidence. However, Mirror Worlds, as the patentee here, has to show that Apple performed all of the steps in the claimed methods.”) (citation omitted). Arctic Cat has clearly met its burden under Rule 50(a) to allow the issue of infringement to proceed to the jury for their determination. Accordingly, BRP’s Motion is denied as to infringement.

B. Willfulness

Next, BRP argues that Arctic Cat has failed to present evidence that it acted objectively reckless, as required by the first objective prong of the *Seagate* test for willfulness. Pursuant to this prong, Arctic Cat must demonstrate by clear and convincing evidence that BRP acted despite an objectively high likelihood that BRP's actions infringed a valid and enforceable patent, *i.e.*, whether BRP's reliance on a valid defense to infringement was not objectively reckless. "The civil law generally calls a person reckless who acts . . . in the face of an unjustifiably high risk of harm that is either known or so obvious that it should be known." *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

Although an infringer need not prove that it sought the advice of competent counsel in order to defeat a claim of willful infringement, *Electro Med. Sys., S.A. v. Cooper Life Scis., Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994) ("Possession of a favorable opinion of counsel is not essential to avoid a willfulness determination"), whether or not an alleged infringer sought the advice of counsel is "crucial to the [willfulness] analysis." *Seagate*, 497 F.3d at 1369. Alternatively, "both legitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent." *Black & Decker, Inc. v. Robert Bosch Tool Corp.*, 260 F. App'x 284, 291 (Fed. Cir. 2008). The question for the Court in this regard is "whether an accused infringer's reliance on a particular issue or defense is reasonable." *Powell v.*

Home Depot U.S.A., Inc., 663 F.3d 1221, 1236 (Fed. Cir. 2011); see *WesternGeco L.L.C. v. ION Geophysical Corp.*, 791 F.3d 1340, 1354 (Fed. Cir. 2015) (citing *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1319 (Fed. Cir. 2010) (“[U]nreasonableness, not a lack of success, determines whether enhanced damages are awarded.”). “If the accused infringer’s position is susceptible to a reasonable conclusion of no infringement, the first prong of *Seagate* cannot be met.” *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1310-11 (Fed. Cir. 2011) (“Uniloc has failed to meet the threshold objective prong of *Seagate*. Uniloc has not presented any evidence at trial or on appeal showing why Microsoft, at the time it began infringement, could not have reasonably determined that [its products] did not meet the . . . limitations [of the patent at issue]. Specifically, infringement of the [patent] limitation is a complicated issue.”); *Rembrandt Vision Techs., L.P. v. Johnson & Johnson Vision Care, Inc.*, 282 F.R.D. 655, 668-69 (M.D. Fla. 2012), *aff’d*, 725 F.3d 1377 (Fed. Cir. 2013) (“Rembrandt has not presented a legally sufficient evidentiary basis for a reasonable jury to find by clear and convincing evidence that JJVC acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. JJVC presented cogent and reasonable arguments that its products did not meet several limitations [of the patent at issue] Moreover, the Court finds that JJVC’s reliance on its claim construction arguments and indefiniteness defenses was not objectively reckless.”); see *Advanced Fiber Techs. (AFT) Trust v. J & L Fiber Servs., Inc.*, 674 F.3d 1365, 1377-78 (Fed. Cir. 2012) (affirming

district court decision finding that defendant's acts were not objectively reckless, based on: "(1) the language of the '072 patent, which 'leaves significant doubt as to the patent's validity'; (2) J & L's 'compelling non-infringement and invalidity arguments'; (3) the PTO's 'rejection of the reissue application based on it being 'structurally indistinguishable' from the Gillespie [prior art patent]'; and (4) the fact that the meaning of certain key claim terms in the '072 patent only became clear through AFT's arguments during reissue prosecution.'").

Under the objective prong, the answer to whether an accused infringer's reliance on a particular issue or defense is reasonable is a question for the court when the resolution of that particular issue or defense is a matter of law. *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1236 (Fed. Cir. 2011) (citing *Cohesive Tech., Inc. v. Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008)) (applying the clearly erroneous standard of review to the district court's willful infringement determination under the objective prong based on the closeness of the claim construction inquiry). Should the court determine that the infringer's reliance on a defense was not objectively reckless, it cannot send the question of willfulness to the jury, since proving the objective prong is a predicate to consideration of the subjective prong. *Id.* When the resolution of a particular issue or defense is a factual matter, however, whether reliance on that issue or defense was reasonable under the objective prong is properly considered by the jury. *Id.* at 1236-37. In circumstances, then, where separate issues of fact and law are presented by an alleged infringer as defenses

to willful infringement, the objective recklessness inquiry may require analysis by both the court and the jury. *Id.* at 1237 (“For instance, in this case, certain components of the case were before the jury, while others were not. The court decided issues of claim construction and inequitable conduct, neither of which was before the jury. Thus, while the jury was in a position to consider how the infringement case weighed in the objective prong analysis, on other components—such as claim construction—the objective prong question was properly considered by the court.”).

The Southern District case of *Creative Compounds, LLC v. Starmark Laboratories, Inc.*, No. 07-22814-CIV, 2010 WL 2757196, *5 (S.D. Fla. 2010) is instructive. In that case, the district court held that Creative sought and reasonably relied on the advice of competent and objective patent counsel, who concluded that Creative’s work substantially predated the work of Starmark’s predecessor and would thus render the subject patent—were it to issue—unenforceable. *Id.* Furthermore, Creative sought advice of counsel *before* it engaged in any potentially infringing activities, as the exculpatory letter was dated August 25, 2006—approximately one month prior to the issuance of the patent. *Id.*

Here, testimony has been presented conclusively demonstrating that BRP’s agent, Mr. Goudrault of BRP’s IP Department, knew about the subject patents before they issued. *See State Industries, Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985) (“To willfully infringe a patent, the patent must exist and one must have knowledge of it.”). Mr. Daujenais and

Mr. Goudrault confirmed that fact. Indeed, Mr. Goudrault stated at trial that he made a note in his file to reexamine the patent after its issuance. *See id.* Furthermore, Mr. Goudrault only analysis of the patent—on which BRP exclusively relied—consisted of one conclusory sentence on a page of handwritten notes. The witness, himself, testified that he would not provide such an opinion to one of his clients today. Even if a larger file existed that has gone missing in the years since he conducted his analysis, importantly, Mr. Goudrault is not an attorney. Thus, whatever the quality of his work, BRP cannot legally rely on him to establish the advice of counsel defense. So, despite specifically noting the relevance of Arctic Cat’s patent application, BRP chose not to seek advice of qualified and competent counsel until much later, after unsuccessfully attempting to purchase Arctic Cat’s patents through a third party. In *Creative*, the defendant sought advice of counsel before it engaged in potentially infringing activities. Here, by contrast, by the time that BRP got around to getting any sort of opinion from Mr. Marcus, BRP had known about the patents already for eight years. Testimony has established that BRP had been selling potentially infringing products across their entire product line for at least a half a decade.

In cases where no advice of counsel was sought by the accused infringer, *Seagate* provides that a court may find that a defendant objectively relied on another reliable defense to infringement, such as non-infringement or invalidity of the underlying patent. Nevertheless, cases that have found no willfulness despite no advice of counsel have involved much stronger facts than those present in this action, such

as where the finds weak evidence of infringement altogether. In *Eastman Kodak Co. v. Agfa-Gevaert N.V.*, 560 F. Supp. 2d 227, 301-05 (W.D.N.Y. 2008), *judgment entered*, 2008 WL 5115252 (W.D.N.Y. 2008) *and aff'd*, 351 F. App'x 441 (Fed. Cir. 2009), for example, the district court based its finding of lack of recklessness on a finding of no infringement: “There can be no willful infringement where there is no infringement. . . . Agfa has not infringed.” *Id.* at 302. Furthermore, the Court noted that the defendants made conscious efforts to design products around claims inventions, and the plaintiff had a group monitoring defendant’s activities but did not inform defendant of allegedly infringing activities for six years. *Id.* at 303 (“[Defendants] were aware of the Kodak patents and took the patents into account when they deliberately designed their products to avoid infringing the Kodak patents. Mr. Hawley testified to that effect with regard to the 1995 meeting between Kodak and DuPont.”).

Here, in contrast, BRP attempted to purchase the Arctic Cat patents, rather than planning in good faith to design around them. When those efforts were unsuccessful, BRP recommenced production of the very models for which they had expressed concern regarding potential infringement—and then sought advice of counsel as to non-infringement years after learning about the patents. It was objectively reckless for BRP to rely on an infringement defense where its own experts had already concluded a likelihood of infringement.

BRP’s last contention is its invalidity defense. However, this defense depends upon prior art that was

squarely before the Patent and Trademark Office when the Office decided to issue the '545 and '969 Patents. Although perhaps not dispositive, the Court cannot find that it was objectively reasonable for BRP to rely on obviousness as a theory of invalidity where the USPTO specifically drew the opposite conclusion—finding that the patent claims were not so obvious as to preclude the issuance of the patents. In light of the foregoing, the Court holds that BRP acted despite an objectively high risk of infringement. Accordingly, the threshold prong of *Seagate* is satisfied, and the issue of subjective willfulness will be considered by the jury.

C. Damages and Marking

BRP also seeks judgment as a matter of law on the related issues of damages and marking. Defendant first argues that, because Arctic Cat's damages expert, Dr. Walter Bratic, improperly relied on information that was not foreseeable or knowable to the parties at a 2004 hypothetical negotiation and completely excluded information that parties actually knew in 2004, Arctic Cat has failed to sustain its burden of proof on damages. As discussed on summary judgment, BRP's argument on this "book of wisdom" issue boils down to a challenge over the correct measure of damages in this case, an issue hotly disputed by the parties. *See* Order on Summary Judgment at 28; *State Industries, Inc. v. Mor-Flo Industries, Inc.*, 883 F.2d 1573, 1580 (Fed. Cir. 1989) ("There is no rule that a royalty be no higher than the infringer's net profit margin."); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1568 (Fed. Cir. 1984) ("Evidence of the infringer's actual

profits generally is admissible as probative of his anticipated profits.”). Because Mr. Bratic, indisputably a qualified expert to testify on damages issues, presented for two hours as to appropriate methodology for damages calculations, taking into account proper legal doctrine and factual variables. While Mr. Bratic’s theories may differ from that of Dr. Keith Ugone, who has yet to testify, the Court will not exclude Mr. Bratic’s relevant and reliable testimony based on this dispute. With respect to the underlying evidence on which Mr. Bratic relied, Dr. Cuzzillo and Mr. Kamen both testified as to those predicate facts. For these reasons, the Court finds that Arctic Cat has more than satisfied its burden with respect to putting on a damages case.

As to marking, BRP argues that Arctic Cat cannot recover damages as to either Patent at Issue for sales of the Accused Products prior to the date of the Complaint, because Arctic Cat did not undertake reasonable efforts to ensure that its licensee to the patents-in-suit, Honda, complied with the marking requirement of 35 U.S.C. § 287(a). Section 287(a) provides that “[p]atentees, and persons making, offering for sale, or selling within the United States any patented article for or under them . . . may give notice to the public that the same is patented” by marking each patented article with the patent number. *Id.* If the patent “contains both apparatus and method claims, to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so” in order to satisfy the requirements of § 287(a). *Am. Med. Sys., Inc. v. Med. Eng’g Corp.*, 6 F.3d 1523, 1538-39 (Fed. Cir. 1993); see *Inline Connection Corp. v. AOL*

Time Warner, 465 F. Supp. 2d 312, 324 (D. Del. 2007). If a patentee fails to mark a patented product, it is prohibited from collecting damages for the time period prior to the date it gave the alleged infringer actual notice of infringement. 35 U.S.C. § 287(a) (“In the event of failure so to mark, no damages shall be recovered by the patentee.”). Nevertheless, the marking statute obviously does not require marking when there is nothing to mark, *Am. Med. Sys.*, 6 F.3d at 1538, which is exactly what Arctic Cat suggests here. See also *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1111 (Fed. Cir. 1996) (stating that compliance with the marking statute is a question of fact).

Because Arctic Cat stopped manufacturing and selling PWCs before any asserted patent issued, the only point of noncompliance with the statute could arise from sales made by Honda, as its sole licensee. But Honda’s sales are inconsequential unless the Honda PWCs are “patented articles” within the scope of the claims of the ‘545 and ‘969 patents. Section 287(a) applies to products sold by licensees. *Amsted*, 24 F.3d at 185; *Maxwell*, 86 F.3d at 1111. When the failure to mark a patented product is caused by someone other than the patentee, such as a licensee, courts may consider whether the patentee “made reasonable efforts to ensure compliance with the marking requirements.” *Maxwell*, 86 F.3d at 1111-12.

Although the Federal Circuit has yet to resolve competing views as to which party bears the burden of establishing that there was a product that practiced the patent, the Court held on summary judgment that the burden of production does not shift to a plaintiff to show compliance with a marking statute. *Sealant Sys.*

Int'l, Inc. v. TEK Glob. S.R.L., No. 5:11-CV-00774-PSG, 2014 WL 1008183, at *30 (N.D. Cal. Mar. 7, 2014), *rev'd in part on other grounds*, *Sealant Sys. Int'l, Inc. v. TEK Glob., S.R.L.*, 616 F. App'x 987 (Fed. Cir. 2015). BRP requests that the Court reconsider its resolution in the split of authority and hold that Arctic Cat bears the burden of proof as to whether Honda's PWCs were patented articles. Because the Court finds no new authority or convincing evidence otherwise, and the policy rationale set forth by other Courts as support for a defendant bearing the burden in proving relevant defenses to liability, the Court will not reconsider its ruling that BRP bears the burden in proving the defendant of marking. *See* Order on Summary Judgment at 59 ("Indeed, otherwise, a defendant's general allegations could easily instigate a fishing expedition for the patentee in order to stave off pursuit of damages for infringement. This theory also comports with the general allocation of burden to proof for defenses at common law.").

It is undisputed that there is virtually no evidence at all in this case that Honda is, or ever did, sell any kind of patented article. For that reason, BRP has failed as a matter of law to meet its burden in proving that Honda sold patented articles, requiring Arctic Cat to have taken reasonable efforts to ensure that Honda comply with the marking requirement of 35 U.S.C. § 287(a) and, thereby, limiting potential damages. BRP's Motion for judgment as a matter of law on damages and marking is, therefore, denied. As detailed above, the issue of damages will be properly presented to the jury for resolution of the parties' competing views.

D. Laches

BRP challenges Arctic Cat’s right to damages in this case pursuant to the doctrine of laches, which is an equitable defense that limits recovery in extraordinary circumstances, where a party unreasonably delays filing suit. *See SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1333 (Fed. Cir. 2015) (*en banc*), *cert. granted*,¹ No. 15-927 (U.S.); *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1041 (Fed. Cir. 1992) (*en banc*), *overruled in part on other grounds by SCA Hygiene*, 807 F.3d at 1332. Whether or not laches prevents the recovery of post-filing damages depends on “the flexible rules of equity and . . . district court discretion.” *SCA Hygiene*, 807 F.3d at 1333.

BRP alleges that because laches applies, the law does not allow for the recovery of damages for infringement that occurred prior to October 16, 2014, the date that this lawsuit was filed. *See id.* Specifically, BRP argues that because the patents-in-suit clearly had application in the PWC industry, Arctic Cat had a duty to investigate potentially infringing activities—and its failure to do so and, thus, its failure to initiate this lawsuit in a timely manner was both unreasonable and inexcusable. Arctic Cat, in response, defends the reasonableness of the delay and urges the Court to make a decision on the merits of this case, particularly as the law with respect to the doctrine of laches is currently unsettled. *Compare*

¹ The Supreme Court granted the petition for writ of certiorari in *SCA Hygiene*, which was filed in January, on May 2, 2016—by coincidence, the same date that the Court issued its Order Denying Summary Judgment.

Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962, 1967 (2014) (“Laches, we hold, cannot be invoked to preclude adjudication of a claim for damages brought within the three-year window [provided by the Copyright Act].”) *with SCA Hygiene*, 807 F.3d at 1333 (holding, in a 6-5 split, that laches remains a viable defense to legal relief in patent cases). These cases do create a somewhat hazy landscape; nevertheless, as to the merits, the standard for laches has not changed.

To prove laches, a defendant normally shows “that the plaintiff delayed filing suit an unreasonable and inexcusable length of time after the plaintiff knew or reasonably should have known of its claim against the defendant; and . . . the delay resulted in material prejudice or injury to the defendant.” *Wanlass v. General Electric*, 148 F. 3d 1334, 1337 (Fed. Cir. 1998) (citations omitted). The latter prong may be established by either evidentiary or economic prejudice. *Id.* Evidentiary prejudice arises when a defendant’s ability to present a full and fair defense on the merits is damaged by the loss of records, death of a witness, or unreliable memories of past events, undermining the court’s ability to judge the facts. *Id.* However, a delay of more than six years in bringing suit raises a presumption that the delay is unreasonable, inexcusable, and prejudicial. *Id.* Once the presumption arises, the patentee bears the burden of showing “that either the patentee’s delay was reasonable or excusable under the circumstances or the defendant suffered neither economic nor evidentiary prejudice. Whenever the presumption arises, including in the summary judgment context, the patentee’s evidence must be sufficient to raise a

genuine issue of material fact about either the excuse for or reasonableness of the delay, or the existence of the prejudice.” *Id.* at 1337.

The period of delay begins at the time that the patentee had actual or constructive knowledge of the defendant’s potentially infringing activities. *Id.* at 1337-38; *Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1559 (Fed. Cir. 1997), *overruled in part on other grounds by Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454-55 (Fed. Cir. 1998) (“[D]elay begins when the plaintiff knew, *or in the exercise of reasonable diligence should have known*, of the defendant’s allegedly infringing activity.”) (emphasis added). The patent owner “is chargeable with such knowledge as he might have obtained upon inquiry.” *Wanlass*, 148 F.3d at 1338. “Pervasive, open, and notorious activities” that would lead a reasonable patentee to suspect infringement trigger this duty of inquiry. *Id.* “For example, sales, marketing, publication, or public use of a product similar to or embodying technology similar to the patented invention, or published descriptions of the defendant’s potentially infringing activities, give rise to a duty to investigate whether there is infringement.” *Id.*

More than ten years before Arctic Cat filed this lawsuit, BRP was engaged in activities that it describes as “pervasive, open, and notorious” and, it argues, that should have led Plaintiff to investigate. The record testimony demonstrates that Arctic Cat was aware in 2002 that BRP was selling PWCs in the United States. Beginning in 2004, these sales included its Sea-Doo 3D equipped with OTAS. From 2004 through 2007, BRP openly distributed product

information clearly disclosing the use of OTAS in BRP PWCs—for example, from 2004 to 2007, BRP distributed to PWC retailers across the U.S. product specification sheets for the Sea-Doo 3D indicating that the 3D models were equipped with OTAS. Additionally, operator’s guides for the 3D and published articles, which would have been publically available beginning in 2004, clearly indicated that BRP’s 3D incorporated OTAS. In November 2005, BRP’s website contained product information for a 2006 model of the 3D confirming that it was equipped with OTAS. BRP argues that Arctic Cat should be charged with constructive knowledge of infringement starting in 2004 for these reasons. *See* BRP Reply at 14.

Because Arctic Cat waited well over six years after that to sue BRP, the presumption of laches attaches and Arctic Cat bears the burden of rebutting the presumption. Thus, Arctic Cat, as the patentee, must present evidence sufficient to rebut the presumption, demonstrating excuse for or reasonableness of the delay and/or the lack of the prejudice under the circumstances. “The focus is on reasonableness. A court must consider any excuse for the delay offered by the plaintiff.” *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 773-74 (Fed. Cir. 1995) (“The first factor, the length of time that is unreasonable or inexcusable delay in filing suit, depends on the facts and circumstances of each case.”) (citations omitted). The Court finds that Arctic Cat has satisfied this burden.

Arctic Cat has demonstrated reasonableness of the delay so as to preclude any finding of constructive

knowledge of infringement in 2004, as well as lack of evidentiary or economic prejudice at trial. First, the articles, product specification sheets, and other advertisements did not outline the elements of the OTAS system so as to establish that the system contained components bearing directly on the Patents at Issue. For this reason, Arctic Cat would not have reasonably been put on notice of BRP's potentially infringing activities from these documents. Second, although BRP points to 2004 as the pertinent date for constructive knowledge, in 2004, BRP incorporated OTAS only on a single BRP personal watercraft in its PWC lineup—a PWC that was discontinued due to low sales volume, as corroborated by trial testimony. *See Tripp v. United States*, 406 F.2d 1066, 1071 (Ct. Cl. 1969) (finding that a plaintiff may reasonably delay an infringement suit until it can “determine that the extent of possible infringement made litigation monetarily ripe”). Accordingly, had Arctic Cat known of this single model, it would have been reasonable for the Plaintiff to determine that bringing a suit against the Defendant for infringement made little economic sense. Furthermore, during a meeting between representatives of BRP and Arctic Cat at Lake Hamilton, Florida, in March 2000, Fernando Garcia informed Arctic Cat's Fred Bernier that BRP intended to achieve off-throttle steering using a fin or rudder based system, referred to throughout the trial as off-power assisted-steering (“OPAS”), rather than utilizing the Arctic Cat throttle reapplication technology. In view of Mr. Garcia's express statement and the fact that BRP did introduce its non-infringing OPAS system on its PWC years before it included OTAS on the 3D model, Arctic Cat alleges that it had

no reason to investigate BRP's systems further. *See Aukerman*, 960 F.2d at 1034 (reasonableness must be judged based on the plaintiff's knowledge).

Arctic Cat has presented evidence corroborating its allegations that the 3D product had a minor presence in the market and was discontinued shortly after it was introduced, supporting the reasonableness of no actual or constructive knowledge of the 3D product—despite the fact that Arctic Cat was aware of the non-infringing OPAS technology. Between 2004 and 2009, most BRP PWCs utilized the non-infringing OPAS system. In fact, BRP began moving to OTAS on the accused products only in 2009—5 years before this lawsuit was filed. This evidence convinces the Court that the delay in filing suit—a delay in which BRP's PWC models only began using OTAS widely in 2009, which is unrebutted by BRP—was reasonable.

BRP further argues material prejudice from this delay, resulting from missing evidence that would further support its invalidity defenses. For example, a BRP employee, Sam Spade, who, in 1998, built and tested a BRP prototype that combined the throttle reapplication system of Rheault with a PWC, known as Proto-14—along with another BRP employee, Richard Simard—recently passed away. BRP maintains that the fact that Mr. Spade successfully built and operated Proto-14 in 1998 supports its first argument that the asserted claims were obvious to those skilled in the art. Mr. Spade was the engineer who actually built the system, and he likewise would be the only one with knowledge as to whether Proto-14 was ever publicly demonstrated. Nevertheless, BRP acknowledges that knowledge of Proto-14 is not

significant evidence against validity, as it was never released to the public and, thus, does not qualify as prior art. The Defendant further contends that witnesses still available have some difficulty recalling events from the relevant time period. Michael Okerland, in-house counsel for Arctic Cat since 2012, conceded at trial that Arctic Cat was unable to recall some facts relevant to this case, because employees who had knowledge of the events at issue have since retired or left the company, and/or those still with the company have hazy memories. He also testified that he did not know why Arctic Cat failed to pay maintenance fees on the Patents at Issue. Likewise, Mr. Christopherson testified in his deposition that he could not remember the events of the March 1999 meeting. Had Arctic Cat brought this lawsuit earlier, the company likely would have been able to produce a more knowledgeable witness that could recall the details integral to the instant action. *See I/P Engine, Inc. v. AOL Inc.*, 915 F. Supp. 2d 736, 747 (E.D. Va. 2012) (“[H]ad the suit been brought sooner, it [is] quite probable that [the patentee] would have been able to produce an institutional representative with better knowledge of the period of time at issue in this case.”).

There can be no dispute that more evidence would have been available to help resolve this controversy if Arctic Cat had filed suit at an earlier date. Nevertheless, the Court finds that BRP’s showing of evidentiary prejudice is insufficient, as is any evidence of economic prejudice, despite its claims to the contrary. *See Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290, 1294 (Fed. Cir. 1992) (holding that absence of nexus between a patentee’s delay in filing suit and infringer’s financial expenditures precludes a

finding of economic prejudice). With respect to economic prejudice, BRP was aware of each Arctic Cat controlled thrust steering patent shortly after each one issued—and even beforehand, as evidenced by Goudrault’s testimony and notes—as well as before BRP sold any PWC with OTAS technology. BRP believed that the Arctic Cat patents were invalid when issued and never changed its position. BRP cannot, for this reason, make any serious claim that it implemented OTAS on its Sea-Doo PWC as a result of Arctic Cat’s delay in filing suit.

BRP’s evidentiary prejudice argument is equally flawed as it demonstrates a missing nexus between the evidence alleged missing and the cause of the delay. *Aukerman Co.*, 960 F.2d at 1033 (“Material prejudice to adverse parties resulting from the plaintiff’s delay is essential to the laches defense.”). Mr. Spade’s inability to participate in the litigation is not prejudicial to BRP. Any speculation that Defendant could have shown that Proto-14 was publicly used through Mr. Spade’s testimony is just that—speculation. Furthermore, the evidence presented thus far strongly suggests that Proto-14 was never revealed to the public in any fashion. Mr. Spade certainly may have possessed more intimate knowledge than Mr. Simard, a fellow BRP project engineer that worked with Mr. Spade and rode and tested Proto-14 in Florida. However, Mr. Simard was able to testify at length about the components of Proto-14, how it worked, and his documentation of the testing as BRP’s 30(b)(6) representative—despite the relative value of this testimony as compared to testimony regarding other inventions that qualify as prior art. BRP, thus, appears to have a record of any

and all relevant facts in this lawsuit relating to Proto-14 without Mr. Spade's testimony. Furthermore, the absence of Mr. Goudrault's partner, Mr. Cutler, appears to have very little to do with the passage of time—despite BRP's protestations to the contrary—and everything to do with the fact that BRP did not call him as a witness despite his availability and alleged relevance to the instant facts.

Although BRP points to potential weaknesses in the record resulting from delay of the instant suit, Arctic Cat sufficiently rebuts each of these points, establishing that, while these issues are perhaps inconvenient, they are not material by any stretch. The evidence presented in this case along with the testimony given at trial thus far convinces this Court that laches cannot be invoked as a defense to infringement.

IV. Conclusion

Accordingly, it is **ORDERED AND ADJUDGED** that BRP's Motion for Judgment as a Matter of Law is **DENIED** as to all issues, including infringement, willfulness, laches, and damages and marking. As a matter of law, Defendant has failed to meet its burden in proving its laches and marking defenses. The Court finds, furthermore, that Defendant acted despite an objectively high risk of infringement, requiring the issue of willfulness to proceed to the jury for a determination of the subjective prong of the *Seagate* test.

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DONE AND ORDERED in Miami, Florida, this
31st day of May, 2016.

[handwritten: signature]

BETH BLOOM

UNITED STATES

DISTRICT JUDGE

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Appendix E

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF FLORIDA**

No. 14-CV-62369

ARCTIC CAT INC.,

Plaintiff,

v.

BOMBARDIER RECREATIONAL PRODUCTS INC.,
and BRP U.S. INC.,

Defendants.

Filed: July 27, 2016

ORDER

THIS CAUSE is before the Court upon the Motion of Defendants Bombardier Recreation Products, Inc. and BRP U.S. Inc. (hereinafter, referred to together as “BRP” or “Defendant”) for an Order (A) Vacating the Portion of the June 14, 2016, Final Judgment Enhancing Damages, ECF No. [157] (“Judgment”), and (B) Setting Briefing Schedule for Consideration of Motion by Plaintiff for Enhanced Damages. ECF No. [158] (the “Motion”). The Court has reviewed the Motion, all supporting and opposing

submissions and exhibits,¹ and the applicable law, and is otherwise fully advised. For the reasons set forth below, the Motion is denied.

I. Background

Following a jury trial, a verdict issued in the above-styled case finding BRP liable to Plaintiff Arctic Cat Inc. (“Plaintiff” or “Arctic Cat”) for willful infringement through the sale of certain models of personal watercraft (or “PWCs”) under the name, Sea-Doo, which incorporated an off-throttle assisted steering technology. *See* ECF No. [153] (Jury “Verdict,” dated June 1, 2016). Therein, the jury found by a preponderance of the evidence that BRP infringed ten claims in Arctic Cat’s Patents, United States Patent Numbers 6,793,545 (“the ‘545 Patent”) and 6,568,969 (“the ‘969 Patent”), including claims 13, 15, 17, 19, 25, and 30 of the ‘545 Patent as well as claims 15, 16, 17, and 19 of the ‘969 Patent. *See id.* at 1-2. The jury further held that BRP failed to prove its invalidity defenses of anticipation, obviousness, and enablement. *Id.* at 2-3. As to damages, the jury identified October 16, 2008, as the proper starting date, and \$102.54 as the reasonable royalty per unit sold to which Arctic Act is entitled. The parties stipulated to the number of units sold since October 16, 2008, to wit, 151,790. *See* ECF No. [149] (trial minutes, May 31, 2016).

¹ The Court has considered, *inter alia*, argument as to enhanced damages contained within briefing on other pending post-trial motions, as requested by the parties. *See, e.g.*, ECF No. [172] (“Reply”) at 8.

Moreover, the jury found, by clear and convincing evidence, that BRP infringed the above-listed claims “with reckless disregard of whether such claim was infringed or was invalid or unenforceable,” entitling Arctic Cat to treble damages. Verdict at 4. The issue of subjective willfulness reached the jury after the Court found objective willfulness by clear and convincing evidence, pursuant to the two-part *Seagate* test, in its Order Denying Judgment as a Matter of Law, ECF No. [148] (“Order Denying JMOL”) (citing *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007)). Under the first, objective prong of this test, a patent owner must “show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *Seagate*, 497 F.3d at 1371. Under the second, subjective prong, the patentee must demonstrate, also by clear and convincing evidence, that the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.” *Id.*²

Coincidentally, the Supreme Court issued a ruling shortly after the conclusion of trial that, *inter alia*, discarded the *Seagate* test for willfulness as inconsistent with Section 284 of the Patent Act. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1923 (2016) (citing 35 U.S.C. § 284). *Halo* held that “an independent showing of objective recklessness should [*not*] be a prerequisite to enhanced damages” and that a determination as to enhancement should be

² Any consideration of the *Seagate* test was limited to the Court’s Order Denying JMOL, and oral argument on the same—and did not affect any other aspect of the trial in this case.

governed by a preponderance of the evidence standard. 136 S. Ct. at 1925. Moreover, it concluded that enhancement of damages should be governed by a preponderance of the evidence standard that “has always” governed all other aspects of patent-infringement litigation. *Id.* This decision, importantly, did not impact the validity of the Judgment because, as the Court explained, “where both objective willfulness and subjective willfulness were found by clear and convincing evidence, a more lenient inquiry as to subjective willfulness, without the additional hurdle imposed by the objective willfulness inquiry, and by the lesser preponderance of the evidence standard, would reach the same result.” Judgment at 3. Pursuant to the applicable law, including the issuance of *Halo*, the Court held that the Verdict entitled Arctic Cat to the trebling of damages and, thus, directed judgment against BRP and in favor of the Plaintiff for \$46,693,639.80, and any applicable interest.

BRP identifies no procedural basis for its Motion under the Federal Rules of Civil Procedure, which would inform the Court’s standard of review. Regardless, it asks the Court to vacate the instant Judgment, suggesting that the enhancement of damages under 35 U.S.C. § 284 was improper. Accordingly, the Court takes this opportunity to examine the relevant law, including the Supreme Court’s recent decision in *Halo*, entered on the same day as the Court’s Judgment³—and, thus, to ensure

³ The Court’s Final Judgment was entered on June 13, 2016, and issued on the case docket on June 14, 2016.

that the Court's decision in which it trebled damages comports with the Supreme Court's new guidance.

II. Authority

Section 284 of the Patent Act provides that, in a case of infringement, courts “may increase the damages up to three times the amount found or assessed.” 35 U.S.C. § 284. In 2007, the Federal Circuit adopted the two-part *Seagate* test for determining when a district court may increase damages pursuant to § 284.⁴ But, as noted, the Supreme Court rejected the *Seagate* test in *Halo* as “unduly rigid” and held that, instead, “district courts [should] exercise their discretion” as provided in § 284 to determine whether to award enhanced damages. 136 S. Ct. at 1933-34 (“Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test.”). Accordingly, “[t]he subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.” *Id.* at *8; see *SOCIEDAD ESPANOLA DE ELECTROMEDICINA Y CALIDAD, S.A., v. BLUE RIDGE X-RAY CO., INC., DRGERM USA, INC., & DRGEM CORP.*, No. 1:10-CV-00159-MR, 2016 WL 3661784, at *2 (W.D.N.C.

⁴ Before *Seagate*, determining whether to award enhanced damages was a two-step process in which a jury's finding of willfulness satisfied the first step. See *Transclean Corp. v. Bridgewood Services, Inc.*, 290 F.3d 1364, 1377 (Fed. Cir. 2002). “For the second step, the Court exercise[d] its discretion whether to increase damages.” *Itron, Inc. v. Benghiat*, No. CIV.99-501(JRT/FLN), 2003 WL 21402608, at *7 (D. Minn. June 16, 2003).

July 8, 2016) (“Thus, in *Halo*, the Supreme Court [] overruled the objective prong of *Seagate*, leaving the issue of willfulness as solely a factual issue which can readily be addressed by a jury.”).⁵ Additionally, as explained in the Final Judgment, *Halo* “disavowed the burden of proof prescribed by *Seagate* and opted for the lesser preponderance of the evidence standard for a patentee to prove an alleged infringer’s recklessness.” *PPC Broadband, Inc. v. Corning Optical Commc’ns RF, LLC*, -- F. Supp. 3d --, 2016 WL 3365437, at *5 (N.D.N.Y. June 16, 2016) (citing *id.* at *9).

Enhanced damages “are not to be meted out in a typical infringement case, but are instead designed as a ‘punitive’ or ‘vindictive’ sanction for egregious behavior. The sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.” *Halo*, 136 S. Ct. at 1932.⁶ “[A]lthough there is ‘no precise rule or formula’ for awarding damages under § 284, a district court’s ‘discretion should be exercised in light of the considerations’ underlying the grant of that

⁵ Defendant incorrectly argues that *Halo* holds “that the jury has no role in determining willfulness.” Reply at 3.

⁶ Although it is true that, 180 years ago, “Congress did away with automatic trebling of damages,” BRP fails to acknowledge that this was for simple infringement, without regard to willful infringement. As *Halo* recounted, the Supreme Court “explained [in 1854] that the change was prompted by the ‘injustice’ of subjecting a ‘defendant who acted in ignorance or good faith’ to the same treatment as the ‘wanton and malicious pirate.’” *Halo* at *3 (citing *Seymour v. McCormick*, 16 How. 480, 488 (1854)).

discretion.” *Halo*, 136 S. Ct. at 1932 (citations omitted). That is, “[a]s with any exercise of discretion, courts should . . . take into account the particular circumstances of each case in deciding whether to award damages, and in what amount . . . [and] ‘be guided by [the] sound legal principles’ developed over nearly two centuries of application and interpretation of the Patent Act.” *Halo*, 136 S. Ct. at 1933, 1935 (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).⁷

III. Discussion

The narrow question before the Court is whether the trebling of damages was proper. Contrary to Defendant’s argument that “the Court indicated a perceived requirement to automatically treble the damages in its Final Judgment,” treble damages were awarded after comprehensive—perhaps, painstakingly so—consideration of the particular circumstances of this case in the resolution of multiple *Daubert* motions, a summary judgment motion, involving nearly three hours of oral argument, a motion for judgment as a matter of law, and a ten-day trial, after which the jury found willful infringement. Indeed, the Court has now reviewed the full factual record in this case, and evaluated arguments from both parties, on at least three separate occasions. The evidence established that BRP’s conduct was so unreasonable as to warrant a finding of “objective recklessness” under *Seagate*—a legal standard that *Halo* rejected for the very reason that it made it too

⁷ *Halo* also establishes that the Federal Circuit will review enhanced damages awards for abuse of discretion. *Id.* at *10.

difficult for patent holders to find redress for acts of intentional infringement, and overly constrained district courts from exercising their discretion to punish willful patent infringers under 35 U.S.C. § 284. *See Halo*, 136 S. Ct. at 1933 (“The *Seagate* test aggravates the problem by making dispositive the ability of the infringer to muster a reasonable (even though unsuccessful) defense at the infringement trial. The existence of such a defense insulates the infringer from enhanced damages, even if he did not act on the basis of the defense.”); ECF No. [148] (Order Denying Judgment as a Matter of Law, or “Order Denying JMOL”).

As a result, the argument that BRP has not had a chance to weigh in on the instant issue rings hollow. Furthermore, the enhancement of damages, which followed and specifically accounted for the decision in *Halo*, was neither automatic nor unprompted. *See* Judgment at 2 (citing 35 U.S.C. § 284 (“[C]ourts ‘*may increase the damages up to three times the amount found or assessed.*’”) (emphasis added)). Indeed, the Court is aware of no authority in connection with either 35 U.S.C. § 284 or the Federal Rules of Civil Procedure that requires that the Court consider post-trial briefing before awarding enhanced damages,⁸

⁸ Similarly, BRP’s briefing suggests that Arctic Cat was required to overcome an additional hurdle—above willfulness—in order to carry its burden in demonstrating that enhancement of damages was warranted. ECF No. [175] (BRP Response) (“As the Supreme Court noted in *Halo*, enhanced damages are reserved for conduct that is ‘willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.’ Arctic Cat has not made that showing here.”) (citing *Halo*). This simply is a misstatement of the law, as

and BRP has cited no authority requiring as much. Once willful infringement is found, the question of enhancement is firmly committed to the sound discretion of the district court. *See Halo*, 136 S. Ct. at 1931 (quoting *Martin*, 546 U.S. at 136) (“That language [in § 284] contains no explicit limit or condition, and we have emphasized that the word ‘may’ clearly connotes discretion.”) (internal quotation marks omitted); *see also Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996) (explaining that, once the fact-finder determines that an infringer is “guilty of conduct upon which increased damages may be based[,] . . . the court then determines, exercising its sound discretion, whether, and to what extent, to increase the damages award given the totality of the circumstances”). Where, as here, the Court carefully considered the record evidence and details its reasons for enhancement, its determination regarding enhancement is appropriate. *See Order Denying JMOL.*

Specifically, the Court made the following factual findings and conclusions of law in its Order Denying JMOL:

Here, testimony has been presented conclusively demonstrating that BRP’s agent, Mr. Goudrault of BRP’s IP Department, knew about the subject patents before they issued.

discussed *infra*. Instead, *Halo* carefully distinguished between a “defendant who acted in ignorance or good faith”—*i.e.*, not willful—and a “wanton and malicious pirate”—*i.e.*, willful. This is not to say that willfulness requires the automatic trebling of damages, but only to emphasize Defendant’s faulty framing of the same.

See State Industries, Inc. v. A.O. Smith Corp., 751 F.2d 1226, 1236 (Fed. Cir. 1985) (“To willfully infringe a patent, the patent must exist and one must have knowledge of it.”). Mr. Daujenais and Mr. Goudrault confirmed that fact. Indeed, Mr. Goudrault stated at trial that he made a note in his file to reexamine the patent after its issuance. *See id.* Furthermore, Mr. Goudrault[’s] only analysis of the patent—on which BRP exclusively relied—consisted of one conclusory sentence on a page of handwritten notes. The witness, himself, testified that he would not provide such an opinion to one of his clients today. Even if a larger file existed that has gone missing in the years since he conducted his analysis, importantly, Mr. Goudrault is not an attorney. Thus, whatever the quality of his work, BRP cannot legally rely on him to establish the advice of counsel defense. So, despite specifically noting the relevance of Arctic Cat’s patent application, BRP chose not to seek advice of qualified and competent counsel until much later, after unsuccessfully attempting to purchase Arctic Cat’s patents through a third party. In *Creative*, the defendant sought advice of counsel before it engaged in potentially infringing activities. Here, by contrast, by the time that BRP got around to getting any sort of opinion from Mr. Marcus, BRP had known about the patents already for eight years. Testimony has established that BRP had been selling potentially infringing products

across their entire product line for at least a half a decade. . . .

[C]ases that have found no willfulness despite no advice of counsel have involved much stronger facts than those present in this action, such as where the [Court] finds weak evidence of infringement altogether. . . .

[I]n contrast [to *Eastman Kodak*], BRP attempted to purchase the Arctic Cat patents, rather than planning in good faith to design around them. When those efforts were unsuccessful, BRP recommenced production of the very models for which they had expressed concern regarding potential infringement—and then sought advice of counsel as to non-infringement years after learning about the patents. It was objectively reckless for BRP to rely on an infringement defense where its own experts had already concluded a likelihood of infringement.

BRP's last contention is its invalidity defense. However, this defense depends upon prior art that was squarely before the Patent and Trademark Office when the Office decided to issue the '545 and '969 Patents. Although perhaps not dispositive, the Court cannot find that it was objectively reasonable for BRP to rely on obviousness as a theory of invalidity where the USPTO specifically drew the opposite conclusion—finding that the patent claims were not so obvious as to preclude the issuance of the patents. In light of the foregoing, the Court holds that BRP acted

despite an objectively high risk of infringement.

Id. at 10 (citing *Creative Compounds, LLC v. Starmark Laboratories, Inc.*, No. 07-22814-CIV, 2010 WL 2757196, *5 (S.D. Fla. 2010)); *Eastman Kodak Co. v. Agfa-Gevaert N.V.*, 560 F. Supp. 2d 227, 301-05 (W.D.N.Y. 2008), *judgment entered*, 2008 WL 5115252 (W.D.N.Y. 2008) *and aff'd*, 351 F. App'x 441 (Fed. Cir. 2009)).⁹

It was specifically pursuant to this analysis, as well as the Jury Verdict finding willful infringement and the guidance provided by *Halo* as to willfulness and enhancement of damages, that the Final Judgment was entered. The Court ultimately decided that any further briefing, where the evidence was so

⁹ In a concurrence to the majority opinion, Justice Breyer, joined by Justice Kennedy and Justice Alito, wrote separately to express “limits” imposed by section 284 “that help produce uniformity in its application and maintain its consistency with the basic objectives of patent law.” *Id.* at 1936 (citing U.S. Const., Art. I, § 8, cl. 8). Therein, he counsels against a bright line rule in which failure of an infringer to obtain advice of counsel is used as proof of willful infringement. *Id.* Explaining this reasoning, the concurrence posits that legal costs “can prevent an innovator from getting a small business up and running. At the same time, an owner of a small firm, or a scientist, engineer, or technician working there, might, without being ‘wanton’ or ‘reckless’ reasonably determine that its product does not infringe a particular patent, or that the patent is probably invalid.” *Id.* (citing *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. —, —, 133 S. Ct. 2107, 2117 (2013)). Needless to say, this analysis does not come into play here, as the fact that Mr. Goudrault is not an attorney is only one of many problems with BRP’s proffered defenses—and, certainly, a large market leader like BRP cannot rely on this concurrence to claim in good faith that legal costs imposed too great a burden in this instance.

clear and overwhelming, would only serve to delay resolution of this case—which had already been pending for nearly twenty-one months. *See* Fed. R. Civ. P. 58(b)(2) (“[T]he court must promptly approve [and enter] the judgment.”).

An enhancement of damages often follows a finding of willful infringement. In fact, the Federal Circuit has instructed that, upon such a finding, “courts should provide reasons for *not* increasing a damages award” under § 284. *Jurgens*, 80 F.3d at 1572 (holding that, in light of the jury’s findings of willful infringement, trial court abused its discretion in refusing to enhance damages without an explanation of any proper mitigating factors) (emphasis added); *see also Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 37 (Fed. Cir. 2012) (“[T]rial court abused its discretion in denying the motion for enhanced damages without independent justification.”); *Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*, -- F. Supp. 3d --, 2014 WL 1320154, at *9 (W.D. Pa. Mar. 31, 2014) (“To be clear, a finding of willful infringement does not necessitate the imposition of enhanced damages; however, after such a finding is made, the Court must explain its reasons for declining to award enhanced damages.”), *rev’d on other grounds*, 807 F. 3d 1283 (Fed. Cir. 2015). BRP’s own cited authorities establish as much. For example, in *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538 (Fed. Cir. 1990), the Federal Circuit affirmed a district court opinion for no enhancement of damages, because “[it] demonstrated that [the court] carefully considered the finding of willful infringement in light of the deterrent function of enhanced damages in reaching [its] determination that enhanced damages were not

appropriate to this particular case.” *Id.* at 543 (finding that plaintiff “utterly failed to demonstrate that this determination was an abuse of discretion”). And, importantly, there, unlike here, the court found that “willfulness was sufficiently close on the evidence.” *Id.*

Although not mentioned in *Halo*, the Federal Circuit provided a list of nonexclusive factors to assist in this discretionary determination in *Read Corp. v. Portec Inc.*, 970 F.2d 816 (Fed. Cir. 1992)—ultimately, however, the decision hinges on “the egregiousness of the defendant’s conduct based on all the facts and circumstances.” *Id.* at 826-27 (including: (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; (3) the infringer’s behavior as a party to the litigation; (4) the defendant’s size and financial condition; (5) closeness of the case; (6) duration of defendant’s misconduct; (7) remedial action by the defendant; (8) defendant’s motivation for harm; and (9) whether defendant attempted to conceal its misconduct). Nonetheless, examination of the *Read* factors—particularly, factors 1, 2, 4, 5, 6, 7, and 9—strongly supports enhancement of damages in this case.

The first *Read* factor, whether the infringer deliberately copied the ideas or design of another, weighs in favor of enhancement. *See Read*, 970 F.2d at 827, n. 7 (instructing that, in this context, “‘ideas’ and ‘design’ would encompass, for example, copying the commercial embodiment, not merely the elements of a patent claim”). At trial, it was established that BRP’s

Fernando Garcia attended a demonstration of Arctic Cat's off-throttle steering technology in Lake Hamilton, Florida, in March 2000, where he was able to test Arctic Cat's actual prototype. BRP's Director of Engineering, Renald Plante, testified that Garcia thought that the prototype "worked well, but on my side, you know, we—or rather, I compared the system that we were developing, the OPAS system that we were developing, to the Arctic Cat system and we decided to keep our OPAS [off-power] system and just stop the negotiations with Arctic Cat." ECF No. [182-1] (May 17, 2016, Trial Transcript) at 189:9-190:15. This meeting was approximately four years before BRP began infringing the Arctic Cat patents in 2004—after, evidence has shown, BRP abandoned its own prototype attempting to combine BRP's jet boat technology with a PWC. *See* ECF No. [182-9] (May 31, 2015, Trial Transcript) at 187:23-188:7 ("So Proto-14, as you've heard testified about, was basically an application of the jet boat to—technology to a PWC. And it was tried and it basically reached a dead end and they went a different way."). "That [BRP] developed a very similar system under these circumstances is strong evidence of copying and favors enhancing damages." *Georgetown Rail Equip. Co. v. Holland L.P.*, No. 6:13-CV-366, 2016 WL 3346084, at *17 (E.D. Tex. June 16, 2016).

As to *Read* factor 2, BRP continues to argue that, as soon as it became aware of Arctic Cat's prototype and patent application, it developed a good-faith belief that the patents were invalid based upon BRP's jet boat prior art. However, the trial testimony established exactly the opposite—that is, that BRP failed to properly investigate the scope of the patents

and form a good-faith belief that the patents were invalid and/or not infringed. *See* Order Denying JMOL at 5-10; Jury Verdict; *see also* ECF No. [171] (“Boebel Decl.” with Exs. 1-12 attached thereto), Ex. 4 (May 18, 2016, Trial Transcript) at 46:6-17 (J. Daunais) (testifying that Defendants knew of the ‘545 and ‘969 patents each within about a month after they issued), at 47:5-12, 97:4-9, 102:15-17 (BRP retained lawyer R. Laurie to try to buy the ‘545 and ‘969 patents anonymously “just hoping that [Arctic Cat] didn’t care about the patents anymore”), Ex. 5 (May 23, 2016, Trial Transcript) at 45:15-46:9 (D. Goudreault was a patent agent who “investigated” the patents acknowledging that, by law, he is not permitted to give an opinion on patent infringement or validity), at 53:8-54:21, 59:4-21, 67:20-68:9 (acknowledging that the art on which BRP relied was cited on the face of the ‘969 and ‘545 patents, and that this meant that the examiner considered that art and concluded that the patents-in-suit were new and different from anything disclosed therein), Ex. 6 (BRP Trial Ex. 74) at BRP133512 & 514 (reflecting brief analysis of ‘545 and ‘969 patents); Exs. 7, 8 (BRP Trial Exs. 55, 56) (legal opinion letters not obtained until seven years and eleven years after first infringement, respectively). Indeed, it is disingenuous at best for BRP to claim that it subscribed to the good-faith belief that the patents were invalid where, despite “kn[owing] of both patents within a month or so of their issuance,” ECF No. [161-1] (May 18, 2016, Trial Transcript) at 46:9-17, no BRP employee even took the time to review the 31 claims in the issued ‘545 patent. Boebel Decl., Ex. 5 at 52:24-53:7, 63:3-64:11 (BRP patent agent Goudreault admitting that he reviewed the five claims of the

published application for the '545 patent, but not the 31 claims that ultimately issued). Moreover, BRP's notes on the parties' Hamilton meeting, introduced at trial, reflect that Garcia did not assert that any patents were invalid, but instead "asked about our patent and how it would differ from [BRP's] jetboat system." ECF No. [182-15] at AC00008617. Arctic Cat "said [that the] Patent Office would decide." *Id.* And the Patent Office did decide—when it issued the claims of the '969 and '545 patents with undisputed knowledge of the much-discussed Rheault patent (one of the patents on BRP's jet boat technology), which was cited on the face of the '545 and '969 patents. *See, e.g.,* ECF No. [119] (Order Denying Summary Judgment) at 34.

Similarly far-fetched is Arctic Cat's argument, under *Read* factor 3, that BRP's behavior in announcing its intention to appeal the Verdict was unprofessional. BRP certainly did not engage in litigation misconduct, that is, "bringing vexatious or unjustified suits, discovery abuses, failure to obey orders of the court, . . . acts that unnecessarily prolong litigation," or violations of court orders by counsel. *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed Cir. 2010). In fact, the Court complimented the conduct of the parties' respective attorneys throughout the case. *See, e.g.,* Reply at 8 (citing June 1, 2016, Trial Transcript) at 169:21-25 (referring to counsel as "extremely talented and superb trial attorneys"). Accordingly, this factor weighs in favor of no enhancement. *See On Demand Mach. Corp. v. Ingram Indus., Inc.*, No. 4:01CV1668MLM, at *17 (E.D. Mo. July 23, 2004) (finding that factor 3 weighed

against enhancement where each side conducted themselves with civility before and during trial).

On the other hand, BRP's size and financial condition—*Read* factor 4—support the Court's decision to treble damages. The Defendant is a market leader in personal watercraft and continues to grow. *See, e.g.*, Boebel Decl., Ex. 9 (May 25, 2016, Trial Transcript) at 149:20-22 (stating that BRP is the market leader “[f]or sure”), Ex. 10 (BRP 2016 Annual Review) at 10-11. Its personal watercraft division, Sea-Doo, ended the 2015 season setting a new market share record and appears to be gaining momentum. *See* Boebel Decl., Ex. 10 at 10. BRP boasts that the Sea-Doo Spark—the very PWC that the jury found to infringe Arctic Cat's patents— “is a prime example [of BRP's growth strategy] as we can directly tie the industry's 26% growth worldwide to its introduction in 2013.” *Id.* at 11. In North America, retail sales of the Spark units increased by 40% in fiscal year 2016, while the industry itself increased by only 10%. *Id.* (“What's more, this increase did not come at the expense of our other ‘traditional’ PWC models.”). Additionally, BRP's global sales for its “Seasonal Products” division alone was up 6.1% over the previous year at over \$1.3 billion. *Id.*

According to BRP's 2016 Annual Review, in fiscal year 2016, the Defendant's sales reached the \$3.8 billion mark. *Id.* at 2. For the three-month period ending April 30, 2016, BRP revenues increased by \$31.8 million, or 3.5%, to \$929.9 million. Boebel Decl., Ex. 1 (Press Release: BRP Reports Fiscal Year 2017—First-Quarter Results, June 9, 2016) at 2. Revenues of Seasonal Products for that same three-month period

increased by \$15.6 million, or 5.8%. *Id.* at 3. BRP reported that “[t]he increase resulted primarily from a higher volume and a favourable mix of PWC sold and from a favourable foreign exchange rate variation of \$12 million.” *Id.* While gross profit margins decreased in this period, the decrease attributed was primarily due to higher sales programs in snowmobiles and unfavourable foreign exchange variation, partially offset by favourable product mix in PWC[.]” *Id.* at 4 (emphasis added). According to BRP President and CEO, Jose Boisjoli, BRP “significantly outpaced the industry” and is “currently in an excellent position[.]” *Id.* at 2.

Though Arctic Cat is not a small mom-and-pop shop by any stretch,¹⁰ it is a fraction of BRP’s size and the smallest company in the markets where the two compete. *See* Boebel Decl., Ex. 11 (May 17, 2016, Trial Transcript) at 91:12-24 (M. Okerlund) (“Of the companies that I’ve mentioned, Arctic Cat is by far the smallest company. By comparison, Polaris, which is also a Minnesota-based company, is I think about a five billion dollar company. BRP is a billion, multi-billion dollar company. Arctic Cat’s a small fraction of their size.”); Reply at 10. Where, as here, BRP is a multi-billion dollar enterprise and the market leader—due in significant part to sales of products found to willfully infringe Arctic Cat’s patents—enhancement of damages is particularly warranted.

¹⁰ Arctic Cat is a publicly-traded company with total net sales in 2015 of over \$698 million. *See* Arctic Cat Inc. Form 10-K, Securities & Exchange Commission (May 27, 2016), at 16, available at: <http://phx.corporate-ir.net/phoenix.zhtml?c=97941&p=irol-reportsannual>.

See St. Regis Paper Co. v. Winchester Carton Corp., 410 F. Supp. 1304, 1309 (D. Mass. 1976) (awarding “double damages,” with the caveat that, “[i]f defendant were the giant and plaintiff the small independent, I would make it treble”); *Lightwave Technologies, Inc. v. Corning Glass Works*, 19 U.S. P.Q. 2d 1838, 1848-49 (S.D.N.Y. 1991) (increasing damages based on infringer’s culpability and appropriate compensation to patentee, but awarding double damages because infringer could not afford treble).

Moreover, pursuant to *Read* factor 5, this case was not a close one. As noted in analysis of *Read* factor 2, the trial testimony established that BRP failed to properly investigate the scope of the patents and form a good-faith belief that the patents were invalid and/or not infringed. Pursuant to these facts, the case was not close—as demonstrated by the fact that the Court and jury found clear and convincing evidence of willful infringement under the stringent objective/subjective test of *Seagate*. Accordingly, this factor provides more support for enhancement of damages. *Cf. Crucible, Inc. v. Stora Kopparbergs Bergslags AB*, 701 F. Supp. 1157, 1164 (W.D. Pa. 1988) (“[B]ecause the court still considers the [willfulness] question to be a close one . . . double, and not treble damages are appropriate.”).

The duration of BRP’s misconduct, that is, *Read* factor 6, also supports the enhancement of the jury’s damages award. BRP began infringing the Arctic Cat patents in 2004. After discontinuing the original infringing product line—the 3D personal watercraft—BRP launched an all-new product platform using the infringing technology in 2009. BRP included the

infringing OTAS system in its PWC in 2009 and expanded that use over the next four years, such that all BRP PWCs sold since 2013 include the technology that the jury in this case found to willfully infringe Arctic Cat's patents. To be sure, as BRP argues, if Arctic Cat had brought this suit earlier, then the period of infringement would have been shorter. *See* Reply at 9. However, this repurposed laches argument invoked by BRP is a red herring. Any delay by Arctic Cat—and the Court has already determined on two occasions that the delay in this case is insufficient to support a laches defense—was not the cause of BRP's infringement. BRP is responsible for its own actions.

BRP has never engaged in remedial action either, going to *Read* factor 7, such as approaching Arctic Cat about a license or attempting in good faith to design around Arctic Cat's patents. As this Court found, "by the time that BRP got around to getting any sort of opinion from Mr. Marcus, BRP had known about the patents already for eight years. Testimony has established that BRP had been selling potentially infringing products across their entire product line for at least a half a decade." Order Denying JMOL at 9. To address its concerns about infringement, BRP tried to covertly buy the patents "rather than planning in good faith to design around them." *Id.* at 10. BRP likewise did not voluntarily cease making or selling the infringing products at any point or take steps to implement a non-infringing alternative. *Cf. Intra Corp. v. Hamar Laser Instruments, Inc.*, 662 F. Supp. 1420, 1439 (E.D. Mich. 1987) (damages only doubled because defendant "voluntarily ceased manufacture and sale of infringing systems during the pendency of

this litigation”), *aff’d without opinion*, 862 F.2d 320 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1021 (1989).

The Defendant’s motivation for harm, pursuant to *Read* factor 8, is neutral in this analysis as the evidence is inconclusive. Although BRP’s conduct was egregious in numerous respects, Arctic Cat has failed to show that BRP’s infringement was motivated by a desire to harm Arctic Cat, at least beyond the Defendant’s secretive attempt to purchase Arctic Cat’s patents. As a result, factor 8 does not weigh significantly in either direction and, thus, does not impact the instant determination.

BRP’s attempt to conceal its misconduct, however, does support enhancement of damages pursuant to *Read* factor 9. At trial, evidence was adduced that BRP hired “a guy named Ron Laurie” in 2011 to try to buy the patents from Arctic Cat, because the Defendant was “worried that after reviewing the patents Arctic Cat would file a lawsuit against BRP for infringement.” ECF No. [161-1] (May 18, 2016, Trial Transcript) at 47:5-18, 97:10-14. The Defendant offered \$40,000 initially, which amount was “subsequently raised that to \$60,000. And it didn’t work.” *Id.* at 102:13-14. So, instead, BRP resorted to hoping that Arctic Cat “didn’t care about these patents anymore” and, therefore, would let them expire. *Id.* at 102:8-10, 15-17 (“A. Well, also we were thinking that they could even let them all go expire. But it was not happening yet. So that’s why we wanted to get a shot at buying them. . . . Q. So is it fair to say you were just hoping they didn’t care about these patents anymore? A. That’s what we were hoping.”). In contrast, the jury was introduced at trial to a third-party company in the

PWC industry, Honda, which addressed the same conundrum in an entirely different manner. Rather than attempt any sleight of hand, Honda entered into a licensing agreement with Arctic Cat when it feared that its products might infringe the Plaintiff's patents. Particularly in light of this comparison, BRP's behavior strongly suggests a lack of transparency and good faith that weighs in favor of enhanced damages.

Ultimately, *Read* factors 1, 2, 4, 5, 6, 7, and 9 compellingly support the Court's decision to treble damages.¹¹ Though *Read* factor 3 cuts the other way, an argument that no enhancement is warranted based on factor 3 alone—particularly, as it concerns conduct during the litigation, rather than during the period of underlying infringement—is entirely unconvincing. In this case, “the egregiousness of the defendant’s conduct based on all the facts and circumstances” overwhelmingly supports enhancement of damages. *Read*, 970 F.2d at 826-27. “The evidence at trial revealed a degree of dismissiveness of [Plaintiff’s]

¹¹ Arctic Cat urges the Court to consider in its analysis under the *Read* factors the alleged fact that BRP continues to infringe the subject patents. See ECF No. [170] (Response) at 13 (“In 2014, after this suit was filed, BRP continued to infringe; in fact, it expanded its infringing use with the new Spark line of products. And even now—after the jury verdict—BRP continues to trample on Arctic Cat’s patent rights.”). However, this is the first time that the Court has heard such allegations—after the conclusion of trial, when the case has been pending for almost twenty-one months. Before trial, the parties expressly stipulated to the number of infringing products at issue in this case since October 16, 2008. See ECF No. [149] (trial minutes, May 31, 2016). Accordingly, Arctic Cat’s belated attempt to abandon this stipulation, on which the Court and the parties relied, is not well-taken.

patent rights and disrespect of the value the law places on protection of intellectual property that was exceptional. Enhanced damages are merited to punish this conduct and deter similar behavior, and to promote appropriate regard for patent rights.” *Applera Corp. v. MJ Research Inc.*, 372 F. Supp. 2d 233, 247 (D. Conn. 2005).

IV. Conclusion

Trial in this case has established by clear and convincing evidence—a higher standard than is now applicable to a willfulness inquiry under *Halo*—that BRP willfully infringed Arctic Cat’s patented off-throttle steering technology in contravention of the United States Patent Act. It did so with full knowledge of Arctic Cat’s patent rights, without so much as approaching Arctic Cat about a license, as is demonstrated by, *inter alia*, its hiring of an agent to surreptitiously buy Arctic Cat’s patents without disclosing BRP as the intended buyer. Suffice it to say, BRP is the wanton infringer that the Supreme Court sought to punish through its relaxation of the standard governing willfulness and enhancement of damages. *Halo*, 136 S. Ct. at 1933-34 (“Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test. Consistent with nearly two centuries of enhanced damages under patent law, however, such punishment should generally be reserved for egregious cases typified by willful misconduct.”). It is therefore **ORDERED AND ADJUDGED** that Defendant’s Motion, **ECF No. [158]**, is **DENIED**. The Court will address the parties’ other post-trial motions by separate order.

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DONE AND ORDERED in Miami, Florida, this
27th day of July, 2016.

[handwritten: signature]

BETH BLOOM

UNITED STATES

DISTRICT JUDGE

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Appendix F

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

No. 19-1080

ARCTIC CAT INC.,

Plaintiff-Appellant,

v.

BOMBARDIER RECREATIONAL PRODUCTS INC.,

BRP U.S. INC.,

Defendants-Appellees.

Filed: Apr. 20, 2020

Before: PROST, *Chief Judge*, NEWMAN, LOURIE,
DYK, MOORE, O'MALLEY, REYNA, WALLACH,
TARANTO, CHEN, HUGHES, and STOLL,
Circuit Judges.

ORDER

PER CURIAM.

Appellant Arctic Cat Inc. filed a petition for rehearing en banc. The petition was first referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

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Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on April
27, 2020.

April 20, 2020
Date

FOR THE COURT

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

Appendix G

RELEVANT STATUTORY PROVISION

35 U.S.C. § 287. Limitation on damages and other remedies; marking and notice

(a) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word “patent” or the abbreviation “pat.”, together with the number of the patent, or by fixing thereon the word “patent” or the abbreviation “pat.” together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

(b)(1) An infringer under section 271(g) shall be subject to all the provisions of this title relating to damages and injunctions except to the extent those remedies are modified by this subsection or section 9006 of the Process Patent Amendments Act of 1988. The modifications of remedies

provided in this subsection shall not be available to any person who-

- (A) practiced the patented process;
- (B) owns or controls, or is owned or controlled by, the person who practiced the patented process; or
- (C) had knowledge before the infringement that a patented process was used to make the product the importation, use, offer for sale, or sale of which constitutes the infringement.

(2) No remedies for infringement under section 271(g) shall be available with respect to any product in the possession of, or in transit to, the person subject to liability under such section before that person had notice of infringement with respect to that product. The person subject to liability shall bear the burden of proving any such possession or transit.

(3)(A) In making a determination with respect to the remedy in an action brought for infringement under section 271(g), the court shall consider-

- (i) the good faith demonstrated by the defendant with respect to a request for disclosure,
- (ii) the good faith demonstrated by the plaintiff with respect to a request for disclosure, and
- (iii) the need to restore the exclusive rights secured by the patent.

(B) For purposes of subparagraph (A), the following are evidence of good faith:

- (i) a request for disclosure made by the defendant;
- (ii) a response within a reasonable time by the person receiving the request for disclosure; and
- (iii) the submission of the response by the defendant to the manufacturer, or if the manufacturer is not known, to the supplier, of the product to be purchased by the defendant, together with a request for a written statement that the process claimed in any patent disclosed in the response is not used to produce such product.

The failure to perform any acts described in the preceding sentence is evidence of absence of good faith unless there are mitigating circumstances. Mitigating circumstances include the case in which, due to the nature of the product, the number of sources for the product, or like commercial circumstances, a request for disclosure is not necessary or practicable to avoid infringement.

- (4)(A) For purposes of this subsection, a “request for disclosure” means a written request made to a person then engaged in the manufacture of a product to identify all process patents owned by or licensed to that person, as of the time of the request, that the person then reasonably believes could be asserted to be infringed under section 271(g) if that product were imported into, or sold,

offered for sale, or used in, the United States by an unauthorized person. A request for disclosure is further limited to a request-

(i) which is made by a person regularly engaged in the United States in the sale of the same type of products as those manufactured by the person to whom the request is directed, or which includes facts showing that the person making the request plans to engage in the sale of such products in the United States;

(ii) which is made by such person before the person's first importation, use, offer for sale, or sale of units of the product produced by an infringing process and before the person had notice of infringement with respect to the product; and

(iii) which includes a representation by the person making the request that such person will promptly submit the patents identified pursuant to the request to the manufacturer, or if the manufacturer is not known, to the supplier, of the product to be purchased by the person making the request, and will request from that manufacturer or supplier a written statement that none of the processes claimed in those patents is used in the manufacture of the product.

(B) In the case of a request for disclosure received by a person to whom a patent is licensed, that person shall either identify the

patent or promptly notify the licensor of the request for disclosure.

(C) A person who has marked, in the manner prescribed by subsection (a), the number of the process patent on all products made by the patented process which have been offered for sale or sold by that person in the United States, or imported by the person into the United States, before a request for disclosure is received is not required to respond to the request for disclosure. For purposes of the preceding sentence, the term “all products” does not include products made before the effective date of the Process Patent Amendments Act of 1988.

(5)(A) For purposes of this subsection, notice of infringement means actual knowledge, or receipt by a person of a written notification, or a combination thereof, of information sufficient to persuade a reasonable person that it is likely that a product was made by a process patented in the United States.

(B) A written notification from the patent holder charging a person with infringement shall specify the patented process alleged to have been used and the reasons for a good faith belief that such process was used. The patent holder shall include in the notification such information as is reasonably necessary to explain fairly the patent holder’s belief, except that the patent holder is not required to disclose any trade secret information.

(C) A person who receives a written notification described in subparagraph (B) or a written response to a request for disclosure described in paragraph (4) shall be deemed to have notice of infringement with respect to any patent referred to in such written notification or response unless that person, absent mitigating circumstances-

(i) promptly transmits the written notification or response to the manufacturer or, if the manufacturer is not known, to the supplier, of the product purchased or to be purchased by that person; and

(ii) receives a written statement from the manufacturer or supplier which on its face sets forth a well grounded factual basis for a belief that the identified patents are not infringed.

(D) For purposes of this subsection, a person who obtains a product made by a process patented in the United States in a quantity which is abnormally large in relation to the volume of business of such person or an efficient inventory level shall be rebuttably presumed to have actual knowledge that the product was made by such patented process.

(6) A person who receives a response to a request for disclosure under this subsection shall pay to the person to whom the request was made a reasonable fee to cover actual costs incurred in complying with the request, which may not exceed the cost of a commercially available automated

patent search of the matter involved, but in no case more than \$500.

(c)(1) With respect to a medical practitioner's performance of a medical activity that constitutes an infringement under section 271(a) or (b), the provisions of sections 281, 283, 284, and 285 shall not apply against the medical practitioner or against a related health care entity with respect to such medical activity.

(2) For the purposes of this subsection:

(A) the term "medical activity" means the performance of a medical or surgical procedure on a body, but shall not include (i) the use of a patented machine, manufacture, or composition of matter in violation of such patent, (ii) the practice of a patented use of a composition of matter in violation of such patent, or (iii) the practice of a process in violation of a biotechnology patent.

(B) the term "medical practitioner" means any natural person who is licensed by a State to provide the medical activity described in subsection (c)(1) or who is acting under the direction of such person in the performance of the medical activity.

(C) the term "related health care entity" shall mean an entity with which a medical practitioner has a professional affiliation under which the medical practitioner performs the medical activity, including but not limited to a nursing home, hospital, university, medical school, health

maintenance organization, group medical practice, or a medical clinic.

(D) the term “professional affiliation” shall mean staff privileges, medical staff membership, employment or contractual relationship, partnership or ownership interest, academic appointment, or other affiliation under which a medical practitioner provides the medical activity on behalf of, or in association with, the health care entity.

(E) the term “body” shall mean a human body, organ or cadaver, or a nonhuman animal used in medical research or instruction directly relating to the treatment of humans.

(F) the term “patented use of a composition of matter” does not include a claim for a method of performing a medical or surgical procedure on a body that recites the use of a composition of matter where the use of that composition of matter does not directly contribute to achievement of the objective of the claimed method.

(G) the term “State” shall mean any State or territory of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

(3) This subsection does not apply to the activities of any person, or employee or agent of such person (regardless of whether such person is a tax exempt organization under section 501(c) of the Internal Revenue Code), who is engaged in the commercial development, manufacture, sale,

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importation, or distribution of a machine, manufacture, or composition of matter or the provision of pharmacy or clinical laboratory services (other than clinical laboratory services provided in a physician's office), where such activities are:

(A) directly related to the commercial development, manufacture, sale, importation, or distribution of a machine, manufacture, or composition of matter or the provision of pharmacy or clinical laboratory services (other than clinical laboratory services provided in a physician's office), and

(B) regulated under the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act, or the Clinical Laboratories Improvement Act.

(4) This subsection shall not apply to any patent issued based on an application which has an effective filing date before September 30, 1996.