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***eBay* and Patent  
Injunctions in the U.S.**

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# 35 USC 283, The Controlling Statute

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- 35 USC 283: “The several courts having jurisdiction under this title [the Patent Act of 1952] 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.” -- Not amended in 67 years.
- Predecessor statute, R.S. 4921, used virtually the same language, “to grant injunctions according to the course and principles of courts of equity.” The same before 1952 back to at least 1885.

# Law vs. Equity

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- U.S. is a common law country, as you know, taking its basic principles from English law at time of American Revolution. Famous 1996 *Markman* case cited English judgments from the 1760's.
- Traditional split between law – jury trials, damages remedies – and equity – no jury, wide latitude to fashion remedy, such as injunction, disgorgement, mandating specified actions.
- Formal split abolished in U.S. federal courts by Federal Rules of Civil Procedure in 1938 but division in jury trial right and remedies continues.

# State of U.S. Patent Injunctions Prior to *eBay* (2006)

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- Prior to *eBay* no “absolute right” to an injunction, but general rule was that injunction will issue “absent a sound reason for denying it.” Based on principles of property law, “of which the patent law partakes.” *Richardson v. Suzuki*.
- Exceptions included public interest (e.g., practicing invention necessary to public safety)
- Little specific attention paid to the wording of 35 USC 283.

# The eBay Case – CAFC

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- Federal Circuit (CAFC), 401 F.3d 1323 (Fed. Cir. 2005):
- Denial of permanent injunction by district court reversed:
  - “In this case, the district court did not provide any persuasive reason to believe this case is sufficiently exceptional to justify the denial of a permanent injunction. In its post-trial order, the district court stated that the public interest favors denial of a permanent injunction in view of ‘a growing concern over the issuance of business-method patents, which forced the PTO to implement a second level review policy and cause legislation to be introduced in Congress to eliminate the presumption of validity for such patents.’ A general concern regarding business-method patents, however, is not the type of important public need that justifies the unusual step of denying injunctive relief.” 401 F.3d at 1339.
  - CAFC also rejected denial of injunction based on likelihood of continuing disputes between the parties.

# The eBay Case – Supreme Court

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- Vacated and remanded CAFC decision. No “general rule,” unique to patent cases, that a permanent injunction must issue absent extraordinary circumstances.
- In determining whether to grant injunction, court should apply traditional equitable principles, namely “the four-factor test historically employed by courts of equity.” 547 U.S. at 390.
- The district court denied injunctive relief in part based on patentee’s willingness to license patent and lack of commercial activity in practicing the patent. “[Such a] categorical rule is also in tension with *Continental Bag*,” 210 U.S. 405, 422-30 (1908), “which rejected the contention that a court of equity has no jurisdiction to grant injunctive relief to a patent holder who has unreasonably declined to use the patent.”

# The *eBay* “Four-Factor Test”

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The patentee has the burden to prove:

- (1) that it has suffered an irreparable injury
  - Direct competitors in small market
  - Non-manufacture of goods weighs against irreparable harm
  - Infringement causes market/price erosion, discourages R&D
  - Past licensing may show lack of irreparable harm

# The eBay “Four-Factor Test”

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(2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury (perhaps, say some commentators, the other side of the irreparable injury coin)

- Infringer can't pay
- Consistent refusal to license *may* show damages unlikely to compensate fully – courts must consider “all circumstances.”  
*Acumed v. Stryker*
- NPE's can rarely get past this factor

# The *eBay* “Four-Factor Test”

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(3) that an equitable remedy is warranted considering the balance of “hardships” (i.e., not “harms” as in earlier cases)

- Is patented product of particular interest to patentee’s business?
- Hardship to infringer lessened by availability of non-infringing alternatives
- Cost of cessation of infringement (or cessation of business due to injunction) generally not a “hardship”
- Could be called a “proportionality” test.

# The eBay “Four-Factor Test”

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(4) that a permanent injunction would not disserve the public interest

- Rarely in issue: does harm to specific public interest outweigh public interest in strong patent system?
- Can arise where injunction would deprive public of invention necessary to public health or safety (e.g., sewage plant in *City of Milwaukee*; or where infringer is one of few companies selling important medical device)

# The *eBay* “Four-Factor Test”

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- Equitable defenses/factors not mentioned in *eBay* but which have real world impact: unclean hands, unreasonable delay (laches no longer a defense in patent cases), pendency of IPR/CBM or reexamination
- Decided by judge even in jury case, based on trial record or post-trial hearing
- Standard of review on appeal is abuse of discretion, not a strict standard, leaves much to judgment of trial court (not shared by Continental legal systems)

# The *eBay* Case – The Prior *Continental Bag* Case

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- Old case (1908) rarely cited.
- Supreme Court affirmed grant of injunction against direct competitor infringer where patentee did not use the patented invention but rather used another patented design it thought worked better:
  - “[T]he right can only retain its attribute of exclusiveness by a prevention of its violation.”
  - Non-use of the patented invention is not by itself a reason to deny injunction
  - In this case, it can be argued that the patentee had a valid competitive reason for enforcing its patent even though it did not use the patented technology (and so, contrary to what Supreme Court said in *eBay*, did not “unreasonably decline” to use the patent)

# Preliminary Injunctions

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- Same four factor test, with two refinements:
  - Patentee must show “substantial likelihood of success” on the merits, i.e., must present evidence and reasoning to show patent is likely to be valid and infringed and that defenses of infringer are not likely to succeed, AND
  - Must show “immediate” and irreparable harm, i.e., delay in seeking preliminary relief may preclude relief

# Reactions to eBay

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- Academia divided in view of patents between “property” (injunctions to prevent trespass) theory and “liability” (damages as tort compensation) theory
  - Patents “shall have the attributes of personal property,” 35 USC 261
  - Patent infringement is a tort. *Rite Hite*.
- No consensus on which theory is correct, so no consensus on whether patentees should presumptively be entitled to injunctive relief against infringers.
- No clear path has emerged, even now after 13 years. A lot of commentary, very little agreement.

# “Causal Nexus” as Obstacle to Injunctive Relief

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- *Apple Inc. v. Samsung Elecs. Co.*, 678 F.3d 1314, 1324 (Fed. Cir. 2012):
  - “We hold that the district court was correct to require a showing of some causal nexus between Samsung's infringement and the alleged harm to Apple as part of the showing of irreparable harm.”
  - “To show irreparable harm, it is necessary to show that the infringement caused harm in the first place. Sales lost to an infringing product cannot irreparably harm a patentee if consumers buy that product for reasons other than the patented feature. If the patented feature does not drive the demand for the product, sales would be lost even if the offending feature were absent from the accused product. Thus, a likelihood of irreparable harm cannot be shown if sales would be lost regardless of the infringing conduct.”
- Accused infringers may be overcoming a showing of causal nexus by presenting evidence that the patentee's harm is due to something besides the infringement

# Prevalence of Injunctive Relief since *eBay*

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- Hard to say: “[T]he Federal Circuit is generally more favorable to prevailing patentees regarding permanent injunctive relief than the district courts following *eBay*. District courts that grant an injunction after a finding of liability are highly likely to be affirmed on appeal [88%], whereas district courts that deny injunctive relief have a significantly lower affirmance rate [53%].” R. Holte, PATENT INJUNCTIONS ON APPEAL, 92 Wash. L. Rev. 145, 202 (2017).
- Data skewed by higher likelihood cases granting injunctions are appealed.
- Grants of permanent injunctions declined significantly in 2018 – seemingly limited to competitor cases. R. Davis, Law360, Jan. 31, 2019.

# What Happens with NPE's?

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- Generally speaking, NPE's do not get injunctive relief because they cannot show irreparable harm or inadequacy of legal remedy and/or cannot withstand balance of harms analysis
- Cases are fact-specific, which means that results can vary depending on judicial inclinations (*cf.*, *eBay*)
- Lasting controversy, at least in academic circles, as to effect on property rights theory of patents, i.e., NPE's are patentees, and their patents are "property" they are entitled to defend against trespassers

# Contact Me

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