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Injunctive Relief in Patent Infringement Cases: Should Courts Apply a Rebuttable Presumption of Irreparable Harm After eBay Inc. v. Mercexchange, L.L.C.?

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**INJUNCTIVE RELIEF IN PATENT INFRINGEMENT
CASES: SHOULD COURTS APPLY A REBUTTABLE
PRESUMPTION OF IRREPARABLE HARM AFTER
*eBAY INC. v. MERCEXCHANGE, L.L.C.?***

INTRODUCTION

A patent grants to its owner the right to “exclude others from making, using, offering for sale, or selling the [patented] invention” for a limited period of time.¹ Courts are permitted to grant injunctions to enforce this right to exclude,² and until recently, the Federal Circuit³ nearly always permanently enjoined an infringer once patent validity and infringement had been adjudged, absent exceptional circumstances.⁴

But in *eBay Inc. v. MercExchange, L.L.C.*, the Supreme Court rejected the Federal Circuit’s “general rule” that a permanent injunction should automatically be granted in response to a finding of infringement.⁵ Instead, the

1. 35 U.S.C. § 154(a)(1) (2000). Under current law, the term of a utility patent is twenty years from the date on which the patent application was filed. § 154(a)(2).

2. 35 U.S.C. § 283.

3. The United States Court of Appeals for the Federal Circuit was created in 1982 in response to a lack of uniformity in the application of the patent laws by the courts, rampant forum shopping in patent litigation, and a high invalidity rate for patents involved in litigation. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982); UNITED STATES JUDICIAL CONF. COMM., THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: A HISTORY 7–11 (1991). The Federal Circuit has exclusive jurisdiction over patent cases, as well as over cases in several other areas of law. 28 U.S.C. § 1295 (2000); UNITED STATES JUDICIAL CONF. COMM., THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: A HISTORY, *supra*, at 225–26.

4. *E.g.*, *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988). In fact, this practice significantly predates the Federal Circuit. *See* Herbert F. Schwartz, *Injunctive Relief in Patent Infringement Suits*, 112 U. PA. L. REV. 1025, 1041–42 (1964) (noting that by the mid-nineteenth century, a permanent injunction was considered to be the only remedy adequate to protect a patent owner’s right to exclude, and thus courts often granted injunctive relief “as a matter of course”).

5. 547 U.S. 388, 393–99 (2006); *see* *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005) (restating the general rule but recognizing that in rare instances, courts have exercised their discretion to deny injunctive relief in order to protect the public interest, and that a court may decline to enter an injunction where “a patentee’s failure to practice the patented invention frustrates an important public need for the invention, such as the need to use an

Court held that the general equitable principles governing the grant of permanent injunctions apply with equal force to patent disputes.⁶ Specifically, the Court held that a patentee seeking a permanent injunction must establish that: (1) it has suffered an irreparable injury; (2) remedies available at law are inadequate to compensate for that injury; (3) considering the balance of hardships between the patentee and the adjudicated infringer, a remedy in equity is warranted; and (4) the public interest would not be disserved by a permanent injunction.⁷ Since *eBay*, district courts have declined to enter permanent injunctions in at least seven cases, including the remand of the *eBay* case itself, and as a consequence have in effect granted compulsory licenses to the infringer.⁸

Although all eight of the Justices who took part in the opinion⁹ agreed that the general equitable principles that govern the grant of injunctive relief in other areas of the law should also apply in patent infringement cases, the Court's succinct decision left many questions unanswered. This Note focuses on one of these questions: In the wake of the *eBay* decision, should courts apply a presumption that the patentee will be irreparably harmed in the absence of injunctive relief?

Prior to *eBay*, in the context of preliminary injunctions, the courts consistently held that irreparable harm to the patentee would be presumed if the patentee could demonstrate a reasonable likelihood of success on the merits.¹⁰ It is not clear whether this presumption will continue to apply in the context of preliminary injunctions and whether it will now also apply in the context of permanent injunctions.¹¹

invention to protect public health" (internal quotation marks omitted)), *vacated*, 126 S. Ct. 1837 (2006).

6. *eBay*, 547 U.S. at 391.

7. *Id.*

8. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 591 (E.D. Va. 2007); *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 444 (D. Del. 2007); *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 WL 37742, at *2 (E.D. Mich. Jan. 4, 2007); *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 WL 2570614, at *5-6 (W.D. Okla. Sept. 5, 2006); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *6 (E.D. Tex. Aug. 16, 2006); *Final Judgment, Finisar Corp. v. The DirecTV Group, Inc.*, No. 1:05-CV-264 (E.D. Tex. July 7, 2006); *z4 Technologies, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006).

9. Justice Alito did not participate. Linda Greenhouse, *Roberts Is at Court's Helm, But He Isn't Yet in Control*, N.Y. TIMES, July 2, 2006, at A1.

10. *E.g.*, *Reebok Int'l Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1556 (Fed. Cir. 1994); *Smith Int'l v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983).

11. Prior to *eBay*, there was no need for courts to consider whether the presumption of irreparable harm applied in the context of permanent injunctions, since the Federal Circuit simply applied the "general rule" that an injunction would issue absent exceptional circumstances. Mitchell G. Stockwell, *Implementing eBay: New Problems in Guiding Judicial Discretion and Enforcing Patent Rights*, 88 J. PAT. & TRADEMARK OFF. SOC'Y 747, 749 (2006).

Since *eBay*, some district courts have held that there is still a presumption of irreparable harm in the preliminary injunction context,¹² but others have rejected this notion.¹³ The Federal Circuit has not yet issued a definitive ruling on this issue. Likewise, although several district courts have rejected the presumption in the permanent injunction context in light of *eBay*,¹⁴ the Federal Circuit has thus far been silent on this issue as well.

How this issue is resolved will be critical to implementing the *eBay* decision in a way that best effectuates the policies underlying the patent system. The paramount goals of the patent system are to create incentives to invent and incentives to disclose new inventions to the public.¹⁵ The patent system also creates incentives for inventors to commercialize their inventions, either through their own efforts or by licensing or assigning their patent rights to others.¹⁶ Finally, the patent system provides incentives for others to “design around” patents and invent non-infringing substitutes for patented inventions.¹⁷

The Federal Circuit has recognized that the availability of injunctive relief is critical to maintaining these incentives. For instance, in *Smith International, Inc. v. Hughes Tool Co.*, the court asserted that “[w]ithout the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of scientific and technological research.”¹⁸

Thus, the *eBay* decision should be implemented in a manner which ensures that injunctive relief will continue to be widely available in most patent infringement cases. This Note argues that *eBay* should be read as preserving a rebuttable presumption of irreparable harm. Furthermore, the Federal Circuit

12. *E.g.*, *Pass & Seymour, Inc. v. Hubbell Inc.*, No. 5:07-CV-0272, 2007 WL 2172648, at *9 (N.D.N.Y. July 23, 2007); *Christiana Indus. v. Empire Elecs., Inc.*, 443 F. Supp. 2d 870, 884 (E.D. Mich. 2006) (holding that the *eBay* decision did not invalidate the presumption of irreparable harm).

13. *E.g.*, *Sun Optics v. FGX Int’l*, No. 07-137-SLR, 2007 WL 2228569, at *1 (D. Del. Aug. 2, 2007) (stating that a presumption of irreparable harm “seems inconsistent” with the Supreme Court’s holding in *eBay*); *Torpso Hockey Int’l v. Kor Hockey Ltd.*, 491 F. Supp. 2d 871, 881 (D. Minn. 2007) (holding that in light of *eBay*, the court may not presume that a patentee who is likely to succeed on the merits at trial will suffer irreparable harm in the absence of a preliminary injunction); *The Chamberlain Group, Inc. v. Lear Corp.*, No. 05 C 3449, 2007 WL 1017751, at *5 (N.D. Ill. Mar. 30, 2007) (stating that *eBay* “limit[s]” the presumption of irreparable harm).

14. *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 WL 2570614, at *5 (W.D. Okla. Sept. 5, 2006); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *4 (E.D. Tex. Aug. 16, 2006); *z4 Technologies, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006).

15. DONALD S. CHISUM ET AL., *PRINCIPLES OF PATENT LAW: CASES AND MATERIALS* 66–68 (3d ed. 2004).

16. *Id.* at 68–71.

17. *Id.* at 71.

18. 718 F.2d 1573, 1578 (Fed. Cir. 1983).

should establish clear guidelines as to which factors (e.g., willfulness, whether the patent owner licenses its invention to others, and/or whether the invention at issue is a small and insignificant component of a multi-component invention) should be considered when determining whether to grant a permanent injunction.

This Note outlines several arguments for reading the *eBay* decision as preserving a rebuttable presumption of irreparable harm. First, language in the concurrences of Chief Justice Roberts and Justice Kennedy suggests that a majority of the Justices would not find the application of such a presumption objectionable. Second, as several district courts have recognized since *eBay*, applying a presumption of irreparable harm makes sense because it would preserve the fundamental nature of the patent grant as a right to exclude.¹⁹ Third, presuming irreparable harm would promote predictability as to whether injunctive relief will be available and would thereby preserve the bargaining power of the patentee, at least with respect to a significant subset of patent infringement cases. At the same time, applying a presumption of irreparable harm would not be tantamount to reinstating a “general rule” in favor of injunctive relief. On the contrary, the presumption would be rebuttable, and the irreparable harm factor could be outweighed by one or more of the other equitable factors in some circumstances.

Part I of this Note first outlines the remedies that are available to patent owners in patent infringement suits. Part I then explores the constitutional and statutory bases for granting injunctive relief in patent infringement cases, and provides a brief history of the standards the courts have applied in granting such relief. Part I concludes with a discussion of two related issues—“patent trolls” and the “patent holdup” problem—which have recently been the subject of much debate and which likely influenced the Supreme Court’s decision in *eBay*. Part II of this Note summarizes the district court, Federal Circuit, and Supreme Court decisions in the *eBay* case, as well as the district court’s decision on remand. Part III of this Note argues that the courts should apply a rebuttable presumption of irreparable harm in determining whether to grant injunctive relief and that the Federal Circuit should develop clear guidelines with respect to the circumstances district courts should consider in determining

19. See 35 U.S.C. § 154(a)(1) (2000); *Sanofi-Synthelabo v. Apotex Inc.*, 488 F. Supp. 2d 317, 342 (S.D.N.Y. 2006) (“Because the principal value of a patent is its statutory right to exclude, the nature of the patent grant weighs against holding that monetary damages will always suffice to make the patentee whole.” (quoting *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1456–57 (Fed. Cir. 1988))); *Telequip Corp. v. The Change Exchange*, No. 5:01-CV-1748, 2006 WL 2385425, at *2 (N.D.N.Y. Aug. 15, 2006) (“[M]onetary damages are not an adequate remedy against future infringement because the principal value of a patent is its statutory right to exclude.”).

whether this presumption has been rebutted or outweighed by one or more of the other equitable factors.

I. INJUNCTIVE RELIEF IN PATENT INFRINGEMENT CASES

A. Remedies in Patent Infringement Cases

The remedies available for patent infringement can be divided into two broad categories: (1) those which compensate the patent owner for past infringement, and (2) those designed to prevent future infringement.²⁰

In the first category are money damages and interest.²¹ The Patent Act provides that upon finding for the patentee, the court “shall award . . . damages adequate to compensate for the infringement, but in no event less than a reasonable royalty”²² Thus, damages are measured either as profits lost as a result of the infringing activity or as a reasonable royalty.²³ To recover lost profits, the patentee must show a reasonable probability that but for the infringement, it would have made additional profits.²⁴ If the patentee is unable to prove that it lost profits as a result of an infringer’s actions, the patentee may recover a reasonable royalty.²⁵ Patentees generally prefer lost profits as a measure of damages, since lost profits are likely to exceed any royalty rate set by the court.²⁶ In either case, the patentee may also recover pre-judgment and post-judgment interest.²⁷

20. CHISUM ET AL., *supra* note 15, at 1284.

21. *Id.*

22. 35 U.S.C. § 284.

23. *See* Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1545, 1554 (Fed. Cir. 1995).

24. *Id.* at 1545. A patentee can establish such causation with evidence of: (1) a demand for the patented product; (2) an absence of acceptable noninfringing substitutes; (3) the patentee’s manufacturing and marketing capability to exploit the demand; and (4) the amount of the profit the patentee would have made. *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (Fed. Cir. 1978). Alternatively, where there are more than two competitors in the market, the patentee need not prove an absence of acceptable noninfringing alternatives, but instead may establish its market share and claim lost profits for only that percentage of the infringer’s sales. *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1578 (Fed. Cir. 1989).

25. *Rite-Hite*, 56 F.3d at 1554. The “reasonable royalty” may be based upon an established royalty, if one exists. *Id.* If there is no established royalty rate, a court may determine a reasonable royalty rate by imagining a hypothetical negotiation between the patentee and the infringer and determining what royalty the parties would have agreed upon at the time infringement began. *Id.*

26. *Micro Motion, Inc. v. Kane Steel Co.*, 894 F.2d 1318, 1322 (Fed. Cir. 1990).

27. 35 U.S.C. § 284; *Crystal Semiconductor Corp. v. TriTech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1361 (Fed. Cir. 2001) (“An award of prejudgment interest serves to make the patentee whole because the patentee also lost the use of its money due to infringement.”); *Transmatic, Inc. v. Gulton Indus., Inc.*, 180 F.3d 1343, 1348 (Fed. Cir. 1999) (“Postjudgment interest . . . serves to compensate a winning plaintiff from the time of a judgment until payment is made.”).

Remedies designed to prevent future infringement include injunctive relief, punitive damages, and attorney fees.²⁸ Both preliminary and permanent injunctions may be granted.²⁹ Upon a finding of willful infringement, a court may also, in its discretion, increase the damage award by up to threefold.³⁰ And, in exceptional cases, courts may award reasonable attorney fees to the prevailing party.³¹

An alternative remedy would be to compensate the patent owner for ongoing infringement through a compulsory licensing scheme. A compulsory license is generally defined as a “*statutorily* created license that allows certain people to pay a royalty and use an invention without the patentee’s permission.”³² The World Trade Organization’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) permits member countries to impose compulsory licensing under certain circumstances.³³ A few countries have imposed compulsory licensing for pharmaceuticals,³⁴ and

28. CHISUM ET AL., *supra* note 15, at 1284.

29. *E.g.*, Richardson v. Suzuki Motor Co., 868 F.2d 1226, 1247 (Fed. Cir. 1989) (granting permanent injunction); Hybritech Inc. v. Abbott Labs., 849 F.2d 1446, 1458 (Fed. Cir. 1988) (granting preliminary injunction); *see infra* Part I.C.

30. 35 U.S.C. § 284; Odetics, Inc. v. Storage Tech. Corp., 185 F.3d 1259, 1274 (Fed. Cir. 1999). To determine willfulness, courts look to the totality of the circumstances and determine whether the evidence establishes that the infringer acted in disregard of the patent and had no reasonable basis for believing it had a right to engage in the infringing acts. *Electro Medical Systems, S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994).

31. 35 U.S.C. § 285; *Park-In-Theaters, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951) (noting that an award of attorney fees should be based on a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force which makes it grossly unjust that the winner should bear the burden of his own attorney fees).

32. BLACK’S LAW DICTIONARY 938 (8th ed. 2004) (emphasis added). However, since the *eBay* decision, several district courts have denied injunctive relief to patent owners and imposed what amounts to a compulsory license on a case-by-case basis. Final Judgment, *Finisar Corp. v. The DirecTV Group, Inc.*, 1:05-CV-264 (E.D. Tex. July 7, 2006) (explicitly stating that the court was granting a “compulsory license” to the defendant); *see cases cited supra* note 8 (denying injunctive relief and in effect granting compulsory licenses, but not explicitly describing these rulings as such); *see also* *IMX, Inc. v. LendingTree, LLC*, 469 F. Supp. 2d 203, 226 (D. Del. 2007) (declining to “effectively impose a ten-year compulsory license on defendant absent more information”). *But see* Brief Amici Curiae of 52 Intellectual Property Professors in Support of Petitioners at 9, *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130), 2006 WL 1785363 (arguing that case-by-case denials of injunctive relief by courts are not equivalent to a compulsory license imposed by the legislature).

33. *See* Agreement on Trade-Related Aspects of Intellectual Property Rights art. 31, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round, 33 I.L.M. 1197, 1209 (1994). While the TRIPS Agreement does not explicitly use the term “compulsory license,” it does provide for “use of the subject matter of a patent without the authorization of the right holder.” *Id.*

34. For instance, India added a compulsory licensing provision to its patent laws in 1970 in response to a need to provide low cost medicines to the poor. Katherine W. Sands, *Prescription*

others have used the threat of compulsory licensing in negotiations with pharmaceutical companies.³⁵

However, compulsory licensing of patents has long been rejected in the United States by both Congress and the courts.³⁶ Instead, the United States has opted for a patent system which provides patent owners with a right to exclude and enforces that right largely through injunctive relief. This approach finds support in the language of the Constitution itself.

B. *Constitutional and Statutory Bases for Granting Injunctive Relief in Patent Infringement Cases*

Article I, section 8, clause 8 of the Constitution provides that “[t]he Congress shall have Power . . . 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”³⁷ The First Congress enacted the Patent Act of 1790,³⁸ which granted to inventors “the *sole and exclusive right* and liberty of making, constructing, using and vending to others to be used the . . . invention or discovery.”³⁹ This “exclusive right” language persisted in the patent statutes for over 150 years⁴⁰ and was often misunderstood as granting to the patentee a positive right to make, use, or sell the patented invention.⁴¹ But as early as 1852, the Supreme Court explained

Drugs: India Values Their Compulsory Licensing Provision—Should the United States Follow in India’s Footsteps?, 29 HOUS. J. INT’L L. 191, 199 (2006). The post-TRIPS revision of India’s Patent Act retains the compulsory licensing provision. *Id.* at 200.

35. For example, in 2005, Brazil threatened to infringe the patent on an anti-AIDS medication unless Abbott Laboratories, the owner of the patent, agreed to lower the price or voluntarily grant patent rights to the Brazilian government. Jennifer Bjornberg, *Brazil’s Recent Threat on Abbott’s Patent: Resolution or Retaliation?*, 27 NW. J. INT’L L. & BUS. 199, 212 (2006). Abbott ultimately agreed to lower the price of the drug, and in return Brazil agreed not to produce a generic version of the drug domestically. *Id.* at 220.

36. *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 n.21 (1980) (noting that compulsory licensing of patents has often been proposed but has never been enacted on a broad scale); Sara M. Ford, *Compulsory Licensing Provisions Under the TRIPS Agreement: Balancing Pills and Patents*, 15 AM. U. INT’L L. REV. 941, 953–54 (2000) (summarizing U.S. objections to compulsory licensing). However, during the anthrax attacks that followed on the heels of the September 11 terrorism, the United States considered imposing compulsory licensing to override Bayer’s patent on ciprofloxacin (Cipro). David B. Resnick & Kenneth A. De Ville, *Bioterrorism and Patent Rights: “Compulsory Licensure” and the Case of Cipro*, 2 AM. J. BIOETHICS 29, 29 (2002).

37. U.S. CONST. art I, § 8, cl. 8 (emphasis added).

38. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146–47 (1989) (discussing the history of the U.S. patent statutes).

39. An Act to Promote the Progress of Useful Arts, ch. 7, § 1, 1 Stat. 109, 110 (1790) (emphasis added).

40. *See King Instruments Corp. v. Perego*, 65 F.3d 941, 949 (Fed. Cir. 1995).

41. *Application of Hilmer*, 359 F.2d 859, 871 n.4 (C.C.P.A. 1966).

that “[t]he franchise which the patent grants, consists altogether in the right to exclude every one from making, using, or vending the thing patented, without the permission of the patentee.”⁴² The statutory language was finally clarified in 1952, when the statute was amended to its current form to provide that a patent empowers its owner “to *exclude others* from making, using, offering for sale, or selling the invention.”⁴³

Although the earliest patent statutes provided only for remedies at law, injunctive relief was available as early as 1819.⁴⁴ The 1819 Patent Act provided:

[T]he circuit courts of the United States . . . shall have authority to grant injunctions, according to the course and principles of courts of equity, to prevent the violation of rights of any . . . inventors, secured to them by any laws of the United States, on such terms and conditions as the said courts may deem fit and reasonable⁴⁵

The current statutory language is similar: “courts . . . may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”⁴⁶

In sum, the constitutional text and the text of the first Patent Act, when read together, suggest that the Founders envisioned that injunctive relief would be available as a remedy for patent infringement. This is confirmed by the Supreme Court’s interpretation of the early patent statutes and the language used in the 1952 revision of Patent Act. Furthermore, the courts have had a long history of granting injunctive relief in patent infringement cases.

C. *Injunctive Relief in Patent Infringement Cases Prior to the eBay Decision*

In accordance with the constitutional and statutory foundations, courts have had a long history of granting both preliminary and permanent injunctions in patent infringement cases. Because the courts have applied slightly different standards in granting preliminary and permanent injunctions, each type of relief is considered in turn.

42. *Bloomer v. McQuewan*, 14 U.S. 539, 549 (1852).

43. 35 U.S.C. § 154(a)(1) (2000) (emphasis added); *King Instruments*, 65 F.3d at 949.

44. *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 423–24 (1908); *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1440 (Fed. Cir. 1998).

45. An Act To Extend the Jurisdiction of the Circuit Courts of the United States to Cases Arising Under the Law Relating To Patents, Ch. 19, 15 Stat. 481, 481–82 (1819).

46. 35 U.S.C. § 283.

1. Permanent Injunctions

Implementing the 1819 Patent Act, the first patent statute to provide for injunctive relief in patent infringement suits,⁴⁷ courts began to grant injunctive relief in patent infringement cases in the early nineteenth century.⁴⁸ By the mid-nineteenth century, there was a recognition that a permanent injunction for the term of the patent was the only remedy adequate to protect the patentee's right to exclude, and thus courts often granted injunctions as a matter of course.⁴⁹

In non-patent infringement contexts, the Supreme Court has long held that courts must consider four equitable factors in determining whether to grant a permanent injunction: (1) whether the plaintiff would be irreparably harmed in the absence of an injunction; (2) whether the plaintiff has an adequate remedy at law; (3) whether the balance of hardships tips in favor of the plaintiff; and (4) whether granting an injunction would be consistent with the public interest.⁵⁰ In accordance with these equitable principles, pre-Federal Circuit courts sometimes denied injunctive relief to patent owners. For example, in *City of Milwaukee v. Activated Sludge Inc.*, the Seventh Circuit held that where enjoining the city from infringing patents for a sewage purification process would leave an entire community without any means for the disposal of raw sewage other than running it into Lake Michigan, a permanent injunction should not be granted.⁵¹ The court noted that patent rights are ordinarily protected by enjoining the infringer, but concluded that in this instance, the interests of the public outweighed those of the patentee.⁵² Similarly, in *Nerney v. New York, N.H. & H.R. Co.*, the Second Circuit declined to issue an injunction where doing so would have caused considerable inconvenience to the public by slowing down train schedules.⁵³ In another case, the Second

47. *See supra* Part I.B.

48. *E.g.*, *Ogle v. Ege*, 18 F. Cas. 619, 620 (C.C. Pa. 1826).

49. Schwartz, *supra* note 4, at 1041–45 (thoroughly reviewing the early standards governing permanent injunctive relief in patent infringement cases); *see also* *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395 (2006) (Roberts, C.J., concurring) (“From at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases.”).

50. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (discussing all four factors); *Beacon Theaters, Inc. v. Westover*, 359 U.S. 500, 506–07 (1959) (“The basis of injunctive relief in the federal courts has always been irreparable harm and inadequacy of legal remedies.”); *Yakus v. United States*, 321 U.S. 414, 440 (1944) (discussing the balance of hardships factor); *R.R. Comm’n of Tex. v. Pullman Co.*, 312 U.S. 496, 500 (1941) (“The history of equity jurisdiction is the history of regard for public consequences in employing the extraordinary remedy of the injunction.”); *Cavanaugh v. Looney*, 248 U.S. 453, 456 (1919) (noting that an injunction should not be granted unless “necessary to prevent great and irreparable injury”).

51. 69 F.2d 577, 593 (7th Cir. 1934).

52. *Id.*

53. 83 F.2d 409, 411 (2d Cir. 1936).

Circuit upheld a denial of injunctive relief and grant of a compulsory license, finding that it was reasonable for the district court to conclude that since the defendant manufactured a product and the patent owner did not, injunctive relief would “impose irreparable hardship on the infringer . . . without any concomitant benefit to the patentee.”⁵⁴ Finally, in *Bliss v. City of Brooklyn*, the court declined to enjoin the city from infringing patented fire hose couplings, where the couplings were necessary for daily use in the city for the prevention of fires.⁵⁵

When the Federal Circuit was established in 1982, it developed a general rule that injunctive relief should ordinarily be granted in patent infringement cases once the patent has been found valid and infringed. In *Richardson v. Suzuki Motor Co., Ltd.*, the court stated that “[i]t is the general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it.”⁵⁶ Similarly, in *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, the court asserted that “injunctive relief against an adjudged infringer is usually granted,” and “an injunction should issue once infringement has been established unless there is a sufficient reason for denying it.”⁵⁷

The justification for the general rule in favor of granting injunctive relief was summarized by the Federal Circuit in *Smith International, Inc. v. Hughes Tool Co.*:

Without this injunctive power of the courts, the right to exclude granted by the patent would be diminished, and the express purpose of the Constitution and Congress, to promote the progress of the useful arts, would be seriously undermined. The patent owner would lack much of the “leverage,” afforded by the right to exclude, to enjoy the full value of his invention in the market place. Without the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of scientific and technological research.⁵⁸

The Federal Circuit has further noted that “it is contrary to the laws of property, of which the patent law partakes, to deny the patentee’s right to exclude others from use of his property. The right to exclude recognized in a patent is but the essence of the concept of property.”⁵⁹

54. *Foster v. Amer. Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974). However, this holding seems to be directly at odds with *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, where the Supreme Court held that a patent owner is not required to practice the patented invention in order to be entitled to injunctive relief. 210 U.S. 405, 429 (1908).

55. 3 F. Cas. 706, 707 (C.C. E.D.N.Y. 1871).

56. 868 F.2d 1226, 1247 (Fed. Cir. 1989).

57. 842 F.2d 1275, 1281 (Fed. Cir. 1988).

58. 718 F.2d 1573, 1577–78 (Fed. Cir. 1983).

59. *Richardson*, 868 F.2d at 1246–47 (internal citations and quotations marks omitted).

Despite its general rule in favor of injunctive relief, the Federal Circuit has recognized that a finding of patent validity and infringement does not *require* that an injunction issue.⁶⁰ In fact, the Federal Circuit has occasionally upheld denials of permanent injunctive relief.⁶¹

2. Preliminary Injunctions and the Presumption of Irreparable Harm

In contrast to the general rule in favor of injunctive relief that the Federal Circuit applied in the permanent injunction context, the courts have long applied a four-factor equitable balancing test when determining whether to grant a preliminary injunction in a patent infringement case. Specifically, a court must assess: (1) whether the patent owner is likely to prevail on the merits; (2) whether the patent owner will be irreparably harmed if the injunction is not granted; (3) the balance of the hardships between the parties; and (4) the impact of an injunction on the public interest.⁶² Also, in the preliminary injunction context, the Federal Circuit has long held that once the patent owner has established a reasonable likelihood of success on the merits by making a clear showing of both validity and infringement, the court should presume that the patentee will be irreparably harmed if the alleged infringer is not enjoined.⁶³ The Federal Circuit has justified this presumption in part by pointing to the finite term of the patent grant.⁶⁴ Specifically, the Federal Circuit has observed that “patent expiration is not suspended during litigation, and the passage of time can work irremediable harm.”⁶⁵

However, the courts’ practices of applying a presumption of irreparable harm in preliminary injunction determinations and granting permanent injunctions in the vast majority of patent infringement cases have not been

60. *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1272 (Fed. Cir. 1999); *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 866 (Fed. Cir. 1984).

61. *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1380–81 (Fed. Cir. 2005) (upholding district court’s denial of injunctive relief where the patent owner’s proposed injunction lacked the specificity and reasonable detail required by FED. R. CIV. P. 65(d), the parties’ discovery stipulation precluded relief for infringing activity after August 21, 2001, the issues of proof would not necessarily adhere in a damages analysis for infringement after that date, and injunctive relief that had already been granted by the International Trade Commission subsumed the relief that the patent owner sought from the district court); *Odetics*, 185 F.3d at 1272–74 (upholding a denial of injunctive relief where the district court had concluded that the plaintiff’s delay in bringing suit constituted laches).

62. *E.g.*, *Oakley, Inc. v. Sunglass Hut Int’l*, 316 F.3d 1331, 1338–39 (Fed. Cir. 2003); *Purdue Pharma L.P. v. Boehringer Ingelheim GMBH*, 237 F.3d 1359, 1363 (Fed. Cir. 2001).

63. *E.g.*, *Polymer Techs, Inc. v. Bridwell*, 103 F.3d 970, 973 (Fed. Cir. 1996); *Smith Int’l*, 718 F.2d at 1581.

64. *Richardson*, 868 F.2d at 1247.

65. *Id.* (quoting *H.H. Robertson Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390 (Fed. Cir. 1987)).

without their critics. In recent years, two concerns in particular have come to the forefront.

D. The “Patent Troll” and “Patent Holdup” Dilemmas

Two related and perplexing issues tied to permanent injunctions in patent cases have sparked much heated debate in the patent law community of late: the “patent troll” and the “patent holdup.”

No universally accepted definition for the term “patent troll” exists.⁶⁶ The term was first used to refer to a person or entity who “tries to make a lot of money off a patent that they are not practicing and have no intention of practicing and in most cases never practiced.”⁶⁷ The entities typically labeled as trolls have two salient features in common. First, they acquire the rights to multiple patents; often patents that are broad in scope and claim business methods or computer-related technology.⁶⁸ Second, they make their money, not by manufacturing or selling a product or by providing a service, but by identifying companies who may be infringing the patents they own and using the threat of litigation, and the threat of a permanent injunction in particular, to extract licensing fees.⁶⁹

The threat of being permanently enjoined can put considerable pressure on an infringer to settle. For example, in perhaps the most widely-publicized “patent troll” case to date, NTP, a patent holding company and the supposed troll, sued Research in Motion (RIM), maker of the popular BlackBerry wireless e-mail device.⁷⁰ Just before an injunction that would have cut off service to most U.S. BlackBerry users was expected to issue, RIM agreed to pay NTP the extraordinary sum of \$612.5 million for a license.⁷¹

A closely-related, and perhaps more well-defined, issue is the “patent holdup” problem. This problem stems from the fact that many modern technologies—including many inventions in the information technology field and some types of biotechnology inventions—are made up of hundreds, if not thousands of components, each of which may be covered by the claims of one or more patents.⁷² Some scholars argue that for such technologies, injunctive relief in favor of the holder of a patent for a small or insignificant component

66. See Terrence P. McMahon et al., *Who Is a Troll? Not a Simple Answer*, 7 SEDONA CONF. J. 159, 160–63 (2006).

67. *Id.* at 159 (quoting Peter Detkin, former assistant counsel at Intel Corp.).

68. See *id.* at 161–63; Raymond P. Niro & Paul K. Vickrey, *The Patent Troll Myth*, 7 SEDONA CONF. J. 153, 153 (2006).

69. See McMahon et al., *supra* note 66, at 161–63; Niro & Vickrey, *supra* note 68, at 153.

70. Ian Austen, *BlackBerry Service to Continue*, N.Y. TIMES, Mar. 4, 2006, at C1.

71. *Id.*

72. Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 1992 (2007); Mark A. Lemley, *Ten Things to Do About Patent Holdup of Standards (and One Not To)*, 48 B.C. L. REV. 149, 150 (2007).

may not be appropriate.⁷³ In particular, these scholars argue that the justification for the availability of equitable relief in patent infringement cases is to ensure that such relief will be available to those persons who need it to protect their markets or ensure a return on their investment, not to allow an individual or an entity that owns a patent on a small component of a highly-complex product to use the threat of an injunction to “extract a greater share of the value of that product than their patent warrants.”⁷⁴ In short, entities that own patents which cover the components of complex technologies may be able to pressure companies that may be infringing their patents into settling for an amount that far exceeds what the patented invention is actually worth.⁷⁵

A particularly extreme hypothetical example of the patent holdup problem can be found in the DNA microarray. A DNA microarray consists of a solid support, to which tens of thousands of short DNA fragments are affixed.⁷⁶ These microarrays, or “DNA chips” as they are colloquially called, are widely used in biotechnology research and drug discovery.⁷⁷ It is conceivable that each individual DNA fragment in the array could be covered by the claims of one or more patents.⁷⁸ Those concerned with patent holdups fear that a company that wished to produce such a microarray could face the problem of being required to obtain licenses from an enormous number of patent owners.⁷⁹ Further, each of these individual patent owners might try to extract value disproportionate to what their individual patented DNA molecule is worth by threatening the microarray producer with a permanent injunction.⁸⁰

As will be seen from a careful examination of the majority and concurring opinions in the Supreme Court’s decision in the *eBay* case,⁸¹ concerns about patent trolls and patent holdups were likely a driving factor behind the Supreme Court’s decision to hear the *eBay* case and likely had a substantial impact on the Court’s ultimate holding.

73. Brief Amici Curiae of 52 Intellectual Property Professors in Support of Petitioners at 6–7, *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130), 2006 WL 1785363.

74. *Id.* at 5–7.

75. Lemley & Shapiro, *supra* note 72, at 1993.

76. *E.g.*, Stephen H. Friend & Roland B. Stoughton, *The Magic of Microarrays*, SCI. AM., Feb. 2002, at 44, 46.

77. *Id.* at 45–46. For example, microarrays can be used to monitor simultaneously the expression levels of various genes (i.e., to determine which genes are “turned on” and which are “turned off” under certain conditions or in certain cell types). *Id.* at 48.

78. F. Scott Kieff & Troy A. Paredes, *Engineering a Deal: Toward a Private Ordering Solution to the Anticommons Problem*, 48 B.C. L. REV. 111, 112 (2007).

79. *Id.*

80. *See* Brief Amici Curiae of 52 Intellectual Property Professors in Support of Petitioners, *supra* note 73, at 5–6.

81. *See infra* Part II.D.

II. *EBAY, INC. v. MERCExchange, L.L.C.*: A REJECTION OF THE FEDERAL CIRCUIT'S GENERAL RULE IN FAVOR OF INJUNCTIVE RELIEF

A. *The Facts of eBay*

Plaintiff MercExchange, L.L.C. was the assignee of several business method patents, including a patent on an electronic market designed to facilitate the sale of goods between private individuals.⁸² The defendants, eBay, Inc. and Half.com, operated websites that allowed private sellers to sell goods through auctions or at fixed prices.⁸³ MercExchange had previously licensed its patents to other companies, and sought to license its patents to eBay and Half.com, but the parties failed to reach an agreement.⁸⁴ MercExchange then filed a patent infringement suit against eBay and Half.com.⁸⁵

B. *The District Court's First Denial of Injunctive Relief*

The jury found that MercExchange's patent was valid and that the defendants had willfully infringed, and awarded \$35 million in damages to MercExchange.⁸⁶ MercExchange then filed a motion requesting that the defendants be enjoined permanently from infringing its patents.⁸⁷

The court held that injunctive relief was not warranted under the circumstances.⁸⁸ Citing one of its previous decisions, the court asserted that the issuance of an injunction following a verdict of infringement is not automatic, and that district courts must instead consider traditional equitable principles in deciding whether to grant an injunction.⁸⁹ Specifically, the court stated that it was required to consider: (1) whether the plaintiff would be irreparably injured if an injunction did not issue; (2) whether the plaintiff had an adequate remedy at law; (3) whether granting an injunction was in the public interest; and (4) whether the balance of the hardships favored the plaintiff.⁹⁰

82. *eBay v. MercExchange*, 547 U.S. 388, 390 (2006); *see* U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

83. *eBay*, 547 U.S. at 390.

84. *Id.*

85. *Id.*

86. *Id.* at 390–91; *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 698 (E.D. Va. 2003).

87. *MercExchange*, 275 F. Supp. 2d at 699, 710–11.

88. *Id.* at 715.

89. *Id.* at 711 (citing *Odetics, Inc. v. Storage Tech. Corp.*, 14 F. Supp. 2d 785, 788 (E.D. Va. 1998)).

90. *Id.*

In considering the first factor, the court asserted that when validity and infringement have been clearly established, immediate irreparable harm is presumed.⁹¹ The court listed several factors it considered relevant in the rebuttal of this presumption, including whether the infringer has ceased its infringing activity, whether the patentee has previously granted licenses such that it can be adequately compensated with money damages, whether the patentee has delayed in filing suit, and lack of commercial activity on the part of the patentee.⁹²

MercExchange argued that it would be irreparably harmed if the defendants were not enjoined because it would be “deprived of its ability to either pursue the development of its inventions under the protection of its patent rights, or to have the exclusive right to license its patented technology to others on the most beneficial terms available.”⁹³ The court rejected these arguments and held that the defendants had rebutted the presumption of irreparable harm.⁹⁴ In particular, the court emphasized that MercExchange did not practice its inventions and existed “merely to license its patented technology to others.”⁹⁵ Moreover, the court stressed the fact that MercExchange had made comments to the media before, during, and after trial indicating that it did not seek to enjoin eBay, but rather was only seeking damages for the infringement.⁹⁶ The court also accorded weight to the fact that MercExchange had not moved for a preliminary injunction, reasoning that if MercExchange truly believed that it was being irreparably harmed by the defendants’ activities, “such a motion would have been appropriate.”⁹⁷

The court also found that MercExchange had an adequate remedy at law.⁹⁸ While acknowledging that many cases had stated that monetary damages are often inadequate in that they limit the patent holder in exercising its “monopoly power,” the court asserted that this was not a typical case.⁹⁹ The court reasoned that since MercExchange had previously licensed its patents to others and had been willing to license to the defendants, monetary damages would provide sufficient compensation.¹⁰⁰

91. See *id.* at 711 (citing *Odetics*, 14 F. Supp. 2d at 794). Applying such a presumption in the context of a permanent injunction was not a common practice prior to the Supreme Court’s decision in *eBay*. See *supra* Part I.C. Most courts applied a presumption of irreparable harm only in the context of preliminary injunctions. *Id.*

92. *MercExchange*, 275 F. Supp. 2d at 712.

93. *Id.* at 711.

94. *Id.* at 712.

95. *Id.*

96. *Id.*

97. *MercExchange*, 275 F. Supp. 2d at 712.

98. *Id.* at 713.

99. *Id.*

100. *Id.*

In considering whether granting an injunction would be consistent with the public interest, the court recognized that this factor often favors the patentee, because the public has a strong interest in maintaining the integrity of the patent system.¹⁰¹ However, the court went on to reason that the public interest is not served where a patentee obtains a patent but does not allow the public to benefit from the patented invention, because this practice undermines the goal of encouraging others to improve on the invention.¹⁰² The court also cited growing concerns about the issuance of business method patents of questionable validity.¹⁰³ The court concluded that the public interest factor equally favored granting an injunction to protect the plaintiff's patent rights and denying an injunction to protect the public interest in using a patented invention that the patent holder declined to practice.¹⁰⁴

Finally, in balancing the hardships to the parties, the court concluded that the balance tipped "slightly in the defendants' favor."¹⁰⁵ The court again noted that MercExchange was not developing or commercializing its patents, but rather existed solely to license its patents and sue to enforce its patents.¹⁰⁶ The court was also concerned that issuing an injunction would lead to multiple contempt hearings and "extraordinary costs to the parties, as well as considerable judicial resources," because the defendants were likely to begin using proposed "design-arounds" which MercExchange contended would also infringe its patents.¹⁰⁷

Thus, after considering all four equitable factors, the court ultimately concluded that MercExchange's motion for permanent injunctive relief should be denied.¹⁰⁸

101. *Id.*

102. *MercExchange*, 275 F. Supp. 2d at 714. This argument is flawed, because here, MercExchange did grant licenses to others, just not to the defendants. *Id.* at 713. Thus, even though MercExchange itself did not practice the invention, the public was still permitted to benefit from the invention.

103. *Id.* at 713–14 (noting that this concern was not dispositive, but weighed against the imposition of an injunction, particularly in a case where the patentee did not practice, nor have any intention of practicing, its patented invention).

104. *Id.* at 714.

105. *Id.*

106. *Id.*

107. *MercExchange*, 275 F. Supp. 2d at 714.

108. *Id.* at 715. In addition to refusing to grant injunctive relief, the court also declined to award enhanced damages to MercExchange, despite upholding the jury's finding that the infringement had been willful. *Id.* at 701–02, 722. In upholding the jury's finding of willfulness, the court focused on two key factors. First, the defendants knew of MercExchange's patents, but failed to obtain an opinion of counsel on willfulness and did not conduct a patent clearance investigation. *Id.* at 701. Second, the defendants had argued at trial that they could have designed around MercExchange's patents for less than \$15,000. *Id.* The court reasoned that the

C. *The Federal Circuit Reverses*

The Federal Circuit reversed the district court's denial of injunctive relief.¹⁰⁹ The court reiterated its general rule that once a patent has been found valid and infringed, the court should ordinarily grant injunctive relief, because the "right to exclude recognized in a patent is but the essence of the concept of property."¹¹⁰ Nevertheless, the court acknowledged that courts have sometimes "exercised their discretion to deny injunctive relief in order to protect the public interest."¹¹¹ Thus, courts may decline to enter an injunction in an "exceptional" case where "a patentee's failure to practice the patented invention frustrates an important public need for the invention, such as the need to use the invention to protect public health."¹¹²

However, in the Federal Circuit's view, the present case was not sufficiently exceptional to justify a denial of injunctive relief.¹¹³ In particular, the court emphasized that a general concern about validity of business method patents was "not the type of important public need that justifies the unusual step of denying injunctive relief."¹¹⁴

The Federal Circuit also rejected the district court's argument that injunctive relief should be denied because if an injunction were granted, the defendants would attempt to design around the patented invention, and this in turn would result in numerous contempt hearings at which the court would be required to determine whether the design-around also infringed MercExchange's patent.¹¹⁵ The court stressed that continuing disputes of this type are not unusual in patent cases, and thus this was not a sufficient basis for

defendants' failure to take this simple and inexpensive step, which would have avoided the necessity of litigation, weighed against them. *Id.*

However, the court also opined that a finding of willful infringement did not require it to award enhanced damages. *Id.* at 719. Rather, this decision is within the court's discretion and is based primarily on the egregiousness of the defendant's conduct. *Id.* Here, the court found that the defendants' conduct was not sufficiently egregious to justify an award of enhanced damages. *Id.* at 721. The court also declined to award attorney fees to MercExchange. *Id.* at 722 (noting that many of the same factors that are relevant in determining whether to award enhanced damages are also relevant in determining whether to award attorney fees).

109. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1326 (Fed. Cir. 2005). However, the court held that the district court had not abused its discretion in declining to award enhanced damages and attorney fees. *Id.*

110. *Id.* at 1338 (quoting *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47) (Fed. Cir. 1989)); *see supra* Part I.C.1.

111. *MercExchange*, 401 F.3d at 1338.

112. *Id.* at 1338-39 (quoting *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)) (internal quotation marks omitted).

113. *Id.* at 1339.

114. *Id.*

115. *Id.*

denying injunctive relief.¹¹⁶ Moreover, even absent an injunction, a dispute could continue in the form of successive infringement actions.¹¹⁷

In addition, the Federal Circuit rejected the argument that because MercExchange had expressed a willingness to license its patents, it should be deprived of a permanent injunction.¹¹⁸ The court reasoned:

Injunctions are not reserved for patentees who intend to practice their patents, as opposed to those who choose to license. The statutory right to exclude is equally available to both groups, and the right to an adequate remedy to enforce that right should be equally available to both as well. If the injunction gives the patentee additional leverage in licensing, that is a natural consequence of the right to exclude and not an inappropriate reward to a party that does not intend to compete in the marketplace with potential infringers.¹¹⁹

Finally, the Federal Circuit rejected the argument that since MercExchange had failed to move for a preliminary injunction, a permanent injunction should be denied, reasoning that preliminary injunctions and permanent injunctions “are distinct forms of equitable relief that have different prerequisites and serve entirely different purposes.”¹²⁰

In sum, the Federal Circuit concluded that there was no reason to depart from its “general rule” in favor of granting permanent injunctive relief upon a finding of patent validity and infringement.¹²¹

D. *The Supreme Court’s Decision*

1. Justice Thomas’s Majority Opinion: Traditional Equitable Principles Governing the Grant of Permanent Injunctions Apply to Patent Disputes

Writing for the majority in the Supreme Court, Justice Thomas noted that according to well-established principles of equity, a plaintiff seeking a permanent injunction must show that: (1) it has suffered an irreparable injury; (2) remedies available at law are inadequate to compensate for that injury; (3) considering the balance of hardships between the plaintiff and defendant, an equitable remedy is warranted; and (4) the public interest would not be harmed by a permanent injunction.¹²² Moreover, the decision to grant or deny

116. *MercExchange*, 401 F.3d at 1339.

117. *Id.*

118. *Id.*

119. *Id.*

120. *Id.*

121. *MercExchange*, 401 F.3d at 1339.

122. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

permanent injunctive relief is an act within the equitable discretion of the district court.¹²³

The majority held that these equitable principles “apply with equal force to disputes arising under the Patent Act.”¹²⁴ The majority asserted that there was no indication that Congress intended a departure from traditional equitable principles for patent disputes.¹²⁵ The Court recognized that 35 U.S.C. § 261 declares that “patents shall have the attributes of personal property” and that 35 U.S.C. § 154(a)(1) confers on patent holders “the right to exclude others from making, using, offering for sale, or selling the [patented] invention.”¹²⁶ However, the Court reasoned that, contrary to the Federal Circuit’s view, a statutory right to exclude does not by itself justify a general rule in favor of injunctive relief.¹²⁷ Specifically, the Court drew a distinction between “the creation of a right” and “the provision of remedies for violations of that right.”¹²⁸ The Court also stressed that the statutory language does not appear to require a general rule in favor of granting injunctions: 35 U.S.C. § 261 provides that patents shall have the attributes of personal property “[s]ubject to the provisions of this title” and 35 U.S.C. § 283 provides that “injunctive relief ‘may’ issue only ‘in accordance with the principles of equity.’”¹²⁹

The Court concluded that the traditional equitable principles call for an individualized assessment of the merits of injunctive relief, and both the Federal Circuit and district court had failed to do this.¹³⁰ While the district court had recited the traditional four-factor test, it “appeared to adopt certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases.”¹³¹ In particular, the Supreme Court disapproved of the district court’s conclusion that a plaintiff’s willingness to license its patents and lack of commercial activity in practicing its invention would automatically establish that the patent holder would not suffer irreparable harm in the absence of injunctive relief.¹³² Justice Thomas stated that “traditional equitable principles do not permit such broad classifications” and reasoned that such a categorical rule was not consistent with the principles of equity.¹³³ The Court observed:

[S]ome patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to

123. *Id.*

124. *Id.*

125. *Id.* at 391–92.

126. *Id.* at 392.

127. *eBay*, 547 U.S. at 392.

128. *Id.*

129. *Id.* (quoting 35 U.S.C. §§ 261, 283).

130. *See id.* at 393.

131. *Id.*

132. *See eBay*, 547 U.S. at 393.

133. *Id.*

secure the financing necessary to bring their works to market themselves. Such patent holders may be able to satisfy the traditional four-factor test, and we see no basis for categorically denying them the opportunity to do so.¹³⁴

The Court also emphasized that a categorical rule would be inconsistent with *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, in which the Supreme Court held that injunctive relief could be granted to a patent holder who has unreasonably declined to use the patent.¹³⁵

The Court likewise disapproved of the Federal Circuit's "general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged" except in "unusual" cases where there are "exceptional circumstances" or in "rare instances . . . to protect the public interest."¹³⁶ In the Court's view, the Federal Circuit's approach also failed to focus sufficiently on the facts of individual cases.¹³⁷

In short, the majority concluded that neither the District Court nor the Federal Circuit had correctly applied the four-factor equitable test in determining whether MercExchange was entitled to a permanent injunction.¹³⁸ Thus, the Court vacated the judgment of the Federal Circuit and remanded the case to the district court for application of the four-factor equitable relief test.¹³⁹ The Court expressly stated that it was taking no position on whether injunctive relief should be granted, emphasizing that it was holding only that in patent disputes as well as in other cases, "the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and . . . such discretion must be exercised consistent with traditional principles of equity"¹⁴⁰

2. The Chief Justice's Concurring Opinion: Courts Should Consider History in Applying Traditional Equitable Principles

Chief Justice Roberts, joined in his concurrence by Justices Scalia and Ginsburg, agreed with the majority's holding that "the decision as to whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity"¹⁴¹ But Chief Justice Roberts went on to stress that since at least the early nineteenth century, courts have granted

134. *Id.*

135. *Id.* at 393.

136. *Id.* at 393–94 (quoting *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1338–39 (Fed. Cir. 2005)).

137. *See eBay*, 547 U.S. at 394.

138. *Id.*

139. *Id.*

140. *Id.*

141. *Id.* (Roberts, C.J., concurring).

injunctive relief upon a finding of infringement in the vast majority of patent cases.¹⁴² Chief Justice Roberts explained that this longstanding practice was not surprising, “given the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee’s wishes—a difficulty that often implicates the first two factors of the traditional four-factor test.”¹⁴³ The Chief Justice agreed with the majority, however, that this historical practice “does not *entitle* a patentee to a permanent injunction or justify a *general rule* that such injunctions should issue.”¹⁴⁴

The Chief Justice stressed that history may be instructive in applying the four-factor test for injunctive relief in patent cases.¹⁴⁵ In particular, the Chief Justice cautioned that exercising equitable discretion pursuant to the established four-factor test should not amount to “writing on an entirely clean slate.”¹⁴⁶ He further reasoned that “[d]iscretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike.”¹⁴⁷ Finally, the Chief Justice asserted that in discerning and applying such legal standards, “a page of history is worth a volume of logic.”¹⁴⁸

3. Justice Kennedy’s Concurring Opinion: History May be Instructive, but District Courts Should Consider Whether Past Practices Fit the Circumstances of the Cases Before Them

Justice Kennedy was joined in his concurrence by Justices Stevens, Souter, and Breyer.¹⁴⁹ At the outset, Justice Kennedy noted that the majority was correct in holding that courts should apply the traditional four-factor equitable test in deciding whether to grant injunctive relief in patent cases.¹⁵⁰ Justice Kennedy also agreed with the Chief Justice that history may be instructive in applying the equitable principles.¹⁵¹

However, Justice Kennedy disagreed with the Chief Justice that the traditional practice of permanently enjoining patent infringers “rest[s] on the ‘difficulty of protecting a right to *exclude* through monetary remedies that

142. *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring).

143. *Id.*

144. *Id.*

145. *See id.*

146. *Id.*

147. *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring) (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

148. *Id.* (quoting *N.Y. Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921)).

149. *Id.* at 395 (Kennedy, J., concurring).

150. *Id.*

151. *Id.* at 395–96.

allow an infringer to *use* an invention against the patentee's wishes."¹⁵² Instead, Justice Kennedy agreed with the majority that both the Patent Act and the traditional view of injunctive relief recognize that the existence of a right to exclude does not dictate that a permanent injunction be the remedy for a violation of that right.¹⁵³ Justice Kennedy posited that to the extent that earlier cases had established a pattern of nearly always granting such injunctions, "this . . . simply illustrate[d] the result of the four-factor test in the contexts then prevalent."¹⁵⁴ Thus, in Justice Kennedy's view, "[t]he lesson of the historical practice" of granting injunctions against patent infringers would be most instructive when the "circumstances of a case bear substantial parallels to litigation the courts have confronted before."¹⁵⁵

Justice Kennedy went on to suggest that some modern cases are not like the past cases that the courts have encountered, stating that in certain modern cases, "the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases."¹⁵⁶ While not using the terms "patent troll" or "patent holdup,"¹⁵⁷ Justice Kennedy noted that "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees," and that such firms can use the threat of an injunction "as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent."¹⁵⁸ In addition, Justice Kennedy argued that "[w]hen the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations," money damages may suffice to compensate the patent owner and an injunction may not be in the public interest.¹⁵⁹

Justice Kennedy concluded his concurrence by noting that giving district courts equitable discretion over injunctions allows the courts "to adapt to . . . rapid technological and legal developments in the patent system."¹⁶⁰ In sum, in deciding whether to grant an injunction, district courts should "determine whether past practice fits the circumstances of the cases before them."¹⁶¹

152. *eBay*, 547 U.S. at 396 (Kennedy, J., concurring) (quoting *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring)).

153. *Id.*

154. *Id.*

155. *Id.*

156. *Id.*

157. *See supra* Part I.D.

158. *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

159. *Id.* at 396–97.

160. *Id.* at 397.

161. *Id.*

E. The District Court's Decision on Remand: The Second Denial of Injunctive Relief

On remand, the district court again denied MercExchange's motion for permanent injunctive relief.¹⁶² Prior to making this determination, the court reopened the record to allow the parties to update the court on factual developments occurring since its previous decision.¹⁶³ This process alerted the court to two relevant post-trial developments. First, while the appeal was pending, the United States Patent and Trademark Office (USPTO) granted eBay's request for reexamination proceedings of MercExchange's patents and issued non-final actions indicating that both patents were invalid on obviousness grounds.¹⁶⁴ Second, in 2004, MercExchange granted uBid, Inc., a competitor of eBay, a nonexclusive license to its entire patent portfolio.¹⁶⁵ Under the terms of the license, uBid made one fixed payment of \$150,000, and would begin paying royalties when uBid's annual qualified gross market sales reached \$500 million.¹⁶⁶ uBid's CEO indicated that the company had entered into this licensing agreement in part to avoid costly litigation.¹⁶⁷ In addition, in 2006, shortly after the Supreme Court's remand, uBid considered selling a twenty-five percent interest in its company to MercExchange in return for an exclusive license for one of MercExchange's patents, but these negotiations ultimately failed.¹⁶⁸

1. Rejecting the Presumption of Irreparable Harm

The district court first considered whether the presumption of irreparable harm had survived the Supreme Court's decision.¹⁶⁹ While recognizing that the Supreme Court's opinion did not "squarely address" this issue, the district court concluded based on a review of the language of the Supreme Court's decision and other relevant case law that such a presumption no longer exists.¹⁷⁰ However, the court noted:

Although a presumption of irreparable harm is inconsistent with the Supreme Court's instruction that traditional equitable principles require *the plaintiff* to

162. MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 559 (E.D. Va. 2007).

163. *Id.* at 560.

164. *Id.* eBay sought to stay the proceedings with respect to both patents at issue pending resolution of the reexamination proceedings. *Id.* at 562. The district court issued a stay with respect to one of the patents, but declined to issue a stay with respect to the other. *Id.* at 563

165. *Id.* at 561.

166. *Id.*

167. *MercExchange*, 500 F. Supp. 2d at 561.

168. *Id.* at 562.

169. *Id.* at 568.

170. *Id.* (citing *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006) and *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *4 (E.D. Tex. Aug. 16, 2006)).

demonstrate that it has suffered an irreparable injury, the court is not blind to the reality that the nature of the right protected by a patent, the right to exclude, will frequently result in a plaintiff successfully establishing irreparable harm in the wake of establishing validity and infringement.¹⁷¹

Nonetheless, the court concluded that “putting *the onus on the plaintiff* to prove irreparable harm is much more than an idle exercise[,] as numerous case specific facts may weigh against the issuance of an injunction notwithstanding the nature of the patent holder’s right.”¹⁷² Thus, the court concluded that “a permanent injunction shall only issue if [the] *plaintiff carries its burden* of establishing that, based on traditional equitable principles, the case specific facts warrant entry of an injunction.”¹⁷³

2. Applying of the Four-Factor Equitable Test

Applying the four-factor test as explicated by the Supreme Court to the facts at hand, the district court did not stray far from its original reasoning. Rather, the district court in large part simply fine-tuned its opinion to respond to the Supreme Court’s criticisms of its original approach.

a. Irreparable Harm

The district court devoted considerable discussion to the irreparable harm factor and ultimately concluded that MercExchange had not carried its burden.¹⁷⁴ The court reasoned that despite MercExchange’s post-trial business relationship with uBid, MercExchange had both “acted inconsistently with defending its right to exclude” and “failed to establish why its harm [was] irreparable.”¹⁷⁵ As in its original opinion, the district court emphasized that MercExchange had consistently failed to practice the inventions covered by its patents and instead exhibited a willingness to license, thus evincing its willingness to forgo its right to exclude in return for monetary compensation.¹⁷⁶ The court noted that MercExchange had not deviated from this course of action in its post-trial activities, as it had once again exhibited a willingness to license its patents in its dealings with uBid.¹⁷⁷ The court conceded that this consistent practice of licensing did not bar MercExchange from the opportunity to obtain injunctive relief, but maintained that this was

171. *Id.* at 569 (citing *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395 (2006) (Roberts, C.J., concurring) for the proposition that it is not surprising that injunctive relief is often granted in patent cases, “given the difficulty of protecting a right to *exclude* through monetary remedies”).

172. *MercExchange*, 500 F. Supp. 2d at 569.

173. *Id.*

174. *Id.* at 569–82.

175. *Id.* at 569.

176. *Id.* at 570.

177. *MercExchange*, 500 F. Supp. 2d at 570.

one factor that the court was required to consider in weighing the equities.¹⁷⁸ To support this contention, the court stated that it was “taking a page from history,” in that the Federal Circuit had on several occasions recognized that a lack of commercial activity on the part of a patentee could be considered in determining whether a patentee would suffer irreparable harm in the absence of injunctive relief.¹⁷⁹

The court distinguished the facts of the present case from situations in which self-made inventors or university researchers opt to license their inventions rather than developing the patented products themselves.¹⁸⁰ In particular, the court noted that the self-made inventor or researcher is generally still seeking to develop their patented product, whereas here, MercExchange’s business model appeared to be to seek out and negotiate licenses with companies already participating in the market and infringing or potentially infringing.¹⁸¹

The court also emphasized once again that MercExchange had not sought a preliminary injunction.¹⁸² While recognizing that this factor was not dispositive, the court asserted that it was “yet another factor in the calculus indicating both that MercExchange is not being irreparably harmed”¹⁸³

The court also emphasized, as it had in its first opinion, that MercExchange’s patent was directed to a business method.¹⁸⁴ The court concluded that given growing concerns over the validity of such patents and the Supreme Court’s recent decision on the obviousness standard in *KSR International Co. v. Teleflex Inc.*, this factor weighed against a finding of irreparable harm.¹⁸⁵

The court recognized that “MercExchange’s relationship with uBid had the potential to provide . . . evidence of irreparable harm,” but nonetheless held that this relationship was insufficient to carry MercExchange’s burden.¹⁸⁶ First, the court reasoned that MercExchange’s 2004 license to uBid indicated a continuing willingness license on the part of MercExchange.¹⁸⁷ Second, the

178. *Id.*

179. *Id.* at 570–71.

180. *Id.* at 571–72.

181. *Id.* at 572.

182. *MercExchange*, 500 F. Supp. 2d at 573.

183. *Id.* (noting that the evidence indicated that MercExchange’s failure to seek a preliminary injunction was impacted by its willingness to accept a royalty and reasoning that “if MercExchange’s true goal was to defend its right to exclude, it would likely have at least attempted to stop eBay” from further establishing its dominance in the market during litigation).

184. *Id.* at 574.

185. *Id.* at 574–75. In particular, the court noted that the nature of MercExchange’s claimed invention as a combination of non-unique elements yielding predictable results made it less likely that the patent would survive reexamination under the standard announced in *KSR*. *Id.* at 575.

186. *Id.*

187. *MercExchange*, 500 F. Supp. 2d at 575.

court noted that uBid was motivated to enter the licensing agreement at least in part by a desire to avoid the expense of litigation.¹⁸⁸ Third, the court stressed that the failure of the negotiations surrounding the proposed exclusive license resulted not only from the fact that eBay had not been enjoined, but also from uBid's uncertainty as to the outcome of the reexamination proceedings and whether eBay had successfully designed around MercExchange's patent.¹⁸⁹ Finally, the court observed that the timing of the negotiations between MercExchange and uBid was somewhat suspect—the fact that the negotiations had commenced shortly after the Supreme Court's remand indicated that MercExchange had “acted with an eye toward the upcoming injunction dispute.”¹⁹⁰

In sum, MercExchange failed to carry its burden of showing that injunctive relief was necessary to prevent irreparable harm to its market share, reputation, goodwill, brand recognition, customer base, or future research and development opportunities, and had “repeatedly indicate[d] that it was willing to *forgo its right to exclude* and license its patents to eBay and others.”¹⁹¹

b. Adequate Remedy at Law

The court began by noting that the question of whether MercExchange had an adequate remedy at law overlapped with the irreparable harm issue.¹⁹² Thus, the court again emphasized that MercExchange had not developed its patented invention, but rather had a pattern of using the patent “as a sword to aid in litigation or threatened litigation against infringers or potential infringers.”¹⁹³ The court concluded that MercExchange was part of the “industry that has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.”¹⁹⁴ The court also stressed that MercExchange itself, in its pre-trial negotiations with eBay, statements to the public, and dealings with uBid, had indicated that it could be compensated with money damages.¹⁹⁵ Thus, the court concluded that MercExchange had an adequate remedy at law.¹⁹⁶

188. *Id.* at 575–76

189. *Id.* at 576.

190. *Id.*

191. *Id.* at 569, 581.

192. *MercExchange*, 500 F. Supp. 2d at 582.

193. *Id.*

194. *Id.* (quoting *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) (internal quotation marks and alternations omitted)).

195. *Id.* at 583.

196. *Id.*

c. Balance of the Hardships

The court concluded that the balance of the hardships favored neither party, given the uncertainties as to whether MercExchange would be able to partner with uBid and compete in the market, whether eBay had successfully designed around MercExchange's patent, and whether the patent would survive the reexamination proceedings.¹⁹⁷

On one side of the equation, eBay was an adjudicated willful infringer.¹⁹⁸ Furthermore, eBay claimed that it had designed around the patent, and if true, this would mean that eBay would not be harmed by the issuance of an injunction.¹⁹⁹

But on the other side of the balancing equation, MercExchange seemed to exist solely to license its patents to established companies that infringed or might infringe its patents, and this "specialization in obtaining fees through threatened litigation" suggested that MercExchange would "not suffer a hardship from a similar resolution of the instant matter."²⁰⁰ The court acknowledged MercExchange's argument that if eBay were enjoined from selling goods at a fixed price and customers began using uBid instead, MercExchange would receive royalties from uBid, but concluded that forcing eBay to pay a similar royalty for its infringing sales would yield the same result.²⁰¹ Either way, MercExchange would receive a fixed royalty.²⁰² The court conceded that "forced royalties" are not a perfect solution, but maintained that such a remedy is the most equitable solution when a patent holder repeatedly indicates "that a royalty from market participants . . . is what it truly seeks."²⁰³

Finally, the court considered the potential irreparable harm that eBay might suffer if it was enjoined from selling goods at a fixed price.²⁰⁴ eBay faced a substantial risk of irreparable harm from such an injunction, since it could lose customers and transactions only to have the USPTO declare later that MercExchange's patents had never been valid.²⁰⁵ In sum, the court could not determine with confidence which party the balance of the hardships factor favored.²⁰⁶

197. *MercExchange*, 500 F. Supp. 2d at 583.

198. *Id.* at 583–84.

199. *Id.* at 584.

200. *Id.*

201. *Id.* at 584–85.

202. *MercExchange*, 500 F. Supp. 2d at 585.

203. *Id.*

204. *Id.*

205. *Id.*

206. *Id.* at 585–86.

d. The Public Interest

The court devoted considerable discussion to whether enjoining eBay would serve the public interest and ultimately concluded that this factor weighed slightly against injunctive relief.²⁰⁷ As it had in its original opinion, the court recognized that the public interest often favors granting injunctive relief because the public has an interest in maintaining the integrity of the patent system.²⁰⁸ Nonetheless, the court asserted that this should not be permitted to dominate the court's analysis of the public interest factor, "lest a presumption results."²⁰⁹ Rather, the court chose to consider "the type of patent involved, the impact on the market, the impact on the patent system, and any other factor that may impact the public at large."²¹⁰

First, the court noted that MercExchange's patent was a "business method patent that appear[ed] to rely upon combining non-unique elements into a unique combination," and that interim findings of the USPTO in the reexamination proceeding had twice indicated that the claims of the patent were invalid as obvious.²¹¹

Second, the court noted that eBay is a multibillion dollar corporation with an online marketplace that involves millions of buyers and sellers and has a substantial impact on the economy.²¹² MercExchange, on the other hand, had only two employees and appeared to specialize in obtaining royalties based on the threat of litigation.²¹³ The court recognized that the public benefits from a strong patent system that protects small patentees from infringement at the hands of multibillion dollar corporations, but asserted that the strongest equitable argument exists when the small patentee uses its patent to benefit the public, either by developing the patent on its own or through licensing agreements.²¹⁴ But here, MercExchange had chosen to license its patents to market participants who were allegedly infringing, indicating that "a strong patent system need not rescue MercExchange through equitable measures. . . ."²¹⁵

Third, because both parties had alleged misconduct on the part of the other, the court considered the behavior of the parties throughout the trial and subsequent to the trial.²¹⁶ The court concluded that "neither side ha[d]

207. *MercExchange*, 500 F. Supp. 2d at 586–90.

208. *Id.* at 586.

209. *Id.*

210. *Id.*

211. *Id.*

212. *MercExchange*, 500 F. Supp. 2d at 587.

213. *Id.*

214. *Id.*

215. *Id.* (internal quotation marks omitted).

216. *Id.* at 588.

particularly clean hands as both ha[d] engaged in litigation tactics that at times may have crossed the line,” but at the same time “neither side ha[d] successfully proven the other to be unworthy of a ruling in equity due to unclean hands.”²¹⁷

Finally, the court recognized that eBay’s status as willful infringer favored MercExchange, but concluded that eBay’s willfulness was insufficient to tip the public interest factor in MercExchange’s favor.²¹⁸ In so deciding, the court rejected a rule that the public interest favors an injunction in all cases where there has been a finding of willfulness, concluding that in such cases the court must still consider the factual history of the case, including the patentee’s prior acts, the parties’ relative positions in the market, the nature of the patent at issue, and its impact on the public.²¹⁹

Thus, the court concluded that the public interest factor weighed against injunctive relief.²²⁰

In sum, after applying the four-factor equitable test, the district court concluded that MercExchange had not met its burden of establishing that it would suffer irreparable harm absent an injunction, that MercExchange had an adequate remedy at law, that the balance of the harms favored neither party, and that the public interest factor weighed in favor of denying injunctive relief.²²¹ Thus, the court once again denied MercExchange’s motion for a permanent injunction.²²²

III. COURTS SHOULD APPLY A REBUTTABLE PRESUMPTION OF IRREPARABLE HARM UPON A FINDING OF PATENT VALIDITY AND INFRINGEMENT

This Part begins by summarizing the current status of the presumption of irreparable harm. This Part then explains why applying such a presumption would not be inconsistent with the Supreme Court’s decision in *eBay*. Subparts C and D argue that the courts should apply a rebuttable presumption of irreparable harm in order to preserve the fundamental nature of the patent grant as a right to exclude and promote certainty and uniformity in a substantial subset of patent infringement cases. Finally, Subpart E provides a non-exhaustive catalogue of situations in which it may be appropriate for a court to hold that an accused infringer has rebutted the presumption of irreparable harm, or that the irreparable harm factor is outweighed by another equitable consideration.

217. *MercExchange*, 500 F. Supp. 2d at 589.

218. *Id.* at 590.

219. *Id.*

220. *Id.*

221. *Id.* at 591.

222. *MercExchange*, 500 F. Supp. 2d at 591.

A. *Post-eBay Uncertainty as to the Continuing Validity of the Presumption of Irreparable Harm*

In light of the *eBay* decision, it is not clear whether patent owners will be entitled to any presumption that they have been irreparably harmed when attempting to preliminarily or permanently enjoin an infringer.

1. Preliminary Injunctions

In the context of preliminary injunctions, the Federal Circuit has consistently held that once a patent owner has demonstrated a reasonable likelihood of success on the merits (by clearly establishing both validity and infringement), irreparable harm will be presumed.²²³ Since *eBay*, the district courts have reached conflicting conclusions as to whether the presumption of irreparable harm continues to apply in the context of preliminary injunctions. Some courts have concluded that the presumption has survived,²²⁴ some have concluded that applying the presumption would be inconsistent with the Supreme Court's decision in *eBay*,²²⁵ and some have taken a middle ground with the perplexing conclusion that *eBay* "limited" the presumption.²²⁶ The Federal Circuit has not yet resolved this issue.

In one post-*eBay* case, *Abbot Laboratories v. Andrx Pharmaceuticals, Inc.*, the Federal Circuit noted that the district court had applied a presumption of irreparable harm after finding that the patentee had established a reasonable likelihood of success on the merits.²²⁷ The Federal Circuit held that the district court had erred in finding that the patent owner had established a likelihood of success on the merits, and therefore, the patent owner was "no longer entitled

223. *E.g.*, *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983); *see supra* Part I.C.2.

224. *Pass & Seymour, Inc. v. Hubbell Inc.*, No. 5:07-CV-0272, 2007 WL 2172648, at *9 (N.D.N.Y. July 23, 2007) (citing *eBay* for the proposition that the traditional equitable standards apply with equal force to patent infringement cases, but asserting that in the preliminary injunction context, "the law presumes the existence of . . . irreparable injury when a strong showing of likelihood of success on the merits has been made"); *Christiana Indus. v. Empire Elecs., Inc.*, 443 F. Supp. 2d 870, 884 (E.D. Mich. 2006) (holding that the *eBay* decision did not invalidate the presumption of irreparable harm).

225. *Sun Optics, Inc. v. FGX Int'l, Inc.*, Civ. No. 07-137-SLR, 2007 WL 2228569, at *1 (D. Del. Aug. 2, 2007) (noting that the idea that there is a presumption of irreparable harm "seems inconsistent with" the Supreme Court's holding in *eBay* and holding that the moving party thus has the burden of establishing that monetary damages will not suffice); *Torps Hockey Int'l, Inc. v. Kor Hockey Ltd.*, 491 F. Supp. 2d 871, 881 (D. Minn. 2007) (concluding that in light of *eBay*, a court cannot presume that a patentee who is likely to succeed on the merits at trial will suffer irreparable harm).

226. *Chamberlain Group, Inc. v. Lear Corp.*, No. 05 C 3449, 2007 WL 1017751, at *5 (N.D. Ill. Mar. 30, 2007) (noting that the *eBay* decision "has been read to limit the presumption of irreparable harm").

227. 452 F.3d 1331, 1333-34 (Fed. Cir. 2006).

to a presumption of irreparable harm.²²⁸ Similarly, in *PHG Technologies, L.L.C. v. St. John Companies, Inc.*, the Federal Circuit noted that the district court had applied a presumption of irreparable harm.²²⁹ However, the court again held that the district court had erred in finding that the plaintiff had established a reasonable likelihood of success and did not comment on the continuing validity of the presumption.²³⁰ Thus, *Abbot Laboratories* and *PHG Technologies* seemed to indicate that the Federal Circuit was operating under the assumption that the presumption of irreparable harm would continue to apply with respect to preliminary injunctions.

However, a subsequent Federal Circuit decision indicates that the continuing validity of the presumption in the preliminary injunction context is not so well-settled. In *Sanofi-Synthelabo v. Apotex, Inc.*, the Federal Circuit noted that the district court had applied a presumption of irreparable harm in deciding to grant a preliminary injunction.²³¹ The defendant argued that applying such a presumption would be in direct contravention of the Supreme Court's holding in *eBay*.²³² The Federal Circuit declined to address this contention because it found that the patent owner had established that it would be irreparably harmed in several specific ways, thus obviating any need to apply the presumption.²³³ Thus, the Federal Circuit has left open the possibility that the presumption will not continue to apply, even in the preliminary injunction context.

2. Permanent Injunctions

It is even less clear whether the presumption of irreparable harm will now apply with respect to permanent injunctions. Prior to the *eBay* decision, there was generally no need for courts to consider this issue, because the courts simply applied the Federal Circuit's general rule that absent exceptional circumstances, an injunction would be granted.²³⁴ Nonetheless, at least two district courts, including the district court in the *eBay* case, had applied a presumption of irreparable harm in the permanent injunction context.²³⁵

228. *Id.* at 1347; *see also* *DocuSign, Inc. v. Sertifi, Inc.*, 468 F. Supp. 2d 1305, 1309–10 & n.6 (W.D. Wash. 2006) (holding that since the patent holder had not made a strong showing of likely success on the merits, it was therefore not entitled to a presumption of irreparable harm, and noting that in *Abbott*, the Federal Circuit had assumed, without deciding, that “such a presumption was still appropriate in the preliminary injunction context”).

229. 469 F.3d 1361, 1364 (Fed. Cir. 2006).

230. *Id.* at 1369.

231. 470 F.3d 1368, 1381 (Fed. Cir. 2006).

232. *Id.* at 1383 n.9.

233. *Id.*

234. Stockwell, *supra* note 11, at 749; *see infra* Part I.C.1.

235. *MercExchange, L.L.C. v. eBay, Inc.* 275 F. Supp. 2d 695, 711 (E.D. Va. 2003); *Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp.*, 106 F. Supp. 2d 696, 701–03

Furthermore, in affirming the district court's decision to grant a permanent injunction in *Odetics, Inc. v. Storage Tech Corp.*, the Federal Circuit made no mention of the district court's application of the presumption.²³⁶ Similarly, in the *eBay* case itself, neither the Federal Circuit nor the Supreme Court took note of the fact that the district court had applied a presumption of irreparable harm in its initial decision.²³⁷ While certainly not conclusive, this leaves open the possibility that the presumption may be applicable in the permanent injunction context.

Confirming this possibility, in a case appealed to the Federal Circuit following the Supreme Court's decision in *eBay*, the Federal Circuit indicated that the issue of whether the presumption of irreparable harm applies in the permanent injunction context is not settled.²³⁸ In *International Rectifier Corp. v. Ixys Corp.*, the district court granted a permanent injunction and the adjudicated infringer moved for a stay of the injunction, pending appeal.²³⁹ The district court held that once infringement and validity have been established, irreparable harm is presumed.²⁴⁰ The Federal Circuit remanded the case, stating that "[t]he district court's holding . . . may need to be revisited in light of *eBay*."²⁴¹

Since *eBay*, the district courts have squarely addressed this issue on at least four occasions when denying permanent injunctive relief, and have read the *eBay* decision as abolishing the presumption.²⁴² For example, on remand in the *eBay* case, the district court held that the presumption no longer exists.²⁴³ Likewise, in *z4 Technologies v. Microsoft Corp.*, the court observed that the

(D.N.J. 2000); *Odetics, Inc. v. Storage Tech. Corp.*, 14 F. Supp. 2d 785, 794 (E.D. Va. 1998) (quoting *Smith Int'l Inc. v. Hughes Tool Co.*, 718 F.2d 1573 (Fed. Cir. 1983)), *aff'd*, 185 F.3d 1259 (Fed. Cir. 1999).

236. See *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259 (Fed. Cir. 1999).

237. See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006); *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323 (Fed. Cir. 2005).

238. See *Int'l Rectifier Corp. v. Ixys Corp.*, 188 F. App'x 1001, 1001 (Fed. Cir. 2006).

239. *Id.*

240. *Id.*

241. *Id.*

242. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 569 (E.D. Va. 2007) (discussed *supra*, Part IIE); *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 WL 2570614, at *5 (W.D. Okla. Sept. 5, 2006) (denying injunctive relief and stating that the patentee's argument that irreparable harm is presumed whenever validity and continuing infringement have been established "runs afoul of the court's reasoning in *eBay* where the Court clearly held the right to exclude does not, standing alone, justify a general rule in favor of injunctive relief"); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *4 (E.D. Tex. Aug. 16, 2006) (denying injunctive relief and stating that, "The *eBay* decision demonstrates that no presumption of irreparable harm should automatically follow from a finding of infringement."); *z4 Technologies, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006) (reasoning that the language of *eBay* does not imply a presumption and denying injunctive relief).

243. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 568 (E.D. Va. 2007).

plaintiff was unable to cite to any Supreme Court or Federal Circuit case requiring the application of a rebuttable presumption of irreparable harm with respect to a permanent injunction.²⁴⁴ The court also reasoned that the language of the *eBay* decision (“a plaintiff seeking a permanent injunction must . . . demonstrate: (1) that it has suffered an irreparable injury . . .”) does not imply a presumption but rather places the burden of proving an irreparable injury on the plaintiff.²⁴⁵ Thus, the court concluded that the presumption of irreparable harm was not applicable.²⁴⁶

Similarly, in *IMX, Inc. v. LendingTree, LLC*, a case in which the court chose to give the patentee more time in which to provide further evidence of irreparable harm rather than denying permanent injunctive relief immediately, the court simply assumed that the presumption no longer applied, without discussing the issue at all.²⁴⁷

When granting permanent injunctions after *eBay*, the district courts have not addressed the issue of whether a presumption of irreparable harm applies. Instead, the courts have found irreparable harm based on, for example, loss of market share and a resulting loss of profits and brand name recognition,²⁴⁸ harm to reputation resulting from confusion between products coupled with loss of market share,²⁴⁹ harm to the patentee’s reputation for innovation coupled with market share,²⁵⁰ or loss of market share coupled with price erosion.²⁵¹ Other courts have recited the four-factor *eBay* test but have not explicitly addressed the irreparable harm factor; instead they have simply noted that monetary damages are generally not an adequate remedy for future infringement because the principal value of a patent is the right to exclude.²⁵²

244. *z4 Technologies*, 434 F. Supp. 2d at 440.

245. *Id.* (quoting *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006)).

246. *Id.*

247. 469 F. Supp. 2d 203, 224, 226 (D. Del. 2007) (referring to “the now-overturned presumption that a patent holder is irreparably harmed upon a finding of infringement”).

248. *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 983 (W.D. Tenn. 2006).

249. *Black & Decker Inc. v. Robert Bosch Tool Corp.*, No. 04 C 7955, 2006 WL 3446144, at *4 (N.D. Ill. Nov. 29, 2006).

250. *Wald v. Mudhopper Oilfield Servs., Inc.*, No. CIV-04-1693-C, 2006 WL 2128851, at *5 (W.D. Okla. July 27, 2006).

251. *Tivo Inc. v. Echostar Commc’ns Corp.*, 446 F. Supp. 2d 664, 667, 669–670 (E.D. Tex. 2006).

252. *Telequip Corp. v. Change Exch.*, No. 5:01-CV-1748 (FJS/GJD), 2006 WL 2385425, at *1–2 (N.D.N.Y. Aug. 15, 2006); *see also 3M Innovative Prods. Co. v. Avery Dennison Corp.*, No. 01-1781 (JRT/FLN), 2006 WL 2735499, at *1 (D. Minn. Sept. 25, 2006) (stating that where the patentee had spent five years litigating to protect its interest in the patent and had consistently refused to execute a licensing agreement with the infringer, the court would not disturb the patentee’s determination that its business interests would not be best served by licensing the product and noting that in patent infringement cases, where the infringing device will continue to

In sum, the district courts are in need of guidance as to the continuing validity of the presumption of irreparable harm in the post-*eBay* era. The Federal Circuit, with its breadth and depth of knowledge in the area of patent disputes, is in an excellent position to provide such guidance. In resolving this issue, the Federal Circuit could choose one of several alternative approaches: (1) maintain the presumption of irreparable harm with respect to preliminary injunctions but decline to impose such a presumption in the context of permanent injunctions; (2) eliminate the presumption entirely with respect to both types of injunction; or (3) apply a presumption of irreparable harm to both types of injunction.

It makes little sense to apply a presumption of irreparable harm in the context of preliminary injunctions but not in the context of permanent injunctions. Many courts, including the Supreme Court and the Federal Circuit, have observed that a preliminary injunction is a “drastic and extraordinary remedy that is not to be routinely granted.”²⁵³ On the other hand, courts have recognized, both before and after the *eBay* decision, that the right to permanent injunctive relief is an essential part of the patent system and thus such relief will be appropriate in many cases once a patent has been finally determined to be both valid and infringed.²⁵⁴ It could be argued that a defendant who is permanently enjoined will be more severely harmed than a defendant who is enjoined preliminarily, since the former will be barred from practicing the patented invention until the patent expires, whereas the latter might be able to resume his activities much sooner if the court ultimately finds that the patent is invalid, unenforceable, or not infringed. But preliminary injunctions can have profound effects on the defendant in a patent infringement

infringe and thus damage the patentee in the future, monetary damages are generally considered to be inadequate).

253. *E.g.*, *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997); *Nat’l Steel Car, Ltd. v. Canadian Pac. Ry., Ltd.*, 357 F.3d 1319, 1324 (Fed. Cir. 2004); *Intel Corp. v. ULSI Sys. Tech., Inc.*, 995 F.2d 1566, 1568 (Fed. Cir. 1993); *cf.* *Polymer Technologies, Inc. v. Bridwell*, 103 F.3d 970, 977 (“[S]tatements that a preliminary injunction is a drastic and extraordinary remedy do not imply that it must be rare or practically unattainable, only that it is not to be granted as a matter of right; it must be thoroughly justified.”).

254. *See Telequip*, 2006 WL 2385425, at *2 (“[W]ithout the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of scientific and technological research.”). Similar language appears in *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577–78 (Fed. Cir. 1983); *see also eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395 (2006) (Roberts, C.J., concurring) (noting that courts have long granted permanent injunctive relief upon a finding of infringement in the vast majority of patent cases, and while this historical practice does not justify a general rule in favor of granting injunctions, “a page of history is worth a volume of logic”).

suit.²⁵⁵ Specifically, many defendants have argued—and courts have acknowledged—that a preliminary injunction will put them out of business.²⁵⁶ Furthermore, by definition, preliminary injunctions are granted prior to a full hearing on the merits.²⁵⁷ Thus, if the patentee’s burden of showing irreparable harm is decreased by applying a presumption in the preliminary injunction context, it would be illogical for courts to decline to apply such a presumption with respect to permanent injunctions.

For the reasons outlined below, the Federal Circuit should maintain the status quo with respect to preliminary injunctions and clarify that a presumption of irreparable harm also applies in the context of permanent injunctions.

B. Applying a Rebuttable Presumption of Irreparable Harm Would Not be Inconsistent with the Supreme Court’s Decision in eBay

The *eBay* decision can be read as suggesting that a rebuttable presumption of irreparable harm should apply in determinations of whether to grant injunctive relief. Although some language in the majority opinion indicates that the patentee must bear the full burden of proving irreparable harm,²⁵⁸ the concurrences, in which a total of seven Justices joined (out of the eight who participated in the decision), indicate that these justices are of the view that injunctive relief will continue to be appropriate in most cases.²⁵⁹

Chief Justice Roberts’s concurrence stressed that courts should use history as a guide in applying the four-factor equitable test.²⁶⁰ The Chief Justice noted that since at least the nineteenth century, courts have granted injunctive relief upon a finding of infringement in the “vast majority of patent cases,” and that this practice was not surprising given the difficulty of protecting a right to exclude through monetary remedies that permit use of the patented invention

255. *E.g.*, *Bell & Howell Document Mgmt. Prods. Co. v. Altek Sys.*, 132 F.3d 701, 708 (Fed. Cir. 1997) (noting that the fact that the defendant was a small company and could be put out of business by the issuance of a preliminary injunction did not insulate it from the issuance of a preliminary injunction).

256. *See id.*; *Docusign, Inc. v. Sertifi, Inc.*, 468 F. Supp. 2d 1305, 1310–11 (W.D. Wash. 2006) (concluding that issuing a preliminary injunction would harm the public interest by putting the defendant out of business without a strong showing of necessity); *see also* *TCPIP Holding Co. v. Haar Commc’ns Inc.*, 244 F.3d 88, 102–03 (Fed. Cir. 2001) (trademark infringement case stating that a preliminary injunction can have drastic consequences in that it may put a party out of business prior to trial on the merits).

257. *See* FED. R. CIV. P. 65(a); BLACK’S LAW DICTIONARY 800 (8th ed. 2004) (defining “preliminary injunction” as “A temporary injunction issued before or during trial to prevent an irreparable injury from occurring before the court has a chance to decide the case”).

258. *See eBay*, 547 U.S. at 391 (“A plaintiff must demonstrate: (1) that it has suffered an irreparable injury . . .” (emphasis added)).

259. *See id.* at 394–97 (Roberts, C.J., concurring and Kennedy, J., concurring).

260. *Id.* at 395 (Roberts, C.J., concurring); *see supra* Part II.D.2.

against a patentee's wishes.²⁶¹ While agreeing with the majority that the historical practice of frequently granting injunctions does not entitle a patentee to a permanent injunction in all cases or justify a general rule in favor of injunctive relief, the Chief Justice stressed that "there is a difference between exercising equitable discretion . . . and writing on an entirely clean slate."²⁶² Chief Justice Roberts further cautioned that "[d]iscretion is not a whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike."²⁶³ Finally, the Chief Justice quoted Justice Holmes for the proposition that "a page of history is worth a volume of logic."²⁶⁴

Justice Kennedy agreed with the Chief Justice that "history may be instructive" in applying the four-factor test.²⁶⁵ However, Justice Kennedy stressed that the lesson of the historical practice of granting injunctions in the vast majority of cases is "most helpful and instructive when the circumstances of a case bear substantial parallels to litigation the courts have confronted before."²⁶⁶ Justice Kennedy was concerned that some modern patent infringement cases are quite different from those that the courts have encountered in the past, in that the patented invention may be "but a small component of the product the companies seek to produce and the threat of an injunction [may be] employed simply for undue leverage in negotiations"²⁶⁷

Considered together, the concurrences suggest that a majority of the Justices thought that the practice of granting injunctions in most cases where validity and infringement have been established should not be disturbed, at least in those cases which bear a substantial resemblance to the types of cases the courts have previously encountered. This indicates that the application of a presumption of irreparable harm, which might be rebuttable in the "patent holdup" situations that concerned Justice Kennedy,²⁶⁸ would not be objectionable to at least the seven Justices who joined in the concurrences.

Applying such a presumption would promote consistency in the application of the equitable factors by the district courts and thereby help to preserve the bargaining power of patentees who are not using the threat of an injunction "simply for undue leverage in negotiations."²⁶⁹ Moreover, applying the presumption would still permit district courts to exercise their discretion,

261. *Id.*

262. *Id.*

263. *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring).

264. *Id.* (quoting *N.Y. Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921)).

265. *eBay*, 547 U.S. at 395–96 (Kennedy, J., concurring); *see supra* Part II.D.3.

266. *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

267. *Id.*

268. *See supra* Part II.D.3; *infra* Part III.E.

269. *See eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

consistent with the Supreme Court's holding in *eBay*, because the presumption would be rebuttable and could be outweighed by one or more of the other equitable factors.

Furthermore, while criticizing other aspects of the district court's decision, the majority in *eBay* did not explicitly reject the district court's approach in presuming irreparable harm once it found that validity and infringement had been clearly established.²⁷⁰ Similarly, neither of the concurring Justices commented on this issue.²⁷¹ This may have been an oversight, or the Court may have simply chosen to focus on the larger issue of the Federal Circuit's general rule in favor of injunctive relief. However, one would expect that if the Court had a strong inclination that a presumption of irreparable harm should not apply, this would have been explicitly noted in the opinion.

In addition to the inferences that can be drawn from a careful reading of the *eBay* decision itself, there are several other sound reasons why a rebuttable presumption of irreparable harm should be applied in patent disputes. One such reason is that the underlying justification for applying such a presumption has not changed as a result of the Court's decision in *eBay*.

C. *Courts Should Apply a Rebuttable Presumption of Irreparable Harm Because the Underlying Justifications for Granting Injunctive Relief in the Vast Majority of Patent Infringement Cases Are Not Changed by the eBay Decision*

The courts have long recognized that “the right to exclude recognized in a patent is but the essence of the concept of property.”²⁷² This fundamental notion was not changed by the Supreme Court's decision in *eBay*. Although both the majority opinion and Justice Kennedy's concurrence emphasized that “the existence of a right to exclude does not dictate the remedy for a violation of that right,”²⁷³ this should not be interpreted as a rejection of the notion that the injunctive relief is ordinarily the appropriate remedy for a violation of a right to exclude. Rather, these statements should be viewed simply as a recognition of the fact that in limited circumstances, imposing a permanent injunction would be inequitable.

270. *See id.* at 390–95 (majority opinion); *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 711–12 (E.D. Va. 2003).

271. *See eBay*, 547 U.S. at 394–97 (Roberts, C.J., concurring and Kennedy, J., concurring).

272. *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983); *see also Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980) (characterizing the view that “the essence of a patent grant is the right to exclude others from profiting by the patented invention” as “long-settled”) (citing *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 424–25 (1908); *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135 (1969)).

273. *eBay*, 547 U.S. at 392, 396 (majority opinion and Kennedy, J., concurring).

In his concurrence, Chief Justice Roberts recognized that the long tradition of granting injunctive relief in the vast majority of cases was “not surprising, given the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee’s wishes.”²⁷⁴ Since *eBay*, many district courts have continued to stress this fundamental concept. For example, in *Sanofi-Synthelabo v. Apotex, Inc.*, the court noted that “the principal value of a patent is its statutory right to exclude.”²⁷⁵ On appeal, the Federal Circuit unsurprisingly did not question this assertion.²⁷⁶ Similarly, in *Telequip Corp. v. The Change Exchange*, the court asserted that “without the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of scientific and technological research.”²⁷⁷ Other district courts have made similar contentions in the post-*eBay* era.²⁷⁸

Both the Supreme Court and the Federal Circuit have long recognized that in the majority of cases, money damages are not an adequate remedy and injunctive relief will be appropriate.²⁷⁹ In the words of Justice McKenna, writing for the Court in *Continental Paper Bag*:

From the character of the right of the patentee we may judge of his remedies. It hardly needs to be pointed out that the right can only retain its attribute of exclusiveness by a prevention of its violation. Anything but prevention takes away the privilege which the law confers upon the patentee.²⁸⁰

eBay did not purport to reject *Continental Paper Bag*.²⁸¹ Thus, it seems appropriate to apply a rebuttable presumption that the patent owner will be irreparably harmed in the absence of injunctive relief, thereby placing the burden on the adjudicated infringer to prove otherwise.

274. *Id.* at 395 (Roberts, C.J., concurring).

275. 488 F. Supp. 2d 317, 342 (S.D.N.Y. 2006).

276. *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368 (Fed. Cir. 2006).

277. No. 5:01-CV-1748 (FJS/GJD), 2006 WL 2385425, at *2 (N.D.N.Y. Aug. 15, 2006).

278. *E.g.*, *Black & Decker Inc. v. Robert Bosch Tool Corp.*, No. 04 C 7955, 2006 WL 3446144, at *3 (N.D. Ill. Nov. 29, 2006) (“[T]he principal value of a patent is its statutory right to exclude.”); *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 984 (W.D. Tenn. 2006) (“[T]he central value of holding a patent is the right to exclude others from using the patented product.”).

279. *See, e.g.*, *Reebok Int’l Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1557 (Fed. Cir. 1994) (“Because the principal value of a patent is its statutory right to exclude, the nature of the patent grant weighs against holding that monetary damages will always suffice to make the patentee whole.”).

280. *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 430 (1908).

281. In fact, the Court relied on *Continental Paper Bag* for the proposition that courts may grant injunctive relief to a patent holder who has unreasonably declined to use the patent. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

It could be argued that the right to exclude conferred by the patent statute could be protected effectively by imposing a compulsory license with a high royalty rate. Imposing high royalties would be consistent with the statutory language, which provides that courts “shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty . . .” and “[i]n either event the court may increase the damages up to three times the amount found or assessed.”²⁸² This language does not prohibit a court from imposing an unreasonable royalty (i.e., a royalty higher than that to which the parties would agree on their own or that a court would impose when imagining licensing negotiations between a willing licensor and licensee), and such a remedy might be appropriate under some circumstances. However, if a court were to impose a royalty so high that it would effectively exclude the infringer from practicing the patented invention by making it economically infeasible or impossible to do so, this would have essentially the same effect as granting injunctive relief.

Finally, in the preliminary injunction context, the Federal Circuit has noted that one justification for the presumption of irreparable harm stems from the fact that the patent grant has a finite term, and the passage of time can work irreparable harm.²⁸³ The *eBay* decision did not change the finite nature of the patent term, and thus this justification for the presumption remains intact as well.

D. Applying a Rebuttable Presumption of Irreparable Harm Would Promote Certainty and Preserve the Patent Owner’s Bargaining Power, at Least in a Substantial Subset of Patent Infringement Cases

As evidenced by the varying approaches taken by the district courts thus far, the *eBay* decision has generated much uncertainty as to when injunctive relief will be available to a patentee.²⁸⁴ Furthermore, although injunctive relief has been granted in the majority of reported cases decided since *eBay*, several courts have denied injunctive relief in circumstances under which such relief likely would have been granted prior to *eBay*.²⁸⁵

282. 35 U.S.C. § 284 (2000).

283. *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989).

284. *See supra* Part III.A.

285. For example, in *Paice LLC v. Toyota Motor Corp.*, the court denied injunctive relief based on findings that the patent owner had not been irreparably harmed and that monetary damages would provide sufficient compensation, reasoning that the infringing product made up only a small component of the infringing vehicles and the patent owner had been willing to license its technology to the infringer. No. 2:04-CV-211-DF, 2006 WL 2385139, at *5 (E.D. Tex. Aug. 16, 2006). The court also found that the third factor of the equitable test—the balance of hardships between the parties—weighed in favor of the adjudicated infringer, because enjoining the infringer’s sales would likely interrupt the infringer’s business as well as that of related businesses, and would damage the infringer’s reputation. *Id.* at *6. On appeal, the

Such uncertainty, coupled with the potentially decreased availability of injunctive relief, decreases the patentee's bargaining power.²⁸⁶ If the parties to a licensing negotiation are uncertain whether, given a particular set of circumstances, injunctive relief would likely be available should the potential licensee engage in infringing activity, the potential licensee will have less of an incentive to enter into a licensing agreement or to do so on terms that are fair to the patent owner. In a case where the potential licensee stands to benefit greatly from practicing the patented invention and thinks that there is a reasonable chance that its activity would not be enjoined by a court, the rational choice might be to go ahead and engage in the infringing activity. This would be especially true where the potential licensee believes that any damages it would be ordered to pay by the court would be equal to or less than the compensation requested by the patent owner.

This problem would be exacerbated in a situation where the patent owner is an individual inventor or a small company, who may already be at a disadvantage in negotiations with a much larger entity. As noted by Professors Epstein, Wagner, and Kieff, "The supposed 'patent troll' may actually be a small entrepreneur trying desperately to negotiate with large infringers."²⁸⁷ Without the threat of a permanent injunction, the inventor of a small but truly innovative component that a large company wishes to use in its product will have little chance of negotiating a fair licensing agreement.

A similar problem was described by the Sixth Circuit in *Panduit Corp. v. Stahl Brothers Fibre Works, Inc.*²⁸⁸ In *Panduit*, the court criticized the practice of determining a reasonable royalty rate by imagining a hypothetical negotiation between a willing patent owner and a willing licensee.²⁸⁹ The court noted that

[This] would . . . make an election to infringe a handy means for competitors to impose a "compulsory license" policy upon every patent owner.

Federal Circuit asserted that in certain cases, imposing an ongoing royalty instead of injunctive relief may be appropriate, but criticized the district court for not providing any reasoning its support its selection of a royalty rate of twenty-five dollars per infringing vehicle. *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (2007). Accordingly, the Federal Circuit remanded the case to the district court for a reevaluation of the royalty rate. *Id.* at 1315. The district courts have denied permanent injunctive relief in at least six other cases thus far. *See supra* note 8.

286. Brief of Various Law & Economics Professors as Amici Curiae in Support of Respondent at 27–28, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130) (arguing that the Federal Circuit's general rule should not be upset because "the use of a permanent injunction may facilitate cooperative bargaining, not frustrate it, forcing outsiders to license technologies they wish to use. Awarding the permanent injunction allows agreement on terms acceptable to the patentee, which has the salutary effect of forcing an actual or would-be infringer to the bargaining table." (internal citation omitted)).

287. *Id.* at 28.

288. 575 F.2d 1152, 1158 (6th Cir. 1978).

289. *Id.*

Except for the limited risk that the patent owner, over years of litigation, might meet the heavy burden of proving . . . lost profits, the infringer would have nothing to lose, and everything to gain if he could count on paying only the normal, routine royalty non-infringers might have paid. As said by this court in another context, the infringer would be in a “heads-I-win, tails-you-lose” position.²⁹⁰

In other words, to deter infringement, there must be some punitive element (and preferably a severe one) associated with engaging in infringing activity. Where a would-be infringer faces a choice between negotiating with the patent owner at the outset for a license or simply engaging in the potentially infringing activity, he may well choose the latter if he thinks that there is a fair chance that a court would impose only a reasonable royalty as damages. This could be the case, for example, where the circumstances make it unlikely that the patent owner would be able to prove lost profits.

The availability of enhanced damages for willful infringement or the possibility that a court could impose a very high royalty rate²⁹¹ might serve this punitive function in some cases and thus deter some would-be infringers. However, the threat of enhanced damages or a high royalty rate would likely not be enough to deter infringing activity in all cases, especially where engaging in the infringing activity is expected to be highly profitable.

In sum, decreased availability of injunctive relief and uncertainty as to the circumstances under which injunctive relief will be available places the infringer in a “heads-I-win, tails-you-lose” situation. Applying a presumption of irreparable harm when patent validity and infringement have been established would help to counteract this problem by promoting certainty in a significant subset of cases.

One notable exception is that application of a presumption of irreparable harm might not promote certainty in those cases that closely resemble the “patent holdup” situation that concerned Justice Kennedy.²⁹² In at least some such cases, the presumption of irreparable harm could be rebutted, and courts would need to examine carefully whether the patented invention was truly a small or insignificant component of the infringing product, and whether the patent owner was truly attempting to extract disproportionate value from the infringer.²⁹³ However, many patent infringement cases will not fall into this category, but rather will “bear substantial parallels to litigation the courts have

290. *Id.* (quoting *Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1257 (6th Cir. 1972)). Courts have noted that referring to such hypothetical negotiations as “willing licensor/willing licensee” negotiations is an “absurd” characterization “when . . . the patentee does not wish to grant a license.” *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1554 n.13 (Fed. Cir. 1995).

291. *See supra* Part III.C.

292. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

293. *See infra* Part III.E.

confronted before.”²⁹⁴ In these cases, applying a presumption of irreparable harm would act as a check on the district courts to ensure that injunctive relief is not denied in an inconsistent or haphazard fashion. Such an approach would be consistent with Chief Justice Roberts’s warning that “limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike,” and Justice Kennedy’s observation that the “historical practice [of issuing injunctions against patent infringers] . . . is most helpful and instructive when the circumstances of a case bear substantial parallels to litigation the courts have confronted before.”²⁹⁵

A presumption of irreparable harm and the increased certainty that would follow therefrom would have benefits beyond preserving the patent owner’s bargaining power. For example, certainty as to the circumstances under which injunctive relief is likely to be granted would encourage private resolution of patent disputes through licensing agreements and settlement of many disputes in the early stages of litigation.²⁹⁶ Voluntary licensing agreements are desirable, not only because they avoid litigation, but also because they give the patent owner an opportunity to include commercial business terms in the agreement which can help the patent owner to maintain control over its invention or limit encroachment on its market share.²⁹⁷

While applying a presumption of irreparable harm would promote certainty in many cases, it would not be tantamount to reinstating the Federal Circuit’s general rule in favor of granting injunctions. The infringer would have an opportunity to rebut the presumption, and courts would be required to weigh the other equitable factors as well.

E. The Presumption of Irreparable Harm Would Be a Rebuttable Presumption and the Irreparable Harm Factor Could Be Outweighed by Other Equitable Factors in Some Circumstances

A presumption of irreparable harm differs significantly from the Federal Circuit’s general rule that injunctive relief should nearly always be granted. First, the presumption would be rebuttable, and in light of the *eBay* decision, courts will be more likely take the infringer’s rebuttal arguments seriously.²⁹⁸ Second, a showing of irreparable harm is only one of the four factors the courts

294. See *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

295. See *id.* at 395–96 (Roberts, C.J., concurring and Kennedy, J., concurring).

296. Brief of Various Law & Economics Professors as Amici Curiae in Support of Respondent at 23–24, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130) (arguing that the Federal Circuit’s general rule of granting injunctive relief should be maintained).

297. See *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. H-03-2910, 2006 WL 3813778, at *5 (S.D. Tex. Dec. 27, 2006).

298. Stockwell, *supra* note 11, at 751.

are required to examine under *eBay*.²⁹⁹ In some circumstances, even where the court has concluded that the patent owner will be irreparably harmed in the absence of injunctive relief, the irreparable harm factor might still be outweighed by one or more of the other equitable considerations. Finally, when a court finds that the infringer has rebutted the presumption of irreparable harm, that the other equitable factors weigh against a grant of injunctive relief, or both, courts should consider alternatives to an absolute denial of a permanent injunction.

1. Rebuttal of the Presumption of Irreparable Harm

An infringer could rebut the presumption of irreparable harm in a number of different ways. However, to promote uniformity among the district courts, it would be useful for the Federal Circuit to establish some general guidelines as to the circumstances under which the presumption would ordinarily be rebutted, or ordinarily not be rebutted.

The Federal Circuit's prior decisions with respect to the presumption of irreparable harm as it has been applied in the context of preliminary injunctions provide some guidance. First, the Federal Circuit has indicated that a finding that future infringement is no longer likely may be sufficient to rebut the presumption of irreparable harm.³⁰⁰ However, the fact that the infringer has stopped infringing should not be sufficient, by itself, to rebut the presumption.³⁰¹ In other words, a mere cessation of infringing activity is generally not a sufficient reason for denying injunctive relief, unless the evidence is "very persuasive that future infringement will not take place" (e.g., the infringer no longer has the manufacturing capacity to produce the infringing product).³⁰² Thus, very persuasive evidence that the infringement will not continue could be sufficient to rebut the presumption of irreparable harm.

Second, the Federal Circuit has noted that evidence that the patentee has delayed bringing suit may be considered in determining whether the infringer has rebutted the presumption of irreparable harm.³⁰³ This is a sensible consideration. If a patent owner has unreasonably delayed in attempting to enforce her patent rights, it is reasonable to infer that she probably has not been irreparably harmed by the infringement.

Third, the Federal Circuit has indicated that a finding that the patentee was willing to forgo its right to exclude by licensing the patent may be sufficient to

299. *eBay*, 547 U.S. at 391.

300. *Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 975 (Fed. Cir. 1996).

301. *See W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281–82 (Fed. Cir. 1988).

302. *Id.* at 1282.

303. *Polymer Techs.*, 103 F.3d at 975.

rebut the presumption of irreparable harm.³⁰⁴ Similarly, the district court in *eBay*, both in the first instance and on remand, considered evidence that the patentee “does not practice its inventions and exists merely to license its patented technology to others.”³⁰⁵ However, the Supreme Court rejected the view that the patentee’s willingness to license its patents and lack of commercial activity would automatically be sufficient justification for denying injunctive relief.³⁰⁶ Rather, the Court noted:

[S]ome patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than secure the financing necessary to bring their works to market themselves. Such patent holders may be able to satisfy the traditional four-factor test, and we see no basis for categorically denying them the opportunity to do so.³⁰⁷

This statement implies that it would not be reasonable for other patent owners, who are not “university researchers” or “self-made inventors” to follow a business model that involves licensing, rather than practicing the patented invention. The Court’s underlying concern here was likely with patent trolls, the patent holdup problem, or both.³⁰⁸ However, a patentee’s willingness to license and failure to practice the patented invention, considered alone, are inappropriate considerations in determining whether the presumption of irreparable harm has been rebutted. As Professors Epstein, Wagner, and Kieff have explained, as a policy matter, the courts should not be evaluating the appropriateness of patent owners’ business models.³⁰⁹ Furthermore, many patentees have business models centered around their expertise in inventing and developing technologies, but not manufacturing them.³¹⁰ Or, a company may have exited a line of business, yet still own a patent portfolio related to that business.³¹¹ Moreover, determining who is a “self-made inventor” who may reasonably license his patented invention and who is a “patent troll” may

304. *Id.*

305. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003); *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 571 (E.D. Va. 2007).

306. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

307. *Id.*

308. *See supra* Part I.D. Justice Kennedy more explicitly raised this concern in his concurrence, noting:

An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees For these firms, an injunction . . . can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.

eBay, 547 U.S. at 396 (Kennedy, J., concurring).

309. Brief of Various Law & Economics Professors as Amici Curiae in Support of Respondent at 27, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130).

310. *Id.*

311. *Id.*

not always be straightforward.³¹² Finally, under *Continental Paper Bag*, which the Court did not purport to overrule in *eBay*, a patentee is not required to practice the patented invention to be entitled to injunctive relief.³¹³ Thus, the mere fact that a patent owner licenses or wishes to license her invention and does not practice the invention herself should not by itself be sufficient to rebut the presumption of irreparable harm. However, when considered in conjunction with other circumstances, such as where the invention is a very small or insignificant component of the infringing device or system and the patent owner has attempted to extract disproportionate value for the invention from an infringer, the licensing practices of the patentee may have some relevance to the determination of whether the presumption has been rebutted. However, courts should exercise extreme caution in concluding that the presumption has been rebutted for these reasons.

In addition to the above factors set forth by the Federal Circuit in the context of preliminary injunctions prior to the *eBay* case, other circumstances may also be sufficient to rebut the presumption of irreparable harm. For example, in *eBay*, the district court considered the fact that the patent owner had made numerous comments to the media before, during, and after trial indicating that it did not seek to enjoin eBay but rather only sought appropriate damages for the infringement.³¹⁴ Under such circumstances, it may be appropriate for a court to conclude that the patentee is estopped from arguing that it will be irreparably harmed in the absence of injunctive relief.

As another example, in *Sanofi-Synthelabo v. Apotex, Inc.*, the parties had entered into a settlement agreement which included a provision capping any damages for infringement.³¹⁵ The infringer argued that this provision was an admission by the patent owner that it would not be irreparably harmed in the absence of a preliminary injunction.³¹⁶ The Federal Circuit rejected this argument, but did so because the agreement also contemplated that an injunction could issue.³¹⁷ Thus, if the parties to a patent dispute had a similar agreement which did not contemplate the possibility of an injunction, this might be sufficient to rebut the presumption of irreparable harm.

There are undoubtedly other circumstances in which it would be appropriate for a court to find that the presumption of irreparable harm had been rebutted. The above list is not meant to be exhaustive, but rather is intended to illustrate some circumstances in which a finding of rebuttal may be

312. *See id.* at 28 (“The supposed ‘patent troll’ may actually be a small entrepreneur trying desperately to negotiate with large infringers.”).

313. *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 424–25 (1908).

314. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003).

315. 470 F.3d 1368, 1381 (Fed. Cir. 2006).

316. *Id.*

317. *Id.* at 1381–82.

appropriate. However, even when a court has decided that the infringer has not sufficiently rebutted the presumption of irreparable harm or when the court has determined that the patentee has proven irreparable harm, the court may still deny injunctive relief if it concludes that irreparable harm factor is outweighed by one of the other three equitable considerations.

2. Situations in Which the Irreparable Harm Factor May be Outweighed by Other Equitable Considerations

Under some circumstances, the irreparable harm factor of the traditional equitable test will be outweighed by one or more of the three other equitable factors: the public interest, the balance of the hardships, and whether the patentee has an adequate remedy at law.³¹⁸ As will be seen from the following discussion, courts should focus primarily on the public interest and balance of the hardships factors in making this determination.

a. The Public Interest

Prior to *eBay*, in the few instances in which courts denied injunctive relief in a patent infringement case, they did so based primarily on public interest considerations. Such denials of injunctive relief will continue to be appropriate in the post-*eBay* era, but such denials should be limited to situations in which the public interest would be gravely harmed by an injunction. Injunctive relief should not be denied simply because the public would be moderately inconvenienced by an injunction.

For example, the courts have long recognized that where enjoining the infringing activity would pose a serious threat to public health, injunctive relief should be denied.³¹⁹ Similarly, if enjoining the infringing activity would pose a serious threat of harm to the environment, it may be appropriate for a court to determine that the irreparable harm factor is outweighed by the public interest factor. However, the fact that the patent claims a medical device is not itself, without more, a sufficient reason to deny injunctive relief based on the public interest.³²⁰

Some courts have suggested that inconvenience to the public may be sufficient to tip the scales in favor of denying injunctive relief. For example,

318. See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

319. *City of Milwaukee v. Activated Sludge*, 69 F.2d 577, 593 (7th Cir. 1934) (denying injunctive relief where granting an injunction would require the closing of a sewage treatment plant and the running of raw sewage into Lake Michigan).

320. *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 985 (W.D. Tenn. 2006) (enjoining the defendant from infringing a patent on a medical product where the record did not indicate an “enormous public reliance” on the defendant’s product and where other similar products were available to consumers; rejecting the defendant’s argument that there was a substantial public interest in having access to its products, which it alleged were safer and more effective).

in *Nerney v. New York, N.H. & H.R. Co.*, the Second Circuit denied injunctive relief where granting such relief would have caused a great inconvenience to the public by slowing down train schedules.³²¹ More recently, in the wake of the Court's decision in *eBay*, several courts have either noted that inconvenience to the public is an appropriate consideration or have actually considered this factor in denying injunctive relief.³²² However, courts should exercise caution in basing a denial of injunctive relief on inconvenience to the public, and should do so only where the inconvenience is extreme. For instance, a denial of injunctive relief on the basis of public inconvenience might be appropriate where a substantial number of businesses would be unable to function if access to the infringing product or service were suddenly withdrawn, or where a widely used public service would be disrupted by a grant of injunctive relief.

Finally, when considering whether granting injunctive relief would be consistent with the public interest, courts should bear in mind that the public has a strong interest in enforcement of patent rights and protecting the integrity of the patent system, as recognized by many courts both prior to and since the *eBay* decision.³²³ This consideration may be entitled to less weight when public health or safety is at stake, and more weight when the threat to the public interest is simply an inconvenience of some form.

b. Balance of the Hardships

Instances in which the balance of the hardships would tip so strongly in favor of an infringer as to justify a denial of injunctive relief will likely be rare. An infringer, by definition, is violating the rights of another, and therefore even substantial harm to an infringer should ordinarily not be enough to tip the balance of the hardships in the infringer's favor. The infringing party will nearly always be harmed or inconvenienced in some way by being enjoined from practicing the patented invention.

In *Windsurfing International, Inc. v. AMF, Inc.*, the Federal Circuit held that the fact that the infringing product was the defendant's primary product

321. 83 F.2d 409, 411 (2d Cir. 1936).

322. *Rosco, Inc. v. Mirror Lite Co.*, No. CV-96-5658, 2006 WL 2844400, at *5 (E.D.N.Y. Sept. 29, 2006) (suggesting that inconvenience to the public is an appropriate factor to consider, but finding that the public would not be inconvenienced under the circumstances of the case); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 443–44 (E.D. Tex. 2006) (denying injunctive relief where public had an “enormous reliance” on the infringing software product and where imposing the injunction would likely result in pirated software being introduced into the market).

323. *Abbott Labs. v. Andrx Pharm.*, 452 F.3d 1331, 1348 (Fed. Cir. 2006); *Ill. Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 684 (Fed. Cir. 1990); *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. H-03-2910, 2006 WL 3813778, at *7 (S.D. Tex. Dec. 27, 2006).

and thus imposing an injunction might put the defendant out of business was not a sufficient reason to deny injunctive relief.³²⁴ On the other hand, in *Nerney*, the court considered inconvenience to the infringing party in denying injunctive relief, along with inconvenience to the public and other factors.³²⁵ Although *Windsurfing* and *Nerney* both predate *eBay*, courts should follow the lead of these cases and deny injunctive relief on the basis of a hardship to the infringing party only where the hardship would be extremely severe in comparison to the hardship to the patentee or where one or more of the other equitable factors also tip the scales in favor of denying injunctive relief.

c. Adequacy of the Patentee's Remedy at Law

The question of whether remedies available at law are adequate to compensate the patentee is closely intertwined with the question of whether the patentee will be irreparably harmed in the absence of injunctive relief.³²⁶ As the Second Circuit has explained, "If an injury can be appropriately compensated by an award of monetary damages, then an adequate remedy at law exists and no irreparable injury may be found to justify specific relief. But, irreparable harm may be found where damages are difficult to establish and measure."³²⁷ Thus, many of the same considerations that will be relevant to determining whether the presumption of irreparable harm has been rebutted will also be relevant to determining whether the patentee has an adequate remedy at law. Generally speaking, the two inquiries are one and the same.

Furthermore, whether the patentee has an adequate remedy at law is a binary inquiry—money damages will either adequately compensate the patentee, or they will not. There is not much middle ground. The public interest and balance of the hardship factors, on the other hand, require more graduated inquiries: one must consider *how much* the public interest would be harmed by an injunction, *how much* the infringer would be harmed by an injunction, and *how much* the patentee would be harmed in the absence of an injunction.

Thus, it makes little sense to ask whether the irreparable harm factor is outweighed by the adequacy of remedies at law factor. Rather, in determining whether the irreparable harm factor has been outweighed by another equitable consideration, the courts should focus on the public interest and balance of the hardships prongs.

324. 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986).

325. *Nerney v. N.Y., N.H. & H.R. Co.*, 83 F.2d 409, 410–11 (2d Cir. 1936).

326. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 582 (E.D. Va. 2007).

327. *Register.com, Inc. v. Verio, Inc.*, 356 F.3d 393, 404 (2d Cir. 2004).

3. Courts Should Consider Alternatives to an Absolute Denial of Injunctive Relief

When a court finds that the infringer has rebutted the presumption of irreparable harm, that the remaining equitable factors weigh against granting injunctive relief, or both, it still may not always be appropriate for the court to deny injunctive relief altogether and thus grant a de facto compulsory license to the infringer for the remainder of the patent term. Instead, courts should consider whether a compromise approach, similar to that taken by the court in *Schneider (Europe) AG v. SciMed Life Systems, Inc.*, would be more appropriate.³²⁸

The patent involved in *Schneider* claimed a catheter used to treat coronary artery disease.³²⁹ Four surgeons testified that they preferred the infringing device over other similar catheters and stated that a small percentage of procedures could not be performed at all without using the infringing device.³³⁰ The court held that mere personal preference was not an adequate reason for denying an injunction, but rather than immediately enjoining the defendant, the court imposed a one-year “transition period to allow an efficient and non-disruptive changeover for those institutions and physicians who now employ the [infringing catheter] exclusively.”³³¹ The court also required the defendant to pay the plaintiffs a fifteen percent royalty during the one-year transition period.³³²

Thus, where imposing an injunction immediately would harm the public interest, the court should consider whether it would be equitable to delay the injunction so that alternative arrangements could be made to minimize the burden on the public.

CONCLUSION

Factoring a rebuttable presumption of irreparable harm into the equitable balancing analysis that *eBay* requires of district courts would both preserve the fundamental nature of the patent grant as a right to exclude and promote predictability as to when injunctive relief is likely to be granted, at least with respect to cases which bear a reasonable resemblance to the types of cases the courts have long encountered. Availability of injunctive relief in the majority of patent infringement cases and predictability about when such relief will and will not be available are desirable because such circumstances would further the goals underlying the patent system, largely by preserving the bargaining

328. 852 F. Supp. 813 (D. Minn. 1994).

329. *Id.* at 824.

330. *Id.* at 850.

331. *Id.* at 861–62.

332. *Id.* at 862.

power of the patentee. In particular, if parties cannot reliably predict when injunctive relief will be available, would-be infringers will be less likely to enter into licensing agreements with patent owners. Instead, infringers might reasonably choose to continue to infringe, in the hopes that a patent owner (especially a patent owner who is an individual inventor or small company) might not have the resources to engage in drawn-out and costly litigation, or that if litigation did ensue and proceeded to a final judgment, the court might simply impose a compulsory license with a reasonable royalty instead of granting an injunction. Such circumstances might well hamper an inventor's incentives to innovate and disclose new inventions to the public in a timely manner. There might also be reduced incentives to design around patented inventions, and thus expand the range of alternative products and services available, because parties who wish to use the patented invention may think that there is a fair chance that the consequence of infringing will be the imposition of a requirement to pay a reasonable royalty, rather than an injunction.

However, the Supreme Court was correct to recognize that in some situations, a denial of injunctive relief will be appropriate. In addition to the circumstances under which the courts have long denied such relief (e.g., serious threats to public health or safety), denials of injunctive relief might also be appropriate in at least some patent holdup situations. When confronted with such cases, the courts should carefully consider whether the patented invention is truly a small or insignificant component of a multi-component product (as opposed to a truly innovative or essential component) and whether the threat of an injunction has truly been "employed simply for undue leverage in negotiations."³³³ The courts will likely face difficult line-drawing problems in this area: For example, at what point does a patented component of a larger product become small or insignificant? And where is the line between legitimate negotiating tactics and "undue leverage"? Such determinations will likely need to be made on a case-by-case basis, in light of the totality of the circumstances. However, applying a rebuttable presumption of irreparable harm will help to keep the courts in check and prevent denials of injunctive relief in situations where such a denial would be unjust.

The Supreme Court's decision in *eBay Inc. v. MercExchange, L.L.C.* shifted the landscape of injunctive relief in patent infringement cases. While the Court made clear that it was rejecting the Federal Circuit's general rule favoring injunctive relief, its decision left many questions unanswered. In addition to the question of whether to apply a presumption of irreparable harm, the courts will face other complex questions about how to best implement the equitable balancing procedure. Among other issues, the courts will likely need

333. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

to address: (1) whether willfulness should be considered in the balancing analysis; (2) how much weight, if any, should be given to a patent owner's willingness to license and failure to practice the patented invention; and (3) where a de facto compulsory license is imposed following a denial of injunctive relief, how the royalty rate should be determined. In answering these questions, the courts should be mindful of this country's long history of protecting patent rights and of the goals that the patent system is designed to promote.

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