

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

BLACKBERRY LIMITED,
Plaintiff,
v.
TYPO PRODUCTS LLC, et al.,
Defendants.

Case No. 14-cv-00023-WHO

**ORDER GRANTING BLACKBERRY'S
RENEWED MOTION FOR
CONTEMPT; GRANTING
BLACKBERRY'S MOTION TO
COMPEL**

Re: Dkt. No. 125, 126, 145, 146

INTRODUCTION

Plaintiff BlackBerry Limited moves for a finding that defendant Typo Products LLC is in contempt of the preliminary injunction issued in this matter involving allegations of patent and trade dress infringement. Dkt. No. 126. BlackBerry's motion is GRANTED because it established that Typo, after the preliminary injunction took effect, sold enjoined products, provided warranty replacements of the enjoined products, and promoted enjoined products to consumers. Typo is ordered to pay BlackBerry \$860,600 in sanctions, plus attorneys' fees and costs incurred in connection with Typo's contempt.

This order also GRANTS BlackBerry's motion to compel depositions and documents. Dkt. No. 146.

I. BLACKBERRY'S RENEWED MOTION FOR CONTEMPT

BACKGROUND

On March 28, 2014, I granted plaintiff BlackBerry's motion for a preliminary injunction barring defendant Typo from distributing its add-on keyboard for the iPhone which, BlackBerry alleges, violates BlackBerry's patents. Dkt. No. 39.

The preliminary injunction provided that:

Upon the posting of a bond by Blackberry, Typo Products LLC and its officers, agents, affiliates, employees, and attorneys, and all those persons acting or attempting to act in concert or participation with them, ARE ENJOINED FROM:

United States District Court
Northern District of California

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United States District Court
Northern District of California

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- a) making, using, offering to sell, or selling within the United States, or importing into the United States, or marketing, promoting, or distributing Typo Products’s Typo Keyboard Case, which is depicted in BlackBerry’s moving papers, and any product that is no more than colorably different from these specified products and embodies any design contained in U.S. Design Patent No. D685,775; and
- b) making, using, offering to sell, or selling within the United States, or importing into the United States, or marketing, promoting, or distributing Typo Products’s Typo Keyboard Case, and any product that is no more than colorably different from the specified products and infringes U.S. Patent No. 7,629,964.

Dkt. No. 39 at 24. The preliminary injunction took effect when BlackBerry posted the required bond on April 15, 2014. Dkt. No. 55.

BlackBerry contends that Typo is in contempt of the preliminary injunction for selling the enjoined keyboards, providing warranty replacements, and promoting the enjoined keyboard.

BlackBerry seeks:

- 1. \$2,643,000 in sanctions against Typo, reflecting disgorgement of all money received by or owed to Typo from its violations of the preliminary injunction and trebling of all amounts disgorged;
- 2. BlackBerry’s attorneys’ fees and costs incurred in pursuing the contempt and all related discovery; and
- 3. An order precluding Typo’s reliance on an advice of counsel defense and a finding that Typo willfully violated the preliminary injunction.¹

LEGAL STANDARD

Civil contempt sanctions may be imposed, upon notice and an opportunity to be heard, “to coerce the defendant into compliance with the court’s order, and to compensate the complainant for losses sustained.” *United States v. United Mine Workers of Am.*, 330 U.S. 258, 303-04 (1947). A party alleging civil contempt “must demonstrate that the alleged contemnor violated the court’s order by clear and convincing evidence, not merely a preponderance of the evidence.” *In re Dual-Deck Video Cassette Recorder Antitrust Litig.*, 10 F.3d 693, 695 (9th Cir. 1993). “The contempt

¹ BlackBerry moves to seal its opening and reply briefs. Dkt. Nos. 125, 145. BlackBerry has filed redacted versions of those briefs on the publically-accessible docket. Dkt. Nos. 126, 145-4. BlackBerry’s motions to seal are GRANTED.

1 need not be willful, and there is no good faith exception to the requirement of obedience to a court
 2 order. But a person should not be held in contempt if his action appears to be based on a good
 3 faith and reasonable interpretation of the court's order." *Id.* (internal punctuation and quotations
 4 omitted).

5 DISCUSSION

6 The preliminary injunction took effect when BlackBerry posted the required bond on April
 7 15, 2014. Dkt. No. 55. After that time, BlackBerry sold 1,908 enjoined keyboards to Chris
 8 Yergensen in Las Vegas; sold 16,829 enjoined keyboards to customers outside of the United
 9 States; provided 365 warranty replacements of enjoined keyboards; and referred six customers to
 10 third parties to buy the enjoined keyboard. As discussed below, this conduct violated the
 11 preliminary injunction.

12 **A. Typo sold 1,908 enjoined keyboards to Chris Yergensen in Las Vegas after the** 13 **injunction took effect.**

14 Typo's CEO, Laurence Hallier, emailed a copy of the preliminary injunction order to Chris
 15 Yergensen shortly after it issued. Hallier and Yergensen are close friends and business
 16 associates.² They agreed that Typo would transfer around 4,000 keyboards to Yergensen before
 17 the injunction took effect, and Yergensen would only pay Typo for the keyboards when Yergensen
 18 sold them to third parties. Yergensen depo. at 69-70 [Dkt. No. 125-6]. Yergensen sold
 19 approximately 1,900 keyboards, for which he paid Typo approximately \$75,000 after the
 20 preliminary injunction took effect. *Id.* at 93; Hallier depo. at 124 [Dkt. No. 125-7]. Typo
 21 ultimately took back approximately 1,800 unsold keyboards from Yergensen which Yergensen
 22 had been unable to sell. Hallier depo. at 118-21.³

23
 24 ² Yergensen testified that he and Hallier have been "very close friends" for over 15 years.
 25 Yergensen depo. at 14. Yergensen became in-house counsel at Hallier-owned Show Media in
 26 2001 and was later general counsel for Hallier Properties until 2008. *Id.* at 23. Yergensen is
 27 currently listed as General Counsel on Show Media's website. *Id.* at 31. Yergensen prepared the
 28 paperwork to set Typo up as a limited liability company and handled Typo's annual reports.
 Hallier depo. at 22-25.

³ Typo claims that several hundred of the units transferred to Yergensen are unaccounted for. *See*
 Dkt. No. 103-2 at 6 (Typo response to interrogatory no. 6).

1 Typo argues that these sales did not violate the preliminary injunction because its
2 “consignment” sales to Yergensen occurred before the injunction took effect and Yergensen’s
3 sales to third parties were outside of Typo’s control. Typo is wrong. Typo’s “consignment” sale
4 to Yergensen before the injunction took effect did not transfer title of the enjoined keyboards from
5 Typo to Yergensen. *See, e.g., Christopher v. SmithKline Beecham Corp.*, 132 S. Ct. 2156, 2169
6 (2012) (“a consignment of goods for sale does not pass the title at any time, nor does it
7 contemplate that it should be passed”) (internal punctuation and citation omitted). Typo did not
8 sell the enjoined keyboards to Yergensen until Yergensen paid Typo for the keyboards, which was
9 after the preliminary injunction took effect. Yergensen depo. at 93; Hallier depo. at 124. Indeed,
10 Typo reclaimed 1,800 keyboards which Yergensen had been unable to sell, confirming that
11 ownership of those keyboards never transferred to Yergensen. Typo’s sales of 1,908 keyboards to
12 Yergensen therefore violated the preliminary injunction.

13 In addition, the record shows that Hallier directed customers to Yergensen to sell the
14 keyboards in Yergensen’s possession. On one occasion, Yergensen testified, he received a phone
15 call from a man named Jordan (he did not remember his last name) who wanted to buy the
16 enjoined keyboards. Yergensen depo at 83-84. Yergensen did not know how Jordan got his
17 number. *Id.* at 84. Although Typo claims that it did not provide Yergensen any leads and know
18 any of its buyers, Opp. at 13, one of BlackBerry’s attorneys, Todd Briggs, figured out who Jordan
19 was (Jordan Wachtel) and contacted him. Wachtel confirmed that he had received Yergensen’s
20 contact information from Hallier. Briggs declared:

21 Mr. Wachtel told me that he first met Laurence Hallier and others
22 from Typo during the spring of 2014. He also told me that Mr.
23 Hallier told him he could not purchase Typo 1 products directly
24 from Typo but could purchase Typo 1 products from another
25 individual. Mr. Wachtel remembered Mr. Hallier texting him the
26 contact information for this individual. Mr. Wachtel stated that he
did not know this individual before Mr. Hallier provided his contact
information. Mr. Wachtel remembered communicating with this
individual and then working with Mark Evans to purchase Typo 1
products. Mr. Wachtel stated that he did not know Mr. Evans prior
to this.

27 Briggs Reply Decl. ¶ 4 [Dkt. No. 145-17]. Yergensen testified at his deposition that Evans was his
28 friend and helped with the sales of the keyboards Yergensen purchased from Typo. Yergensen

1 depo. at 81:4-20. At the hearing on the motion for contempt, Typo’s counsel did not dispute that
2 Hallier directed Wachtel to Yergensen to buy the enjoined keyboards.

3 Typo is ordered to disgorge the \$75,000 in proceeds it received from its sales to Yergensen
4 in violation of the preliminary injunction.

5 **B. Typo sold 16,829 enjoined keyboards “within the United States” to foreign
6 customers after the injunction took effect.**

7 Typo sold 16,829 enjoined keyboards to retailers in Canada, Hong Kong, Mexico, the
8 Middle East, Singapore, Indonesia, and the United Kingdom for \$748,500 after the injunction
9 went into effect. Arnold Decl., Ex. 4 at Typo00969-972 [Dkt. No. 125-9].

10 Typo contends that these sales did not violate the preliminary injunction because the
11 keyboards were sold to customers located outside the United States for resale to customers outside
12 the United States; Typo “invoiced the sale to its customers outside the United States”; Typo
13 received payment through foreign banks; and Typo did not meet the foreign customers in the
14 United States (except for iStore, which Typo met in December 2013 (before BlackBerry’s
15 complaint was filed). Typo also argues that it “substantially complied” with the injunction
16 because whether these sales constitute sales and offers to sell “within the United States” “calls for
17 a complex factual analysis.” Opp. at 9.

18 I disagree. The preliminary injunction barred Typo from “offering to sell, or selling [the
19 enjoined keyboards] within the United States.” Dkt. No. 39 at 24. Nonetheless, Typo took
20 deliberate steps, all within the United States, to offer to sell and sell the enjoined keyboards after
21 the injunction took effect. The enjoined keyboards were located in Las Vegas when the sales were
22 negotiated. Hallier was located in the United States when he negotiated the sales. The invoices
23 were prepared in the United States. The enjoined keyboards were shipped from Las Vegas.
24 Hallier depo. at 99-100, 138-40. Typo received payment for the orders in its Wells Fargo account
25 in Las Vegas. *Id.* at 140. In short, *all* of Typo’s conduct related to the sales and offers to sell
26 occurred in the United States.⁴ The offers to sell and sales were therefore “within the United

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28 ⁴ I note also that the sales agreements at issue have choice-of-law provisions providing that they
are governed by United States law. Reply Ex. 7; Reply Ex. 8; Hallier depo. at 225.

1 States” in violation of the preliminary injunction. *Cf MediaTek Inc. v. Freescale Semiconductor,*
 2 *Inc.*, No. 11-cv-5341 YGR, 2014 WL 580836, at *1, 2-4 (N.D. Cal. Feb. 13, 2014) (jury could
 3 reasonably find that sales were within the United States where sales agreements were formed and
 4 executed in the United States, but the product was product was manufactured outside the United
 5 States, sold to a manufacturer outside the United States, and incorporated into a product outside
 6 the United States).

7 Typo is ordered to disgorge the \$748,500 in proceeds it received from these sales.

8 **C. Typo provided 365 warranty replacements after the injunction took effect**

9 Typo replaced 365 keyboards under a warranty after the injunction went into effect. Ex. 11 at
 10 TYP000618-625 [Dkt. No. 125-16]. In each case, Typo sent an enjoined keyboard to the customer
 11 after receiving a defective unit. Hallier depo. at 180:19-181:9. I previously addressed Typo’s
 12 warranty replacements, stating:

13 [Typo’s] warranty program does not give it license to provide
 14 enjoined keyboards to its customers after the preliminary injunction
 15 took effect. *Cf Aro Mfg. Co. v. Convertible Top Replacement Co.*,
 16 377 U.S. 476, 484 (1964) (“If the owner’s use infringed, so also did
 17 his repair of the top-structure, as by replacing the worn-out fabric
 18 component. Where use infringes, repair does also, for it perpetuates
 the infringing use.”)). At oral argument, counsel for Typo stated
 that Typo misapprehended the relevant law and conceded that the
 warranty replacements likely violated the preliminary injunction.
 Counsel argued that the violation was minimal, however, as it
 involved fewer than 400 replacement keyboards.

19 Dkt. No. 87 at 6.

20 Typo is ordered to pay BlackBerry \$36,500 for the 365 enjoined keyboards it improperly
 21 distributed under its warranty program after the injunction went into effect (\$100 per unit).⁵

22 **D. Typo promoted the enjoined keyboards after the injunction took effect**

23 After the injunction went into effect, Typo received numerous inquiries from customers
 24 asking where the Typo device could be purchased. In at least six instances, Typo directed
 25 customers to third parties to purchase the enjoined keyboard. *See, e.g.* Ex. 12 at TYPO00347

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 27 _____
 28 ⁵ Typo typically sold the keyboard to consumers for approximately \$100. *See, e.g.*, Dkt. No. 125-14.

1 (“you can try looking on eBay but please note that we do not have any association with third
2 party sellers and therefor cannot guarantee the product”). This violated the injunction’s
3 prohibition on marketing or promoting the enjoined keyboards. Typo is ordered to pay
4 BlackBerry \$600 for these violations (\$100 per incident).

5 **E. Typo shipped 6,804 enjoined keyboards to Canada on the same day as the**
6 **contempt hearing**

7 On August 20, 2014, I heard argument on BlackBerry’s motion for order to show cause
8 why Typo should not be held in contempt for violating the preliminary injunction. Dkt. No. 86.
9 That same day, Typo shipped 6,804 unsold units from its inventory in Las Vegas to Canada for
10 storage there. Hallier Depo. 207:4-18, 209:1-7. Hallier explained that this would allow Typo to
11 continue to ship keyboards to its Canadian customers from Canada in the event the Court ruled
12 that “we’re not allowed to ship internationally.” Hallier Depo. 209:14-23 (“So we thought, you
13 know what? Let’s store them in a country where they’re selling. And if we’re not allowed to ship
14 internationally, if the judge rules against us that we can’t ship out of Las Vegas, then we’ll ship
15 them out of Canada.”).

16 Typo cannot evade the preliminary injunction by transferring enjoined products out of the
17 United States for sale. Typo is enjoined from taking steps within the United States to sell or offer
18 to sell these keyboards.

19 **F. Typo’s reliance on advice of counsel**

20 BlackBerry contends that “Typo should not be allowed to rely on the advice of counsel to
21 justify its willful and deliberate violations of the injunction and seek a lower sanction while
22 claiming privilege over the full substance of those communications.” Mot. at 22. Typo responds
23 that it “is not seeking to justify its actions because counsel advised that those actions were
24 permissible.” Opp. at 6. Rather, Typo argues that it “substantially complied with the Injunction
25 because Mr. Hallier’s interpretation of the Injunction was reasonable, and because Typo took ‘all
26 reasonable steps’ to comply with the Injunction which included seeking advice of counsel rather
27 than acting solely on its own interpretation of the terms.” *Id.*

28 Typo’s contempt of the injunction is not ameliorated by Typo’s assertion that it sought the

1 advice of counsel. There is therefore no need for an order precluding Typo from relying on advice
2 of counsel.

3 **G. Attorneys' fees**

4 BlackBerry is awarded its attorneys' fees and costs incurred in bringing both of its
5 contempt motions and in conducting special contempt discovery.⁶ BlackBerry shall provide the
6 Court and Typo an accounting of its fees and costs by February 24, 2015 with sufficient detail,
7 including detailed time records, to support its request. Typo may file an opposition to the amounts
8 claimed on or before March 10, 2015, and BlackBerry may reply by March 17, 2015. The Court is
9 unlikely to hold a hearing, and will render its award in due course.

10 **H. Award of Sanctions**

11 Typo argues that BlackBerry has not shown that it has lost any sales as a result of Typo's
12 conduct and that an award of sanctions to BlackBerry would constitute an undeserved windfall. I
13 agree that the extent to which BlackBerry has been damaged is uncertain. But Typo's not so
14 clever attempts to evade the Court's preliminary injunction is quite certain, and it is my obligation
15 and intent to vindicate respect for and compliance with the Court's orders. The amount of
16 sanctions awarded is only a third of what BlackBerry sought and is directly tied to additional
17 revenue that Typo could have expected from its illegal conduct. Under the circumstances, it is a
18 just and appropriate award.

19 **II. BLACKBERRY'S MOTION TO COMPEL**

20 BlackBerry filed a motion to compel depositions, production of documents, production of
21 allegedly privileged information, and for related attorneys' fees and expenses.⁷ Dkt. No. 146. I
22 heard argument regarding the motion to compel on January 21, 2014, along with the motion for
23 contempt. The parties resolved several of the disputes during the briefing on the motion, but the
24 issues addressed below remained:

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26 _____
27 ⁶ I previously granted BlackBerry's motion for an order to show cause why BlackBerry should
28 not be held in contempt and for leave to take discovery regarding Typo's contempt. Dkt. No. 87.
⁷ BlackBerry filed motions to seal portions of its briefing in connection with the motion to compel.
Dkt. Nos. 146, 153. Redacted versions of the briefs have been filed on the publically-accessible
docket. Dkt. Nos. 146-4, 153-3. BlackBerry's motions to seal are GRANTED.

A. Document production

1 BlackBerry seeks production of a document entitled “Blackberry-Typo-Motorola Patent
2 Review RPH.docx.” Typo is ordered to produce the document or explain why it cannot be
3 produced. BlackBerry also seeks prosecution history for Typo’s design patent application. Typo
4 states that no prosecution history exists because the application has not been examined. That may
5 be true, but Typo is ordered to produce the material it filed with the PTO.

B. Document searches

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7 BlackBerry asserts that Typo’s searches for relevant documents are insufficient because,
8 for example, Goodrich did not search for emails where he was cc’d (rather than emails “to” or
9 “from” him) and Hyde did not search for the term Q10 (BlackBerry’s new phone) or produce
10 emails between him and iChia (manufacturer of the Typo 1 keyboard) that were exchanged just
11 weeks after BlackBerry publically announced its Q10 production on January 30, 2013 and
12 included design drawings. I agree that Typo’s searches are insufficient. Typo is ordered to
13 conduct searches that address these deficiencies.

C. Renewed depositions

14
15 BlackBerry seeks to continue depositions of Hallier, Goodrich and Hyde after Typo
16 produced relevant documents after their depositions. Typo has agreed to make Hallier available,
17 but BlackBerry contends that Hallier does not have knowledge of the late-produced documents at
18 issue. Typo is ordered to make Hyde, Goodrich, and Hallier available for continued depositions
19 so that BlackBerry can adequately question the appropriate witnesses about relevant documents
20 produced after the depositions.

D. Privilege log

21
22 BlackBerry asserts that several documents on Typo’s privilege log are not privileged (or
23 that it waived privilege). Typo shall lodge those documents with the Court within 7 days of this
24 order so the Court can determine whether those documents are properly withheld as privileged.

25
26 Typo contends that BlackBerry lost documents associated with the ’964 patent, but will not
27 disclose the circumstances of the loss or specific records or categories of documents that were lost.
28 Within 7 days of this order, BlackBerry shall provide Typo a statement describing the

1 circumstances of the loss and what categories of documents were lost.

2 **E. Typo's pre-suit patent investigation**

3 If Typo intends to use a pre-suit investigation by counsel as a defense in this matter, it
4 must produce the documents related to that investigation. If Typo does not intend to use the
5 material, then it can assert the attorney-client privilege if otherwise appropriate.

6 **F. Attorneys' fees**

7 I decline BlackBerry's request for attorneys' fees and costs for the motion to compel and
8 for the renewed depositions of Hallier, Goodrich and Hyde. Recognizing the disparity in
9 resources between BlackBerry and Typo, that Typo has been responding to considerable briefing
10 and discovery requests since new counsel substituted in, and in light of my order granting
11 BlackBerry's motion for contempt, sanctioning Typo a considerable sum, and awarding fees on
12 that motion as well, I find that awarding additional attorneys' fees to BlackBerry for litigating the
13 motion to compel is not warranted.

14 **CONCLUSION**

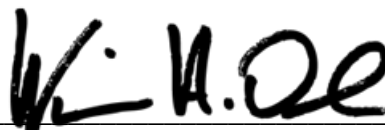
15 BlackBerry's renewed motion for contempt is GRANTED. Dkt. No. 126. Within 45 days
16 of this order, Typo shall pay BlackBerry \$860,600 as a sanction for violating the preliminary
17 injunction order. Typo, and its agents or anyone acting in concert with Typo, must cease and
18 desist from any further violations of the preliminary injunction. Pursuant to the schedule
19 described in Section I.G of this order, BlackBerry shall submit documentation to the Court to
20 show the costs and attorneys' fees incurred in connection with Typo's contempt so that the Court
21 can order costs and fees to be paid by Typo.

22 BlackBerry's motion to compel is GRANTED. Dkt. No. 146. Its request for fees on the
23 motion to compel is DENIED.

24 BlackBerry's motions to seal are GRANTED. Dkt. Nos. 125, 145, 146, 153.

25 **IT IS SO ORDERED.**

26 Dated: February 4, 2015

27 

28 WILLIAM H. ORRICK
United States District Judge