STATE OF MICHIGAN
IN THE 17th CIRCUIT COURT FOR KENT COUNTY

SIGNCOMP, LLC, a Michigan
limited liability company,

Plaintiff,

vs.

WAGNER ZIP-CHANGE, INC.,
an Illinois corporation,

Defendant.
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Case No. 14-08705-CKB

HON. CHRISTOPHER P. YATES

OPINION AND ORDER DENYING PLAINTIFF'S
MOTION FOR A PRELIMINARY INJUNCTION

Ralph Waldo Emerson quipped: "Build a better mousetrap and the world will beat a path to your door." Apparently, the same can be said for devising a better method for affixing the front of a lighted sign to the back of that sign. For decades, the front of each lighted sign – known as the face – has been affixed to the back of the sign – known as the box – with either screws or fasteners. That method not only produces holes in the box, but also makes removal of the face to change the lights rather difficult. Clyde Boyer has developed an entirely new system that involves uniquely designed clips called "ZipClips" and extruded plastic called "ZipTrim." Boyer sold the patent rights for this invention to Plaintiff SignComp, LLC ("SignComp"), which then licensed the ZipTrim technology to Defendant Wagner Zip-Change, Inc. ("Wagner") in January of 2014. But when the relationship between the two companies deteriorated, Wagner began marketing a new product called "Jewelite Plus" that bears a striking resemblance to ZipTrim. Litigation ensued, and SignComp requested an injunction barring Wagner from marketing Jewelite Plus.

<u>I. Factual Background</u>

Plaintiff SignComp holds the rights to United States patents for a channel letter and trim cap retaining clip devised by Clyde Boyer. <u>See</u> Plaintiff's Exhibits 18-19. The patents apply to the use of the ZipClip and ZipTrim products in tandem to affix the face to the box of a lighted sign. Thus, no patent covers either the ZipClip or ZipTrim as a stand-alone product. Beginning on January 1, 2014, SignComp licensed "the manufacture, sale, and marketing of the ZipTrim plastic letter trim products" to Defendant Wagner, but the contract did not "license any rights to the ZipClip products" to Wagner. <u>See</u> Plaintiff's Exhibit 2. Thus, SignComp envisioned an arrangement in which Wagner would manufacture and sell ZipTrim, while SignComp would manufacture and sell ZipClips, with the stated goal "to convert as much letter trim business as possible in the United States and Canada to ZipTrim Products for the mutual benefit" of SignComp and Wagner. <u>See</u> <u>id.</u>

The parties' agreement required Defendant Wagner to manufacture and sell "2.6 million feet of ZipTrim in the year 2014." <u>See</u> Plaintiff's Exhibit 2 (License Agreement, § 1.7). As it turned out, however, SignComp mailed a letter on June 16, 2014, declaring Wagner in breach of the agreement. <u>See</u> Plaintiff's Exhibit 4. Specifically, SignComp accused Wagner of violating the term governing the pricing differential between the licensed ZipTrim product and Wagner's Jewelite products. <u>See</u> Plaintiff's Exhibits 2 & 4 (License Agreement, § 5.2, and letter referring to section 5.2). The parties could not resolve their differences, so Wagner began developing and marketing Jewelite Plus, which SignComp describes as an impermissible knock-off of ZipTrim. Although the parties seem to agree that Wagner has not yet sold any Jewelite Plus, SignComp presented evidence that Jewelite Plus has been designed and marketed by Wagner as an alternative to ZipTrim. <u>See</u> Plaintiff's Exhibits 7, 13. As a result, SignComp filed this action against Wagner.

Plaintiff SignComp's first amended complaint includes claims against Defendant Wagner for breach of the licensing agreement and fraud, as well as a request for injunctive relief. Wagner takes the position that the licensing agreement is no longer enforceable because SignComp declared that agreement inoperative on June 16, 2014, so SignComp has no basis for seeking an injunction prohibiting Wagner from manufacturing and selling Jewelite Plus. To address the parties' competing contentions, the Court conducted a two-day evidentiary hearing on October 24 and 30, 2014. Now the Court must decide whether SignComp has established an entitlement to injunctive relief.

II. Legal Analysis

An injunction "'represents an extraordinary and drastic use of judicial power that should be employed sparingly and only with full conviction of its urgent necessity.'" Davis v Detroit Financial Review Team, 296 Mich App 568, 613 (2012). Because Plaintiff SignComp seeks injunctive relief, it must bear "the burden of establishing that a preliminary injunction should be issued[.]" See MCR 3.310(A)(4). Our Court of Appeals "has identified four factors to consider in determining whether to grant a preliminary injunction[.]" Davis, 296 Mich App at 613. Those four factors are as follows:

> (1) the likelihood that the party seeking the injunction will prevail on the merits, (2) the danger that the party seeking the injunction will suffer irreparable harm if the injunction is not issued, (3) the risk that the party seeking the injunction would be harmed more by the absence of an injunction than the opposing party would be by the granting of the relief, and (4) the harm to the public interest if the injunction is issued.

Davis, 296 Mich App at 613. In analyzing these four considerations, the Court must bear in mind that injunctive relief is only appropriate if "there is no adequate remedy at law, and there exists a real and imminent danger of irreparable injury." Id. at 614. Applying these standards, the Court shall address the propriety of injunctive relief in this case.

A. Likelihood of Success on the Merits.

Much of the testimony and argument at the evidentiary hearing focused upon the similarities between ZipTrim and Jewelite Plus, but Plaintiff SignComp has not presented any claim for patent infringement in this action. Indeed, patent litigation is the exclusive province of the federal courts, see 28 USC § 1338; see also Christianson v Colt Industries Operating Corp, 468 US 800, 807 (1988), so the Court has no authority to consider any claim that Defendant Wagner has violated a patent held by Plaintiff SignComp. Also, SignComp has not advanced a claim for unfair competition. Michigan recognizes such a cause of action for "the simulation by one person, for the purpose of deceiving the public, of the name, symbols, or devices employed by a business rival," Moon Bros, Inc v Moon, 300 Mich 150, 162 (1942), but Wagner has chosen to market its product under the name "Jewelite Plus," thereby distinguishing its product from ZipTrim,[1] rather than attempting to capitalize on the brand name of ZipTrim. Thus, the Court cannot consider such a theory in determining whether SignComp has established a likelihood of success on the merits.

The main claim set forth in Plaintiff SignComp's first amended complaint accuses Defendant Wagner of breaching the parties' license agreement. Specifically, SignComp contends that Wagner failed to remit licensing fees of three cents per foot for the licensed product, *i.e.*, ZipTrim, failed to maintain the contractually agreed price differential between ZipTrim and Wagner's original product, *i.e.*, Jewelite (as opposed to Jewelite Plus), and failed to provide periodic sales reports to SignComp. Indeed, these alleged actions and inactions prompted SignComp to declare Wagner in breach of the

[1] The Court recognizes that Plaintiff SignComp introduced into evidence a reel of ZipTrim that bears the incorrect labeling of Jewelite Plus. See Plaintiff's Exhibit 13. Nevertheless, the Court concludes that that reel constitutes an errant sample that Defendant Wagner never attempted to sell. Consequently, the Court concludes that Wagner has never sold ZipTrim as Jewelite Plus. Indeed, the record indicates that Wagner envisions Jewelite Plus as its own distinct creation.

licensing agreement on June 16, 2014. See Plaintiff's Exhibit 4. Wagner's production of ZipTrim did not approach the level of the parties' contractual expectations in 2014, see Plaintiff's Exhibit 2 (License Agreement, § 1.7), so SignComp may well have a claim for breach of the license agreement insofar as production levels are concerned. In addition, the record seems to bear out the claim that Wagner did not always maintain the contractually mandated pricing differential between ZipTrim and Jewelite, see id. (License Agreement, § 5.2), so SignComp may be entitled to the contractually prescribed remedy of increased license fees for ZipTrim. In these respects, SignComp has made a substantial showing of likelihood of success on the merits of its claim against Wagner.[2]

B. Irreparable Harm.

The flaw in Plaintiff SignComp's request for injunctive relief involves the lack of irreparable harm in the absence of a preliminary injunction. SignComp chose to license its ZipTrim technology to Defendant Wagner, so SignComp agreed to a benchmark price for ZipTrim at the inception of its contractual relationship with Wagner. Beyond that, the license agreement establishes a baseline level of ZipTrim sales, see Plaintiff's Exhibit 4 (License Agreement, § 1.7), so SignComp can easily prove the licensing fee and the sales level for the purpose of establishing damages for Wagner's purported breach of the license agreement. Because SignComp has an available remedy at law, *i.e.*, monetary damages computed under the license agreement, SignComp has failed to demonstrate a likelihood of irreparable harm in the absence of injunctive relief. See Davis, 296 Mich App at 614.

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[2] The Court cannot find that Plaintiff SignComp has demonstrated a likelihood of success on its fraud claim, however. The fraud claim rests upon the assertion that Defendant Wagner entered into the license agreement in bad faith for the purpose of misappropriating SignComp's intellectual property and its means of production, such as its dies. Thus far, the Court has not seen any evidence that supports SignComp's allegations of fraud.

In addition to the ready availability of monetary damages, Plaintiff SignComp's attempt to establish irreparable harm founders upon the principle that "[a] relative deterioration of competitive position does not in itself suffice to establish irreparable injury." Thermatool Corp v Borzym, 227 Mich App 366, 377 (1998). SignComp remains free to produce and market ZipTrim, and SignComp has the benefit of patent protection if Defendant Wagner begins selling a product, *i.e.*, Jewelite Plus, that infringes upon SignComp's patents. Alternatively, if SignComp lacks the distribution network necessary to compete with Wagner, SignComp can grant a different nationwide supplier the license to manufacture and sell ZipTrim. But if the Court were to grant injunctive relief blocking Wagner from going to market with Jewelite Plus, the Court would afford patent-like protection to SignComp for its ZipTrim product. This the Court cannot do. See 28 USC § 1338.

C. Balance of Harms.

For many of the same reasons that led the Court to conclude that Plaintiff SignComp cannot establish a likelihood of irreparable harm in the absence of injunctive relief, the Court concludes that the balance of harms tips decidedly in favor of Defendant Wagner. Given the Court's discussion of SignComp's likelihood of success on the merits, Wagner may well incur substantial liability pursuant to the terms of the parties' license agreement. Wagner can ameliorate that financial burden by taking its Jewelite Plus product to market. And if that course of action infringes upon SignComp's patents, the federal courts can provide appropriate relief to SignComp. But if the Court enjoins Wagner from selling Jewelite Plus, Wagner will have to use other means to come up with the funds to satisfy its obligation to SignComp. Accordingly, the Court's analysis of the balance of harms leads ineluctably to the conclusion that SignComp should not be awarded injunctive relief.

D. Harm to Public Interest.

The framers of our federal constitution saw fit to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries[.]" See US Const, art I, § 8, cl 8. This provision not only engenders the development of technology, but also assigns to Congress the responsibility for striking the balance between the protection of inventors and the availability of the inventors' ideas in the public domain. If the Court were to enjoin Defendant Wagner from marketing Jewelite Plus in a muscular attempt to enforce the parties' license agreement, the Court would not only upset the balance Congress struck in the patent process, but also deprive the market of the latest technology in the lighted-sign industry. Needless to say, the Court regards such use of its injunctive power as inappropriate.

III. Conclusion

Although Plaintiff SignComp has made a persuasive showing of its likelihood of success on its claim against Defendant Wagner for breach of the parties' license agreement, the Court concludes that injunctive relief is unwarranted. SignComp can be completely compensated by money damages, and the industry that the parties supply would be detrimentally affected by an injunction precluding Wagner from going to market with its Jewelite Plus products. Thus, the Court must deny SignComp injunctive relief, notwithstanding its impressive showing of its likelihood of success on the merits.

IT IS SO ORDERED.

Dated: January 8, 2014

HON. CHRISTOPHER P. YATES (P41017)
Kent County Circuit Court Judge