

The Economic Implications (and Uncertainties) of Obtaining Permanent Injunctive Relief After *eBay v. MercExchange*

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Introduction

In *eBay, Inc. v. MercExchange, L.L.C. (eBay)*,¹ the U.S. Supreme Court clarified the standards for a plaintiff to obtain a permanent injunction under the Patent Act.² Since the May 2006 decision, thirty-six district court decisions, including the remand in the *eBay* case, have applied the Court's decision.³ The net result has been diminished power for patent holders and increased uncertainties for licensing parties and litigants. This is particularly true in those instances in which the patent holder and licensee/infringer are not direct competitors.

I. The *eBay* Decision

In 2003, a federal district court jury found that eBay infringed MercExchange's patented technology with its "Buy It Now" transaction feature.⁴ The feature allows customers to purchase, at a fixed price, website auction items before the auction ends.⁵ Although damages ultimately were found

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¹ 547 U.S. 388 (2006).

² *Id.* at 390.

³ See *infra* notes 35 & 36 and accompanying text.

⁴ *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 698–99 (E.D. Va. 2003), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 547 U.S. 388 (2006).

⁵ *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1325 (Fed. Cir. 2005), *vacated*, 547 U.S. 388 (2006).

to be \$25 million,⁶ the district court denied MercExchange's request for a permanent injunction.⁷ In his opinion denying the request, Judge Friedman noted a growing concern over the issuance of business method patents that the patent holder did not practice.⁸

In 2005, the Court of Appeals for the Federal Circuit (Federal Circuit) not only upheld the finding of infringement and damages, but also imposed a permanent injunction.⁹ The Federal Circuit noted a "general rule that courts will issue permanent injunctions against patent infringements absent exceptional circumstances."¹⁰

On May 15, 2006, the U.S. Supreme Court vacated the Federal Circuit ruling, writing that injunctions should not be granted automatically in patent cases.¹¹ Instead, the Supreme Court required the application of the traditional four-factor test to determine whether a permanent injunction ought to issue.¹² Specifically, the plaintiff must demonstrate the following:

- (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.¹³

The Supreme Court held that the district court was too restrictive, and the Federal Circuit too expansive, in interpreting the test and it remanded the case back to the lower court.¹⁴

Justice Kennedy's concurring opinion pointed to a purported increase in the number of firms that use patents primarily to obtain license fees.¹⁵ He expressed concern that these firms, often known as *patent trolls*, could employ the threat of an injunction to charge exorbitant license fees to companies practicing the patented invention.¹⁶ Further, Justice Kennedy wrote:

⁶ *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 563 (E.D. Va. 2007).

⁷ *MercExchange*, 275 F. Supp. 2d at 722.

⁸ *Id.* at 713–14.

⁹ *MercExchange*, 401 F.3d at 1326.

¹⁰ *Id.* at 1339.

¹¹ *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006).

¹² *Id.*

¹³ *Id.* at 391.

¹⁴ *Id.* at 393–94.

¹⁵ *Id.* at 396 (Kennedy, J., concurring).

¹⁶ *Id.* For a discussion of "patent trolls," see Miranda Jones, Note, *Permanent Injunction, A Remedy by Any Other Name Is Patently Not the Same: How eBay v. MercExchange Affects the Patent Right of Non-Practicing Entities*, 14 GEO. MASON L. REV. 1035, 1035–36, 1040–42 (2007). See also Marc Morgan, *Stop Looking Under the Bridge for Imaginary Creatures: A Comment Examining Who Really Deserves the Title Patent Troll*, 17 FED. CIR. B.J. 165 (2007).

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.¹⁷

Justice Kennedy also expressed skepticism about the validity of some business method patents granted in recent years.¹⁸ He opined that such patents have had little economic worth in the past, which may justify a different “calculus” under the four-factor test than might be expected for a more valuable patent.¹⁹

Following the remand, on July 27, 2007, Judge Friedman issued an opinion denying MercExchange’s request for a permanent injunction.²⁰ The court found that three of the four factors favored eBay and one factor (balance of the hardships) favored neither party.²¹ The court held that MercExchange was not a direct competitor of eBay, had no reputation, brand name, customer base or goodwill to defend, and no royalty stream to maximize.²² Judge Friedman also found it significant that MercExchange’s actions (primarily, its attempts to license its technology) were inconsistent with defending its right to exclude.²³ He held that money damages were appropriate because the evidence pointed to MercExchange’s intent to use the threat of a permanent injunction as a bargaining chip to extract money from eBay.²⁴

II. Pre-*eBay* Injunction Cases

As the Federal Circuit noted in the *eBay* case, before 2006, permanent injunctions were granted routinely to patent holders who prevailed in litigation.²⁵ For example, in *Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp.*,²⁶ the court wrote that “[i]n the patent area, ‘it is the general rule that an injunction will issue when infringement has been adjudged, absent a

¹⁷ *eBay*, 547 U.S. at 396–97 (Kennedy, J., concurring).

¹⁸ *Id.* at 397.

¹⁹ *Id.*

²⁰ *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 559 (E.D. Va. 2007).

²¹ *Id.* at 591.

²² *Id.* at 578, 591.

²³ *Id.* at 591.

²⁴ *Id.* at 582.

²⁵ *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005), *vacated*, 547 U.S. 388 (2006).

²⁶ 106 F. Supp. 2d 696 (D.N.J. 2000).

sound reason for denying it.”²⁷ A variety of commentators have confirmed this “general rule.”²⁸

Exceptions to this general rule were rare and were usually based on a critical public interest.²⁹ For example, an injunction was denied where a community would have been left without any viable means to dispose of raw sewage.³⁰ Injunctive relief was also denied where the burden of an injunction would have been borne primarily by non-party hospitals, patients and the public.³¹ The same outcome resulted where a patentee refused to license the use of its patent to protect the health of “great numbers of the public . . . [who were] suffering with rickets.”³² In most other cases, an injunction was issued with little fanfare. Upon a finding of infringement (rightly or wrongly), patent holders were able to exclude competitors from the marketplace.

With *eBay*'s retraction of the near automatic grant of permanent injunctions, the power (and, therefore, value) of patents has been diminished.³³ Although the full extent of the diminution is yet to be determined, it certainly has impacted a patent holder's entitlement to permanent injunctive relief; it likely has impacted a patent holder's ability to share its rights through a license; and it probably has impacted the process of establishing and estimating litigation damages.

²⁷ *Id.* at 700 (quoting *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989)); *see also* *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281–82 (Fed. Cir. 1988) (holding that infringer's cessation of production is insufficient reason to deny injunction); *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1564 (Fed. Cir. 1984).

²⁸ *See, e.g.*, Rebecca A. Hand, *eBay v. MercExchange: Looking at the Cause and Effect of a Shift in the Standard for Issuing Patent Injunctions*, 25 *CARDOZO ARTS & ENT. L.J.* 461–63 (2007); Charlene A. Stern-Dombal, *Tripping Over TRIPS: Is Compulsory Licensing Under eBay at Odds with U.S. Statutory Requirements and TRIPS?*, 41 *SUFFOLK U. L. REV.* 249, 254 (2007); Yixin H. Tang, *Recent Development: The Future of Patent Enforcement After eBay v. MercExchange*, 20 *HARV. J.L. & TECH.* 235, 243 (2006).

²⁹ *See MercExchange*, 401 F.3d at 1338 (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

³⁰ *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934).

³¹ *Mallinckrodt Inc. v. Masimo Corp.*, No. 00-6506 MRP (AJWx), 2004 U.S. Dist. LEXIS 28518, at *103 (C.D. Cal. July 12, 2004), *aff'd in part, rev'd in part*, 147 Fed. App'x 158 (Fed. Cir. 2005).

³² *Vitamin Technologists, Inc. v. Wis. Alumni Research Found.*, 146 F.2d 941, 946 (9th Cir. 1945).

³³ *See, e.g.*, Hess Bravin & Justin Schek, *Justices Get Another Shot at Patent Law*, *WALL ST. J.*, Jan. 16, 2008, at B1.

III. Injunction Consequences

Since mid-2006, district courts have issued opinions in thirty-six patent cases where the plaintiff sought a permanent injunction.³⁴ Of those, injunctions were granted four out of five times³⁵ and denied the rest of

³⁴ See *infra* notes 35 & 36.

³⁵ The twenty eight injunction cases are: Verizon Servs. Corp. v. Vonage Holdings Corp., 503 F.3d 1295, 1298 (Fed. Cir. 2007); Acumed LLC v. Stryker Corp., No. 04-CV-513-BR, 2007 U.S. Dist. LEXIS 86866, at *1 (Nov. 20, 2007); Martek Biosciences Corp. v. Nutrinova Inc., 520 F. Supp. 2d 537, 560 (D. Del. 2007); Sundance, Inc. v. DeMonte Fabricating Ltd., No. 02-73543, 2007 U.S. Dist. LEXIS 77728, at *3-4 (E.D. Mich. Oct. 19, 2007); Allan Block Corp. v. E. Dillon & Co., 509 F. Supp. 2d 795, 811 (D. Minn. 2007); Johns Hopkins Univ. v. Datascope Corp., 513 F. Supp. 2d 578, 586 (D. Md. 2007); Muniauction, Inc. v. Thomson Corp., 502 F. Supp. 2d 477, 493 (W.D. Pa. 2007); Sanofi-Synthelabo v. Apotex Inc., 492 F. Supp. 2d 353, 356 (S.D.N.Y. 2007); Commw. Scientific and Indus. Research Org. v. Buffalo Tech. Inc., 492 F. Supp. 2d 600, 601 (E.D. Tex. 2007); Brooktrout, Inc. v. Eicon Networks Corp., No. 2:03-CV-59, 2007 U.S. Dist. LEXIS 43107, at *1-2 (E.D. Tex. June 14, 2007); MGM Well Servs., Inc. v. Mega Lift Sys., LLC, 505 F. Supp. 2d 359, 365 (S.D. Tex. 2007); 800 Adept, Inc. v. Murex Secs., Ltd., 505 F. Supp. 2d 1327, 1340 (M.D. Fla. 2007); O2 Micro Int'l, Ltd. v. Beyond Innovation Tech. Co., No. 2-04-CV-32 (TJW), 2007 U.S. Dist. LEXIS 25948, at *10 (E.D. Tex. Mar. 21, 2007); Ortho-McNeil Pharm., Inc. v. Mylan Labs. Inc., Nos. 04-1689, 06-757 and 06-5166, 2007 U.S. Dist. LEXIS 19494, at *2-3 (D.N.J. Mar. 20, 2007); Novozymes A/S v. Genencor Int'l, Inc., 474 F. Supp. 2d 592, 613 (D. Del. 2007); MPT, Inc. v. Marathon Labels, Inc., 505 F. Supp. 2d 401, 423 (N.D. Ohio 2007), *aff'd in part, rev'd in part*, Nos. 2007-1183, -1204, -1238, 2007 U.S. App. LEXIS 28911 (Fed. Cir. Dec. 12, 2007); Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp., No. H-03-2910, 2006 U.S. Dist. LEXIS 93408, at *40 (S.D. Tex. Dec. 27, 2006); Visto Corp. v. Seven Networks, Inc., No. 2:03-CV-333-TJW, 2006 U.S. Dist. LEXIS 91453, at *2 (E.D. Tex. Dec. 19, 2006); Black & Decker Inc. v. Robert Bosch Tool Corp., No. 04 C 7955, 2006 U.S. Dist. LEXIS 86990, at *2 (N.D. Ill. Nov. 29, 2006), *aff'd in part, vacated in part*, Nos. 2007-1243, -1244, 2008 U.S. App. LEXIS 207 (Fed. Cir. Jan. 7, 2008); Rosco, Inc. v. Mirror Lite Co., No. CV-96-5658 (CPS), 2006 U.S. Dist. LEXIS 73366, at *25 (E.D.N.Y. Sept. 28, 2006); Smith & Nephew, Inc. v. Synthes (U.S.A.), 466 F. Supp. 2d 978, 990 (W.D. Tenn. 2006), *appeal dismissed*, No. 2007-1048, U.S. App. LEXIS 4889 (Fed. Cir. Feb. 22, 2008); 3M Innovative Props. Co. v. Avery Dennison Corp., No. 01-1781 (JRT/FLN), 2006 U.S. Dist. LEXIS 70263, at *8 (D. Minn. Sept. 25, 2006); Litecubes, L.L.C. v. N. Light Prods., No. 4:04CV00485 ERW, 2006 U.S. Dist. LEXIS 60575, at *65 (E.D. Mo. Aug. 25, 2006); Floe Int'l, Inc. v. Newmans' Mfg. Inc., No. 04-5120 (DWF/RLE), 2006 U.S. Dist. LEXIS 59872, at *26 (D. Minn. Aug. 23, 2006); Am. Seating Co. v. USSC Group, Inc., No. 01-00578, 2006 U.S. Dist. LEXIS 59212, at *2 (W.D. Mich. Aug. 22, 2006); TiVo Inc. v. EchoStar Commc'ns. Corp., 446 F. Supp. 2d 664, 671 (E.D. Tex. 2006), *aff'd in part, rev'd in part*, 516 F.3d 1290 (Fed. Cir. 2008); Telequip Corp. v. Change Exch., No. 5:01-CV-1748 (FJS/GJD), 2006 U.S. Dist. LEXIS 61469, at

the time.³⁶ To many patent holders, these results do not seem substantially different from pre-*eBay* cases.³⁷ Indeed, in his concurring opinion in the *eBay* case, Justice Kennedy wrote that the pre-*eBay* pattern of granting automatic injunctions against infringers was simply illustrative of the results of the four-factor test.³⁸

This masks, however, the real effect of *eBay*, which is a reduced likelihood that certain *types* of patent holders will be able to obtain an injunction.

A. Importance of “Direct Competition”

To date, the relationship of the parties-in-suit has been the single most important determinant as to whether an injunction will issue.³⁹ For the most part, when the parties-in-suit were deemed *direct* competitors, permanent injunctions were issued.⁴⁰ In fact, with two exceptions, permanent injunctions issued in all twenty-six cases where courts found direct competition

*6 (N.D.N.Y. Aug. 15, 2006); *Wald v. Mudhopper Oilfield Servs.*, No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669, at *19 (W.D. Okla. July 27, 2006).

³⁶ The eight non-injunction cases are: *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1380 (Fed. Cir. 2008); *Respiroics, Inc. v. Invacare Corp.*, No. 04-0336, 2008 U.S. Dist. LEXIS 1174, at *2 (W.D. Pa. Jan. 7, 2008); *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 591 (E.D. Va. 2007); *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 444 (D. Del. 2007); *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, at *21 (W.D. Okla. Sept. 5, 2006); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at *2 (E.D. Tex. Aug. 16, 2006), *aff'd in part, vacated in part*, 504 F.3d 1293 (Fed. Cir. 2007); *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at *4 (E.D. Tex. July 7, 2006); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 438 (E.D. Tex. 2006), *aff'd*, 507 F.3d 1340 (Fed. Cir. 2007).

³⁷ Robert M. Isackson, *After 'eBay,' Injunctions Decrease*, NAT'L L.J., Dec. 3, 2007, at S1.

³⁸ *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

³⁹ Several commentators have made the same observation. See Andrew Beckerman-Rodau, *The Aftermath of eBay v. MercExchange*, 126 S. Ct. 1837 (2006): *A Review of Subsequent Judicial Decisions*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 631, 633 (2007); Gregory A. Castanias et al., *Survey of the Federal Circuit's Patent Law Decisions in 2006: A New Chapter in the Ongoing Dialogue with the Supreme Court*, 56 AM. U. L. REV. 793, 812 (2007); Jeremy Mulder, *The Aftermath of eBay: Predicting When District Courts Will Grant Permanent Injunctions in Patent Cases*, 22 BERKELEY TECH. L.J. 67, 67 (2007); Tang, *supra* note 28, at 243; Jonathan Muenkel & Eric Lee, *The eBay Effect: Real Change or Status Quo? An Examination of Requests for Injunctive Relief in Patent Actions since eBay v. MercExchange*, IPL NEWSL. (A.B.A. Sec. Intell. Prop.) Fall 2006, at 14, 20; David Orozco and James G. Conley, *The "Longer Walk" After eBay v. MercExchange*, 42 LES NOUVELLES 426, 428 (2007).

⁴⁰ See Benjamin H. Diessel, Note, *Trolling for Trolls: The Pitfalls of the Emerging Market Competition Requirement for Permanent Injunctions in Patent Cases Post-eBay*, 106 MICH. L.

between a plaintiff and the infringer. In one exception, *Innogenetics, N.V. v. Abbott Laboratories*,⁴¹ the Federal Circuit reversed the district court's grant of a permanent injunction because the damages awarded at trial presumably contemplated a hypothetical license for the life of the patent-at-issue (not just for pre-trial infringement).⁴² In the other exception, *Praxair, Inc. v. ATMI, Inc.*,⁴³ the district court found that there was direct competition, but did not issue a permanent injunction because the plaintiff did not provide sufficient evidence of lost sales, lost profits, and/or lost market share.⁴⁴ The court noted that Praxair could renew its motion for injunctive relief after appellate review of the jury verdict.⁴⁵ This would allow Praxair the opportunity to provide the requisite evidence at a later date.

When the parties were *not* deemed to be direct competitors, injunctions were issued less often. In fact, when courts found no direct competition between the plaintiff and infringer, they denied permanent injunctions in more than half (five of nine) of the cases.⁴⁶ In the four cases where an injunction did issue despite a lack of direct competition between the patent holder and the infringer, the court generally identified other relevant competitors (related or licensee non-parties) who were disadvantaged by the infringement.⁴⁷ And in one of those four cases, the injunction issued despite a lack of competi-

REV. 305, 309–10 (2007). For a discussion of the potential costs of a “market competition” requirement, *see id.* at 333–44.

⁴¹ 512 F.3d 1363 (Fed. Cir. 2008).

⁴² *Id.* at 1380–81.

⁴³ 479 F. Supp. 2d 440 (D. Del. 2007).

⁴⁴ *Id.* at 442, 444. The court in *IMX, Inc. v. LendingTree, LLC* utilized a different approach when it deferred ruling on the issue of a permanent injunction, allowing the plaintiff to provide further evidence before the district court issued an order. *See IMX, Inc. v. LendingTree, LLC*, 469 F. Supp. 2d 203, 226 (D. Del. 2007).

⁴⁵ *Praxair*, 479 F. Supp. 2d at 444.

⁴⁶ *See* *Respironics, Inc. v. Invacare Corp.*, No 04-0336, 2008 U.S. Dist. LEXIS 1174, at *13–14 (W.D. Pa. Jan. 7, 2008); *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 578 (E.D. Va. 2007); *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, at *18–19 (W.D. Okla. Sept. 5, 2006); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at *13–14 (E.D. Tex. Aug. 16, 2006), *aff'd in part, vacated in part*, 504 F.3d 1293 (Fed. Cir. 2007); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006), *aff'd*, 507 F.3d 1340 (Fed. Cir. 2007).

⁴⁷ *See* *Allan Block Corp. v. E. Dillon & Co.*, 509 F. Supp. 2d 795, 799, 811 (D. Minn. 2007) (licensee was later found to be an infringer and so was found to compete); *MPT, Inc. v. Marathon Labels, Inc.*, 505 F. Supp. 2d 401, 420 (N.D. Ohio 2007), *aff'd in part, rev'd in part*, Nos. 2007-1183, -1204, -1238, 2007 U.S. App. LEXIS 28911 (Fed. Cir. Dec 12, 2007); *Novozymes A/S v. Genencor Int'l, Inc.*, 474 F. Supp. 2d 592, 612 (D. Del. 2007).

tion because the patentee was a research organization.⁴⁸ In *Commonwealth Scientific and Industrial Research Organisation (CSIRO) v. Buffalo Technology Inc.*,⁴⁹ the principal scientific research organization of the Australian Federal Government did not compete with the infringer, but it did compete with other research institutions for funding, ideas and the best scientific minds.⁵⁰ The court explained that the infringers could cause delays in funding and costly litigation, limiting current research and resulting in harms such as lost opportunities and a diminished reputation.⁵¹ Not coincidentally, in the *eBay* case, Justice Thomas' majority opinion noted that some university researchers or self-made inventors, who do not directly compete with infringers, may be able to satisfy the four-factor test.⁵²

Direct (or head-to-head) competition was largely dispositive because it has been tied to economic harm. Losses have been cited related to "market share,"⁵³ "sales,"⁵⁴ "customers,"⁵⁵ "profits,"⁵⁶ "opportunities,"⁵⁷ "reputation"⁵⁸

⁴⁸ *Commw. Scientific and Indus. Research Org. v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 604 (E.D. Tex. 2007).

⁴⁹ 492 F. Supp. 2d 600 (E.D. Tex. 2007).

⁵⁰ *Id.* at 604. Although CSIRO did not practice the patent-at-issue at the time it filed suit in 2005, CSIRO did practice the invention through a joint venture until Cisco Systems, Inc. purchased the venture in 2001. *See id.* at 602.

⁵¹ *Id.* at 604.

⁵² *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

⁵³ *See, e.g., Novozymes A/S v. Genencor Int'l, Inc.*, 474 F. Supp. 2d 592, 599 (D. Del. 2007); *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 983 (W.D. Tenn. 2006), *appeal dismissed*, No. 2007-1048, U.S. App. LEXIS 4889 (Fed. Cir. Feb. 22, 2008); *TiVo Inc. v. EchoStar Commc'ns. Corp.*, 446 F. Supp. 2d 664, 669-70 (E.D. Tex. 2006), *aff'd in part, rev'd in part*, 516 F.3d 1290 (Fed. Cir. 2008); *Wald v. Mudhopper Oilfield Servs.*, No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669, at *16 (W.D. Okla. July 27, 2006).

⁵⁴ *See, e.g., Verizon Servs. Corp. v. Vonage Holdings. Corp.*, 503 F.3d 1295, 1310 (Fed. Cir. 2007); *Litecubes, L.L.C. v. N. Light Prods.*, No. 4:04CV00485 ERW, 2006 U.S. Dist. LEXIS 60575, at *31-32 (E.D. Mo. Aug. 25, 2006); *Wald*, 2006 U.S. Dist. LEXIS 51669, at *16.

⁵⁵ *See, e.g., Martek Biosciences Corp. v. Nutrinova Inc.*, 520 F. Supp. 2d 537, 558 (D. Del. 2007).

⁵⁶ *See, e.g., Smith & Nephew*, 466 F. Supp. 2d at 983.

⁵⁷ *See, e.g., Verizon*, 503 F.3d at 1310; *O2 Micro Int'l, Ltd. v. Beyond Innovation Tech. Co.*, No. 2-04-CV-32 (TJW), 2007 U.S. Dist. LEXIS 25948, at *9 (E.D. Tex. Mar. 21, 2007).

⁵⁸ *See, e.g., MPT, Inc. v. Marathon Labels, Inc.*, 505 F. Supp. 2d 401, 420 (N.D. Ohio 2007), *aff'd in part, rev'd in part*, Nos. 2007-1183, -1204, -1238, 2007 U.S. App. LEXIS 28911 (Fed. Cir. Dec 12, 2007); *Black & Decker Inc. v. Robert Bosch Tool Corp.*, No. 04 C 7955, 2006 U.S. Dist. LEXIS 86990, at 11-12 (N.D. Ill. Nov. 29, 2006), *aff'd in part*,

and/or “brand name.”⁵⁹ And those kinds of losses commonly were deemed to be “irreparable,” thereby satisfying the first two prongs of the four-factor test (i.e., irreparable harm and inadequacy of money damages).⁶⁰ Further, according to Mulder, “[b]ased on the available data, courts view the first two factors as most crucial The latter two factors appear less crucial, either because they are less likely to be implicated or because when they are implicated, courts appear to stampede them with the first two factors.”⁶¹

While those direct competition losses typically led to a finding of irreparable harm and inadequacy of money damages, from an economic standpoint, it is not clear why that is necessarily, or even often, true. Certain kinds of harm associated with infringement may, in fact, be insurmountably difficult to quantify, irrespective of direct competition. For example, CSIRO successfully pointed out that it had a proven “right to control its licensing program and to choose to whom to license and on what terms,” and loss of that right caused CSIRO real harm.⁶² Moreover, infringement suits, which often lead to challenges to the patent’s validity, may negatively impact CSIRO’s reputation in the research community and funds may be diverted from research to litigation. These things may lead to difficulties in hiring top scientists and result in lost opportunities.⁶³ In *Black & Decker Inc. v. Robert Bosch Tool Corp.*,⁶⁴ the court noted that infringement could injure the patent owner’s reputation as a worksite innovator.⁶⁵ These losses may be real, albeit difficult to quantify.

vacated in part on other grounds, Nos. 2007-1243, -1244, 2008 U.S. App. LEXIS 207 (Fed. Cir. Jan. 7, 2008).

⁵⁹ See, e.g., *Smith & Nephew*, 466 F. Supp. 2d at 983.

⁶⁰ The bulk of courts have found little practical difference between the first (irreparable harm) and second (adequate remedy at law) prongs. See, e.g., *3M Innovative Props. Co. v. Avery Dennison Corp.*, No. 01-1781 (JRT/FLN), 2006 U.S. Dist. LEXIS 70263, at *4–5 (D. Minn. Sept. 25, 2006); *Wald v. Mudhopper Oilfield Servs.*, No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669, at *15–16 (W.D. Okla. July 27, 2006). The district court in the *eBay* remand wrote, “[t]he irreparable harm inquiry and remedy at law inquiry are essentially two sides of the same coin” *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 569 n.11 (E.D. Va. 2007). Thus, satisfaction of one prong, through the proof of direct competition, typically has led to the satisfaction of both.

⁶¹ Mulder, *supra* note 39, at 80.

⁶² *Commw. Scientific and Indus. Research Org. v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 604–05 (E.D. Tex. 2007).

⁶³ *Id.* at 604.

⁶⁴ No. 04 C 7955, 2006 U.S. Dist. LEXIS 86990 (N.D. Ill. Nov. 29, 2006), *aff’d in part, vacated in part*, Nos. 2007-1243, -1244, 2008 U.S. App. LEXIS 207 (Fed. Cir. Jan. 7, 2008).

⁶⁵ *Id.* at *11–12.

Many courts have held, however, that more typical business losses are, likewise, impermissibly difficult to quantify.⁶⁶ The court in *Wald v. Mudhopper Oilfield Services*⁶⁷ held that lost sales, market share, ability to maintain the industry standard and damage to the plaintiff's reputation were simply not compensable, even with treble damages.⁶⁸ The courts in *z4 Technologies, Inc. v. Microsoft Corp.*⁶⁹ and *Black & Decker* held that injuries such as the loss of market share are "impossible to determine."⁷⁰ And the court in *Smith & Nephew, Inc. v. Synthes (U.S.A.)*⁷¹ wrote that loss of market share, lost profits and lost brand name recognition were incalculable and irreparable injuries.⁷²

Normal business losses, however, are not *per se* incalculable. In fact, there is a whole industry of economists, financial analysts and accountants who regularly calculate damages associated with lost sales, loss of market share and lost profits, for example. And courts regularly accept these calculations.⁷³ Many of these same calculations are used in the business world to forecast or predict various performance metrics and to value assets, liabilities, projects and other potential investment opportunities—billions of dollars are spent on the basis of these types of calculations. Done carefully, these calculations can be reliable. The fact that the impact of the loss of an asset may be challenging to estimate does not mean it is impossible.

A corollary to the frequently-adopted position that "direct competition" usually leads to irreparable harm and/or inadequacy of money damages, is the common belief that the "right to exclude" is particularly important in such

⁶⁶ See, e.g., *id.* at *12; *Wald v. Mudhopper Oilfield Servs.*, No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669, at *15–16 (W.D. Okla. July 27, 2006); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440–41 (E.D. Tex. 2006).

⁶⁷ No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669 (W.D. Okla. July 27, 2006).

⁶⁸ *Id.* at *16. See also *z4 Techs.*, 434 F. Supp. 2d at 440 (holding that lost profits, loss of brand name recognition and loss of market share are "often incalculable and irreparable").

⁶⁹ 434 F. Supp. 2d 437 (E.D. Tex. 2006).

⁷⁰ *Id.* at 441; *Black & Decker*, 2006 U.S. Dist. LEXIS 86990, at *12.

⁷¹ 466 F. Supp. 2d 978 (W.D. Tenn. 2006), *appeal dismissed*, No. 2007-1048, U.S. App. LEXIS 4889 (Fed. Cir. Feb. 22, 2008).

⁷² *Id.* at 983. The court qualified the statement by acknowledging that "[d]amages due to lost sales might theoretically be proven with lesser or greater degree of certainty," however, the court reiterated its belief that the loss of goodwill (and other intangibles) "can never be ascertained accurately." *Id.* at 984.

⁷³ See Robert E. Koosa, *Dial "M" for Malpractice: How Much Certainty is Reasonable After Beverly Hills Concepts?*, 20 Q.L.R. 527, 567 (2001) (noting that a court admitted the testimony of an accountant who used lost profits calculations to determine damages); see also Gerard Mantese, et. al., *The Effective Use of Experts During Discovery and Trial*, 75 MICH. B.J. 832, 832 (1996) ("An appraiser, economist, actuary, or other business analyst can marshal the facts to prove lost profits, lost income, or the valuation of assets.").

settings, and that such right is at the core of patent protection. Some courts have pointed to this “right to exclude” as virtually mandating a permanent injunction.⁷⁴

That reasoning, however, appears to beg the question. Permanent injunction determinations seek to determine the bounds of that *right to exclude*.⁷⁵ That is, they seek to determine whether an infringer is not allowed to participate in the business at all, or whether and how the infringer should provide adequate compensation for its participation. Citing a *right to exclude* provides no real guidance from an economic standpoint.

B. Ambiguity About *Direct Competition*

Although courts generally have been clear that direct competition between the plaintiff and the infringer usually justifies the issuance of a permanent injunction, eminently less clear is what precisely satisfies the standard of *direct competition*. Associated with that are several unresolved issues.

- *When* should the determination of *direct competition* be made? (At the time of first infringement? At the time that the injunction is under consideration? At some other point in time?)
- *How much* competitive overlap is sufficient?
- *How direct* does the competition have to be? (Does the patent holder have to be in the business? Is the licensing of a direct competitor to the infringer sufficient?)
- *How important* must the infringement be to competition between the parties?
- *Does the type* of patent matter? (Is a business method patent less deserving of protection than any other type of patent?)

⁷⁴ See, e.g., *Brooktrout, Inc. v. Eicon Networks Corp.*, No. 2:03-CV-59, 2007 U.S. Dist. LEXIS 43107, at *5 (E.D. Tex. June 14, 2007); *MGM Well Servs., Inc. v. Mega Lift Sys., LLC*, 505 F. Supp. 2d 359, 379 (S.D. Tex. 2007); *Telequip Corp. v. Change Exch.*, No. 5:01-CV-1748 (FJS/GJD), 2006 U.S. Dist. LEXIS 61469, at *4 (N.D.N.Y. Aug. 15, 2006).

⁷⁵ An alternative viewpoint is that courts are not necessarily re-defining the right to exclude; rather, they are re-defining the *class* of patent holder entitled to *exercise* that right. When the injunction is granted, the patent holder enjoys the same exercise of the right to exclude that it would have had before *eBay*, albeit at a higher cost of enforcement. When the injunction is denied, the patent holder is denied the exercise of the right to exclude, with regard to the infringer, although it may be compensated for the loss of that right. See generally James M. Fischer, *The “Right” to Injunctive Relief for Patent Infringement*, 24 SANTA CLARA COMPUTER & HIGH TECH L.J. 1, 12–16 (2006).

1. *Timing of Competition*

In making an assessment of whether there is direct competition between the plaintiff⁷⁶ and the infringer, the question of when such a determination should be made is critical. Answering this question raises a number of challenging issues.

The two most likely points of consideration are: (1) at the time of first infringement and (2) at the time the injunction is under consideration. In most cases, the infringing party is in the market at both points time. The first point is sensible because an infringement suit has been filed. The second is reasonable because an injunction has been requested. In contrast, there are several possibilities for the plaintiff, each of which involves different concerns in an injunction determination.

In some sense, the situation where the plaintiff is on the market at the time of the first infringement and at the time that the injunction is being considered is the easiest case. In this case, the patent holder and infringer often will be considered direct competitors, and an injunction often will issue.

The situation where the patent holder was on (or close to) the market but did not enter or could not survive, is a more difficult case, particularly if the infringement contributed to the patent holder's failure. Failure to grant an injunction in such a situation may effectively reward the infringer for its behavior. In *z4 Technologies, Inc. v. Microsoft Corp.*, the patent holder argued that the infringer's actions prevented z4's success despite its "tremendous efforts to commercialize" the patent-in-suit.⁷⁷ z4 further argued that the infringer's (Microsoft's) actions changed the dynamics of the competitive relationship and forced a change in the company's role from a supplier to a licensor.⁷⁸ In part because it did not become a supplier of competing software, z4 was not granted an injunction.⁷⁹

In the *eBay* case, MercExchange granted several licenses shortly after the issuance of its patent and raised \$10 million in venture capital.⁸⁰ MercExchange claimed that though it intended to enter the business, competition

⁷⁶ In most cases, the plaintiff is the patent holder who is litigating alone or with one or more licensees. One exception is the *Transocean* case where the sole plaintiff was the exclusive licensee. See *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. H-03-2910, 2006 U.S. Dist. LEXIS 93408, at *2 (S.D. Tex. Dec. 27, 2006).

⁷⁷ *z4 Techs. Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006), *aff'd*, 507 F.3d 1340 (Fed. Cir. 2007).

⁷⁸ *See id.*

⁷⁹ *See id.*

⁸⁰ Julia Wilkinson, *The eBay Patent Wars: Interview with MercExchange CEO Thomas Woolston*, AUCTIONBYTES.COM, Sept. 30, 2004, available at <http://www.auctionbytes.com>; Tang, *supra* note 28, at 237.

in the online auction business had intensified to such a degree, driven largely by the presence of eBay, that its commercialization efforts failed by the point of eBay's first alleged infringement.⁸¹ The infringement may have been, in part, responsible for MercExchange's business failure, yet that very failure had limited its ability to obtain an injunction.

Another challenging situation is where the patent holder is or was not on (or close to) the market at the time of the injunction determination, but has or had well-formed plans to commercialize the invention at some point in the future. In such a case, the failure to grant an injunction could reward the infringer by reducing the likelihood of future entry by the patent holder (who would no longer have exclusive access to his/her patent). To date, this does not appear to have been addressed by any court. However, in light of other decisions, the fact that the patent holder had never commercialized its technology may yield a finding of no direct competition and, therefore, lead to a denial of a motion for permanent injunction, regardless of any future plans that the patent holder may have had.

2. Degree of Competition

Another unresolved issue is the degree of competition that is required to justify granting an injunction. For example, if the patent holder has a 60 percent market share, but defendant has a 0.6 percent market share, is that enough competition? What if those shares are reversed? What if the parties compete in only a portion of their businesses?

The district court considered this issue in *eBay*.⁸² In 2004, MercExchange granted uBid, an online auction service and eBay competitor, a non-exclusive license to its entire patent portfolio.⁸³ The district court held that although uBid "plainly competes" with eBay for certain business-based sellers, a significant portion of the relevant market is turned away from uBid as non-certified businesses, and individuals, who cannot sell products on uBid's website.⁸⁴ Without quantifying the degree of overlap in the customer base between uBid and eBay, the court nevertheless found that a "significant" portion of non-overlapping customers was enough to justify denial of permanent injunction in this case.⁸⁵

In *800 Adept, Inc. v. Murex Securities, Ltd.*,⁸⁶ as in many other cases, the significance of the infringer's presence was examined in the "balance of hard-

⁸¹ Tang, *supra* note 28, at 237.

⁸² MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 578–79 & n.20 (E.D. Va. 2007).

⁸³ *Id.* at 561

⁸⁴ *Id.* at 578–79 & n.20.

⁸⁵ *Id.*

⁸⁶ 505 F. Supp. 2d 1327 (M.D. Fla. 2007).

ships” analysis.⁸⁷ There, the court found that patent holder had a small market share relative to the infringers’.⁸⁸ In granting an injunction, however, the court found that the infringers directly competed with the patent holder, had more customers and that some of the customers were obtained from the patent holder.⁸⁹ Left unanswered was the extent to which the infringer’s presence might be deemed to be *too small*.

3. Nature of Competition

A third issue involves the nature of competition between the patent holder (or its licensee(s)) and the infringer. The central issue surrounds identification of the entity with whom the infringer is competing.

In practice, most courts consider only the competition between the infringer and plaintiff(s).⁹⁰ In these cases, the plaintiffs typically include the patent holder, who practices the patent, or the non-practicing patent holder and its practicing licensees. Other courts, however, consider the activities of a wider group of potential competitors not involved in the litigation, including unrelated licensees,⁹¹ exclusive distributors,⁹² practicing subsidiaries⁹³ and companies closely related to the patent holder.⁹⁴ The table below illustrates the results from those cases.

Direct competition (and, therefore, near entitlement to a permanent injunction) typically is found in cases involving companies and individuals that practice the patent directly or through related entities.⁹⁵ On the other

⁸⁷ *Id.* at 1338.

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *See, e.g., id.* at 1335–38.

⁹¹ *See* Allan Block Corp. v. E. Dillon & Co., 509 F. Supp. 2d 795, 811 (D. Minn. 2007); MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 578–79 & n.20 (E.D. Va. 2007).

⁹² *See* Innogenetics, N.V. v. Abbott Labs., No. 05-C-0575-C, 2007 U.S. Dist. LEXIS 193, at *63–64 (W.D. Wis. Jan. 3, 2007), *aff’d in part, rev’d in part*, 512 F.3d 1363 (Fed. Cir. 2008).

⁹³ *See* Novozymes A/S v. Genencor Int’l, Inc., 474 F. Supp. 2d 592, 596 (D. Del. 2007).

⁹⁴ *See* MPT, Inc. v. Marathon Labels, Inc., 505 F. Supp. 2d 401, 420 (N.D. Ohio 2007), *aff’d in part, rev’d in part*, Nos. 2007-1183, -1204, -1238, 2007 U.S. App. LEXIS 28911 (Fed. Cir. Dec 12, 2007).

⁹⁵ *See, e.g.,* MPT, Inc. v. Marathon Labels, Inc., 505 F. Supp. 2d 401, 420 (N.D. Ohio 2007), *aff’d in part, rev’d in part*, Nos. 2007-1183, -1204, -1238, 2007 U.S. App. LEXIS 28911 (Fed. Cir. Dec 12, 2007); Sanofi-Synthelabo v. Apotex Inc., 492 F. Supp. 2d 353, 356–57, 397 (S.D.N.Y. 2007); Novozymes A/S v. Genencor Int’l, Inc., 474 F. Supp. 2d 592, 613 (D. Del. 2007); Brooktrout, Inc. v. Eicon Networks Corp., No. 2:03-CV-59, 2007 U.S. Dist. LEXIS 43107, at *3, 6 (E.D. Tex. June 14, 2007); Transocean Offshore

Plaintiff(s)	Injunction	No Injunction
Company		
Practices	18	4 ^a
Practices Through Related Entity	3 ^b	0
Practices Through Un-Related Entity	2 ^c	1 ^d
Non-Practicing	0	2 ^e
Individual		
Practices	0	0
Practices Through Related Entity	3 ^f	0
Practices Through Un-Related Entity	0	1 ^g
Non-Practicing	0	0
University or Research Institution	2 ^h	0
Total	28	8

^a The plaintiff in *Praxair* was given the opportunity to provide evidence at a later date. *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 444 (D. Del. 2007). The plaintiff in *z4* was not in competition with the defendant for the same customers. *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006), *aff'd*, 507 F.3d 1340 (Fed. Cir. 2007). The *Innogenetics* court considered the activities of a non-party exclusive distributor. *Innogenetics*, 2007 U.S. Dist. LEXIS 193, at *63–64. Although competition was found, the Federal Circuit denied an injunction because damages at trial were inconsistent with an injunction. *Innogenetics*, 512 F.3d at 1380–81. In the *Respironics* case, the alleged competition with the plaintiff's patented product came from the defendant's non-accused product. *Respironics, Inc. v. Invacare Corp.*, No 04-0336, 2008 U.S. Dist. LEXIS 1174, at *13–15 (W.D. Pa. Jan. 7, 2008). The infringing product was not manufactured or sold by the defendant. *Id.* at *13.

^b The *Novozymes* and *MPT* courts considered the activities of a non-party subsidiary and licensee, respectively. *Novozymes*, 474 F. Supp. 2d at 595–97, 612–13; *MPT*, 505 F. Supp. 2d at 420. The *Sanofi* court considered the activities of a related, exclusive licensee that joined the suit. *Sanofi-Synthelabo v. Apotex Inc.*, 492 F. Supp. 2d 353, 356–57 (S.D.N.Y. 2007).

^c The *Allan Block* court considered the activities of the defendant as exclusive licensee (who also infringed by misappropriation). *Allan Block Corp. v. E. Dillon & Co.*, 509 F. Supp. 2d 795, 799, 811 (D. Minn. 2007). The court in *Sundance* considered the activities of a non-exclusive licensee that joined the suit. See *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 U.S. Dist. LEXIS 77728, at *3 (E.D. Mich. Oct. 19, 2007); *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 U.S. Dist. LEXIS 158, at *9 (E.D. Mich. Jan. 4, 2007).

^d The *eBay* court, on remand, considered the activities of a non-party, non-exclusive licensee. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 577–79 (E.D. Va. 2007).

^e The plaintiff in *Finisar* did not practice or license its patent. Transcript of Hearing at 7:7–22, *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264 (E.D. Tex. July 6, 2006), available at http://www.fr.com/news/Finisar-v-Directv_Transcript1.pdf and http://www.fr.com/news/Finisar-v-Directv_Transcript2.pdf [hereinafter *Finisar* Hearing Transcript]. The *Paice* court did not consider the activities of any licensees if they existed. See *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, *13–14 (E.D. Tex. Aug. 16, 2006), *aff'd in part, vacated in part*, 504 F.3d 1293 (Fed. Cir. 2007) (discussing the possibility of prospective future licensees).

^f See *Litecubes, L.L.C. v. N. Light Prods.*, No. 4:04CV00485 ERW, 2006 U.S. Dist. LEXIS 60575, at *32–33 (E.D. Mo. Aug. 25, 2006); *Floe Int'l, Inc. v. Newmans' Mfg. Inc.*, No. 04-5120 (DWF/RLE), 2006 U.S. Dist. LEXIS 59872, at *1–2 (D. Minn. Aug. 23, 2006); *Wald v. Mudhopper Oilfield Servs.*, No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669, at *1 (W.D. Okla. July 27, 2006).

^g See *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, at *18–20 (W.D. Okla. Sept. 5, 2006).

^h See *Johns Hopkins Univ. v. Datascope Corp.*, 513 F. Supp. 2d 578, 581 (D. Md. 2007); *Commw. Scientific and Indus. Research Org. v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 601 (E.D. Tex. 2007).

hand, companies and individuals who do not practice the patent or who license to un-related entities have been less successful in their requests for an injunction.⁹⁶ Courts granted permanent injunctions in only two of these six cases.⁹⁷ In *Allan Block Corp. v. E. Dillon & Co.*,⁹⁸ a permanent injunction was granted after a company that was a licensee later became an infringer.⁹⁹ Although the patent holder did not practice the patent, the infringer's sales were found to have displaced prospective licensed sales.¹⁰⁰ In *Sundance, Inc. v. DeMonte Fabricating Ltd.*,¹⁰¹ the plaintiff had licensed its patent to what appears to be multiple un-related, non-exclusive licensees.¹⁰² The court initially denied their request for a permanent injunction,¹⁰³ but later granted the injunction in another proceeding on unrelated grounds (i.e., concern about the defendant's ability to pay).¹⁰⁴

Related is the fact that, of the twelve cases with more than one plaintiff, injunctions were denied in only two.¹⁰⁵ The additional plaintiffs in these cases

Deepwater Drilling, Inc. v. GlobalSantaFe Corp., No. H-03-2910, 2006 U.S. Dist. LEXIS 93408, at *9 (S.D. Tex. Dec. 27, 2006); *Rosco, Inc. v. Mirror Lite Co.*, No. CV-96-5658 (CPS), 2006 U.S. Dist. LEXIS 73366, *13 (E.D.N.Y. Sept. 28, 2006); *Litecubes*, 2006 U.S. Dist. LEXIS 60575, at *31; *Floe Int'l*, 2006 U.S. Dist. LEXIS 59872, at *1-2; *Wald*, 2006 U.S. Dist. LEXIS 51669, at *16.

⁹⁶ See, e.g., *MercExchange*, 500 F. Supp. 2d at 591; *Voda*, 2006 U.S. Dist. LEXIS 63623, at *18-20; *Paice*, 2006 U.S. Dist. LEXIS 61600, at *11-13; *Finisar* Hearing Transcript, *supra* note 99, 7:7-22. But see *Allan Block Corp. v. E. Dillon & Co.*, 509 F. Supp. 2d 795, 811 (D. Minn. 2007); *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 U.S. Dist. LEXIS 77728, *6 (E.D. Mich. Oct. 19, 2007).

⁹⁷ See *Allan Block*, 509 F. Supp. 2d at 811; *Sundance*, 2007 U.S. Dist. LEXIS 77728, at *6.

⁹⁸ 509 F. Supp. 2d 795, 811 (D. Minn. 2007).

⁹⁹ *Id.* at 799, 811.

¹⁰⁰ See *id.*

¹⁰¹ No. 02-73543, 2007 U.S. Dist. LEXIS 158 (E.D. Mich. Jan. 4, 2007).

¹⁰² *Id.* at *6-9.

¹⁰³ *Id.* at *9.

¹⁰⁴ *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 U.S. Dist. LEXIS 77728, *5-6 (E.D. Mich. Oct. 19, 2007).

¹⁰⁵ The court denied an injunction in *Respironics, Inc. v. Invacare Corp.*, No. 04-0336, 2008 U.S. Dist. LEXIS 1174, at *1, 18 (W.D. Pa. Jan. 7, 2008) and *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 441, 444 (D. Del. 2007). The *Praxair* case involved a plaintiff who directly competed with the defendant, but failed to provide evidence to show entitlement to an injunction. See *Praxair*, 479 F. Supp. 2d at 442, 444. The court allowed the plaintiffs to provide the evidence at a later date. *Id.* at 444. Offsetting this result, however, is the *Sundance* case, which would have resulted in no injunction had other considerations not come into play. See *Sundance*, 2007 U.S. Dist. LEXIS 158, at *6-9. The court granted an injunction in the remaining ten cases. *Johns Hopkins Univ. v. Datascope Corp.*, 513 F. Supp. 2d 578,

included licensees and otherwise related companies that practiced the patents.¹⁰⁶ Further, courts considered the activities of non-parties in an additional five cases, granting injunctions in three.¹⁰⁷ In three of those cases, the sole plaintiff was a non-practicing patent holder.¹⁰⁸ The remaining nineteen cases involving a single plaintiff resulted in fifteen injunctions.¹⁰⁹ The plaintiff practiced the

581, 586 (D. Md. 2007); 800 Adept, Inc. v. Murex Secs., Ltd., 505 F. Supp. 2d 1327, 1338 (M.D. Fla. 2007); Verizon Servs. Corp. v. Vonage Holdings. Corp., 503 F.3d 1295, 1298, 1311 (Fed. Cir. 2007); *Sundance*, 2007 U.S. Dist. LEXIS 77728, at *6; Sanofi-Synthelabo v. Apotex Inc., 492 F. Supp. 2d 353, 356, 397 (S.D.N.Y. 2007); Black & Decker Inc. v. Robert Bosch Tool Corp., No. 04 C 7955, 2006 U.S. Dist. LEXIS 86990, at *1, 15–16 (N.D. Ill. Nov. 29, 2006), *aff'd in part, vacated in part*, Nos. 2007-1243, -1244, 2008 U.S. App. LEXIS 207 (Fed. Cir. Jan. 7, 2008); 3M Innovative Proprs. Co. v. Avery Dennison Corp., No. 01-1781 (JRT/FLN), 2006 U.S. Dist. LEXIS 70263, at *2, 6 (D. Minn. Sept. 25, 2006); Litecubes, L.L.C. v. N. Light Prods., No. 4:04CV00485 ERW, 2006 U.S. Dist. LEXIS 60575, at *31–33 (E.D. Mo. Aug. 25, 2006); Floe Int'l, Inc. v. Newmans' Mfg. Inc., No. 04-5120 (DWF/RLE), 2006 U.S. Dist. LEXIS 59872, at *1–2, 26 (D. Minn. Aug. 23, 2006); Wald v. Mudhopper Oilfield Servs., No. CIV-04-1693-C, 2006 U.S. Dist. LEXIS 51669, at *1, 17 (W.D. Okla. July 27, 2006).

¹⁰⁶ See, e.g., *Verizon*, 503 F.3d at 1298 (related companies); *Johns Hopkins*, 578 F. Supp. 2d at 581 (patent owner and licensee); *Sanofi*, 492 F. Supp. 2d at 356–57 (related companies and licensee).

¹⁰⁷ *Allan Block Corp. v. E. Dillon & Co.*, 509 F. Supp. 2d 795, 799, 811 (D. Minn. 2007) (granting injunction in part as to future production of infringing product, denying injunction as to sale of remaining inventory of licensed patented product); *MPT, Inc. v. Marathon Labels, Inc.*, 505 F. Supp. 2d 401, 421 (N.D. Ohio 2007) (granting injunction), *aff'd in part, rev'd in part*, Nos. 2007-1183, -1204, -1238, 2007 U.S. App. LEXIS 28911 (Fed. Cir. Dec 12, 2007); *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 569–70 (E.D. Va. 2007) (denying injunction); *Novozymes A/S v. Genencor Int'l, Inc.*, 474 F. Supp. 2d 592, 595 (D. Del. 2007) (granting injunction); *Innogenetics, N.V. v. Abbott Labs.*, No. 05-C-0575-C, 2007 U.S. Dist. LEXIS 3148 (W.D. Wis. Jan. 12, 2007) (granting injunction and a compulsory license), *vacated*, 512 F.3d 1363, 1380–81 (Fed. Cir. 2008) (vacating injunction). In the *eBay* remand, competition with the licensee was not significant, and the court noted that the license may have been the result of legal maneuvers aimed primarily at winning an injunction. *MercExchange*, 500 F. Supp. 2d at 569–70.

¹⁰⁸ *Allan Block*, 509 F. Supp. 2d at 799; *MPT*, 505 F. Supp. 2d at 405; *Novozymes*, 474 F. Supp. 2d at 596–97.

¹⁰⁹ Injunctions were granted in: *Martek Biosciences Corp. v. Nutrinova Inc.*, 520 F. Supp. 2d 537, 543 (D. Del. 2007); *Muniauction, Inc. v. Thomson Corp.*, 502 F. Supp. 2d 477, 484 (W.D. Pa. 2007); *Commw. Scientific and Indus. Research Org. (CSIRO) v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 601 (E.D. Tex. 2007); *Brooktrout, Inc. v. Eicon Networks Corp.*, No. 2:03-CV-59, 2007 U.S. Dist. LEXIS 43107, at *1 (E.D. Tex. June 14, 2007); *MGM Well Servs., Inc. v. Mega Lift Sys., LLC*, 505 F. Supp. 2d 359, 380 (S.D. Tex. 2007); *O2 Micro Int'l, Ltd. v. Beyond Innovation Tech. Co.*, No. 2-04-CV-32 (TJW), 2007 U.S. Dist. LEXIS 25948, at *10 (E.D. Tex. Mar. 21, 2007); *Ortho-McNeil Pharm., Inc. v. Mylan*

patent in fourteen of the fifteen cases.¹¹⁰ Looking at the post-*eBay* cases from this perspective, practicing patent holders and non-practicing patent holders who are joined by practicing companies usually obtain injunctions.

Apart from the issue of whether *existing* licensees are considered in the *competition* calculus, the issue of whether courts will consider the interests of a *potential* licensee in assessing the merits of a permanent injunction appears to matter. After all, ongoing infringement can affect the ability of a patent holder to pursue a successful licensing program with regard to the patent-at-issue, as the rights that can be granted by the patent holder in a license (for example, exclusivity) are diminished. In *Paice LLC v. Toyota Motor Corp.*,¹¹¹ the court dismissed the patent holder's argument that the failure to obtain a permanent injunction would harm its licensing program.¹¹² According to the court, however, Paice failed to *prove* that it would have been otherwise able to license its patented technology.¹¹³ In *CSIRO v. Buffalo Technology*

Labs. Inc., Nos. 04-1689, 06-757 and 06-5166, 2007 U.S. Dist. LEXIS 19494, at *3 (D.N.J. Mar. 20, 2007); Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp., No. H-03-2910, 2006 U.S. Dist. LEXIS 93408, at *26 (S.D. Tex. Dec. 27, 2006); Visto Corp. v. Seven Networks, Inc., No. 2:03-CV-333-TJW, 2006 U.S. Dist. LEXIS 91453, at *11 (E.D. Tex. Dec. 19, 2006); Rosco, Inc. v. Mirror Lite Co., No. CV-96-5658 (CPS), 2006 U.S. Dist. LEXIS 73366, at *25 (E.D.N.Y. Sept. 28, 2006); Smith & Nephew, Inc. v. Synthes (U.S.A.), 466 F. Supp. 2d 978, 981 (W.D. Tenn. 2006), *appeal dismissed*, No. 2007-1048, U.S. App. LEXIS 4889 (Fed. Cir. Feb. 22, 2008); Am. Seating Co. v. USSC Group, Inc., No. 01-00578, 2006 U.S. Dist. LEXIS 59212, at *2 (W.D. Mich. Aug. 22, 2006); TiVo Inc. v. EchoStar Comm. Corp., 446 F. Supp. 2d 664, 665 (E.D. Tex. 2006), *aff'd in part, rev'd in part*, 516 F.3d 1290 (Fed. Cir. 2008); Telequip Corp. v. Change Exch., No. 5:01-CV-1748 (FJS/GJD), 2006 U.S. Dist. LEXIS 61469, at *6 (N.D.N.Y. Aug. 15, 2006). Telequip's website claims that the company has been manufacturing coin dispensing solutions since 1974. See Telequip Company Profile, <http://www.telequipcorp.com/company-profile.html> (last visited Jan. 9, 2008).

Injunctions were denied in: *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, at *21 (W.D. Okla. Sept. 5, 2006); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at *2 (E.D. Tex. Aug. 16, 2006), *aff'd in part, vacated in part*, 504 F.3d 1293 (Fed. Cir. 2007); *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at *4 (E.D. Tex. July 7, 2006); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 438 (E.D. Tex. 2006), *aff'd*, 507 F.3d 1340 (Fed. Cir. 2007).

¹¹⁰ An injunction was granted to the non-practicing patent holder in the *CSIRO* case based on the "university" exception in *eBay*. *CSIRO*, 492 F. Supp. 2d at 604 (quoting *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006)).

¹¹¹ No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600 (E.D. Tex. Aug. 16, 2006), *aff'd in part, vacated in part*, 504 F.3d 1293 (Fed. Cir. 2007).

¹¹² *Id.* at *13-14.

¹¹³ *Id.*

Inc., as noted above, the patent holder was able to successfully show that the infringing activity would dampen its licensing program. Though competition may be direct or indirect, courts typically required that the directly impacted party be part of the suit.

4. Importance of Patent

A fourth issue is how important the patent is to the competition between the parties. According to the *eBay* Supreme Court decision, the patent holder is less likely to be entitled to a permanent injunction in cases where the patent accounts for a small part of the overall infringing product and the threat of injunction is used as undue leverage in negotiations.¹¹⁴ And in *CSIRO v. Buffalo Technology Inc.*, the court wrote that the “right to exclude becomes more urgent when the product is the invention.”¹¹⁵

The *z4 Technologies, Inc. v. Microsoft Corp.* and *Paice LLC v. Toyota Motor Corp.* cases were instances in which an injunction was denied, in part, because of the relative insignificance of the patents.¹¹⁶ *z4*'s patent related to software product activation technology.¹¹⁷ Microsoft was found to have incorporated the product activation technology in its Windows operating system and Microsoft Office software.¹¹⁸ The court held that since “Microsoft only uses the infringing technology as a small component of its own software,” *z4* would not suffer “lost profits, the loss of brand name recognition or the loss of market share,” or other “injuries that are often incalculable and irreparable” from Microsoft’s continued sale of the infringing products.¹¹⁹

In the *Paice* case, the patent related to hybrid transmissions for vehicles.¹²⁰ Toyota was found to have incorporated the technology-at-issue into its hybrid vehicle transmissions.¹²¹ The court evaluated the relative importance of the *Paice* technology and found that the infringed claims formed “only a small

¹¹⁴ *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396–97 (2006) (Kennedy, J., concurring).

¹¹⁵ *CSIRO*, 492 F. Supp. 2d at 605.

¹¹⁶ *z4Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 441 (E.D. Tex. 2006), *aff'd*, 507 F.3d 1340 (Fed. Cir. 2007); *Paice*, 2006 U.S. Dist. LEXIS 61600, at *15; *see also* *Sundance, Inc. v. DeMonte Fabricating Ltd.*, No. 02-73543, 2007 U.S. Dist. LEXIS 158 (E.D. Mich. Jan. 4, 2007) (“[T]he segmented cover is but one feature of the infringing product.”).

¹¹⁷ *z4 Techs.*, 434 F. Supp. 2d at 438.

¹¹⁸ *Id.* at 439.

¹¹⁹ *Id.* at 440. Moreover, the court was not convinced that Microsoft’s infringement had any impact on *z4*'s sales or licensing programs, since Microsoft did not produce product activation software that would directly compete with *z4*. *Id.*

¹²⁰ *Paice*, 2006 U.S. Dist. LEXIS 61600, at *15.

¹²¹ *Id.* at *3.

