UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. 14-cv-62369-BLOOM/Valle

ARCTIC CAT INC.,

Plaintiff,

v.

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

Defendants.
_____/

ORDER ON MOTIONS TO STRIKE AND SUMMARY JUDGMENT

THIS CAUSE is before the Court upon three motions. Plaintiff's Motion to Strike Certain Opinions of Dr. Keith Ugone and Robert Taylor, ECF No. [75] ("AC Mot."), and Defendants' Motion to Exclude Testimony of Dr. Bernard Cuzzillo, Paul Kamen, and Walter Bratic, ECF No. [76] ("BRP Mot.," together with the AC Mot., the "*Daubert* Motions"), were each filed on February 22, 2016. These Motions seek to exclude the opinions of the aforementioned experts pursuant to *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), as well as the Federal Rules. BRP also filed a Motion for Summary Judgment, ECF No. [78], ("Summary Judgment Motion" or "SJ Mot."), requesting that the Court grant summary judgment in favor of Defendants on all issues asserted against them. The Court has carefully reviewed the Motions, the record, all supporting and opposing filings, the exhibits attached thereto, and is otherwise fully advised. In addition, the Court had the benefit of oral argument during a hearing held on April 19, 2016, in which the parties were able to further elucidate their respective positions. *See* Transcript at ECF No. [113]. For the reasons stated below, the

Daubert Motions are denied, and the Summary Judgment Motion is granted in part and denied in part.

I. Background

Plaintiff Arctic Cat Inc. ("Plaintiff" or "Arctic Cat") brought the instant suit against Defendants Bombardier Recreational Products Inc. and BRP U.S. Inc. (collectively, "Defendants" or "BRP") on October 16, 2014, for infringement on Arctic Cat's patents, including U.S. Patent Nos. 6,793,545 ("the '545 Patent"); 6,634,912 ("the '912 Patent"); and 6,568,969 ("the '969 Patent") (collectively, the "Patents" or "Patents at Issue"). Arctic Cat 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. With trial one month away, the Defendant seeks relief in the form of summary judgment and both parties seek exclusion of expert testimony.

II. Legal Standard

A. Expert Testimony

Federal Rule of Evidence 702 governs the admissibility of expert testimony. When a party proffers the testimony of an expert under Rule 702 of the Federal Rules of Evidence, the

party offering the expert testimony bears the burden of laying the proper foundation, and that party must demonstrate admissibility by a preponderance of the evidence. *See Rink v. Cheminova, Inc.*, 400 F.3d 1286, 1291-92 (11th Cir. 2005); *Allison v. McGhan Med. Corp.*, 184 F.3d 1300, 1306 (11th Cir. 1999). To determine whether expert testimony or any report prepared by an expert may be admitted, the Court engages in a three-part inquiry, which includes whether: (1) the expert is qualified to testify competently regarding the matters he intends to address; (2) the methodology by which the expert reaches his conclusions is sufficiently reliable; and (3) the testimony assists the trier of fact, through the application of scientific, technical, or specialized expertise, to understand the evidence or to determine a fact in issue. *See City of Tuscaloosa v. Harcros Chems., Inc.*, 158 F.3d 548, 562 (11th Cir. 1998) (citing *Daubert*, 509 U.S. at 589). The Eleventh Circuit refers to each of these requirements as the "qualifications," "reliability," and "helpfulness" prongs. *United States v. Frazier*, 387 F.3d 1244, 1260 (11th Cir. 2004). While some overlap exists among these requirements, the court must individually analyze each concept. *See id.*

An expert in this Circuit may be qualified "by knowledge, skill, experience, training, or education." *J.G. v. Carnival Corp.*, -- F. Supp. 2d --, 2013 WL 752697, at *3 (S.D. Fla. Feb. 27, 2013) (citing *Furmanite Am., Inc. v. T.D. Williamson*, 506 F. Supp. 2d 1126, 1129 (M.D. Fla. 2007); Fed. R. Evid. 702). "An expert is not necessarily unqualified simply because [his] experience does not precisely match the matter at hand." *Id*. (citing *Maiz v. Virani*, 253 F.3d 641, 665 (11th Cir. 2001)). "[S]o long as the expert is minimally qualified, objections to the level of the expert's expertise go to credibility and weight, not admissibility." *See Clena Investments, Inc. v. XL Specialty Ins. Co.*, 280 F.R.D. 653, 661 (S.D. Fla. 2012) (citing *Kilpatrick v. Breg, Inc.*, Case No. 08-10052-CIV, 2009 WL 2058384 (S.D. Fla. June 25, 2009)). "After the

district court undertakes a review of all of the relevant issues and of an expert's qualifications, the determination regarding qualification to testify rests within the district court's discretion." *J.G.*, 2013 WL 752697, at *3 (citing *Berdeaux v. Gamble Alden Life Ins. Co.*, 528 F.2d 987, 990 (5th Cir. 1976)).[1]

When determining whether an expert's testimony is reliable, "the trial judge must assess whether the reasoning or methodology underlying the testimony is scientifically valid and whether that reasoning or methodology properly can be applied to the facts in issue." *Frazier*, 387 F.3d at 1261-62 (internal formatting, quotation, and citation omitted). To make this determination, the district court examines: "(1) whether the expert's theory can be and has been tested; (2) whether the theory has been subjected to peer review and publication; (3) the known or potential rate of error of the particular scientific technique; and (4) whether the technique is generally accepted in the scientific community." *Id.* (citing *Quiet Tech. DC-8, Inc. v. Hurel-Dubois, UK Ltd.*, 326 F.3d 1333, 1341 (11th Cir. 2003)). "The same criteria that are used to assess the reliability of a scientific opinion may be used to evaluate the reliability of non-scientific, experience-based testimony." *Id.* at 1262 (citing *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 152 (1999)). Thus, the aforementioned factors are non-exhaustive, and the Eleventh Circuit has emphasized that alternative questions may be more probative in the context of determining reliability. *See id*. Consequently, trial judges are afforded "considerable leeway" in ascertaining whether a particular expert's testimony is reliable. *Id.* at 1258 (citing *Kumho*, 526 U.S. at 152)).

The final element, helpfulness, turns on whether the proffered testimony "concern[s] matters that are beyond the understanding of the average lay person." *Edwards v. Shanley*, 580

[1] Decisions of the former Fifth Circuit rendered prior to September 30, 1981, are binding decisions in the Eleventh Circuit pursuant to *Bonner v. City of Pritchard*, 661 F.2d 1206, 1209 (11th Cir. 1981) (*en banc*).

F. App'x 816, 823 (11th Cir. 2014) (quoting *Frazier*, 387 F.3d at 1262) (formatting omitted). "[A] trial court may exclude expert testimony that is 'imprecise and unspecific,' or whose factual basis is not adequately explained." *Id.* (quoting *Cook ex rel. Estate of Tessier v. Sheriff of Monroe Cnty., Fla.*, 402 F.3d 1092, 1111 (11th Cir. 2005)). To be appropriate, a "fit" must exist between the offered opinion and the facts of the case. *McDowell v. Brown*, 392 F.3d 1283, 1299 (11th Cir. 2004) (citing *Daubert*, 509 U.S. at 591). "For example, there is no fit where a large analytical leap must be made between the facts and the opinion." *Id.* (citing *General Electric Co. v. Joiner*, 522 U.S. 136 (1997)).

Under *Daubert*, a district court must take on the role of gatekeeper, but this role "is not intended to supplant the adversary system or the role of the jury." *Quiet Tech.*, 326 F.3d at 1341 (internal quotation marks and citations omitted). Under this function, the district court must "ensure that speculative, unreliable expert testimony does not reach the jury." *McCorvey v. Baxter Healthcare Corp.*, 298 F.3d 1253, 1256 (11th Cir. 2002). "[I]t is not the role of the district court to make ultimate conclusions as to the persuasiveness of the proffered evidence." *Quiet Tech.*, 326 F.3d at 1341 (internal quotation marks and citations omitted). Thus, the district court cannot exclude an expert based on a belief that the expert lacks personal credibility. *Rink*, 400 F.3d at 1293, n. 7. To the contrary, "vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence." *Quiet Tech.*, 326 F.3d at 1341 (quoting *Daubert*, 509 U.S. at 596). "Thus, '[o]n cross-examination, the opposing counsel is given the opportunity to ferret out the opinion's weaknesses to ensure the jury properly evaluates the testimony's weight and credibility.'" *Vision I Homeowners Ass'n, Inc. v. Aspen Specialty Ins. Co.*, 674 F. Supp. 2d 1321, 1325 (S.D. Fla. 2009) (quoting *Jones v. Otis Elevator Co.*, 861 F.2d 655, 662

(11th Cir. 1988)). Ultimately, as noted, "a district court enjoys 'considerable leeway' in making" evidentiary determinations such as these. *Cook*, 402 F.3d at 1103 (quoting *Frazier*, 387 F.3d at 1258).

B. Summary Judgment

A party may obtain summary judgment "if the movant shows that 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(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 of Fla. 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 Court views the facts in the light most favorable to the non-moving party and draws all reasonable inferences in the party's favor. *See Davis v. Williams*, 451 F.3d 759, 763 (11th Cir. 2006). "The mere existence of a scintilla of evidence in support of the [non-moving party's] position will be insufficient; there must be evidence on which a jury could reasonably find for the [non-moving party]." *Anderson*, 477 U.S. at 252. Furthermore, the Court does not weigh conflicting evidence. *See Skop v. City of Atlanta, Ga.*, 485 F.3d 1130, 1140 (11th Cir. 2007) (quoting *Carlin Comm'n, Inc. v. S. Bell Tel. & Tel. Co.*, 802 F.2d 1352, 1356 (11th Cir. 1986)).

The moving party shoulders the initial burden of showing the absence of a genuine issue of material fact. *Shiver v. Chertoff*, 549 F.3d 1342, 1343 (11th Cir. 2008). Once this burden is satisfied, "the nonmoving party 'must do more than simply show that there is some metaphysical

doubt as to the material facts.'" *Ray v. Equifax Info. Servs., L.L.C.*, 327 F. App'x 819, 825 (11th Cir. 2009) (quoting *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986)). Instead, "the non-moving party 'must make a sufficient showing on each essential element of the case for which he has the burden of proof.'" *Id.* (quoting *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986)). Accordingly, the non-moving party must produce evidence, going beyond the pleadings, and by its own affidavits, or by depositions, answers to interrogatories, and admissions on file, designating specific facts to suggest that a reasonable jury could find in the non-moving party's favor. *Shiver*, 549 F.3d at 1343. But even where an opposing party neglects to submit any alleged material facts in controversy, the court must still be satisfied that all of the evidence on the record supports the uncontroverted material facts that the movant has proposed before granting summary judgment. *Reese v. Herbert*, 527 F.3d 1253, 1268-69, 1272 (11th Cir. 2008); *United States v. One Piece of Real Prop. Located at 5800 S.W. 74th Ave., Miami, Fla.*, 363 F.3d 1099, 1103 n. 6 (11th Cir. 2004).

Through these lenses, the Court addresses the instant Motions in turn.

III. Discussion

A. Arctic Cat's *Daubert* Motion

In its Motion, Arctic Cat seeks to strike certain opinions of Dr. Keith Ugone ("Dr. Ugone"), BRP's damages expert, and Robert Taylor ("Mr. Taylor"), BRP's non-infringement expert. *See* AC Mot. The Court cannot grant Plaintiff the relief it requests because both experts meet the *Daubert* standard.

1. Dr. Ugone, BRP's damages expert

Arctic Cat challenges the reliability of Dr. Ugone's testimony. Dr. Ugone's report includes one section critiquing the opinions of Arctic Cat's expert and a separate section

providing affirmative opinions regarding reasonable royalty damages. *See generally* ECF No. [75-7] ("Ugone Report"). In his affirmative opinions, Dr. Ugone offers a range of possible values for his proposed per unit reasonable royalty that, Arctic Cat contends, are improperly based on irrelevant licensing discussions as well as unsupported estimates of BRP's profit from the accused OTAS technology. *See* AC Mot. at 3-4. BRP counters that Dr. Ugone's opinions are based on reliable methodology and are thoroughly reasoned. *See* ECF No. [82] (Response to AC Mot.).

If a plaintiff proves that his patent is valid, enforceable, and infringed, he is entitled to an award of "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. § 284. A reasonable royalty calculation "envisions and ascertains the results of a hypothetical negotiation between the patentee and the infringer at a time before the infringing activity began." *Integra Lifesciences I, Ltd. v. Merck KGaA*, 331 F.3d 860, 869 (Fed. Cir. 2003), *vacated on other grounds*, 545 U.S. 193 (2005) (internal citations omitted). The first step in a reasonable royalty calculation is ascertaining the date of the parties' hypothetical negotiation. *See id.* at 870. "The correct determination of this date is essential for properly assessing damages." *Id.* Although the hypothetical negotiation framework is "an exercise in approximation, this analysis must be based on sound economic and factual predicates." *Id.*

Arctic Cat's argument that Dr. Ugone utilized a "black box" methodology is not an accurate characterization of his opinion, and the case to which Plaintiff cites in support of this argument is inapposite. *See, e.g.*, *GPNE Corp. v. Apple, Inc.*, -- F. Supp. 2d --, 2014 WL 1494247, at *4 (N.D. Ca. Apr. 16, 2014). In *GPNE*, the district court excluded expert testimony where the expert admitted that he employed no methodology to support his proposed royalty rate

other than his general experience. *Id*. The expert proposed a $1 per unit royalty rate but could not explain how he arrived at that figure. *Id.* Indeed, the expert conceded that there was "no specific math" behind his calculation. *Id*. As a result, the district court excluded the expert, concluding that "[e]xperts must follow some discernable methodology, and may not be 'a black box into which data is fed at one end and from which an answer emerges at the other.'" *Id.* (quoting *Lawrence v. Raymond Corp.*, No. 09-cv-1067, 2011 WL 3418324, at *7 (N.D. Ohio Aug. 4, 2011), *aff'd*, 501 F. App'x 515 (6th Cir. 2012)).

Here, in contrast to the facts in *GPNE*, Dr. Ugone's methodology is not a "black box" and his use of Arctic Cat's licensing proposals as an indicator of value is permissible. Dr. Ugone's opinion that Arctic Cat and BRP would have agreed to a reasonable royalty rate between $3 and $5 per unit is based on specific evidence, and his report clearly explains each step in his methodology. Ugone Report ¶¶ 63, 83-87. For example, Dr. Ugone explains that he arrived at a royalty rate of $3 per unit with the following math: $100 - $17 -$80 = $3. *Id.* ¶ 86. ("BRP's internal analyses indicate incremental profit associated with: a. the non-accused OPAS feature in the range of $37 to $41 per unit (excluding up-front R&D and tooling costs) (i.e., $100 – $17 – ($42 or $46)); and b. the accused OTAS feature of $3 per unit (excluding up-front R&D and tooling costs) (i.e., $100 – $17 – $80).") His affirmative opinion is further buttressed by his rebuttal opinion wherein Dr. Ugone opines that, even using BRP's 2009 and later data, the incremental net value of OTAS is $3.84 per unit. *Id.* ¶ 124 ("Further, applying Mr. Bratic's claimed 50% / 50% sharing between Arctic Cat and BRP to the portion of the iBR incremental profit allocated to the OTAS system yields an adjusted royalty rate value indicator of $3.84 per unit (as compared to Mr. Bratic's claimed $102.54 per unit).").[2] Accordingly, like his

[2] "iBR" is a BRP system that reverses the direction of a PWC's thrust and, thus, brakes the PWC. *See* SJ Mot. at 14.

affirmative opinion, Dr. Ugone's rebuttal opinion is broken out in systematic, mathematical calculations. *See id.* ¶¶ 119-25 ("As a result, under this approach, BRP could have reasonably estimated that 16.67% of the iBR direct margin per unit was attributable to the accused OTAS feature (i.e., $100 / $600) and 83.33% to the iBR feature (i.e., $500 / $600). Applying 16.67% of the iBR direct margin of $46 per unit yields an allocation of the iBR incremental profit to the OTAS system of $7.67 per unit. . . .").

Likewise, Dr. Ugone's use of Arctic Cat's licensing proposals to BRP to establish the top of his royalty range is indeed the product of a reliable methodology. Arctic Cat argues that Dr. Ugone failed to consider the differences in the technological and commercial circumstances between the time that Arctic Cat made its licensing proposals to BRP and the 2004 hypothetical negotiation. However, to the contrary, Dr. Ugone's report specifically explains why Arctic Cat's licensing proposals in 2000 are both technologically and commercially comparable to a late 2004 hypothetical negotiation. *See* Ugone Report ¶ 14. For example, within this argument, Arctic Cat claims that Dr. Ugone failed to consider the impact of "2004 regulations requiring off-throttle steering on PWC were in the offing." AC Mot. at 14. However, Dr. Ugone testified that he did not give these pending regulation additional weight because, regardless of the regulatory environment, by 2004 all of the major competitors in the PWC market were offering some form of assisted steering technology, so the PWC market had already moved in that direction. ECF No. [82-9] (Ugone Deposition) at 102:18-25.

The parties simply have competing beliefs as to how similar or dissimilar the circumstances in 2000 and 2004. The parties also disagree as to what information would have been considered in a hypothetical negotiation. However, none of these concerns bear on reliability. Furthermore, the cases to which Arctic Cat cites do not support the proposition that

Dr. Ugone's reliance on Arctic Cat's licensing proposals to BRP renders his report inadmissible. *See, e.g.*, *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010). In *ResQNet*, for example, the patentee's expert testified that the royalty rate should be an average of seven licensing agreements into which the patentee had entered. 594 F.3d at 870. But, five of those agreements did not show "any discernible link to the claimed technology," and the expert "did not even attempt to show that these agreements embody or use the claimed technology or otherwise show demand for the infringed technology." *Id.* at 870-71. The Federal Circuit vacated the damages award because the expert's use of those five agreements without any discernible link to the claimed technology drove the royalty rate up to an unjustified level. *Id.* at 869-70.

Dr. Ugone's use of Arctic Cat's licensing proposals for its OTS (also referred to by Dr. Ugone as controlled thrust steering ("CTS") technology) is nothing like the *ResQNet* expert's use of licenses that had nothing to do with the disputed technology. As Dr. Ugone's Report notes in ¶ 63(a)(i), Arctic Cat demonstrated its CTS technology to BRP in March 2000 and informed BRP that a license for the technology would be between $1 and $5 per unit. Arctic Cat's proposals to BRP were for the same technology that was already present in Arctic Cat's pending patent applications (which later issued as the '059 Patent and the '410 Patent). The '059 Patent and the '410 Patent share the same specification as the patents in-suit. *See* ECF No. [75-2] ("Taylor Report") ¶ 228. In addition, the claims of the '059 and '410 Patents are "substantially similar in scope to those of the Patents-in-Suit." *Id.* at ¶ 229. Thus, the technology Arctic Cat was offering to license in 2000 was the same technology covered by the patents-in-suit.

Accordingly, the Court concludes that Dr. Ugone has provided sound reasoning and analysis to support each step of his employed methodology. He framed his economic analysis in

the framework established by *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), making repeated reference to the fifteen non-exclusive factors identified therein, as was appropriate. This is not a case where "[Dr.] Ugone made a good guess." *Ultratec, Inc. v. Sorenson Comms., Inc.*, No. 13-cv-346-BBC, 2014 WL 5361940 at * 1-2 (W.D. Wis. Oct. 21, 2014). Rather, he explained how and why he determined the royalty range to reasonably be between $3 and $5 per unit. *See, e.g.*, Ugone Report ¶ 11 ("Arctic Cat's licensing discussions, when considered in combination with other relevant value indicators, provide an *ex-ante* indicator of the value Arctic Cat placed on its claimed CTS technology of no more than $5 per unit. Arctic Cat's past licensing history with Honda further demonstrates Arctic Cat's willingness to license its claimed CTS patented technology to third parties.").

The Court's role in this context is only to ensure that speculative, unreliable testimony does not reach the jury. Its role is not to draw "ultimate conclusions as to the persuasiveness of the proffered evidence," and, thus, to "supplant the adversary system or the role of the jury." *Quiet Tech.*, 326 F.3d at 1341 (internal quotations and citations omitted). Because Dr. Ugone's affirmative opinion is thoroughly reasoned and based on sound methodology, the Report will not be stricken and Dr. Ugone will be permitted to testify.

2. Mr. Taylor, BRP's non-infringement expert

Next, Arctic Cat seeks to exclude the testimony of Mr. Taylor, arguing that certain of Mr. Taylor's opinions on non-infringement, contained in part VI of his report, are rooted in interpretations of claim language that are different from those adopted by the Court in its Order dated August 14, 2015. ECF No. [56] ("Claim Construction Order"). As such, Plaintiff argues that his opinions are not reliable and will not assist the jury. In response, BRP argues that Mr. Taylor properly applied the Court's claim constructions to the accused products when analyzing

non-infringement. *See generally* Taylor Report. For Mr. Taylor's opinions on infringement to be admissible at trial, his infringement opinions must apply the constructions entered by the Court. *See CytoLogix Corp. v. Ventana Med. Sys., Inc.*, 424 F.3d 1168, 1173 (Fed. Cir. 2005) (noting that experts should not be permitted to opine on claim construction before the jury).

In its Claim Construction Order[3], dated August 14, 2015, the Court adopted the parties' four agreed-upon constructions and construed four additional disputed claim terms as follows:

Terms	**Agreed Construction Adopted by Court**
steerable thrust	Thrust above idle thrust that allows the rider to adequately steer the watercraft
independently of the operator	Without the operator manually operating the [throttle control mechanism]/[throttle lever]
controlled thrust steering system	A system to apply thrust at a level and for a time sufficient to maneuver to avoid an obstacle directly in front of a watercraft
proximity switch at a given distance from said magnet	Proximity switch at a distance sufficiently close to be activated by said magnet
Terms	**Court's Construction of Disputed Language**
steering mechanism	Handlebars and steering post/column
thrust[er] mechanism	No construction
after; after…after	Immediately following; immediately following [both conditions]
upon	Immediately following

Arctic Cat maintains that Mr. Taylor failed to faithfully apply these constructions in his infringement analysis. Specifically, the Motion points to three different claims that Mr. Taylor interprets in a manner that Arctic Cat avers is incorrect and, thus, inadmissible.

According to Arctic Cat's Motion, Mr. Taylor's analysis ignores the Court's construction of the term, "thrust," in the claim "controlled thrust steering system," instead effectively substituting it for "engine RPM." *See* ECF No. [75-4] (Taylor Deposition) at 12:5-10 ("In paragraph 90 when you point to a particular or singular level of thrust, are you in that situation talking about engine power or RPMs? A. Yes."). At the hearing held on April 19, 2016, the

[3] The Court held a *Markman* hearing on July 31, 2015.

parties discussed the notion that the physics of jet-pump propelled PWCs generate varying "thrusts" at different velocities. *See* ECF No. [113] (April 19, 2016 hearing transcript ("Transcript")) at 60:9-14; AC Mot. at 6. However, the fact that propulsion inherently operates at varying levels of thrust does not preclude the introduction of Mr. Taylor's opinion at trial.

Indeed, the parties' Motions argue past one another. Mr. Taylor's use of engine RPM as a surrogate for thrust is necessary, because thrust is not measurable otherwise. Engine RPM is the only way to understand how to apply thrust in the construction for "controlled thrust steering system." Particularly as Arctic Cat fails to propose an alternative measure of thrust for illustrative purposes, the Court finds that Mr. Taylor's theory is not only reliable but helpful for a fact-finder to better understand thrust as a concept critical to the instant dispute. Otherwise, thrust could not be quantified. In this way, Mr. Taylor's opinions are admissible as they bear on application of the constructions rather than on the constructions themselves.

Likewise, Mr. Taylor's opinions regarding "after and upon" and "rationally independent" attempt to apply the Court's constructions to the Accused Products, as does his contention that the parties' agreed-upon construction of "controlled thrust steering system" renders it a means-plus-function element, pursuant to 35 U.S.C.A. § 112. *Compare Micro Chemical, Inc. v. Great Plains Chem. Co., Inc.*, 194 F.3d 1250, 1259 (Fed. Cir. 1999) ("Initially, this court notes that the 'hopper means' element does not fall within the ambit of § 112, ¶ 6. The claim language does not associate this element with any function. Moreover, the claim recites extensive structure for the 'hopper means.'") *with Signtech USA, Ltd. v. Vutek, Inc.*, 174 F.3d 1352, 1356 (Fed. Cir. 1999) (finding that "ink delivery means" alone was a means-plus-function element; "[a]lthough the phrase 'means for' is not used, the phrase 'ink delivery means' is equivalent to the phrase

'means for ink delivery,' because 'ink delivery' is purely functional language."). The Court addresses the means-plus-function argument in more detail in its summary judgment analysis.

Although it is improper to ignore the Court's constructions or to utilize inconsistent constructions, it is appropriate for an expert to apply the Court's constructions, as Mr. Taylor does here, as long as the manner of application is reliable and helpful. *See Tesco Corp. v. Weatherford Int'l, Inc.*, 750 F. Supp. 2d 780, 796 (S.D. Tex. 2010) (declining to exclude an expert where it was not clear that the expert was contradicting the court's construction rather than "merely presenting one interpretation of how the construction applies to the accused products"); *Personalized User Model, L.L.P. v. Google Inc.*, -- F. Supp. 2d --, 2014 WL 807736, at *1-2 (D. Del. Feb. 27, 2014) (contrasting testimony clearly contradicting an aspect of the claim language that the court had explicitly ruled upon in claim construction with testimony applying the court's construction to the accused products). A dispute about the proper *application* of the Court's constructions is not grounds to exclude Mr. Taylor's opinions. Mr. Taylor indeed puts a gloss on the terms that the Court construed in the Claim Construction Order, as he should. The terms are meaningless without a proper, reasoned application under the circumstances in this case – which is exactly the purpose of expert testimony. Exclusion of Mr. Taylor's opinions, therefore, is not warranted. His report is precise, specific, and is based on the claim constructions determined by the Court. Furthermore, it is helpful as it "concern[s] matters that are beyond the understanding of the average lay person." *Edwards*, 580 F. App'x at 823.

For all of these reasons, BRP's expert reports comport with *Daubert* and, therefore, survive Arctic Cat's Motion. Dr. Ugone and Mr. Taylor will be permitted to testify as to the opinions set forth in their expert reports at trial. The Court comes to the same conclusion regarding Arctic Cat's experts, analyzed in more detail below.

B. BRP's *Daubert* Motion

BRP seeks to exclude the testimony and reports of Arctic Cat's experts, Dr. Bernard Cuzzillo ("Dr. Cuzzillo") and Paul Kamen ("Mr. Kamen"), and to exclude portions of the proposed testimony and expert report of Arctic Cat's expert, Walter Bratic ("Mr. Bratic"). As with Arctic Cat's Motion, the Court addresses these individuals in turn.

1. Dr. Cuzzillo, Arctic Cat's infringement expert

BRP argues that Dr. Cuzzillo's testimony should be excluded for two reasons: (1) he is not qualified to offer the opinions set forth in his report as a fire scientist, rather than an expert in the field of PWC and propulsion systems; and (2) he did not adhere to the claim constructions set forth in the Court's Order. Alternatively, in the case that the Court decides that Dr. Cuzzillo is qualified to serve as an expert witness in this matter, BRP argues that he should be precluded from offering any opinions or testimony at trial relating to BRP's alleged infringement of the '969 Patent or of either Patent at Issue under the doctrine of equivalents for his failure to address these issues in his opinion.

a. Qualifications

According to BRP's Motion, although a seasoned mechanical engineer, Dr. Cuzzillo has never worked on a PWC matter. Indeed, Dr. Cuzzillo admits that he has only worked on one matter involving watercraft, which was a personal injury matter involving an explosion and fire on a watercraft. However, an expert's qualifications need not be narrowly tailored to the precise circumstances of the case; merely "because [the expert's] experience does not precisely match the matter at hand" does not render him unqualified. *J.G.*, 2013 WL 752697, at *3 (citations omitted). As Arctic Cat details, Dr. Cuzzillo comes into this case with bachelors, masters, and Ph.D. degrees from U.C. Berkeley in mechanical engineering, with a Ph.D. major in combustion

and Ph.D. minors in control systems and mathematics. *See* ECF No. [76-2] (Cuzzillo Deposition and CV) at 13. His studies in combustion included, *inter alia*, combustion devices fluid mechanics, electrical engineering, and sensors and controls. *Id.* at 3, 12:1-13. Dr. Cuzzillo has more than 35 years of practical experience as a mechanical engineer. *Id.* at 13. He has particular expertise in engines, vehicles, and control systems, and is a registered professional engineer in mechanical engineering, as well as a longstanding member of the Society of Automotive Engineers ("SAE"). *Id.* He has served as an expert in a number of cases, including a recent patent case in the International Trade Commission, where he provided a technology tutorial to the Chief Administrative Law Judge regarding a two-stroke cycle fuel-injected engine in a snowmobile. *Id*. Dr. Cuzzillo's work in this matter has involved identifying mechanical elements of the accused PWC and observing and testing their performance to determine infringement, as well as studying prior art references to opine on their validity. In the course of his work, he reviewed the pertinent literature, applied his experience, conducted "off-water" tests and inspections of the accused BRP PWCs, and worked with another Arctic Cat expert – Mr. Kamen – to conduct on-water testing. *Id.* at 7, 52:20-25.

The Court finds *J.G.*, 2013 WL 752697, instructive here. In that case, an expert in law enforcement and private security, although not an expert on cruise ship security, was found to be qualified to testify to matters of "security-related policies and practices" in a case concerning the security practices of a cruise ship. *Id.* at *4 ("The extent of [the expert's] unfamiliarity with cruise ships goes, instead, to the weight and credibility of his testimony and is, therefore, appropriately a subject for Plaintiff's vigorous cross examination at trial."). Similarly, here, Dr. Cuzzillo's extensive expertise in engines, vehicles, and control systems qualifies him to be an expert concerning a case such as this – i.e., one involving engines, throttle systems, thrust

systems, and object avoidance. As the *J.G.* court explained, "an expert must satisfy a relatively low threshold, beyond which qualification becomes a credibility issue for the jury." 2013 WL 752697, at *3 (citing *Martinez v. Altec Indus., Inc.*, 2005 WL 1862677, at *3 (M.D. Fla. Aug. 3, 2005)). Certainly, Dr. Cuzzillo satisfies this burden.[4] *See Martinez*, 2005 WL 1862677, at *3 (citing *Rushing v. Kansas City S. Ry. Co.*, 185 F.3d 496, 507 (5th Cir. 1999)) (explaining that once there exists "reasonable indication of qualifications," those qualifications then "become an issue for the trier of fact rather than for the court in its gate-keeping capacity"). As such, Defendants' Motion is denied based on a lack of qualifications.

b. Reliability

Contrary to BRP's representations, Dr. Cuzzillo read and applied the Court's claim construction to his infringement and validity analysis, as reflected in his deposition testimony. *See* Cuzzillo Dep. at 80:15-23, 84:1-24. He testified that he knew the Court's Order "construes certain terms that are in the claims," *id.* at 82:1-6, and that he understood that he was "to adopt those definition[s], those constructions. So the terms in the patent that are construed by the [C]ourt I'm to take as given." *Id.* at 83:7-25. The Court's constructions of disputed terms, and the parties' agreed constructions of other terms, as stated by Dr. Cuzzillo, "control the infringement analysis in this case[.]" *Id.* at 84:13-89:15. BRP appears to take issue, instead, with the fact that Dr. Cuzzillo's report does not quote the Court's Claim Construction Order, *see* BRP Mot. at 9:

[4] *Shreve v. Sears, Roebuck & Co.*, 166 F. Supp. 2d 378, 391-94 (D. Md. 2001), cited by Defendants, is inapposite. Shreve was a personal injury case where plaintiff's expert theorized that plaintiff's snow thrower was unsafe. He had no experience with snow throwers, did not test his theory, and did not conduct a review of the literature of snow throwers to inform himself about their design or operation. To his knowledge, neither his theory nor anything like it had ever been described in the literature or verified in any way.

> MR. WEJNERT: But just to be clear, earlier, you said you did not reference the court's claim construction anywhere within this report that you have in front of you, correct?
>
> A. I had it in mind, but no. Not – I didn't quote it.
>
> Q. On this page, do you show the language, "System to apply thrust at a level and for a time sufficient to maneuver to avoid an obstacle directly in front of a watercraft?" [objection omitted]
>
> THE WITNESS: Well, I didn't quote those words, but that's certainly what I mean.

Cuzzillo Dep. at 92:24-93:25. But, as Dr. Cuzzillo explained, "I don't use that particular set of words, but the content of what I do say is equivalent. . . . It's saying that, the equivalent thing. . . . It is an agreement with the claim construction. It's just using synonymous descriptive language. . . . I think it's part of my job as an expert to explain the physical implementation of those words in the product, and that's what I'm doing here." *Id.* at 106:24-108:9.

BRP's insistence that Dr. Cuzzillo quote the Court's claim construction in his report elevates form over substance, as does its argument that that Dr. Cuzzillo did not address infringement under the '969 Patent or the doctrine of equivalents.[5] Dr. Cuzzillo did precisely that when he stated that the opinions detailed in his report regarding infringement of the '545 Patent "applie[d] with equal force to the asserted claims of the ['969 Patent]" and referred to Plaintiff's Infringement Contentions, attached to his report, to further demonstrate that "the asserted claims of the '969 correspond to equivalent claims in the '545." ECF No. [76-3] (Cuzzillo Report). The cases to which BRP cites are inapposite, as Dr. Cuzzillo expressly stated – not once but twice – that he intended all of his reasoned opinions to apply to both the '545 Patent and the '969 Patent, which he views as equivalent claims. He, therefore, did not rely

[5] Infringement under the doctrine of equivalents may be based on the accused product satisfying the limitation by performing the same function, in the same way, for the same result, or because the differences between the claim limitation and the accused product are "insubstantial." *EPOS Techs. Ltd. v. Pegasus Techs. Ltd.*, 766 F.3d 1338, 1348 (Fed. Cir. 2014).

solely on the Infringement Contentions attached to his report. *See* Fed. R. Civ. P. 26(a)(2)(B); *cf. Digital Reg of Tex., LLC v. Adobe Sys., Inc.*, -- F. Supp. 2d --, 2014 WL 1653131, at *2 (N.D. Cal. Apr. 24, 2014) ("Infringement contentions 'need not disclose specific evidence, whereas expert reports must include a complete statement of the expert's opinions, the basis and reasons for them, and any data or other information considered when forming them.'"). More appropriately, Defendants' argument that Dr. Cuzzillo's report is "shaky" would provide good fodder for cross-examination. *Quiet Tech.*, 326 F.3d at 1341 (quoting *Daubert*, 509 U.S. at 596) ("[V]igorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence."); *see* Transcript at 24:24-25 ("But regardless, the most he was doing is saying: 'That excuses me from repeating my 545 arguments over again.'"), 39:11-12 ("Is it the most elegant thing in the world? No, it's not. And sometimes you get that kind of thing from experts, especially technical experts. But does it rise to the level where we are going to preclude him from testifying about it? And I don't think that this rises to that level."). Defendants further argue that Dr. Cuzzillo's report should be excluded as unreliable because the Patents are not in fact equivalent; however, they fail to provide any detailed analysis in support with which the Court could make a determination as a matter of law. *See* BRP Mot. at 6 ("First, none of the asserted claims of the '969 Patent require "steerable thrust[,]" while all asserted claims of the '545 Patent do. Second, the '969 Patent requires both the increase of thrust upon rotating the steering mechanism clockwise or counter-clockwise and the decrease of thrust upon rotating the steering mechanism to a straight-ahead position.") (citations omitted).

Regardless, it is clear to the Court that the equivalence between the patents – or lack thereof – is an intensive factual determination over which the parties fairly disagree. For that

reason, it is more properly presented to the jury as an issue of fact. Nevertheless, to the extent that Dr. Cuzzillo seeks to offer additional analysis not previously disclosed in his report, relating to the doctrine of equivalents or otherwise, he is clearly precluded from doing so – as are all other experts scheduled to testify limited to the substance of their reports. *See* Fed. R. Civ. P. 26(e)(2) ("For an expert whose report must be disclosed under Rule 26(a)(2)(B), the party's duty to supplement extends both to information included in the report and to information given during the expert's deposition. Any additions or changes to this information must be disclosed by the time the party's pretrial disclosures under Rule 26(a)(3) are due.").

2. Mr. Kamen, Arctic Cat's boating safety and technology expert

Arctic Cat has designated Mr. Kamen as a boating safety and technology expert who will opine about the proper technological context of the Patents at Issue in view of the safety concerns that uniquely arise in the context of PWCs. According to BRP, Mr. Kamen should be precluded from offering any testimony or opinions in this matter, because his analysis and conclusions are "unscientific," "unreliable," and "unsupported." BRP Motion at 2. For example, BRP contends that Mr. Kamen's opinion that automated throttle reapplication "has proven to be effective in reducing fatalities and injuries among PWC users," ECF No. [76-6] ("Kamen Report") ¶ 2, is not supported by any quantitative analysis that would indicate that PWCs equipped with throttle reapplication systems are directly responsible for any statistically-significant reduction in fatalities and injuries. Furthermore, BRP argues that Mr. Kamen's related opinions on causes of reductions in PWC accidents are unsupported by anything other than his personal opinion, with no reference to sources to support his opinion. *See generally id.* Likewise, Defendants claim that Mr. Kamen's opinions on accident statistics lack a reliable

methodology. Mr. Kamen's opinions on iBR effectiveness and "[s]elected PWC accident videos," are also challenged in the Motion as unhelpful to a trier of fact. BRP Mot. at 8.

Importantly, "failure to include variables will affect the analysis' probativeness, not its admissibility." *Quiet Tech*, 326 F.3d at 1346 (quoting *Bazemore v. Friday*, 478 U.S. 385, 400 (1986)); *see Rosenfeld v. Oceania Cruises, Inc.*, 654 F.3d 1190, 1193 (11th Cir. 2011) ("[I]n most cases, objections to the inadequacies of a study are more appropriately considered an objection going to the weight of the evidence rather than its admissibility.") (internal quotation and citation omitted). *Rosenfeld*, a slip-and-fall on a cruise ship, provides insight on this point. There, the plaintiff sought to introduce expert testimony to demonstrate that the defendant's choice of flooring on the ship posed a higher danger of slip-and-fall accidents. 654 F.3d at 1192-2003. The district court in *Rosenfeld* excluded the expert testimony, determining that the testimony was not helpful. *Id.* at 1193-94. The Eleventh Circuit reversed. *Id.* After holding that the district court abused its discretion with respect to helpfulness, the Eleventh Circuit found that the defendant's objections with respect to reliability were unfounded. *Id.* at 1194. Specifically, the Court rejected defendant's assertion that the expert's methods were unreliable because he failed to test for other possible scenarios and was otherwise imprecise. *Id.* Instead, the Court noted that the defendant could more appropriately challenge the expert testimony "through vigorous cross-examination and presentation of contrary evidence." *Id.* (internal quotation omitted). Similarly, here, "[a]t trial, [d]efendants will be able to question [the expert] about his less-than-complete review . . . , and this cross-examination, which the [court] anticipates will be rigorous, should be sufficient protection." *Latele Television, C.A. v. Telemundo Commc'ns Grp., LLC*, No. 12-22539-CIV, 2014 WL 7150626, at *8 (S.D. Fla. Dec. 15, 2014).

None of the other related arguments that BRP makes persuade the Court otherwise. Any supposed deficiencies in Mr. Kamen's assertion that throttle reapplication has contributed to the decline in injuries and fatalities arising from PWC – i.e., that he did not adequately demonstrate that throttle reapplication was "directly responsible" for a "statistically significant" decline, BRP Mot. at 10 – do not bear on the admissibility of his testimony. *See Seamon v. Remington Arms Co., LLC*, 813 F.3d 983, 990 (11th Cir. 2016) (reversing exclusion of expert testimony where district court erroneously excluded plaintiff's causation expert for allegedly not sufficiently considering alternate causes). Again, the inquiry appropriate at this juncture is whether the evidence is admissible, not whether it carries the day. *See id.* ("Once an expert opinion has satisfied *Daubert*, a court may not exclude the opinion simply because it believes that the opinion is not – in its view – particularly strong or persuasive. The weight to be given to admissible expert testimony is a matter for the jury.").

BRP's other concerns are equally flawed. The Motion casts doubt on Mr. Kamen's cited injury statistics – but, Mr. Kamen confirmed in his deposition that the statistics on which he relied in his report came directly from published reports of the U.S. Coast Guard and identified the statistical summaries in his report. ECF No. [76-7] ("Kamen Deposition") at 67:13-68:8 ("Q. Were these the only sources of the data to prepare this table on Page 19? A. Yes."); *see Cummins v. Lyle Indus.*, 93 F.3d 362, 369 (7th Cir. 1996) (noting that expert methodologies may include a "review of experimental, statistical, or other scientific data generated by others in the field"). BRP's attack on Mr. Kamen's opinion that the engine speed following activation of the iBR brake is "carefully regulated by onboard software, and braking effectiveness is limited" also fails. *See* BRP Mot. at 10, n. 4. Although BRP asserts that this is merely Mr. Kamen's "subjective evaluation," *id.*, Mr. Kamen claims quite the opposite in his deposition, where he

testified that he personally conducted sea trials of the iBR brake. *See* Kamen Dep. at 4, 113:5-9. Mr. Kamen's personal experience, testing, and observation of the BRP iBR brake satisfies the requirement that his opinions be reliably based.

The fact that Mr. Kamen has presented similar opinions to professional organizations across the country, including one just prior to his deposition in this case, further corroborates Plaintiff's position as it goes to the acceptance of Mr. Kamen's techniques in the relevant scientific community. *See* ECF No. [84] (Artic Cat's Response ("AC Resp.") to BRP Mot.) at 10; *Kumho*, 526 U.S. at 152 (holding that *Daubert* inquiry is designed to "make certain that an expert, whether basing testimony upon professional studies or personal experience, employs in the courtroom the same level of intellectual rigor that characterizes the practice of an expert in the relevant field."). Thus, the Court concludes that Mr. Kamen's proffered testimony is substantially consistent with opinion testimony that has been accepted by other courts and will assist the trier of fact. Defendants' Motion to exclude Mr. Kamen's testimony is, therefore, denied.

3. Mr. Bratic, Arctic Cat's damages expert

BRP seeks to exclude Mr. Bratic's testimony in part on two specific issues. *See* ECF No. [76-8] ("Bratic Report"). First, the Motion claims that Mr. Bratic cannot use a valuation of BRP's iBR braking technology as a benchmark for valuing its OTAS technology. Second, BRP contends that Mr. Bratic misapplied the book of wisdom to calculate BRP's incremental profit arising from the accused OTAS technology. These arguments are unavailing.

Mr. Bratic indeed relied on Dr. Cuzzillo's opinion that the brake feature on BRP's Sea-Doo PWC is, from the standpoint of technology and safety, equivalent to the OTAS technology on Sea-Doo PWC. However, contrary to BRP's Motion, this amounted to limited reliance by a

damages expert on a technical expert for information outside of his expertise, which is a permissible – and often advisable – exercise. *See Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1321 (Fed. Cir. 2014) ("Experts routinely rely upon other experts hired by the party they represent for expertise outside of their field.") (citation omitted), *overruled on other grounds by Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1348, 20 (Fed. Cir. June 16, 2015) (*en banc in part*); *Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*, 807 F.3d 1283, 1303 (Fed. Cir. 2015). Likewise, BRP's contention that Dr. Cuzzillo provided a monetary value that was applied mechanistically by Mr. Bratic is not supported by the content of Mr. Bratic's report. Mr. Bratic did in fact rely on Dr. Cuzzillo's opinion that, from the standpoint of technology and safety, OTAS was as valuable and important as the iBR brake, but Dr. Cuzzillo did not put a dollar value on the technology – Mr. Bratic did. Mr. Bratic's opinion that the OTAS feature carries a monetary value equivalent to the iBR brake is supported by his research and helpful to a fact-finder. BRP has therefore failed to demonstrate a sufficient cause for exclusion, such as a blind adoption of Dr. Cuzzillo's opinion or a valid reliability concern relating to the underlying report by Dr. Cuzzillo. *See Hendrix v. Evenflo Co., Inc.*, 255 F.R.D. 568, 607, n. 75 (N.D. Fla. 2009) (finding that second expert could rely on first expert's opinion because the second expert has a "reasonable belief that [the first expert's] opinion was reliable"); *In re Polypropylene Carpet Antitrust Litig.*, 93 F. Supp. 2d 1348, 1357 (N.D. Ga. 2000) ("An expert, however, may not simply repeat or adopt the findings of another expert without attempting to assess the validity of the opinions relied upon.") (citing *In re TMI Litig.*, 193 F.3d 613, 715-16 (3d Cir. 1999)).

Moreover, this Court has already concluded that Dr. Cuzzillo is qualified to opine on the matter at hand and has presented reliable, reasoned conclusions, including his finding that, from a technological standpoint, the iBR technology is equivalent to the OTAS technology on Sea-

Doo PWC. The basis for Cuzzillo's opinion was his own investigation of the OTAS and iBR brake technologies, how they work, and the benefits provided as well as discussions with Mr. Kamen and a review of Mr. Kamen's report. *See* AC Resp. at 13. Accordingly, to the extent that BRP believes that the comparison between the two technologies is problematic, that is a line of attack more appropriately addressed through cross-examination.

BRP next maintains that Mr. Bratic's reliance on the OTAS components in the accused products from 2009 forward is an inappropriate application of the book of wisdom because this period post-dates the hypothetical negotiation in 2004. Because a hypothetical negotiation takes place at the time infringement begins, certain "elements of value . . . will not be known by first imagining a forced sale, and then accepting as a measure its probable results." *Sinclair Refining Co. v. Jenkins Petroleum Process Co.*, 289 U.S. 689, 698-99 (1933). Rather, resort should be made to actual sales and profit information for the accused products to disclose those "elements of value that were there from the beginning." *Id.* at 699. BRP argues, specifically, that since BRP used a more expensive mechanical system to implement OTAS on its initial Sea-Doo 3D model, Mr. Bratic's reliance on the cost of the subsequent electronic OTAS implementation in the accused products is unreliable. As a factual matter, the Motion avers that the parties "could not have known" that the OTAS technology accused of infringement in this case would "differ greatly" from the 2004 implementation. BRP Mot. at 18. In connection with this argument, *inter alia*, the parties dispute the meaning of a 2002 BRP presentation describing an OTS system as "[c]ompletely electronic with no visible parts." AC Resp. at 16. BRP argues that this presentation does not show that BRP's MY2009 OTAS was knowable in 2004. Even in 2004, BRP contends, the OTAS system was electronic, as it used an electronic control module and software programming. *See* ECF No. [93] (BRP Reply) at 9-10. Moreover, "no visible parts,"

according to BRP's Motion, is likely a reference to the fact that the system did not have rudders, in comparison to the previous system that did. *Id.* at 10. On the other hand, Arctic Cat claims that this "completely electronic" system refers to other technology available in the market in 2002, similar to the technology later developed by BRP – and, therefore, that such systems were "knowable" two years later at the hypothetical negotiation. AC Resp. at 16.

Relying on *Integra*, 331 F.3d at 869-70, BRP argues that post-infringement evidence only properly informs a hypothetical negotiation if it is relevant to the value of the patent at the time of first infringement – and, here, the argument is made that Mr. Bratic's opinion is far afield from the type of post-infringement analysis that is generally permissible. *See* BRP Mot. at 18. However, *Integra* is inapposite as the key issue in that case was the district court's failure to establish a hypothetical negotiation date. *Id.* at 870. When addressing this failure, the Court noted that "[t]he value of a hypothetical license negotiated in 1994 could be drastically different from one undertaken in 1995," because the defendant did not have fair expectations of FDA approval until 1995. *Id.* There is no such unpredictable and exogenous event at play here. Furthermore, *Integra*'s observation that "a year can make a great difference in economic risks and reward . . . factor[ed] in the rapid development of biotechnological arts," *id.*, – another consideration that BRP has not shown to be present here.

Clearly, "[t]here is no rule that a royalty be no higher than the infringer's net profit margin." *State Industries, Inc. v. Mor-Flo Industries, Inc.*, 883 F.2d 1573, 1580 (Fed. Cir. 1989). And, in fact, "[e]vidence of the infringer's actual profits generally is admissible as probative of his anticipated profits." *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1568 (Fed. Cir. 1984) ("We therefore disagree with the district court's exclusion of evidence of Nyman's profits from the sale of displayed eyeglasses as not relevant to the determination of a

reasonable royalty."). The reliability inquiry seeks only to ensure that an expert's testimony "rests on a reliable foundation." *Frazier*, 387 F.3d at 1261 (quoting *Daubert*, 509 U.S. at 597) (internal quotation marks omitted). To survive this requirement, proposed expert testimony "must be supported by appropriate validation – i.e., 'good grounds,' based on what is known." *Id.* (quoting *Daubert*, 509 U.S. at 590). Here, BRP's argument boils down to a challenge over the correct measure of damages in this case, an issue hotly disputed in the parties' motions. Because both sides have set forth appropriate methodology for damages calculations, taking into account proper legal doctrine and factual variables, albeit pursuant to alternative theories and interpretations of industry history, the Court will not exclude Mr. Bratic's relevant and reliable testimony based on their dispute. The issues of fact presented here are more properly decided by a jury.

Accordingly, Dr. Cuzzillo, Mr. Kamen, and Mr. Bratic will be permitted to testify at trial as to the opinions contained in their expert reports, along with Dr. Ugone and Mr. Taylor. In their Motions, the parties muddle the distinctions between admissibility, credibility, and weight. Ultimately, neither party has presented sufficient grounds for exclusion of expert testimony pursuant to *Daubert* or Fed. R. Evid. 702. The Court, therefore, considers the totality of this expert testimony in its evaluation of BRP's Summary Judgment Motion below.

C. BRP's Summary Judgment Motion

Pursuant to Fed. R. Civ. P. 56, BRP requests summary judgment in its favor. The Motion makes four primary arguments. First, as Defendants argue, the asserted claims are invalid under 35 U.S.C. § 103, because they were obvious to one of skill in the art at the time of Arctic Cat's "purported invention." SJ Mot. at 2. Second, BRP's PWCs, which incorporate the accused OTAS system, do not infringe because, *inter alia*, OTAS does not provide thrust "immediately,"

which the patent claims require. Third, laches prevents recovery by Arctic Cat, as Arctic Cat did not bring the instant suit until ten years after BRP began selling products with the allegedly infringing technology. Finally, according to the Motion, Arctic Cat cannot recover for any pre-complaint sales because Honda, its licensee, made products practicing these patents without satisfying the marking requirements of 35 U.S.C. § 287(a). Although these arguments are not without merit, as discussed below, they are insufficient alone to preclude this case from proceeding to trial. As Arctic Cat points out, BRP's Motion serves only to confirm that this case is rife with disputed issues of material fact.

Every patent issued from the United States Patent and Trademark Office ("USPTO") "shall be presumed valid." 35 U.S.C. § 282. Moreover, each claim of a patent – whether in independent, dependent, or multiple dependent forms – shall be presumed valid "independently of the validity of other claims." *Id.* Dependent or multiple dependent claims shall be presumed valid "even [if] dependent upon an invalid claim." *Id.* The burden of establishing invalidity of a patent or any claim thereof rests on the party asserting invalidity. *See Microsoft Corp. v. i4i Ltd. P'shp.*, 564 U.S. 91, 102 (2011). That burden is a "heavy" one. *Id.* As the Supreme Court has explained, the burden of proof for invalidity is "constant and never changes" – i.e., it never shifts to the patentee – and it is to "convince the court of invalidity by clear [and convincing] evidence." *Id.*

1. Obviousness

One such invalidity defense that BRP asserts derives from 35 U.S.C. § 103. A claim is invalid as obvious under this section "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious." 35 U.S.C. § 103; *see Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966) ("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.").[6] This requirement "extends the field of unpatentable material beyond that which is known to the public under § 102, to include that which could readily be deduced from publicly available material by a person of ordinary skill in the pertinent field of endeavor." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150 (1989).

"Obviousness is a determination of law based on underlying determinations of fact." *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 655 F.3d 1364, 1374 (Fed. Cir. 2011) (citing *Geo M. Martin Co. v. Alliance Mach. Sys. Int'l*, 618 F.3d 1294, 1300 (Fed. Cir. 2010)). "These factual determinations include the scope and content of the prior art, the level of ordinary skill in the art, the differences between the claimed invention and the prior art, and secondary considerations of nonobviousness."[7] *Id.* (citing *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 406 (2007)). "Through the lens of one of ordinary skill in the art, even when all claim limitations are found in prior art references, the fact-finder must not only determine what the prior art teaches, but whether prior art teaches away from the claimed invention and whether there is a motivation to combine teachings from separate references." *Id.* at 1374-75. "Ultimately, obviousness requires careful judgment and analysis in light of technical facts." *Id.* at 375 (citing *KSR*, 550 U.S. at 419).

[6] This person of ordinary skill in the art (referred to in these motions as, "POSITA") is a legal construct – a hypothetical person who is placed in the position of being aware of all relevant prior art. *Custom Accessories, Inc. v. Jeffrey-Allan Indus.*, 807 F.2d 955, 962 (Fed. Cir. 1986).

[7] Among other arguments discussed in more depth here, Arctic Cat suggests that "unexpected results" support secondary considerations of non-obviousness in that its system worked despite being counterintuitive and only needed one level of thrust. ECF No. [88] (AC Response to SJ Motion ("SJ Resp.")) at 13, n. 23. Nevertheless, BRP counters that this fact was hardly "unexpected" as Rheault itself disclosed a single level of thrust.

Specifically, BRP maintains that, at the time of invention, there was market pressure to address a known OTS issue, and there were "a limited number of identified, potential solutions," such that a person of ordinary skill in the art had "good reason to pursue the known options within his or her technical grasp." *KSR*, 550 U.S. at 415-17 (where "a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill"); *see* Transcript at 9:9-16. With this standard in mind, to win summary judgment under a theory of obviousness, BRP must demonstrate – by clear and convincing evidence – that the differences between the claims in the Patents-at-Issue "and the prior art are such that the subject matter as a whole would have been obvious." 35 U.S.C. § 103.

BRP relies primarily on one invention as prior art forming the basis of their obviousness argument – Canadian Patent Application 2,207,938 ("Rheault '938" or "Rheault"), which was filed on June 16, 1997, and claimed priority to a U.S. application filed on January 10, 1997. *See* ECF No. [77-6] (Rheault Patent). Rheault '938 was published on July 10, 1998, more than a year before the November 1999 priority date of the '545 and '969 patents; thus, BRP maintains that Rheault '938 qualifies as prior art under 35 U.S.C. § 102(b). *Id.* Rheault '938 teaches a low-speed steering system for a watercraft having a jet propulsion unit and, as BRP highlights, discloses application of its invention to other watercraft, including PWCs. *See, e.g.*, *id.* at 8:15-17 ("Furthermore, this invention is applicable to all types of watercraft vehicles, including personal watercraft vehicles and similarly powered watercraft vehicles."); Transcript at 12:23-25 ("And by inviting one to put the invention on a personal watercraft – Rheault has given teaching suggestion motivation pre-KSR for doing that – certainly makes it obvious to try."). BRP

maintains that Rheault '938 discloses all of the elements of the independent claims of the '545 and '969 Patents.[8]

As further proof that combining these elements from Rheault with a PWC was obvious to one of skill in the art to try, BRP presents evidence surrounding a 1999 patent issued in the United Kingdom, which encompassed an invention by Pierre Boudriau that combined a conventional PWC with a throttle reapplication system. *See* ECF No. [77-10] (Boudriau Patent); *Nat'l Steel Car, Ltd. v. Canadian Pac. Ry., Ltd.*, 357 F.3d 1319, 1337-39 (Fed. Cir. 2004) (holding a real person making a combination suggested by the prior art is evidence that one of skill in the art would have been motivated to combine same); Transcript at 13:10-11, 14:10-13 ("And as the *National Steel Car* case says from the Federal Circuit, the best evidence that it would be obvious to combine two references to get the invention is the fact that someone did it, and we have multiple people doing this."). According to BRP, "[i]t talk[ed] about a motor and a throttle means controlling the motor speed, sensors to detect turning motion, and a system to maintain power to the motor for a pre-determined period of time when the throttle controls are released during a turning motion." Transcript at 16:9-13. And then, BRP claims that its own internal work demonstrates that it was obvious to try to apply the Rheault invention to a PWC. "[T]hey actually built one system that took jet boat technology, put it on a Sea-Doo and tested it." *Id.* at 17:1-5.

At a minimum, however, the record reveals material fact issues regarding whether one of skill in the art would understand the Boudriau disclosure and whether one of skill in the art would be motivated to combine BRP's asserted secondary references with BRP's jet boat technology to come up with the inventions claimed in the '545 and '969 Patents. First, Arctic

[8] BRP also labels two other inventions as prior art, the 1997 Sea-Doo Challenger Jet Boat 1800 and the 1997 Operator's Guide, Challenger 18 – both of which, BRP claims, commercially embody the invention taught in the Rheault '938.

Cat asserts that six limitations in the asserted claims are not found in the Rheault '938, including: (1) steering mechanism (all asserted claims); (2) throttle lever biased toward an idle position (all asserted claims); (3) a controlled thrust steering system (claims 15, 17, 19, and 25 of the '545 Patent; all asserted claims of the '969 Patent); (4) steerable thrust (all asserted claims of the '545 Patent); (5) throttle body (dependent claim 19 of the '545 Patent; dependent claim 19 of the '969 Patent); and (6) a magnet and proximity switch rotationally independent of said magnet (dependent claim 25 of the '545 Patent; dependent claim 17 of the '969 Patent). *See* ECF Nos. [90] ("Boebel Declaration"), [90-4] ("'545 Patent"), [90-23] ("'969 Patent"); Transcript at 31:6-7 ("Rheault does not include several components that are variously discussed in the claims."). BRP highlights that nowhere in this list does Arctic Cat dispute that prior art PWCs disclosed a throttle body as well as proximity switches and magnets. *See* Transcript at 18:18-20 ("The same applies to the proximity switch and magnets in the other dependent claim. Those are well-used in the prior art, so there's nothing magical about adding them."). Furthermore, it argues that, even if Rheault '938 does not contain all of these limitations, Arctic Cat's claims are still invalid under § 103, because any missing limitation would have been obvious to one of ordinary skill in the art. Furthermore, the Motion contends that this analysis, pursuant to *KSR*, 550 U.S. at 419, precludes any consideration of the particular motivation or avowed purpose of the patentee. Nevertheless, this is not what *KSR* counsels; instead it simply rejects a "narrow conception of the obviousness inquiry . . . [where] the particular motivation []or the avowed purpose of the patentee controls." *Id.*

Using the concept of motivation only as one consideration of many, and focusing on "the objective reach of the claim," *id.*, Arctic Cat successfully pokes a number of holes in BRP's analysis. The material facts ultimately precludes BRP from meeting its high "clear and

convincing" standard. Most persuasively, Arctic Cat did not withhold the Rheault patent from the USPTO. The patent examiner reviewing Application Serial No. 09/431,444, the parent application for the patent family that includes the '545 and '969 patents, which issued as U.S. Patent No. 6,159,059, considered the Rheault '938 application, and specifically allowed Arctic Cat's OTS claims over Rheault and other prior art. The USPTO explained its reason for this determination as follows:

> The prior art does not disclose a throttle system for watercraft having a jet propulsion drive comprising a steering mechanism having a straight-ahead position and being adapted to rotate to provide a steering function, wherein the throttle control mechanism is biased towards an idle position; and a thrust mechanism providing jet propulsion thrust; a throttle regulator for regulating thrust provided by the thrust mechanism; and a controlled thrust steering system; wherein the controlled thrust steering system causes the throttle regulator to increase thrust upon the steering mechanism rotating from the straight-ahead position, generally as claimed.

Boebel Decl., ECF No. [90-7], August 16, 2000, Notice of Allowability and Reasons for Allowance ("Notice"), p. 2; *see* Transcript at 33:25-34:1-5 ("[O]ne of the things that the patent office found significant is the biased throttle lever. Consistent with the way that it operates in an emergency situation, the rider is not deciding to engage the system, Your Honor. It just engages for the rider."). So, the '059 Patent issued over the Rheault '938, despite containing claims that encompass a related aspect of Arctic Cat's controlled thrust steering technology. This evidence convinces that Court that the USPTO, after considering the Rheault '938 patent, specifically rejected the argument that Rheault '938 and Arctic Cat's OTS invention are coextensive. *See* Transcript at 33:1-10 ("It is a low speed directional control system and it's referred to as docking assistance program . . . in the Challenger Jet Boat that is the commercial embodiment of this patent. . . . [And], it bears noting that the US Patent and Trademark Office has largely agreed with the same thing.").

Moreover, a SAE study, engineered in part by BRP's experts, casts further doubt on the so-called obviousness of Arctic Cat's patent claims. In 1997, BRP's experts Kevin Breen and Mr. Taylor were approached by the U.S. Coast Guard ("USCG") Safety Officer about "Grant 18," which requested proposals to evaluate technology to address the OTS issue in jet-propelled watercraft. Breen Dec. ¶ 17. With technical assistance from both Mr. Breen's firm (Breen & Associates) and Mr. Taylor's firm (Design Research Engineering), the SAE Cooperative Research Council submitted a proposal to the USCG in response to Grant 18 in December 1997. *Id.* ¶¶ 18-19 and Ex. A, 1997 SAE Proposal. "[T]his was not done in secret. It is publicly disseminated to everyone." Transcript at 15:4-7. The 1997 proposal for the SAE study, which was accepted, recognizes the OTS problem that was unsolved before Arctic Cat's patent applications:

> There has been speculation in some collision accidents involving jet-pump propelled craft that operators released the throttle, then tried to evasively steer the craft, and due to reduced maneuverability could not avoid the collision. Accordingly, the purpose of the proposed study is to review and test current technology and address whether current hardware, systems, or concepts may be available which would improve directional maneuverability of jet-pump propelled watercraft during the time when operators may not be applying throttle; i.e. during the off-throttle condition.

Boebel Decl., ECF No. [90-8] (Grant 18 Proposal) at 5.

However, BRP presents evidence of an Interim Report, issued in February 1999, which did in fact identify a BRP jet-boat throttle reapplication feature: "Engine Control by Reapplication of Thrust . . . is a feature on jet boats manufactured by Bombardier. . . . [T]he system automatically reapplies enough thrust to maneuver the jet boat." ECF No. [77-3] (Kevin Breen Declaration) at 53 (SAE Interim Report); *see* Transcript at 15:15-19 ("The interim report issued in February 1999 explicitly talks about using the jet boat, which is the Rheault 938

technology, and putting it on a personal watercraft as a solution. So it's screaming obviousness to try, in the words of KSR."). Mr. Breen and Mr. Taylor, nonetheless, concluded in their Draft Final Report for the U.S. Coast Guard, in August 1999, that "this emerging technology has not been developed to the point of application for PWC."[9] Breen Decl. at 64 (Draft Final Report). Neither party addresses the inconsistency between these disparate conclusions in the Interim and Final Reports and evidence surrounding this SAE study will be significant when presented to the jury.

Further obfuscating the narrative, Mr. Breen now asserts that "by March 1999 it was very clear to all persons with skill in the art and persons in the PWC industry that throttle re-application similar to that demonstrated by the Bombardier Challenger Jet Boat was a viable, technical approach to address OTS." Boebel Decl., ECF No. [90-1] (Breen Expert Report) at ¶ 40. Curiously, in 2016, not only did Mr. Breen suggest that BRP's jet boat technology absolutely was applicable to PWCs – but that the technology was so applicable to PWCs that anybody of skill in the art would have found it obvious to use this technology to duplicate the inventions claimed in Arctic Cat's patents. *See id.* Yet, in the August 1999 Draft Final Report, he stated that "this emerging technology has not been developed to the point of application for PWC." *See* Breen Decl. at 64; Transcript at 34:8-11 ("BRP is using an expert in this case who is saying things as a paid expert in 2016 that appear so different than the things that this expert said in 1999."). The contrast between Mr. Breen's conclusions, which BRP has not been able to adequately explain, suggests that his 2016 statement may be influenced by hindsight. Transcript at 34:9-15 ("BRP doesn't even really address the inconsistencies. What BRP attempts to do is to recast Arctic Cat's argument. . . ."). Of course, the "great challenge" of establishing obviousness

[9] Connected to this study, in 1999, Mr. Breen publicly tested the Rheault Challenger Boat. *See* Breen Decl.

is to proceed without "any hint" of hindsight. *Star Scientific*, 655 F.3d at 1375 (citing *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 546 (Fed. Cir. 1998) (observing that obviousness "cannot be based on the hindsight combination of components selectively culled from the prior art to fit the parameters of the patented invention")). At the very least, these inconsistencies between expert statements present a credibility question for the jury. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) ("Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions.").

The record evidence repeatedly casts doubt on the assertion that a person of skill in the art working on off-throttle steering would have found Arctic Cat's invention obvious in light of the technology in the market at that time. BRP fails to successfully refute Arctic Cat's argument that the steering technology disclosed in Rheault, a low-speed directional control system manually engaged by the driver, was fundamentally different than the OTS technology claimed in Arctic Cat's patents, which automatically engaged OTS. *See* Transcript at 30:5-13 ("And even if you took counsel's argument at face value, that one would have been motivated to put the Rheault low-speed docking assistance system onto a PWC, it doesn't matter because it's still not what Arctic Cat invented. It's still different. It's a different system, and that's a leap that they have never been able to cross in this case."). Thus, even if it was clear to the Court that there was an understanding in 1999 of the applicability of OTS to PWCs, BRP has not proven that Rheault's docking assistance system would be no different from Arctic Cat's invented OTS system – regardless of whether it was installed on a jet boat or PWC. On summary judgment, viewing all facts and drawing all reasonable inferences in favor of the non-moving party, as Rule 56 requires, BRP has not adequately resolved the factual issues raised by a review of the record and the parties' submissions. This is particularly true where the summary judgment standard is

compounded by the applicable clear and convincing standard for establishing an invalidity defense. *See Microsoft Corp.*, 564 U.S. at 102 (citing § 282) ("The common-law presumption, in other words, reflected the universal understanding that a preponderance standard of proof was too 'dubious' a basis to deem a patent invalid.").

2. Infringement

Next, BRP asserts that, even if Arctic Cat's claims are not invalid as obvious, BRP's PWCs do not infringe because of material differences between BRP's OTAS system and the technology described by the Patents at Issue. Infringement is a two-step analysis. The first step is claim construction, a matter of law for the court, which the Court already addressed in its Claim Construction Order. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 977 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996). The second step is determining whether the accused product or method is within the scope of the construed claims. *General Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 981 (Fed. Cir. 1997). Arctic Cat first has the burden of proving "the presence of every [claim] element . . . in the accused device." *Zygo Corp. v. Wyko Corp.*, 79 F.3d 1563, 1568 (Fed. Cir. 1996) (citing *Lemelson v. United States*, 752 F.2d 1538, 1551 (Fed. Cir. 1985)); *see also Wallace London & Clemco Prods. v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538-39 (Fed. Cir. 1991). Arctic Cat met this burden with the presentation of Dr. Cuzzillo's expert report, which set forth detailed opinions that the accused BRP Sea-Doo PWC infringe each of the asserted claims of the '545 and '969 patents.

Through experts, BRP has presented several arguments that contradict Dr. Cuzzillo's opinions on infringement. However, the success of these non-infringement arguments depends upon the Court making a determination that its expert theories prevail – a determination that is better submitted to the jury for resolution. *See Glowner v. Muller-Martini Mailroom Sys., Inc.*,

2012 WL 276193, at *10 (M.D. Fla. Jan. 31, 2012) ("Though the question is a close one, the Court believes that the presence of conflicting expert testimony requires the submission of this particular issue to the jury for resolution."). An examination of BRP's main arguments elucidates the reasoning behind this conclusion.

a. Meaning of "immediately"

The OTAS system has several "states." *See* BRP Mot. at 14. When it reaches its last, "active" state, it provides additional thrust to the PWC, which may assist with steering – the step that Arctic Cat alleges infringes the Patents at Issue. *See id.* BRP avers, however, that its OTAS system does not become active and provide additional thrust in the manner required by the asserted claims. *See* Transcript 20:10-11 ("It is a matter of what is the trigger."). OTAS, as described in BRP's Motion, can only reach the active state if certain conditions are met – the PWC is driven above 4,000 RPM for at least 1.5 seconds, the driver releases the throttle lever completely, the PWC's engine RPM falls below 3,250 RPM following the release of the throttle, and the driver turns the handlebars all the way in either direction (that is, to "full steering lock") within 4 seconds of releasing the throttle. Claim 15 of the '969 Patent requires, *inter alia*, that the "controlled thrust steering system causes said thrust mechanism to increase thrust upon said steering mechanism rotating from said generally straight-ahead position" to "a clockwise or counter-clockwise position." '969 Patent, 32:37-45. The claim's trigger, following which thrust must be applied "immediately," is the steering mechanism being "rotated" – by any amount – to any position other than "generally straight-ahead." *Id.* Accordingly, BRP maintains that, given the Court's construction of "after" and "upon" in the claims to mean "immediately" following, the Accused Products do not infringe any asserted claims because BRP's OTAS system does not provide a steerable thrust immediately after the trigger event required in each claim. Rather,

OTAS is programmed to intentionally wait for a later condition – the handlebars having been turned to full steering lock – before OTAS will apply thrust. *See* Transcript at 20:19-20, 21:3-4 ("You can move five degrees either way. OTAS does not do anything. . . . OTAS waits until you're all the way to a full turn.").

Arctic Cat disputes the premise of this argument, alleging that "[t]he Court's construction of 'after' and 'upon' as 'immediately' does not require an instantaneous response." SJ Resp. at 17. Mr. Taylor himself states in his expert report that "immediately" can refer to "mechanical activation time,' such as on the order of 0.5-1.0 second." Taylor Report at ¶ 115. Indeed, dependent claims in both the '545 and '969 patent provide those of skill in the art with express teaching that "positioned for turning" and "generally straight ahead" is left to the knowledge and discretion of those of skill in the art. *See* Boebel Decl., '545 Patent, '969 Patent. Dependent claim 25 of the '545 Patent, and the fifth embodiment described in the specification, allows one of skill in the art to choose the trigger angle based on the position of magnets and a proximity switch:

> The watercraft as claimed in claim 15 further comprising a magnet and a proximity switch rotationally independent of said magnet, wherein said thrust mechanism increases thrust upon said proximity switch at a given distance from said magnet.

Boebel Decl., '545 Patent, claim 25.

BRP's opinion of counsel relating to the '969 patent further demonstrates a fact question on infringement. BRP sought opinions of counsel from its long-time litigation counsel, Harry Marcus at Locke Lord, on issues of infringement and validity of the claims of the asserted '969 patent. Boebel Decl., ECF No. [90-16]. Mr. Marcus's opinion is that the OTAS-equipped BRP PWC did not infringe claims 1-14, 18, 20, 25, 27, and 29-35 of the '969 patent, primarily based on the claim language "upon rotating said steering mechanism . . . from said straight-ahead

position" because the accused BRP PWC do not increase thrust "until the steering mechanism is rotated sufficiently to reach a predetermined position." *Id.* at BRP068150. But the opinion letter does not assert or otherwise suggest non-infringement of asserted claims 15 and 17 of the '969 patent that refer to a "generally straight ahead position." Boebel Decl., ECF No. [90-17] (Daunais Deposition) at 131:2-15. In this litigation, BRP is taking a position with respect to the scope of claims 15 and 17, i.e., that the start of rotation of the handlebar must trigger thrust, which its own opinion counsel did not accept.

The specific contours of "immediately" and whether the accused OTAS-enabled PWC, thus, satisfy the requirements of the Patents-at-Issue, pursuant to the Court's claim constructions, are questions of fact that should be left to the jury. *Markman*, 52 F.3d at 976 ("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).

b. Applicability of 35 U.S.C. § 112

BRP alleges that all asserted claims except the method claims, Claim 13 and 30 of the '545 Patent, are not infringed for another reason as well. Each such claim requires a "controlled thrust steering system." As construed, BRP contends that this element is written in "means-plus-function" language, in which, instead of reciting actual structure (like a lever or a nozzle), the claim recites a means (or some other "nonce" word like mechanism or system) for doing something (like applying thrust). *See* BRP Mot. at 17. A means-plus-function element can only be satisfied if the Accused Product employs the structure disclosed in the specification for that function or the equivalent of such. *See id.* These patents describe only mechanical systems

using cables and solenoids, not the sophisticated, computer-based, "drive-by-wire" system in OTAS. *See id.* The Accused Products, therefore, do not infringe these claims.

When a patentee claims an invention as a means for performing a specified function, what can infringe is limited to the "corresponding structure, material, or acts described in the specification and equivalents thereof." 35 U.S.C. § 112, par. 6.[10] This is referred to as "means-plus-function" claiming. Use of "means" creates a rebuttable presumption that § 112, par. 6 applies. *Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1349 (Fed. Cir. 2015) (*en banc*). Although using words other than "means" creates a rebuttable presumption that § 112, par. 6 does not apply, *Williamson* explicitly overruled prior cases describing this presumption as "strong," and it explicitly directed that "nonce" words like module, mechanism, element, and device can be "tantamount to using the word 'means' because they 'typically do not connote sufficiently definite structure.'" *Id.* at 1348-50 (citations omitted). Ultimately, whether claim language is means-plus-function depends on "whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure." *Williamson*, 792 F.3d at 1348.

BRP points out that other district courts have recognized "system" – as in "controlled thrust steering system" – to be just such a nonce word. *See Joao Control & Monitoring Sys., LLC v. Protect Am. Inc.*, No. 1-14-CV-134-LY, 2015 WL 4937464, at *5 (W.D. Tex. Aug. 18, 2015) ("The court finds that 'system,' as used in the claim, functions merely as a 'nonce word or a verbal construct that is not recognized as the name of structure and is simply a substitute for the term 'means for.'") (citing *Welker Bearing Co. v. PHD, Inc.*, 550 F.3d 1090, 1096 (Fed. Cir. 2008)). Accordingly, within the claim framework, BRP maintains that "controlled thrust

[10] When a claim term is governed by § 112, par. 6, the court must: (1) identify the claimed function, and (2) determine what structure disclosed in the specification, if any, corresponds to that function. *Williamson*, 792 F.3d at 1351.

steering system" is simply a means (a "system") for performing a function ("applying thrust" in a specified way). Thus, according to the Motion, the claim would be understood by one of ordinary skill in the art as failing to disclose sufficient structure. ECF No. [77-19] (Taylor Declaration) ¶¶ 24-26. As such, these claims employ means-plus-functions language governed by § 112, par. 6, and, as a result the Accused Products do not infringe – namely, because they do not employ the mechanical structure disclosed in the specification for the claimed function. *See* BRP Mot. at 20.

However, claim language is frequently construed in terms of operating capabilities without triggering application of 35 U.S.C. § 112 ¶ 6. *See Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197, 1204-05 (Fed. Cir. 2010). And, as the Federal Circuit has explicitly stated, the function that must control in this analysis is the one "explicitly recited in the claim." *Micro Chemical*, 194 F.3d at 1258 ("The statute does not permit limitation of a means-plus-function claim by adopting a function different from that explicitly recited in the claim."). "Controlled thrust steering system" in claim 15 appears to contain no recited function – it is listed instead as a standalone component. The context of the claim language suggests that the "controlled thrust steering system" is a component of a watercraft that includes a variety of other structural components, such as a steering mechanism, throttle lever, and thrust mechanism. Boebel Decl., '545 patent, claim 15. Nevertheless, there appears to be some conflict between the holdings in *Micro Chemical* and *Williamson*, decided only a few months ago, to the extent that *Williamson*, along with *Joao*, suggest that the use of certain claim language creates a rebuttable presumption that § 112 applies. *See* cites above.

Even if this claim was properly understood a means-plus-function element governed by § 112, par. 6, Arctic Cat has presented some support for structural equivalency between the two

parties' systems. BRP claims that the Accused Products do not infringe because the relevant claims in the Patents-at-Issue describe only mechanical systems using cables and solenoids, not the sophisticated, computer-based, "drive-by-wire" system in OTAS. *See* Transcript at 26:13-16 ("If you use the structure that's shown in the specification, the structure in the specification is mechanical. It's solenoids, it's cables, and we have a computer system that monitors and sends signals."). To demonstrate equivalency in the § 112, par. 6, context, a patentee must show that "the accused device performs the identical function" required by this element and does so in "substantially the same way to achieve substantially the same result" as the structure that is disclosed in the specification. *IMS Tech., Inc. v. Haas Automation, Inc.*, 206 F.3d 1422, 1435 (Fed. Cir. 2000). This purported structural equivalent must have been available when the patent issued. *See Al-Site Corp. v. VSL, Int'l, Inc.*, 174 F.3d 1308, 1320 (Fed Cir. 1999).

Arctic Cat notes that the Federal Circuit has found that performing operations through software may be equivalent to a hardware-implemented claim limitation. *Overhead Door Corp. v. Chamberlain Group, Inc.*, 194 F.3d 1261, 1270 (Fed. Cir. 1999) ("This 'user operated' characteristic of a mechanical switch, however, would not necessarily preclude a finding that software performs equivalently without human operation. Indeed in other contexts, this court has noted the interchangeability of hardware and software."). Furthermore, it appears that software implementation of various PWC features, such as throttle control, may have been available at the date of issuance of the '969 and '545 patents – for example, a system called the Kawasaki Smart Steer. *See* analysis of Mr. Bratic's Report above (discussing 2002 BRP presentation describing OTS system as "[c]ompletely electronic with no visible parts"), AC Resp. at 16; *Ring & Pinion Serv. Inc. v. ARB Corp. Ltd.*, 743 F.3d 831, 835 (Fed. Cir. 2014) ("[W]hether the accused structure predates the patent or is after-arising technology, the doctrine of equivalents applied to

a means-plus-function clause requires only that equivalent structures perform substantially the same function.") (citation and quotation marks omitted). BRP's documents show that software-based drive (or throttle) by wire systems for PWCs were available as early as the early 2000s. Boebel Decl., ECF No. [85-18] (Ugone Deposition Excerpt) at 4, 160:9-18 ("The Elmore document alludes to it but I'm not sure it went into detail. . . . So for example on page 11 just we can read along it just says Kawaski enjoyed a competitive advantage by being the first to market. And the only manufacturer in 2001 with assisted steering. So that is, I guess, what the document says, but it may not talk about the attributes."). This showing is somewhat limited – for example, Arctic Cat does not discuss in detail similarities in structure between the software-encoded OTAS and the solenoids or cables disclosed in the subject specification. Nonetheless, drawing all reasonable inferences in favor of Plaintiff, as the Court must at this stage, BRP's argument that there is no question of fact as to whether the software-based OTAS and mechanical controlled thrust steering systems are equivalent is not supported by the record or controlling law. This is particularly the case where Defendants have failed to convince the Court that these claims are properly governed by a means-plus-function analysis.

c. Level(s) of thrust

The relevant patent specification indicates that "the steerable thrust for a particular watercraft depends on the size of the watercraft and the shape of the hull; thus, the steerable thrust varies from one watercraft to another watercraft." '545 Patent, 8:62-67. Thus, according to Defendants, the terms "controlled thrust steering system" and "steerable thrust" require that, for any given PWC, there be a single level of "steerable" or "controlled" thrust to be applied in all circumstances for each particular watercraft. BRP argues that the Accused Products do not have a single level of thrust as required; instead, when OTAS becomes active, the amount of

thrust provided varies, depending upon a variety of factors. As a result, BRP asserts that the Accused Products do not infringe any asserted claims.

Nevertheless, whether or not the Accused Products feature a single level of steerable thrust, the premise of BRP's argument is incorrect as the Claim Construction Order does not include any such requirement. As stipulated by BRP's expert, because forward motion of the PWC provides an "augment" to the mass of water moving through the pump, the basic physics of jet-pump propelled PWC causes varying thrusts at different velocities even at a single engine speed. Taylor Dep. at 35:4-19 ("If I were to take a pipe and just drag a pipe through the water, by whatever means, the more water is going to flow through it. If I don't do anything else, I could compute kind of the mass flow through that pipe for any given time. And you can envision that the faster we drag the pipe through the water, the more mass flow there would be through that pipe, right."). The '545 and '969 Patents expressly recognize that reality, particularly as the steering system operates while the PWC is slowing down. This phenomenon is recognized in the specification of the asserted Arctic Cat patents as well. Boebel Decl., '545 Patent, Col 9, ll. 37-39 ("Due to the nature of an engine powering a jet propulsion, variance in thrust and a small amount of thrust drop-off during the time period from t12 to t14 can be expected."). Therefore, the term thrust in the Patents-at-Issue cannot, as BRP argues, refer solely to "optimal engine RPM." Boebel Decl., Taylor Dep. at 60:6-10 ("Q: . . . In paragraph 90 when you point to a particular or singular level of thrust, are you in that situation talking about engine power or RPMs? A. Yes.). This argument provides no valid basis for summary judgment in BRP's favor for non-infringement.

However, BRP makes a second, half-baked argument relating to levels of thrust, to wit, that if the claims require or permit more than one level of thrust, then they are invalid for failure

to meet the enablement requirements of § 112. 35 U.S.C. § 112(a) ("The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same. . . ."). Defendants' counsel labeled this the "catch-22 argument," as explained at the April 19th hearing:

> I think that's their [Arctic Cat's] position now, that their claims are not so limited. And if their claims are not so limited, in our motion, supported by Mr. Breen, we've made the alternative 112 invalidity argument that the claims don't enable anything but a single level of thrust. And there is no response to that in their moving papers. They attack – this is the catch-22 argument. They attack the first half of it, but they did not respond to the second half it. . . . The claim is either that broad and it's invalid, or it's narrow and we don't infringe it.

Transcript at 60:13-24. Indeed, AC does not address this invalidity argument in its briefing. *See* BRP Reply at 13. Nevertheless, as counsel for Arctic Cat pointed out at the same hearing, BRP "didn't move for summary judgment on enablement or written description." Transcript at 64:21-22. In other words, this second argument does not, for example, present an alternative ground for summary judgment as to non-infringement – instead, it suggests an entirely new basis for invalidity of the patents-in-suit, equivalent to the obviousness argument discussed *infra*.

This sweeping argument has not been adequately briefed before this Court, encompassing a mere few sentences between BRP's summary judgment motion and reply brief. BRP has not presented any case law as to the standard for invalidity of a patent pursuant to lack of enablement. Defendants have not provided *any* analysis as to how or why the specifications for the Patents at Issue depart from the requirements of section 112(a), nor any illustrations by way of example, application, or otherwise, to elucidate the enablement requirements of the statute. Although this argument may prove more fruitful at trial, to the extent that BRP can present supporting evidence, Defendants have failed to meet their burden at this stage of the litigation.

See In re Avery, 434 B.R. 895, 905-906 (M.D. Ala. 2010) ("It is unclear whether the record evidence establishes that Wells Fargo is entitled to the 'bona fide error' defense. . . . Given the fact that these and other issues related to Avery's FDCPA claims were not fully briefed before the bankruptcy court and given this court's conclusion that the bankruptcy court's *sua sponte* grant of summary judgment was both unclear and (relatedly) improper, the grant of summary judgment on the FDCPA claim will be reversed."); U*.S. E.E.O.C. v. Rooms to Go, Inc.*, -- F. Supp. 2d --, 2006 WL 580990, at *9 (M.D. Fla. March 8, 2006) ("Defendants, in moving for summary judgment, have not addressed the effect, if any, of Rooms To Go, Inc.'s alleged control over the administration of the anti-harassment policy for the Seffner Clearance Store on the joint employer analysis. Since Defendants have not addressed this issue, the Court denies summary judgment without deciding whether Rooms To Go, Inc.'s alleged involvement is sufficient to confer joint employer status."). The Court cannot grant summary judgment – on an issue that could preclude Arctic Cat from any recovery in this case – without more than conclusory assertions of noncompliance.

3. 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*,[11] 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

[11] By coincidence, the Supreme Court granted the petition for writ of certiorari in *SCA Hygiene*, which was filed in January, on the same date that the Court issues the instant order, May 2, 2016.

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 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"). 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, as a result, that should have led Plaintiff to investigate. The record demonstrates that Arctic Cat was aware in 2002 that BRP was selling PWCs in the United States. ECF No. [77-23] (AC Response to BRP's Third Request for Admissions), Nos. 103, 105, 107, 109, 111, 113, 115, and 117. Beginning in 2004, these sales included its Sea-Doo 3D equipped with OTAS. ECF No. [77-24] (Tourville Declaration) ¶ 3.

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. *Id.* ¶ 4 and Exs. A-B (3D Spec Sheets). 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. Tourville Decl. ¶ 5 and Exs. C-F (3D Operator's Guides); ECF No. [90-26] (Luken Declaration) ¶¶ 2-3 and Ex. A-B (2004 and 2005 Jetski.com Articles). In November 2005, BRP's website contained product information for a 2006 model of the 3D confirming that it was equipped with OTAS. Luken Dec. ¶ 4 and Ex. C (3D Benefits Information). BRP argues that Arctic Cat should be charged with constructive knowledge of infringement starting in 2004. *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 raise a genuine issue of material fact about either the excuse for or reasonableness of the delay, or the existence of the prejudice. The Court finds that Arctic Cat has satisfied this burden.

Drawing all reasonable inferences in Artic Cat's favor, the evidence is sufficient to raise a genuine issue of material fact as to when Arctic Cat had knowledge of BRP's potentially infringing activities. First, in 2004, BRP incorporated OTAS on a single BRP personal watercraft in its PWC lineup – a PWC that was discontinued due to low sales volume. ECF No. [90-21] (Plante Deposition) at 21:24-22:3; *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"). Second,

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, rather than utilizing the Arctic Cat throttle reapplication technology. Boebel Decl., ECF No. [90-12] (Bernier Deposition) at 219:20-220:8 (noting that Mr. Garcia mentioned that BRP intended to pursue an off-power assisted-steering ("OPAS") solution for off-throttle steering in 2000). 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); *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. The focus is on reasonableness. A court must consider any excuse for the delay offered by the plaintiff.") (citations omitted). There is no evidence that Arctic Cat had 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 is enough evidence at least to raise a genuine issue of material fact as to whether or not Arctic Cat should have had constructive knowledge of BRP's OTAS-enabled PWC in 2004 – and, thus, whether or not Arctic Cat's delay in filing suit was reasonable. *See Gasser*, 60 F.3d at 774 ("We believe the district court erred in not drawing reasonable inferences in favor of Gasser that would have shortened the delay period and may have shown that the delay was reasonable.").

BRP further argues material prejudice from this delay, resulting from missing evidence that would further support its invalidity defenses.[12] 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. SJ Mot. at 10. BRP maintains that the fact that Mr. Spade successfully built and operated Proto-14 in 1998 supports its first argument for summary judgment, that the asserted claims were obvious to those skilled in the art. It alleges that Mr. Spade would be the only one with knowledge as to whether Proto-14 was ever publicly demonstrated. Additionally, Proto-14 itself, and most of the documents describing it, are no longer available. ECF No. [77-31] (Wilson Declaration) ¶ 4. Those witnesses that are still available have some difficulty recalling events from the relevant time period. Arctic Cat's 30(b)(6) witness, Michael Okerland, in-house counsel for Arctic Cat since 2012, had no personal knowledge of the events surrounding AC's development of an OTS solution. *See* ECF No. [77-27] (Okerlund Deposition) at 14, 25. Mr. Okerlund conceded that Arctic Cat was unable to recall many facts because employees who had knowledge of the events at issue have since retired or left the company, and those still with the company have "hazy" memories. *Id.* at 41, 58-59, 92. 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*

[12] BRP also makes a cursory argument that, but for the passage of time, it would have been able to assert inequitable conduct against Arctic Cat on the ground that Arctic Cat allegedly failed to submit art relating to BRP's jet boats to the patent office during prosecution. But to prove inequitable conduct, BRP must be able to establish that known art was withheld and that the art was "material" to patentability. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011). Materiality based on a withheld reference requires that "the [US]PTO would not have allowed a claim had it been aware of the undisclosed prior art." *Id.* at 1291-92. BRP has made no such showing here – nor could it, Arctic Cat argues, because Artic Cat provided BRP's patent disclosing its jet boat docking assist technology to the USPTO. Thus, the USPTO issued the '545 and '969 patents over the exact technology that BRP alleges invalidates, and would have formed the basis for its hypothetical inequitable conduct defense.

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 hyperbolic claims to the contrary. *See* Transcript at 28:21-25 (". . . 10 years of delay? They have virtually no documents. . . . They can't deny or confirm numerous facts."). With respect to economic prejudice, BRP was aware of each Arctic Cat controlled thrust steering patent shortly after each one issued, and before BRP sold any PWC with OTAS technology. Boebel Decl., ECF No. [90-28] (BRP's Response to AC's First Set of Interrogatories). BRP believed that the Arctic Cat patents were invalid when issued, never changed its mind, and specifically sought opinions of counsel so that it could continue ignoring them. Boebel Decl., Daunais Dep. at 124:2-9 ("Q: Didn't BRP solicit the opinions of counsel as to the '545, '912, and '969 patents to assure itself that it didn't have to change anything about the way it conducted its PWC business? A: Yes") (objection omitted). 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. *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).

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. BRP alleges that, had Arctic Cat brought suit earlier, it would have access to a prototype, referred to a Proto-14, and

related documents, which were stored at its former Florida facility. This Florida facility was destroyed because "it was flooded all the way to, I think, the second floor and it was took down." Boebel Decl., Daunais Dep. at 127:25-128:3. The hurricane that destroyed the facility, documents, and Proto-14, hit the BRP facility on October, 2004, less than two months after BRP first introduced the 3D model with and OTAS implementation. *See id.* Any evidentiary prejudice from the hurricane cannot be attributed to any delay on the part of Arctic Cat. *Aukerman Co.*, 960 F.2d at 1033 ("Material prejudice to adverse parties resulting from the plaintiff's delay is essential to the laches defense.").[13]

Mr. Spade's inability to participate in the litigation is also not prejudicial to BRP. See Transcript at 29:4-5 ("Mr. Spade put together a system that probably is 102 prior art, if we could show that it was publicly used."). Mr. Simard, a BRP project engineer that worked with Mr. Spade and rode and tested Proto-14 in Florida, is available and has already testified at length about the components of Proto-14, how it worked, and his documentation of the testing as BRP's 30(b)(6) representative. ECF No. [85-15] (Simard Deposition). BRP, thus, appears to have a record of the building, operation, and testing of Proto-14 without Mr. Spade's cumulative testimony. Although BRP points to potential weaknesses in the record resulting from delay of the instant suit, it does not make a strong enough showing of these weaknesses to absolve its laches argument of any remaining issues of fact.

Nevertheless, BRP claims that even if this Court does not preclude available relief due to laches, Arctic Cat cannot recover post-filing damages for any infringement of the '969 Patent, as it expired on May 27, 2011 for non-payment of fees. SJ Mot. at 27. Any mention of expiration

[13] BRP inexplicably ignores this evidence: "Although AC blames that hurricane and BRP for the destruction of that building, there is no evidence that Proto-14 was destroyed in the hurricane. The only evidence is that BRP searched for and could not find Proto-14 in its Palm Bay facility." BRP Reply at 14, n. 18 (citing Wilson Decl. ¶ 3-4).

of this patent or non-payment of fees is conspicuously absent from any of Arctic Cat's submissions. Because Arctic Cat does not dispute that the '969 Patent expired on May 27, 2011, the Court considers the fact undisputed for purposes of the instant Motion. *See* Fed. R. Civ. P. 56(e)(2)-(3) ("If a party fails to properly support an assertion of fact or fails to properly address another party's assertion of fact as required by Rule 56(c), the court may: . . . (2) consider the fact undisputed for purposes of the motion; (3) grant summary judgment if the motion and supporting materials — including the facts considered undisputed — show that the movant is entitled to it. . . ."). Logic dictates that, without a valid patent, there can be no infringement of that patent. For this reason, summary judgment is granted as to any infringement on the '969 Patent after its expiration on May 27, 2011. Arctic Cat cannot recover damages for any alleged infringement that occurred as to the '969 Patent after this date.

4. Damages

Finally, 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: (1) 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); or (2) give BRP actual notice of its alleged infringement until the filing of this lawsuit. *See* Transcript at 26:22-24. Arctic Cat admits that it did not provide BRP with actual notice of infringement of the '545 Patent at any time before October 16, 2014, when it filed the present lawsuit. ECF No. [77-30] (AC's Supplemental Response to BRP's First Request for Admissions), No. 3. However, the parties dispute whether or not Arctic Cat, as the patentee, violated § 287(a).

The parties stipulate that the marking requirement applies to the asserted claims of the patents-in-suit, because both Patents include apparatus claims, and a PWC is a tangible item that

is capable of being marked. *See Am. Med. Sys., Inc.*, 6 F.3d at 1539-40. Although Arctic Cat exited the PWC market before the patents-in-suit issued, it granted a license to Honda that includes both the '545 Patent and the '969 Patent. ECF No. [77-34] (Honda License) § 1.01. Thus, the duty to mark extended to Honda sales, according to the argument for summary judgment. Indeed, the Licensing Agreement between Honda and AC states that "Honda . . . shall have no obligation or requirement to mark Licensed Products made, sold, or otherwise disposed of by it under the licenses granted in this Agreement with the current or future patent number(s) of the licensed patent(s) applicable thereto." Ex. 34, Honda License § 6.01. Accordingly, BRP contends that Arctic Cat's damages should be limited to the time period of this action. *Amsted Indus., Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 186 (Fed. Cir. 1994) ("[A]bsent marking, a patentee may not recover damages without proof that 'the infringer was notified of the infringement.'") (quoting § 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); *IMX, Inc. v. LendingTree, LLC*, No. 03-1067-SLR, 2005 U.S. Dist. LEXIS 33179, at *11 (D. Del. Dec. 14, 2005). 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 statue 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.

Courts are split as to which party properly bears the burden of proving, by a preponderance of the evidence, compliance with the marking statute. Transcript at 27:8-10 ("As we pointed out in our reply brief, there is a split in the law over who has the burden of establishing that there was a product that practiced the patent."). Indeed, the Federal Circuit has yet to resolve competing views. *Compare Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1446 (Fed. Cir. 1998) ("The patentee bears the burden of proving compliance by a preponderance of evidence.") *with Sealant Sys. In'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*, *Sealant Sys. Int'l, Inc. v. TEK Glob., S.R.L.*, 616 F. App'x 987 (Fed. Cir. 2015). However, the Court finds the reasoning set forth in *Sealant* compelling:

> It would be an odd result to require AMI to bear the burden to show that its predecessor-in-interest either did not sell any product embodying the

> patent or, if it did, it complied with the marking statute. Absent guidance from the other side as to which specific products are alleged to have been sold in contravention of the marking requirement, a patentee like AMI is left to guess exactly what it must prove up to establish compliance with the marking statute. 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. TEK therefore bore the initial burden to put AMI on notice that IDQ may have sold specific products practicing the '581 patent. Only then would the question of whether those products were properly marked be implicated.

Id. 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. *See, e.g.*, *Dixon v. U.S.*, 548 U.S. 1, 8 (2006) ("[I]t bears repeating that, at common law, the burden of proving affirmative defenses – indeed, all . . . circumstances of justification, excuse or alleviation – rested on the defendant.") (citations and quotation marks omitted). The Court, therefore, adopts "the better view" that the burden of production does not shift to a plaintiff to show compliance with a marking statute. *Sealant*, 2014 WL 1008183, at *30 (citing *Oracle Am., Inc. v. Google Inc.*, Case No. 3:10-cv-03561-WHA, 2011 WL 5576228, at *2 (N.D. Cal. Nov. 15, 2011).

Defendants argue that "even if the burden's on [them], Mr. Taylor gives at least as good a showing of infringement by Honda as the Plaintiff has shown against us." Transcript at 27:14-16. BRP has in fact presented an array of evidence in support of this argument. First, it has shown that Honda sold PWCs enabled with a steering system implicating the Patents-at-Issue in the United States, beginning in 2002 and continuing through 2009. *See* Bratic Report ¶ 33; Luken Decl. ¶¶ 5-8 and Exs. D-G (Honda AquaTrax Features). BRP also points to Mr. Taylor's opinion, after examination of the owner's manuals and service manuals of various Honda models

sold between 2002 and 2009, that various Honda PWCs sold in the United States would also practice the asserted claims. Taylor Decl. at ¶ 35. Mr. Taylor attaches an "analysis" of the Honda PWC products to his report; however, this analysis is heavy on charts but light on analysis. *See id.* at Ex. G. In fact, many of the diagrams appear to be lifted from the Honda manuals that he studied. And, the manuals themselves are limited in that they set forth a high-level of abstraction that Honda PWC include certain components, such as a steering switch and solenoid that are part of an off-throttle steering system – there is no examination or discussion, either by a representative of Honda or by Mr. Taylor, of how much thrust is associated with activation of the OTS system, how long the system will remain active, or any other element of the system that could bear on whether or not the Honda PWC would be subject to the marking statute. In this way, BRP's demonstration is lacking.

From notes provided to the draft licensing agreement between Arctic Cat and Honda, it appears that Arctic Cat may have also believed that the Patents-at-Issue were implicated in Honda PWC products at the time that the Licensing Agreement was drafted. ECF No. [77-25] (Note on § 6.01) at 4-5 ("I would like to know why Honda would prefer to not list the patent numbers on the product. Including the patent numbers on the product would be helpful to Arctic Cat in enforcing its patent rights against potential infringers."). Certainly, this is good support for the theory that Arctic Cat believed that the Honda PWCs were "patented article[s]" pursuant to § 287(a). Arctic Cat does not present an argument to the contrary – instead, only highlighting BRP's failure to sufficiently demonstrate that the Honda models qualified as patented articles under the statute. *See* Transcript at 27:22-24 ("[T]hey don't counter it with any evidence that says Honda was not practicing the invention."). Plaintiff, nonetheless, did not need to do

anything more than cast doubt on Defendant's grounds for summary judgment, as it is Defendant's burden to demonstrate that summary judgment is warranted.

After a careful review of the record, the Court cannot say that Arctic Cat should have taken reasonable efforts to ensure that Honda comply with the marking requirement of 35 U.S.C. § 287(a). BRP has presented evidence corroborating its theory that Honda PWCs were "patented article[s]" that should have been marked – and, thus, Arctic Cat's failure to mark should limit damages in this action. However, without analysis in the record as to the ways in which the Honda PWCs did or did not implicate the various elements of the patents, the Court finds that a reasonable jury clearly could find to the contrary. *See SSL Services, LLC v. Citrix Systems, Inc.*, 940 F. Supp. 2d 480, 487-88 (E.D. Tex. 2013) (finding substantial evidence supported jury conclusion that product was not a "patented article" within the meaning of marking statute). Therefore, the Court cannot conclude that Arctic Cat's damages should be limited for failure to mark. As noted, nonetheless, Arctic Cat cannot recover damages for any alleged infringement of the '969 Patent after its expiration on May 27, 2011.

IV. Conclusion

Accordingly, it is **ORDERED AND ADJUDGED** that the parties' *Daubert* Motions, **ECF Nos. [75] and [76]**, are **DENIED**. BRP's Motion for Summary Judgment, **ECF No. [78]**, is **GRANTED IN PART AND DENIED IN PART**, consistent with this opinion. Arctic Cat is precluded from recovering damages for any alleged infringement of the '969 Patent after May 27, 2011. The parties are encouraged to bear in mind the relevant limitations to presentation of evidence and testimony at trial, pursuant to the Federal Rules and the analysis contained herein.

DONE AND ORDERED in Miami, Florida, this 2nd day of May, 2016.

BETH BLOOM
UNITED STATES DISTRICT JUDGE

Copies to: Counsel of Record