

Intellectual Property Injunctions after *eBay*

Christopher Cotropia

University of Richmond School of Law

ccotropi@richmond.edu

March 13, 2007





Roadmap

- The *eBay* Decision
- Principles/Rules Governing Injunctions after *eBay*

The *eBay* Decision



District Court's Denial of Injunction

- No Irreparable Harm
 - Willingness to License Patent
 - Lack of Commercialization
 - Failure to Move for Preliminary Injunction
- Money Damages Adequate B/C Willing to License
- Public Interest
 - Public Not Benefit from Non-use by Patentee
 - Business Method Patent
- Balance of Hardships
 - Patentee Exists Solely to Enforce Patents
 - Injunction Breed Multiple Contempt Hearings



Federal Circuit's Reversal

- Applied the “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.”
 - Rare exceptions limited to protecting an important public interest, such as public health
 - “Injunctions are not reserved for patentees who intend to practice their patents, as opposed to those who choose to license.”



Supreme Court's Decision

- Unanimous opinion holds:
“only that the decision 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, in patent disputes no less than in other cases governed by such standards”
- Both Federal Circuit and District Court wrong



Supreme Court's Decision

- Must apply well-established, general four factor test:
 - irreparable injury
 - inadequate remedies at law
 - balance of hardships
 - public interest

- Reject any categorical rules indicating when an injunction can or cannot issue



Supreme Court's Decision

- Main opinion rejects general rule that injunctions should issue upon finding of infringement

- Opinion also rejects denial when patentee is
 - willing to license and
 - not commercially practicing its patent
 - "University researchers" and "self-made inventors" can get injunctions



Chief Justice Roberts's Concurrence

- Joined by Justices Scalia and Ginsburg

- “From at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases”
 - “a page of history is worth a volume of logic.”

- “Discretion is not a whim”



Justice Kennedy's Concurrence

- Joined by Justices Stevens, Souter, and Breyer

- Consider “the nature of the patent being enforced and the economic function of the patent holder”
 - This case “quite unlike earlier cases”

- Provides some insight on specific instances



Justice Kennedy's Concurrence

- “When 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, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”
- Business method patents’ “potential vagueness and suspect validity . . . may affect the calculus under the four-factor test.”



Open Questions After *eBay*

- What facts are relevant to the four factor analysis?
 - And which way to these facts push?
 - Any (gasp) general rules or principles?

- Will the four factor test significantly decrease the number of injunctions granted?



Search for Principles/Rules After *eBay*

i.e., Let's Not Following
eBay

Patent Cases Applying *eBay*



Overall Statistics

Table 1 – Decisions on Motion for Permanent Injunction Applying *eBay*

Permanent Injunction Granted	12
Permanent Injunction Denied	5



Overarching Principles/Rules

- Competing Patentholder → Injunction
 - *Black & Decker v. Bosch* (N.D. Ill.)
 - *Transocean Offshore v. GlobalSantaFe* (S.D. Tex.)
 - *Visto Corp. v. Seven Networks* (E.D. Tex.)

- Non-Producing Patentholder → No Injunction
 - *Paice LLC v. Toyota Motor Corp.* (E.D. Tex.)

- Patent on Small Component → No Injunction
 - *z4 Techs. v. Microsoft* (E.D. Tex.)



What if Patentee's Licensee is Competing?

- No Injunction if Non-Exclusive Licensees Compete
 - *Sundance v. DeMonte Fabricating* (E.D. Mich.)

- No Injunction if Exclusive Licensee Competes
 - *Voda v. Cordis Corp.* (W.D. Okla.)

- Injunction if Licensed Subsidiary Competes
 - *Novozymes v. Genencor Int'l* (D. Del.)



What if Competing Patentee, But Patent Covers Small Component?

- Justice Breyer's Comment
 - Holdup/Overvaluation Problem

- *In re* Certain Baseband Processor Chips and Chipsets (ITC, pending)
 - Patent covers low-power aspect of cellular phone chip
 - Exclusion order covering complete handset?



Comparative Look at the Individual Factors

- *Paice v. Toyota* (E.D. Tex. Aug. 16, 2006)
(J. Folsom)
 - Irreparable Harm
 - Impact on licensing irrelevant
 - Monetary damages sufficient
 - Plaintiff does not compete, so no market harm
 - Inadequate Remedy
 - Monetary damages not impact future licenses
 - Infringing component small
 - Easy to calculate reasonable royalty
 - Plaintiff offered license throughout



Comparative Look at the Individual Factor

- *Paice v. Toyota* (E.D. Tex. Aug. 16, 2006)
(J. Folsom) (cont'd)
 - Balance of Hardships
 - Impact on defendant and downstream dealers
 - Damage defendant's reputation
 - No harm to plaintiff's licensing program
 - Public Interest
 - Monetary relief observes interest in strong patent rights
 - Public interest in hybrids too small



Comparative Look at the Individual Factor

- *Tivo v. Echostar* (E.D. Tex. Aug. 17, 2006)
(J. Folsom)
 - Irreparable Harm/Inadequate Remedy
 - Plaintiff competes directly
 - Loss of market share (sticky customers)
 - Plaintiff new to market
 - Delay in bringing suit irrelevant
 - Attempts to license not relevant
 - “Plaintiff’s motives in bringing lawsuit are irrelevant”



Comparative Look at the Individual Factor

- *Tivo v. Echostar* (E.D. Tex. Aug. 17, 2006)
(J. Folsom) (cont'd)
 - Balance of Hardships
 - Impact on plaintiff's business large
 - Patents not impact core of defendant's business
 - Hardship to defendant and downstream irrelevant
 - Public Interest
 - Public interest in strong patent system



Worries

- No one is following truly following *eBay*
 - Piling on
- Mission Creep
 - *Abbott Labs. v. Andrex Pharms.* (Fed. Cir.)
 - Court finds that impact on the patentee's sales, alone, “do[] not establish that [the patentee's] harm will be irreparable”
- Impact on Future Infringers/Settlement
 - Willful infringement going forward?
- Litigation Costs/*eBay* Hearings
 - Court oversight of forward-looking royalties



What About Preliminary Injunctions?

- Death(?) Of Presumption of Irreparable Harm
 - Federal Circuit sidestepped issue (twice)
 - *Abbott Labs.*
 - *Sanofi-Synthelabo v. Apotex, Inc.*
 - Cases do provide insight into irreparable harm/public interest factors
 - Most District Courts Conclude Presumption Gone
 - Still Grant Preliminary Injunction
 - One Outlier – *Christiana Indus. v. Empire Elecs., Inc.* (E.D. Mich.)



Practitioner Takeaways

- More Work!
- Recognize/Take Advantage of Tendency Towards Categorical Rules
- Possible Additional Hurdle for Preliminary Injunctions



Practitioner Takeaways

- Advice for Patentholders
 - Remember, you won the liability phase
 - Patent right does push factors towards grant injunction
 - Tough to value patent rights, even reasonable royalty
 - Harm from enforcing patent right irrelevant in balance of hardships
 - Public interest in strong patent rights
 - Focus on case-by-case/factor-by-factor approach
 - Compete (or look like you want to)
 - *Reject, reject, reject* offers for settlement (*3M v. Avery* (D. Minn.))
 - Make licensee a named plaintiff
 - ITC (Maybe?)



Practitioner Takeaways

- Advice for Alleged/Potential Infringers
 - Take advantage of uncertainty
 - Reasonable royalty (say it again, reasonable royalty)
 - Create record for harm from injunction to company
 - Bait settlement offers

Copyright Cases Applying *eBay*



eBay Being Applied in Copyright Cases

- Court explicitly links patent and copyright injunctions in *eBay*

- Three of five applying *eBay* grant injunction
 - One remands; One denies (because stopped infringing)

- Courts focus on continuation of infringement

- Impact on preliminary injunctions still open



Possible Denial Situations?

- Non-use of copyright works (unpublished/not distributed)
 - *Salinger v. Random House, Inc.* (2d. Cir.)

- Small component of larger work
 - *Woods v. Universal City Studios* (S.D.N.Y.) (“12 Monkeys”)

- Close fair use cases
 - *Campbell v. Acuff-Rose Music* (S. Ct.) (footnote 10)



Practitioner Takeaways

- Injunctions are up for grabs here, as well
- Avenue to force licensing (say it again, reasonable royalty)
- Remember moral rights

Trademark Cases

Applying *eBay*



eBay Applied in Trademark Cases

- Applied in four cases – all grant permanent injunction
- Impact on preliminary injunctions still open

Questions?

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