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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

SEALANT SYSTEMS INTERNATIONAL, )  
INC. et al., )  
 )  
 Plaintiffs, )  
 )  
 v. )  
 )  
 TEK GLOBAL, S.R.L., et al., )  
 )  
 Defendants. )

Case No. 5:11-cv-00774-PSG

**ORDER DENYING MOTION TO  
STAY, DENYING MOTION TO  
EXTEND SUNSET PERIOD, AND  
GRANTING MOTION TO MODIFY  
INJUNCTION**

**(Re: Docket No. 312)**

After a jury rendered its verdict on all triable issues, this court enjoined Defendants TEK Global S.R.L. and TEK Corporation from various acts found to infringe United States Patent No. 6,789,581.<sup>1</sup> Despite the irreparable harm to Plaintiff Accessories Marketing Inc. supporting the permanent injunction, the court also ordered a ninth-month sunset period for TEK to get its affairs in order and minimize any unjustified impact on third parties.<sup>2</sup> These nine months were on top of the 11 months since a jury found that TEK infringed multiple valid patent claims. 20 months are not sufficient enough for TEK; TEK now moves for a stay of the injunction altogether or at least an extension of the sunset period for another five months so that it may pursue relief from the Federal

<sup>1</sup> See Docket No. 284.

<sup>2</sup> See *id.*

1 Circuit.<sup>3</sup> TEK’s request for relief from the injunction is not its first—as an alternative to denying  
2 the injunction outright TEK sought precisely the same stay in opposing the injunction at the  
3 outset.<sup>4</sup> As before, the court finds that neither a stay of the injunction or nor an extension of the  
4 sunset period is warranted, but that a modest modification to the injunction’s terms is.

5  
6 **I.**

7 Especially in the aftermath of the Supreme Court’s 2006 decision in *eBay v. MercExchange*,  
8 a permanent injunction in a patent case is no mere perfunctory or mechanical exercise. Indeed, as  
9 the Supreme Court itself emphasized, such injunctions may issue only “in accordance with the  
10 principles of equity.”<sup>5</sup> One tool trial courts may use in applying such principles lies in Fed. R. Civ.  
11 P. 62(c), which authorizes the suspension or modification of an injunction pending appeal from a  
12 final judgment granting the injunction.<sup>6</sup>

13 In deciding whether to suspend or modify an injunction, the court must consider four factors:  
14 (1) whether the movant has made a strong showing that it is likely to succeed on the merits of its  
15 appeal; (2) whether the movant will be irreparably injured absent a stay; (3) whether the issuance  
16 of the stay will substantially injure other parties interested in the proceeding; and (4) the public  
17 interest.<sup>7</sup> While the undersigned has expressed its doubts, other courts have equitably applied these  
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20 <sup>3</sup> See Docket No. 312 at 2.

21 <sup>4</sup> See Docket No. 258 at 25.

22 <sup>5</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 338, 392 (2006) (citing 35 U.S.C. § 283).

23 <sup>6</sup> See Fed. R. Civ. P. 62(c); Fed. R. App. P. 8(a)(1); see also *Amado v. Microsoft Corp.*, 517 F.3d  
24 1353, 1358 (Fed. Cir. 2008) (observing that district courts “possess broad equitable authority to  
25 modify injunctions”); *Broadcom Corp. v. Emulex Corp.*, 732 F.3d 1325, 1339 (Fed. Cir. 2013)  
26 (finding that 18-month sunset period was not an abuse of discretion); *Broadcom Corp. v.*  
*Qualcomm Inc.*, 543 F.3d 683, 704 (Fed. Cir. 2008) (approving injunction including 20-month  
27 sunset provision); *B. Braun Melsungen AG v. Terumo Medical Corp.*, 778 F. Supp. 2d 506, 524 (D.  
28 Del. 2011) (issuing injunction with 15-month sunset period).

<sup>7</sup> See *Standard Havens Prods., Inc. v. Gencor Indus., Inc.* 897 F.2d 511, 512 (Fed. Cir. 1990)  
(citing *Hilton v. Braunskill*, 481 U.S. 770, 776 (1987)).

1 factors on a “sliding scale,” so that even where the movant only demonstrates a “substantial”  
2 chance of success on the merits, a stay may be appropriate if the balance of the hardships weigh in  
3 the movant’s favor.<sup>8</sup> Similarly, if the movant is more likely to win on appeal, the balance of harms  
4 may weigh less heavily in its favor.<sup>9</sup> Among other factors, “evidence of employee layoffs,  
5 immediate insolvency, and possible extinction of a company provide a basis of irreparable harm  
6 that militates in favor of granting a stay.”<sup>10</sup>

7  
8 While a permanent injunction may have been warranted, this “does not preclude a granting of  
9 a stay of that injunction pending appeal as both issues require different analyses.”<sup>11</sup> Though the  
10 harm to the alleged infringer receives limited weight in the context of a motion for a permanent  
11 injunction, the “analysis changes in the context of a request for a stay on appeal because of the

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15 <sup>8</sup> See *Brocade Commc’ns Sys., Inc. v. A10 Networks, Inc.*, Case No. 10-CV-3428-PSG, 2013 WL  
16 557102, at \*2 (N.D. Cal. Feb. 12, 2013); cf. *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d  
17 1127, 1134 (9th Cir. 2011) (continuing to apply sliding-scale approach after careful consideration  
18 of *Winter*). See also *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 51 (2008) (Ginsberg, J.,  
19 dissenting) (“[C]ourts have evaluated claims for equitable relief on a ‘sliding scale,’ sometimes  
20 awarding relief based on a lower likelihood of harm when the likelihood of success is very high.  
This Court has never rejected that formulation, and I do not believe it does so today”) (citation  
omitted); see also *Apple, Inc. v. Samsung Elecs. Co.*, Case No. 5:12-cv-00630-LHK, 2012 WL  
2576136, \*2 (N.D. Cal. July 3, 2012) (applying the “sliding scale” approach and noting the court  
“need not . . . give equal weight to each of the four factors”).

21 <sup>9</sup> See *Standard Havens Prods., Inc.*, 897 F.2d at 512.

22 <sup>10</sup> *Apple, Inc. v. Samsung Electronics Co., Ltd.*, Case No. 5:11-cv-01846-LHK, 2012 WL 2527044,  
23 at \* 7 (N.D. Cal. July 2, 2012) (citing *Standard Havens Prods.*, 897 F.2d at 515); *In re Hayes*  
24 *Microcomputer Prods., Inc. Patent Litig.*, 766 F. Supp. 818, 823 (1991) (granting stay of injunction  
pending appeal where it appeared “highly likely that, when and if the injunction is finally enforced,  
[defendants would] be forced out of business”).

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26 <sup>11</sup> *Smith & Nephew, Inc. v. Arthrex, Inc.*, Case No. 2:07-cv-335-TJW, 2010 WL 2522428, at \*5  
27 (E.D. Tex. June 18, 2010) (holding that “while in the context of awarding a permanent injunction  
the Court finds that the balance of hardships favors [plaintiff], the Court finds that in the context of  
28 a stay of the permanent injunction pending appeal the balance of hardships favors [defendant]”).

1 chance for reversal.”<sup>12</sup> Still, the movant must show that the “balance of hardships” against the  
2 substantial harm to the nonmoving party “tips sharply in [the movant’s] favor.”<sup>13</sup>

3 TEK brought the parties to federal court by charging AMI’s sister company Sealant Systems  
4 International, Inc. with infringement of TEK’s U.S. Patent No. 7,789,110 in the Southern District  
5 of New York.<sup>14</sup> SSI then sued TEK for a declaratory judgment of noninfringement of the ’110  
6 patent in this district.<sup>15</sup> After AMI purchased U.S. Patent No. 6,789,581 from an unrelated third  
7 party, AMI’s claim for infringement was added in the first amended complaint.<sup>16</sup> SSI then filed a  
8 second amended complaint adding TEK as a defendant with respect to the claim of infringement.  
9

10 After the New York case was transferred here, the cases were consolidated.<sup>17</sup> The court  
11 granted AMI’s motion for summary judgment that it did not infringe the ’110 patent and set the  
12 remainder of the case for trial.<sup>18</sup> A jury found for AMI on the ’581 infringement claims.<sup>19</sup> After  
13 careful consideration of the *eBay* factors, including TEK’s strenuous claims at trial that the ’581  
14 patent was not necessary for a successful tire repair kit and could be quickly designed-around, as  
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18 <sup>12</sup> *Extreme Networks, Inc. v. Enterasys Networks, Inc.*, Case No. 07-cv-229-BBC, 2009 WL  
19 679602, at \*4 (W.D. Wis. Mar. 16, 2009) (granting a stay even though the court “disagree[d] with  
20 defendant’s challenges to the jury’s verdict,” because “the court of appeals may see things  
21 differently”).

22 <sup>13</sup> *Apple, Inc.*, 2012 WL 2576136 at \*8 (citation and brackets omitted; italics in original).

23 <sup>14</sup> See Docket No. 101-2 at 1.

24 <sup>15</sup> See Docket No. 1.

25 <sup>16</sup> See Docket No. 37.

26 <sup>17</sup> See Docket No. 8.

27 <sup>18</sup> See Docket No. 134 at 18.

28 <sup>19</sup> See Docket No. 217.

1 well as strong evidence of fierce competition between TEK and AMI in the on-board-tire-repair-kit  
2 market, the court granted AMI’s motion for permanent injunction.<sup>20</sup>

3 The permanent injunction requires TEK and affiliates to cease: (1) making, using, selling,  
4 offering to sell, or importing in the U.S. any tire repair kit that includes features infringing  
5 specified claims of the ’581 patent; (2) providing customer service or technical support related to  
6 those products; and (3) modifying or updating any documentation regarding the operation or use of  
7 such products.<sup>21</sup> To ease the impact of the injunction on both TEK and third parties, a temporary  
8 sunset provision with various restrictions delays the effect of this permanent injunction for nine  
9 months, until December 10, 2014.<sup>22</sup> During this period, TEK may continue to sell infringing kits  
10 for certain pre-qualified Original Equipment Manufacturers’ platforms.<sup>23</sup>

11  
12 TEK has since appealed to the Federal Circuit, claiming that the ’110 claims were improperly  
13 dismissed, that the ’581 patent is invalid and that TEK is not infringing.<sup>24</sup> TEK also appeals the  
14 permanent injunction, arguing that there was no willful infringement before AMI brought suit, that  
15 neither AMI nor SSI had practiced the ’581 patent at issue, and that there was no need to restore  
16 market share to a competitor of TEK.<sup>25</sup>

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18 In its opposition to AMI’s permanent injunction motion, TEK initially sought a stay as an  
19 alternative.<sup>26</sup> Relying on what it claims are “changed circumstances” hindering the implementation  
20 of a non-infringing design that threaten TEK’s very existence, TEK now seeks a stay for the

21 <sup>20</sup> See Docket No. 283 at 48.

22 <sup>21</sup> See Docket No. 284 at 1.

23 <sup>22</sup> See *id.* at 1-2.

24 <sup>23</sup> See *id.* at 2.

25 <sup>24</sup> See Docket No. 290.

26 <sup>25</sup> See *id.*

27 <sup>26</sup> See Docket No. 259 at 25.

1 second time, pending a hearing and decision on TEK's appeal to the Federal Circuit. In the  
2 alternative, TEK requests that the court extend the injunction's sunset period until April 10, 2015.<sup>27</sup>  
3 TEK further requests that the court narrow the sunset provision's customer certification  
4 requirement, which requires TEK to obtain agreements to restrict the use of the products from  
5 customers who have purchased TEK products after April 25, 2013.<sup>28</sup>

6 **II.**

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8 This court has jurisdiction under 28 U.S.C. § 1338. The parties further consented to the  
9 jurisdiction of the undersigned magistrate judge under 28 U.S.C. § 636(c) and Fed. R. Civ. P.  
10 72(a).

11 Although this is not is the first time TEK has sought a stay of the injunction pending appeal,  
12 changed circumstances can justify what is effectively a motion for reconsideration.<sup>29</sup> One might  
13 reasonably question whether at least some of the circumstances TEK points to are truly changed.  
14 For example, then as now, TEK cites the impact of the injunction on its customers' willingness to  
15 consider its infringing products. The court need not resolve that question, however, because even  
16 if none of the circumstances at issue were known before, a stay of the injunction still is not  
17 warranted.

18 **III.**

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20 *Standard Havens* requires the court to weigh: (1) whether TEK has made a strong showing  
21 that it is likely to succeed on the merits on appeal; (2) whether the TEK will be irreparably injured  
22 absent a stay; (3) whether a stay will substantially injury parties other than TEK or AMI with an  
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26 <sup>27</sup> See Docket No. 312 at 1-2.

27 <sup>28</sup> See *id.* at 13-14.

28 <sup>29</sup> See Civil L.R. 7-9.

1 interest in this proceeding; and (4) the public interest.<sup>30</sup> On the record before the court, even as  
2 supplemented by TEK with its changed circumstances, all four factors weigh against a stay.

3 *First*, TEK offers nothing new relevant to its potential for success on the merits of its appeal,  
4 and in line with its previous findings, the court concludes that TEK is unlikely to prevail. Of  
5 course this is ultimately an issue for the Federal Circuit to resolve for us all. But after many days  
6 of evidence, argument and deliberation, nine citizens of this district found claims 27-31, 24, 40,  
7 and 42 were infringed by a preponderance of the evidence.<sup>31</sup> That same jury unanimously found  
8 TEK did not prove invalidity by clear and convincing evidence.<sup>32</sup> The court's 64-page order  
9 addressing the parties' various post-trial motions explained that the jury verdict was supported by  
10 substantial evidence, and nothing TEK presents now suggests otherwise.<sup>33</sup> TEK also fails to  
11 present new evidence to suggest that the court abused its discretion or committed clear error in  
12 finding the four *eBay* factors supported issuing the injunction.  
13

14 TEK does not seriously dispute that any of its changed circumstances evidence suggests in  
15 any meaningful way that it is likely to succeed on appeal. It instead presents the same port,  
16 receptacle, reservoir and causal nexus arguments as it did before. Significantly, as to all but one  
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19 <sup>30</sup> *Standard Havens Prods., Inc.*, 897 F.2d at 512.

20 <sup>31</sup> *See* Docket No. 283 at 8-10.

21 <sup>32</sup> *See id* at 16.

22 <sup>33</sup> *See Enovsys LLC v. Nextel Comms., Inc.*, 614 F.3d 1333, 1341 (Fed. Cir. 2010) (“a jury verdict  
23 ‘must be upheld if it is supported by substantial evidence . . . even if it is also possible to draw a  
24 contrary conclusion’”) (citation omitted); *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563  
25 F.3d 1358, 1370-71 (Fed. Cir. 2009) (finding substantial evidence is “relevant evidence reasonable  
26 minds might accept as adequate to support the jury’s conclusion . . . A court will not weigh the  
27 evidence or assess the credibility of witnesses in determining whether substantial evidence exists”);  
28 *Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp.*, 320 F.3d 1339, 1350 (Fed. Cir.  
2003) (holding the court “must draw all reasonable inferences in favor of the nonmoving party . . .  
[and] disregard all evidence favorable to the moving party that the jury was not required to  
believe”); *Door-Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1312 (Fed. Cir. 2001) (“Where,  
as here, a jury finds a patent valid,” the Federal Circuit “will not disturb that finding unless  
reasonable jurors could not have reached that verdict”).

1 claim—claim 42—TEK challenges only the jury finding of no anticipation, but not non-  
2 obviousness or infringement. As the court explained at length in its order, substantial evidence  
3 including expert testimony from not only AMI, but also TEK itself, supports the jury’s findings.<sup>34</sup>

4 **Second**, as to TEK’s irreparable injury, TEK has not offered sufficient evidence that goes  
5 beyond its mere allegations. TEK leans heavily on the suggestion that testing and validation for  
6 OEM customers has proven slower than previously anticipated and that no OEM customer will buy  
7 a product that is not globally compliant, precluding any non-infringing alternative for the U.S.  
8 market alone.<sup>35</sup> TEK also points to layoffs it has already suffered contemporaneously with the  
9 switch of one OEM to a non-infringing substitute.<sup>36</sup> But even if this was not anticipated when TEK  
10 first raised the possibility of a stay, and there was sufficient evidence in the record to substantiate  
11 the causation beyond the correlation that it claims, harm from avoiding infringement has long been  
12 recognized as an insufficient basis for staying an injunction.<sup>37</sup> It does not matter that TEK’s  
13 infringement was not found to be willful.<sup>38</sup> Over the 20 months between the verdict and the  
14 expiration of the sunset period, all OEMs have had plenty of opportunity to stock up on TEK  
15 products during that period to manage until the redesigned product is completely ready to go.  
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19 <sup>34</sup> See Docket No. 283.

20 <sup>35</sup> See Docket No. 312-1 at ¶ 12-14.

21 <sup>36</sup> See *id.* at ¶ 16.

22 <sup>37</sup> See, e.g., *Stryker Corp. v. Zimmer Inc.*, Case No. 1:10-cv-1223, 2013 WL 6231533, at \*26 (W.D.  
23 Mich. Aug. 7, 2013) (“an immediate injunction will only injure Zimmer to the extent Zimmer will  
24 no longer be allowed to infringe Stryker’s patents, something it had no right to do in the first  
25 place”).

25 <sup>38</sup> In support of its argument to the contrary, TEK cites to *Grain Processing Corp. v. Am. Maize-*  
26 *Products Co.*, 185 F.3d 1341, 1353 (Fed. Cir. 1999). But *Grain Processing* was an opinion about  
27 lost profits, not its permanent injunctions. In any event, while noting that TEK’s claimed hardships  
28 come from its infringement, the court has hardly “disregarded them altogether,” *Smith & Nephew,*  
*Inc. v. Interlace Med., Inc.*, 955 F. Supp. 2d 69, 79 (D. Mass. 2013), as TEK suggests. Even as  
recently as late last week, the court accepted additional evidence of hardship tendered by TEK.

1           TEK claims that once the sunset period ends, it will be unable to sell products in the TEK400  
2 and TEK500 families that have made up a substantial percentage of TEK Corporation's revenues  
3 over the past five years.<sup>39</sup> The projected loss of TEK Corporation's revenue does not, of course,  
4 reflect what percentage of TEK Global's revenue is at risk. The record is clear that TEK Global's  
5 revenue is more diversified.<sup>40</sup> Even as to TEK Corporation, TEK offers only its own speculation  
6 that it faces a break-up of its OEM business as a result of the denial of the stay, as opposed to the  
7 entry of the injunction in the first place. The only customer from whom TEK tenders any evidence  
8 makes clear that it views the date of the injunction as dispositive no matter the entry of the stay.<sup>41</sup>  
9 And if anything, TEK's claims about the centrality of the claimed invention to its revenue stream  
10 undermine rather than support the argument in favor of a stay. The reason is that such inventions  
11 do not implicate the concerns raised in Justice Kennedy's *eBay* concurrence: "[w]hen the patented  
12 invention is but a small component of the product the companies seek to produce and the threat of  
13 an injunction is employed simply for undue leverage in negotiations, legal damages may well be  
14 sufficient to compensate for the infringement and an injunction may not serve the public  
15 interest."<sup>42</sup>

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18           TEK itself acknowledges that it has already constructed a prototype of its design-around  
19 product,<sup>43</sup> and the re-designed product should be on the market in the United States by April  
20 2015,<sup>44</sup> another factor pointing toward TEK's limited harm.

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22 <sup>39</sup> See Docket No. 312 at 4.

23 <sup>40</sup> *Cf. Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951, 968 (N.D. Cal. 2009)  
24 (denying injunction that would "decimate" the infringer's business).

25 <sup>41</sup> See Docket No. 333-4 at 6 ¶ 2.

26 <sup>42</sup> 547 U.S. at 396-97.

27 <sup>43</sup> TEK had its prototype ready in August 2013, four months after the jury verdict. See Docket No.  
28 318 at 14.

1            *Third*, as to injury to other parties interested in the proceeding, TEK offers no new evidence  
2 that further delaying the injunction does not injure AMI. At best TEK urges that AMI might suffer  
3 no greater harm than it is now, especially if OEMs took up AMI’s suggestion that they are free to  
4 stock up during the period of TEK’s remaining sunset period.<sup>45</sup> TEK also questions the  
5 significance of AMI’s harm when it does not practice the ’581 patent and in fact purchased the  
6 patent only after this litigation was launched.<sup>46</sup> But TEK’s bootstrapping would require a follow-  
7 on stay anytime even if a one-day sunset period were permitted. Nothing in the case law even hints  
8 at such an outcome.

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10            More fundamentally, these arguments take no account of the fundamental nature of the right  
11 at issue: the right to exclude.<sup>47</sup> No matter AMI’s lack of practice of the patent or when AMI  
12 acquired it, TEK’s ongoing infringement denies AMI of AMI’s right to exclude competitors from  
13 practicing the ’581 patent’s claims.<sup>48</sup> While perhaps less well-remembered than its criticism of the  
14 Federal Circuit, *eBay*’s criticism of the district court’s seeming reliance on such distinctions was  
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17 <sup>44</sup> See Docket No. 312 at 1-2.

18 <sup>45</sup> See Docket No. 315 at 19. TEK replies that AMI’s “is a curious line of argument indeed,  
19 because it suggests that AMI believes it would *not* be irreparably harmed (as long as it receives  
20 royalties on sales of the accused products) if TEK supplies OEMs with the accused products  
21 beyond December 10, 2014. From AMI’s perspective, it shouldn’t make any difference whether  
22 OEMs stock up on the accused products prior to December 10, 2014 or continue to order them as  
23 needed during the appeal period.” See Docket No. 319 at 4.

24 <sup>46</sup> See Docket No. 312 at 1, 10.

25 <sup>47</sup> See *Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1314 (Fed. Cir. 2012) (“A  
26 patentee’s right to exclude is a fundamental tenet of patent law”).

27 <sup>48</sup> See *Brocade Comms. Systems, Inc.*, 2013 WL 557102 at \*4 (“Because Brocade’s right to  
28 exclude a direct competitor from practicing its patents cannot be remedied through damages, an  
injunction is appropriate”); see also *Trebro Mfg., Inc. v. Firefly Equip., LLC*, 748 F.3d 1159, 1171  
(Fed. Cir. 2014) (“the fact that Trebro does not presently practice the patent does not detract from  
its likely irreparable harm”).

1 just as pronounced. “[T]raditional equitable principles do not permit such broad classifications.”<sup>49</sup>  
2 Put another way, whether for Thomas Edison and his light bulb patents or AMI and its off-the-shelf  
3 purchase, the exclusive rights under 35 U.S.C. § 271 are the same; that period of exclusivity never  
4 comes back.

5         TEK does offer that the court might impose conditions on the stay to temper any alleged  
6 injury that AMI might suffer. For example, TEK might be permitted to sell the accused products  
7 during the extended stay period only to existing OEMs and only for the vehicle platforms that were  
8 qualified and validated by April 25, 2013, with royalties covered by TEK’s \$3,500,000 cash  
9 bond.<sup>50</sup> But TEK’s proposed bargain amounts to a compulsory license to that competitor.<sup>51</sup> And  
10 AMI has never licensed the ’581 patent to anyone, let alone a competitor.<sup>52</sup>

11         Other trial courts have held the same in similar circumstances. For example, in *Broadcom*  
12 *Corp. v. Qualcomm, Inc.*, the court held that while the patentee’s failure to offer a replacement  
13 product for the infringing product may affect the degree of competition, an injunction and not  
14 merely a compulsory license was nevertheless warranted because both firms compete in the same  
15 market, a market the patent holder should have the opportunity to exploit.<sup>53</sup> Similarly, in *Callaway*  
16 *Golf Co. v. Acushnet Co.*, the court granted a permanent injunction rather than a compulsory  
17 license because the patentee faced lost market share from the defendant’s ongoing infringement.<sup>54</sup>

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21 <sup>49</sup> *eBay Inc.*, 547 U.S. at 393.

22 <sup>50</sup> See Docket No. 319 at 13.

23 <sup>51</sup> See *Paice LLC v. Toyota*, 504 F.3d 1293, 1314 (Fed. Cir. 2007) (“Under some circumstances,  
24 awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate”).

25 <sup>52</sup> See Docket No. 315 at 18.

26 <sup>53</sup> *Broadcom Corp. v. Qualcomm Inc.*, Case No. SACV 05–467 JVS-RNBx, 2007 U.S. Dist.  
LEXIS 97647, at \*7 (C.D. Cal. Dec. 31, 2007) (Docket No. 995).

27 <sup>54</sup> *Callaway Golf Co. v. Acushnet Co.*, 585 F. Supp. 2d 600, 622 (D. Del. 2008) (vacated on other  
28 grounds).

1 In *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, the court held that “the  
2 incumbency benefits of Fairchild defeating Power for ‘design wins’ cannot be fully compensated  
3 by payment of damages.”<sup>55</sup> Courts have declined to impose a compulsory license even on patent  
4 holders who are not presently manufacturing the claimed invention or otherwise actively using the  
5 patented technology.<sup>56</sup>

6 **Fourth**, TEK offer no new evidence that a stay of the injunction would favor the public  
7 interest. However under attack the right to exclude under a patent may appear in 2014, the public  
8 interest remains well-served by the enforcement of that right under patents that are valid and  
9 infringed.<sup>57</sup> The injunction is narrowly tailored and already includes the nine-month sunset  
10 period.<sup>58</sup> Together with the 11 months that preceded the entry of the injunction, the public will  
11 have been spared whatever ill effects of the injunction for no less than 20 months. While TEK is  
12 absolutely right that the public has a strong interest in maintaining a competitive market for tire  
13 repair kits, that market is supported by the capital investments in research and development that  
14 patents and patent alienability nurture. That an infringing competitor may expand market output  
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18 <sup>55</sup> *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, Case No. 08-309-LPS, 2014 WL  
2960035, at \*1-2 (D. Del. June 30, 2014).

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20 <sup>56</sup> See, e.g., *Emory Univ. v. Nova BioGenetics, Inc.*, Case No. 1:06-cv-0141-TWT, 2008 U.S. Dist.  
LEXIS 57642, at \*1-2, 11-14 (N.D. Ga. July 24, 2008); *Joyal Prods., Inc. v. Johnson Elec. N. Am.,*  
21 *Inc.*, Case No. 04-5172-JAP, 2009 U.S. Dist. LEXIS 15531, at \*32, 40 (D.N.J. Feb. 26, 2009).

22 <sup>57</sup> See *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 863 (Fed. Cir. 2010) (holding that the  
23 “touchstone of the public interest factor is whether an injunction, both in scope and effect, strikes a  
workable balance between protecting the patentee’s rights and protecting the public from the  
24 injunction’s adverse effects”).

25 <sup>58</sup> Cf. *Qualcomm Inc.*, 543 F.3d at 704; *Emulex Corp.*, 732 F.3d at 1339 (approving a sunset period  
26 that “allowed for time to remove the infringing product from the market without causing significant  
downstream disturbance for OEMs and consumers”); *i4i Ltd. P'ship*, 598 F.3d at 863 (holding that  
27 the “touchstone of the public interest factor is whether an injunction, both in scope and effect,  
strikes a workable balance between protecting the patentee’s rights and protecting the public from  
28 the injunction’s adverse effects”).

1 and lower prices in the short run does not change this fundamental market principle in the long  
2 run.<sup>59</sup>

3 It may be true that come December TEK may no longer help customers and downstream  
4 users or update documentation or user manuals with respect to its products that infringe. But TEK  
5 offers little evidence that the customers and suppliers themselves face significant disruption from  
6 these limitations and offers no authority that the speculative effects of an injunction should be  
7 weighed in the court’s calculation. No imminent monopoly in the market for tire repair kits has  
8 been suggested, let alone substantiated, and no evidence suggests that with the substantial sunset  
9 period already in place customers have struggled to transition. If anything, the court must defer to  
10 testimony of TEK’s Chief Executive Officer Guido Petrelli, who previously declared it “does not  
11 cause great expense or delay” for OEMs to switch suppliers.<sup>60</sup>

12  
13 TEK alternatively requests that the court extend the sunset provision by five months to allow  
14 TEK to bring to market a non-infringing alternative amid unanticipated lengthy testing and  
15 validation required by TEK’s customers.<sup>61</sup> TEK predicts this additional testing and validation will  
16 not be completed until April 10, 2015, potentially leaving TEK with five months in which they are  
17 unable to sell either the accused products or its design-around, impacting the bulk of their  
18 revenue.<sup>62</sup> The problem for TEK is that TEK itself previously confirmed that nine months would  
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23 <sup>59</sup> See *Douglas Dynamics, L.L.C. v. Buyers Prods. Co.*, 717 F.3d 1336, 1346 (Fed. Cir. 2013); see  
24 also *Winsurfing Int’l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986) (“One who elects  
25 to build a business on a product found to infringe cannot be heard to complain if an injunction  
26 against continuing infringement destroys the business so elected”).

27 <sup>60</sup> Docket No. 259-1 at ¶¶ 5, 7-9.

28 <sup>61</sup> See Docket No. 312 at 1, 10.

<sup>62</sup> See *id.*

1 be sufficient.<sup>63</sup> There also is no evidence that customers would be harmed in the absence of an  
2 extension. This is because, as TEK's own expert declared, an "OEM can cancel and change its  
3 order from [a] supplier with little difficulty" and "doing so does not cause great expense or delay  
4 for the OEM."<sup>64</sup> And TEK's other evidence shows that customer preparations for the injunction  
5 are well under way.<sup>65</sup>

6 Where TEK does manage to persuade a change is in order is with respect the injunction's  
7 customer certification requirement. TEK asks that the requirement be tweaked so that it applies  
8 only after the date of the permanent injunction's entry.<sup>66</sup> As currently drafted, TEK must obtain  
9 from purchasers post-April 25, 2013 written certification "that the purchased Enjoined Product  
10 shall be used only as specifically and exclusively identified in an Appendix to this Injunction."<sup>67</sup>  
11 April 25, 2013, the day the jury reached its verdict, is months before the court first entered the  
12 injunction on March 10, 2014. Even if none of the customer certifications reference purchases  
13 made before January 2, 2014,<sup>68</sup> TEK is right in pointing out that it does not make sense to impose  
14 restrictions on any customers retroactively. While counting post-verdict sales is important for  
15 calculating post-verdict, pre-injunction royalties, the separate requirement of a royalty report  
16 already serves the purpose of verifying the accuracy of TEK's sunset period royalty payments.  
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20 \_\_\_\_\_  
21 <sup>63</sup> See Docket No. 303 at 32:22-25 ("the time of the sunset period is fine"); Docket No. 259-1 ("by  
22 the time the sunset period ends, TEK will be on the market with a newly designed product");  
23 Docket No. 259-1 at ¶ 20 ("TEK's new product is at the prototype stage and should be read within  
24 the sunset period offered by AMI").

25 <sup>64</sup> See Docket No. 312 at 4 (citing Docket No. 259-1 at ¶¶ 5, 7-9.

26 <sup>65</sup> See, e.g., Docket No. 333.

27 <sup>66</sup> See Docket No. 312 at 13.

28 <sup>67</sup> See Docket No. 284 at 2; Docket No. 312 at 13.

<sup>68</sup> See Docket No. 315 at 22.

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The court therefore amends the date of the written certification requirement to March 10, 2014. If AMI finds TEK’s royalty report does not properly verify the accuracy of TEK’s sunset period royalty payments, it may of course seek separate relief.

**SO ORDERED.**

Dated: October 13, 2014



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PAUL S. GREWAL  
United States Magistrate Judge