IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

SEMANTIC COMPACTION SYSTEMS, INC., a Pennsylvania corporation and PRENTKE ROMICH COMPANY, an Ohio corporation,	) Civil Action No. 12-248
Plaintiffs,	) Chief Judge Gary L. Lancaster
v.	)
SPEAK FOR YOURSELF LLC; RENEE COLLENDER, an individual; and HEIDI LOSTRACCO, an individual,	)
Defendants.	) ELECTRONICALLY FILED

PLAINTIFFS' SUPPLEMENTAL BRIEF ON DEFENDANTS' FAILURE TO SHOW IRREPARABLE INJURY

Plaintiffs Semantic Compaction Systems, Inc. ("Semantic") and Prentke Romich Company ("PRC") (collectively "Plaintiffs"), by their undersigned counsel, submit the following Supplemental Brief on Defendants' Failure to Show Irreparable Injury. For the reasons set forth herein, this Court should deny any relief sought in Defendants' Motion for Temporary Restraining Order/Injunctive Relief to Prevent Destruction of Business (ECF No. 14) ("Motion for TRO") to the extent it has been reframed as a Motion for Preliminary Injunction.

BACKGROUND

On February 28, 2012, Plaintiffs initiated this lawsuit by filing a complaint for patent infringement against Defendants in the United States District Court for the Western District of Pennsylvania (ECF No. 1) (the "Original Complaint"). On June 20, 2012, Plaintiffs filed an amended complaint alleging patent, copyright, and trade dress infringement claims (ECF No. 21) (the "Amended Complaint"). The Amended Complaint alleges, *inter alia*, that in or around August 2011, Defendants determined to deliberately and directly compete with Plaintiffs in an attempt to profit from Plaintiffs' valuable intellectual property and heard-earned reputation and began to develop an iPad® application titled "Speak for Yourself" (the "SFY App"). (Am. Compl. ¶ 3.) When used on an iPad®, the SFY App infringes on Plaintiffs' patented technology, as well as the expressive elements of the Minspeak®, Words Strategy™ and Unity® language and communication systems, including elements protected by copyright and as trade dress. (Id.) In or around December 2011, Defendants began offering the SFY App for sale through the iTunes® online store (the "App Store") owned by Apple Inc. ("Apple") and for use on Apple's iPad® tablet products. (Id. ¶¶ 30-31.)

On March 19, 2012, in this context, counsel for Plaintiffs sent correspondence by email to Apple's legal department, exercising Plaintiffs' right to (i) notify third parties of potentially infringing material; and (ii) provide notice of infringement under Apple's terms and conditions. In that correspondence, counsel advised Apple that Plaintiffs had filed the Original Complaint for patent infringement in this Court and that the SFY App infringed Plaintiffs' intellectual property rights. Counsel for Plaintiffs also requested that Apple remove the SFY App from the App Store.

On March 21, 2012, Apple advised counsel for Plaintiffs that it had contacted the developer of the SFY App (Defendants) regarding Plaintiffs' takedown notice, and on May 23, 2012, Defendants filed their first Answer and Counterclaims (ECF No. 10). Despite their undisputed knowledge of Plaintiffs' request to Apple, Defendants did not demand at that time that Plaintiffs withdraw their request for the removal of the SFY App, nor did they, in their

Counterclaims, raise any claims of tortious interference with contract or seek any mandatory injunctive relief in connection with Plaintiffs' request to Apple.[1]

On June 4, 2012, Apple notified the parties that it had decided to remove the SFY App from the App Store, and Apple did remove the SFY App on that date. On June 7, 2012, Defendants filed the Motion for TRO seeking a temporary restraining order and injunction requiring Plaintiffs to withdraw their request to Apple to remove the SFY App from the App Store. On that same day and, without leave of court, Defendants filed an Amended Answer and Counterclaims (ECF No. 15). On June 8, 2012, the Court held a telephonic status conference with the parties regarding the Motion for TRO and orally denied the Motion for TRO on the record.

On June 22, 2012, the Court held an initial Rule 16 scheduling conference in this matter and addressed the various filings of the parties. During the conference, counsel for Defendants readily admitted, in response to a question from the Court, that an expert could quantify Defendants' damages sustained as a result of the SFY App's removal from the App Store.[2] In light of Defendants' admission that their injuries related to their request for injunctive relief are readily quantifiable, the Court directed the parties at the conference to file supplemental briefing concerning Defendants' request for a mandatory preliminary injunction. Specifically, the Court requested supplemental briefing on the discrete issue of whether Defendants have met their

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[1] Defendants' failure to raise these issues in their first Answer and Counterclaims, when Apple could have removed the SFY App at any time, betrays their request for mandatory injunctive relief at this juncture. If Defendants truly believe they are suffering immediate and irreparable injury based upon Plaintiffs' actions in March 2012, they should have filed their Motion for TRO at the time they learned of Plaintiffs' notice to Apple, more than two months prior to filing their first responsive pleading and more than eleven weeks prior to filing their Motion for TRO.

[2] At the scheduling conference, counsel for Plaintiffs also demonstrated that the versions of the SFY App that were already downloaded to the iPad® continue to function despite Apple's removal of the SFY App from the App Store on June 4, 2012.

heightened burden to demonstrate irreparable harm to justify the entry of a mandatory preliminary injunction. For the reasons set forth herein, Defendants have failed to meet their heightened burden.[3]

LEGAL STANDARD

A request for mandatory injunctive relief of this kind (i.e., enjoining a party to affirmatively act in such a way that changes the status quo) imposes a heightened burden of proof on the movant to demonstrate, first and foremost, that it has a reasonable probability of success on the merits of its claims and that, without an injunction, it is suffering and will continue to suffer irreparable injury. See Bennington Foods LLC v. St. Croix Renaissance Grp., LLP, 528 F.3d 176, 179 (3d Cir. 2008) ("[W]here the relief ordered by the preliminary injunction is mandatory and will alter the status quo, the party seeking the injunction must meet a higher standard of showing irreparable harm in the absence of an injunction."); Acierno v. New Castle Cnty., 40 F.3d 645, 653 (3d Cir. 1994) ("A party seeking a mandatory preliminary injunction that will alter the status quo bears a particularly heavy burden in demonstrating its necessity."); Perry v. Dunlavey, No. 11-234, 2011 U.S. Dist. LEXIS 137461, at *2-3 (W.D. Pa. Oct. 31, 2011) (commenting that the burden on the moving party seeking mandatory injunctive relief is particularly heavy, and that "'mandatory injunctions should be used sparingly'") (quoting United States v. Price, 688 F.2d 204, 212 (3d Cir. 1982)).

[3] Plaintiffs also maintain that Defendants' counterclaims and associated request for injunctive relief should be denied for the reasons set forth in Plaintiffs' previously filed Motion to Dismiss and Brief in Support, including, without limitation, that Defendants' counterclaims are preempted. Further support for Plaintiff's preemption argument can be found in Matthews Int'l, Corp. v. Biosafe Eng'g, LLC, No. 11-269, 2011 U.S. Dist. LEXIS 110010 (W.D. Pa. Sept. 27, 2011), wherein the court granted a motion to dismiss an action for declaratory judgment of noninfringement that included, *inter alia*, a state-law tort claim for intentional interference with prospective contracts because that claim and other state-law tort claims raised by the plaintiff were preempted by federal patent law. Matthews, 2011 U.S. Dist. LEXIS 110010, at *33.

In order to overcome this heightened evidentiary burden to obtain a mandatory preliminary injunction, a movant must demonstrate: "'(1) a reasonable probability of eventual success in the litigation, **and** (2) that it will be irreparably injured *pendente lite* if relief is not granted . . . .'" Acierno, 40 F.3d at 653 (quoting Delaware River Port Auth. v. Transamerican Trailer Transp., Inc., 501 F.2d 917, 919-20 (3d Cir. 1974)) (emphasis added). **If** the movant meets its burden to make these two requisite showings, a district court may also consider, when relevant, "'(3) the possibility of harm to other interested persons from the grant or denial of the injunction, and (4) the public interest.'" Id.

ANALYSIS

I. DEFENDANTS' REQUEST FOR A MANDATORY PRELIMINARY INJUNCTION MUST BE DENIED BECAUSE DEFENDANTS FAIL TO DEMONSTRATE IRREPARABLE INJURY

Defendants' request for mandatory injunctive relief – an extreme and rare entreaty to silence Plaintiffs' exercise of their rights to protect their intellectual property – must fail because they cannot establish irreparable injury.

First, Plaintiffs are compelled to call this Court's attention to the Court of Appeals for the Federal Circuit's discussion of the extreme and unusual nature of the type of injunction Defendants seek:

> [W]e wish to note the rarity of an injunction being granted against communicating with others concerning one's patent rights. This is not a grant or denial of an injunction against infringement, but an injunction against communication, a much more serious matter. One has a right to inform others of his or her patent rights. See 35 U.S.C. § 287. Thus, an injunction against communication is strong medicine that must be used with care and only in exceptional circumstances.

Eran, 500 F.3d at 1373-74 (reversing the district court's grant of a preliminary injunction); see Mikohn, 165 F.3d at 895 ("When judicial discretion is exercised to restrain commercial communications, it is subject to special scrutiny."). Not only do Defendants seek a gag order against Plaintiffs in contravention of their rights under federal patent law to speak for themselves, but they seek to force Plaintiffs to withdraw a communication of their rights to a third party in the hope of bringing the SFY App back to market. See Mikohn, 165 F.3d at 898 ("Indeed, judicially-mandated silence would preserve the ignorance of potential infringers, to the possible benefit of Mikohn but to the possible detriment of others whose liability could build.").

A. Defendants' Injuries Are Compensable

Defendants have not overcome their heightened burden to demonstrate irreparable harm. See Coal. for Common Sense in Gov't Procurement v. United States, 576 F. Supp. 2d 162, 168 (D.D.C. 2008) ("The irreparable injury requirement erects a very high bar for a movant."). Defendants admitted that their damages are readily calculable by a damages expert – the hallmark trait of reparable (and compensable) injury. Acierno, 40 F.3d at 653 ("Economic loss does not constitute irreparable harm."). To establish irreparable injury – which Defendants admitted they cannot – a movant must show "'harm which cannot be redressed by a legal or an equitable remedy following a trial.'" Id. (quoting Instant Air Freight Co. v. C.F. Air Freight, Inc., 882 F.2d 797, 801 (3d Cir. 1989)). Importantly, "the injury created by a failure to issue the requested injunction must "'be of a peculiar nature, so that compensation in money cannot atone for it . . . .'" Id. (quoting A.O. Smith Corp. v. F.T.C., 530 F.2d 515, 525 (3d Cir. 1976)). Irreparable injury is the most crucial element to demonstrate the need for a mandatory preliminary injunction. Perry, 2011 U.S. Dist. LEXIS 137461, at *4 ("[I]rreparable injury is **key** . . . .") (emphasis added).

In Acierno, the Court of Appeals for the Third Circuit conducted a learned and extensive inquiry into the factors a district court should consider to determine whether a movant can demonstrate irreparable injury. Notably, the court of appeals stated that

> "[t]he key word in this consideration is *irreparable*. Mere injuries, however substantial, in terms of money, time and energy necessarily expended in the absence of a stay, are not enough. The possibility that adequate compensation or other corrective relief will be available at a later date, in the ordinary course of litigation, weighs heavily against a claim of irreparable harm."

Acierno, 40 F.3d at 653 (quoting Sampson v. Murray, 415 U.S. 61, 90 (1974)). The court went on to comment that "[t]he word irreparable connotes 'that which cannot be repaired, retrieved, put down again, atoned for.'" Id. (quoting Gause v. Perkins, 56 N.C. (3 Jones Eq.) 177, 179 (1857)).

Here, the basis for Defendants' request for a mandatory injunction, the "injury created" by Apple removing the SFY App from the App Store, is purely monetary. Defendants admitted as much to the Court during the initial scheduling conference and also in their Counterclaims for tortious interference with contractual relations. (See Defs.' Am. Countercl. ¶ 27 ("Counterclaim Plaintiffs have suffered, and will continue to suffer, **pecuniary loss** from **Apple's removal** of Counterclaim Plaintiffs' application from Apple's App Store . . . .") (emphasis added).) Thus, although Plaintiffs deny any liability on the Counterclaims, any alleged injury that Defendants are presently suffering or will suffer in the future based upon Apple's removal of the SFY App can be measured in dollars and paid to Defendants in the ordinary course of litigation. See In re Arthur Treacher's Franchise Litig., 689 F.2d 1137, 1145 (3d Cir. 1982) ("[W]e have never upheld an injunction where the claimed injury constituted a loss of money, a loss capable of recoupment in a proper action at law."); see also Acierno, 40 F.3d at 655 (reversing the district court's entry of a preliminary injunction as clearly erroneous because any actionable harm suffered by the plaintiff could be remedied by an award of money damages).

This Court reached the same conclusion in denying a preliminary injunction seeking to enjoin a patent holder from providing notice of infringement to customers because, *inter alia*, the movant could not demonstrate irreparable injury. Judkins, 514 F. Supp. 2d at 767. In Judkins, a case strikingly similar to the present litigation, the plaintiff held patents in the window covering field. Id. at 757. The plaintiff filed suit for patent infringement against the defendant for manufacturing window coverings that infringed on one of its patents. Id. Defendant responded with counterclaims alleging patent invalidity and noninfringement, as well as a motion for a preliminary injunction and counterclaims for unfair competition, interference with prospective contract, commercial disparagement, and trade libel, based upon the plaintiff's "distribution of a letter notifying the marketplace of [the] defendant's alleged infringement of his patents." Id.

The court in Judkins denied the motion for preliminary injunction because it determined that the plaintiff's communications to the market were protected under patent law, and the defendant failed to meet its burden to demonstrate the communications were made in bad faith. Id. at 767. The court held that, alternatively, the motion for preliminary injunction was denied because the defendant did not demonstrate irreparable harm. Id. The defendant argued it would suffer irreparable harm in the absence of an injunction because it was losing customers. Id. at 766. The court found the defendant's position to be meritless, noting the defendant admitted "its harm in the absence of an injunction is lost business. This harm is compensable through monetary relief." Id. at 767.

Here, Defendants face a loss of sales and customers, just like the defendant in Judkins. And, like the plaintiff in Judkins, Plaintiffs here hold intellectual property rights which they are entitled to enforce to ensure that infringers like SFY, Collender and LoStracco are barred from selling their infringing products in the marketplace. Judkins compels a finding that Defendants have been unsuccessful in demonstrating irreparable harm to obtain a mandatory preliminary injunction.

B. No Reputational Harm

In their Motion for TRO, Defendants cite, in passing, a claim of reputational harm as a basis for obtaining a mandatory preliminary injunction. This is not enough. Defendants must make a compelling showing that their reputation or good will has been "significantly damaged" – simply stating as much does not make it true or compelling. Acierno, 40 F.3d at 654 (rejecting the movant's position that "any showing of potential harm to a [movant's] reputation is sufficient to warrant a mandatory preliminary injunction"; and that even "showing some potential harm to reputation is usually insufficient to support a conclusion that irreparable harm exists"). In fact, Defendants do not point to any evidence that their reputation or good will has been harmed in the marketplace. See generally Apple, Inc. v. Samsung Elecs. Co., No. 11-1846, 2012 U.S. Dist. LEXIS 88436, at *19 (N.D. Cal. June 26, 2012) ("Samsung cannot be heard to complain about broken business relationships that it has established on infringing products."). The Court, therefore, should deny Defendants' request for a mandatory preliminary injunction to the extent the request rests on their hollow assertion of reputational harm.

C. Destruction Of Business Does Not Satisfy Irreparable Injury Element When Entire Business Is A Single Infringing Product

Defendants allege that Apple's removal of the SFY App from the App Store will result in the total destruction of their business, which, alone, establishes irreparable injury. This position is incorrect.

Defendants' argument raises a threshold inquiry: what is SFY's business? The record demonstrates its "business is dedicated solely to developing, updating, and selling the [SFY] App, and training, supporting and educating clients who use the [SFY] App," (Mot. for TRO ¶ 1), and Collender and LoStracco are its only members. (Id. ¶ 2.) Thus, the sole reason for SFY's existence is to profit from the SFY App – an app that materially infringes on Plaintiffs' intellectual property rights. Lost sales of the SFY App can be quantified by an expert – as admitted by Defendants – and can be submitted as evidence to the Court if Defendants' counterclaims remain after a full adjudication of the merits of this case. This is dispositive on the issue of irreparable injury and glaringly reveals the purely monetary nature of Defendants' damages.

When a party's entire business is based upon a single infringing product, courts refuse to hold destruction of that business constitutes an injury that equity should prevent. See Windsurfing Int'l v. AMF, Inc., 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986) (infringer had one primary product, and that an injunction would put it out of business could not justify denial of that injunction); Apple, 2012 U.S. Dist. LEXIS 88436, at *16-17 ("'[o]ne who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against a continuing infringement destroys the business so elected'") (quoting Telebrands Direct Response Corp. v. Ovation Commc'ns, Inc., 802 F. Supp. 1169, 1179 (D.N.J. 1992)); Telebrands, 802 F. Supp. at 1179 (even though the plaintiff would not be able to sell its allegedly infringing product during the pendency of the litigation, the court granted an injunction restraining such activity – the plaintiff's plea of hardship was diminished by "the company's certain awareness of the economic risks inherent in such a legally precarious business venture"); see also Fiba Leasing

Co. v. Airdyne Indus., Inc., 826 F. Supp. 38, 39 (D. Mass. 1993) ("A preliminary injunction movant does not satisfy the irreparable harm criterion when the alleged harm is self-inflicted.").

These decisions stand for the proposition that a court sitting in equity will not protect a business from destruction if the entire business perpetuates infringement of the plaintiff's intellectual property. Here, Defendants knowingly based their current precarious business venture on a product that is subject to intellectual property issues and concerns from Semantic and PRC and has the inherent economic risk of existing on a platform – the iPad® – that is controlled by Apple. As such, just as in Telebrands, Defendants cannot claim hardship as the result of Apple's decision.

Cases where total destruction of a business was held to satisfy the irreparable injury element are easily distinguishable from the present case. Those decisions have two common elements not present here: (1) the movant made a clear showing of likelihood of success on the merits; and (2) the business was not based on a single infringing product. See, e.g., Unity Real Estate Co. v. Hudson, 889 F. Supp. 818 (W.D. Pa. 1995) (granting a preliminary injunction when the movant demonstrated a likelihood of success on the merits and that the Coal Act, 26 U.S.C. §§ 9701-9722, as applied to the movant, would affect an uncompensated taking and drive the movant's business into bankruptcy); Canterbury Career Sch. v. Riley, 833 F. Supp. 1097 (D.N.J. 1993) (granting a preliminary injunction where the movant, a post-secondary school, demonstrated a likelihood of success on its claim that the defendant failed to exclude improperly serviced loans as required under the Higher Education Act, 20 U.S.C. §§ 1070 *et seq.*, and that denial of an injunction would result in the movant suffering irreparable harm – it would no longer receive income provided by student financial aid programs and such income was necessary to continue operating the school). In the seminal case on this issue, Semmes Motors, Inc. v. Ford Motor Co., 429 F.2d 1197 (2d Cir. 1970), the Court of Appeals for the Second Circuit declined to consider the "likelihood of success" prong, holding that the balance of the hardships favored the movant, a car dealership franchisee, because the defendant's termination of the franchise agreement would effectively end the movant's twenty-year-old business. Semmes, 429 F.2d at 1205.

Here, Defendants do not have a twenty-year-old business at the brink of destruction. At best, they have an eleven-month-old business buoyed by a single product that wholly infringes on Plaintiffs' intellectual property rights. Defendants made a calculated business choice to develop, market and sell the SFY App as their only product and on a platform – the iPad® – which is subject to control by Apple. Such a business, as the caselaw demonstrates, deserves no protection in equity.[4]

Because Defendants' injury can be measured in monetary amounts, they are not entitled to the rare and extreme mandatory injunction that they seek – they have not met their heightened burden to silence Plaintiffs' right to defend and protect their intellectual property, a right firmly cemented in federal intellectual property law.

CONCLUSION

For the reasons set forth above, Plaintiffs Semantic Compaction Systems, Inc. and Prentke Romich Company request that this Court deny Defendants' Motion for Temporary Restraining Order/Injunctive Relief to Prevent Destruction of Business with prejudice.

[4] Defendants, of course, are free to develop, market and sell other apps or products that do not infringe on Plaintiffs' intellectual property rights in order to sustain their business venture.

Date: July 9, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the within **PLAINTIFFS' SUPPLEMENTAL BRIEF ON DEFENDANTS' FAILURE TO SHOW IRREPARABLE INJURY** was served upon counsel for Defendants via the Court's electronic filing system as follows:

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v.	)	
SPEAK FOR YOURSELF LLC; RENEE COLLENDER, an individual; and HEIDI LOSTRACCO, an individual,	)	
Defendants.	)	

ORDER OF COURT

AND, NOW, to-wit, this _____ day of _______________, 2012, upon consideration of Plaintiffs' Supplemental Brief on Defendants' Failure to Show Irreparable Harm, it is hereby ORDERED, ADJUDGED and DECREED that Defendants' Motion for Temporary Restraining Order/Injunctive Relief to Prevent Destruction of Business is DENIED with prejudice.

BY THE COURT:

____
Gary L. Lancaster
United States District Judge