United States District Court,
C.D. California.

OAKLEY, INC. a Washington corporation,
Plaintiff.
v.
SUNGLASS HUT INTERNATIONAL, a Delaware corporation, Lenscrafters, Inc., a Delaware corporation, Ray Ban Sun Optics, a Delaware corporation, Luxottica Group S.p.A., an Italian corporation, and Leonardo Del Vecchio, an individual,
Defendants.

No. SA CV 01-1065 AHS

Dec. 7, 2001.

Counsel for Plaintiff Oakley, Inc. were Gregory L. Weeks and Gregory K. Nelson of Weeks, Kaufman & Johnson, LLP in Solana Beach, California; and Gerard von Hoffmann, Joseph F. Jennings and Paul N. Conover of Knobbe, Martens, Olson & Bear, LLP in Newport Beach.

Counsel for Defendants Sunglass Hut International, Lenscrafters, Inc., Ray Ban Sun Optics, Luxottica Group S.p.A., and Leonardo Del Vecchio were John M. Benassi and Colbern C. Stuart, III of Brobeck, Phleger & Harrison LLP in San Diego, California; Kathlene W. Lowe and Matthew C. Lapple of Brobeck, Phleger & Harrison LLP in Irvine, California; and Joseph DiBenedetto of Winston & Strawn in New York, New York.

FINDINGS OF FACT AND CONCLUSIONS OF LAW IN SUPPORT OF PRELIMINARY INJUNCTION

STOTLER**, District J.**

I. PROCEDURAL HISTORY

1. On November 6, 2001, Plaintiff Oakley, Inc. ("Oakley") filed this lawsuit for patent and trade dress infringement against Defendants Sunglass Hut International, Lencrafters, Inc, Ray Ban Sun Optics, Luxottica Group S.p.A., and Leonardo Del Vecchio.

2. On November 13, 2001, this lawsuit was transferred to the docket of the undersigned Judge of this Court pursuant to General Order 224 based upon the co-pendency of other related cases involving the same patent.

3. On November 14, 2001, Oakley filed an application for a temporary restraining order and an order to show cause why a preliminary injunction should not issue. Oakley's application was accompanied by supporting declarations. Defendants filed a counterstatement on November 16, 2001. Oakley filed a reply on November 19, 2001 and Defendants filed a surreply on November 20, 2001.

4. The Court entered a temporary restraining order against Defendants on November 20, 2001, prohibiting Defendants from making, importing, selling, or offering to sell any products with green or blue lens coatings that infringe Oakley's U.S. Patent No. 5,054,902 ("the '902 patent"). The Court also entered an Order to Show Cause why a preliminary injunction should not issue.

5. On November 27, 2001, Defendants filed their Memorandum in Opposition to Oakley's Motion for Preliminary Injunction with supporting declarations.

6. On November 28, 2001, Oakley filed its Reply Memorandum with supporting declarations. On November 30, 2001, the Court held a hearing on the Order to Show Cause. The Court, having carefully considered all of the evidence of record and argument of counsel, granted Oakley's motion for preliminary injunction on the condition that Oakley post an undertaking in the amount of $100,000 by Monday, December 3, 2001. Plaintiff lodged proposed Findings of Fact and Conclusions of Law in Support of Preliminary Injunction on December 3, 2001. On December 5, 2001, Defendants lodged proposed Findings of Fact and Conclusions of Law and Objections to Plaintiff's proposed Findings of Fact and Conclusions of Law. Having considered the foregoing, the Court enters the following findings of fact and conclusions of law in support of the issuance of a preliminary injunction against Defendants.

II. LEGAL STANDARD GOVERNING PRELIMINARY INJUNCTIONS IN PATENT CASES

7. The grant or denial of a preliminary injunction requires the analysis of four factors: 1) likelihood of success on the merits; 2) irreparable harm if an injunction is not granted; 3) the balance of hardships; and 4) the impact on the public interest. *See* Amazon.com, Inc. v. Barnesandnoble.com, Inc., 239 F.3d 1343, 1350 (Fed.Cir.2001). No single factor, taken individually, is dispositive. Each factor must be weighed in view of the other factors and against the relief requested. *Id*.

8. In order to show a reasonable likelihood of success on the merits in a patent case, a plaintiff must show that in light of the presumptions and burdens that will inhere at trial on the merits: 1) the plaintiff will likely prove that the defendant infringes the patent, and 2) the plaintiff's infringement claim will likely withstand the defendant's challenges to the validity and enforceability of the patent. *See* Amazon.com, 239 F.3d at 1350. "If [the defendant] raises a substantial question concerning either infringement or validity, *i.e.,* asserts an infringement or invalidity defense that the patentee cannot prove 'lacks substantial merit,' the preliminary injunction should not issue." Id. at 1350-51.

III. LIKELIHOOD OF SUCCESS ON THE MERITS AT TRIAL

9. In its application for temporary restraining order and request for preliminary injunction, Oakley asserted Claims 1 and 2 of the '902 patent against Defendants' sunglasses with blue and green lenses. FN1 See Feinberg Decl. para. 10. The text of Claims 1 and 2 is set forth below:

FN1. The parties' memoranda and supporting declarations sometimes refer to the green lenses as "Emerald" and the blue lenses as "Ice."

1. A lens for sunglasses to be worn by a wearer, comprising:
a light transmissive substrate constituting the lens body, and having a first side for facing the wearer and a second side of facing outwardly from the wearer,

a semireflective layer intimately bonded to the second side, and

a dielectric layer over said semireflective layer, said dielectric layer being of substantially uniform thickness,

the reflectance of said semireflective layer and the thickness of said dielectric layer producing, at one or more wavelengths, a differential effect in intensity, of reflected light incident upon said lens from the direction faced by said second side, by interference between incident light reflected from said dielectric layer and light transmitted through said dielectric layer, and reflected from said semireflective layer, said differential effect altering the spectral distribution of light in an amount for producing a vivid colored appearance formed by said two layers when viewing toward the wearer from the direction faced by said second side.

2. A lens according to Claim 1, wherein said semireflective layer is a metal layer having a reflectance under approximately 30%.

A. Patent Infringement

10. Infringement analysis requires the court to first determine the meaning of the claim and then compare the properly construed claim to the accused device. *See* Amazon.com, 239 F.3d at 1350. All claims must be construed in light of the specification and the prosecution history. *See* Grain Processing Corp. v. Amer. Maize-Products Co., 840 F.2d 902, 908 (Fed.Cir.1988).

1. Background of '902 Patent

11. The named inventor of the '902 patent is Dr. William J. King. Von Hoffman Decl. para. 2. The Patent Office issued the '902 patent on October 8, 1991 after approximately 16 years of prosecution. In 1995, King threatened to sue Oakley for infringement of the '902 patent, whereupon Oakley investigated the validity of the '902 patent. Oakley discovered prior art that potentially raised new questions of patentability not addressed by the PTO and requested that the PTO re-examine the '902 patent in light of the newly-discovered prior art. Id. para.para. 4, 5.

12. Oakley's request for re-examination was granted. Oakley also obtained an option to purchase the '902 patent should it survive the reexamination. Id. Oakley exercised its option to purchase the '902 patent after it learned that the claims of the '902 patent would survive the re-examination process. On June 23, 1998, the PTO issued a Re-examination Certificate confirming the patentability of all original claims 1-8 of the '902 patent without requiring substantive claim amendments and adding additional claims 9-39. Id . at para. 12-13.

2. Claim 1 of the '902 Patent

13. Claim 1 discloses that vivid colors can be produced by controlling the thicknesses of the dielectric and semireflective layers of the lens. See '902 patent col. 23-24. The specification of the '902 patent provides a table of the appropriate thickness of the dielectric layers to achieve various colors and examples of a preferred reflectivity of 20% or 30% for the semireflective layer and. See '902 patent Figs. 6(a), 6(b), 7 and Table I; Feinberg Supp. Decl. para. 25.

14. In addition, the '902 patent provides specific equations for calculating the differential effect, which is a measure of the degree to which a color would be vivid. See, e.g., id. col. 7:20-22.

15. The '902 specification also distinguishes its colors from weaker colors produced by prior art using highly reflective mirror-like surfaces. The '902 patent states that, "[i]ntereference colors on such highly reflecting metal surfaces therefore tend to be weak or washed out to the eye because of the small differential intensities involved." '902 patent, col. 10: 11-14.

16. During the prosecution of the '902 patent, King distinguished his patent from the prior art Apfel reference having a highly reflective layer. King stated:

Figure 1, and the transmission and reflection graphs Figures 2-5 of Apfel, illustrate the only structure of Apfel which resembles Applicant's substrate/metal/dielectric construction. Those figures relate to a thick metal layer (675 Angstroms of Inconel) which is essentially a mirror having approximately a 94% reflectance, and a TIO_2 overcoat. While reflected color (magneta) is indicated for one embodiment, the graph Figure 4 does not indicate a strong color peak, and Apfel expressly indicates that he uses a multi-pair stack (Figure 6) in order to achieve strong reflective color (Col. 3 lines 63-65). Thus, the vividly colored reflected light produced by interference with a simple two-layer construction as claimed in [King's application] is neither disclosed or suggested by Apfel." See Baumeister Decl., Ex. F at 107-08.

3. Infringement of the '902 patent

17. To literally infringe the '902 patent, Defendants' sunglass lenses must contain each limitation of the asserted claims. *See* Bayer AG v. Elan Pharm. Research Corp., 212 F.3d 1241, 1247 (Fed.Cir.2000). The Court finds that Oakley will likely succeed at trial in proving that Defendants' green and blue lenses literally infringe Claims 1 and 2 of the '902 patent.

a. Defendants' Products

18. The structure and composition of Defendants' lenses were not disputed by the parties. Defendants' blue and green lenses have a polycarbonate lens base with a polysiloxane hardcoating, a chromium layer applied over the hardcoated lens base, and a silicon dioxide layer applied over the semi-reflective layer. See Feinberg Decl. para. 9.

b. Infringement of Claim 1

19. Defendants raise two non-infringement arguments: (i) the semi-reflective layer in their lenses is not "intimately bonded" to the substrate or lens body; and (ii) their lenses cannot infringe because they have "color peaks" like the prior art Apfel patent or because the lenses are made by the same process utilized by Foster Grant or STCV, which are alleged to be prior art.

20. Defendants' "intimately bonded" argument is premised on the assumption that the substrate or lens body in Defendants' lenses is the underlying polycarbonate without the polysiloxane hardcoating. The Court finds that Defendants' lenses have a light transmissive "substrate" or "lens body" made of polycarbonate and polysiloxane. These materials together are appropriately treated as the claimed substrate or lens body because, in the context of the '902 patent, they have virtually identical optical characteristics. See Feinberg Supp. Decl. para.para. 4-8.

21. One of skill in the art would consider polycarbonate coated with a polysiloxane hardcoating as a single monolithic substrate or lens body. See DeBell Decl. para. 5.

22. The doctrine of claim differentiation confirms that the substrate or lens body of Claim 1 should not be limited to a single-layer material. The Federal Circuit has held:

[i]t is settled law that when a patent claim does not contain a certain limitation and another claim does, that limitation cannot be read into the former claim in determining either validity or infringement.

SRI Int'l v. Matsushita Elec. Corp., 775 F.2d 1107, 1122 (Fed.Cir.1985) (en banc). Claim 7 of the '902 patent, which is dependent upon Claim 1, requires "a light transmissive substrate constituted by a substrate formed of a single optically homogenous light transmissive material." Thus, the broader independent Claim 1 must be understood to encompass a lens body having *more* than one optically homogenous light transmissive material.

23. The Court finds that the dielectric layer thicknesses of the accused products correspond to the observed colors predicted by Table I of the '902 patent. See Feinberg Decl. para. 10; '902 patent, cols. 18-19.

24. Defendants also point to the prosecution history where King distinguished the Apfel patent. Defendants assert that "King's argument over Apfel ... constitutes clear prosecution history estoppel" and that Oakley should be barred from asserting infringement against the accused products because their "color peaks" are below Apfel. Opp. at 11. However, King distinguished the Apfel patent not only as to color, but also to the structure for achieving the color. For example, the prosecution history shows that King explained that Apfel did not have a *semi*-reflective layer, but rather a highly reflective layer. See Baumeister Decl. Ex. F at 107. Defendants have not raised a substantial question that their lenses are like the lenses of Apfel and cannot rely upon such similarity as a "non-infringement" argument.

25. Defendants also assert that their lenses are made by the same process as Foster Grant or STCV. The Court finds that Defendants have not sufficiently proven at this stage the structure of the Foster Grant or STCV lenses.

26. Oakley has made a strong showing that Defendants' green and blue lenses literally infringe Claim 1 and that Defendants' non-infringement arguments lack substantial merit.

3. Infringement of Claim 2

27. Claim 2 is dependent upon Claim 1, adding the requirement that the semi-reflective layer must be a metal layer having less than approximately 30% reflectivity.

28. Oakley's technical expert reported that the chromium semi-reflective layer in each of the Defendants' lenses has a reflectivity of less than 30%. See Feinberg Decl. para. 10; Feinberg Supp. Decl. para. 30.

29. Defendants' technical expert, without performing any reflectivity measurements of his own, reported a "calculated" reflectivity "in excess of 50%." See Baumeister Decl. para. 27. Defendants' expert did not describe the details of his calculation. *See* id. On reply, Oakley's expert explained that the calculation of Defendants' expert apparently assumed the layer was made of pure chromium under ideal conditions, ignoring variables that may be introduced during the manufacturing process. See Feinberg Supp. Decl. para. 28. Moreover, a calculated reflectivity for the metal layer of greater than 50% by itself is much greater than the measured reflectivity from the lens as a whole. See Feinberg Supp. Decl. para. 29; Feinberg Decl. Ex. C.

30. In view of the foregoing, the Court finds that Oakley has made a strong showing that Defendants infringe Claim 2 and that Defendants' non-infringement arguments lack substantial merit.

B. Patent Validity

31. Validity challenges during preliminary injunction proceedings may succeed if they raise substantial questions of invalidity, even on evidence that would not suffice to support a judgment of invalidity at trial. Amazon.com, 239 F.3d at 1358. Vulnerability is the issue at the preliminary injunction stage, while validity is the issue at trial. *Id*. The showing of a substantial question as to invalidity thus requires less proof than the clear and convincing showing necessary to establish invalidity itself. *Id*.

32. The patentee seeking a preliminary injunction must present a clear case supporting the validity of the patent but need not establish the patent's validity beyond question. *Id*. at 1359. Such a case might be supported, for example, by showing that the patent in suit had successfully withstood previous validity challenges in other proceedings or from a long period of industry acquiescence in the patent's validity. *Id*.

33. The claims of the '902 patent are presumed to be valid. *See* 35 U.S.C. s. 282. Defendants have not raised a substantial question as to the invalidity of the '902 patent. Furthermore, the 16-year prosecution history of the '902 patent and the PTO's 1998 Re-examination Certificate confirming patentability supports Plaintiff's burden of showing a clear case of validity.

1. Validity of Claim 1

a. Anticipation under 35 U.S.C. s. 102

34. Defendants assert that the '902 patent is invalid under 35 U.S.C. s. 102 as anticipated by each of four different items of prior art. The Court finds that each of Defendant's invalidity arguments lacks substantial merit.

1) Foster Grant Lenses

35. Defendants' primary invalidity argument is that Claim 1 of the '902 patent is anticipated by prior art lenses manufactured by Foster Grant before the filing of the '902 patent. Defendants allege that the declarations of Theodore Haddad, Chet Fantozzi, James LeBlanc, and Joe Babineau (collectively the "Foster Grant Declarations") show that the invention of Claim 1 of the '902 patent is anticipated by lenses manufactured by Foster Grant before the '902 patent was filed.

36. Under 35 U.S.C. s. 102(b), a person is not entitled to a patent if "the invention was ... described in a printed publication in this or a foreign country or in public use or on sale in this country more than one year prior to the date of the application for patent in the United States." The '902 patent application was continued from a previous application filed on December 29, 1975. Thus, the critical date is December 29, 1974.

37. A prior art reference anticipates a patent claim if the reference discloses, either expressly or inherently, all of the limitations of the claim. Finnigan Corp. v. ITC, 180 F.3d 1354, 1365 (Fed.Cir.1999). In addition, the Supreme Court has recognized that:

testimony concerning invalidating activities can be 'unsatisfactory' due to 'the forgetfulness of witnesses, their liability to mistakes, their proneness to recollect things as the party calling them would have them recollect them, aside from the temptation to actual perjury.

Finnigan Corp. v. ITC, 180 F.3d 1354, 1366 (Fed.Cir.1999) (quoting *The* Barbed Wire Patent, 143 U.S. 275, 285, 36 L.Ed. 154, 12 S.Ct. 443 (1892)). Mere testimony concerning invalidating activities is received with further skepticism because such activities are normally documented by tangible evidence such as devices, schematics, or other materials that typically accompany the inventive process. Finnigan, 180 F.3d at 1366. Moreover, the need for corroboration exists regardless of whether the party is interested in the outcome of the litigation or is uninterested but is testifying on behalf of an interested party. Id. at 1367.

38. The Court finds that the Foster Grant Declarations do not present a substantial challenge to the validity of Claim 1 of the '902 patent. At best, the Foster Grant declarations and accompanying exhibits show that Foster Grant manufactured a two-layer lens coating using chromium and silicon dioxide or silicon monoxide. See Haddad Decl. para. 6.

39. This two-layer structure is not distinguishable from that which the '902 patent itself discloses as prior art in, for example, Figure 5(b). The '902 patent explains that a vivid color can only be established by carefully controlling the thickness of the semi-reflective and dielectric layers so that the amount of reflected light is sufficient to create a differential effect in the desired wavelength, but not so great as to "wash out" the color. See '902 patent, col. 10, lines 13-14.

40. The Foster Grant declarations do not describe the thickness of the chromium or silicon oxide layers or whether a vivid color was achieved. Claim 1 requires a dielectric layer of substantially uniform thickness but the declarations do not provide the thicknesses of the dielectric layers used by Foster Grant. The Foster Grant declarants' recollections that the colors on the Foster Grant lenses were "brilliant" are insufficient to show that the chromium and silicon oxide layers were deposited in thicknesses appropriate to create a "differential effect altering the spectral distribution of light in an amount for producing a vivid colored appearance" as required by Claim 1.

41. In addition to the Court's finding that the Foster Grant declarations fail to show that every limitation of Claim 1 of the '902 patent was present in the prior art, the Court finds the testimony insufficiently corroborated to raise a substantial question as to the validity of Claim 1 of the '902 patent. In particular, there is no corroboration that would distinguish the Foster Grant lenses from the admitted prior art of Figure 5(b) in the '902 patent over which all claims were twice allowed.

42. The declarations also do not provide any tangible evidence of the Foster Grant lenses, such as the lenses themselves, schematics, or other materials that "typically accompany the inventive process." Finnigan, 180 F.3d at 1366.

43. This is particularly true where, as here, the nature of the claimed invention is such that it can only be fully understood after detailed evaluation of microscopically thin coating layers and not by casual observation of a product having the appearance of a colored lens.

44. While Defendants do not need to show clear and convincing evidence, the Court finds under the totality of the circumstances that there is insufficient corroboration of Mr. Haddad's testimony to raise a substantial challenge to the validity of the '902 patent.

2) STCV Lenses

45. Defendants next assert that lenses manufactured by Ms. Lilliane Roche-Grasset, owner of a company known as Technology/Moptic STCV ("STCV") anticipate Claim 1. Ms. Roche-Grasset's declaration asserts that a chromium layer and a silicon dioxide layer were deposited on sunglass lenses to create color prior to the filing of the '902 patent. See Roche-Grasset Decl. para.para. 2-4.

46. Like Mr. Haddad's declaration, Ms. Roche-Grasset's declaration fails to provide the relevant thicknesses of each of the layers and is therefore no more probative than the admitted prior art shown in Figure 5(b) of the '902 patent. Moreover, Ms. Roche-Grasset's declaration provides no indication of the quality of the color obtained and therefore provides no basis for the Court to find that the colors obtained through the process described created a "differential effect altering the spectral distribution of light in an amount for producing a vivid colored appearance" as required by Claim 1. Accordingly, for the same reasons discussed above with respect to the Foster Grant declarations, the Court finds that Ms. Roche-Grasset's declaration does not present a substantial challenge to the validity of Claim 1 of the '902 patent.

47. The Court also finds that, like the Foster Grant declarations, there is insufficient corroboration of Ms. Roche-Grasset's testimony to rise to the level necessary to present a substantial challenge to the validity of the '902 patent.

3) Ross Article

48. Defendants next assert that Claims 1 and 2 of the '902 patent are anticipated by a German article written by Dr. A. Ross ("the Ross article"). See Baumeister Decl. Ex. C. Although the Ross article discusses depositing layers on eyeglass lenses, like the Apfel patent which was considered by the PTO, the Ross article fails to teach one of skill in the art how to deposit the metal and dielectric layers in appropriate thicknesses to achieve a "differential effect altering the spectral distribution of light in an amount for producing a vivid colored appearance" as required by Claim 1.

49. In particular, the Ross article does not disclose the claimed *semi*-reflective layer. See Feinberg Supp. Decl. para.para. 18-19. The Ross article explains that the metal layer is deposited in such a thickness as to produce a high reflectivity. See id. Ex. C at p. 66; Feinberg Supp. Decl. para. 19.

50. In addition, there is no disclosure or discussion in the Ross article of the creation of a vivid color effect using the layers required by Claim 1 of the '902 patent. Indeed, the highly reflective metal layers such as those discussed in the Ross article were disclosed in Figure 5(b) the '902 patent as prior art. See Feinberg Supp. Decl. para. 21. The '902 patent explains that the interference color created by using the prior art highly reflective metal layers "tend to be weak or washed out to the eye because of the small differential intensities involved." '902 patent, col. 10, lines 13-14; Feinberg Supp. Decl. para. 22. The Court, thus, finds that the Ross article does not present a substantial challenge to the validity of Claim 1 of the '902 patent.

4) Apfel Patent

51. Finally, the Court finds Defendants' argument that U.S. Patent No. 3,679,291 to Apfel ("Apfel") anticipates every limitation of Claim 1 to be without substantial merit. The PTO twice examined the claims of the '902 patent in view of Apfel. After both examinations, the PTO concluded that Apfel did not anticipate or render obvious the subject matter of Claims 1 and 2. Defendants have not shown the PTO's

determination to be incorrect.

b. Obviousness under 35 U.S.C. s. 103

52. Defendants next assert that Claim 1 is obvious in view of Apfel and the Ross article. The Apfel patent was considered by the PTO during the original prosecution and the reexamination of the '902 patent. By itself, Apfel does not anticipate or render obvious any of the claims of the '902 patent. As explained above, the Ross article is no more instructive then Apfel. The combination of Apfel and the Ross article does not teach or suggest how to combine a *semi*-reflective layer and a dielectric layer in thicknesses so as to create a "differential effect altering the spectral distribution of light in an amount for producing a vivid colored appearance" in an eyeglass lens as required by Claim 1. See Feinberg Supp. Decl. para. 22. The Court, thus, finds that the combination of the Ross article and Apfel does not raise a substantial question as to the validity of Claim 1 of the '902 patent.

53. Defendants next assert that British Patent No. 1,261,242 to Schindler ("Schindler") in combination with the Ross article renders Claim 2 obvious. Schindler discloses the use of copper films to protect the eye from ultra-violet ("UV") radiation. Schindler is not related to the creation of a colored effect by interference. See Feinberg Supp. Decl. para. 23. The copper color of the lenses disclosed in Schindler is the result of the reflection from the copper metal layer and not from an interference effect as taught by the '902 patent. Id. Because Schindler does not relate to the use of interference effects to create a colored appearance, there is no suggestion in the prior art to combine Schindler with any other reference to achieve the invention of Claim 2 of the '902 patent. See id. at para. 24. The Court finds that these references fail to raise a substantial question as to the validity of Claim 2 of the '902 patent.

c. Validity under 35 U.S.C. s. 112

54. Defendants next assert that Claims 1 and 2 of the '902 patent are invalid under 35 U.S.C. s. 112 because they violate the definiteness and enablement requirements of s. 112.

55. The first paragraph of 35 U.S.C. s. 112 states:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

56. Defendants first assert that the '902 patent is invalid because it fails to meet the "enablement" requirement of 35 U.S.C. s. 112, paragraph 1. Defendants base their enablement argument on the testimony of Dr. King who Defendants assert acknowledged that the '902 patent was not sufficient to teach someone "how to make a differential effect which produces a vivid color appearance." Opp. at p. 17. For this proposition, Defendants cite page 32 of Dr. King's deposition. Id.

57. The Court disagrees that Dr. King's testimony can be read as an admission that the specification fails to enable Claim 1 of the '902 patent. First, a reading of Dr. King's deposition suggests that Dr. King was not prepared to answer detailed questions regarding his patent. Dr. King explained that he lacked an opportunity to review his patent and related documents prior to his deposition. See King Dep. at 8:8-21, 11:15-12:15. Although the Court denied Oakley's motion to strike Dr. King's deposition testimony, the Court declines to give Dr. King's deposition testimony significant weight.

58. Regardless of the preparedness of Dr. King, the portion of the deposition to which Defendants cite does not demonstrate that the specification of the '902 patent is non-enabling. In the portion of Dr. King's deposition that Defendants quote, Dr. King explains that the purpose of his patent is not merely to teach one of skill in the art how to create a differential effect which produces a vivid color, but to teach those of skill in the art how to use the thicknesses of the various semireflective and dielectric layers to control the type and vividness of the color produced. See King Depo. at 32-33.

59. The '902 patent specifically describes the use of a semi-reflective metal having a reflectivity of less than 30% to achieve the desired differential effect and offers several examples of the thickness of the dielectric necessary to achieve a desired color. See '902 patent, Table I.

60. Oakley's technical expert explains that one of ordinary skill in the art of lens design would be able to practice the claimed invention without undue experimentation based on the detailed examples disclosed in the specification of the '902 patent. See Feinberg Supp. Decl. para. 26.

61. The Court does not find substantial merit to Defendants' argument that the '902 patent is invalid for failing to meet the enablement requirement of 35 U.S.C. s. 112.

62. Defendants assert that the claims of the '902 patent are invalid because they are indefinite under 35 U.S.C. s. 112, paragraph 2. Paragraph 2 of 35 U.S.C. s. 112 provides that the "specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention."

63. Section 112 para. 2 is satisfied if one skilled in the art would understand the bounds of the claim when read in light of the specification. Exxon Res. & Eng'g Co. v. United States, 265 F.3d 1371, 1375 (Fed.Cir.2001). A determination of claim indefiniteness is a legal conclusion that is drawn from the court's performance of its duty as a construer of patent claims. Id. at 1376. A claim is indefinite if it is insolubly ambiguous and no narrowing construction can properly be adopted. *Id*. But, if the meaning of a claim is discernible even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree, the claim is sufficiently clear. *Id*.

64. Relying on the deposition testimony of Dr. King, Defendants argue that Dr. King admitted that the phrase "vivid colored appearance" is a subjective term and therefore indefinite. See Opp. at pp. 12-14. The Court does not find that Dr. King admitted that the term "vivid colored appearance" is indefinite. Dr. King explained that the term "vivid colored appearance" can be defined in terms of the structure used to create the color. See King Dep. 64:2-9. For example, the '902 patent specifically teaches various examples of a preferred reflectivity of 20% or 30% for the semi-reflective layer and the appropriate thickness of the dielectric layers to achieve various colors. See '902 patent Figs. 6(a), 6(b), 7 and Table I; Feinberg Supp. Decl. para. 25.

65. In addition, the '902 patent provides specific equations for calculating the differential effect, which is a measure of the degree to which a color would be vivid. See, e.g., id. col. 7:20-22.

66. The Court finds that one of skill in the art could discern what is meant by "vivid colored effect" from the specification of the '902 patent. See Feinberg Supp. Decl. para. 25. Therefore, Defendants' argument that Claim 1 is invalid on the grounds of indefiniteness is without substantial merit.

C. *Patent Enforceability*

67. Defendants next argue that the '902 patent is unenforceable due to inequitable conduct before the PTO. Defendants assert that Dr. King mischaracterized the Apfel patent in his remarks to the PTO. Specifically, Defendants allege that Dr. King intentionally misrepresented the Apfel patent as failing to achieve a vivid color.

68. An inequitable conduct charge entails a two-part inquiry. First, the defendant must demonstrate an intent to mislead the patent examiner. *See* Monon Corp. v. Stoughton Trailers, Inc., 239 F.3d 1253, 1261 (Fed.Cir.2001). Second, the defendant must show that the misrepresentation was material. *Id*. If the threshold requirements of materiality and intent are established, the court must balance those findings to determine whether "the scales tilt to a conclusion that inequitable conduct occurred." *Id*.

69. Defendants presented no evidence that Dr. King intended to mislead the PTO. In addition, Defendants have not shown that any of Dr. King's statements to the PTO were false.

70. Finally, Defendants' allegations that Dr. King committed inequitable conduct in his discussion of the Apfel patent is undermined by the fact that the Examiner had the Apfel patent and could evaluate its teachings. In Akzo N.V. v. ITC, 808 F.2d 1471 (Fed.Cir.1986), the Federal Circuit stated:

The mere fact that [the applicant] attempted to distinguish the [claimed] process from the prior art does not constitute a material omission or misrepresentation. The examiner was free to reach his own conclusion ... based on the art in front of him.

Id. at 1482. Accordingly, the Court finds that Defendants' argument that Dr. King committed inequitable conduct in his characterization of Apfel lacks substantial merit.

71. For the foregoing reasons, the Court finds that Oakley has made a strong showing that it is likely to succeed on the merits of its patent infringement claim. Oakley has further shown that all of Defendants' invalidity arguments lack substantial merit.

IV. IRREPARABLE HARM

A. Presumption of Irreparable Harm

72. Irreparable harm is presumed when a clear showing of patent validity and infringement has been made. *See* Amazon.com, 239 F.3d at 1350. This presumption derives in part from the finite term of the patent grant, for patent expiration is not suspended during litigation, and the passage of time can work irremediable harm. *Id* . As discussed above, the Court finds that Oakley has made a clear showing of infringement and validity. The Court, thus, finds that Oakley is entitled to a presumption of irreparable harm.

B. Actual Irreparable Harm

73. In addition to the presumption of irreparable harm, the Court also finds that Oakley will in fact suffer irreparable harm if the preliminary injunction does not issue. If Defendants are permitted to continue to sell their blue and green colored sunglass lenses during the pendency of this lawsuit they will erode Oakley's exclusivity and goodwill associated with these products. See Bowers Supp. Decl. para. 16.

74. Defendants assert that Oakley cannot establish irreparable harm because Oakley has licensed the '902 patent. Although Oakley has issued a license under the '902 patent, an examination of the license reveals that Oakley did not license anyone to manufacture lenses under the '902 patent in competition with Oakley. The license identified by Defendants merely grants a licensee the right to sell products using lenses Oakley manufactured. See Baden Decl. para. 4. Because Oakley has not licensed the '902 patent in a manner inconsistent with Oakley's exclusivity over the technology of the '902 patent, the license identified by Defendants does not preclude a finding of irreparable harm.

75. In addition, Oakley's "Emerald" lenses were initially developed as a domestic Sunglass Hut exclusive, thus establishing the threat of consumer association with this vivid color and Defendants if not enjoined. See Newcomb Decl. para. 9. Defendants' infringing products are sold in very close proximity to Oakley's patented products. See Taylor Decl. para. 4; Newcomb Decl. para. 9.

76. Defendants also acknowledge that they are prepared to release "huge numbers of allegedly infringing models." See Defs. TRO Counterstatement, 9:9-24; Benassi Decl. para. 8; Giacobbi Decl. para. 40. These products are the subject of "extensive marketing and promotional campaigns," including websites, catalogs, ads, and advertising campaigns. See Def. TRO Counterstatement, 9:9-24. Defendants acknowledge that they have invested "millions of dollars" in this campaign. See Def. TRO Counterstatement, 9:9-24; Benassi Decl. para. 8. Defendants include manufacturers as well as retail locations, including over 2,200 retail locations in the United States and another 30,000 retailers to whom they sell their products. See Giacobbi Decl. para. 6; Def. TRO Counterstatement, 9:9-13. Accordingly, the Court finds that if the Defendants are not enjoined, there is a likelihood of erosion to Oakley's market presence and its goodwill associated with its patented lens coatings.

77. For the foregoing reasons, the Court finds that Oakley will likely be irreparably harmed if the preliminary injunction does not issue.

V. BALANCE OF HARDSHIPS

78. The Court also finds that the balance of hardships tips in Oakley's favor. The Court does not doubt that an injunction will cause Defendants some hardship. However, the hardship Defendants allege they would suffer is not unlike that of any other party enjoined from infringing a valid patent.

VI. PUBLIC INTEREST

79. In patent cases there is an important public interest in favor of protecting the rights secured by a valid patent. *See* Hybritech, Inc. v. Abbott Labs., 849 F.2d 1446, 1458 (Fed.Cir.1988). The focus of the court's public interest analysis should be whether there exists some critical public interest that would be injured by the grant of preliminary relief. *Id*. Because there is no "critical public interest" to counterbalance the public interest in protecting rights secured by valid patents, the Court finds the public interest also favors the grant of the preliminary injunction.

VII. BOND AMOUNT

80. Pursuant to Rule 65(c) of the Federal Rules of Civil Procedure, a successful movant for a TRO or preliminary injunction must post security "for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained."

81. It is Defendants' burden to reasonably estimate the extent to which they would be damaged if this preliminary injunction were improvidently granted. *See* Equifax Services, Inc. v. Hitz, 905 F .2d 1355, 1362 (10th Cir.1990) (court of appeals refrained from speculating on sufficiency of bond because defendant had failed to show "extent to which he would be harmed by an injunction").

82. Defendants have requested different amounts of security from this Court. On November 20, 2001, Defendants requested a bond of $100 million to secure the temporary restraining order. See Defendants' Surreply to Oakley's Reply Re: Application For TRO And Order To Show Cause Re: Preliminary Injunction at 9. On November 21, 2001, Defendants requested a bond of $5 million to secure the temporary restraining order. See Ex Parte Application To Dissolve Or Stay TRO Or Increase Amount Of Surety Bond Pursuant To F.R.C.P. 65(b) at 9. On November 30, 2001, at the preliminary injunction hearing, Defendants' counsel requested a bond of $10 million. Defendants, however, have not provided evidence to substantiate the necessity of their requested bond amounts.

83. The Court finds that a $100,000 bond is appropriate under the circumstances of this case.

IT IS SO ORDERED.

The Clerk is directed to serve a copy of this Order on all counsel of record.

PRELIMINARY INJUNCTION ORDER

TO ALL DEFENDANTS AND THEIR ATTORNEYS OF RECORD:

This matter having been heard on this Court's Order To Show Cause Why A Preliminary Injunction Should Not Issue, it appearing from the points and authorities, declarations, and other evidence submitted by the parties, and the hearing on oral argument, and good causing showing that:

(1) Plaintiff Oakley, Inc. ("Oakley") has made a strong showing that it is likely to succeed on the merits of its patent infringement claim by establishing that (a) Oakley's U.S. Patent No. 5,054,902 ("the '902 patent") is infringed by Defendants' Emerald (green) and Ice (blue) lenses; and (b) Defendants' attacks on the validity and enforceability of the '902 patent lack substantial merit;

(2) there is a presumption of irreparable harm to Oakley if a preliminary injunction were not to issue in view of Oakley's strong showing of likelihood of success on the merits, and Oakley would also suffer actual irreparable harm if a preliminary injunction order were not to issue;

(3) the balance of the hardships favors Oakley; and

(4) there is no public interest at issue to counterbalance the public interest in enforcing valid patent rights,

DEFENDANTS, their directors, officers, employees, agents, servants, attorneys, and all those in active concert or participation with them, ARE HEREBY ENJOINED FROM making, using, importing, selling, or offering to sell any products with Emerald (green) or Ice (blue) lenses that infringe the '902 patent.

In accordance with this Court's order at the above-mentioned hearing, the Temporary Restraining Order was

dissolved and this Preliminary Injunction Order took effect on December 3, 2002, upon Oakley's filing of an undertaking in the sum of $100,000.

IT IS SO ORDERED.

PROOF OF SERVICE

I am a citizen of the United States of America and I am employed in Newport Beach, California. I am over the age of 18 and not a party to the within action. My business address is 620 Newport Center Drive, Sixteenth Floor, Newport Beach, California. On December 6, 2001, I served the within [PROPOSED] PRELIMINARY INJUNCTION ORDER on the parties or their counsel shown below, by placing it in a sealed envelope addressed as follows:

Via Facsimile and U.S. Mail	John M. Benassi Colbern C. Stuart BROBECK, PHLEGER & HARRISON LLP 12390 El Camino Real San Diego, CA 92130 Facsimile: (858) 720-2555
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Via Facsimile and U.S. Mail	Joseph DiBenedetto WINSTON & STRAWN 200 Park Avenue New York, N.Y. 10166 (212) 294-4700

I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

C.D.Cal.,2001.
Oakley, Inc. v. Sunglass Hut Intern.

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