

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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INVENTIO AG,

Plaintiff,

06 Civ. 5377 (CM)

-against-

OTIS ELEVATOR COMPANY,

Defendant.

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MEMORANDUM DECISION ON INVENTIO'S MOTION FOR  
ENTRY OF A PERMANENT INJUNCTION AFTER TRIAL

McMahon, J.:

On July 27, 2011, a jury of eight found defendant Otis Elevator Company liable for infringing Inventio's Patent No. 5,689,094 (the '094 patent). The same jury rejected Otis' affirmative defense that the patent was invalid. Inventio now seeks entry of a permanent injunction in a form modified from the one proposed prior to trial. Notwithstanding its loss, Otis opposes the motion.

An injunction will issue, but in the form proposed by Otis, as set forth in Ex. A to the Declaration of Katherine G. Minarik

**Consideration of All Relevant Factors Counsel in Favor of an Injunction.**

The most fundamental right secured by a patent is the right to exclude others from making, using, selling, offering to sell, or importing the invention claimed in the patent; that is "the principal value of a patent." *H.H. Robertson Co. v. United Steel Deck, Inc.*, 820 F. 2d 384, 390 (Fed. Cir. 1987)(*overruled on other grounds by Markman v. Westview Instruments, Inc.*, 52 F. 3d 967, 977 (Fed. Cir. 1995)). As Chief Justice Roberts said in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 395 (2006), the "long tradition" of granting injunctive relief upon a finding of infringement is not surprising, given the difficulty of protecting a right to exclude through monetary remedies that allow an infringer to use an invention against a patentee's wishes...." Additionally:

Without the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive

to engage in the toils of scientific and technological research.

Smith International, Inc. v. Hughes Tool Co., 718 F. 2d 1573, 1578 (Fed. Cir. 1983).

Nonetheless, in eBay the Supreme Court directed courts not to enter injunctions automatically in patent cases, but to consider the four traditional factors – irreparable injury in the absence of an injunction; the adequacy of monetary damages to compensate for the injury suffered; the balance of hardship between the parties; and the public interest – when deciding whether to grant injunctive relief.

In view of the first three of these factors, Otis’ argument for the denial of injunctive relief rests on shaky ground.

First, I reject the argument that Inventio would not suffer irreparable injury in the absence of an injunction.

Otis urges that because Inventio is not its competitor—Schindler Elevator, Inventio’s sister company and exclusive U.S. licensee, is Otis’ competitor in the marketplace – the actual plaintiff in this case has suffered no injury at all, let alone irreparable injury. I do not see it that way.

Inventio exercises its rights under the ‘094 patent here in the United States through the medium of Schindler, a United State company. Inventio thus realizes the economics of its invention through license fees it receives from Schindler, which are in turn a percentage of the revenue Schindler earns for installing and maintaining elevator systems that incorporate the patented technology. Head-to-head competition between an infringer and the licensees of a patent holder served as the basis for a finding of irreparable harm before eBay and, significantly, after. See, e.g., Novosystems A/S v. Genencor Int’l., Inc., 474 F. Supp. 2d 592 (D. Del. 2007); Harris Corp. v. Federal Express Corp., No. 6:07-CV-1819, slip op. at 22-23 (M.D. Fla. Feb. 28, 2011). The evidence at trial (and prior to trial) did not come close to establishing that Schindler would definitely have gotten the business at the sites where Otis was found to infringe (see Inventio Br. at 5). Indeed, the problem with Inventio’s damages case was the undeniable fact that Otis got a great deal of the business that ultimately infringed without offering the infringing item – it was an add-on, and but a small piece of a large project. But the inability to ascertain whether Schindler or some other competitor might have beaten Otis if Otis did not have the infringing technology available is precisely what makes it impossible to quantify the economic injury to Inventio – thus rendering the injury irreparable.

Also, such things as loss of market share, brand name recognition, reputation as an innovator, and goodwill have historically been found to be “irreparable” injuries. See, e.g., i4i Ltd. P’ship v. Microsoft Corp., 598 F. 3d 831, 862 (Fed. Cir. 2010); Commonwealth Sci. & Indus. Research Org. v. Buffalo Tech. Inc., 492 F. Supp 2d 600, 604-06 (E.D. Tex. 2007). Schindler’s loss of all four to a larger, more recognized, infringing competitor translates into injury to Inventio that is virtually impossible to compensate.

Second, I reject the argument that money damages – in effect, a compulsory license to allow Otis to use the product that the jury has found to infringe – would be adequate to compensate Inventio for the injury suffered.

The injury is, ultimately, Inventio/Schindler's loss of the right to exclude. "A compulsory license, which may arise from a refusal to enjoin, is fundamentally at odds with the right of exclusion built into our patent system." Ortho Pharm. Corp. v. Smith, 1990 WL 18681 (E.D. Pa. 1990). It is, in fact, the antithesis of what the patent system was created to preserve. The right to keep someone from using a patented technology is what the patent confers; allowing someone to use the patent if he pays some price (and not necessarily a price set by the patentee) eviscerates that right. Inventio "has a right, granted by Congress, not to assist [Schindler's] rival with the use of proprietary technology." Novozymes A/S v. Genencor Int'l, Inc., 474 F. Supp 2d 592, 612-13 (D. Del. 2007). That right simply cannot be quantified. Harris Corp., *supra.*, slip op. at 24.

Furthermore, the fact that the infringing installations cannot be deconstructed (and, indeed, Inventio does not seek as much) would necessarily color any negotiation over a compulsory license fee, no doubt to the detriment of Inventio/Schindler; I cannot believe but that Inventio could and would be able to drive a harder bargain before the infringing use was installed, when the threat of an infringement suit still loomed ahead. We already know that Otis has given away the product containing the infringing technology on occasion; that, too, artificially depresses the economic value of Inventio's patent.

Third, the balance of hardship weighs in favor of granting a permanent injunction.

The infringing product – Compass with Seamless Entry – represents but a small portion of Otis' overall sales; Otis has taken the position throughout this litigation that the availability of the infringing system is, if not inconsequential, then of limited relevance to its market success. If that be true, then Otis will suffer very little from an injunction.

Inventio, by contrast, loses a great deal if no injunction issues: it is forced (through Schindler) to bid against its own technology in the marketplace; deprived of the right to exclude Otis from the marketplace; and loses the ability to control the terms of any patent license arrangement. As Inventio points out, the limited time for exclusivity that the patent confers was not tolled during Otis' period of infringement; that loss of market advantage can never be recovered. The patent (assuming its validity, about which more below) only has three more years to run. That weighs heavily in favor of giving Inventio whatever brief time remains to vindicate its patent rights, unimpeded by competition from Otis.

The only factor that gives this Court pause is the public interest factor.

Ordinarily, this would weigh heavily in favor of the patentee; injunctive relief, by vindicating the right to exclude, maintains the integrity of the patent system as created by Congress.

However, this case has an unusual twist. Unbeknownst to the Court (I am not sure why), by the time we went to trial, the PTO not only had the '094 patent under reexamination (on the same ground that was submitted to the jury – obviousness in view of undisclosed prior art), but – unconstrained by any presumption of validity, unlike the jury – had issued an initial office action rejecting all the claims in suit. (Initial Office Action Dated April 21, 2011, Minarik Ex. D). Putting to one side the waste of resources, judicial and otherwise, appurtenant to holding a trial under these circumstances, it is hard to see the public interest in enjoining the use of what may soon turn out to be – the verdict notwithstanding – an invalid patent.

However, until such time as the PTO renders a final decision, this court has a jury verdict, supported by evidence, to uphold and give effect to; and until final PTO action the vindication of the patent system outweighs any other equitable consideration. I shall, therefore, enter an injunction in Inventio's favor. As argued by Otis, however, that injunction must include a term specifically stating that the injunction comes up for automatic review in the event that the PTO finally disallows any or all of the claims in suit. I originally wanted the injunction to expire by its terms in that eventuality, but Otis does not seek such a term, and I intuit that the scope of relief from an injunction might depend on the scope of the PTO's final action.

#### **Form of Injunction**

For these reasons, the Court is today signing the form of injunction proposed by Otis. It limits the injunction to RFID-based products and their equivalents (defined in terms of products that are colorably or insubstantially different from the product as installed at the infringing installations; it excludes products that manifestly do not infringe (magnetic card readers, bar code readers, keypads or touchscreens); it does not apply to sales completed after the expiration of the '094 patent, even if the offer to sell is made prior to the expiration of the patent; and it accounts for the PTO's ongoing reexamination of the patent.

This constitutes the decision and order of the Court. As soon as the parties provide me with a form of injunction under caption, and additionally directing the entry of judgment for Inventio on its claims for declaratory relief, I will sign it and close the file.

Dated: August 4, 2011



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U.S.D.J.

BY ECF TO ALL COUNSEL