

In Practice: The Injunctive Relief Pendulum

In 2006, the Supreme Court's *eBay Inc. v. MercExchange, LLC*, decision abolished the general rule that injunctive relief follows a finding of patent infringement and held that the traditional four-factor test of equitable considerations should apply. While the *eBay* opinion was unanimous, the two concurrences set forth fractures that would play out in subsequent jurisprudence.

Despite abolishing the "general rule," Chief Justice John Roberts cautioned restraint. "From at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases." He reasoned that "[t]his long tradition of equity practice is 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." Urging consistency with traditional practice, Roberts referred lower courts to the pages of legal history for guidance.

Justice Anthony Kennedy disagreed that the traditional practice of issuing injunctions rested on the exclusionary nature of patent rights." He saw the decision as an opportunity to account for modern trends in patent litiga-

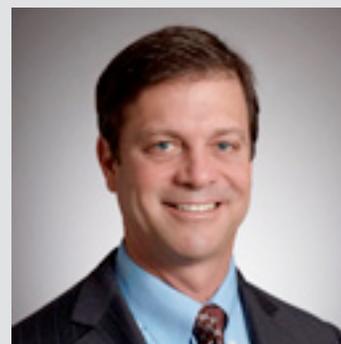
tion that had shifted the equities against injunctive relief. His concurrence warned that "[i]n cases now arising," courts must be aware of non-practicing entities who seek "exorbitant fees" for minor patents, and use the threat of an injunction for undue leverage in negotiations. For these non-practicing entities, "legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest."

Neither of these opinions, however, predicted the impact of *eBay* on the ability of "traditional" (practicing) patentees to obtain injunctive relief against competitors.

Has the injunction pendulum swung too far

Statistics compiled by the University of Houston Law Center reveal that, at the district court level, one in four motions for permanent injunction has been denied since *eBay*. But more importantly, a significant number of these denials involve practicing patentees seeking to enjoin direct marketplace competitors.

Despite Roberts' admonishment, much of the post-*eBay* law on injunctive relief can be more fairly characterized as writings on a blank slate. Few district court decisions have considered the exclusionary nature of patent



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rights as a significant factor and citation to historical cases granting injunctive relief is rare. Rather, to fill the vacuum left by the rejected "traditional practice," many district courts have focused on economic harm to the patentee as the litmus test. Where the patentee is unable to prove lost sales as a direct result of defendant's infringement, many courts have denied permanent injunctions for failure to show irreparable harm.

But such focus on lost sales and economic harm may be missing the mark. It is well-settled that injury of an economic nature is generally not considered irreparable. In fact, "difficulty in estimating monetary damages is evidence that remedies at law are inadequate" and that injunctive relief is appropriate. (*i4i Ltd. Partnership v.*

Microsoft Corp.) A focus on monetizing the effects of infringement gives short shrift to the loss of exclusivity identified by Roberts as core to the irreparable harm analysis. At bottom, a practicing patentee who can claim exclusivity over his innovation is differently situated than one who is forced to license his invention to rivals. The harm to a patentee's competitive "soft power" from a rival's infringement is apparent — e.g., the patentee cannot be seen as a market innovator if its competitors offer the same features — but frequently defies monetary valuation.

As the Federal Circuit succinctly stated over 25 years ago: "[t]he patent statute further provides injunctive relief to preserve the legal interests of the parties against future infringement which may have market effects never fully compensable in money." *Atlas Powder Co. v. Ireco Chems.* Shifting the focus of the irreparable harm analysis back to the patentee's loss of exclusivity (and the attendant competitive harms) will go a long way toward ensuring that the power pendulum does not swing too far away from the innovator.

Is the pendulum swinging back

In a string of recent cases involving market competitors, the Federal Circuit (or at least a faction thereof) has echoed the traditional principles set forth in Roberts' eBay concurrence in reversing or vacating the lower court's denial of injunctive relief. Beginning with *Robert Bosch LLC v. Pylon Mfg.*

Corp., where Judge Kathleen O'Malley wrote in reversing the district court's denial of injunctive relief:

"Although eBay abolishes our general rule that an injunction normally will issue when a patent is found to have been valid and infringed, it does not swing the pendulum in the opposite direction. In other words, even though a successful patent infringement plaintiff can no longer rely on presumptions or other short-cuts to support a request for a permanent injunction, it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude."

Then, in *Edwards Lifesciences AG v. CoreValve, Inc.*, Judge Pauline Newman pointedly addressed the perceived implications of eBay:

"The court in eBay did not hold that there is a presumption against exclusivity on successful infringement litigation. The court did not cancel 35 U.S.C. §154, which states that 'Every patent shall contain ... a grant ... of the right to exclude others from making, using, offering for sale, or selling the invention,' nor did the court overrule Article I section 8 of the Constitution, which grants Congress the power to 'secur[e] for limited times to authors and inventors the exclusive right to their respective writings and discoveries.'

Finally, Chief Judge Randall Rader in *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.* stated that: "Of course the axiomatic remedy for trespass on prop-

erty rights is removal of the trespasser. ... [The] historical practice of protecting the right to exclude through injunctive relief is not surprising given the difficulties of protecting this right solely with monetary relief."

While the future direction of the law on patent injunctive relief remains unclear, these opinions represent a signal from the Federal Circuit that the implications of eBay should not be overstated, that the exclusive nature of patent rights should militate for injunctive relief, and that traditional patent plaintiffs should be favored in their efforts to enjoin market competitors.

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