



One Minute Memo™

Standard of Awarding Injunctions In Patent Cases Absent Exceptional Circumstances Is Struck Down By Supreme Court

Lessening the frequency that permanent injunctions may be awarded in patent cases, the Supreme Court on May 15th unanimously decided in *EBay Inc. v. MercExchange, L.L.C.* that the standard used by the Court of Appeals for the Federal Circuit was a "categorical grant of [injunctive] relief" that was in error. The Court vacated the Federal Circuit's finding that the permanent injunction was supported because "infringement and validity had been adjudged" and no "exceptional circumstances" existed to support denial of the permanent injunction.

In ruling to deny the injunction awarded to the patent owner *MercExchange* — which does not practice the patented business method invention itself — the Court recognized that a "university researcher[s] or self-made inventor" should not be categorically denied the opportunity to seek an injunction; however, the patentee must meet a traditional four factor test. Specifically, "a Plaintiff must demonstrate: (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." The case was remanded to the District Court in order to implement the four factor-test to determine whether *MercExchange* is entitled to a permanent injunction against Ebay's "Buy It Now" feature.

In view of the Court's requirement for a patentee to meet the four-factor test, the threat of a permanent injunction may be reduced in certain circumstances and alleged infringers may now be less inclined to settle a lawsuit — but continue to litigate with only the primary risk of monetary damages at stake. Thus, the Court's decision could be a blow to patentees who have no commercial activity practicing an asserted patent. Such non-manufacturing firms were singled-out by Justice Kennedy in his concurrence which stated that firms that "use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees" and who employ an injunction "as a bargaining tool to charge exorbitant fees" may be rightfully barred from obtaining an injunction under the four-factor test because "legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest." Endorsing some categorical assumptions, Justice Kennedy also stated that business method patents may be affected under the four-factor test due to the "potential vagueness and suspect validity" of such types of patents.

Despite these arguably suspect types of patentees and categories of patents, traditional manufacturing companies may still be able to meet the Court's four-factor test and continue to obtain permanent injunctions in many patent cases. In fact, Chief Justice

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Robert's concurrence in this case states that "the difficulty of protecting a [patentee's] right to *exclude* through monetary remedies . . . often implicates the first two factors of the four-factor test" and demonstrates why "courts have granted injunctive relief in the vast majority of patent cases." Nonetheless, the Supreme Court's decision may spur actions at the International Trade Commission (ITC) that provides for injunctive relief in the guise of an Exclusion Order when it can be shown that importation of an infringing article into the U.S. may destroy or substantially injure a U.S. industry (see Section 337 of the Tariff Act of 1930).

If you have any questions concerning this ruling, please contact the Seyfarth Shaw LLP attorney with whom you work or any Intellectual Property attorney on our website at www.seyfarth.com.

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