

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

AEVOE CORP.,

Plaintiff,

vs.

SHENZHEN MEMBRANE PRECISE
ELECTRON LTD.,

Defendant.

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Case No.: 2:12-cv-00054-GMN-RJJ

ORDER

INTRODUCTION

This Court issued a Temporary Restraining Order on January 12, 2012, to enjoin Defendant Shenzhen Membrane Precision Electron Ltd. (Shenzhen Membrane) from selling its allegedly infringing products and allowing seizure of any allegedly infringing products. (See TRO, ECF No. 9.) The Court also issued an Order to Show Cause why a permanent injunction enjoining and restraining Shenzhen Membrane from “practicing or otherwise using U.S. Patent No. 8,044,942, or any reproduction, counterfeit, copy or colorable imitation concerning the same, pending trial.” (See *id.*) The Court held the Order to Show Cause hearing on January 23, 2012.

FACTS AND BACKGROUND

Plaintiff Aevoe Corp. (“Aevoe”) is the owner of Patent No. 8,044,942 (“‘942 Patent.”). (Compl. ¶¶ 6–7.) The patent covers an invention for a touch screen protector for handheld devices such as phones and tablets. (Lin Decl., Ex. 1 attached to Motion for TRO ¶1, ECF No. 8–1.) The touch screen protectors are marketed under the brand name MOSHI. (Id.) The protector includes a slightly raised outer perimeter, so that the transparent portion covering a device’s touch screen is suspended just slightly above the screen itself, forming an enclosed air

1 space and preserving touch screen functionality while avoiding the bubbles that plague fully
2 adhesive prior art touch screen protectors. (Id. at ¶2.) Aevoe is a small and growing company.
3 (Id. at ¶6.)

4 Shenzhen Membrane has been manufacturing and selling screen protectors for various
5 electronic devices since 2004. (Zheng Decl., Ex. 1 attached to Response ¶3, ECF No. 16–1.)
6 Shenzhen Membrane markets these products under its “I Love My Cover” and “Membrane”
7 brands. (Id.; see Ex. C attached to Response, ECF No. 16–3.) Shenzhen Membrane sells its
8 products on an OEM and ODM basis. (Response 2:28, ECF No. 16.) Its products are sold in
9 the United States, China, United Kingdom, Germany, Italy, Turkey, Japan, South Korea,
10 Singapore, Thailand, Indonesia, Malaysia, Brazil, Venezuela, Canada, and Mexico. (Zheng
11 Decl. at ¶4.)

12 The International Consumer Electronics Show (“CES”) is held in Las Vegas. CES attracts
13 major players in the technology industry from over a hundred companies. Shenzhen Membrane
14 has participated in the show in 2011 and 2012. Aevoe was also a participant in the 2012 show.
15 (Lin Decl. at ¶6.) While at CES Aevoe learned that Shenzhen Membrane had imported and was
16 marketing products at CES that allegedly infringe upon the ‘942 Patent. (Id. at ¶ 7.)

17 Aevoe filed the instant suit alleging patent infringement. (See Compl.) Aevoe also
18 petitioned this Court for a Temporary Restraining Order to prevent Shenzhen from continuing to
19 sell or market the allegedly infringing items as well as a Seizure Order to collect products that
20 appear to be infringing items. (TRO Motion, ECF No. 8.) This Court granted both requests and
21 now addresses the issue of whether or not a preliminary injunction should be issued until a trial
22 on the merits can be held.

23 **DISCUSSION**

24 **A. Legal Standard**

25 Under Fed. R. Civ. P. 65(b), the court can issue a preliminary injunction pending a trial

1 on the merits. The Ninth Circuit in the past set forth two separate sets of criteria for determining
2 whether to grant preliminary injunctive relief:

3 Under the traditional test, a plaintiff must show: (1) a strong likelihood of success
4 on the merits, (2) the possibility of irreparable injury to plaintiff if preliminary
5 relief is not granted, (3) a balance of hardships favoring the plaintiff, and (4)
6 advancement of the public interest (in certain cases). The alternative test requires
7 that a plaintiff demonstrate either a combination of probable success on the merits
and the possibility of irreparable injury or that serious questions are raised and the
balance of hardships tips sharply in his favor.

8 Taylor v. Westly, 488 F.3d 1197, 1200 (9th Cir. 2007). “These two formulations represent two
9 points on a sliding scale in which the required degree of irreparable harm increases as the
10 probability of success decreases.” Id.

11 The Supreme Court brought into question the Ninth Circuit’s sliding scale test and
12 reiterated that a plaintiff seeking an injunction must demonstrate that irreparable harm is
13 “likely,” not just possible. Winter v. NRDC, 129 S. Ct. 365, 374–76 (2008). The Supreme Court
14 has made clear that a movant must show both “that he is likely to succeed on the merits [and]
15 that he is likely to suffer irreparable harm in the absence of preliminary relief” Winter, 129
16 S.Ct. at 374 (citing Munaf v. Geren, 128 S. Ct. 2207, 2218–19 (2008); Amoco Prod. Co. v.
17 Gambell, 480 U.S. 531, 542 (1987); Weinberger v. Romero-Barcelo, 456 U.S. 305, 311–12
18 (1982)) (emphases added).

19 A recent Ninth Circuit decision has clarified whether the slide scale approach is still a
20 valid test under Winter. In Alliance for the Wild Rockies v. Cottrell, 632 F.3d 1127, (9th Cir.
21 2011), the court held that the “serious questions” prong of the sliding scale test for preliminary
22 injunctions remains viable after the Supreme Court’s decision in Winter. “[T]he ‘serious
23 questions’ approach survives Winter when applied as part of the four-element Winter test. That
24 is, ‘serious questions going to the merits’ and a balance of hardships that tips sharply towards
25 the plaintiff can support issuance of a preliminary injunction, so long as the plaintiff also shows

1 that there is a likelihood of irreparable injury and that the injunction is in the public interest.” Id.
2 at 1135.

3 **B. Analysis**

4 **1. Success on the Merits**

5 A patent infringement claim has two elements: the existence of a valid U.S. patent, and
6 proof of infringement of the patent’s claims by the accused device, either literally or via
7 equivalents. 35 U.S.C. § 271. In order to establish a likelihood of success on the merits for its
8 claim of patent infringement, Aevoe must show it is likely that a trier of fact would find the ‘942
9 Patent is valid and infringed. See *Gillette Co. v. Energizer Holdings, Inc.*, 405 F.3d 1367, 1370
10 (Fed. Cir. 2005). An issued patent is presumed valid. 35 U.S.C. § 282; *Medical Instrumentation*
11 *& Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1220 (Fed. Cir. 2003).

12 **a. Patent Validity**

13 Shenzhen Membrane argues that at the preliminary injunction stage, the burden is on the
14 patentee to show that its patent is valid and enforceable. See *Chrysler Motors Corp. v. Auto*
15 *Body Panels of Ohio Inc.*, 908 F.2d 951 (Fed. Cir. 1990); *Nutrition 21 v. United States*, 930 F.2d
16 862, 869-870 (Fed. Cir. 1991); *Atlas Powder Co. v. Ireco Chemicals*, 773 F.2d 1230, 1233 (Fed.
17 Cir. 1985). At the preliminary injunction stage, the Court considers the evidence in light of the
18 presumptions and burdens that will apply at trial. *Titan Tire Corp. v. Case New Holland, Inc.*,
19 566 F.3d 1372, 1376 (Fed.Cir.2009). At trial, Aevoe will bear the burden of proving that
20 Shenzhen’s devices do infringe its patent and that it can defend against a challenge of invalidity.
21 However, this does not change the fact that at the preliminary injunction phase the patent is
22 presumed valid. The initial burden is on Shenzhen Membrane to produce evidence of invalidity.
23 Id. If evidence is provided that questions the validity of a patent then the court must weigh the
24 evidence both for and against validity that is available at the preliminary injunction stage. Id. at
25 1379. “If the [court] concludes there is a ‘substantial question’ concerning the validity of the

1 patent, meaning that the alleged infringer has presented an invalidity defense that the patentee
2 has not shown lacks substantial merit, it necessarily follows that the patentee has not succeeded
3 in showing it is likely to succeed at trial on the merits of the validity issue.” Id. (citing New
4 England Braiding Co., Inc. v. A.W. Chesterton Company, 970 F.2d 878, 883 (Fed. Cir. 1992)).

5 Shenzhen Membrane argues Aevoe’s patent is not novel or nonobvious. Shenzhen
6 Membrane presents Apple’s iPhone 3G smartphone as evidence that using a spacer to separate a
7 touch screen from a transparent surface is not new to the relevant industry. (See Zheng Decl. at
8 ¶5.) In response, Aevoe admits that the ‘942 patent involves the idea of using a spacer to place a
9 bubble-free protective cover over the transparent surface of the touch screen that can easily be
10 applied and removed. However, it argues that the patented screen protectors are placed on top
11 of the touch screen devices in contrast to the spacer identified by Shenzhen Membrane in the
12 iPhone 3G which is under the touch screen and part of the internal functionality of the touch
13 screen itself.

14 A basic requirement for patentability is novelty. See 35 U.S.C. §§ 102, 103. An
15 “anticipated” or unoriginal invention is not novel, cannot be patented and will be found invalid.
16 See Kegel Co., Inc. v. AMF Bowling, Inc., 127 F.3d 1420, 1429 (Fed.Cir.1997). To demonstrate
17 anticipation, the prior art reference must disclose every limitation of the claimed invention either
18 expressly or inherently. Rapoport v. Dement, 254 F.3d 1053, 1057 (Fed. Cir. 2001.) Here, the
19 prior art reference to the iPhone 3G does not disclose each and every element of the claimed
20 invention as arranged in the claim. As explained by Aevoe, the iPhone 3G spacer is internal to
21 the phone while its patented invention is a touch screen protector that can be “removably”
22 mounted onto and over the touch screen device. Accordingly, these differences preclude any
23 finding that it is anticipated.

24 Differences between a prior art reference and a claimed invention invoke the question of
25 obviousness. Net MoneyIN, Inc. v. VeriSign, Inc., 545 F.3d 1359 (Fed. Cir. (Ariz.) 2008.) “An

1 obviousness determination is based on underlying factual inquiries including: (1) scope and
2 content of the prior art; (2) the differences between the prior art and the claims; (3) the level of
3 ordinary skill in the art; and (4) objective evidence of nonobviousness.” Riverwood Intern. Corp.
4 v. Mead Corp., 212 F.3d 1365, 1366 (Fed. Cir. 2000).

5 Besides claiming that the iPhone 3G is prior art, Shenzhen Membrane does nothing to
6 demonstrate why it would be obvious to a person of ordinary skill in the art to use a spacer along
7 the outer perimeter of a touch screen protector to eliminate bubbles from being captured
8 between the touch screen and the touch screen protector. During oral argument on the issue,
9 Shenzhen Membrane admitted that the spacer in the iPhone 3G was used to address concerns
10 about the oversensitivity of the touch screen. The ‘942 Patent does not purport to resolve
11 sensitivity issues. Instead, the invention sets out to solve the need in the industry for a touch
12 screen protector that is easily and quickly installed without the problems of trapping air bubbles
13 or dust. It is apparent that one of the screen protectors’ drawbacks or weaknesses (along with
14 visibility) is that it also often traps air bubbles or dust. This has been a consistence hindrance
15 since touch screens and screen protectors entered the market many years ago yet a spacer was
16 never used. Thus, the Court does not find that Shenzhen Membrane has raised a substantial
17 question regarding the patent’s novelty or nonobviousness and therefore, Aevoe’s issued patent
18 is still presumed to be valid.

19 **b. Infringement**

20 Patent infringement will be found when a product contains each element of one of the
21 patent’s claims. ACCO Brands, Inc. v. Micro Sec. Devices, Inc., 346 F.3d 1075, 1080 (Fed. Cir.
22 2003). Here, the first claim of the ‘942 Patent requires the following elements:

- 23 • A touch screen protector for a hand held electronic device having a front
24 face that includes a touch screen portion and an outer perimeter
25 comprising:

- a plastic film having front and back sides, an outer perimeter that corresponds to that of the device, and a transparent window that corresponds in size to the touch screen portion; and
- a spacer provided along the outer perimeter of the plastic film continuously surrounding the transparent window, having a thickness sufficient to space the plastic film near but not in contact with the touch screen portion, and an exposed adhesive for removably mounting the protector upon the outer perimeter of the front face to form an enclosed air space between the transparent window of the plastic film, the spacer and the touch screen portion of the device;
- wherein the window can be pressed against the touch screen portion for operation of the electronic device while preventing direct contact of a user's fingers with the touch screen portion and without producing visible interference patterns during use.

Aeovoe alleges that Shenzhen Membrane's product infringes its patent because it also has each of these elements in its product. The Court had the opportunity to visibly and physically examine the allegedly infringing products at the hearing and was able to identify each of these elements on the Shenzhen Membrane products¹.

Accordingly, the Court finds that Aeovoe will likely succeed on the merits of its claims because there are no substantial questions going to the validity of the patent and Shenzhen Membrane's products contain all the elements of claim one of the '942 Patent.

2. Irreparable Harm

"A plaintiff seeking a preliminary injunction must demonstrate that irreparable injury is likely in the absence of preliminary relief." *Enyart v. National Conference of Bar Examiners, Inc.*, 630 F.3d 1153, 1165 (9th Cir. 2011)(citing *Winter*, 129 S.Ct. at 375). "Mere possibility of harm is not enough." *Id.* Typically, monetary harm does not constitute irreparable harm sufficient to support a preliminary injunction. *California Pharmacists Ass'n v. Maxwell-Jolly*,

¹ Aeovoe agreed that not all of the products seized from Shenzhen Membrane were infringing and returned them during the hearing.

1 563 F.3d 847, 851 (9th Cir. 2009). However, a forward-looking damages award would not be a
2 meaningful remedy if the defendant does not have the ability to pay that damages award. See
3 *Robert Bosch, LLC v. Pylon Mfg. Corp*, 659 F.3d 1142, 1156 (Fed. Cir. 2011).

4 Aevoe argues that a forward-looking money damages award would be insufficient
5 because Shenzhen Membrane is a foreign company with no assets within the United States.
6 Other courts have indeed found that money damages were insufficient in similar patent
7 infringement cases involving foreign infringers. See *Bushnell, Inc. v. Brunton Co.*, 673
8 F.Supp.2d 1241, 1263 (D. Kan. 2009) (granting preliminary injunction; “the prospect of
9 collecting money damages from a foreign defendant with few to no assets in the United States
10 tips in favor of a finding of irreparable harm”); *Canon Inc. v. GCC Int’l Ltd.*, 450 F. Supp. 2d
11 243, 255–56 (S.D. N.Y. 2006) (granting preliminary injunction where defendant was largely
12 based abroad); *O2 Micro Intern. Ltd. v. Beyond Innovation Technology Co., Ltd.*, No. 2011–
13 1054, 2011 WL 5601460, *10 (Fed. Cir. Nov. 18, 2011) (the likely availability of those
14 monetary payments helps define when harm can be offset by monetary payments); *Robert*
15 *Bosch*, 659 F.3d 1142, 1155–1156 (Fed. Cir. 2011) (reversing denial of permanent injunction
16 where the likely availability of monetary damages was in question, citing *O2 Micro Int’l Ltd. v.*
17 *Beyond Innovation Tech. Co.*, No. 2:04-cv-32, 2007 WL 869576, at *2 (E.D. Tex. Mar. 21,
18 2007), vacated and remanded on other grounds, 521 F.3d 1351 (Fed. Cir. 2008) where ““all
19 three defendants are foreign corporations and that there is little assurance that [plaintiff] could
20 collect monetary damages””).

21 Shenzhen Membrane did not deny that it has no assets within the United States at the
22 hearing. However, Shenzhen Membrane argues that it is a reputable business that does business
23 in at least sixteen (16) countries, so collection of a judgment against it would not be difficult.
24 (See Zheng Decl. at ¶¶ 3, 4.) During the hearing, Shenzhen Membrane also noted that it has
25 plans to open an office in California in the near future. Nonetheless, the Court is persuaded that

1 it may be difficult or impossible to collect on a money judgment because Defendant currently is
2 a foreign entity and this alone is sufficient to show that Aevoe will likely be irreparably harmed².

3 Shenzhen Membrane also argues that Aevoe delayed in bringing the suit to enforce its
4 patent rights and as such the court may conclude that such a delay constitutes an implicit
5 admission by the plaintiff that it is not suffering irreparable harm. See High Tech Medical
6 Instrumentation, Inc. v. New Image Industries, Inc., 49 F.3d 1551, 1557 (Fed. Cir. 1995).
7 Shenzhen Membrane points out that while the '942 patent was issued in October 2011, Aevoe
8 waited until the CES show in January 2012 to assert any patent infringement lawsuits.
9 However, Aevoe has already filed two suits in the Northern District of California against two
10 other companies alleging infringement of the same patent. See Aevoe Corp. v. SplashProducts
11 LLC, U.S. D.C., N.D. Cal, Case No. 3:11-cv-06165-MEJ (filed 12/12/2011); Aevoe Corp. v. AE
12 Tech Co. Ltd., U.S. D.C., N.D. Cal., Case No. 5:11-cv-06164-HRL (filed 12/12/2011).
13 Accordingly, the Court finds that Aevoe has been diligent in its efforts to protect its patent
14 rights.

15 Therefore, Aevoe has shown that it will likely be irreparably harmed if a preliminary
16 injunction is not granted.

17 **3. Balance of Hardships**

18 Shenzhen Membrane argues that it will be substantially harmed if a preliminary
19 injunction is imposed because it will lose sales opportunities in the United States. Shenzhen
20 Membrane alludes to the idea that it is a relatively unknown company that has enjoyed some
21 success. But this is contrary to Shenzhen Membrane's other claims, namely that it is a reputable
22 company that has been in operation since 2004, it sells products in 16 countries and that it sells
23 a variety of products. (Zheng Decl. at ¶¶ 3–4.) In fact, during the hearing the parties were able
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25 ² Shenzhen Membrane was advised that if it did take action which would change its status as a foreign entity, it could motion
the court to determine if the injunction could be lifted.

1 to verify that there are actually very few allegedly infringing products.

2 To the contrary, Aevoe will more likely suffer greater hardships than Shenzhen
3 Membrane. If the injunction is not allowed, Aevoe will have to compete in the market against
4 Shenzhen who admittedly sells its product for much less (\$40 vs. \$10). Furthermore, Shenzhen
5 Membrane admitted that they had not yet sold any of the allegedly infringing products in the
6 United States. This would seem to counter any argument Shenzhen Membrane claims regarding
7 having to lay off 200 workers if they were unable to sell the product in the United States. Their
8 brochure reveals that it still has a full line of different touch screen protectors that it sells that
9 Aevoe does not claim infringe its patent. Accordingly, the Court finds that the balance of the
10 hardships weighs in favor of Aevoe.

11 **4. Public Interest**

12 The courts have long acknowledged the importance of the patent system in encouraging
13 innovation. *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006). “Indeed,
14 the ‘encouragement of investment-based risk is the fundamental purpose of the patent grant, and
15 is based directly on the right to exclude.’” *Id.* (citing *Patlex Corp. v. Mossinghoff*, 758 F.2d 594,
16 599 (Fed.Cir.1985)).

17 Shenzhen Membrane argues that commercial disruption, such as being forced to lay off
18 employees would weigh against granting a preliminary injunction. See *Atari Corp. v. Sega of*
19 *America Inc.*, 32 U.S.P.Q.2d 1237, 1244 (N.D. Cal. 1994) (considering harm to defendant of
20 laying off employees as factor in assessing equitable interests); *Archive Corp. v. Cipher Data*
21 *Prods., Inc.*, 12 U.S.P.Q.2d 1464, 1469 (C.D. Cal. 1988) (holding equitable interests weighed in
22 defendant’s favor where injunction would force defendant to lay off employees and would leave
23 third party manufacturers without a supply). It argues that it will be forced to lay off employees
24 if the preliminary injunction is granted and all its business in the United States is threatened.
25 (Zheng Decl. at ¶10.) However, as previously discussed, all of its United States business would

1 not be threatened because only a small portion of its product line is alleged to be infringing of
2 the '942 patent. Moreover, the contrary effect would result if the preliminary injunction was not
3 granted and Aevoe would be faced with having to lay off workers in the United States if it must
4 compete with Shenzhen Membrane's lower priced product. Public interest would favor saving
5 U.S. jobs over foreign jobs.

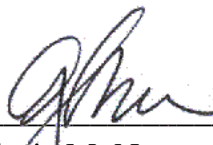
6 The high public interest in ensuring that patent holders have the right to exclude weighs
7 in favor of granting injunctive relief.

8 **CONCLUSION**

9 **IT IS HEREBY ORDERED** that Shenzhen Membrane, its agents, servants, employees,
10 confederates, attorneys, and any persons acting in concert or participation with them, or having
11 knowledge of this Order by personal service or otherwise be, and hereby are preliminarily
12 enjoined from practicing, making, manufacturing, using, importing, offering for sale, and or
13 selling products that infringe U.S. Patent No. 8,044,942, or any reproduction, counterfeit, copy,
14 or colorable imitation of the same, and from transferring, moving, returning, destroying, or
15 otherwise disposing of any Infringing Goods, including but not limited to the Membrane and
16 Memshield products, pending a trial on the merits.

17 Shenzhen Membrane is hereby given further notice that it shall be deemed to have actual
18 notice of the issuance of the terms of this preliminary injunction and that any act by it in
19 violation of any of the terms hereof may be considered and prosecuted as contempt of this Court
20 Order.

21 DATED this 26th day of January, 2012.

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25 Gloria M. Navarro
United States District Judge