



The State of Injunctions in a Post-*eBay* World

Robert A. Cote, Orrick Partner

June 15, 2007

Loyola IP Focus Series - Los Angeles, CA

The eBay Decision

"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"

eBay, Inc. v. MercExchange, LLC, 126 S.Ct. 1837 (2006)

The Four Factor Test

Traditional Principles of Equity impose a four factor test:

- irreparable injury
- inadequate remedies at law
- balance of hardships
- public interest

Per se rules indicating when an injunction can or cannot issue are improper.

Post-eBay Permanent Injunction Statistics*

Post-eBay Cases Granting Injunctions	20	77%
Post-eBay Cases Denying Injunctions	6	23%

*See Appendix of Cases

Post eBay Cases Granting Injunctions

- *Competing Patent Owner*

- Product Market:

- Black & Decker v. Bosch (N.D. Ill.)
 - Transocean v. GlobalSantaFe (S.D. Tex.)
(*willing* to license competitors)
 - Tivo v. Echostar Communications (E.D. Tex.)
 - MGM Well Services v. Mega Lift Systems (S.D. Tex.)
(policy not to license competitors)
 - 800 Adept v. Merux Securites (M.D. Fl.)
 - Brooktrout v. Eicon Networks (E.D. Tex.)
(inducement enjoined, but not product sales)

Post eBay Cases Granting Injunctions (cont'd)

- *Competing Patent Owner (cont'd)*

 - Research Market:

 - Commonwealth v. Buffalo Technology (E.D. Tex.)
(competing in research market; irreparable loss of research projects)

- *Competing Licensed Subsidiary*

 - Novozymes v. Genencor Int'l (D. Del.)
(policy not to license outside corporate family)

Post eBay Cases Denying Injunctions

- *Non-Competing Patent Owner*

- Paice LLC v. Toyota Motor Corp. (E.D. Tex.)

- z4 Techs. v. Microsoft (E.D. Tex.)

- (efforts to commercialize were not shown to fail because of Microsoft)

- *Competing Non-Exclusive Licensees*

- Sundance v. DeMonte Fabricating (E.D. Mich.)

- (patent owner failed to show irreparable harm to its licensees and thus could not show *personal* harm)

Post eBay Cases Denying Injunctions (cont'd)

- *Competing Exclusive Licensee*

- Voda v. Cordis Corp. (W.D. Okla.)

- (patent owner failed to show *personal* irreparable harm; licensee was not joined in suit)

- *Patented Component/Feature*

- Sundance v. DeMonte Fabricating (E.D. Mich.)

- (component not shown to drive sales)

- z4 Techs. v. Microsoft (E.D. Tex.)

- (component not shown to drive sales)

Patent Owner Injunction Strategies

- A Patent Owner should consider the following strategies to improve its chances of a permanent injunction:
 - Competing in a legitimate product, service *or research market* is the key to success
 - If not competing, the patent owner should start or partner with a business (of any size) that is competing
 - include terms in contract to establish the patent owner's *personal* irreparable harm through its partner (e.g. exclusive licensee or joint venture partner); and require the partner to join and/or cooperate in any litigation

Patent Owner Injunction Strategies (cont'd)

- Prove-up irreparable harm, e.g. loss of market share, market opportunity, or reputation that cannot be quantified with “reasonable certainty”
- If a patented component/feature, be prepared to show directly or by inference (e.g., “core” technology) that it helps drive sales (“but for” causation) and thus drives the loss - it's essential
- Reject offers to settle or license indicating money is enough (not critical, see *TransOcean v. Global Santafe*)

Patent Owner Injunction Strategies (cont'd)

- Emphasize that the public interest is best served by a strong patent system
- Establish injunction will have limited effect on the infringer (e.g., small part of the defendant's business)
- If the infringer can design around the patent show it has not done so (which demonstrates intention to continue infringement and little harm in granting the injunction)

Patent Owner Injunction Strategies (cont'd)

- The International Trade Commission
 - Exclusion Order from the ITC, go for damages in federal court
 - However, no jurisdiction if no importation or adversely affected US industry (*in rem* jurisdiction only)

Injunction Avoidance Strategies

- An Accused Infringer should consider the following strategies to improve its chances of avoiding a permanent injunction:
 - Establish patent owner is not competing in a product, service or research market
 - If competing, establish reasonable royalties adequate to compensate
 - Develop evidence of patent owner licensing competitors
 - Solicit a settlement or license offer from the patent owner

Injunction Avoidance Strategies (cont'd)

- Consider design around options and phasing out the accused product
- Prove-up harm the injunction will cause the accused infringer and its customers
 - the need to continue using is dire (e.g., medical necessity)
 - core business
 - loss of employees
- Establish minimal harm to patent owner - easy if patent owner is not competing

Injunction Avoidance Strategies (cont'd)

- Establish the patent owner does not have clean hands - look for inequitable conduct, improper business tactics, and litigation misconduct
- Point out extended delay in bringing suit
- Avoid behavior that is willful or litigation misconduct (actual or perceived)

Post-eBay Cases Granting Compulsory License

Compulsory License granted:

- Paice LLC v. Toyota Motor Corp. (E.D. Tex.)
- Finisar Corp. v. DirecTV Group, Inc. (E.D. Tex)

New Complaint required instead:

- z4 Techs. v. Microsoft (E.D. Tex.) (Court ordered new complaint filed for determining future damages)

Arguments against Court Issued Compulsory License

- No statutory authority or case law that confers to courts the discretion to impose compulsory license on patentee
 - In *eBay*, Supreme Court does not provide for alternate relief if permanent injunction is denied
 - Supreme Court has declined to require compulsory licensing in patent cases (*Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980))
 - Congress chose not to provide for compulsory licensing in the patent statute (in contrast to compulsory licenses in copyright law for mass market phonorecords and non-commercial broadcasting)

Arguments against Court Issued Compulsory License (cont'd)

- Compulsory license that sets a fixed royalty for the remaining life of a patent requires a jury trial:
 - a Seventh Amendment Right to Jury Trial exists to determine monetary damages, including the terms of any compulsory license
 - Feltner v. Columbia Pictures, 523 U.S. 340, 352-53 (1998) (“We have recognized the general rule that monetary relief is legal....we must conclude that the seventh amendment provides the right to a jury trial....”)

Arguments against Court Issued Compulsory License (cont'd)

- Compulsory license is an incomplete remedy:
 - does not address all possible future uses of the patent; or
 - provide for changes in market conditions that would factor into the calculus, including willful infringement, patent owner's post verdict entry into the market with a competing product;
 - leaves substantial terms open to dispute and litigation, such as patent marking; and
 - prevents patent owner from granting exclusive license to others

Arguments supporting Court Issued Compulsory License (cont'd)

- District court has discretionary authority under 35 USC 283 to issue injunctions in accordance with the principles of equity, which includes a compulsory license
 - Analogize to district court's equitable powers under Sherman Act, which include the power to grant compulsory licenses to third parties for reasonable royalty

Arguments supporting Court Issued Compulsory License

- Where plaintiff does not manufacture or sell products under the patents, plaintiff is entitled merely to reasonable royalty, which is best served by a court issued compulsory license
 - Jury has *already* decided the reasonable royalty rate, based on hypothetical negotiation at the time infringement began

Arguments supporting Court Issued Compulsory License (cont'd)

- Compulsory license is *not* an incomplete remedy because district courts routinely award patentees additional damages for sales occurring after juries render verdicts and without empanelling new juries
 - These additional damages are calculated based on the existing juries' damages verdicts

Appendix

Post-Ebay Cases *Granting* Injunctions:

- 3M Innovative Properties Comp. v. Avery Dennison Corp.,
2006 WL 2735499 (D. Minn. Sept. 25, 2006)
- 800 Adept v. Murex Sec., 2007 WL 1101238
(M.D. Fla. Apr. 12, 2007)
- Black & Decker v. Robert Bosch Tool Corp.,
2006 WL 3446144 (N.D. Ill. Nov. 29, 2006)
- Brooktrout, Inc. v. Eicon Networks Corp. et al.
2007 WL 1730112 (E.D. Tex. Jun 14, 2007)
- Commonwealth Sci. & Indus. Research Org.,
2007 WL 1739999 (E.D. Tex. June 15, 2007)

Appendix (cont'd)

- Comcast Cable Commc'ns v. Kreie,
2007 WL 1101229 (D.N.J. Apr. 10, 2007)
- Comcast Cable Commc'ns v. Virgili,
2007 WL 979884 (D.N.J. Apr. 2, 2007)
- Floe Int'l, Inc. v. Newmans' Mfg. Inc.,
2006 WL 2472112 (D. Minn. Aug. 23, 2006)
- MGM Well Servs. V. MegaLift Sys.,
2007 U.S. Dist. LEXIS 30536 (S.D. Tex. Apr. 25, 2007)
- MPT v. Marathon Labels,
2007 WL 184747 (N.D. Ohio Jan. 19, 2007)
- Novozymes v. Genencor Int'l,
474 F.Supp. 2d, 592 (D. Del. Feb. 16, 2007)

Appendix (cont'd)

- O2 Micro Int'l v. Beyond Innovation Tech.,
2007 U.S. Dist. LEXIS 25948 (E.D. Tex. Mar. 21, 2007)
- Ortho-McNeil Pharm. v. Mylan Laboratories,
2007 U.S. Dist. LEXIS 19494 (D.N.J. Mar. 20, 2007)
- Rosco v. Mirror Lite Co.,
2006 WL 28844400 (E.D.N.Y. Sept. 29, 2006)
- Smith & Nephew v. Synthes,
466 F.Supp. 2d 978 (W.D. Tenn. Sept. 28, 2006)
- Telequip Corp. v. The Change Exch.,
2006 WL 2385425(N.D.N.Y. Aug. 15, 2006)

Appendix (cont'd)

- Tivo v. Echostar,
446 F.Supp.2d 664 (E.D. Tex. Aug. 17, 2006)
- Transocean Offshore v. GlobalSantaFe Corp.,
2006 WL 3813778 (S.D. Tex. Dec. 27, 2006)
- Visto Corp. v. Seven Networks,
2006 WL 3741891 (E.D. Tex. Dec. 19, 2006)
- Wald v. Mudhopper Oilfield Servs.,
2006 WL 2128851 (W.D. Okla. July 27, 2006)

Appendix (cont'd)

Post-Ebay Cases *Denying* Injunctions:

- Finisar Corp. v. The DirecTv Group,
2006 U.S. Dist. LEXIS 76830 (E.D. Tex. July 7, 2006)
- Paice v. Toyota Motor Corp.,
2006 WL 2385139 (E.D. Tex. Aug. 16, 2006)
- Praxair v. ATMI, 2007 WL 906704
(D.Del. Mar. 27, 2007)
- Sundance v. DeMonte Fabricating Ltd.,
2007 WL 37742 (E.D. Mich. Jan. 4, 2007)

Appendix (cont'd)

- Voda v. Cordis Corp.,
2006 WL 2570614 (W.D. Okla. Sept. 5, 2006)
- z4 Techs. v. Microsoft Corp.,
434 F.Supp.2d 437 (E.D. Tex. June 5, 2006)