

Application of the Proportionality Test to Injunctive Relief for Patent Infringement in the U.S.

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Where patent infringement is confirmed, the court shall grant an injunction¹ upon the request of the patentee to enjoin the infringer from continuing using his patent. This is not only a very important relief for infringement, but also an almost natural means. Since the infringing act is illegal, it should not be allowed anymore; otherwise the interest of the right holder will be continuously impaired. Therefore, it was no wonder that patent judicial and academic circles were so astonished when the U.S. Supreme Court vacated the judgment of the Federal Court of Appeal in the eBay case² and remanded the case for further proceedings in 2006 and the District Court decided based on the proportionality test that the infringer, namely eBay, did not have to stop using the patent in suit. Did the proportionality test exist before the eBay decision? Why did the Supreme Court make such a judgment in the eBay case? How does the proportionality test apply to the injunctive relief for patent infringement in the U.S.? How effective is the proportionality test? This article is going to delve into these issues in a bid to provoke further discussion and provide valuable reference to the construction of China's patent law system.

I. Application of injunction in the U.S. patent infringement cases before the eBay case: General rules/natural rules

Damages and permanent injunction have always been regarded as complementary reliefs for a long time: damages award is the compensation for the past injury that has been incurred, and injunction is the precaution against future injury that has not been incurred. 35 U.S.C. § 284 stipulates that the claimant is entitled to require the infringer to pay damages adequate to compensate for the infringement. 35 U.S.C. § 283 stipulates that the court may grant injunctions to infringers in accordance with the principles of equity on such terms as the court deems reasonable. This Section has never been changed since the promulgation of the current Patent Act in 1952 and can ever be traced back to the Patent Act³ of 1870. Moreover, the provision concerning the grant of injunctions goes before the provision concerning damages award, which implies that the injunctions may be more important to right holders than damages on

the grounds that an act which has been determined as infringing by the court will naturally lose its legitimacy and should be enjoined, and its continued existence will further violate the rights of the right holder and result in loss. From the perspective of formalism, injunctive relief is the only remedy that provides adequate protection to exclusivity. Logically speaking, exclusivity means excluding others from using the proprietor's right. Thus, injunctive relief is the only remedy type that is truly consistent with the patent right.

It is very common to grant injunctions in patent infringement cases. The U.S. courts have usually granted injunctions against patent infringers at least from the early 19th century.⁴ Patent right is considered as an exclusive right. If an infringer is allowed to use the invention of the patentee against his will after the payment of damages, the exclusive right of the patentee will become a mere formality. The judgment of *Continental Paper Bag Co. v. Eastern Paper Bag Co.*⁵ in 1908 is a typical example of such a view. The plaintiff in this case was the owner of a patent covering a machine for making a self-opening paper bag, but had never put it into use. In contrast, the defendant used said patented technology. The plaintiff sued the defendant for infringement and requested the court to enjoin the defendant from continuing to use the patented technology. The defendant requested the court to reject the plaintiff's motion for injunction for the reason that the plaintiff had never used the patented technology at all, but used the patent as a tool against competitors. The Supreme Court confirmed that patents were property, and entitled to the same rights and sanctions as other property. Thus, like other property owners, a patent owner has the privilege to use his own patented technology and exclude others from benefiting from his patented technology. The core of a patent right is exclusivity. The patentee has the right to exclude others from the use of his invention for the time prescribed in the statute, namely the patent term, and this right is not dependent on his using the device or affected by his nonuse thereof. Regardless of the motivation, the exclusive right of the patentee to exclude others from using his patented technology should be subject to legal protection. The patent right can only retain its attribute of exclusiveness by a prevention of its violation. Except in a case where the public interest is involved, the remedy of injunction to prevent infringement of a patent will not be denied merely on the ground of nonuse of the invention. This judgment was later followed by the U.S. courts. For a long time, because the permanent injunction

was considered the only remedy adequate to protect the plaintiff's right to exclude others from infringing his invention, courts often grant injunctions as a matter of course⁶ after the confirmation of patent infringement.

Of course, the U.S. court also admitted that injunction, as an equity relief, should not be granted automatically, but shall be issued on the basis of the "principle of equity". The judgment in *Roche Products Inc. v. Bolar Pharmaceutical Co.* stated that the purpose of equity jurisdiction is to provide reliefs for specific cases by means of coordinating public and private interests and bearing specific circumstances in mind. 35 U.S.C. § 283 requires that "injunctions" are granted in accordance with the "principles of equity", and the courts "may", rather than "shall", grant injunctions. Thus, it can be known that injunctions are not granted automatically; or otherwise the Congress shall rewrite the statute to make it clearer.⁷ Nevertheless, this provision only stipulates that the court applies the principles of equity on such terms as the court deems reasonable, but there is no binding principle to indicate what terms are reasonable.⁸ Nor has a clear guidance on how to apply the principles of equity in judicial practice. Although the Supreme Court mentioned in the eBay case that the four-factor test which should be followed in the application of the principles of equity has long been established, some scholars pointed out that there was no such a thing as the so-called "traditional test", and they had never heard of the four-factor test before the eBay case.⁹ In addition, the four-factor test for permanent injunctions was not applied in the two cases cited by the Supreme Court in the eBay judgment: The Amoco¹⁰ was a preliminary injunction case, not a permanent injunction case, and the injunction in the Romero-Barcelo case¹¹ was also preliminary, though it was issued after a full trial. Although some *amicus curiae* letters submitted in the eBay case mentioned four traditional considerations, they did not all cite the same four factors and none of the briefs offered anything as what the Supreme Court completely expressed.¹²

It is for sure that before the eBay case, the infringer must have extremely good reasons to convince the court to deny the patentee's motion for injunction. Generally speaking, public policies favor protection of the rights secured by the valid patents. Thus, the patentee's exercise of his legitimate rights with exclusivity as the core generally conforms to the public interest. Thus, when a patentee's rights are infringed, the court usually issues an injunction.¹³ Only in rare

instances will courts exercise their discretion to deny injunctive relief in order to protect the public interest.¹⁴ It was estimated by some scholars that less than 5% of patentees' motions for injunctions were denied by the courts before the eBay case.¹⁵

It does not mean that any public interest can constitute a ground for denying injunctions. For instance, in *Continental Paper Bag Co. v. Eastern Paper Bag Co.* as mentioned above, the infringer asserted that after obtaining the patent right, the patentee neither used the patent by himself, nor licensed it to others, which did not comply with the public interest. However, the court found that the plaintiff withheld his patent and did not license it to others in order to keep the production cost of paper bags low. It did not cause much harm to the public to such an extent that the injunction is not necessary to be granted to limit the patentee's exclusive right.¹⁶ Generally speaking, courts may consider denying injunctions when the public health is likely to be endangered. If the court does not grant an injunction when infringement is established but awards damages instead, it actually imposes a compulsory license between the patentee and the infringer. "Compulsory license is defined as an involuntary license between a willing buyer and an unwilling seller, imposed and enforced by the State." Except in rare exceptions where the public health or security is involved, such a compulsory license is completely contrary to the exclusivity of the property right.¹⁷

Only in a few cases involving toxic substances, medical devices or drugs did courts deny patentees' motion for injunction. For instance, in *City of Milwaukee v. Activated Sludge, Inc.*,¹⁸ the Seventh Circuit Court of Appeals denied an injunction against the infringer using the plaintiff's patented sewage treatment method, stating that if an injunction is granted, City would have to run raw sewage into Lake Michigan, endangering the health and lives of more than half a million people. For this reason, the court denied the plaintiff's motion for injunction for the sake of public health and interest, and granted a compulsory license to City and ordered it to pay royalties to the patentee. In *Schneider (Europe) AG v. SciMed Life Sys., Inc.*,¹⁹ the plaintiff was the owner of a patent directed to a rapid-exchange catheter used by surgeons. The court found that many doctors were in great need of the infringing product, so the court, though granting an injunction to the plaintiff, postponed its effective date to one year after the issuance of the judgment so that surgeons would have enough time to replace the infringing

product and surgeries would not be disturbed by the patent dispute. The court also ordered the defendant to pay the patent holder a 15% royalty rate on the sales of the product during the change-over period. Similarly, for the sake of public health and interest, the Federal Circuit rejected the patentee's allegation of abuse of discretion by the District Court and upheld the first-instance judgment.²⁰

II. The eBay case and establishment of the proportionality test

Started in 1995, eBay has been operating an online marketplace, allowing its clients to sell items by auction or at a fixed price with the "Buy it Now" function, and has more than one hundred million registered users. MercExchange, a company profited from licensing its patented technologies, sued eBay for infringing many of its patents willfully. The jury found that the "Buy it Now" function of eBay infringed U.S. patent 5,845,265 of MercExchange. Accordingly, the District Court ordered eBay to pay about \$30 million in compensation to MercExchange, but denied MercExchange's motion for injunction to enjoin the continued use of the patent in suit on eBay's website. The District Court held that MercExchange, as a non-practicing entity, neither practices its patent nor intends to do so.²¹ It operates mainly to enforce its patents through litigation²² and has expressed its willingness to license the patent to the defendant. Thus, it would not suffer irreparable harm if the injunction is denied. Monetary compensation is an adequate remedy for the patentee in this case.

In the second instance, the U.S. Court of Appeals for the Federal Circuit (hereinafter referred to as the CAFC) overturned the judgment of the District Court, deciding that MercExchange has the right to obtain an injunction. The CAFC indicated that since "the right to exclude recognized in a patent is but the essence of the concept of property", the general rule is that a permanent injunction will issue once infringement and validity have been adjudged. Courts have in rare instances exercised their discretion to deny injunctive relief in order to protect the public interest. However, in this case, the District Court did not provide any persuasive reason to prove this case is sufficiently exceptional to justify the denial of a permanent injunction. In response to the District Court's decision that MercExchange did not practice, but only intended to license its patents, the CAFC emphasized that right to injunctive relief is equally available

to all the patentees regardless of whether they practice their own inventions or choose to license their patents to others.²³

The U.S. Supreme Court granted a certiorari and remanded the case²⁴ to the District Court, pointing out that the District Court erred in denying an injunction on the basis that MercExchange did not itself practice the patented invention; and the “general rule” articulated by the CAFC that patent infringement will automatically trigger permanent injunctions departed from the traditional “four-factor test”. The Supreme Court held that there is no such a “general rule”, i.e. courts will issue permanent injunctions against patent infringement absent exceptional circumstances, which is unique to patent disputes. Justice Thomas stated that “this statutory right to exclude alone justifies its general rule in favor of permanent injunctive relief”, but the creation of a right is distinct from the provision of remedies for violation of that right. The traditional four-factor test applied by courts of equity when considering whether to award permanent injunctive relief to a prevailing plaintiff applies to disputes arising under the Patent Act. That test requires a plaintiff to demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law 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; this factor provides the district court with discretion, and the injunctive relief can be denied if it would result in severe hardships on the infringer but minor harm on the right holder; and (4) that the public interest would not be disserved by a permanent injunction²⁵. The U.S. Supreme Court stated that the exclusive right of a patent is subject to other provisions of the patent laws, wherein the denial of injunctions rests within the discretion of the courts.

The eBay judgment changed the long-standing tradition in patent judicial practice that a permanent injunction will be granted once infringement is confirmed to the four-factor test according to the principles of equity.²⁶ Since the third and fourth factors involve the comparison of loss between the right holder and the infringer, as well as the public, they are also called the proportionality test. It did not take long for those within the patent field to call the case “the most important” case of the year.²⁷ Although a select few commentators were skeptical,²⁸ the vast consensus has been that this case could potentially “turn patent injunction practice on its head.”²⁹ Within a few weeks after the eBay

case, various district court denied patentees’ motions for injunction in a plurality of cases. For instance, in *z4 Techs., Inc. v. Microsoft Corp.*³⁰, the Eastern District Court of Texas denied the plaintiff’s motion for permanent injunction and ordered the plaintiff to file a separate lawsuit for monetary damages due to post-verdict infringement of the defendant, Microsoft. In *Finisar Corp. v. DirecTV Group, Inc.*,³¹ the Eastern District Court of Texas denied the plaintiff’s motion for injunction again and imposed a compulsory license to the defendant instead, ordering the defendant to pay patent royalties of \$1.6 per each infringing product it sold. In *Mon-santo Co. v. Scruggs*³² and *Int’l Rectifier Corp. v. IXYS Corp.*³³, the permanent injunction granted by the District Court was reversed by the CAFC. In *Paice LLC v. Toyota Motor Corp.*,³⁴ the patentee, as being unsatisfied with the denial of its motion for injunction by the District Court, appealed to the CAFC but did not succeed.

Although the Justices of the Supreme Court in the eBay case unanimously denied the injunction, they did not provide very clear guidance on how to apply the four-factor test, including the proportionality test. Formally speaking, the judgment is a unanimous decision, but the two concurring opinions showed that the Justices had great differences in the specific reasoning of the judgment. Some scholars stated that the judgment caused more issues than it solved.³⁵ As a result of the generality of the majority opinion and the divided concurring opinions in the eBay case, the reach and impact of the case depends on how the lower courts use the concurring opinions as guidance.

III. Application of the proportionality test in injunctive relief for patent infringement in U.S. after eBay case

Since the eBay judgment changed the long-standing tradition in patent judicial practice that a permanent injunction will be granted once infringement has been adjudged to the four-factor test according to the principles of equity, without providing clear guidance on how to apply the test, after the eBay case, it becomes not sure whether patentees can obtain injunctive relief when infringement is established. For instance, the Fifth Circuit Court of Appeals denied the patentees’ motion for injunction in *z4 Techs., Inc. v. Microsoft Corp.*³⁶ and *Paice LLC v. Toyota Motor Corp.*³⁷, as mentioned above. However, just one day after the Paice

judgment, the Fifth Circuit Court of Appeals granted an injunction in *TiVo Inc. v. EchoStar Corp.*³⁸

Although the eBay decision did not shake the status of injunction as the major legal remedy available to patentees, the proportion of the patentees obtaining such a remedy declined significantly. According to statistics, before the eBay case, 95% of the patentees obtained injunctive relief after infringement was established; however, from the eBay case to 2012, the proportion dropped to about 75%.³⁹ For non-practicing entities, the likelihood of denial rose sharply. According to a report of the Federal Trade Commission, “it was more difficult for patent-holders that do not themselves practice a patent to obtain injunctions”, wherein 83% of the patent practicing patentees obtained injunctive reliefs, whereas for non-practicing patentees the rate was only 43%.⁴⁰ Some U.S. scholars even stated that after the eBay case, only about 26% non-practicing entities obtained permanent injunctions from district courts.⁴¹ In terms of courts, the Federal Circuit is generally more favorable to prevailing patentees regarding permanent injunctive relief than the district courts. Statistically speaking, the Federal Circuit affirmed the district court’s decision to grant a permanent injunction 88% of the time, while it affirmed the district court’s decision to deny injunctive relief only slightly over half of the time (53%).⁴²

Though without clear guidance, we can find through reviewing cases in recent years that the major factors considered by courts when applying the proportionality test include:

Market status of the plaintiff. Courts generally recognize the patentee’s claim for protection of its market share by means of its patent. Thus, the importance of the patent in suit to the patentee’s market share is one of the crucial factors considered by the court when applying the proportionality test. If the patentee’s market share will not be affected by infringement, injunction is not urgently necessary. In contrast, if the patented technology is of great significance to the plaintiff’s business, the court is more inclined to grant an injunction. For instance, in *i4i Ltd. Partnership v. Microsoft Corp.*⁴³, the court granted a permanent injunction partly because “most of i4i’s products are based on” the patent in suit and “i4i’s market share, revenues, and business strategy are similarly tied to the patented method”. In *Acumed v. Stryker*⁴⁴, when deciding whether to grant an injunction, the district court also weighed “the relative size of the companies and the commercial effect that the injunction

would have”. However, the fact that the plaintiff relies heavily on patents or that the plaintiff is a small company does not necessarily make the scale of the proportionality test tip in favor of the plaintiff. In *ActiveVideo Networks, Inc. v. Verizon Communications, Inc.*, the CAFC remanded the case and stated that the fact that the patentee is a smaller company or that it is more reliant on these patents than the accused infringer does not mean that there is hardship absent an injunction, especially here where the patentee and the accused infringer do not compete in the same market.⁴⁵

Whether there exists direct competition between the plaintiff and the defendant. If the answer is yes, courts generally deem that the proportionality test is favorable to the patentee. If the plaintiff does not sell any product containing the patented invention at issue, the court may hold that the result of the proportionality test is favorable to the defendant.⁴⁶ In post-eBay cases, most of the courts grant injunctions where there is direct competition between plaintiffs and defendants.⁴⁷ Where no direct competition exists between plaintiffs and defendants, the likelihood of granting injunctions is significantly reduced. In all the patent infringement cases in 2018 where motions for injunctions were denied, the plaintiff and the defendant were not involved in direct market competition.⁴⁸ For instance, in *Sundance Inc. v. DeMonte Fabricating Ltd.*⁴⁹, the court denied an injunction on the grounds that the infringer and the patentee are under low competition. As a matter of fact, since the infringing part of the defendant’s product is only a feature of the plaintiff’s product, its impact on the plaintiff’s market is ignorable. Any sales loss on the part of the patentee may not be completely attributed to the defendant, but otherwise.

The proportion of the patented part in the defendant’s product. For instance, in *z4 Techs., Inc. v. Microsoft Corp.*, the judge denied the plaintiff’s motion for injunction, holding that Microsoft only uses the infringing technology as a small component of its own software, and it is not likely that any consumer of Microsoft’s Windows or Office software purchases these products for the plaintiff’s software.⁵⁰ In *Paice LLC v. Toyota Motor Corp.*,⁵¹ the judge compared the irreparable injury proved by the plaintiff, Paice, with the hardships suffered by the defendant, Toyota, such as business disruption, potential adverse effect on burgeoning hybrid market and potential injury on Toyota’s reputation. Given the small reasonable royalty awarded by the jury - which amounted to approximately \$25 per accused vehicle - in comparison to the overall value of the vehicles (tens of thou-

sands of dollars per vehicle), the court concluded that the grant of injunction also meant Toyota would have to recall sold vehicles, and the costs that Toyota would pay, such as money, manpower, time or reputation, were obviously much higher than the loss suffered by the patentee due to the denial of an injunction.

The impact of injunction on the defendant. If the infringer will not suffer loss incurred by injunction, the proportionality test is obvious favorable to the patentee. In *Wald v. Mudhopper Oilfield Services*⁵², the defendant, Mudhopper, only contended that injunction was unnecessary without specifying what injury the injunction may bring to it. Although Mudhopper immediately ceased the selling of the infringing product and asserted that it did not plan to sell said product any more, the court still held that it was necessary to grant an injunction in consideration of Mudhopper's willful infringement and failure to prove there were no infringing products in stock. When applying the proportionality test, the CAFC usually will not give too much consideration to the defendant's business needs. If the patented invention only constitutes a small part of the products sold by the defendant, the court is more likely to grant an injunction.⁵³ The court concluded that the defendant cannot escape an injunction simply because it is smaller than the patentee or because its primary product is an infringing one.⁵⁴ If the grant of injunction forces the defendant to exit from the market, this is a factor that will be taken into account, but is not a decisive factor in the proportionality test.⁵⁵ In the proportionality test, the court will not take account of the defendant's "cost for manufacturing the infringing product" (namely, the sunk cost for designing and marketing the infringing product) and "cost for re-designing the infringing product"⁵⁶.

Whether non-infringing substitutes are available to the defendant. If the defendant has a ready-made non-infringing substitute, or the defendant can easily design around the infringing feature of the product, the court will usually consider that the proportionality test is unfavorable to the defendant.⁵⁷ For instance, in *Apple Inc. v. Samsung Electronics Co., Ltd.*⁵⁸ of 2015, the court supported Apple's motion for injunction against Samsung for that reason.

The patentee's willingness to license its patent to the infringer. Whether the patentee intends to license the invention in suit to the other party is also a factor to be considered, but not decisive in the proportionality test. This is an important reason why the District Court in the eBay case de-

parted from the traditional practice that an injunction will issue once infringement has been established, and also explains why patentees' motions for injunction were denied in many post-eBay cases. For instance, in *Paice LLC v. Toyota Motor Corp.*, the court found that the plaintiff in this case contacted Toyota after knowing Toyota's infringement of its patent, intending to offer a license to the latter for use of its patent. Therefore, the court held that this proved that the patentee in this case aimed to obtain monetary damages, rather than the exclusivity of the patent itself, and that ordering Toyota to pay damages instead of enjoining it from using the patent could better practice the patent right.⁵⁹

Comparison of the impact of whether to grant or deny an injunction on the plaintiff and the defendant. Having considered the above-mentioned factors, the courts usually compare the impact of an injunction on the plaintiff and the defendant. The Toyota case mentioned above is a typical example. The court tended to not grant injunctions, where the impact on the plaintiff resulting from the denial of injunctive relief is extremely disproportionate to that of an injunction on the defendant. In other words, although the plaintiff's exercise of its exclusive right is somewhat limited due to the denial of injunction, if the impact on the plaintiff can be compensated by monetary damages while the grant of injunction will cause significant hardship to the defendant, the motion for injunction would be denied. In some cases, the hardship suffered by the plaintiff because of the denial is much greater than the loss of the defendant due to the injunction. For instance, in *Celgard, LLC v. LG Chem, Ltd.*, the court found that whether to grant an injunction would have a huge impact on the market competition between the plaintiff and the defendant. If an injunction is not granted, it is very likely that the plaintiff is to be excluded from the vehicle market. On the other hand, if an injunction is granted, the defendant needed pay slightly higher costs for the materials provided by the plaintiff. In comparison, the plaintiff's injury was irreparable, whereas the defendant's loss could be compensated. For those reasons, the court determined that the result of the proportionality test was clearly favorable to the plaintiff.⁶⁰

Nevertheless, the function of the proportionality test seems limited. In post-eBay cases, whether the patentee has suffered "irreparable injury" and whether "there is no adequate legal remedy besides" still play a decisive role in the determination as to whether to grant an injunction. As stated by Justice Roberts in the concurring opinions in the

eBay case, the court's grant of an injunction was a natural result of emphasizing the first two factors of the equity test, that is, the plaintiff must prove that it has suffered an irreparable injury, and the remedies available at law are inadequate to compensate for that injury.⁶¹ Courts generally believe that the result of the proportionality test, and the requirements on irreparable injury and the inadequacy of legal remedies, favor the same party. That is, where the patentee proves that it has suffered irreparable injury due to infringement and can hardly obtain adequate legal remedies, the result of the proportionality test usually shows that the patentee's injury caused by the denial of injunction is greater than the infringer's loss due to the injunction. Similarly, except for a few cases where the "public interest" factor is determined as neutral, courts consider that the public interest, together with irreparable injury and the inadequacy of legal remedies, will also favor the same party.⁶²

IV. Impact of the proportionality test in injunctive relief for patent infringement

By introducing the proportionality test, the eBay judgment resulted in that the injunctions are no longer "conventionally" granted, but infringers are likely to obtain a substantial "compulsory license" through infringement. It can be said that the door to "efficient" infringement is opened to the infringers, i.e., the potential infringer can evaluate the benefits and possible loss resulting from infringement to decide what to do next. It provides courts with more flexibility in exercising their discretion, but meanwhile leaves more concerns and uncertainties on the part of inventors, enterprises, investors and patent lawyers.

The background of the eBay case must be taken into consideration for the evaluation of the impact of the proportionality test on the application of injunctive relief for patent infringement in the U.S. Ever since the beginning of the 21st century, the increase in the number of non-practicing patentees and patent lawsuits has urged people to re-consider whether injunction should serve as a natural remedy for infringement.⁶³ In addition, patent litigation is extremely expensive. More and more patent lawsuits are overcostly, time-consuming and facing uncertain results.⁶⁴ These are conducive to the protection of patentees, but would also increase costs for subsequent inventors. Injunctive relief becomes an important weapon for patentees in licensing negotiations. Therefore, the number of patent applications

and patent lawsuits from large companies is increasingly growing.⁶⁵ The proportionality test obviously reduces the bargaining chips of non-practicing entities in patent licensing negotiations and promotes the cooperation between non-practicing patentees and practicing companies to some extent.

From the perspective of incentivizing innovation, an overly strong intellectual property protection system may not be the best. This also applies to remedies available to patent holders. If remedies are granted in such a way to allow the patent holders to obtain extremely high royalties, they are not conducive to achieving the goal of intellectual property laws of promoting innovation. This is where the proportionality test can step in and make a difference. ■

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¹ "Injunction" herein refers to "permanent injunction" only unless otherwise specified.

² *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

³ SEC 17 of Patent Act of 1836, Ch. 357, 5 Stat. 117 (4 July 1836). "And be it further enacted. That all actions, suits, controversies, and cases arising under any law of the United States, granting or confirming to inventors the exclusive right to their inventions or discoveries, shall be originally cognizable, as well in equity as at law, by the circuit courts of the United States, or any district court having the powers and jurisdiction of a circuit court; which courts shall have power, upon bill in equity filed by any party aggrieved, in any such case, to grant injunctions, according to the course and principles of courts of equity, to prevent the violation of the rights of any inventor as secured to him by any law of the United States, on such terms and conditions as said courts may deem reasonable....."

⁴ *eBay*, 126 S. Ct. at 1841 (Roberts, C.J., concurring). Also Herbert F. Schwartz, *Injunctive Relief in Patent Infringement Suits*, 112 U. PA. L. REV. 1025, 1041-42 (1964).

⁵ *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 423-26 (1908).

⁶ Herbert F. Schwartz (1964). *Injunctive Relief in Patent Infringement Suits*, 112 U. PA. L. REV. 1025, 1041-42.

⁷ *Roche Prod., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 866-67 (Fed. Cir. 1984).

⁸ 35 U.S.C. § 283.

⁹ For instance, Douglas Laycock, *Modern American Remedies* (4th ed.

2010), at 426; Mark P. Gergen, John M. Golden & Henry E. Smith, *The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L. REV. 203 (2012), at 207; Doug Rendleman, *The Trial Judge's Equitable Discretion Following eBay v. MercExchange*, 27 REV. LITIG. 63 (2007), at 76 n.71.

¹⁰ *Amoco Prod. Co. v. Village of Gambell*, 480 U.S. 531 (1987), at 542.

¹¹ *Weinberger v. Romero-Barcelo*, 456 U.S. 305 (1982), at 311-13.

¹² Douglas Laycock, *Modern American Remedies* (4th ed. 2010), at 427.

¹³ *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577 (Fed. Cir. 1983); *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, 776 F.2d 1522.

¹⁴ *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995).

¹⁵ Lily Lim & Sarah E. Craven (2009). *Injunctions Enjoined; Remedies Restructured*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 787, 798.

¹⁶ *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 428 (1908).

¹⁷ *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983).

¹⁸ *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934).

¹⁹ 852 F. Supp. 813 (D. Minn. 1994).

²⁰ *Id.*, aff'd mem., 60 F.3d 839 (Fed. Cir. 1995).

²¹ *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695 (E.D. Va. 2003).

²² *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695 (E.D. Va. 2003), at 714-715.

²³ *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005).

²⁴ After retrial, according to the history that MercExchange and eBay intended to reach a licensing agreement on the patent in suit, the District Court concluded that MercExchange was aimed to obtain higher patent royalties, rather than enjoin eBay from exploiting its patent, and denied MercExchange's motion for injunction again and decided that the damages of \$30 Million constituted adequate remedy for MercExchange. Mylene Mangalindan, WSJ 13 Dec 2007 B4, "eBay is Ordered to Pay \$30 Million in Patent Rift". In 2008, MercExchange and eBay settled their long legal battle. Retrieved from <https://www.reuters.com/article/eBay-mercexchange-idUSN2859428420080229>. Last visit on 22 March 2022.

²⁵ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

²⁶ For instance, in *Acumed v. Stryker Corp.*, 483 F.3d 800 (Fed. Cir. 2007), the CAFC explicitly stated that one of the reasons for remanding the case to the district court is that "in ruling on the plaintiff's motion for a permanent injunction, the district court applied 'the general rule [in patent cases] that an injunction will issue, once infringement

and validity have been adjudged...unless there are some exceptional circumstances that justify denying injunctive relief". The Supreme Court has since struck down that general rule in *eBay v. MercExchange*, making clear that the traditional four-factor test for injunctions applies to patent cases.

²⁷ Steve Seidenberg. *Stating the Obvious*. A.B.A. J., Oct. 2006, at 15.

²⁸ Joseph N. Hosteny. *Litigators Corner Hysteria Lane*. INTELL. PROP. TODAY, July 2006, at 28, 28-29.

²⁹ Steve Seidenberg. *Tougher Road Ahead for Patent Holders*. A.B.A. J. E-REP. 19 May 2006. Retrieved from <http://www.aba.net.org/journal/ereport/my19ebay>.

³⁰ *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006).

³¹ *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, 2006 WL 2709206, at *1 (E.D. Tex. 1 Sept., 2006).

³² *Monsanto Co. v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006).

³³ *Int'l Rectifier Corp. v. IXYS Corp.*, 188 F. App'x (Fed. Cir. 2006).

³⁴ *Paice LLC v. Toyota Motor Corp.*, Nos. 2006-1610, 2006-1631, 2007 WL 3024994 (Fed. Cir. 18 Oct., 2007).

³⁵ The Supreme Court, *2005 Term - Leading Cases*, 120 HARV. L. REV. 125, 337; Richard B. Klar, *eBay Inc. v. MercExchange, L.L.C.: The Right to Exclude Under US. Patent Law and the Public Interest*, 88 J.PAT. & TRADEMARK OFF. Soc'Y 852, 853.

³⁶ *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006).

³⁷ *Paice LLC v. Toyota Motor Corp.*, Nos. 2006-1610, 2006-1631, 2007 WL 3024994 (Fed. Cir. 18 Oct., 2007).

³⁸ 646 F.3d 869.

³⁹ Colleen V. Chien & Mark A. Lemley (2012). *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 8.

⁴⁰ Fed. Trade Comm'n. *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*. 220 n.21 (2011), at 256.

⁴¹ Colleen V. Chien & Mark A. Lemley (2012). *Patent Holdup, the ITC, and the Public Interest*. 98 CORNELL L. REV. 1, 10.

⁴² Ryan T. Holte & Christopher B. Seaman (2017). *Patent Injunctions on Appeal*. 92 Wash. L. Rev. 145, 202.

⁴³ *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F. 3d 831 (Fed. Cir. 2010).

⁴⁴ *Acumed v. Stryker*, 525 F.3d 1319.

⁴⁵ *ActiveVideo Networks, Inc. v. Verizon Communications, Inc.*, Nos. 2011-1538, -1567, 2012-1129, -1201 (Fed. Cir. 24 Aug., 2012).

⁴⁶ *Celgard, LLC v. LG Chem, Ltd.*, 624 F. App'x 748.

⁴⁷ Andrew Beckerman-Rodau (2006). *The Aftermath of eBay v. MercExchange*. 126 S. Ct. 1837. Jeremy Mulder (2007). *The Aftermath of eBay: Predicting When District Courts Will Grant Permanent Injunc-*

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⁴⁸ Ryan Davis. *Patent Injunctions Drop Sharply In 2018*. Retrieved from <https://www.law360.com/articles/1121976/patent-injunctions-drop-sharply-in-2018>.

⁴⁹ *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356.

⁵⁰ *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006).

⁵¹ *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-21 1-DF, 2006 WL 2385139, at *3-4 (E.D. Tex. 16 Aug., 2006), aff'd in part, rev'd in part on other grounds, Nos. 2006 - 1610, 2006 - 1631, 2007 WL 3024994 (Fed. Cir. 18 Oct., 2007).

⁵² No. CIV-04-1693, 2006 WL 2128851 (W.D. Okla. 27 July, 2006).

⁵³ *Acumed v. Stryker*, 525 F.3d 1319, *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010).

⁵⁴ *Robert Bosch LLC v. Pylon Manufacturing Corporation*, 659 F.3d 1142 (2011).

⁵⁵ *Aria Diagnostics, Inc. v. Sequenom, Inc.*, 726 F.3d 1296 (2013).

⁵⁶ See supra note 53.

⁵⁷ *Douglas Dynamics, LLC v. Buyers Products Company*, 717 F.3d 1336 (2013); *Acumed v. Stryker*, 525 F.3d 1319.

⁵⁸ *Apple Inc. v. Samsung Electronics Co., Ltd.*, 809 F.3d 633 (Fed. Cir.

2015).

⁵⁹ *Paice LLC v. Toyota Motor Corp.*, F. Supp. 2d 620.

⁶⁰ *Celgard, LLC v. LG Chem, Ltd.*, 624 F. App'x 748.

⁶¹ *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841-42 (2006) (Roberts, CJ., concurring).

⁶² *Paice L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *6 (E.D. Tex. 16 Aug., 2006); *Black Decker Inc. v. Robert Bosch Tool Corp.*, No. 04 C 7955, 2006 WL 3446144, at *5 (N. D. Ill. 29 Nov., 2006); *Wald v. Mudhopper Oilfield Services, Inc.*, No. CIV-04-1693-C, 2006 WL 2128851, at *5 (W.D. Okla. 27 July, 2006).

⁶³ Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 7 (2005) (proposing an amendment to the patent laws that would decrease the availability of injunctive relief); Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1665 - 68 (2003) (describing circumstances in which injunctive relief for patent infringement would be inappropriate).

⁶⁴ Laurence H. Pretty (2006). *Patent Preliminary Injunctions*. 875 PLI/PAT 175, 177.

⁶⁵ Paul M. Mersino (2007). *Patents, Trolls, and Personal Property: Will eBay Auction away a Patent Holder's Right to Exclude?* 6 AVE MARIA L. REV. 307, 311.

CNIPA Issues Instructions on Patent Open License to Local Authorities

The China National Intellectual Property Administration (CNIPA) recently released the Trial Program on Patent Open License - mainly instructions for provincial authorities.

The Program defines measures for provincial IP authorities to facilitate commercialization of patent licenses, organize the subordinate local authorities, companies/entities and service platforms to start trial projects, materialize rapid licensing with intents and conditions cleared by patentees and published by provincial IP authorities. Multiple effects including spurring supply and demand, reserving worthy projects, exploring experiences and finetuning policies are pursued, which would line up the aspects of policy, regime, platform and project for full implementation of the open license system.

The Program sets out three basic principles of fol-

lowing the market trend, strengthening service innovation and enhancing integrated working of different policies, clarifies trial tasks in four aspects in establishing declaration publication platforms, promoting connections between supply and demand, offering supporting services, improving incentive and regulation measures. The trial projects will help test experiences and modes worth promoting to wider areas, warm up for full implementation of the system, cull and reserve high-value patents fit for open license and eventually materialize a raft of patent communalization results.

In the future, the CNIPA will strengthen instructions to local authorities, promote typical experiences and steadily implement the trial work.

Source: CNIPA