

ALERT

Federal Circuit Patent Bulletin: *Trebro Mfg., Inc. v. FireFly Equip., LLC*

April 9, 2014

"[A] party that does not practice the asserted patent may still receive an injunction when it sells a competing product."

On April 9, 2014, in *Trebro Mfg., Inc. v. FireFly Equip., LLC*, the U.S. Court of Appeals for the Federal Circuit (Rader,* Lourie, Prost) vacated and remanded the district court's denial of Trebro's preliminary injunction motion against FireFly for infringement of U.S. Patent No. 8,336,638, which related to sod harvesters. The Federal Circuit stated:

"A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest." An accused infringer can defeat a showing of likelihood of success on the merits by demonstrating a substantial question of validity or infringement. . . . To prove a likelihood of success on the merits, a patentee must prove that success in establishing infringement is "more likely than not."

To prove an accused product literally infringes the patent in suit, the product must contain each and every limitation of the asserted claim (s). . . . Because the ProSlab 150 does not raise a horizontal bed frame, the district court consequently found no likelihood of infringement. The district court erred in construing claim 1 to require a "bed frame." First, nothing in the language of claim 1 mentions or

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implies that a “bed frame” must be part of, or otherwise attached to, the claimed “horizontal conveyor.” Second, imposing the use of a bed frame in claim 1 improperly imports a limitation into the claim from a preferred embodiment. . . . On this record, therefore, Trebro has established that it is “more likely than not” to succeed on infringement. The district court abused its discretion in determining otherwise. That certain components of the ProSlab 150 involved in raising the sod may not move vertically does not defeat the likelihood of infringement. The only basis on which the district court found no likelihood of success was the erroneous requirement that a bed frame be moved vertically. Absent an explicit claim construction favorable to FireFly (which, of course, does not include a “bed frame”), this court holds that the district court erred. This error of law in claim construction underlies, in part, the district court’s abuse of discretion.

Even if a patentee shows the likelihood of proving infringement, the accused infringer can defeat the likelihood of success on the merits by raising a substantial question as to the validity of the patent in suit. A claim is anticipated if a single prior art reference discloses each and every limitation claimed. A claim is obvious in light of the prior art “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 at the time the invention was made to a person having ordinary skill in the art.” Obviousness is a legal conclusion based on underlying factual determinations. These factual determinations include the scope and content of the prior art, the differences between the prior art and the claims, the level of ordinary skill in the art, and any objective indicia of nonobviousness. Here, the district court clearly erred in finding a substantial question as to the ‘638 patent’s validity. [B]efore this court, the record does not contain a single prior art reference that raises a substantial question as to the ‘638 patent’s validity. . . .

The district court also abused its discretion in determining that Trebro did not show a likelihood of irreparable harm. The district court clearly erred in finding as speculative the harm Trebro is likely to suffer if its direct competitor is able to sell an infringing product in the small, niche sod harvester market. . . . The sod harvester market at issue in this case is a tiny market with only three players—Trebro, FireFly, and Mr. Brouwer’s company (a licensee of the ‘638 patent). Trebro sells only roughly eight sod harvesters per year. The opportunities to attract customers and make sales are thus scarce in this tight market. FireFly is a new entrant on the market of sod harvester sales. And every sale to FireFly is essentially a lost sale to Trebro. This lost sale also translates into a lost customer: “[O]nce a farmer buys a sod harvester, they’re not going to replace it for many years in the future.” Moreover a single lost sale is a sizeable percentage of the yearly market in this area. . . .

Even though Trebro may be able to estimate the price of sod harvesters, how much profit it makes per sod harvester, and how many sod harvester sales it makes (and thus may lose) per year, that does not automatically mean money damages are adequate. Rather, the record shows that a loss of market share and

customers is a loss that Trebro is not likely to recover. Additionally, Trebro asserted that it will have to lay people off in a company with eighteen employees worldwide due to FireFly's alleged infringement. This record evidence further supports the conclusion that money damages are likely inadequate in this market. Finally, on this record, the fact that Trebro does not presently practice the patent does not detract from its likely irreparable harm. To the contrary, Trebro and FireFly are direct competitors selling competing products in this market. Thus, the record strongly shows a probability for irreparable harm. In multiple instances, this court has held that a party that does not practice the asserted patent may still receive an injunction when it sells a competing product.

Accordingly, the district court abused its discretion in denying the preliminary injunction based on a record that strongly suggests both a likelihood of success on the merits and a likelihood of irreparable harm. . . . With respect to the balance of equities, the evidence suggests that Trebro is an established company in the sod harvester market. Trebro is losing business to a new entrant selling a likely-infringing product. The evidence also suggests that Trebro's main business is, and has been, selling sod harvesters. The evidence further suggests that FireFly's primary business has been (until recently) selling replacement parts— primarily for Trebro's sod harvesters. . . . Additionally, the evidence that FireFly is the only non-licensed competitor in the market suggests that this patent will have significantly less value if Trebro cannot use it to exclude an infringing product from the market. Finally, as to the public interest, there is scant evidence on this record showing that an injunction would harm the public. The patent deals with sod harvesting and covers a small market that may not have a broad-reaching effect.