

The *eBay* case, its progeny and the law of injunctions



Philippe Signore

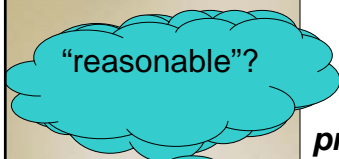
October 2006



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

eBay v. MerkExchange: a case about *permanent injunctions*

35 USC 283. Injunction



The several courts having jurisdiction of cases under this title **may grant injunctions** in accordance with the **principles of equity** to prevent the violation of any right secured by patent, on such terms as the court deems **reasonable**.



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

The “pre-eBay” World: a simple and pro-patent world



In the *pre*-eBay world, there was a *general rule* ...

**Validity + Infringement
=
Permanent Injunction**

(*except in exceptional cases* to protect the public interest)



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

One day, MerkExchange sued eBay for patent infringement

home | pay | register | sign in | site map Start new search
Buy Sell My eBay Community Help Advance
Java™ TECHNOLOGY

← Back to list of items Listed in category: Sporting Goods > Cycling > Road Bikes & Parts > Complete Bicycles
2005 Cervelo Dual Aluminum Full-aero Triathlon Item number: 30007
Bidder or seller of this item? Sign in for your status Watch this item in My eBay | Email to seller

Current bid: **US \$810.00** Place Bid >
Reserve not met

Buy It Now price: **US \$1,600.00** Buy It Now >
Pay no interest until 2007 - Apply

End time: **Aug-20-06 17:47:33 PDT** (5 days 5 hours) *
Shipping costs: **US \$80.00**

© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

The District Court case

The patents are **valid and infringed** by eBay

MerkExchange is just a **patent troll**



No injunction because MerkExchange was willing to license and does not practice its patents

© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

OBLON
SPIVAK
McCLELLAND
MAIER
&
NEUSTADT
P.C.

The CAFC decision

The CAFC reverses the district court's denial for a permanent injunction:

“the *general rule* is that a permanent injunction will issue once infringement and validity have been adjudged.”

“Injunctions are not reserved for patentees who intend to practice their patents, as opposed to those who choose to license.”



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

OBLON
SPIVAK
McCLELLAND
MAIER
&
NEUSTADT
P.C.

The Supreme Court *Unanimous* Decision



Supreme Court:
neither court applied
the *correct* law

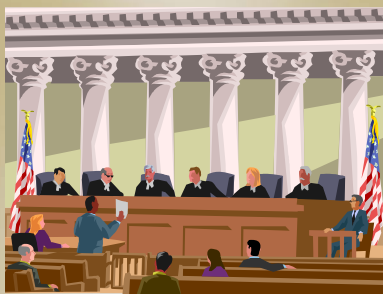
The District court erred because *injunctions can be granted to entities that wish to license* their patents instead of practicing them

The CAFC erred because *there is no general rule* that allows injunctions except in unusual and exceptional circumstances

© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

NEUSTADT
P.C.

The Supreme Court *Unanimous* Decision



Supreme Court: the
correct legal test is
based on *principles
of equity*.

A plaintiff must demonstrate that:

- (1) it suffered an *irreparable injury*;
- (2) monetary damages are *inadequate to compensate* for that injury;
- (3) considering the *balance of hardships* between the plaintiff and defendant, an injunction is warranted; and
- (4) the *public interest* would not be disserved by an injunction

© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

The Supreme Court *Not-so-Unanimous*



The justices in **favor of injunctions** in most patent cases:

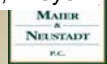
Roberts, Scalia, Ginsburg



The justices with reservations about **injunctions** in certain patent cases:

Kennedy, Stevens, Souter, Breyer

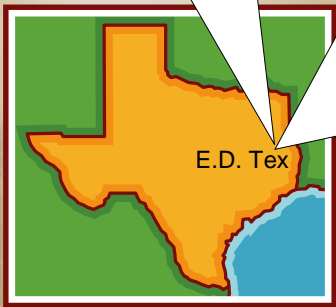
Thomas?
Alito?



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

The first post-eBay cases

T^h
Injunction granted
(2006)



7 Tech. v. Microsoft
(2006)
Injunctions denied !!
Paice
(8/2006)



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

Factors to be considered when analyzing the principles of equity

- ★ Does P practice the patent?
 - ✦ Is P a patent troll?
- ★ Does P compete with D?
- ★ Does infringement cause loss of market share for P?
- ★ Delays in bringing suit

Irreparable Harm/ Adequacy of damages



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

Factors to be considered when analyzing the principles of equity

Balance of hardship



- ★ Importance of the invention relative to the infringing product
- ★ Importance of infringing product relative to D's total business
- ★ Availability and cost of alternatives to D
- ★ Willfulness of the infringement

© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

Factors to be considered when analyzing the principles of equity

Public interest



- ★ Health concerns
- ★ Popularity of infringing product
- ★ Loss of key services
- ★ Loss of jobs
- ★ Adverse effects on entities others than D

MAIER
&
NEUSTADT
P.C.

© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

The post-eBay World



More complex

Less pro-patent

No injunctions:
Automatic
compulsory licenses

eBay effect

Automatic
injunctions



OBLON
SPIVAK
McCLELLAND
MAIER
&
NEUSTADT
P.C.

© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.

The *eBay* case, its progeny and the law of
injunctions

THANK YOU FOR YOUR ATTENTION



Philippe Signore
psignore@oblon.com

October 2006



© Copyright 2006 Oblon, Spivak, McClelland, Maier & Neustadt P.C.