

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

EXERGEN CORPORATION

Plaintiff,

v.

KAZ USA, INC.

Defendant/Counterclaim-
Plaintiff

v.

EXERGEN CORPORATION

Counterclaim-Defendant.

Civil Action No. 1:13-cv-10628-RGS

Hon. Richard G. Stearns, U.S.D.J.

JURY TRIAL DEMANDED

**KAZ'S MOTION IN LIMINE NO. 4 – TO EXCLUDE EVIDENCE AND ARGUMENT
PERTAINING TO THE ENTIRE MARKET VALUE RULE**

Kaz hereby moves to preclude Exergen from introducing evidence or argument pertaining to the entire market value rule, for the following reasons.

Exergen's damages expert, Barry Sussman, uses the entire market value rule in his determination of lost profits and a reasonable royalty. *See* Expert Report of Barry Sussman ("Sussman Report"), attached hereto as (v) Exhibit A: Excerpts from the Expert Report of Barry Sussman, dated February 20, 2015 ("Sussman Report") at 27 (lost profits), 48 (reasonable royalty). However, he premises this on the conclusory and unsupported allegation that the patented-feature drives consumer demand. Because he has not shown that the patented feature drives consumer demand, Mr. Sussman has improperly used the entire market value of the accused devices to determine lost profits and a reasonable royalty. This deficit cannot be cured on cross-examination. Therefore, Mr. Sussman's conclusions on lost profits and reasonable royalty should be excluded in their entirety.

"The entire market value rule allows for the recovery of damages based on the value of an entire apparatus containing several features, when the feature patented constitutes the basis for customer demand.." *Lucent Tech., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336 (Fed. Cir. 2009) (internal citation and quotes omitted). "For the entire market value rule to apply, the patentee must prove that the patent-related feature is the 'basis for customer demand.'" *Id.* (emphasis in original); *see also LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 69–70 (Fed. Cir. 2012) (finding that patentee's expert improperly based his damages assessment on the overall cost of the laptop computer where the patented feature was just one component of an optical disk drive, and "there is no evidence that this feature alone motivates consumers to purchase a laptop computer, such that the value of the entire computer can be attributed to the patented disc discrimination method.").

Mr. Sussman admits that the "[accused] thermometers contain non-patented components" so "it is appropriate to evaluate the Entire Market Value Rule." Sussman Report at 26. However,

in his assessment, his conclusion that Exergen's patent-related feature drives consumer demand is conclusory and unsupported. In his Opening Report, Mr. Susmann alleges that three separate rationales support his conclusion. However, none of them actually does.

The entirety of the section in his report on the "Basis for Customer Demand" is reproduced below:

In this case the patent-related feature is clearly the basis for customer demand. The patent provides for a method for taking a subject's temperature from the forehead. As discussed previously, Kaz's own market research and consumer surveys state that location of the temperature-measurement site is the first decision a customer makes when deciding on a thermometer and the primary reason why a consumer would buy a Braun or Exergen forehead thermometer ["First Rationale"]. Furthermore, most of the benefits cited by the Exergen and Kaz (e.g., noninvasive, gentle, fast, easy, hygienic), are enabled by the patented technology ["Second Rationale"]. The other distinguishing technological feature marketed by Kaz, Fever Insight, was identified as the least important attribute in at least one consumer survey ["Third Rationale"].

Sussman Report at 26 (citations omitted).

First, Mr. Sussman overly simplifies Exergen's invention ("a method for taking a subject's temperature from the forehead"). Of course, at least three courts have already determined that Exergen cannot claim this law of nature as its own invention. *See, Exergen Corporation v. Brooklands Inc.*, No. 12-12243, 2015 WL 5096464, at *6 (D. Mass. Aug. 28, 2015) ("The process step of measuring temperature or radiation at the forehead does nothing more than direct a party to apply a law of nature, the heat flow conversion calculation for the forehead."); *Exergen Corp. v. Thermomedics, Inc.*, No. 13-11243, 2015 WL 5579800, at *6 (D. Mass. Sept. 15, 2015) ("No matter how novel the concept of measuring body temperature from forehead skin temperature or how valuable the contribution to the medical community, this idea as set forth in the asserted claims is fundamentally a discovery of a natural relationship between skin

temperature and body temperature.”); *Exergen Corp. v. Kaz USA, Inc.*, No. 13-10628, 2015 WL 8082402, at *4 (D. Mass. Dec. 7, 2015) (quoting *Thermomedics*). Thus, Exergen’s patent-related feature cannot be the mere act of taking temperature at the forehead. Yet that is all the justification that Mr. Sussman provides for his conclusion that Exegen’s patent-related feature drives consumer demand. This is further confirmed by the existence of thermometers which take temperature at the forehead, but which clearly do not include any so-called “patented feature”. *See, e.g.*, Exergen’s Opposition to Kaz’s Motion for Summary Judgment of Issue Preclusion, D.I. 283 at 11 (“*Thermomedics and Brooklands, by contrast, avoided the more specific teachings of these patents because their thermometers are pointed at the center of the forehead . . .*”).¹

As the Federal Circuit has noted, where “the patented feature [has] not [been shown to be] the item which imbues the combination of the other features with value, care must be taken to avoid misleading the jury by placing undue emphasis on the value of the entire product.” *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014).²

Mr. Sussman’s First Rationale suffers from the same flaw. The “location of the temperature-measurement site” is not Exergen’s patent-related feature. His reference to a previous discussion of Kaz’s market research and consumer surveys presumably refers to the following passage, none of which ties consumer demand to anything more than the unpatentable location of the temperature measurement site:

As early as July 2007 Kaz was informed by InsightExpress that
“the location of temperature measurement...was the most
 important aspect when respondents were considering which

¹ *See also* Deposition of James Gorsich, July 1, 2015, D.I. 241, Ex. X8 at 30:8-14 (Braun No Touch Plus infrared forehead thermometer); Ikeda, et al., “Influence of Themoregulatory Vasomotion and Ambient Temperature Variation on the Accuracy of Core-temperature Estimates by Cutaneous Liquid-crystal Thermometers [Clinical Investigation], *Anesthesiology*: Volume 86(3) March 1997 pp 603-612, D.I. 150, Ex. EEE (liquid crystal strips).

² Mr. Sussman makes no attempt at apportionment. Thus, his use of the entire market value is not cured by a later downward adjustment.

thermometer they preferred, followed by price, and brand.” This was confirmed in a June 2011 study performed for Kaz that concluded that “it is a forehead/temporal thermometer” was the top reason why purchasers would buy a Braun or Exergen forehead thermometer. Finally, an Arendt Consulting Study, conducted for Kaz in July 2012, concluded that the first decision consumers (both current and potential thermometer owners) make in their “Purchase Decision Tree” is what type of thermometer they would buy. The second group of decisions includes features, price and length of reading time.

Sussman Report at 15 (emphasis added) (citations omitted). Thus, Mr. Sussman’s First Rationale does not support the conclusion that Exergen’s allegedly “patented feature” drives consumer demand.

Mr. Sussman’s Second Rationale, that “most of the benefits cited by the Exergen and Kaz (e.g., noninvasive, gentle, fast, easy, hygienic), are enabled by the patented technology,” has no citation, and is therefore unsupported and conclusory. Moreover, it is irrelevant since there is no showing in his reports that any of these features drives consumer demand. Thus, his Second Rationale likewise does not support the conclusion that Exergen’s “patented feature” drives consumer demand.

Finally, Mr. Sussman’s Third Rationale, that “[t]he other distinguishing technological feature marketed by Kaz . . . was identified as the least important attribute in at least one consumer survey,” simply does not address Exergen’s “patented feature.” Indeed, Mr. Sussman’s support for that rationale lists the “[l]ocation of the temperature measurement” as the most important attribute. Sussman Report at 26, fn. 76 (citing KAZ084875 at 886, attached hereto as Exhibit B: Excerpts from Insightexpress: “Kaz, Inc. Thermometer Discrete Choice Report”, Exhibit 95 to the May 1, 2015 Deposition of Barry Sussman, KAZ084875-KAZ084932). Thus, the Third Rationale does not provide any support for the conclusion that Exergen’s patented feature drives consumer.

In sum, Mr. Sussman has offered no evidence to tie Exergen's patented feature to consumer demand. The only evidence he has offered relates temperature location to consumer preference, but courts have already found Exergen is not entitled to a patent on the forehead measurement site itself. Mr. Sussman's expert report is devoid of any analysis tying Exergen's patented feature to consumer demand. Absent any such analysis, Mr. Sussman cannot use the entire market value rule. *See LaserDynamics*, 694 F.3d at 69–70 (“there is no evidence that this feature alone motivates consumers to purchase a laptop computer, such that the value of the entire computer can be attributed to the patented disc discrimination method.”).

Because Mr. Sussman improperly relies on the entire market value of the accused devices, and because his conclusions on lost profits and a reasonable royalty are based on the entire market value, his conclusions on lost profits and reasonable royalty must be excluded in their entirety.

CONCLUSION

For the foregoing reasons, Kaz respectfully submits that Dr. Collins's proposed expert testimony should be excluded in its entirety.

Dated: January 4, 2016

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that this document filed through the ECF system will be sent electronically to all counsel of record on this 4th day of January, 2016.

/s/ Pierre R. Yanney _____

Pierre R. Yanney