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UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA

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HALO ELECTRONICS, INC.,

Plaintiff,

v.

PULSE ELECTRONICS, INC. and  
PULSE ELECTRONICS  
CORPORATION,

Defendants.

2:07-cv-00331-PMP-PAL

**ORDER**

Before the Court is Halo Electronics, Inc.’s (“Halo”) Motion for a Permanent Injunction (Doc. #505), filed December 21, 2012. Pulse Electronics, Inc. and Pulse Electronics Corporation (collectively “Pulse”) filed a Response (Doc. #515) on January 18, 2013. Halo filed a Reply (Doc. #516) on January 25, 2013.

The parties are familiar with the facts and proceedings in this matter, and therefore the Court will repeat them here only when necessary. Halo contends it is entitled to a permanent injunction because it has suffered, and continues to suffer, irreparable harm that will continue absent an injunction. Halo also argues that damages are inadequate to compensate Halo because the ongoing harm to Halo is difficult to quantify and cannot be fully cured by an award of future damages. Halo further contends that the balance of the hardships weighs in Halo’s favor because Halo will suffer irreparable harm not compensable by damages, but Pulse will only be required to stop infringing. Halo further contends an injunction would not disserve the public interest because it would protect

1 patent rights and Halo and its licensees provide alternative sources of the patented product.  
2 Halo also argues its injunctive relief should include both the standard prohibitions on direct  
3 and induced infringement, as well as special provisions to prevent further induced  
4 infringement by Pulse.

5 Pulse responds that Halo's evidence does not prove it has suffered irreparable harm,  
6 that Halo's litigation actions and licenses show it is not irreparably harmed, and that in any  
7 event, Halo cannot demonstrate a nexus between Pulse's infringement and any harm. Pulse  
8 further contends that monetary damages are adequate to compensate Halo because Halo  
9 licenses its patented design, and thus can place a monetary amount on future infringement.  
10 Pulse also argues the balance of the hardships weighs against an injunction because  
11 allowing Pulse to make royalty payments and continue selling the infringing products  
12 would impose no hardship for Halo, but granting Halo's requested injunctive relief would  
13 significantly hinder Pulse's ability to make non-infringing sales outside the United States.  
14 Pulse further contends the public interest would not be served by an injunction because the  
15 disruption in Pulse's business would adversely affect Pulse's customers, its customers'  
16 customers, and consumers. Finally, Pulse contends that if the Court grants an injunction,  
17 Halo's proposed injunction is overly broad and the injunction should relate only to Pulse's  
18 proven United States sales of the infringing products.

## 19 **I. ANALYSIS**

20 In patent infringement cases, courts "may grant injunctions in accordance with the  
21 principles of equity to prevent the violation of any right secured by patent, on such terms as  
22 the court deems reasonable." 35 U.S.C. § 283. A patentee who has proven infringement  
23 and is seeking a permanent injunction must demonstrate: "(1) that it has suffered an  
24 irreparable injury; (2) that remedies available at law, such as monetary damages, are  
25 inadequate to compensate for that injury; (3) that, considering the balance of hardships  
26 between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public

1 interest would not be disserved by a permanent injunction.” eBay Inc. v. MercExchange,  
2 L.L.C., 547 U.S. 388, 391 (2006). “Absent adverse equitable considerations, the winner of  
3 a judgment of validity and infringement may normally expect to regain the exclusivity that  
4 was lost with the infringement.” Edwards Lifesciences AG v. CoreValve, Inc., 699 F.3d  
5 1305, 1314 (Fed. Cir. 2012). Ultimately, however, “[t]he decision to grant or deny  
6 permanent injunctive relief is an act of equitable discretion by the district court.” eBay Inc.,  
7 547 U.S. at 391.

### 8 **A. Irreparable Harm**

9 Halo contends that it has suffered and will continue to suffer irreparable harm due to  
10 Pulse’s infringement. Halo argues that Pulse is a direct, large competitor of Halo’s, and  
11 Halo has suffered and will continue to suffer irreparable harm resulting from lost sales,  
12 price erosion, and lost customer goodwill.

13 Pulse responds that Halo’s evidence does not demonstrate irreparable harm. Pulse also  
14 argues Halo cannot demonstrate a nexus between Pulse’s infringement and Halo’s alleged  
15 irreparable harm. Pulse further asserts that Halo’s willingness to license its patented design  
16 to other competitors shows it is not irreparably harmed by infringement of its patents. Pulse  
17 finally argues that Halo’s claim of irreparable injury is negated by Halo’s delay in bringing  
18 suit, failure to seek a preliminary injunction, and agreement to stay the case for almost two  
19 years.

20 Halo has provided evidence that it directly competes with Pulse and has lost sales and  
21 customer goodwill, which is evidence of irreparable harm. Halo also has shown a nexus  
22 between this irreparable harm and Pulse’s infringement. Furthermore, that Halo licenses its  
23 patented technology to competitors does not negate its showing of irreparable harm as to  
24 Pulse, because Pulse poses a larger threat of harm than Halo’s licensees. Halo’s delay in  
25 bringing suit also does not show it was not irreparably harmed because the delay was  
26 largely out of Halo’s control. Finally, although Halo’s failure to seek a preliminary

1 injunction and delay in lifting the stay provide evidence that Pulse’s infringement does not  
2 irreparably harm Halo, considering all of the evidence the balance weighs in favor of  
3 finding irreparable harm.

#### 4 1. Halo’s Evidence of Irreparable Harm

5 “[T]he irreparable harm inquiry seeks to measure harms that no damages payment,  
6 however great, could address.” Celsis In Vitro, Inc. v. CellzDirect, Inc., 664 F.3d 922, 930  
7 (Fed. Cir. 2012). Direct competition between the patentee and the infringer is evidence the  
8 patentee is irreparably harmed by the infringing activities. Robert Bosch LLC v. Pylon  
9 Mfg. Corp., 659 F.3d 1142, 1152-54 (Fed. Cir. 2011). “Where two companies are in  
10 competition against one another, the patentee suffers the harm—often irreparable—of being  
11 forced to compete against products that incorporate and infringe its own patented  
12 inventions.” Douglas Dynamics, LLC v. Buyers Prods. Co., --- F.3d ----, 2013 WL  
13 2158423 at \*6 (Fed. Cir. May 21, 2013); see also Merial Ltd. v. Cipla Ltd., 681 F.3d 1283,  
14 1306 (Fed. Cir. 2012) (finding irreparable harm when the patentee and infringer were  
15 competitors and the infringing product was introduced as a cheaper but otherwise equal  
16 alternative to the patentee’s products, which would result in lost market share and price  
17 erosion). Loss of sales, loss of customer goodwill, and price erosion also “are all valid  
18 grounds for finding irreparable harm.” Celsis, 664 F.3d at 930.

19 Halo and Pulse are direct competitors in the surface mount transformer market. Two  
20 of Halo’s witnesses testified that Pulse was one of Halo’s major competitors for surface  
21 mount transformers. (Jury Trial Tr. - Day 4 (Doc. #442) at 280; Jury Trial Tr. - Day 5  
22 (Doc. #464) at 100, 133-37.) One of Pulse’s witnesses testified that Pulse considered Halo  
23 a competitor in the “discretes” market, which included surface mount transformers. (Jury  
24 Trial Tr. - Day 6 (Doc. #465) at 68-69, 72-73.) Furthermore, Pulse’s internal documents  
25 and website identify Halo as a competitor for discrete products. (Pl.’s Trial Ex. 319 at 42;  
26 Decl. of Craig E. Countryman in Support of Halo’s Mot. for Permanent Inj. [“Countryman

1 Decl.”] (Doc. #506), Ex. A-C.) Halo sells its patented products to companies to which  
2 Pulse directly markets and to which Pulse’s customers sell Pulse’s infringing products.  
3 (Jury Trial Tr. - Day 2 (Doc. #435) at 13-14; Jury Trial Tr. - Day 4 (Doc. #442) at 277-78;  
4 Jury Trial Tr. - Day 5 (Doc. #464) at 29-34; Pl.’s Trial Ex. 282 at 18; Decl. of Jeffrey R.  
5 Heaton in Support of Halo’s Mot. for Permanent Inj. [“Heaton Decl.”] (Doc. #507) at ¶ 2;  
6 Decl. of Carrie Munson in Support of Def.’s Opp’n to Pl.’s Mot. for Permanent Inj.  
7 [“Munson Decl.”] (Doc. #515-1) at ¶ 8.) Thus, Halo and Pulse directly compete in the  
8 surface mount transformer market. See Robert Bosch, 659 F.3d at 1153 (“Although the  
9 parties dispute the finer details of the nature and extent of their competition, we agree with  
10 [the patentee] that the undisputed facts show that it competes with [the infringer] in all of  
11 the market segments identified by the parties.”).

12         Given that Halo and Pulse are direct competitors, Halo has lost sales because of  
13 Pulse’s infringement. Halo demonstrated that it has lost business to Cisco, a large company  
14 that sells products which incorporate surface mount transformers. Cisco requires that the  
15 transformers incorporated into its product be from one of four approved suppliers: Halo,  
16 Pulse, and two other companies to which Halo has granted licenses. (Jury Trial Tr. - Day 4  
17 (Doc. #442) at 282-83; Dep. of Hugh Kennedy (Doc. #494) at 33-34.) Each quarter, Cisco  
18 divides its transformer requirements between the approved suppliers, giving each one a  
19 percentage of Cisco’s overall surface mount transformer requirement. (Jury Trial Tr. - Day  
20 4 (Doc. #442) at 146-47, 194-95, 285.) Thus, it is more likely than not that Halo lost sales  
21 to Cisco because of Pulse’s infringing product sales to Cisco, even given the alternative  
22 approved suppliers to which Cisco could have given its business. Cf. Robert Bosch, 659  
23 F.3d at 1154 (“While it is true that at least some of [the patentee’s] loss of market share is  
24 attributable to other competitors, it is undisputed that it was [the infringer] that secured the  
25 Wal-Mart account, which alone accounts for a substantial portion of the entire market.”).  
26 Additionally, one of Halo’s Vice Presidents stated that in another instance Pulse reduced its

1 prices on infringing products by 40 percent, which Halo was unable to match, and therefore  
2 Halo lost sales to another customer, Siemens. (Heaton Decl. at ¶ 3.) Therefore, Halo has  
3 shown it has lost sales because of Pulse's infringement.

4 Halo also has shown it has suffered a loss in customer goodwill. One of Halo's Vice  
5 Presidents testified that Halo's patented technology was very important to Halo's business  
6 because the technology showed customers that Halo was a technology leader and allowed  
7 Halo to distinguish itself over larger competitors. (Jury Trial Tr. - Day 2 (Doc. #435) at 13,  
8 82.) He also testified that Halo promoted its products by emphasizing its patented  
9 technology. (Id. at 82-92; see also Pl.'s Trial Exs. 97 & 100.) However, another of Halo's  
10 Vice Presidents testified that, in the beginning, the open construction design of the Halo's  
11 patents was seen as unique, but it is more commonplace now because Halo's competitors  
12 have also started using the design. (Jury Trial Tr. - Day 4 (Doc. #442) at 292.) Pulse is one  
13 of Halo's largest competitors and began selling products that embody Halo's patented  
14 design after Halo patented its design. (Jury Trial Tr. - Day 5 (Doc. #464) at 100, 133-37;  
15 Jury Trial - Day 8 (Doc. #467) at 233-34; Jury Verdict (Doc. #482).) Therefore, Halo has  
16 demonstrated that Pulse's infringement has contributed to a decrease in customer goodwill  
17 towards Halo because Halo's patented design, which used to distinguish Halo, is now seen  
18 as more common.<sup>1</sup> See Douglas, 2013 WL 2158423 at \*6 ("Douglas's reputation as an  
19 innovator will certainly be damaged if customers found the same 'innovations' appearing in  
20 competitors' snowplows, particularly products considered less prestigious and  
21 innovative.").

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22  
23 <sup>1</sup> Pulse argues that Halo was complicit in its loss of customer goodwill because Halo has  
24 granted licenses to some of its competitors, and does not require those licensees to identify their  
25 products as using Halo technology. However, Halo issued press releases announcing that it had  
26 licensed its patented technology to competitors. (Supp. Decl. of Craig E. Countryman in Support of  
Halo's Mot. for Permanent Inj. (Doc. #516-1), Ex. 2.) Halo informing the public that the technology  
was Halo's and these competitors were Halo's licensees shows Halo was concerned with informing  
the public that this technology was Halo's and Halo was not complicit in any loss of goodwill.

1 As to price erosion, Halo offers evidence that Pulse “has sold its products at lower  
2 average selling prices than Halo.” (Decl. of John L. Hansen in Support of Halo’s Mot. for  
3 Permanent Inj. [“Hansen Decl.”] (Doc. #508) at ¶ 12.) Specifically, Halo provides evidence  
4 of Halo’s and Pulse’s prices, number of sales, and profits on three different sets of  
5 competing parts, which shows Pulse’s prices are generally lower and Pulse sells more of  
6 these particular products. (Id. at ¶ 12 & Schedule 1 (for example, showing that in 2009  
7 Pulse sold two infringing parts for \$0.63 and \$0.67, while Halo sold competing parts for  
8 \$1.28 and \$1.13, respectively).) Halo’s damages expert stated that, based on this disparity  
9 in pricing, “[h]ad Pulse not been in the market selling the infringing [parts], it is more likely  
10 than not that Halo would have sold its product at a higher price.” (Id. at ¶ 12.)  
11 Additionally, Halo presented evidence that when Halo dropped the price of one of its  
12 products below that of Pulse’s competing infringing part, Halo sold more of and made more  
13 profit on that part than Pulse did on its competing infringing part. (Id. at Schedule 1.)  
14 Halo’s damages expert concluded that when Halo “suffers price erosion as a result of a  
15 competitor offering competing products at a lower price, it could be difficult for Halo to  
16 raise prices again later.” (Id. at ¶ 12.)

17 However, Pulse asserts that price erosion is not due to Pulse’s price undercutting, but  
18 rather due to Chinese and Taiwanese companies selling low-cost “knock-offs.” (Munson  
19 Decl. at ¶ 6; Decl. of Richard M. Holstrum (Doc. #515-2) at ¶ 8-9.) Pulse further asserts  
20 that it “is not known in the industry as a price leader,” and that Pulse’s profit margin is due  
21 to several factors other than price, such as Pulse’s reputation as a technology leader and for  
22 providing high quality solutions, high-volume manufacturing capacity, and the fact that  
23 Pulse is on the approved vendor list of the preferred supplier for many companies. (Id. at  
24 ¶ 3-5.) Due to Pulse’s evidence of other reasons for price erosion in the surface mount  
25 transformer market, price erosion does not weigh in favor of irreparable harm. Compare  
26 with Robert Bosch, 659 F.3d at 1154 (finding un rebutted testimony about price erosion

1 from the patentee's director of product management was sufficient, even though noting the  
2 patentee could have developed more clearly the effects of the infringer's conduct as  
3 opposed to that of other competitors). Nevertheless, Halo has shown Pulse is its direct  
4 competitor and Halo has lost sales and customer goodwill because of Pulse's infringement.

## 5 2. Nexus Between Infringement and Harm

6 The patentee must show a causal nexus between the infringement and the harm.  
7 Apple, Inc. v. Samsung Elecs. Co., 678 F.3d 1314, 1324 (Fed. Cir. 2012). “[I]rreparable  
8 harm cannot be shown if sales would be lost regardless of the infringing conduct,” such as  
9 if the patented feature does not drive the demand for the product. Id. (finding, at the  
10 preliminary injunction stage, no nexus because “while there was evidence that [the patented  
11 design] had some effect on smartphone sales, there was considerable countervailing  
12 evidence indicating that it was not a determinative factor in consumer decisionmaking”).

13 Halo has proven a nexus between its harm and Pulse's infringement. Halo presented  
14 evidence at trial that Halo's patented design was successful because it solved the problem of  
15 enclosed surface mount transformers cracking under the high heat needed to solder the part.  
16 (Jury Trial Tr. - Day 9 (Doc. #468), at 256-57.) Pulse stated in a letter to its customers in  
17 2006 that it changed its products from molded construction to open construction to meet the  
18 higher soldering requirements. (Pl.'s Trial Ex. 253; Jury Trial Tr. - Day 5 (Doc. #464) at  
19 147-48.) Pulse also stated in strategy documents in 2009 that it planned to completely  
20 change over its surface mount transformers to open header style products. (Pl.'s Trial Ex.  
21 235; Jury Trial Tr. - Day 5 (Doc. #464) at 148-49.) An email from Pulse's marketing  
22 employee also indicated that Pulse was trying to design all new discrettes, which includes  
23 surface mount transformers, using an open header package, and listed three infringing  
24 products as examples. (Pl.'s Trial Ex. 260; Jury Trial Tr. - Day 5 (Doc. #464) at 149-50.)  
25 This supports the inference that the customers preferred and purchased Halo's open header  
26 design because it solved the problem with high heat soldering.



1 Pulse's Director of Marketing testified there were instances where customers  
2 preferred open header or transfer molded, but the majority of customers had no preference  
3 and made a decision based on cost. (Jury Trial Tr. - Day 7 (Doc. #466) at 318-20.)  
4 However, Halo has presented sufficient evidence to show that customers purchase the  
5 infringing products because they can survive the high heat soldering better than transfer  
6 molded parts, and thus Halo has shown a nexus between Pulse's infringement and Halo's  
7 irreparable harm.

### 8 3. Halo's Prior Licensing to Competitors

9 Prior instances of the patentee granting licenses to other competitors to use its patented  
10 design is a factor that may be taken into account in the irreparable harm analysis. eBay,  
11 547 U.S. at 393; Acumed LLC v. Stryker Corp., 551 F.3d 1323, 1328 (Fed. Cir. 2008).  
12 However, there is no categorical bar against granting permanent injunctive relief when the  
13 patentee licenses its patents to others. eBay, 547 U.S. at 393; Acumed, 551 F.3d at 1328  
14 ("A plaintiff's past willingness to license its patent is not sufficient per se to establish lack  
15 of irreparable harm if a new infringer were licensed."). Thus, a patentee may be able to  
16 show irreparable harm even if it licenses its patents. eBay, 547 U.S. at 393.

17 That Halo licenses the use of its patented technology to competitors does not negate a  
18 finding of irreparable harm. Halo's licensees are Wurth Midcom, E&E, Bel Fuse, and  
19 XFMRS, all of which are Halo's competitors. (Jury Trial Tr. - Day 5 (Doc. #464) at 93-94.)  
20 Bel Fuse and E&E also are the other two companies, in addition to Halo and Pulse, that are  
21 approved transformer suppliers for Cisco. (Dep. of Hugh Kennedy (Doc. #494) at 33-34.)  
22 Thus, Halo competes directly with two of its licensees for the same client.

23 However, Halo has presented evidence that Pulse is one of Halo's largest competitors,  
24 Pulse is larger than Halo and its licensees, and that it is "likely that Pulse's infringement  
25 imposes greater harm on Halo" than its current licensees. (Hansen Decl. ¶ 13; Jury Trial Tr.  
26 - Day 5 (Doc. #464) at 99-100, 137; Jury Trial Tr. - Day 9 (Doc. #468) at 68.) Furthermore,

1 Halo's licenses contain additional non-monetary terms, such as agreements not to make  
2 public statements about the validity or enforceability of the Halo patents, which, in the  
3 absence of an injunction, Pulse would not have to agree to even if ordered to pay a  
4 reasonable royalty fee. (Pl.'s Trial Exs. 124 § 8.1, 134 § 8.2, 160 § 8.2, 161 § 4.1.)

5 Therefore, while Halo's licenses provide evidence that in certain situations and with certain  
6 competitors Halo may be willing to accept a license, Pulse poses a larger threat for which a  
7 royalty fee might not fully compensate Halo for Pulse's infringement. See Acumed, 551  
8 F.3d at 1329 ("Adding a new competitor to the market may create an irreparable harm that  
9 the prior licenses did not.").

#### 10 4. Halo's Delay

11 "[D]elay in bringing an infringement action and seeking a preliminary injunction are  
12 factors that could suggest that the patentee is not irreparably harmed by the infringement."  
13 Apple, 678 F.3d at 1325; Hybritech Inc. v. Abbott Labs., 849 F.2d 1446, 1457 (Fed. Cir.  
14 1988) ("The period of delay exercised by a party prior to seeking a preliminary injunction  
15 in a case involving intellectual property is but one factor to be considered by a district court  
16 in its analysis of irreparable harm."). However, there is no per se rule that failure to seek a  
17 preliminary injunction or to file suit soon after learning of the infringement precludes a  
18 finding of irreparable harm. Apple, 678 F.3d at 1325-26; Mytee Prods., Inc. v. Harris  
19 Research, Inc., 439 F. App'x 882, 888 (Fed. Cir. 2011).

20 Here, Halo's delay in filing suit, its agreement to stay the litigation pending the patent  
21 re-examination, and its failure to move to lift the stay do not negate Halo's showing of  
22 irreparable harm. First, as explained in this Court's Findings of Fact and Conclusions of  
23 Law, Halo's delay in bringing suit was not for the purpose of accruing damages, but rather  
24 due to circumstances largely out of the control of Halo and its officers. (Order (Doc. #522)  
25 at 22-23.) Further, Halo's agreement to stay the case was a reasonable litigation strategy to  
26 support Halo's contentions that its patents were valid and Pulse was infringing. The Court

1 ordered the stay lifted in the case because given that the reexamination of the Halo patents  
2 could have taken several more years, no good cause remained to continue staying the  
3 proceedings. (Order (Doc. #79).) Thus, Halo's failure to move to lift the stay also does not  
4 show a lack of irreparable harm because the re-examination was still pending when the  
5 Court lifted the stay.

6 Halo's failure to seek a preliminary injunction, however, provides some support for  
7 Pulse's position that Halo is not irreparably harmed by Pulse's infringement. The patentee  
8 seeking a preliminary injunction is not a prerequisite to a finding of irreparable harm.  
9 Mytee Prods., 439 F. App'x at 888 ("While we have held that delay in seeking an injunction  
10 is a factor to be considered in determining whether to issue a preliminary injunction, we  
11 have never held that failure to seek a preliminary injunction must be considered as a factor  
12 weighing against a court's issuance of a permanent injunction."). Nevertheless, Halo's  
13 failure to file for a preliminary injunction gives some indication that Halo is not irreparably  
14 harmed by Pulse's infringement.

15 However, Halo's failure to file for a preliminary injunction is not enough to tip the  
16 balance of the evidence in favor of Pulse. Halo has made a showing that it has suffered lost  
17 sales and a loss of customer goodwill, and that there is a nexus between its harm and  
18 Pulse's infringing product sales. Although Pulse has presented evidence that undermines  
19 Halo's evidence on price erosion, Halo has shown it was irreparably harmed in other ways,  
20 and will continue to be irreparably harmed in the absence of an injunction. Additionally,  
21 Halo licensing its patented design to other competitors does not show that Pulse's  
22 infringement does not cause Halo irreparable harm because Pulse is a different type of  
23 competitor. Thus, considering all of the evidence, the irreparable harm factor weighs in  
24 favor of granting an injunction.

25 ///

26 ///

1           **B. Inadequacy of Damages**

2           Halo argues that damages are inadequate to compensate it for Pulse’s infringement for  
3 essentially the same reasons that Halo is irreparably harmed. Halo asserts that the damages  
4 resulting from its lost sales and lost customer goodwill are difficult to quantify and  
5 calculate. Halo further argues that Pulse’s poor financial condition also shows a damages  
6 award would be inadequate to compensate Halo because it is unlikely Pulse will be able to  
7 pay future royalty fees.

8           Pulse responds that money damages are adequate to compensate Halo for Pulse’s  
9 future infringement because Halo’s licensing program demonstrates Halo can place a price  
10 on future infringement. Pulse further argues that it is in stable financial condition and  
11 would be able to pay a royalty fee for future infringement.

12           To determine whether damages would be inadequate to compensate the patentee,  
13 courts “consider the extent to which a forward-looking monetary award is a viable or  
14 meaningful alternative to an injunction.” Robert Bosch, 659 F.3d at 1156. This includes  
15 considering the evidence submitted to prove irreparable harm, as “the issues of irreparable  
16 harm and adequacy of remedies at law are inextricably intertwined.” ActiveVideo  
17 Networks, Inc. v. Verizon Commc’ns, Inc., 694 F.3d 1312, 1337 (Fed. Cir. 2012); Robert  
18 Bosch, 659 F.3d at 1155 (finding money damages inadequate when patentee had  
19 demonstrated irreparable harm from lost market share, lost business opportunities, and price  
20 erosion because there was “no reason to believe that [the infringer] will stop infringing, or  
21 that the irreparable harms resulting from its infringement will otherwise cease, absent an  
22 injunction”); Douglas, 2013 WL 2158423 at \*6 (“This court finds remedies at law  
23 inadequate to compensate [the patentee] for at least the reputation loss [the patentee] has  
24 suffered from the [infringer’s] infringement.”).

25           “Difficulty in estimating monetary damages is evidence that remedies at law are  
26 inadequate.” i4i Ltd. P’ship v. Microsoft Corp., 598 F.3d 831, 862 (Fed. Cir. 2010).

1 However, if the harm to a patentee that will be caused by future infringement is readily  
2 quantifiable, then the payment of a royalty fee for that damage may be adequate  
3 compensation. See ActiveVideo, 694 F.3d at 1337-38 (finding damages adequate because  
4 the patentee and infringer were not direct competitors, the patentee licensed its service to a  
5 third party that competed with the infringer, and the harm the patentee suffered was  
6 quantifiable and adequately compensable by a monthly royalty fee for each customer that  
7 signed up with the infringer rather than the patentee’s licensee).

8 Finally, “the grant of previous licenses, the identity of the past licensees, the  
9 experience in the market since the licenses were granted, and the identity of the new  
10 infringer all may affect the district court’s discretionary decision concerning whether a  
11 reasonable royalty from an infringer constitutes damages adequate to compensate for the  
12 infringement.” Acumed, 551 F.3d at 1328; see also ActiveVideo, 694 F.3d at 1340 (finding  
13 “extensive licensing, licensing efforts, solicitation of the [infringer] over a long period of  
14 time preceding and during litigation, and no direct competition between [the infringer and  
15 the patentee]” showed that money damages could adequately compensate the patentee for  
16 the infringement). However, that the patentee licenses its patents to others does not always  
17 demonstrate that damages are adequate to compensate for future irreparable harm. See  
18 Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683, 702-03 (Fed. Cir. 2008) (finding  
19 patentee’s license to another competitor did not show damages were adequate because the  
20 nature of the market for the patented product was “design win,” meaning the exclusion of a  
21 certain competitor would have a competitive effect even if the patentee did not have a  
22 product immediately available for sale).

23 An infringer’s “questionable financial condition” also can show damages would be an  
24 inadequate remedy. Robert Bosch, 659 F.3d at 1155 (“A district court should assess  
25 whether a damage remedy is a meaningful one in light of the financial condition of the  
26 infringer before the alternative of money damages can be deemed adequate.”). Evidence

1 which may show an infringer's inability to satisfy a judgment includes reports indicating  
2 the infringer is at risk of severe financial stress, such as bankruptcy. Id. at 1154.

3 Here, damages would be inadequate to compensate Halo for Pulse's infringement for  
4 many of the same reasons that Halo is irreparably harmed by the infringement. Halo has  
5 lost sales to Pulse and Pulse's infringement has caused Halo to lose customer goodwill.  
6 Although ordering Pulse to pay a royalty fee for each sale of an infringing product, at least  
7 in the United States, might compensate Halo for lost sales, the loss of customer goodwill  
8 cannot be compensated by a reasonable royalty payment, thus weighing in favor of an  
9 injunction. Additionally, Halo is a small company, the patented technology is incorporated  
10 into nearly all of its surface mount transformers, and the technology allows Halo to  
11 distinguish itself over large competitors. (Jury Trial Tr. - Day 2 (Doc. #435) at 13, 82, 108-  
12 09; Pl.'s Trial Exs. 97 & 100.) This further shows Halo has suffered harm that is difficult to  
13 quantify. See i4i Ltd., 598 F.3d at 862 (affirming a finding that damages were inadequate  
14 in a situation where a "small company was practicing its patent, only to suffer a loss of  
15 market share, brand recognition, and customer goodwill as the result of the defendant's  
16 infringing acts").

17 That Halo has licensed its patented technology to other competitors, and offered to  
18 license the technology to Pulse, does not mean monetary damages would be adequate to  
19 compensate Halo for Pulse's continued infringement. Halo's licenses contain non-monetary  
20 terms, which this Court could not impose upon Pulse in the absence of an injunction. (Pl.'s  
21 Trial Exs. 124 § 8.1, 134 § 8.2, 160 § 8.2, 161 § 4.1.) Furthermore, Halo has shown Pulse  
22 is one of Halo's largest competitors and thus Pulse poses a greater threat for which a royalty  
23 fee might not fully compensate Halo for Pulse's infringement.

24 As to Pulse's financial condition, Halo has presented evidence that Pulse is not doing  
25 well financially. (Countryman Decl., Exs. E-J.) However, in a declaration in support of  
26 Pulse's opposition to Halo's permanent injunction request, Pulse's representative stated that

1 following the jury verdict, Pulse began accruing reserves to pay the damages awarded,  
2 anticipated future royalties, and any applicable interest. (Munson Decl. ¶ 7.) Pulse also has  
3 entered into a large recapitalization agreement with a third party to aid Pulse's recovery  
4 from its recent financial hardships. (Countryman Decl., Exs. H & I.) Pulse's preparation to  
5 pay damages, combined with its recapitalization agreement, shows that Pulse could be able  
6 to cover the damages awarded thus far and any future royalty. Thus, Pulse's financial  
7 condition does not weigh in favor of finding damages inadequate to compensate Halo.

8 However, Halo has shown that it has suffered irreparable harm that is difficult to  
9 quantify, particularly its loss in customer goodwill. There is no reason to believe that Pulse  
10 will cease its infringing activity, and thus Halo's irreparable harm will not abate without an  
11 injunction. Therefore, the inadequacy of damages weighs in favor of granting an  
12 injunction.

### 13 **C. Balance of the Hardships**

14 Halo argues that the irreparable harm it would face without an injunction shows it  
15 would face significant hardship as well. Halo asserts that Pulse, on the other hand, would  
16 suffer no hardship that can tip the balance in Pulse's favor because any hardship Pulse  
17 suffers is due to Pulse's unlawful activities. Halo also argues that Pulse's trial assertions  
18 that it could switch to a different, non-infringing design, shows that Pulse actually would  
19 not be harmed by an injunction.

20 Pulse responds that Halo has not shown that allowing Pulse to continue infringing  
21 while paying a royalty fee to Halo would create a hardship for Halo. Pulse also argues that  
22 enjoining Pulse's sales of its accused products would be extraordinarily disruptive and  
23 burdensome to Pulse because Pulse likely would be unable to honor its existing contracts.  
24 Pulse further contends that if an injunction were granted it would be required to modify its  
25 manufacturing process at great cost, which would waste resources because Halo's patents  
26 expire in just two years.

1           The balance of the hardships assesses the relative effect on the parties of granting or  
2 denying an injunction. i4i, 598 F.3d at 862; Acumed, 551 F.3d at 1330 (stating that “the  
3 balance considered is only between a plaintiff and a defendant”). A patentee being forced  
4 to compete against its own patented invention can be a substantial hardship which  
5 outweighs the burden placed on an infringer resulting from an injunction. Robert Bosch,  
6 659 F.3d at 1156. Furthermore, “a party cannot escape an injunction simply because . . . its  
7 primary product is an infringing one.” Id. While balancing the hardships, a district court  
8 does not abuse its discretion by disregarding an infringer’s expenses in designing,  
9 marketing, or redesigning its infringing products. i4i, 598 F.3d at 863; Acumed, 551 F.3d  
10 at 1330.

11           Here, Halo directly competes with Pulse, which results in lost sales and lost customer  
12 goodwill. Thus, Halo’s hardships associated with Pulse’s infringement weigh in favor of  
13 granting an injunction. See Robert Bosch, 659 F.3d at 1156 (finding the balance of the  
14 hardships weighed in favor of granting an injunction when the patentee would be required  
15 to compete against its own patented invention in the absence of an injunction).

16           Pulse argues that it would be unable to fulfill certain contractual obligations to provide  
17 open header surface mount transformers if the Court grants Halo permanent injunctive  
18 relief. (Munson Decl. ¶ 9.) Pulse further asserts that forcing Pulse to cease selling its  
19 infringing products would be costly and disruptive to Pulse’s business. (Id. ¶¶ 10 & 11.)  
20 However, costs and disruption to Pulse’s business due to switching to a non-infringing  
21 design do not sway the balance of the hardships in Pulse’s favor. See i4i, 598 F.3d at 863  
22 (finding the cost of redesigning the infringing products “irrelevant” and the infringer “is not  
23 entitled to continue infringing simply because it successfully exploited its infringement”);  
24 Acumed, 551 F.3d at 1330 (“We also see no abuse of discretion in the court’s decision not  
25 to consider Stryker’s expenses in designing and marketing the T2 PHN, since those  
26 expenses related to an infringing product.”). Furthermore, Pulse’s representative testified at



1 trial that it could switch to a different, non-infringing design to meet its customers' needs.  
2 (Jury Trial Tr. - Day 6 (Doc. #465) at 41-42.) Thus, Pulse's costs associated with changing  
3 to a non-infringing design and any disruption to its business if it were required to stop  
4 making infringing sales does not tip this factor in Pulse's favor.

5 That the injunction would last only until August 2015, at which time the Halo patents  
6 expire, also does not tip the balance in Pulse's favor. See Atlas Powder Co. v. Ireco  
7 Chems., 773 F.2d 1230, 1234 (Fed. Cir. 1985) ("The fact that the patent has only one year  
8 to run is not a factor in favor of [the infringer] in the balance of equities. Patent rights do  
9 not peter out as the end of the patent term, usually 17 years, is approached."). Thus, Halo's  
10 hardships resulting from Pulse's continued infringement outweigh Pulse's hardships if it  
11 were forced to stop infringing.

12 However, Pulse has a cognizable interest in making non-infringing sales outside of the  
13 United States. These non-infringing sales should not be hindered by injunctive relief. But,  
14 any hardship on Pulse's non-infringing sales can be avoided by narrowly tailoring the scope  
15 of the injunction so that it does not inhibit Pulse's non-infringing sales. Consequently,  
16 limiting the scope of the injunction can alleviate Pulse's potential hardship, but an  
17 injunction is the proper remedy to address Halo's hardships.

#### 18 **D. Public Interest**

19 Halo argues an injunction would not disserve the public interest because an injunction  
20 would favor the strong public interest of enforcing patent rights, and there is no public  
21 safety risk associated with granting an injunction. Halo further argues that third parties will  
22 not suffer any harm if Pulse were enjoined, because Halo and its licensees provide  
23 alternative sources for surface-mount transformers.

24 Pulse responds that the public interest would not be served by an injunction because  
25 Halo has not shown that Halo and its licensees could fulfill the demand which would be  
26 created by enjoining Pulse from selling its infringing products. Thus, Pulse concludes that

1 an injunction would adversely affect Pulse’s customers, its customers’ customers, and  
2 consumers of electronic products.

3 “[T]he touchstone of the public interest factor is whether an injunction, both in scope  
4 and effect, strikes a workable balance between protecting the patentee’s rights and  
5 protecting the public from the injunction’s adverse effects.” i4i, 598 F.3d at 863; see also  
6 ActiveVideo, 694 F.3d at 1341 (“The proper question on the public interest should be: will  
7 an injunction harm a specific public interest that outweighs the public’s interest in a robust  
8 patent system?” (quotation omitted)). Relevant to this analysis is whether the public still  
9 may obtain the patented products from another source if the infringer is enjoined. Celsis In  
10 Vitro, 664 F.3d at 932.

11 Here, although Halo has presented evidence that Halo and its licensees sell the  
12 patented design to some of the same customers as Pulse, Halo has not presented specific  
13 evidence showing that if injunctive relief were granted Halo or its licensees could fulfill the  
14 demand created by Pulse’s absence. The evidence indicates that Pulse is one of Halo’s  
15 largest competitors, while Halo is a relatively small player in the surface-mount transformer  
16 market and would potentially acquire around 1.3 percent of Pulse’s sales if Pulse were  
17 taken out of the market. (Jury Trial Tr. - Day 5 (Doc. #464) at 100, 133-37; Jury Trial Tr. -  
18 Day 9 (Doc. #468) at 44-45.) Furthermore, Pulse’s representative stated that the public  
19 interest would be disserved by an injunction because Pulse customers would be forced to  
20 switch to different Pulse products, which would require the customers to spend time and  
21 money approving the new products. (Munson Decl. ¶ 12.) Pulse’s representative concludes  
22 this ultimately would be disruptive to the public who purchase consumer electronics. (Id.)  
23 Thus, there is evidence that customers of Halo’s patented surface-mount transformer design,  
24 as well as the public, may be disserved by an injunction.

25 However, that Halo and its licensees sell Halo’s patented design, combined with  
26 Pulse’s stated ability to meet customer needs with other non-infringing designs, minimize

1 the risk of a supply shortage of surface-mount transformers with Halo's patented design.  
2 And, overall, the weight of the evidence is in favor of Halo receiving a permanent  
3 injunction to enjoin Pulse's infringement. The Court therefore finds Halo is entitled to  
4 injunctive relief to prohibit Pulse's infringement.

#### 5 **E. Scope of Injunction**

6 Halo submits that, in addition to the standard provisions prohibiting direct and induced  
7 infringement, the injunction should include specific provisions that prevent further induced  
8 infringement. First, Halo argues Pulse should be required to send a letter to Pulse's  
9 customers and its customers' customers stating the infringing products cannot be used, sold,  
10 offered for sale, or imported into the United States. Second, Halo argues that Pulse should  
11 be required to add a disclaimer to all communications about the infringing products stating  
12 that the infringing products cannot be used, sold, offered for sale, or imported into the  
13 United States. Third, Halo argues Pulse should be required to stop obtaining a United  
14 States specific certification for the infringing products. Finally, Halo argues Pulse should  
15 be required to include a copy of the injunction in all shipments of infringing products  
16 outside the United States, as well as a notice indicating the part shipped is affected by the  
17 injunction.

18 Pulse argues that Halo's proposed injunctive relief is overbroad. Specifically, Pulse  
19 argues that the verdict shows the jury rejected Halo's estimates of how many of Pulse's  
20 infringing products sold outside of the United States ultimately were shipped back into the  
21 United States. Pulse thus argues that Halo has failed to prove that Pulse's foreign sales are  
22 infringing, and therefore Halo should not be granted injunctive relief with provisions  
23 regarding Pulse's foreign sales.

24 In a patent infringement matter, "the only acts [an] injunction may prohibit are  
25 infringement of the patent by the adjudicated devices and infringement by devices not more  
26 than colorably different from the adjudicated devices." Int'l Rectifier Corp. v. IXYS Corp.,

1 383 F.3d 1312, at 1316 (Fed. Cir. 2004). Furthermore, “a trial court, upon a finding of  
2 infringement, must narrowly tailor an injunction to fit the specific adjudged violations.”  
3 Riles v. Shell Exploration & Prod. Co., 298 F.3d 1302, 1311 (Fed. Cir. 2002). “Thus, an  
4 injunction cannot impose unnecessary restraints on lawful activity.” Id. at 1311.

5 Here, the jury found that Pulse directly infringed and induced others to infringe the  
6 asserted patent claims. (Jury Verdict (Doc. #482).) Halo’s theory for induced infringement  
7 was that Pulse sold its infringing parts to foreign customers, and the parts were then  
8 incorporated into final products that eventually were sold into the United States. Thus, at  
9 least some portion of Pulse’s foreign sales are infringing because the jury found induced  
10 infringement. Therefore, prohibitions on Pulse’s sales of the infringing products in the  
11 United States, as well as specific provisions to address future induced infringement  
12 resulting from Pulse’s foreign sales, are proper.

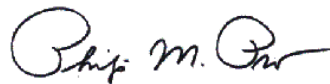
13 Specifically, Halo’s request that Pulse be prohibited from seeking United States  
14 specific certification of its infringing parts and that Pulse be required to send a copy of the  
15 injunction with each foreign shipment of infringing parts are reasonably tailored to prevent  
16 further induced infringement. First, Halo presented evidence that when a product is going  
17 to be sold in the United States, it needs to be “UL recognized or certified.” (Jury Trial Tr. -  
18 Day 2 (Doc. #435) at 251-56.) Pulse’s designated witness under Federal Rule of Procedure  
19 30(b)(6) recognized the UL certification was United States specific and meant that Pulse’s  
20 part was “eligible to be used in a system that has the possibility of being shipped in the  
21 United States.” (Jury Trial Tr. - Day 5 (Doc. #464) at 41-42.) Prohibiting Pulse from  
22 seeking United States specific UL certification of its infringing parts would further ensure  
23 that the infringing parts Pulse sells overseas are not imported back into the United States.  
24 Second, Halo’s request for a provision requiring that Pulse include a copy of the injunction  
25 in every delivery of infringing parts made outside of the United States is narrowly tailored  
26 to prevent further induced infringement in a minimally invasive and burdensome manner.

1           However, the Court denies Halo's other requested relief specific to induced  
2 infringement. The Court denies Halo's request that Pulse be required to send a letter to  
3 Pulse's customers, as a copy of the injunction sent with every future foreign shipment of  
4 Pulse's infringing products is adequate to give Pulse's customers notice of the injunction  
5 and prevent further induced infringement. Furthermore, the Court denies Halo's request  
6 that Pulse be required to send Pulse's customers' customers a letter notifying them of the  
7 injunction because Halo has not shown this would not place too great a burden on Pulse to  
8 determine the identity of Pulse's customers' customers. The Court also denies Halo's  
9 request that Pulse be required to add a disclaimer to all communications about the  
10 infringing products because it is overly burdensome. The copy of the injunction included in  
11 any actual foreign shipments of the infringing products is sufficient to provide customers  
12 notice of the injunction. Finally, the Court denies Halo's request that the copy of the  
13 injunction sent with every foreign shipment of the infringing products be accompanied by a  
14 notice indicating the part shipped is affected by the injunction is redundant, as the copy of  
15 the injunction provides adequate notice.

## 16 **II. CONCLUSION**

17           **IT IS ORDERED** that Plaintiff Halo Electronics, Inc.'s Motion for a Permanent  
18 Injunction (Doc. #505) is hereby **GRANTED**.

19  
20 DATED: June 17, 2013



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21 PHILIP M. PRO  
22 United States District Judge  
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