

ASETEK DANMARK A/S v. CMI USA INC., Appeal Nos. 2016-1026, -1183 (Fed. Cir. December 6, 2016). Before Prost, Newman, and Taranto. Appealed from N.D. Cal. (Judge Tigar).

Background:

Asetek sued CMI and a Taiwanese company, Cooler Master, for infringement of two of its patents directed to systems and methods for cooling computer systems. Cooler Master supplies computer components. CMI collaborates with Cooler Master in designing and selling "Cooler Master"-branded products in the U.S. A few months before trial, Asetek dismissed with prejudice its claims against Cooler Master. Asetek agreed to dismiss its claims against Cooler Master after CMI and Cooler Master witnesses testified in discovery that Cooler Master had an exclusive distribution arrangement with CMI for the accused products in the U.S.

Asetek ultimately prevailed in its claims against CMI and received a judgment of infringement and no invalidity. The district court entered an injunction covering the infringing products. The injunction ran not only against CMI but also against Cooler Master. Cooler Master then moved to stay the parts of the injunction relevant to it and became a party again. The district court denied the motion. CMI and Cooler Master appealed all issues.

Issue/Holding:

Did the district court err in granting the permanent injunction? No, affirmed in part and remanded in part for further proceedings.

Discussion:

The injunction restricts conduct by Cooler Master that abets a new violation by CMI and conduct that does not abet a new violation by CMI. Cooler Master argued that the injunction was too broad in scope insofar as it reaches Cooler Master's conduct other than conduct that abets a new violation by CMI (the only party adjudicated liable for infringement). The Federal Circuit noted that the issue of whether the non-abetting conduct of a party not held liable is enjoined is highly fact-specific. The district court essentially framed Cooler Master as a "successor" to CMI based on facts it found to be suggestive of a close business and contractual relationship (*e.g.*, exclusivity agreements).

The Federal Circuit found the facts of record to be less clear cut. The Federal Circuit held that the delicacy of the injunctive authority at issue and the tradition of narrow fact-dependent determinations whether to invoke it, require a more fully developed factual picture and further legal analysis. Thus, the Federal Circuit affirmed all parts of the injunction except the parts that reach Cooler Master's conduct independent of CMI. It remanded for further consideration whether the injunction reaches this conduct, without vacating any part of the injunction.

In dissenting in part, Judge Prost stated her opinion that paragraph (3) of the injunction, which enjoins the independent activities of Cooler Master, is a plain overreach of Federal Rule of Civil Procedure 65(d).