

See p. 8

UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF NEW HAMPSHIRE

ActivMedia Robotics, LLC

v.

Civil No. 03-cv-459-JM

Kurt Konolige

O R D E R

After this case was tried to a jury, the Court requested that ActivMedia Robotics, LLC ("AMR") inform the Court whether it would withdraw its request for a declaratory judgment as moot. The Court further requested that Kurt Konolige inform the Court whether he would withdraw his request that the Court enter a permanent injunction against AMR. The parties were directed to file requests for findings and supporting memoranda if they continued to seek judicial relief. These issues have now been addressed by the parties in post-trial submissions. As neither party requested that the Court hold a hearing, the matter is ripe for decision.

I. Request for a Permanent Injunction

In Count VI of his First Amended Counterclaim,¹ Konolige alleges that, notwithstanding his demand that AMR cease and desist, AMR continued to use his copyrighted works, and to create unauthorized derivatives thereof. First Am. Countercl., ¶ 45. In his prayer for relief, Konolige requested a preliminary injunction ordering, among other things, that AMR "immediately cease all production, publishing, offering for sale or selling products embodying or including all or any portion of the Registered Works." Id., Prayer for Relief, ¶ B(i). Konolige requested that the preliminary injunction be made permanent at the conclusion of the action. Id., Prayer for Relief, ¶ C.

Konolige filed a motion for a preliminary injunction (document no. 24) concurrent with the filing of the First Amended Counterclaim. After an evidentiary hearing on the motion, the Court granted Konolige's motion by order dated November 3, 2004 (document no. 37).²

¹The First Amended Counterclaim was entered on the court's docket as document number 23; the Court notes that the number "22" is written on the copy of the pleading in the court's file.

²The Court's November 3, 2004 order provided that upon the posting of adequate security, AMR would be enjoined from "reproducing the H8S Controller software, preparing derivative

Following the close of the evidence at trial, AMR moved for judgment as a matter of law on Konolige's copyright infringement claim. Reviewing the evidence that had been introduced, the Court found that no reasonable jury could find that AMR committed copyright infringement prior to the time that Konolige sent AMR a letter in December 2003 terminating any implied license that AMR had to use Konolige's intellectual property.

With regard to the period after Konolige's December 2003 letter until the time that the Court entered a preliminary injunction against AMR in November 2004, the Court found that Konolige had expressly waived any claim that he might have had to recover statutory copyright damages in his complaint. See First Am. Countercl., ¶ 46. The Court further found that Konolige had not introduced any evidence at trial regarding AMR's gross revenues from sales of allegedly infringing products during the relevant time period. Accordingly, the Court granted AMR's motion for judgment as a matter of law on Konolige's copyright

works based on the H8S Controller software, or distributing products incorporating copies of the H8S Controller software to the public by sale or other transfer of ownership." The Court modified the November 3rd Order after a hearing pertaining to the amount of security that Konolige would be required to provide. See Document No. 43. The details of the modification are not material to the instant decision.

infringement claim on the grounds that there was a failure to demonstrate any damages for the only period in which a jury could potentially find that AMR had committed copyright infringement.

In order to grant a permanent injunction, a trial court must make the following findings: (1) the plaintiff prevailed on the merits; (2) the plaintiff would suffer irreparable harm absent injunctive relief; (3) the harm to plaintiff would outweigh any harm to the defendant; and (4) the injunction would not adversely affect the public interest. See Aponte v. Calderon, 284 F.3d 184, 191 (1st Cir. 2002); Metro-Goldwyn Mayer, Inc. v. 007 Safety Prods., Inc., 183 F.3d 10, 15 n.2 (1st Cir. 1999); A.W. Chesterton Co., Inc. v. Chesterton, 128 F.3d 1, 5 (1st Cir. 1997). A permanent injunction may not be granted in this case because Konolige did not prevail on the merits of his copyright infringement claim at trial. The Court's decision to grant AMR's motion for judgment as a matter of law on that claim renders the grant of a permanent injunction unavailable.

The Court further notes that Konolige did not introduce any evidence at trial that AMR continued to use Konolige's copyrighted works in its products, and AMR's witnesses all testified to the contrary. Therefore, Konolige cannot satisfy

the second requirement for the grant of a permanent injunction, which is that he would suffer irreparable harm absent injunctive relief. That AMR used Konolige's copyrighted works in the past cannot support the grant of a permanent injunction as the Court cannot enjoin a now completed act. See CMM Cable Rep., Inc. v. Ocean Coast Properties, Inc., 48 F.3d 618, 621 (1st Cir. 1995).

Since Konolige fails to meet two necessary requirements for the grant of a permanent injunction, his request for the entry of a permanent injunction must be denied. To the extent that Konolige suggests that the Court has the authority to grant him relief based on the preliminary injunction that was entered in this action, that is not the case. The preliminary injunction was without further effect after the trial on the merits, and the Court may not now grant Konolige any relief with regard to it. See Univ. of Tex. v. Camenisch, 451 U.S. 390, 395 (1981) (a trial court's findings of fact made at the preliminary injunction stage are not binding on the ultimate issues); Madison Square Garden Boxing, Inc. v. Shavers, 562 F.2d 141, 144 (2d Cir. 1977) ("With the entry of the final judgment, the life of the preliminary injunction came to an end, and it no longer had a binding effect on any one. The preliminary injunction was by its very nature

interlocutory, tentative and impermanent."); see also Venezia v. Robinson, 16 F.3d 209, 211, (7th Cir. 1994) ("A preliminary injunction cannot survive the dismissal of a complaint.").

II. Request for a Declaratory Judgment

In its post-trial submission, AMR argues that the jury's damages award on Konolige's breach of contract claim "allow[ed] Konolige to receive the full monetary market value of his promised AMR equity interest while retaining legal ownership of the technologies that he was to convey as consideration for the promised equity interest provid[ing] a windfall recovery and is inconsistent with the basic tenants of contract law." Pl.'s Proposed Findings of Fact and Conclusions of Law at 5 (citing E. Farnsworth, Contracts § 12.8 at 874 (2d ed. 1990) ("It is a fundamental tenet of the law of contract remedies that, regardless of the character of the breach, an injured party should not be put in a better position than had the contract been performed.")). AMR argues that "Konolige has now received the value of his benefit of the bargain; AMR likewise is entitled to a declaratory judgment that it owns all Konolige technologies and derivatives thereto that Konolige had provided AMR prior to December 31, 2002." Id. at 4, ¶ 14.

In his response, Konolige argues that AMR never pled the relief that it seeks in its post-trial submission. Konolige further argues that AMR's request for a declaratory judgment must be denied because AMR in effect seeks specific performance of a contract that it denies existed, for which AMR was found to have breached, and under which AMR still has not performed.

The Court has authority to enter a declaratory judgment under 28 U.S.C. § 2201. The decision whether to declare the rights of the parties is discretionary. See 28 U.S.C. § 2201(a) (providing that a court "may declare the rights and other legal relations of any interested party seeking such declaration").

AMR alleged in Count I of its Amended Complaint (document no. 9) that it was entitled to use the subject schematics and embedded computer software and requested a declaration to that effect. See Am. Compl., ¶¶ 28, 29. In its prayer for relief, AMR sought "[a] final judgment that [AMR] is entitled to use the schematics and embedded computer software." Am. Compl., Prayer for Relief, ¶ B. AMR concluded its prayer for a relief with a catchall request for "[s]uch other and further relief as the Court may deem just and equitable." Am. Compl., Prayer for Relief, ¶ E. Even assuming that AMR's catchall request for

"other and further relief" gives the Court jurisdiction to consider AMR's post-trial request for a declaration that "it owns all Konolige technologies and derivatives thereto that Konolige had provided AMR prior to December 31, 2002," the Court finds AMR's request to be without merit.

In order to place AMR's declaratory judgment request in its proper context, it is necessary to note that AMR alleged in Count IV of its Amended Complaint that Konolige breached a contract between the parties pertaining to AMR's entitlement to use the schematics and computer software at issue. Am. Compl., ¶¶ 39-42. In response to Konolige's motion to dismiss AMR's breach of contract claim, AMR argued that Konolige agreed that AMR could use the materials at issue for "an indefinite period of time," which AMR argued meant "perpetual," and not terminable at will. At trial, however, AMR disavowed the existence of any contract between the parties, and withdrew its breach of contract claim.³

In contrast, Konolige alleged that AMR, and counterclaim defendants William Kennedy and Jeanne Dietsch, breached a

³AMR continued to assert, however, that Konolige committed an actionable negligent misrepresentation regarding AMR's right to use Konolige's technologies. See Am. Compl., ¶¶ 35-38. After the close of the evidence, the Court granted Konolige judgment as a matter of law on AMR's negligent misrepresentation claim.

contract with Konolige to provide him a 31.66% interest in AMR in exchange for Konolige's conveyance of the legal ownership of his intellectual property to AMR. Konolige asserted that AMR's non-conforming tender of Konolige's promised equity interest constituted a total breach of the contract discharging Konolige of any further obligation to perform under the contract. Konolige asserted that AMR never paid him for its years of use of his intellectual property in AMR's products prior to the breach, and that the intellectual property had no value at the time that AMR ceased using it. Based on the jury's verdict in this case, the Court finds that the jury necessarily accepted each of these assertions. The jury found in Konolige's favor on his breach of contract claim against AMR and the counterclaim defendants awarding Konolige \$636,500.00 in damages.⁴

⁴Under the unique facts of this case, the Court instructed the jury that the measure of damages to be applied on Konolige's claim for breach of a contract to sell AMR shares was the difference between the contract price and the actual value of the promised interest in AMR on the date of the breach. The Court found that this instruction was supported by New Hampshire law (see document no. 118), and that it enabled both sides to fairly present their damages argument to the jury. The Court further notes that the use of "actual value" in the measure of damages in a suit for breach of a contract to sell shares in a private corporation is supported by 12A Fletcher Cyclopedia of the Law of Private Corporations § 5631, which both parties relied upon in pretrial arguments. Neither party requested that the measure of

The facts found by the jury show that AMR is not entitled to a declaratory judgment declaring that AMR owns Konolige's intellectual property. The jury expressly found that AMR did not fully perform under the parties' contract. The jury also necessarily found that Konolige provided adequate consideration to AMR that entitled Konolige to the receipt of the benefit of the parties' bargain. The jury's finding that AMR used Konolige's intellectual property for years without compensation to Konolige, and until such time that the intellectual property no longer had any value, negates AMR's argument that the jury's award gave Konolige a "windfall recovery."

Moreover, AMR's assertion that "Konolige has now received the value of his benefit of the bargain" is plainly incorrect. AMR does not dispute Konolige's argument that there is no law to support the proposition that a future entry of judgment, which AMR reserves the right to challenge,⁵ equates to receiving the value of the benefit of the bargain such that specific

damages question be certified to the New Hampshire Supreme Court when the Court requested briefing on the issue prior to trial.

⁵See Pl.'s Proposed Findings of Fact and Conclusions of Law at 4 n.1 ("AMR does not waive any objection or challenge to the jury verdict on the many grounds asserted at trial.").

performance by Konolige should be ordered.

As the Court finds that AMR has not presented any valid legal or equitable basis for the Court to issue a declaratory judgment that AMR "owns" the technologies at issue, AMR's post-trial request for a declaratory judgment must be denied.

Conclusion

Konolige's request for a permanent injunction on his copyright infringement claim is denied. AMR's request for a declaratory judgment that it "owns all Konolige technologies and derivatives thereto that Konolige had provided AMR prior to December 31, 2002" is also denied. All other claims asserted in this action have been addressed in earlier Court orders, on the record at trial, or in the jury's verdict.

The Clerk of Court is directed to enter final judgment in accordance with the jury's verdict on Konolige's breach of contract, and to close the case.

SO ORDERED.

James R. Muirhead
United States Magistrate Judge

Date: September 16, 2005

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