

# Injunctions in Patent Cases

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For patent holders, monetary compensation often provides insufficient relief from patent infringers. To prevent the defendant from continuing to infringe, patentees typically seek permanent injunctive relief ( a court order) to stop the defendants' use of the patented product, as well. But a unanimous U.S. Supreme Court decision may make permanent injunctions harder to obtain for patentees. The ruling in *eBay Inc. v. MercExchange* has clarified when injunctive relief is available in patent infringement cases.

## History of the Case

MercExchange held a business method patent for its so-called "Buy It Now" technology. The invention allows bidders in online auctions to take the uncertainty out of the bidding. By clicking on the "Buy It Now" button, a buyer can immediately end an auction by agreeing to pay a specified price.

The company tried to license its patent to online auctioneers eBay and Half.com. After the parties failed to reach agreement, MercExchange brought a patent infringement suit. The jury found the patent was valid and the defendants had infringed it. MercExchange was awarded \$30 million, but the district court denied its motion for a permanent injunction against the defendants, finding that there was no irreparable injury because the company was willing to license the patent and it wasn't otherwise engaged

in commercial activity. Thus, in the district court's opinion, the monetary award provided sufficient relief and an injunction was unwarranted.

On appeal, the Federal Circuit reversed, citing "the general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances." It reasoned that the statutory right to exclude others from making, using, offering for sale, or selling a patented invention justifies a general rule favoring permanent injunctive relief.



## The Supreme Court Decides

The Supreme Court found that neither the district court nor the Appellate Court correctly applied traditional equitable principles in determining the MercExchange's request for injunctive relief. Noting that the Patent Act expressly provides that injunctions "may" issue "in accordance with the principles of equity," the Supreme Court held that the four factors that traditionally apply for permanent injunctions likewise apply in

patent suits. Thus, the plaintiff must establish that:

1. It will suffer irreparable injury without the injunction;
2. Monetary damages are inadequate to compensate for the injury;
3. Considering the balance of hardships between the parties, an equitable remedy is warranted; and
4. The public interest isn't disserved by a permanent injunction.

The Court declared that the district court was mistaken in denying MercExchange the injunction. It shouldn't have assumed that the company's willingness to license and lack of commercial activity were sufficient to establish the absence of irreparable injury.

“*The Patent Act expressly provides that injunctions “may” issue “in accordance with the principles of equity.”*”

The high Court cited university researchers and self-made inventors as examples of patent holders who might prefer to license their patents rather than bring them to market themselves. Such patentees shouldn't be denied the opportunity to satisfy the four-factor test, and it was improper to adopt expansive principles that suggest injunctive relief is unavailable in a broad swath of cases.

The Court also criticized the Appellate Court for departing in the opposite direction from the four-factor test. That Court was incorrect in asserting that the right to exclude alone justified its general rule granting injunctive relief. “The creation of a right is distinct from the provision of remedies for violations of that right.”

Finally, the Court observed that respecting the principles of equity in patent cases is consistent with the treatment of permanent injunctions under the Copyright Act. The Supreme Court has repeatedly declined to replace traditional equitable considerations with a rule that an injunction automatically follows a finding of copyright infringement.

The case was so important to the justices that the decision included two concurring opinions in addition to the majority opinion by Justice Thomas. Justices Scalia and Ginsburg joined Chief Justice Roberts in adding a historical perspective to the ruling. They acknowledged that, since the early 19<sup>th</sup> century, courts have granted injunctive relief after a finding of infringement in the vast majority of patent cases.

Such results weren't surprising, given the difficulty of protecting the patent holder's right to exclude with money damages that don't enjoin an infringer from use of an invention without authorization. But, historical practice doesn't entitle patentees to permanent injunctions or justify a general rule that injunctions should issue.

Justices Kennedy, Stevens, Souter and Breyer concurred in a separate opinion. While earlier cases established a pattern of granting injunctive relief “almost as a matter of course,” they illustrated the results of the four-factor test in the contexts then prevalent. Today, trial courts must recognize that in many cases, the nature of the patents at issue and the economic function of the patent holder make cases quite different.

The Kennedy concurrence refers particularly to firms that use patents primarily to obtain licensing fees, rather than to produce and sell goods. Where a patented invention forms only a small component of the overall product, and the threat of an injunction is used as leverage in licensing negotiations, Kennedy concluded that legal damages may well provide sufficient compensation, and an injunction might not serve the public interest.

Further, according to Kennedy, injunctive relief could carry different consequences for business method patents. The potential vagueness and questionable validity of some of these patents could affect the analysis under the traditional four-factor test. District courts, therefore, must determine whether past judicial practices actually fit the circumstances of current cases.

#### **No Guarantee of Injunction**

The *eBay* decision makes clear that district courts should perform a case-by-case factual analysis when weighing whether to grant injunctive relief in patent cases. But it doesn't offer much additional guidance. In *eBay*, the Court held only that district courts have equitable discretion to grant or deny relief, consistent with the traditional principles of equity. The Supreme Court remanded the case back to the district court, but took no position on whether permanent injunctive relief should issue.

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