

The Hottest Product At Your Next Trade Show — A TRO

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Historically, requests for ex parte temporary restraining orders are rarely filed and even more rarely granted.[1] Thus, when United States Marshals arrived to act on the TRO issued by Judge Marianda Du that shut down Changzhou First International Trade's booth at the 2016 Consumer Electronics Show (CES) in Las Vegas in January, it received substantial coverage in the popular media.[2] Within weeks of the CES seizure, U.S. Marshals again seized products at a trade show, this time those of Fujian Bestwinn (China) Industry Co. Ltd., after Nike Inc. obtained a similar TRO last month.[3] This recent spike in grants of extraordinary relief merits some attention, particularly for those who depend on trade shows to generate sales and publicity in their given industries.



Tammy Terry

The district courts in Las Vegas and Reno, Nevada, are uniquely positioned to hear motions that can substantially impact companies arriving in Nevada for trade shows. In return for a substantial investment associated with their participation in trade shows, companies hope to be able to secure orders there that will keep their factories busy for months to come.



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Particularly in today's global economy where the manufacturing and the sale of products frequently occur in different countries, U.S. trade shows are critical to some companies' bottom line. Likewise, companies with U.S. intellectual property assets strongly desire to leverage their assets and exclude the display of products that infringe those rights at U.S. trade shows. Some seek TROs either during or in advance of the different trade shows to do so.

The TRO activity before the Nevada courts just in the last several months may be indicative of an accelerating trend to seek TROs and to stop alleged infringers from exhibiting at trade shows. Recent cases out of the United States District Court for the District of Nevada provide contrasting examples of when TROs succeed and fail to stop alleged infringers at trade shows.

Neptune Technologies v. Luhua Biomarine

On Oct. 6, 2015, Neptune Technologies and Bioresources Inc., a company that described itself in court papers as "an industry-recognized pioneer and leader in the innovation, production, and formulation of novel omega-3-rich krill oil products," sought an emergency TRO against Luhua, a Chinese company that had announced plans to offer a competing allegedly infringing krill oil at the Supply Side West Trade

Show.[4] According to Neptune, the Supply Side West Trade Show “is, quite simply, the biggest event in the krill oil industry.”[5] In addition to offering expert testimony of infringement, Neptune also offered a declaration from the company testifying as to the dramatic negative effect allowing Luhua to exhibit at the trade show.[6] Neptune also offered evidence of having previously enforced its patents in a U.S. International Trade Commission investigation against several other companies, resulting in licenses of Neptune’s IP assets.[7] In addition, Neptune highlighted its attempt to contact Luhua and attempt to license the patent to Luhua prior to the trade show.[8]

On the day after Neptune filed the TRO request, the district court of Nevada granted the requested relief, signing the proposed order virtually unchanged.[9]

SATA GmbH v. Zhejiang Refine Wufu Air Tools

In November 2015, SATA GmbH & Co. KG, a German-based manufacturer of automobile paint spray guns and related equipment, filed a request for a TRO against two alleged infringers who were presenting products at two automotive aftermarket industry trade shows.[10] In support of its motion, SATA submitted two brief declarations, one from its counsel and one from a SATA product engineer.[11]

The court found that SATA failed to produce any evidence of irreparable harm and, on that basis, denied SATA’s request.[12]

Future Motion v. Changzhou First International Trade Co.

On Jan. 6, 2016, at the outset of the 2016 Consumer Electronics Show, Future Motion Inc. sought a TRO to prohibit Chinese company Changzhou First International Trade Co. from participating at CES with an allegedly infringing product called the “Surfing Electric Scooter.”[13] According to Future Motion, Changzhou First International Trade Co.’s Surfing Electric Scooter was a flagrant copy of Future Motion’s ONEWHEEL self-balancing electric vehicle, and by offering it at CES, Changzhou was willfully infringing Future Motion’s design and utility patents.[14] In addition to photographs showing Changzhou’s booth at CES and evidence regarding Changzhou’s allegedly infringing product, Future Motion submitted a declaration from Future Motion’s founder and CEO.[15]

The court granted Future Motion’s request, signing a nearly identical copy of the proposed order that Future Motion submitted with its TRO application — an order that was clearly modeled after the order used in the Neptune case. As in Neptune, U.S. Marshalls were authorized to seize Changzhou’s infringing products and any evidence relating to infringement that could be taken from the scene.[16] In addition, Changzhou was ordered not to take any orders or any payments for any future orders.[17]

Common Factors

In all three cases, the alleged infringer was a non-U.S. company that had announced that it would be exhibiting infringing products at an upcoming trade show and the IP rights holder argued that allowing the alleged infringer to exhibit at the trade show would have irreversible negative impacts. The IP rights holders were not successful in obtaining TROs in all three cases, however, for reasons explored in more detail below.

The Tipping Point — What Led to a TRO Issuing?

At least two factors may have allowed Neptune and Future Motion to succeed in obtaining a TRO where

SATA failed.

Proof of Irreparable Harm

Establishing irreparable harm in intellectual property cases is typically a significant challenge, as monetary damages are usually seen as sufficient to remedy any harm caused by infringement, particularly in well-established markets with multiple competitors. In a new or emerging market, however, the entry of a new unauthorized competitor can have such a dramatic negative impact on the IP rights holder that it may not be able to recover if the competitor is allowed to continue selling its product throughout the full length of a court battle. The imminent unveiling of a newly infringing competing product at a trade show that only occurs once a year and at which participants derive the bulk of their U.S. sales would reasonably seem to be one such situation. This was precisely the situation Future Motion, Neptune and SATA each argued they had when they sought TROs from the Nevada district courts.

A critical difference between the outcomes in these three cases appears to be in the court's view of the evidence to support a finding of irreparable harm. Simply put, the court found sufficient evidence presented by Future Motion and Neptune, but not by SATA. Although difficult to discern the exact nature of the failure by SATA to make the case for a TRO, in its brief three-page order, the court specifically indicated that SATA had "failed to present any evidence with their motion showing irreparable harm." [18]

A closer look at the evidence submitted in support of the TRO motions reveals that unlike Future Motion and Neptune, who each submitted declarations from company CEOs or the equivalent testifying to facts relating to the new unauthorized competition, the only evidence SATA cited in support of irreparable harm were statements from a company engineer who testified that the accused competitor would be leaving the U.S. after the trade show "presumably with orders" for infringing products and that evidence of unlawful conduct "would likely be destroyed, moved, hidden, taken outside of the United States, or otherwise made inaccessible to SATA." [19] According to the court, this was insufficient, and SATA's arguments highlighting the potential loss of evidence required to prove infringement, the competitor's lack of a regular U.S. presence, and the potential loss of goodwill and reputation were all speculative. In sum, there was "no evidentiary showing before the court that plaintiff is likely to be harmed in the way it alleges in its motions." [20] The court therefore concluded that it could not grant a TRO.

Definitively establishing a lack of U.S. presence also appears to be helpful for U.S. IP asset owners in securing a TRO, as this strengthens the contention that recovery of monetary damages is uncertain and/or unlikely and that harm is therefore more likely irreparable. A close reading of the choice of words used by the different IP rights holders in their TRO requests also suggests a potential subtle distinction between Neptune and Future Motions filings compared to SATA's filing. SATA stated that "[n]one of the defendants appear to have a known regular presence in the United States." [21] Both Neptune and Future Motion's counsels did not equivocate in their declarations of the alleged infringers' residence. Neptune stated that "there are specific and compelling facts regarding the Defendant's ... lack of any presence in the United States." [22] Future Motion also indicated unequivocally that Changzhou "has no known presence in the US." [23] The import of such evidence is underscored in the most recent example of a trade show TRO issuing in Nevada against a Nike competitor, Fujian BestWinn. [24] In Nike, the court found the alleged infringer's lack of U.S. presence compelling, which seemed to help tip the scales in favor of finding sufficient irreparable harm evidence to justify issuing a TRO similar to those that issued in the Neptune and Future Motion cases.

Notice

Another distinction for the courts may have been the efforts by IP rights owners to contact accused infringers prior to submitting requests for TROs. Neptune provided evidence of its attempts to engage the accused infringer in licensing negotiations prior to the trade show where the accused infringer would be exhibiting its products.[25] Similarly, although unsuccessful in making contact, Future Motion also demonstrated its efforts to contact and begin licensing negotiations with the accused infringer prior to the trade show.[26] SATA, on the other hand, provided no evidence of previous efforts to contact the alleged infringers.

Though advance notice is not required for an ex parte TRO, given the severe and one-sided nature of these proceedings, prior efforts by the IP rights owner to engage in discussion with an alleged infringer could help signal the need for emergency relief, particularly if the alleged infringer is nonresponsive or recalcitrant. For example, Nike emphasized advance notice in its request for TRO, stating that “NIKE has notified Bestwinn of its infringing activity five times over the past two and a half years, including once in-person and through four written notice letters.”[27] Though not dispositive, these facts may have helped tip the scales in favor of a TRO for Nike, as they did for Neptune and Future Motion.

Preparing for Trade Shows Moving Forward

Nevada is one of the largest trade show venues in the United States. Just the four largest trade shows in Las Vegas in 2014 collectively drew over 500,000 exhibitors and attendees and included over 90,000 exhibits.[28] If the recent uptick of granted TROs is indicative of a growing trend, it may have a substantial impact on how intellectual property owners and exhibitors conduct business in Nevada. At a minimum, the press coverage of the success of Future Motion and Nike in securing TROs will raise the profile of TROs as an option for IP asset owners (and their attorneys). As such, both IP asset owners and exhibitors may want to more carefully consider steps to take before a business critical trade show.

1. IP Asset Owners

IP asset owners may want to take another look with their IP counsel at TROs as an option to prevent knockoff and close copies by competitor products siphoning off business at trade shows. In order to do so, several items require additional consideration and planning.

Accelerating Grant of Utility Patents and Expanded Use of Design Patents

Of course, only granted rights may serve as the basis for a TRO. While the process of obtaining U.S. utility patents[29] frequently takes three to four years, strategic prosecution may be used to substantially shorten the period until grant. For example, options like the U.S. Patent and Trademark Office’s Track 1 program or leveraging one of the various Patent Prosecution Highway agreements can substantially reduce the amount of time to grant to as little as 12 months from filing.[30] IP counsel may be able to substantially improve the chances of grant prior to a trade show through the use of the above options.

Strategic use of design patents may also be an economical alternative for certain companies, particularly those where traditional utility patents are not possible or are not cost effective. Historically, design patents grant rapidly in a large percentage of the cases. Design patents have the additional benefit of being unpublished until grant and may allow for an unwelcomed surprise for competitors if it publishes one day before the commencement of the target trade show, as Future Motion’s did.[31] Even in the absence of a known copycat, filing for design protection provides comparatively low cost protection and should be considered at least for its deterrent effect.

Tips for Securing the TRO

Counsel for IP asset owners may also wish to review their TRO requests before filing based on the recent Nevada decisions. Including evidence of irreparable harm is obvious given the need to prove this prong of the test for an injunction. The above decisions highlight, however, the importance of having irreparable harm evidence that is as concrete and strong as possible — it is not enough to point to the possibility that bad things may happen in the absence of a TRO. Providing more substantive evidence of the harms that would occur is critical. For example, negative search results from commercial registries or other listings could be evidence to support definitive statements of a lack of U.S. presence, which may help tip the scale in favor of a TRO. Advice of counsel as to the efficacy and strength of such evidence in a given case, of course, is always recommended.

Another issue to consider is advance notice to infringers. It is always a challenge to decide whether to wait for infringement and a better opportunity to strike, or to advocate notice to alleged infringers. Waiting too long has obvious risks, while notifying alleged infringers increases the risks of them seeking declaratory judgment or challenging the validity of granted IP assets, such as through one of the various post grant challenges available to third parties. Future Motion's carefully timed notice letters seemed to strengthen the request for a TRO while minimizing the risks of alleged infringer challenging the IP asset prior to issuance of the TRO. Given Future Motion's (and more recently, Nike's) success in obtaining its TRO, under similar circumstances, advance notice letters would be worth consideration if a TRO is contemplated.

2. Exhibitors at U.S. Trade Shows

Exhibitors also should be more cautious of the IP legal risks associated with TROs at trade shows. Warning letters, or even "soft" contacts exploring the possibility of licensing of a third party's IP, received in advance of upcoming industry relevant trade shows, should particularly be viewed with additional caution, as IP rights holders may be considering TRO requests more now than ever.

An assessment of risks with the company's IP counsel prior to the target trade show is essential. At a minimum, IP counsel should advise the company on freedom to operate or practice issues that can be identified in advance of the trade show. After receipt of a warning letter or license offer, exhibitors should consult with qualified counsel who can advise on the actual level of risk, particularly if nearing the time for an industry critical trade show. Representatives going to trade shows should be trained on how to react in the event of a seizure and be provided with a list of contact numbers, including the company's IP counsel and local counsel in the trade show jurisdiction.

A coordinated response by local trade associations should also be considered more carefully by overseas companies looking to exhibit at U.S. trade shows. Even preliminary U.S. legal actions are comparatively more expensive than in other countries. Sharing the financial burden between members of local trade groups can reduce costs. For example, sharing the costs to engage the same counsel to address a warning letter from the same IP rights holder that is received by a number of similar businesses in advance of a trade show can substantially reduce the overall cost to an individual company. While more formal agreements, such as joint defense agreements, have certain drawbacks, JDAs help with distributing the cost of defense, which can make preparing a more aggressive response, such as seeking declaratory judgment regarding non-infringement or invalidity of the asserted patents, more economical for an individual trade show participant.

While certainly dramatic, having U.S. Marshals seize a company's latest product at the next trade show is

not the kind of entrance most would want to make. These recent Nevada cases illustrate how trade show TROs can be powerful weapons for IP rights holders and threats to be reckoned with for accused infringers, suggesting that exhibitors on both sides of a burgeoning IP dispute would be wise to have counsel explore this potential remedy.

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[1] The authors were able to identify a total of 61 requests for TROs or preliminary injunctions that were filed in patent cases in 2015. Over 70% of these requests were denied, and the vast majority of requests granted sought only to prevent ongoing sales of goods, not the seizure of goods. Of the requests granted, only the Neptune case, discussed supra, included authorization for a seizure of goods by U.S. Marshals.

[2] Joshua Brustein, U.S. Marshals Raid Hoverboard Booth at CES, Bloomberg Business (Jan. 7, 2016), <http://bloom.bg/1kQtYES>.

[3] Nike T.R.O. and Seizure Order, Nike, Inc. v. Fujian Bestwinn (China) Industry Co., Ltd., Case 2:16-cv-00311, ECF No. 9 (D. Nev. Feb. 17, 2016).

[4] Neptune's Mot. for T.R.O. at 3, Neptune Tech. & Bioresources, Inc. v. Luhua Biomarine (Shandong) Co., Ltd., Case 2:15-cv-1911, ECF No. 5 (D. Nev. Oct. 6, 2015).

[5] *Id.*

[6] See generally *id.* at 14-25.

[7] *Id.* at 8-9.

[8] *Id.* at 9-10.

[9] Order Granting Neptune's Mot. for T.R.O., Neptune Tech. & Bioresources, Inc. v. Luhua Biomarine (Shandong) Co., Ltd., Case 2:15-cv-1911, ECF No. 6 (D. Nev. Oct. 7, 2015).

[10] SATA's Mot. for T.R.O., SATA GmbH & Co. KG v. Zhejiang Refine Wufu Air Tools Co., Ltd. et al., Case 2:15-cv-2111, ECF No. 2 (D. Nev. Nov. 4, 2015).

[11] See generally *id.*

[12] Order Den. SATA's Mot. for T.R.O., SATA GmbH & Co. KG v. Zhejiang Refine Wufu Air Tools Co., Ltd. et al., Case 2:15-cv-2111, ECF No. 11 (D. Nev. Nov. 5, 2015).

[13] Future's Mot. for T.R.O., Future Motion, Inc. v. Changzhou First Int'l Trade Co., Case 2:16-cv-13, ECF No. 8 (D. Nev. Jan. 6, 2016).

[14] Id. at 2.

[15] Id. Kolitch Decl. at Exs. 6- 7, Doerksen Decl.

[16] Order Granting Future’s Mot. for T.R.O. at 5-6, Future Motion, Inc. v. Changzhou First Int’l Trade Co., Case 2:16-cv-13, ECF No. 11 (D. Nev. Jan. 6, 2016).

[17] Id. at 4-5.

[18] Order Den. SATA’s Mot. for T.R.O. at 2.

[19] SATA’s Mot. for T.R.O., Maier Decl. at ¶¶13 and 20, ECF No. 2-2.

[20] Order Den. SATA’s Mot. for T.R.O. at 2.

[21] SATA’s Mot. for T.R.O. at 2.

[22] Neptune’s Mot. for T.R.O. at 4.

[23] Future’s Mot. for T.R.O. at 2.

[24] Nike T.R.O. and Seizure Order.

[25] See, e.g., Neptune’s Mot. for T.R.O., Huart Decl. at ¶¶14-22, ECF No. 5-1.

[26] See, e.g., Future’s Mot. for T.R.O. at 4.

[27] Nike’s Mot. for T.R.O. at 2, Nike, Inc. v. Fujian Bestwinn (China) Industry Co., Ltd., Case 2:16-cv-00311, ECF No. 4 (D. Nev. Feb. 17, 2016).

[28] 2014 Top 250 US Trade Shows, Trade Shows News Network, <http://www.tsnn.com/toplists-us>.

[29] Note that the formal name for the US right covering inventions is “utility patent,” which should not be confused with the “utility model patent.” Utility model patents, though obtainable in jurisdictions such as China, Germany, Japan, and many other countries, are not obtainable in the US.

[30] See, e.g., Patent Prosecution Highway (PPH) - Fast Track Examination of Applications, <http://www.uspto.gov/patents-getting-started/international-protection/patent-prosecution-highway-pph-fast-track>; USPTO’s Prioritized Patent Examination Program, <http://www.uspto.gov/patent/initiatives/usptos-prioritized-patent-examination-program>; USPTO’s Prioritized Patent Examination Program FAQs, Question PE_1350, http://www.uspto.gov/patents/init_events/track1_FAQS.jsp.

[31] Future’s Mot. for T.R.O. at 6-7.