



Different Rules for Different Owners: Does a Non-Competing Patentee have a Right to Exclude? A Study of Post- eBay Cases

by

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Abstract: Courts have traditionally granted injunctive relief ‘automatically’ upon finding infringement of valid patents on the basis that it is the essence of the patent right to exclude others. But the U.S. Supreme Court signalled a change in 2006 when they vacated the Federal Court’s order granting injunction against eBay for willfully infringing valid patents of MercExchange. The ruling comes at a time when the debate on what have pejoratively been called ‘patent trolls’ has taken centre stage. This paper examines the issues connected to patent trolls and analyses cases post-eBay to study the effect that eBay has had on patent infringement litigation. The analysis shows that the economic status of the patentee and the nature of the patent itself can adversely affect the exclusive rights granted by the patent. This is because non-competing patentees and a patent which covers only a small component of the overall product are less likely to obtain an injunctive relief. Denial of injunctive relief results in judicially-instituted compulsory licensing of patents which dramatically scales down the bargaining power of the patentee during licensing fee negotiations. Wrongly being adjudged a ‘troll’ can have dramatic effects on the incentive for investment and innovation. Consequently, the paper argues that acceptance of the concept of patent ‘troll’ is likely to result in more harm to innovation than otherwise.

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INTRODUCTION

Hart, a small-time inventor, owns a patent which he does not succeed in commercialising or licensing. Months later, he finds Pan Industries marketing with huge success a product which incorporates certain components of his patent. Hart meets a patent attorney who offers to litigate on a no-win, no-fee contingency basis. Pan Industries are now willing to license Hart's patent but state that the rent demanded is grossly inflated given that they had spent a large amount in research and development perfecting the invention and bringing it to the market. Hart is aware that Pan Industries have sunk in huge sums to release the product and they cannot afford to withdraw the product from the market. Hart is advised by his attorney that he could use his bargaining power to earn a settlement a hundred times more than what is currently being offered by Pan Industries.

Hart files a suit alleging that his valid patents have been wilfully infringed and seeks injunctive relief and triple damages. He emphasises that the incentive for investment and innovation will be adversely affected if intellectual property rights are not exercised. Pan Industries claim that Hart can be adequately compensated by means of a 'reasonable' royalty. They claim that an injunctive relief will either result in huge royalty fees disproportionate to the value of the patent which may have to be passed on to the consumers or withdrawal of innovative products from the market. They claim that Hart is actually hindering innovation as he is neither manufacturing nor agreeing to license the use of the right for a 'reasonable' amount.

The above instance teases out the issues which form the background to this paper. The focus is however on the eBay case ruled by the Supreme Court in 2006 and its effects on the exclusive rights of non-competing patentees.

Courts have traditionally granted injunctive relief automatically upon finding infringement of valid patents on the basis that it is the *essence of the patent*

right to exclude others.¹ In other words, if a patent is found to be infringed, the patentee can use his privilege of exclusion to prevent others from practising his patent by obtaining an injunction. The rule of automatic injunction upon finding infringement was firmly established in the seminal *Continental Paper Bag* case, when the Federal Court granted injunctive relief after emphasizing that a patentee is not required to use or license his patent.² However, in *eBay v. MercExchange* (2006) the U.S. Supreme Court vacated the Federal Court order granting permanent injunction against eBay for wilfully infringing patents of MercExchange.³ In doing so, the Supreme Court stuck down the long standing rule that Courts *will* generally issue permanent injunctions against infringement of patent and signalled that it was ready to revisit precedence on the basis that §283 of the Patent Act permit Courts the discretion to grant injunctions ‘in accordance with the principles of equity’.⁴ Though the *eBay* case pointedly referred to the *Continental Paper Bag* case and did not overrule the same, examination of post-*eBay* cases reveals that non-competing patent owners are now being stripped of their right to exclude infringers of their patents.⁵ The ruling comes at the time when the debate on what has pejoratively been called ‘patent trolls’ have taken centre-stage.⁶ Patent ‘trolls’ are patent holders who do not manufacture products or supply

¹ 35 U.S.C. § 283; *Zenith Radio Corp. v. Hazeltine Research Inc.* 395 U.S. 100, 135 (1969) [Right to exclude is “heart of legal monopoly”]; *Schneider (Europe) AG v. Scimed Life Sys. Inc.* 852 F.Supp. 813, 861 (D.Minn. 1994); *Windsurfing Int’l v. AMF Inc.* 782 F.2d 995,1003; *Dawson Chem. Co. V. Rohm & Haas Co.* 448 U.S. 176, 215 (1980); *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908).

² *Continental Paper Bag* 210 U.S. Supra Note 1; there have been instances when injunctive relief had been denied. See *Hoe v. Boston Daily Advertiser Corp* 14 F.814, 915 (C.C.D.Mass. 1883) [denying an injunction because the harm to the defendant would be severe, and ‘the only advantage which the plaintiffs could derive from an injunction, would be to put them in a better situation...for the further conduct of [license] negotiations.’]; see also 35 U.S.C. § 271(d)(4) [Patent owner cannot be deemed guilty of misuse and denied relief on basis of his refusal to license or use his right.]; see also *Hartford-Empire Co. v. United States* 323 U.S.386, 433 (1945) [Competition law does not oblige the patent owner “either to use it or grant its use to other”].

³ *eBay Inc. v. MercExchange L.L.C.*, 126 S.Ct.1837 (2006).

⁴ *eBay* 126 S.Ct. Supra Note 3 at 1839; in exceptional circumstances, injunctive relief has been denied. See *City of Milwaukee v. Activated Sludge Inc.*, 69 F.2d 577, 593 (7th Cir. 1934); *Rite-Hite Corp. v. Kelley Inc* 56 F.3d 1538, 1547 (Fed. Cir.1995).

⁵ The *eBay* court invited discussion on whether it was appropriate to overrule precedence including *Continental Paper Bag*. *eBay* 126 S.Ct. Supra Note 3 at 1837.

⁶ Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property *Patent Trolls: Fact or Fiction?* (2006) 109th Congress, 2nd Sess. [hereinafter *Hearing on Patent Trolls*] Note: The *eBay* ruling does not directly refer to the word patent ‘troll’.

services but instead earn their living from patent disputes.⁷ These entities are alleged to be using patents to ‘extort’ money from infringing firms who – having sunk cost over its commercialisation are forced to enter licensing arrangements with the patent owner at the latter’s terms – and at a cost which may be far beyond the actual value of the patent.⁸

The eBay case has inflamed the rising debate over the effect of granting or not granting injunctive relief to patentee for infringement of their patents in cases where the patentee is a non-participant in the market place or if the patent covers only a small component of an end product.⁹ Almost immediately after the eBay ruling, Microsoft benefited from the same as the Eastern District Court of Texas refused to issue an injunction despite finding that Microsoft had wilfully infringed the plaintiff’s patents.¹⁰ Apart from signalling a major shift in the way injunctive requests will be decided, the Microsoft case was also important from the angle that the judgement came from a Court which has the reputation of being pro-plaintiff in patent suits.¹¹ It appears that in an effort to tie the hands of the so-called patent ‘troll’, the Courts are inclined to take the side of the defendant in infringement suits where the patentee is a non-competitor by denying them injunctive relief whilst competing patent owners are being treated differently. Despite receiving

⁷ Statement of Senator Orrin Hatch (August 2006) Federal Laboratory Consortium; see Hearings before the Sub Comm. on Courts, the Internet and Intellectual Property *Patent Quality Improvement* 108th Cong. 1st Sess. 21 (2003) [Testimony of David Simon defining patent ‘trolls’ as “patent system bottom feeders” who buy “improvidently-granted patents from distressed companies for the sole purpose of suing legitimate businesses”].

⁸ Demand for payment after lock in can force the downstream firm to pay the patentee a ‘far greater’ royalty rate which could be passed down to the consumers. See Carl Shapiro ‘Navigating the Patent Thicket: Cross licenses, Patent Pools and Standard Setting’ in Adam Jaffe et. al (eds.) *Innovation Policy and the Economy* (MIT Press 2001) at 125. See Economist ‘The Real Lesson of BlackBerry’ (Dec 14, 2005) [“NTP’s threat of a legal injunction to shut down BlackBerry unless it pays up is viewed as little short of extortion.”].

⁹ eBay 126 S.Ct. Supra Note 3 at 1839. Justice Kennedy makes specific reference to these categories.

¹⁰ z4 Tech. Inc. v. Microsoft Corp., 6:06-CV-142 (E.D.Texas) (2006).

¹¹ Eric Welch ‘Judicial Reform and Selection in Texas: What about Single Member District for all Appellate Judges?’ Texas State University Public Administration Program-Applied Research Projects (1992); Andrea Augustine ‘eBay Mandatory Infringement Injunctions Out: But How Will Lower Courts Apply Discretionary Injunction Standard?’ Foley and Lardner LLP (24 Aug. 2006); Tresa Baldas Texas IP Rocket Docket Headed for Burnout? The National Law Journal (Dec.28, 2004); Anthony Sebok ‘The \$253 Million Verdict Against the Maker of Vioxx: Its Likely Short-Term and Long-Term Impact For the Company’ FindLaw.Com (Aug.22, 2005).

compensatory damages, the eBay ruling affects the non-competing patentee's control over their invention in the market place.¹²

Though denial of injunctive relief is not tantamount to compulsory licensing – and the eBay case does not once mention 'compulsory licensing' – absence of injunction against continuing infringement places the patentees in a situation wherein a licensing arrangement with the infringer is the best alternative.¹³ Denial of injunctive relief to non-competing patentees dramatically scales down their bargaining power during licensing fee negotiations, resulting in lower licensing fees than desired by the patentee.¹⁴

The eBay ruling maintains that patent licensors have the right to engage in licensing without fear of downsizing their patent rights.¹⁵ But problems arise as there is a thin line distinguishing genuine cases from the so-called patent 'troll'. There is no general consensus identifying the characteristic of the so-called 'troll' from amongst the non-competing patentees. Whilst the infringers are always bent on painting the patent owner as the 'troll', the non-competing entity generally take the role of the little person wronged unjustly by firms earning large sums by infringing on their patent without adequately compensating them. Such a setting poses severe ramifications for patentees who do not have the commercial ability to work their patent but are willing to license the patent for royalties. Overall, innovation will be adversely affected if the market, its players, business strategies and judicial trends are not properly analysed and dealt with accordingly.

This paper examines post-eBay Court decisions with an aim to study the effect that the eBay ruling has had over patent infringement suits. The paper is divided into five sections. The first section examines the legal remedies

¹² James Hopenfeld and Priti Langer 'Fewer Patent Injunctions Issue in Wake of 'eBay': District Court Tend to Follow Justice Kennedy's Flexible Approach' (2006) National Law Journal; Robert Asher 'Injunctive Relief After Ebay v. Mercexchange' Presented at the AIPLA Mid-Winter Institute (2007).

¹³ Compulsory licensing was directly granted in *Finisar Corp. v. DirecTV Group Inc. et. al.* 1:05-CV-264 (E.D.Tex. July 6, 2006).

¹⁴ *Paice LLC v. Toyota Motor Corp.* 2:04-CV-00211-DF 2006 WL 2385139 (E.D.Tex. Aug.16, 2006).

¹⁵ *Ebay* 126 S.Ct. Supra Note 3 at 1839.

available to patentees and explores the *Continental Paper Bag* case and the general rule of ‘automatic’ injunctive relief available to patentees in case of infringement. The second section observes the rise in defensive patenting and non-practising entities, studies the techniques allegedly practiced by the ‘troll’ and questions if the patent ‘troll’ is a myth or reality. In this regard, the author seeks to differentiate between the dynamics of ‘trolling’ ‘good’ patents and ‘broad’ patents.¹⁶ The third section details the eBay case and examines the two different approaches posited by the Judges in the Supreme Court whilst concurring with the main judgement. The author raises the question whether the approach posited by Justice Kennedy has potential to promote compulsory licensing of patents held by a non-competing entity. The fourth section examines post-eBay patent infringement cases. The study reveals that the eBay ruling has raised more questions than it has answered. The section lists the contradictions and challenges that have arisen since the eBay ruling. The concluding section looks at the corresponding pro-defendant attitude pervading the U.S. Congress and questions if the proposed reform has the potential to diffuse the controversial situation and the widening gap between the industry participants. Consequently the author argues that acceptance of the concept of ‘patent troll’ is likely to result in more harm to innovation than otherwise. An appendix is attached to this paper which tabulates cases decided between May 2006 and May 2007 relating to infringement and injunctive relief.

REMEDIES FOR PATENT INFRINGEMENT

The Patent Act allows the patent holder the ‘right to exclude others from making, using, offering for sale, or selling the invention’¹⁷ The patent holder’s right is said to be infringed if the patented invention is made, used or

¹⁶ Statement of Chief Judge Paul R. Michel ‘Optimizing Balances between Patentees and Rivals’ at *Hearing on Patent Trolls* Supra Note 6 Appendix at 62 [Broad patents are “routinely” allowed by patent officers as they are “unable to discriminate effectively” or because they are “simply being worn down by patent agents or attorneys while facing supervisory pressure to conclude cases.”]; see U.S. Department of Justice and Federal Trade Commission Report *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition* (April 2007) at 4 [noting that boundaries of intellectual property rights are often uncertain and difficult to define].

¹⁷ 35 U.S.C. 154(a)(1).

sold without authority of the patent holder during the term of the patent.¹⁸ Infringement may alter the market by affecting market share, reputation for innovation, the opportunity to be the first in the market place with a particular technology, the ability to establish a certain technology as the market standard, or the ability to develop and patent further improvements to the original design. Some industries are more vulnerable to patent infringement suits than others. When those being sued cannot easily substitute away from the disputed technology, the average scope of improvements in the industry is incremental, which makes the outcome of infringement litigation hard to gauge; and when the cost of acquiring and retaining patents is low compared to the value that can be captured with an infringement action, there is an increase in the possibility of an infringement suit.¹⁹ As infringement can affect competition and innovation significantly, the patent statute has prescribed remedies to prevent such harmful behaviour.²⁰

1.1 DAMAGES

The patentee is guaranteed to receive ‘damages adequate to compensate for the infringement’ which shall not be less than a ‘reasonable’ royalty for the use made of the invention by the infringer.²¹ Various methods are used to determine the appropriate compensatory damages to be awarded in case of infringement. In cases where the patentee is a competitor to the infringer, a compensation of lost profits is calculated on the basis of the sales which the patent owner would have made ‘but for’ the infringement.²² ‘Lost profit’ is

¹⁸ 35 U.S.C. 271.

¹⁹ Gerard Magliocca ‘Blackberries and Barnyards: Patent Trolls and the Perils of Innovation’ Berkeley Center for Law and Technology Working Paper 29 (2007); Greg Hitt ‘Industries Brace for Tough Battle Over Patent Law’ Wall Street Journal (June 6, 2007) A1; Federal Trade Commission’s Report ‘To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy’ (2003) (hereinafter *FTC Innovation Report*) Ch. 2.

²⁰ 35 U.S.C. § 281.

²¹ 35 U.S.C. § 284; *Lindemann Maschinenfabrik v. Amer. Hoist* 895 F.2d 1403, 1406 (Fed. Cir. 1990) [“In patent law, the fact of infringement establishes the fact of damage because the patentee’s right to exclude has been violated”].

²² *Panduit Corp. v. Stahl Bros. Fibre Works Inc.* 575 F.2d 1152, 1156 (6th Cir. 1978) [Lost profits are claimed on proof that there is demand for the patented product, that acceptable non-infringing substitutes are absent, that the patentee has its own manufacturing and marketing capability to exploit the demand and analysis of the profits it would have made absent the infringement.]; see Schwartz, Herbert F *Patent Law and Practice* § 8A.I IA (4th ed.2003)[The prevailing party in a successful suit for patent infringement is entitled to an

awarded only to competing patentees on the basis that if the patentee does not sell, he is not capable of losing 'profit'. Alternatively, patentees are compensated by granting them 'reasonable' royalty calculated on the basis of the rate that a reasonable licensor and licensee would agree to during a hypothetical negotiation occurring at the time of first infringement. Since 1970, the fifteen-factors outlined in Georgia-Pacific have been used as a conventional template to determine 'reasonable royalty' rates in cases where licensing agreements do not exist between parties in dispute.²³ Influential decisions in the U.S. since Georgia Pacific have oscillated between using rigorous economic analysis in some cases to some cases using no formal economic analysis.²⁴

Additionally the damages could be enhanced by up to *three times* in appropriate cases where the threshold question is typically whether the

award of profits lost because of diverted sales, price erosion, and increased costs, where provable. Such an award is usually composed of profits lost by the patent owner rather than profits made by the infringer."]; see American Seating Co. v. USSC Group Inc 2006 WL 2472196 (W.D. Mich. Aug.24, 2006) ["...lost profit damages compensate the patent owner for the additional profits that it would have made if the accused infringer had not infringed."].

²³ They include the royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty; the rates paid by the licensee for the use of other patents comparable to the patent in suit; the nature and scope of the license; the licensor's established policy and marketing program to maintain his patent monopoly by not licensing other to use the invention; the commercial relationship between the licensor and licensee, such as, whether they are competitors; the effect of selling the patented specialty in promoting sales of other products of the licensee; the duration of the patent and the term of the license; the established profitability of the product made under the patent; its commercial success; and its current popularity; the utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results; the nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention; the extent to which the infringer has made use of the invention; the portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions; the portion of the realisable profit that should be credited to the invention as distinguished from non-patented elements; the portion of the realisable profit that should be credited to the invention as distinguished from non-patented elements; the opinion testimony of qualified experts; the amount that a licensor (such as the patentee) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee would have been willing to pay as royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license. Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F.Supp. 1116, 1120 (S.D.N.Y.1970).

²⁴ Roy Epstein and Alan Marcus 'Economic Analysis of the Reasonable Royalty: Simplification and Extension of the Georgia-Pacific Factors' (2003) Journal of Patent & Trademark Off. Socy; William Choi and Roy Weinstein 'An Analytical Solution to Reasonable Royalty Rate Calculations' (2001) 41 J. L & Tech 49.

infringement was wilful.²⁵ The tort of wilful infringement arises in cases where the infringer has deliberately disregarded the exclusionary rights of the patentee.²⁶ The patentee must persuade the Court with clear and convincing evidence that the infringement was wilful before the burden shifts to the infringer to put on evidence that it acted with due care.²⁷ Enhanced damages are awarded based on the weight of the infringer's culpability, in light of the relevant factors discussed in the Read case.²⁸ The patentee if successful in his litigation is entitled also to costs and interests as a matter of course and in some exceptional cases, may also be able to recover reasonable attorney fees.²⁹

1.2 INJUNCTION

If there is indication that transgression to the patent rights will continue in the future, the Statute authorises District Courts to protect patent rights by means of an injunction order.³⁰ An injunction could prohibit the manufacture, use or sale of the patented invention and can also include the prohibition of the continued use or sale of products made prior to the issuance of the injunction. Injunctive relief operates to protect the interest of a patentee against future infringement, the market effects of which may not be fully compensable in the form of monetary damages.³¹ These were applied on the basis that the

²⁵ 35 U.S.C. § 284; *SRI Int'l Inc. v. Advanced Tech. Labs. Inc.* 127 F.3d 1462, 1464 9 Fed. Cir. 1997) ["wilful infringement...is the term designating behavior for which enhanced damages may be assessed"]; in *Re Hayes Microcomputer Prods. Inc.*, 982 F.2d 1527, 1545 (Fed.Cir.1992) ["finding of wilfulness may be a basis for an award of enhanced damages"]; see also *Read Corp. v. Protec Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992).

²⁶ *Vulcan Eng'g Co. v. Fata Aluminium, Inc.*, 278 f.3d 1366, 1378 (Fed. Cir. 2002); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004); *Hoechst Celanese Corp. v. BP Chems. Ltd.* 78 F.3d 1575, 1583 (Fed. Cir. 1996).

²⁷ *Golden Blount Inc. v. Robert H. Hartson co.* 438 F.3d 1354, 1368 (Fed. Cir. 2006); *Knorr-Bremse*, 358 F.3d at 1342.

²⁸ *Read Corp.*, 970 F.2d at 826-28; factors include investigating whether the infringer deliberately copied the ideas.; whether the infringer, when he knew of the other's patent, investigated its scope and formed a good faith belief that it was invalid or not infringed; the infringer's behaviour as a party to the litigation; the defendant's size and financial condition; the closeness of the case; the duration of defendant's misconduct; remedial action by the defendant; defendant's motivation for harm and whether the defendant attempted to conceal its misconduct.

²⁹ 35 U.S.C. § 285.

³⁰ 35 U.S.C. § 283.

³¹ *Reebok Intl Ltd v. J.Baker Inc.* 32 F.3d 1552, 1557 (Fed. Cir. 1994); *Schneider (Europe) AG v. Scimed Life Sys.Inc.*, 852 F.Supp.813, 861 ["...where the infringing device will continue to

*principal value of a patent is the statutory right to exclude.*³² There is no provision in the Statute positively authorising the Courts to compel the patent holder to issue a license to the infringer.³³

The decision to grant preliminary injunctive relief is within the discretion of the District Court and is reviewable on appeal for abuse or improvident exercise of judicial discretion or if the decision is contrary to rules of equity.³⁴ There are two forms of injunction – preliminary and permanent. The preliminary injunction serves to preserve the relative position of the parties until a trial on merits can firmly establish validity and the right to a permanent injunctive relief.³⁵ This remedy issued at the outset suspends the contested conduct until the case is finally decided.³⁶ The purpose of preliminary injunctive relief is to “restrain or compel conduct in those extraordinary situations where irreparable injury might result from inaction or delay.”³⁷ Grant of preliminary injunction is considered an extraordinary relief as it poses a real threat by way of putting the accused infringer out of business which on the other hand has the function of promoting settlement of cases.³⁸ Preliminary injunction is

infringe and thus damage Plaintiffs in the future, monetary damages is generally considered to be inadequate.”].

³² Honeywell Int’l Inc. v. Universal Avionics Sys. Corp., 397 F.Supp.2d 537, 546 (D.Del.2005).

³³ Patent infringement by the government is governed by 28 U.S.C. § 1498 which holds the government liable to the patent owner for payment of reasonable and entire compensation for its unauthorised use of the patent. Unlike a private party the government cannot be enjoined from using the patent as the use of the patent is viewed as an eminent domain taking of the patent.

³⁴ Deckert v. Independence Shares Corp., 311 U.S.282, 290 (1940).

³⁵ 800 Adept Inc. v. Murex Securities 2007 WL 1101238 (M.D.Fla April 12, 2007); Rule 65 of the Federal Rule of Civil Procedure covers the rules regarding issuance of preliminary injunction.

³⁶ Univ. of Texas v. Camenisch 451 U.S.390, 395 (1981) [“The purpose of a preliminary injunction is to preserve the relative positions of the parties until a trial on merits can be held.”]; Smith Int’l Inc. v. Hughes Tool Co., 718 F.2d 1573, 1578 (Fed. Cir. 1983) [“A preliminary injunction will normally issue only for the purpose of preserving the status quo and protecting the respective rights of the parties pending final disposition of the litigation.”].

³⁷ Alabama v. U.S. Army Corps of Engineers 424 F.3d 1117, 1133 (11th Cir. 2005); Direx Isreal Ltd. v. Breakthrough Med. Corp., 952 F.2d 802, 811 (4th Cir. 1992); Instant Air Freight c. v. C.F. Air Freight Inc. 882 F.2d 797, 800 (3rd Cir. 1989); Rule 65(c) Federal Rule of Civil Procedure. Preliminary injunction is generally granted on condition that plaintiff deposits a sum in security as deemed fit by the Courts in order to cover the costs and damages which may have incurred by any party who later is found to have been wrongfully enjoined or restrained.

³⁸ See Intel Corp v. ULSI Sys. Tech. Inc., 995 F.2d 1566, 1568 (Fed. Cir. 1993) [Preliminary injunction is a “drastic and extraordinary remedy that is not to be routinely granted.”]; Lerner Germany GmbH v. Lerner Corp., 94 F.3d 1575,1577 (Fed.Cir. 1996) [“A preliminary injunction is an extraordinary relief that alters the status quo during the course of litigation..”];

reserved for circumstances in which the plaintiff's case is found to have merits, his irreparable injury is manifest, the hardships tip in the plaintiff's favour and the public interest is served by the injunction. Once the merits of case are proved, the plaintiff can seek permanent injunction which enjoins the defendant to cease his infringing activity.

1.3 IS IT EQUITY V. EXCLUSION?

The *Continental Paper Bag* case (1908) occurred between two competitors in the paper bag industry. Liddell of Eastern Paper Bag Co. was awarded the patent for an improvement in paper bag machines for making what was designated in the trade as self-opening square bags. The patent did not cover the entire mechanism for making a complete bag but only altering the fold of the paper bag in order to achieve a 'diamond fold' which is flattened and forms a square bottom to the bag. Liddell did not use the patented invention to manufacture these paper bags as it involved further investments to change machinery and continued to manufacture the older version of the paper bag. When a competitor, the Continental Paper Bag Co. started manufacturing the improved paper bags – the competition affected his company and he responded by seeking an injunction against the competitor. Continental Paper Bag Co. argued that the patentee was deliberately holding the invention in non-use for wrongful purposes and thus suppressing competition and innovation. The Supreme Court rejected the argument and stated:

“There is no question of a diminished supply or of increase of prices and can it be said, as a matter of law, that a non use was unreasonable which had for its motive the saving of the expense that would have been involved by changing the equipment of a factory from one set of machines to another? And even if the old machines could have been altered, the expense would have been considerable. As to the suggestion that competitors were excluded from the use of the new patent, we answer that *such exclusion may be said to have been of the very essence of the right conferred by the patent, as it is the*

see also *Abbott Laboratories v. Andrx Pharmaceuticals Inc.*, 473 F.3d 1196, 1200-1201 (Fed. Cir.2007).

*privilege of any owner of property to use or not use it, without question of the motive.*³⁹

The *Continental Paper Bag* case was significant in influencing further court decision which gave precedence for the exclusionary rights of the patent in infringement suits. In fact, the Supreme Court in the eBay case, specifically requested arguments on whether it should reconsider its precedents including the *Continental Paper Bag v. Eastern Paper Bag* case on when it is appropriate to grant an injunction against a patent infringer.⁴⁰ It is interesting that the eBay case additionally asked for the *Continental Paper Bag* ruling despite the fact that the case is about a hundred years old and several rulings subsequent to this case have identified that a balance of public interest could overrule the strength of the exclusion rights given by a patent.

On the other hand, the Congress has since 1819 when it first authorised injunctive relief as a permissible remedy for patent infringement sought to encase it within the parameters of the equity principles.⁴¹ Despite several revisions to the Patent Act since 1819, the application of equity principles whilst providing injunctive relief has never been altered.⁴² Following several rulings applying equitable discretion, the Congress enacted § 283 (1982) which states:⁴³

“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.”

³⁹ *Continental Paper Bag* 210 U.S. Supra Note 1[Emphasis added].

⁴⁰ *EBay* 126 S.Ct. Supra Note 3 at 1837.

⁴¹ Act of Feb 15, 1819 ch.19 3 Stat. 481 “shall have authority to grant injunctions according to the course and principles of Courts of equity”.

⁴² See also Patent Act of 1836 Ch.357 §17 5 Stat.117; Patent Act of 1870 Ch.230 §55 16 Stat. 206; Patent Act of 1897 ch.391 §6 29 Stat. 694; Patent Act of 1922 Ch.58, §8 42 Stat. 392; Patent Act of 1946 Ch.726, 60 Stat. 778. See also *Root v. Railway Co.*, 105 U.S. 189, 191-194 (1881) [describes the early history of injunctions awarded in patent disputes].

⁴³ For e.g. *Parks v. Booth* 102 U.S. 96, 97 (1880); *Rice & Adams Corp. v. Lathrop* 278 U.S. 509, 514 (1929); *Keyes v. Eureka Consol Min. Co.*, 158 U.S.150 (1895).

Equitable principles applicable for the purposes of injunction include determining that the patentee has not had any other adequate legal remedy, that there has been an irreparable injury and that the balance of hardship favours the patentee.⁴⁴ Lastly, public interest is to play an important role in the determination of whether an injunction is to be granted enjoining the defendant from use of the patented technology.⁴⁵ It appears that in general the Courts' denial of injunctive relief in infringement suits once validity is established is considered to be contrary to the laws of property.⁴⁶ The characteristics of property are not merely the right to use and enjoy but also the right to exclude others from using his property as the value of the property greatly reduces if the owner does not have the enforceable right to exclude others.⁴⁷ As the very nature of the patent is the right to exclude others, once the patentee's rights have been held to be valid and infringed, he is presumed to have suffered irreparable harm and generally allowed to obtain injunctive relief.⁴⁸

NON-PRACTICING ENTITIES

2.1 PATENT THICKETS AND DEFENSIVE PATENTING

In industries where incremental innovation is common (such as the hardware and software firms), a commercial product may require a combination of hundreds of patents.⁴⁹ This tends to create a dense network of overlapping patents that a company may have to "hack through" to create a successful commercialised product in order to avoid being involved with a 'hold-up' of

⁴⁴ *Weinberger v. Romero-Barcelo*, 456 U. S. 305, 311-313 (1982); *Amoco Production Co. v. Gambell*, 480 U. S. 531, 542 (1987); *Yakus v. United States* 321 U.S. 414, 440 (1944).

⁴⁵ *City of Milwaukee* 69 F.2d Supra Note 4.

⁴⁶ 35 U.S.C. § 154; See also *Richardson v. Suzuki Motor Co.*, 868 F.2d 1275, 1281 (Fed Cir. 1988) ["right to exclude recognized in a patent is but the essence of the concept of property."]; *Honeywell Int'l Inc. v. Universal Avionics Sys. Corp.*, 347 F.Supp.2d 114 (D.Del.2004); Alyson G. Barker 'Patent Permanent Injunctions and the Extortion Problem: The Real Property Analogy's Preservation of Principles of Equity' 88 *J.Pat & Trademark Off. Soc'y* 256.

⁴⁷ 35 U.S.C. § 261 and 154 (a)(1) [Patents shall have the attributes of personal property].

⁴⁸ *Smith Int'l Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983) "where validity and continuing infringement have been clearly established ... immediate irreparable harm is presumed"; *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989).

⁴⁹ *FTC Innovation Report* Ch.2, 38.

their innovative product.⁵⁰ Hold-up in cases where a manufacturing firm learns that it has infringed a patent after it has sunk in investments can lead to the patentee being in a position where he can demand supra-competitive rent.⁵¹ Hold-up is likely to harm both competition and innovation as the costs resulting from supra-competitive royalty rates may be passed on to consumers or because of the overall reduction in innovation by companies fearing hold-up.⁵²

With the increase in the number of patents combining to make one product, there has been a sharp rise in what has been referred to as the 'defensive patenting' or 'defensive patent purchasing' strategy.⁵³ Firms collect a patent portfolio such that when charged with infringement by a competing firm, they search through their portfolio, identify patents which the plaintiff could potentially be infringing upon and file counter-claims thus inducing a cross-licensing settlement. This strategy has come to be called 'mutually assured destruction'.⁵⁴ Multiple patenting can also be used strategically whereby the "initial innovator could build a 'fence' around its position by securing additional patents on near substitutes, thereby blocking follow-on innovators from designing around their initial patent or raising their R&D costs... A related strategy... 'patent extensions' involves efforts to extend patent protection beyond the life of an initial patent by accumulating patents on improvements... [thus] monopolizing the industry... forever."⁵⁵ A third strategy could be designated as 'patent flooding' whereby, the "flooder 'surrounds' a

⁵⁰ Carl Shapiro 'Navigating the Patent thicket: Cross-licenses, Patent Pools, and Standard Setting' *Supra* Note 7; Mark Lemley and Carl Shapiro 'Patent Holdup and Royalty Stacking' 85 *Tex. L. Rev.* (2007) at 1991.

⁵¹ *Innovation Report* (2003) *Supra* Note 19 Chapter 2 p.28-29.

⁵² *Ibid.*

⁵³ Remarks of Hart Detkin and Robert Barr at FTC's Workshop on Competition and Intellectual Property Law and Policy in Knowledge-Based Economy, Berkeley (Feb 2002) (hereafter *FTC 2002 Workshop*) at 120, 197; see Hall B and R Ziedonis 'The Patent Paradox Revisited: An empirical study of Patenting the U.S. Semiconductor Industry 1979-1995' *RAND Journal of Economics* 32(1) 101-128; John Markoff 'Secretive Buyer of Some E-Commerce Patents Turns Out to be Novell' *N.Y. Times* (May 2, 2005) at C3; Stephen Merrill et. al. *A Patent System for the 21st Century* (The National Academies Press 2004) 35; John Barton 'Reforming the Patent System' 287 *Sci.* 1933 (2000).

⁵⁴ Based on the doctrine of military strategy in which the use of nuclear weapons by one of two opposing sides would effectively result in the destruction of the attacker and the defender. Helen Berman and Rochelle Dreyfuss 'Reflections on the Science and Law of Structural Biology, Genomics, and Drug Development' 53 *UCLA Law Review* 871(2006).

⁵⁵ *Innovation Report* (2003) *Supra* Note 19 Chapter 2 at 34-35.

competitor's patent or technology ... so that over time, the competitor finds itself unable to manoeuvre."⁵⁶ This kind of patenting activity whereby minor aspects of a product or process are patented has led to about 95% of patents being unlicensed with about 97% generating no royalty.⁵⁷ However, the time and money spent in creating and filing defensive patents which in themselves have no innovative value have been recognised to be turning away resources from research and development of new technology and innovation.⁵⁸ Multiple patenting forms a vicious circle such that the amount of patents filed is so high that market players cannot make a move without causing unintentional infringement – the costs of which is mitigated by the infringer by filing for more defensive patents himself.⁵⁹ When it becomes economically unfeasible to license individual patents because of the sheer number of patents required for the manufacture of a particular product or process, firms resort to cross-licensing or pooling in order to alleviate the hold-up in technology.⁶⁰

2.2 THE THREAT OF THE 'TROLLS'

Generally competing firms tend to reach patent licensing agreements not just for seeking rent for their patents but for a variety of reasons such as promoting their own brands by requiring licensees to display their trademarks, to establish incentives for particularly profitable uses of the invention, promote widespread use of the technology in order that related products could become more attractive to consumers, mitigate the risk of blocking patents etc. But for a non-competitor whose only asset is a batch of patents in its drawers and having no commercialisation plans on its agenda, none of these applies.

⁵⁶ Ibid.

⁵⁷ William Landes and Richard Posner *The Economic Structure of Intellectual Property Law* (Mass: Belknap Press of Harvard University Press 2003) 320 n.52.

⁵⁸ *Innovation Report* (2003) Supra Note 19 at 44; Statement of Greenhall at *FTC's 2002 Workshop* Supra Note 52 at 377, 420.

⁵⁹ Statement of Barr at *FTC's 2002 Workshop* Supra Note 52 at 677, Denkin at 668, Hart 42-49.

⁶⁰ Carl Shapiro Carl Shapiro 'Navigating the Patent Thicket: Cross licenses, Patent Pools and Standard Setting' Supra Note 7.

When the patentee is a non-competitor and does not manufacture anything, the advantage of having a defensive patent portfolio is taken away.⁶¹ The patentee has nothing to lose as they are not vulnerable to a countersuit for infringement.⁶² He is interested only in seeking the highest royalty rate possible for his asset and as such is not bothered about a win-win situation. He enjoys an enviable bargaining position to exercise undue leverage against the manufacturing firms who have sunk investment costs on commercialising products which are alleged to be infringing the patent holder's patents. As businesses point out, it enables these patent holders to extract license fees disproportionate to the value of the patent thereby imposing significant additional social costs.⁶³

The threat of an injunction on the commercially successful and vital device for many – the 'Blackberry' which is useful for sending and receiving emails on the move – brought new light to the debate on 'trolls' and its adverse effects on innovation.⁶⁴ Apart from affecting the members of the public who owned the Blackberry device, an injunction could have put the defendant Research in Motion (RIM) out of business. RIM manufactured and marketed 'Blackberry', the patents to which were held by New Technologies Products (NTP) which did not have a presence in the market as it was not a competitor to RIM. When RIM ignored NTP's correspondences regarding licensing fees, NTP sued RIM for infringement of patents which it alleged covered the basic technology used in connection with the Blackberry. RIM was found by the jury to have wilfully infringed NTP's patents, and the Court refused to stay the proceedings as requested by RIM. RIM lobbied to have the patent invalidated through re-examination but with the pressure to settle the case, they reached an agreement with NTP for \$612.5 million.

⁶¹ Robert Mann 'Do Patents Facilitate Financing in the Software Industry?' 83 Tex. L. Rev. 961, 1023 (2005).

⁶² Donald Chisum 'Reforming Patent Law Reform' 4 J.Marshall Rev. Intell. Prop. L at 340 (2005).

⁶³ Brief of Time Warner, Amazon.Com, Chevron Corp, Cisco System, Google Inc./Interactive Corp, Infineon Technologies, Shell Oil Company and Visa USA Inc. as Amici Curiae in Support of Petitioner, eBay v. MercExchange 05-130 at 7.

⁶⁴ NTP Inc. v. RIM Ltd., 261 F.Supp. 2d 423 (E.D.Va.2002); Barrie McKenna et.al. 'Patently Absurd: The Inside Story of RIM's Wireless War' GlobeAdvisor.com (Feb 2006) Avlb at <http://www.globeadvisor.com/servlet/ArticleNews/story/gam/20060128/RCOVER28>.

Apart from the potential effects that an injunction could have on the owners of Blackberry devices, the case attracted attention to the issue of non-practicing patent holders' ability to hold-up the market in order to 'extort' huge settlement amounts from manufacturers of innovative products. It was the economic status of the company which drew such criticism. NTP was founded as a holding company for patents relating to wireless technology by Thomas Campana Jr., a small-time inventor and Donald Stout, a patent attorney. NTP was run from the patent attorney home, and apart from Campana's twenty-five-odd patents, it had no other assets.⁶⁵ It was suggested that NTP had kept their patents dormant waiting for someone to successfully commercialise technology covered by the patents before demanding high royalties. These led some to classify NTP as a patent 'troll' who harmed innovation in the market place whilst others defended that Campana as the small-time inventor who was just trying to protect his intellectual property from being used for profit by a large corporation without paying him any royalties for the same. To go any further at this point it is necessary to clarify who or what exactly is a patent 'troll' and identify the characteristics of these trolls.

2.3 WHO IS A PATENT 'TROLL'?

Patent 'troll' refers to entities that do not commercialise their patents but instead seek unreasonable royalties against alleged infringers thus, effectively "earning their living from patent disputes".⁶⁶ The term was coined by Intel's former patent chief Denkin while referring to he "who tries to make a lot of money off a patent that they are not practicing and in most cases never practiced."⁶⁷ Patent 'troll' alludes to entities that purchase patents not with a view to actively developing the technology but rather to aggressively assert

⁶⁵ Ibid ["a drawer full of dusty patents"].

⁶⁶ Statement of Senator Orrin Hatch (August 2006) Federal Laboratory Consortium; Nicholas Varchaver 'Who's Afraid of Nathan Myhrvold?' *Fortune* (July 10, 2006) at 110.

⁶⁷ See Brenda Sandburg 'You May Not Have a Choice: 'Trolling for Dollars' *The Recorder* (July 30, 2001) Denkin who is now with the patent accumulator Intellectual Ventures, and is now being called a 'troll' himself has changed his definition to refer to those entities that own no more than a few patents of questionable merit and is not in any business related to the patents. See Brenda Sandburg 'A Modest Proposal' *The Recorder* (May 9, 2005).

them in the industry seeking large settlements. These non-manufacturing patent owners appear to have more incentive in threatening large corporations with litigation than engaging in commercialisation as the former path involves higher probability of economic rewards with comparably lower risk. In spite of the above characterisation, there seems to be no fixed definition for 'troll' and there is no appearance of consensus on the characteristics that identify 'trolling' behaviour.

In the case against eBay, amidst laughter, Justice Kennedy sought to figure out if 'trolls' were the scary thing under the bridge, or if it is a fishing technique.⁶⁸ Depending on where you are standing – patent 'troll' seems to fit both descriptions equally. On one hand, the 'trolls' appear to be owners of 'broad' patents – the scope and validity of which are uncertain and who choose to exploit the vagueness or the width of such patents by fishing for 'potential infringers' who may be using technology related to the patent in their commercialised product. On the other hand, 'trolls' could be those who lie waiting in silence with their patents until someone succeeds in commercialising technology by applying the patents, whereupon the 'troll' promptly jumps on them from under the bridge claiming excessive licensing fees. In both cases, the patent holder seems to be 'unfairly' leveraging his possession of patent rights to the detriment of competitive market condition and innovation. The following sub-section study both these trends in greater detail.

2.3.1 The Fishing Technique

Patent 'trolls' exercising this technique utilise patented inventions with suspect legal integrity or dubious technical merit to extort a license from those manufacturers who they allege are infringing the patent.⁶⁹ Here the troll attempts to enforce a patent which is probably invalid or he would try to stretch a valid patent to cover activities which is outside the scope of the

⁶⁸ Transcripts of Record at 26, eBay Inc., v. MercExchange 126 S. Ct. 1837 (eBay's counsel answered that a 'troll' is much like the 'scary thing under the bridge').

⁶⁹ *Hearing on Patent Trolls* Supra Note 2 at 1.

patent. These entities acquire broad patents which they employ for litigation or threat of litigation in order to coerce a large corporation who is on the verge of releasing products to come to an expensive settlement. In some cases, they acquire patents at bargain prices from bankrupt third parties or at patent auctions, to build a patent portfolio which they employ to demand royalties from other firms at a rate one hundred times more than what they had paid for the patent in the first place.⁷⁰ Patent attorneys seem to be among the forefront to apply this strategy.⁷¹ Patent attorneys form small group to pool money and buy patent portfolios from distressed companies and use the same to sue and settle litigation quickly thus obtaining a large profit in the transaction.⁷²

In both cases, the ‘trolls’ do not produce or sell anything and have no intention to manufacture or conduct research, but simply exist to misuse the patents by threatening to engage firms in expensive patent litigation. The non-producing ‘troll’ who is not at the risk of losing anything – exerts a bargaining power over the ‘infringer’ who is inadvertently drawn into entering an expensive settlement for the sake of avoiding a more expensive patent suit or even worse, a closure of product line or business itself.⁷³ The ‘troll’ abuses the general presumption available to patentees that the patent is considered valid unless the alleged infringer proves invalidity by means of ‘clear and convincing’ evidence.⁷⁴

Most of these ‘trolls’ apply the ‘opportunistic’ strategy whereby they would send out innumerable letters to various companies ‘informing’ them that one of their patent is being infringed by the company and thereupon demand

⁷⁰ San Francisco Daily Journal ‘Top Ten Defense Cases of 2000: In the shadow of the Valley’ April 18, 2001.

⁷¹ See Lisa Lerer ‘Meet the Original Patent ‘Troll’: Attorney and 26-lawyer firm Sue First, Settle Fast and Collect Big’ IP Law and Business (July 20, 2006).

⁷² See Statement of Edward Reines at the Patent ‘Trolls’ Hearing describing his law firm litigating against a small group of lawyers who pooled \$50000 to buy a patent and engaging a large corporation in a legal battle.

⁷³ Paul Misener, Vice President for Global Policy, Amazon.com stated at the Hearings on Patent ‘troll’: “We settled...for \$40 million on patents that we question their validity. We still do. We also question whether we were infringing. But the fact of the matter was that the patent at issue went to our shopping cart, and Amazon without a shopping cart is not a particularly useful thing for consumers. And so as a result we were anxious to settle in a way that would not have occurred if the patent has been held by one of our competitors.” 109th Congress 109-104 pg.44.

⁷⁴ 35 U.S.C. § 282; see also *Oakley Inc. v. Sunglass Hut Int’l* 316, F.3d 1331, 1339 (Fed. Cir. 2003)

royalties. Typically a check by their patent attorneys to confirm if there is an infringement would cost about \$5000 dollars at the least, notwithstanding that such a check will not lead to the end of the problem. By sending out large number of letters to different companies, they increase the probability of some of them agreeing to pay licensing fees in order to avoid legal complications. In an effort to 'buy-out' the nuisance, manufactures simply agree to pay royalties so as to avoid the cost of mounting a defence.⁷⁵ Meurer describes the case of the company E-Data which owns a patent allegedly covering financial transactions on the internet. E-Data sent out letters to 75,000 companies informing them that they were infringing an E-Data patent and asking them to pay royalties between \$5,000 and \$50,000. Several high-profile companies agreed to license the patent but most refused. Out of the 75,000 companies, E-Data sued 41 companies for patent infringement.⁷⁶ These trolls set up a reputation for being aggressive litigants who impose costs on some vulnerable technology users by successfully filing a sequence of frivolous suits.⁷⁷ Setting up such a reputation for aggressively pursuing infringement suits lends credibility and value to patents which have dubious integrity.

2.3.2 The Scary Thing Under the Bridge

The 'troll' employing the scary-thing-under-the-bridge strategy generally makes improper use of the process relating to 'continuation patent'.⁷⁸ They utilise the patent system's glitches to ensure that their patent application

⁷⁵ See Congressional Research Service *Patent Reform: Innovation Issues* (Library of the Congress 2005) 7-8 [notes that one large technology company has an annual patent defence budget of nearly \$100 million].

⁷⁶ Micheal Meurer 'Controlling Opportunistic and Anti-Competitive Intellectual Property Litigation' (2003) 44 Boston College L. Rev. 509-544; Julie E. Cohen, Reverse Engineering and the Rise of Electronic Vigilantism: Intellectual Property Implications of "Lock-Out" Programs (1995) 68 S. Cal. L. Rev. 1091, 1178; S Indus., Inc. v. Centra 2000, Inc., 249 F.3d 625, 629 (7th Cir. 2001) (Trademark related: The Appeals Court found that the lawsuit lacked merit and was oppressive, and that "plaintiff's conduct unreasonably increased the cost of defending against the suit.").

⁷⁷ Seth Shulman *Owning the Future: Staking Claims on the Knowledge Frontier* (Houghton Mifflin 1999) 9; see also Patent Quality Assistance Act of 2004 H.R.5299, 108th Cong. (2004).

⁷⁸ Donald Chisum 'Reforming Patent Law Reform' Supra Note 61 at 340 [[A] troll hides under bridges, metaphorically speaking, waiting for companies to produce, that is to approach and cross the bridge. The ugly, evil troll then leaps up and demands a huge toll, that is, a licensing fee settling actual or threatened patent litigation, litigation that could result in an injunction halting the product line].

remains in the system for almost double the time it normally takes before a patent is issued.⁷⁹ When the patent claim is rejected by the Patent and Trademark Office or even when the claim is approved, patentees choose to withdraw and reapply in order to either further delay the process or with the hope that they could stretch the claim further by ‘wearing down’ the examiner.⁸⁰ As such, the issuance of patent is delayed and while the patent remains hidden in the system, the unsuspecting innovator commercialising the product is taken unawares when the patentee jumps on them as they pass on the bridge demanding tolls for infringement. Continuation patents allow opportunistic behaviour such as filing modification of patent claims post-approval in order to capture a market player’s product or process which may not have infringed upon the original claim. The patent statute proposed to deal with the situation recently when it required all patent applications to be published 18 months after filing.⁸¹ But a technology user’s uncertainty to “predict from the written description at 18 months what the patentee ultimately will claim” limits the opportunity to solution significantly.⁸²

Prof. Lemley’s work on ending abuse of patent continuations highlighted considerable abuse of the patent continuation application processes including efforts by patentees to delay issuance of patent precisely in order to ‘surprise a mature industry, a process known as submarine patenting’.⁸³ The submarine patents normally emerge when it becomes clear that sufficient resources have been committed to the commercialisation of the product. An innovator in the market place having incorporated some element of the patented technology in a product and sunk considerable investment into commercialising the technology unaware of a patent application covering a

⁷⁹ See Mark Lemley and Kimberly Moore ‘Ending Abuse of Patent Continuations’ (2004) 84 Boston University L. Rev. 63; Glen Fest ‘Patently Unaware’ Bank Technology News (April 2006).

⁸⁰ See *Innovation Report* Supra Note 19 Chapter 4 at 29.

⁸¹ 35 U.S.C. § 120-122.

⁸² *Innovation Report* Supra Note 19 Chapter 4 at 27; The Report of the President’s Commission on the Patent System, reprinted in ‘To Promote the Progress of the Useful Arts’ Sub.Comm. on Patents, Trademarks and Copyrights of the Senate Comm. On the Judiciary 90th Congress 1st Session 39 (1967) determined that it was desirable that claims never be broadened after publication but concluded that it might be impossible to enforce an all-inclusive prohibition.

⁸³ See Lemley and Moore n.64 above

minor or major aspect of his technology provides the patent owner with unfair ability to leverage. If an innovator is aware of a patent in advance of commercialising a product which may comprise some elements of the patented technology, he may be able to negotiate a reasonable license, design around the same or replace it using a non-infringing alternative. Though various reforms have been made to tackle the continuation patent problem, the issue still exists as a major part of patent practice especially in innovative industries such as pharmaceuticals and biotechnology.⁸⁴

Another strategy employed by the scary bridge 'troll' is the technique aptly described as the eruption of a dormant patent whereby the entity acquires unexploited patent and waits until the relevant technology has become an industry standard in order to enforce his rights.⁸⁵ He may be someone who identifies that a dormant patent has been commercialised by a firm and then, chooses to buy it from the unsuspecting patent-owner for a relatively low price and exercise its enforcement upon the innovator.⁸⁶

2.4 THE PATENT 'TROLL' MYTH?

First one must note that 'trolls' do not have any incentive to exclude others from practising the invention or depriving consumers of innovative products integrating or encompassing the invention. In fact his intention to appropriate value for his invention depends on the invention being used so that he can collect royalties for the same. Start-up companies claim that it is the large corporations who use the 'opportunistic' strategy of stealing patents and pushing them to go for patent infringement suits with an intention to exhaust

⁸⁴ See Lemley and Moore; See also John Allison and Mark Lemley 'Who is Patenting What? An Empirical Exploration of Patent Prosecution' (2000) 53 Vand. L. Rev. 2099, 2124, 2154

⁸⁵ Stephen Merrill et. al. *A Patent System for the 21st Century* Supra Note 52 at 31; Gerard Magliocca 'Blackberries and Barnyards: Patent Trolls and the Perils of Innovation' Supra Note 18 at 18, 19

⁸⁶ Senator Issac Christiancy 45 Cong. Rec. 307 (1878) [Among a host of dormant patents, some will be found which contain some new principle...which the inventor, however, had failed to render of any use in his own invention. And some other inventor, ignorant that such a principle had been discovered... had the genius to render it of great practical value...when, lo! the patent-sharks among the legal profession, always on the watch for such cases, go to the first patentee and, for a song, procure an assignment of his useless patent, and at once proceed to levy black-mail upon the inventor of the valuable patent.]

their funds. In general, patent owners who go to Court over infringement of their patents seem to be poorer than the accused infringers and in any case, those who win the infringement suits appear to be wealthy corporations.⁸⁷ It suggests that patentees who do not have the ability to commercialise need to be protected from large corporations as they may be bullied into licensing their patents for a pittance whilst making large profits by deploying the patented technology in the market.

Critics of patent 'troll' advocates point out that acceptance of the 'troll' concept undermines the concept of free enterprise and ownership of property as the inventor is being thwarted from placing his invention in the hands of a 'professional patent marketer' which is analogous to using a real estate agent for real property matters.⁸⁸ The right to enforce a patent should not be diminished by the fact that the patent has been assigned to a third party by the inventor.⁸⁹ The 'troll' who buys patents from bankrupt patent-holders or at a patent-auction and seeks to enforce the patent rights against corporations using these rights without making any payment is not necessarily holding up innovation. It is a legitimate way of providing ready liquefied patents in the market which could enhance innovation.

The lack of a proper definition for a patent 'troll' obviously makes it difficult to identify the 'troll'. Whilst there are cases where the patent-holder seeks rent in an inappropriate manner so as to result in an adverse effect on competition in innovation, in many cases, it is a grave challenge to distinguishing between the 'genuine' patent litigators and the so-called 'troll'. The wilful infringer will inevitably use this situation to his benefit by making allegations that the

⁸⁷ Paul M. Janicke, LiLan Ren 'Who Wins Patent Infringement Cases?' 34(1) AIPLA Quarterly Journal (2006). In their study of litigated cases, Paul Janicke and LiLan Ren identifies that patentees win only 24% of the patent infringement cases. Out of these 24% win for patentees – a majority of the cases related to both the patentee and the accused infringer belonging to the wealthier category. In the study, financial strength was assessed by income divided as: Level 1 (\$0 up to \$1 million), Level 2 (over \$1 million and up to \$100 million), Level 3 (over \$100 million and up to \$1 billion) and Level 4 (over \$1 billion).

⁸⁸ Congressional Testimony of Ronald Riley (2005) at Subcommittee on the Courts, the Internet and Intellectual Property, Committee on Judiciary, U.S. House of Representatives for The Legislative Hearing on the Manager's Amendment to H.R.2795, the Patent Reform Act of 2005.

⁸⁹ Stephen Maurer, Suzanne Scotchmer 'Profit Neutrality in Licensing: The Boundary Between Antitrust Law and Patent Law' NBER Working Paper No.10546 (2004) (unpublished).

litigator is a 'troll' in order to mitigate the damages that he may face. This is potentially damaging to the cause of the genuine small inventors whose patents are being used without license by large corporations. While one notion calls all non-competing patent holders who seek to enforce their exclusionary rights against infringers as 'trolls', the other notion narrows 'trolls' down to those who seek licensing fees. Neither behaviour is *per se* unlawful.

First, patent law does not require patentees to practice their inventions.⁹⁰ It gives them the right to exclude others from practicing their inventions – and this right can be used by the patentees to obtain rewards in the form of royalties from firms who commercialise products using these patents. In fact, there is no clause in the U.S. Patent Act which states that compulsory licensing could be applied for sleeping patents. Second, there is nothing unlawful about the practice of seeking licensing fees for inventions or seeking to enforce their exclusionary rights through the courts. It has been argued that licensing is an integral part of the patent system and any changes to its form will adversely affect legitimate individuals and firms.⁹¹ Upon making an unsuccessful attempt at commercialisation of technology due to lack of resources or access to other complementary technologies, some firms turn to licensing as a more viable and profitable alternative.⁹² Any law which makes it difficult for patent holders to fight against infringers will induce large corporations to wilfully infringe patents especially of those holders who do not have the ability to effectively engage in a patent litigation. As stated by the Federal Court in the eBay case, "If the injunction gives the patentee additional leverage in licensing, that is a natural consequence of the right to exclude and

⁹⁰ See Patent Misuse Reform Act of 1988 Pub. L. No.100-703, §201, 102 Stat. 4676 (no patentee otherwise entitled to relief from infringement 'shall be denied relief' merely by having 'refused to license or use any rights to the patent') 35 U.S.C.271(d)(4); Illinois Tool Works Inc. v. Indep. Ink Inc. No.04-1329 (Mar.1, 2006) 12-13.

⁹¹ *Hearing on Patent Trolls* Supra Note 5 at 1.

⁹² See Dave Mock *The Qualcomm Equation: How a Fledgling Telecom Company Forged a New Path to Big Profits and Market* (AMACON 2005); Summary for Tesser Technologies Inc., Yahoo Finance.

not an inappropriate reward to a party that does not intend to compete in the marketplace with potential infringers.”⁹³

Another point to note is that every patent valuable enough to be the cause of major litigation has its source in the ingenuity of an inventor who deserves the rewards brought by the patent.⁹⁴ The relevant statute which gives him the right to exclude does not require the patentee to seek his rewards by commercialising the same himself. In cases where the product constitutes a multitude of patents, only one of which is owned by a small inventor whilst the rest are owned by the large corporation, it is difficult to expect the small inventor to be able to commercialise the product. In all fairness, the inventor might choose to assign the rights to his invention to a third party who specialises in litigation whom he finds capable of appropriating what he considers the true value of his invention. From this angle, the accused ‘troll’ is a useful intermediary who is available to help the inventor appropriate the value of his invention.⁹⁵ And this function of the ‘troll’ is not necessarily improper or illegal.

In summary, the imperative question is whether there is a legally acceptable method of making a distinction between ‘good’ non-practicing entities from a ‘bad’ troll. There is none. It is difficult to presume that apart from established exceptions all non-practicing patentees ‘holding-up’ a commercialised product or threatening to cause its withdrawal – should be accorded the treatment of ‘bad’ trolls and denied the patent rights due to them.⁹⁶ In the next section we look at the facts of the eBay case and its ruling and examine how it is relevant

⁹³ eBay v. MercExchange Federal Court of Appeals 03-1600-1616 (March 16, 2005); universities are one of the prime examples of non-practicing entities, who normally license their intellectual property rights to industries who commercialise these rights.

⁹⁴ See counter argument in Brief of Amicus Curiae Yahoo!Inc. in Support of the Petitioner eBay Inc. v. MercExchange Inc. at 3 (“trolls acquire patents and engage in behaviors to increase the *settlement* value of those patents without adding anything of *societal* value”)[Emphasis in original].

⁹⁵ Ronald J Mann ‘Do Patents Facilitate Financing in the Software Industry?’ (2005) 83 Texan Law Review 961, 1024

⁹⁶ Brief of Various Law & Economics Professors as Amici curiae in Support of Respondent, eBay v. MercExchange (05-130) [Court should be arbiters of patents and not of industrial policy...]

to the issue of patent trolls. Thereupon we study the post-eBay cases to see the effects of the eBay ruling on injunctions against infringers of patents.

EBAY V. MERCEXCHANGE

3.1 THE EBAY VS. MERCEXCHANGE RULING

MercExchange's founder, inventor Thomas Woolson, held the patents to business methods directed at the use of an electronic market to buy and sell goods through a trusted network.⁹⁷ In 1995 eBay launched its online market which incorporated several features covered by Woolson's patents. In 2001, after failing to license these patents to eBay, MercExchange filed suit in the District Court alleging that eBay, Half.com, and ReturnBuy had wilfully infringed its patents.⁹⁸ As Woolson was not practicing his patents, eBay sought to brand MercExchange as a patent 'troll'. MercExchange in 2003 began to operate an online market place selling its products through its licensee, uBid, thus attempting to substantiate its claim that it was a competitor to eBay. But eBay and its supporters argued that MercExchange's retrospective bid to enter to market simply to legitimise their legal status does not change the fact that they have not contributed to scientific progress – and in any case they claimed that unlike eBay, selling was not the primary focus of MercExchange.⁹⁹

The jury found that eBay had wilfully infringed MercExchange's patents. The District Court awarded MercExchange \$35 million but it held that MercExchange was not entitled to permanent injunctive relief, enhanced damages or attorney fees.¹⁰⁰ The District Court noted the precedent set by Federal Courts of issuing injunction once wilful infringement is established

⁹⁷ MercExchange sells small electronics and offers business solution for e-commerce customers. See www.mercexchange.com (available on 15.04.07)

⁹⁸ MercExchange L.L.C v. eBay Inc., 275 F.Supp.2d 695 (E.D. Va. 2003); MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1325 (Fed.Cir.2005); ReturnBuy went bankrupt and settled its infringement suit with MercExchange.

⁹⁹ www.mercexchange.com

¹⁰⁰ MercExchange 275 F.Supp.2d at 698

unless there is a sufficient exceptional reason for denying the same. However, using its discretionary powers, it held that MercExchange was not entitled to permanent injunctive relief as it failed the traditional four-factor test under the equity principles.¹⁰¹ The test considers

- (i) if the plaintiff would face irreparable injury if the injunction did not issue,
- (ii) if the plaintiff has had an adequate remedy at law,
- (iii) if the balance of hardship tips in the plaintiff's favour, and
- (iv) if granting the injunction is in the public interest.¹⁰²

In reference to these factors, the District Court held that MercExchange was not in danger of facing irreparable harm as they were not utilising the patents themselves and were *willing to license* the patents to eBay.¹⁰³ It went on to state that “lack of commercial activity by the patentee is a significant factor in the calculus” of whether the patentee should be granted an injunction.¹⁰⁴ Though the Court noted the public interest in maintaining the integrity of the patent system – it ‘felt *growing concern* over the issuance of business-method patents’ particularly in cases where the patentee did not intend to practice the patents.¹⁰⁵ The District Court found that the damages provided by the jury demonstrated an adequate remedy at law and the balance of hardships tipped in eBay’s favour, since an injunction would likely result in the Court’s continued involvement in assessing whether design-around attempts by eBay violated the injunction.¹⁰⁶

¹⁰¹ Ibid at 711

¹⁰² See *Weinberger v. Romero-Barcelo* 456 U.S.305, 311-13 (1982); *Amoco Production Co.* 480 U.S. Supra Note 44 at 542; *W.L. Gore & Assoc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988).

¹⁰³ *MercExchange* 401 F.3d (2005).

¹⁰⁴ *The District Court quoted High Tech Med. Instrumentation. Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995).

¹⁰⁵ *MercExchange* 275 FSupp 2d at 711; the *State Street Bank* case triggered an awareness of the business method claim as a viable form of patent protection. See *State Street Bank & Trust v. Signature Financial Group* 149 F.3d. 1368 (Fed.Cir.1998) cert denied 525 U.S. 1093 (1999); see also United States Patents and Trademarks Office White Paper on *Automated Financial or Management Data Processing Methods (Business Methods)* (2000) at IV; see also Business Method Improvement Act of 2001 H.R. 1332, 107th Cong. (2001).

¹⁰⁶ *MercExchange* 275 FSupp 2d at 711-715.

On appeal, the Federal Court **reversed** the District Court’s ruling and granted injunction on the basis that the patent owner’s right to exclude is the essence of the concept of intellectual property.¹⁰⁷ In doing so, it upheld the **general rule** that an injunction will issue once infringement and validity of patent have been adjudged.¹⁰⁸ The Federal Court held that “growing public concern over business method patent” *was not an important public need* or sufficiently exceptional to justify the unusual step of denying injunctive relief.¹⁰⁹ The Federal Court felt that an expression of willingness to license a patent does not deprive the patentee of the right to an injunction to which he would otherwise be entitled.¹¹⁰ It stated that injunctions “are not reserved for patentees who intend to practice their patent, as opposed to those who choose to license. The statutory right to exclude is equally available to both groups.”¹¹¹ Though it upheld the District Court judgement denying an award of enhanced damages or attorney fees it noted:

“If the injunction gives the patentee additional leverage in licensing, that is a natural consequence of the right to exclude and not an inappropriate reward to a party that does not intend to compete in the marketplace with potential infringers.”¹¹²

In its petition for a writ of certiorari, eBay argued that the Federal Circuit’s ‘general rule’ (of denying injunction when wilful infringement is established) was inconsistent with the statutory language of §283 which states that Courts ‘**may**’ grant injunctions in ‘accordance with the principles of equity’.¹¹³ eBay argued that the ruling imposed burden on innovators who are forced to shell out excessive licensing fees thus having an adverse effect on the nation’s economy.¹¹⁴ As the grant or denial of patent injunctions may directly affect competition and innovation in the marketplace, the eBay case attracted a

¹⁰⁷ MercExchange 401 F.3d at 1339.

¹⁰⁸ MercExchange 401 F.3d at 1323; See Richardson v. Suzuki Motor Co., 868 F.2d 1226 (Fed. Cir. 1989) [recognising the general rule].

¹⁰⁹ Ibid at 1339.

¹¹⁰ Ibid.

¹¹¹ Ibid.

¹¹² Ibid.

¹¹³ Petition for Writ of Certiorari, eBay 126 S.Ct. at 733.

¹¹⁴ Ibid.

significantly large number of amicus curiae briefs supporting either eBay or MercExchange.¹¹⁵

At issue was the question whether the general rule was appropriate with regard to the issuance of injunction upon a finding of infringement.¹¹⁶ The Supreme Court also asked the parties to address if the Court should reconsider its precedents including that of *Continental Paper Bag* case concerning when it is appropriate to issue an injunction against a patent infringer.¹¹⁷ Thereupon, the Supreme Court in a unanimous decision vacated the Federal Court order and **rejected the general rule** that the patent holder is presumptively entitled to an injunction against future infringement, and upheld the traditional four-factor test applying equity principles.¹¹⁸ Delivering the opinion of the Court, Justice Thomas *rejected the Federal Court's reasoning* that statutory right to exclude is sufficient to justify permanent injunctive relief and stated that “the creation of a right is distinct from the provision of remedies for violations of that right.”¹¹⁹ Notably, they *also rejected the District Court's interpretation* of the four-factor test on the basis that “it appeared to adopt certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases.”¹²⁰ With regard to availability of the right of injunction to licensors, Justice Thomas stated that patentees who are willing to license can benefit from the same relief obtainable to those who practice the patents as they could satisfy the four-factor test.¹²¹ Remanding the case back to the District Court, the Supreme Court held that

“Just as the District court erred in its categorical denial of injunctive relief, the court of Appeals erred in its categorical grant of such relief.”¹²²

¹¹⁵ Note: the Government supported MercExchange, though it spearheaded the attack against Research in Motion's Blackberry case.

¹¹⁶ eBay 126 S.Ct. at 733.

¹¹⁷ Ibid.

¹¹⁸ eBay 126 S. Ct. at 1841; the Court compared the provisions of the Patent Act to that of the Copyright Act and observed that though patents and copyrights have similar rights the Courts have treated copyright infringements differently and have granted injunctions in accordance with equitable considerations, rather than applying a general rule.

¹¹⁹ eBay 126 S. Ct. at 1840.

¹²⁰ Ibid.

¹²¹ Ibid.

¹²² Ibid.

3.2 THE TWO APPROACHES POSITED BY THE CONCURRING OPINIONS

Whilst the judgement had concurring opinions that granting an injunction rests within the equitable discretion of District Courts, there seems to be a ***slight but important difference in the scope of discretion*** they intended the District Courts to have whilst judging the standards for obtaining the injunctive relief. In the first concurring opinion by Chief Justice Roberts (with Justice Scalia and Justice Ginsburg), he pointed to the *Weiberger v. Romero-Barcelo* proposition that ‘a major departure from the long tradition of equity practice should not be lightly implied’.¹²³ He stated:

“From at least the early 19th century, Courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases. This ‘long tradition of equity practice’ is not surprising, given the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee’s wishes...”.¹²⁴

Though this opinion held that the historical practice does not *entitle* a patentee to a permanent injunction or *justify a general* rule that such injunctions should issue, they emphasised the difference between exercising equitable discretion pursuant to the established four-factor test and “writing on an entirely clean slate”.¹²⁵ The approach suggested by Justice Roberts seems to tacitly validate the general rule that permanent injunction should be granted on finding of infringement.

The second approach – being the opinion by Justice Kennedy (with Justice Stevens, Justice Souter and Justice Breyer) concurred with the Chief Justice’s observation that lessons from historical practice is helpful and instructive, but stated that the equitable discretion over injunctions granted by

¹²³ 456 U.S.305, 320 (1982).

¹²⁴ EBay 126 S. Ct. at 1840 [Emphasis in original].

¹²⁵ They referred to *Martin v. Franklin Capital Corp.*, 546 U.S. (2005) “Discretion is not whim...” and stated that when it comes to discerning and applying those standards, in this area as others, “a page of history is worth a volume of logic” (*New York Trust Co. v. Eisner*, 256 U.S.345, 349 (1921)).

the Patent Act “is well suited to allow Courts to adapt to the **rapid technological and legal developments** in the patent system.”¹²⁶ In an apparent reference to patent ‘trolls’, he stated:

“An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees...For these firms, an injunction and potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent...”¹²⁷

The second opinion suggested that when the patented invention is but a small component of the product that the companies seek to produce, or if it is a business method, then the threat of an injunction is employed simply for undue leverage in negotiations and hence **legal damages may be sufficient to compensate** for the infringement since an injunction may not serve a public interest.¹²⁸ Justice Kennedy pointed to the ‘potential vagueness and suspect validity’ of some of these patents affecting the calculus under the four-factor test.¹²⁹ This approach indicates a departure from the general rule and focus on the challenges faced by high-tech industry in relation to patent hold-ups. It suggests that non-practising entities or those whose patents cover only a minor component of the overall product may not be able to establish irreparable harm necessary for the grant of injunctive relief.

Though both opinions concur with the lead opinion, they bring into focus the stark contrast between the manners in which non-practising patentees ought to receive relief for infringement of their patents.

POST-EBAY PATENT INFRINGEMENT CASES

¹²⁶ Emphasis added.

¹²⁷ EBay 125 S.Ct. at 1841.

¹²⁸ See *Alco Standard Corp v. Tennessee Valley Authority* 808 F.2d 1490 (Fed.Cir. 1985) for patent being but a small component of the overall product value.

¹²⁹ EBay 126 S. Ct. at 1841.

This section examines post-eBay patent infringement cases between the periods of May 2006 (when eBay case was ruled) up until May 2007. The table below suggests that non-competing patentees have generally been denied injunctive relief even in cases where they have exclusively licensed or assigned their patents such that competition from the infringer has hurt their licensee/assignee. In some cases injunctions were denied on the basis that patent covered a small component of the overall product. The table also indicates that injunctions have generally been granted in cases where the patentee is a competitor to the infringer.¹³⁰ Looking at these cases as a direct outcome of the eBay ruling, one is bound to infer that the Courts have placed reliance on Justice's Kennedy's liberal approach. In his concurring statement, Justice Kennedy has suggested that the economic nature of the patentee is a pertinent factor when deciding upon the grant or denial of an injunction patent infringement suit.

Summary Report of Patent Infringement Cases Post-eBay

Remedy/Patentee Status	Direct Competitor	Patentee licensed assigned	has or	Non-Competing Entity	Unsure
Preliminary Injunction granted	5	0		0	0
Permanent Injunction granted	17	2		0	1
Preliminary Injunction denied	2	0		0	0
Permanent Injunction denied	1	4		5	1
Injunction deferred	1				

See appendix for list of cases

¹³⁰ See *Novozymes A/S v. Genencor Intern., Inc.*, 2007 W.L. 506828 (D.Del. 2007) [Validating the principle that a competitor has a “right, granted by Congress, not to assist its rivals with the use of proprietary technology”].

4.1 PROVING IRREPARABLE HARM BY DIRECT COMPETITORS

Whilst seeking injunctive relief the plaintiff must bring to the notice of the Court – not just a presumption but proof that it suffers irreparable harm due to the infringement.¹³¹ Before eBay, irreparable harm was sufficiently proved if the plaintiff's valid patents were found to be infringed.¹³² But since eBay, the fact of infringement of valid patents has not been considered to prove irreparable harm. Instead, irreparable harm is being established by the Courts by relying on the infringing competitor's attempt to usurp the patentee's market position, future opportunities and goodwill arising out of the invention.¹³³ Loss of market share was the consideration which weighed in favour of granting a motion for permanent injunction in the case of *Black & Decker*.¹³⁴ The Courts in this case also found irreparable injury based on the harm to a company's reputation and goodwill that result from consumer confusion due to the infringing and competing product in the marketplace.

In *Tivo vs. Echostar*, a case where the patentee is a new company with only one primary patented product which was being infringed by a large corporation, the Court held that "loss of market share...is a key consideration in finding that Plaintiff suffers irreparable harm."¹³⁵ Tivo had attempted to enter into a business arrangement with Echostar, but it was not held to have prejudiced the claim of Tivo. In this case the Court stated that an infringer who competes directly with the patent holder in a developing market is likely to cause the patent holder irreparable injury as it causes price erosion and affects the customer base. As such, monetary damages were inadequate to

¹³¹ z4 Tech. Inc. v. Microsoft Corp., 6:06-CV-142 (E.D.Texas) (2006).

¹³² Smith Int'l Inc. v. Hughes Tool Co., 718 F.2d 1573, 1581 (Fed. Cir.1983). If irreparable harm (by means of proof that valid patents are infringed) is not established, then Court needs to make finding by concentrating on third and fourth factor (namely balance of hardship and public interest) see *Reebok Int'l Ltd. v. J. Baker Inc.* 32 F.3d 1552, 1556. (Fed. Cir.1994).

¹³³ 800 Adept Inc. v. Murex Securities Ltd. and West Corp., 02-1354 2007 WL 1101238 (M.D.Fla. Apr.12, 2007); *MPT, Inc. v. Marathon Labels, Inc.*, No. 04-2357, 2007 WL 184747 (N.D.Ohio Jan.19, 2007); *Tivo Inc. v. Echostar Communications Corp.*, 446 F.Supp.2d 664 (E.D.Tex. Aug.17, 2006); see also *Reebok Intl Ltd v. J. Baker Inc.*, 32 F.3d 1552, 1557 (Fed. Cir. 1994); *Atlas Powder Co. Ireco Chems.* 773 F.2d 1230, 1233 (Fed. Cir. 1985); *Smith Intl Inc., v. HughesTool Co.* 718 F.2d 1573, 1580-81 (Fed. Cir. 1983) etc.

¹³⁴ Federal Court held that appeal was premature as Dist. Court had not entered final judgement on all products.

¹³⁵ *Tivo Inc. v. Echostar Communications Corp.*, 446 F.Supp.2d 664 (E.D.Tex. Aug.17, 2006).

remedy the irreparable injury.¹³⁶ The negative impact on future research and development has also been taken into consideration to adjudge the case that the plaintiff has suffered irreparable harm.¹³⁷ The acceptance of evidence relating to impact on future research in an instant case of patent infringement will definitely create difficulties in cases instituted by the so-called patent ‘troll’ when the patent-holders’ only asset is an acquired portfolio of patents.

Granting injunction in the *Litecubes* case, the Court made two observations – one relating to the inherent value of the intellectual property right whereby it observed that the defendant had gone through the time and expense of developing the patented devices and obtaining the legal protection for the same; but secondly and mainly that the infringer was competing with the patent holder by using the infringing goods and as such damages were inadequate to compensate the plaintiff.¹³⁸ In the case of *Visto v. Seven Networks*, the Court held that direct competition between the parties weighed heavily in its analysis resulting in the grant of permanent injunction. It stated that “[i]ntellectual property enjoys its *highest* value when it is asserted against a direct competitor in the plaintiff’s market.”¹³⁹ In this case Visto’s loss of goodwill, potential revenue, and the right to exclude tilted the balance of hardship in the plaintiff’s favour.

The above cases clearly demonstrate that eBay had a significant effect in the way irreparable harm is determined in infringement litigations. It appears that the Courts respect the patentee’s rights of exclusion better if the infringement relates to a product which directly competes with the patentee’s product market. This proposition is further strengthened by the fact that in some cases a patentee’s **willingness to license** has been held to indicate that the patentee would not suffer irreparable harm on denial of injunctive relief. In *3M Innovative Properties* case, one of the factors that was taken into consideration when determining inadequacy of monetary award and

¹³⁶ *Sanofi-Synthelabo v. Apotex Inc.*, 2007 (WL 1746134 (S.D.N.Y June 19, 2007)).

¹³⁷ *Sanofi-Synthelabo v. Apotex Inc.*, 2007 (WL 1746134 (S.D.N.Y June 19, 2007)).

¹³⁸ *Litecubes L.L.C., et. Al. v. Northern Light Products., Inc.* 4:04CV00485 ERW (E.D.Mo August 25, 2006).

¹³⁹ *Visto v. Seven Network* 2:03-00333-TJW (Dec 19, 2006) [Emphasis added].

irreparable harm was the fact that the plaintiff had consistently refused to execute a licensing agreement with the Defendant despite spending nearly 5 years litigating the patent-in-suit. In *MGM Well Services*, the patent holder's willingness to license its technology – though not dispositive – was held to be a factor to be considered in connection with irreparable harm. Proof that MGM has an existing policy not to license its patented technology went in its favour when being granted permanent injunction. Similar was the line taken in *Paice LLC v. Toyota Motors* case, where the plaintiff's offer to license its technology was held to support the notion that monetary relief was an adequate remedy.

In *Tivo v. Echostar*, the fact that the patentee was a direct competitor was a 'key consideration' for adjudging irreparable harm and attempts to license its patents was held not to have demonstrated that monetary relief was adequate. In *Smith & Nephew v. Synthes*, the defendant argued that money damages can adequately compensate the plaintiff as they have in the past licensed their patents to their competitors, and during the period of the trial had extended several licensing offers to the defendant.¹⁴⁰ However, this view was rejected by the Court. Instead the Court considered the plaintiff's loss of market share, profit and loss of brand name recognition, as well as impaired ability to create customer relationships and held that these factors were both incalculable and irreparable and hence irremediable by money damages.¹⁴¹ The court here held that whilst damages may still be theoretically calculable, intangible losses such as goodwill 'can never be ascertained accurately'.¹⁴²

4.2 GRANTING COMPULSORY LICENSE TO DEFENDANT?

In *Transocean Offshore Deepwater Drilling*, the District Court of Texas observed that the defendants have not cited any case in which a continuing infringer in direct competition with a patent holder has not been permanently

¹⁴⁰ *Smith & Nephew Inc. v. Synthes* 466 F.Supp.2d 978, 981 (W.D.Tenn.2006).

¹⁴¹ Here the Court follows eBay's dictates that "a plaintiff's willingness to license its patent" is not "sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue".

¹⁴² *Smith & Nephew Inc. v. Synthes* 466 F.Supp.2d 978, 984 (W.D.Tenn.2006).

enjoined from using the patented invention to compete against the patent holder.¹⁴³ Instead, the Court pointed out that the defendant had only “cited two post-eBay cases in which Courts denied requests for permanent injunctions from patent holders *that had neither made nor marketed their inventions.*”¹⁴⁴ The Court found that monetary damages would be inadequate because if it did not enter a permanent injunction, it would be forced to craft a compulsory license without considering the business factors that a typical licensor would. On the basis that the absence of a permanent injunction will impose an unfair compulsory license on the plaintiff who will not be able to control its technology or limit encroachment on its market share, the Court granted the remedy of permanent injunction. This case contrasts with *Finisar Corp v. DicecTV Group* where permanent injunction was denied and the Court instead opted to grant compulsory license and reasonable royalty. The Court held that Finisar failed to demonstrate irreparable harm as they had “never sold the rights to the patent [and] never made the slightest effort to use the patent”. The Court found that Finisar had been fully compensated for damages to date by the jury-determined judgement for the full amount, prejudgement interest, substantial enhancement and costs. As for future infringement, the Court determined that Finisar could be sufficiently compensated by royalty received from the compulsory license.

In *z4 Technologies v. Microsoft*, one of the first cases since eBay, the court denied permanent injunction and held that future infringement by Microsoft can be compensated with ‘reasonable royalty’.¹⁴⁵ Though the Court has not ordered compulsory licensing of the patent, still, by pointing out that future infringement can be compensated by ‘reasonable royalty’ the Court has essentially stripped the patentee off any further relief such as enhanced damages. This situation is not very different from that of the patent being compulsorily licensed away to Microsoft. However, in this case, Microsoft

¹⁴³ *Transocean Offshore Deepwater Drilling, Inc. v. Global Santafe Corp. et. al.* 03-2910 2006 WL 3813778 (S.D.Tex. Dec. 27, 2006).

¹⁴⁴ *Ibid.* Emphasis added. The two referred cases are the *Paice LLC v. Toyota Motor Corp.*, 2006 WL 2385139 (E.D.Tex. Aug.16, 2006) and *z4 Tech. Inc., v. Microsoft corp.*, 434 F.Supp.2d 437 (E.D.Tex.2006).

¹⁴⁵ *z4 Technologies v. Microsoft Corp. and Autodesk Inc.* 434 F.Supp. 2d 437 (E.D.Tex. June 14, 2006).

offered to remove the infringing claim out of the forthcoming version of their product which was due about seven months later and indicated that in two to three years all infringing products would be phased out of its product line. The *Visto v. Seven Networks* case provides an interesting contrast on this point with *z4 v. Microsoft*. Here, the Court held that future damages may only compensate Visto for an *approximate* loss, and as such, it would not be adequate suitable proxy for injunctive relief. Here the court held that the “inability to calculate the plaintiff’s future losses with precision” makes it necessary to grant an injunctive relief.

4.3 WHERE PATENT IS A SMALL COMPONENT OF OVERALL PRODUCT

In the *z4 Technologies v. Microsoft* case, the Court denied permanent injunction on the basis that the infringing claim is only a small component of the overall product. The Court also held that Microsoft’s infringement does not have any impact on z4’s ability to market, sell or license its patented technology to other entities since Microsoft did not produce product activation software that would directly compete with z4.¹⁴⁶ Hence z4 was held to have failed to demonstrate that it would suffer irreparable harm absent a permanent injunction.

In *Paice v. Toyota Motor Corp*, the defendant was held to have unintentionally infringed two claims out of the alleged nine claims of the plaintiff’s patents. The plaintiff argued that it was entitled to an injunction, whilst the defendant spent the majority of the pre-hearing brief arguing that any injunction that issue should be stayed pending the issuance of a decision in the eBay case (eBay ruled one month after the Paice hearing). Denying injunctive relief the Court ruled that the plaintiff has not proven irreparable harm and held that the injury can be remedied via monetary damages.¹⁴⁷ The Court also noted that “monetary relief could result in lower licensing rates than Plaintiff would

¹⁴⁶ Ibid at 440.

¹⁴⁷ The Court cited *Deerfield Med. Ctr. V. City of Deerfield Beach* 661 F.2d 328, 338 (5th Cir.1981).

desire” and “if an injunction were to issue, Plaintiff would have a more impressive bargaining tool.” However, it held that this consideration alone does not replace the four-factor test that must be satisfied for equitable relief. There are two important features to the case: the fact that the plaintiff was a non-competitor and continually sought licensing fees from the defendant and the fact that the patent claims were held to be a small component of the overall product seems to have worked in favour of the defendant who claimed that monetary damages were sufficient to remedy the infringement.

That the patent was a small component was also taken into consideration when denying permanent injunction in *Sundance Inc. v. DeMonte Fabricating Ltd.* In *MPT Inc v. Marathon Labels*, though the defendant was found not to have wilfully infringed patents, the plaintiff who was a direct competitor was granted permanent injunction on the basis that the patents comprises the core of the infringing product. Once again we see the Courts echo the comments of Justice Kennedy’s liberal approach when he suggested that the nature of the patent can be an important factor whilst deciding if the patent deserves the protection afforded by injunctive relief.

4.4 QUANTUM OF EVIDENCE REQUIRED

In the *Praxair* case, injunctive relief was denied despite the infringing product being in direct competition with the patentee’s product. In this case, Praxair and ATMI were large-sized firms and the only manufacturers and suppliers of a successful innovative product. ATMI was held to be wilfully infringing Praxair’s innovate product and thus eroding “exclusivity to which Praxair is entitled” by virtue of ownership of patents. Praxair asserted that the ‘stolen market share’ causes ‘substantial and unjustifiable hardship’. But the District Court held that *the quantum of evidence* required under eBay is **unclear** and held that Praxair has not met its burden as set out by eBay. It stated that Praxair had not provided or described any specific sales or market data to assist the court, nor has it identified precisely what market share, revenues, and customers Praxair has lost to ATMI.

It further held that while money damages are generally considered inadequate to compensate for the violation of a patentee's right to exclude, Praxair nonetheless had a burden to iterate specific reasons why the defendant's infringement cannot be compensated for with a money award. The court stated: "Praxair has not explained why it may have "difficulties calculating damages going forward", nor how money damages could not adequately compensate for "lost market share" or any "lost research opportunities."" Thereby the court concluded that Praxair has not demonstrated that it is entitled to injunctive relief.

Praxair argued that it spends \$75 million annually on R&D to commercialise innovative products like the one which was infringed. It argued that if stripped from its ability to enforce its statutory right to exclude – especially when its valid patents are being infringed by its direct competitor who has alternative ways to market the product – then Praxair would have "no incentive to innovate" and its patents would be "effectively meaningless".¹⁴⁸ But the District Court held that

"Aside from its research incentive, Praxair does not explain why money damages could not suffice to compensate for any lost "opportunities" to conduct research due to budgetary constraints."¹⁴⁹

The District Court observed that the eBay ruling requires the plaintiff to prove that it is entitled to its statutory right to exclude by demonstrating, inter alia, irreparable injury and inadequacy of legal remedies. But as the patentee had failed to identify specific market share, revenues, lost customer base figures, or lost research opportunities, they were held to have failed in demonstrating necessity for injunctive relief under the parameters of eBay ruling. This case contrasts with *Transocean Drilling* and the other cases referred in §4.1 above where permanent injunction was denied despite insufficient details being furnished by the plaintiff, on the basis that loss of profits, brand name recognition and market share caused by the infringer's continued sale of infringing products are injuries that are often incalculable.

¹⁴⁸ Ibid at FN6.

¹⁴⁹ Ibid.

4.5 APPLICABILITY OF EBAY ON 'PRELIMINARY' INJUNCTIONS

The applicability of the eBay ruling on preliminary injunction is another question that lacks clarification. On the one hand it can be argued that the Supreme Court ruling on eBay addressed the analysis for permanent injunctive relief and has hence left the traditional preliminary injunctive analysis untouched.¹⁵⁰ On the other hand, the eBay ruling cited the Supreme Court judgement of *Amoco Production* where it was indicated that the standard for preliminary injunction is essentially the same as for a permanent injunction.¹⁵¹

In one of the early cases since eBay, *Christiana Industries v. Empire Electronics*, the Court held that the eBay Court addressed the proper analysis only for *permanent* injunctive relief and not for preliminary injunction cases.¹⁵² The Court thereafter proceeded to grant preliminary injunction by applying the traditional analysis that had been used prior to eBay. Here, the Court emphasized that the standards for permanent and preliminary injunctive relief are distinct and the eBay ruling does not disrupt these distinctions.¹⁵³

The District Court in *Canon v. GCC* case readily applied the principles laid down by the Supreme Court in eBay whilst dealing with a preliminary injunction request.¹⁵⁴ In *Erico*, it was held that “[w]hile Ebay involved a

¹⁵⁰ *Advance Magazine Publishers Inc. v. David Leach* 466 F.Supp.2d 628, 639 (D.Md. 2006); *Allora v. Brownstone* 1:07CV87 2007 (WL 1246448 (W.D.N.C.) April 27, 2007).

¹⁵¹ *Amoco Production Co.* Supra Note 44 at 542; See also *University of Texas v. Camenisch*, 451 U.S. 390, 392 (1981). z4 Technologies used this argument to suggest that because the Federal Circuit has held that a “strong showing of infringement and validity raises a presumption of irreparable harm in the context of preliminary injunction, such a presumption must apply to permanent injunctions.” *z4 Technologies Inc. v. Microsoft Corporation* Case No.6:06-CV-142 (E.D.Texas) (14th June 2006).

¹⁵² *Christiana Industries v. Empire Electronics* 06-12568 (July 25, 2006) 443 Fed Supp 2d 870.

¹⁵³ In this case, the Courts also appear to have been concerned about the implication on competition associated with injunction if such a remedy would exclude one of only two competitors. This contrasts with *Rosco v. Mirror Lite* case where the Court held that permanent injunction would not inconvenience the public since the infringing bus mirrors were still available in the market through the plaintiff patentee.

¹⁵⁴ *Canon Inc. v. GCC International Ltd* No.06-Civ-3324 450 F.Supp.2d 243 (S.D.N.Y. Aug.29, 2006).

permanent injunction specifically; the Court did not limit its holding to that context. The District Court stated that

“[w]hile the Court recognizes that *eBay* involved a *permanent* injunction... it appears—and logic certainly supports the conclusion—that the Court’s intention in that case was to remind Courts that patent cases are not entitled to special consideration when determining whether an injunction is appropriate. Just as they would in any other case, the Supreme Court held that all Courts are to apply well-settled principles of equity in a patent case to determine whether an injunction is appropriate.”

Overruling the principles applied for preliminary injunction in an older case, the Court further added:

“While *EBay* involved a permanent injunction specifically, the Court did not limit its holding to that context; the Court’s reasoning likely applies ***with even greater force at the preliminary injunction stage.***”¹⁵⁵

4.6 IS PROTECTING PATENTS IN THE PUBLIC’S INTEREST?

Prior to the *eBay* case, public interest was generally held to be best served by protecting intellectual property rights except in exceptional cases such as public health. However, the Courts have, since *eBay*, taken other factors into consideration in certain cases.¹⁵⁶ For example, in *Paice v. Toyota Motor Corp*, though valid patents of the plaintiff were held to be infringed by the defendant, the Court determined that public interest considerations did not weigh heavily in either party’s favour. In *z4 Technologies v. Microsoft*, the Court considered the popularity of Microsoft software products whilst considering that public interest would likely be disserved if a permanent injunction were entered

¹⁵⁵ *Erico International Corporation v. Doc’s Marketing Inc. et. Al.* 1:05-CV-2924 2007 WL 108450 (N.D.Ohio Jan.9, 2007) [Emphasis added]; *MyGym LLC v. Engle*, 2006 WL 3524474 (D.Utah 2006).

¹⁵⁶ The importance of protecting intellectual property still is an important factor with regarding to determining public interest in favour of plaintiff. For example in the *Telequip v. The Change Exchange* case, the court expressly held that “without the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of scientific and technological research”.

against Microsoft. In *Finisar Corp. v. DirecTV Group*, the Court found that Finisar had never exercised its patent rights or invested any resources in the patent after issuance. As such, it held that Finisar's hardship is minimal and further stated that it found no public interest in arbitrarily limiting satellite television to millions of viewers.

But protecting patents has not entirely been wiped out whilst determining public interest. In fact, certain cases show the Courts pointedly referring to the patentee's right to exclude being a relevant issue for the Courts to consider and weigh in favour of the plaintiff. Specifically, reference has been made to the same in cases including *Transocean Offshore Deepwater Drilling* case, the *Novozymes* cases, the *O2 Micro International* case, the *Telequip Corp* case, *Smith & Nephew* case, *Visto v. Seven Networks* case etc. But then again, one must note that these were cases where the patentee was a competitor practising the patent. Hence, it only adds credence to the point that the economic nature of the patentee plays the vital role in the determination of injunctive relief.

4.7 OTHER ISSUES

Of the cases where injunctions were granted, the Court in *Visto Corp v. Seven Network* stayed the injunction to sanction the patentee who shared confidential documents with its patent prosecution attorney thereby violating the Court's Protective Order. In *Floe Int'l v. Newman's Mfg*, the infringer stipulated a permanent injunction but requested that he should be allowed a reasonable amount of time to sell his existing infringing inventory and this was agreed to by the patent holder.

The *O2 Micro Int'l v. Beyond Innovation* case is important to defendants residing outside the U.S. The court in this case held that since all the defendants were foreign corporations, there was little assurance that monetary damages can be collected and hence permanent injunction was granted on this basis. A similar line was taken in *Telequip Corp* case, but the defendant based in Seoul had not appeared in Court and hence was held to

have admitted to all of the plaintiff's allegations. Accordingly, the defendant effectively admitted that the plaintiff was the owner of valid patents which they have infringed and continue to wilfully infringe thus causing irreparable harm to the plaintiff.

A case with potential significance for exclusive licensees of patentees whose patent is infringed is *Voda v. Cordis Corp.*¹⁵⁷ In this case, the plaintiff, Dr. Voda, asserted three patents against Cordis Corporation. Prior to the litigation, Voda had granted the medical device company, Scimed, an exclusive license to these patents. Scimed did not join as a plaintiff in the suit against Cordis. The jury found Cordis infringed Voda's patents wilfully. But when Voda moved for permanent injunctive relief, it was denied by the District Court which held that Voda failed to demonstrate either irreparable harm or that monetary damage was adequate. The Court rejected Voda's claim that irreparable harm is presumed once infringement is found, stating that such an argument would "run afoul" of the Supreme Court's opinion in *eBay*.¹⁵⁸ The Court also held that the plaintiff had not identified any harm to himself but has only relied on alleged harm to a "non-party" – the exclusive licensee of the patentee, Scimed. Holding the alleged harm to Scimed irrelevant, the Court stated that since the intellectual property was a 'personal' property, the harm alleged must also be 'personal'.¹⁵⁹ The Court held that harm to Voda's relationship with Scimed does not constitute inadequacy of damage award. The wordings in the Opinion suggest that the District Court would have possibly issued an injunction against Cordis if Scimed had actually been a party to the suit as the harm due to infringement could have been more easily identified.

CONCLUSION

Though the *eBay* ruling lacked the much-expected clarity, it certainly slackened the tight knot of the 'general' rule that 'infringing' innovators feared.

¹⁵⁷ *Voda v. Cordis Corp.* CIV-03-1512, 2006 WL 2570614 (W.D. Okla Sept. 5, 2006).

¹⁵⁸ *Ibid* at 5.

¹⁵⁹ *Ibid* at 6.

Justice Kennedy's liberal approach which takes into account the changing technological landscape clearly seems to have found a foothold in the post-eBay cases. The numbers in the table above clearly indicate that the Courts are less likely to grant injunctive relief if the patentee is a non-competing entity. Permanent injunction has almost always been granted if the patentee is also a competitor in the market. If the patentee is not a competitor in the market or if the patented technology is a small component of the commercialised product, then the law seems to be sympathetic to the infringers in that they will be spared injunction though they are liable for damages. This follows from the reasoning that a grant of injunctions against infringers of patents belonging to a non-competing entity will result in an inflated rent rate which is thereupon passed on to the end users in the form of higher prices, and hence monetary sanctions best serve economic efficiency.

Unfortunately, there is not much that can be understood from the few Federal Court decisions post-eBay. In these cases the Federal Court merely vacates the District Court's injunction and remands the case and does not offer any substantive discussion on the eBay ruling.¹⁶⁰ Given this situation, the current post-eBay panorama is entirely a sketch by the District Courts. Though one year is a short period to see the complete effects of eBay, the study here can safely assume that the probability of obtaining injunctive relief is remarkably higher if the patentee is practising his patents.

In one recent case, a non-practising patentee was awarded a permanent injunction. In this case the Commonwealth Scientific and Industrial Research Organisation (CSIRO) had agreed with a standard setting organisation to offer licenses to their patent on reasonable and non-discriminatory terms, but found no potential licensees.¹⁶¹ When Buffalo Technology was found to have infringed CSIRO's patent, the Court emphasized CSIRO's innovative work, the scope of its charter to conduct R&D for public good and its sponsorship by the Australian government. Though not explicit, it is quite obvious that the

¹⁶⁰ In *Acumed v. Stryker corp* 483 F.3d 800 (Fed. Cir. 2007) the Federal Circuit stated that its role will be simply to review District Court decisions for abuses of discretion.

¹⁶¹ *Commonwealth Science and Industrial Research Org. v. Buffalo Tech. Inc.* 6:06-CV-324 (E.D.Tex June 15, 2007).

judgement sought to distinguish the patentee from a ‘troll’ as CSIRO does not manufacture the patents themselves, but only licenses them. The Court here rejected the defendant’s argument that eBay had meant for injunctions to be awarded only to patentees who practise the patent and are in direct competition with the infringer.

But overall, the pattern established by the post-eBay cases indicates that the Courts are clearly signalling their encouragement to see a patent working. Though denial of injunctive relief despite a finding of infringement is not entirely new, the eBay case brought the issue of the patent ‘troll’ into the limelight.¹⁶² If firms are unable to mitigate the danger of being sued for infringement after sinking in money to manufacture an innovative product – the welfare of the consumers is clearly and inevitably injured. By disallowing injunctions in each case where the patentee is a non-competitor, the Courts seem to be taking away the bargaining power of the patentees. In such a case, the non-competing patentee’s best alternative will be to license their patent to large corporations for a ‘reasonable’ royalty which possibly will not be as high as they desire given that the threat of injunction has been dissolved.

There is a further problem which could be looming a little way behind. The International Trade Commission (ITC) is an alternative forum for the patentees to approach in cases of infringement by non-U.S. parties.¹⁶³ The sole remedies available at the ITC are injunctive in nature – an exclusion order or a cease-and-desist order. Exclusion orders operate similar to injunctions by prohibiting the importation into the U.S. of infringing products and a cease-and-desist order bars the continuing sale of an infringing imported product. ITC is becoming increasingly popular among patentees due to the provision of the ‘automatic’ injunctive relief to patentees. It must be noted though, that

¹⁶² Roche Prods. Inc. v. Bolar Pharm. Co. 733 F.2d 858, 865-66 (Fed. Cir. 1984) [noting that there is nothing in the Patent Act which suggest that once infringement is established and adjudicated, an injunction should follow]; see also W.L. Gore & Assoc. v. C.R. Bard, Inc., 977 F.2d 558 (Fed. Cir. 1992) [“if Congress wants the federal courts to issue injunctions without regard to historic equity principles, it is going to have to say so in explicit and even shameless language...”].

¹⁶³ Smoot-Hawley Tariff Act § 337. 19 U.S.C. §1337(d).

these injunctive reliefs cannot protect a patentee whose patent is being infringed solely by actions within the U.S. in which case the District Court must be approached. In addition, unlike the District Court, the ITC cannot grant monetary damages relief. A recent empirical study indicates that there is a higher rate of injunctions given in ITC in comparison with District Courts and hence it will induce patent 'trolls' to file claims at the ITC in the first instance.¹⁶⁴ As the win rate is much higher at the ITC, the patent holder filing a case at the ITC can have substantial leverage over an alleged infringer when negotiating a settlement.

This also brings into focus the need to reform the Patent Statute. Most cases of patent 'troll' arise because of the poor quality of the patent which does not have well-defined boundaries.¹⁶⁵ The National Research Council estimate that over 350,000 patent applications are being handled by 3,000 patent examiners validating the complaint that a large number of ambiguous and broad patents are issued every year. Instead of dealing with the problem at the source, the U.S. Congress is considering limiting the finding of wilful infringement, damages and injunctive relief.¹⁶⁶ The Patent Reform Bills in the U.S. Congress seek to amend the statute in order to increase patent quality, international harmonisation and patent litigation.¹⁶⁷ It seeks to obstruct patent 'trolls' from engaging in unwarranted and abusive patent litigation by limiting the high award elements of wilful infringement and inequitable conduct in order to simplify litigation, curb unproductive discovery, limit opportunities for abuse and decrease litigation uncertainty.¹⁶⁸ The Bill provides for a robust post-grant review process so that third parties can challenge suspect patents

¹⁶⁴ Robert Hahn 'Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions (2007) AEI-Brookings Joint Centre for Regulatory Studies at 30.

¹⁶⁵ See Stephen Merrill et. al. (eds.) *A Patent System for the 21st Century* (National Research Council 2004) 95 [Low standard patents may confer market power to allow firms to use legal resources aggressively without consumer benefit, could encourage more charges of infringement and litigation, raise licensing costs, and deter investment in innovation or distort its direction].

¹⁶⁶ See Patent Reform 2007 S.1145 & H.R. 1908 110th Congress; Patent Reform 2005 H.R.2795, 109th Congress (2005); Dan Burk & Mark Lemley 'Policy Levers in Patent Law' 89 Va. L. Rev. 1575 (2003), See *Hearing on Patent Trolls* (2006) Supra Note 5.

¹⁶⁷ Patent reform gained momentum with the publication studies by the Committee of the National Academies 'A Patent System for the 21st Century' 119 (Stephen Merrill et. al. eds.) (2004) and *Report* Supra Note 48; see also Patent Quality Assistance Act of 2004 H.R.5299, 108th Cong. (2004).

¹⁶⁸ See Statement of Senator Orrin Hatch (August 2006) Federal Laboratory Consortium.

in an administrative process rather than engage in expensive litigation.¹⁶⁹ One further legal doctrine that could be injected as an affirmative defence is that the plaintiff should be barred from seeking equitable relief in accordance with the *doctrine of unclean hands*.¹⁷⁰ It is pertinent to note that there is no element of compulsory licensing introduced in these reforms.

One section of patent owners neglected by the patent ‘troll’ advocates are those who are interested only in the principles attached to their invention. They may not approve of the commercialised version of their patent being made available to the public for the high price that the corporation charges, and at the same time they may be unable to commercialise the products themselves. The question is one of ethics as much as that of innovation.

The threat of injunction is the only bargaining power against the infringers. If that threat is diluted, then corporations could have a free run over the market – knowing full well that the legal cost of proving one is not a patent ‘troll’ could be beyond the capacity of the patent holder. Faced with the daunting prospect of a large-sized firm’s legal team, the defence of an intellectual property holder could easily crumble, especially if the Courts neutralise the bargaining weapon in the form of injunction. Large-sized infringers would be able to cast the cloud of the title ‘troll’ over patent holders such that they could disregard patents and ignore licensing negotiations, which will be a severe setback to the innovation incentives of small-sized patent-holders. As pointed out by Qualcomm Incorp. in its amicus curiae brief, the arguments presented by the infringers are the “legal equivalent of Goliath asking an ancient disarmament commission to take away David’s slingshot because it was an excessively powerful weapon.”¹⁷¹

A wide acceptance of a disfavoured group of patent holders will adversely affect the patent owner community in their ability to safeguard their intellectual

¹⁶⁹ See also Patent Depend on Quality Act H.R.5096 introduced in April 2006 which contained many of the provisions of the earlier Patent Reform Act H.R.2795 introduced in August 2005.

¹⁷⁰ See Patent Act of 2005 Hearings Before the Subcommittee on Courts, the Internet and Intellectual Property, 1st Sess on H.R.2795 (June 9 2005). S.3818 was introduced in part due to the lack of progress in moving the patent reform package proposed in H.R.2795 (2005).

¹⁷¹ Brief of Amicus Curiae Qualcomm Incorp and Tesser Inc. in Support of the Defendant.

property rights thus resulting in disincentive to investment and innovation. By treating infringing commercialised products leniently, there is the possibility that firms will not have the incentive to engage in a diligent search to determine if any of the products which are being assembled for commercialisation is infringing any patent to which they have not obtained a license.¹⁷² There is a risk that the value of the patent will depend on who is the owner of the patent rather than taking into account solely the intrinsic value of the patent.¹⁷³ If the Congress and Courts bend legal rules and patent value in order to discriminate between non-practising patent holders and those practising the patents, it could result in a deliberate distortion of the market place thereby adversely affecting competition and innovation. The fairy tale normally ends with the defeat of the troll. But one shouldn't forget that the trolls in the fairy tales were easily identifiable.

¹⁷² See Brief of Amicus Curiae Yahoo! Inc. in Support of the Petitioner [...because wilful infringement carried a penalty of treble damages, many companies are wary of conducting exhaustive patent searches for fear of later having that fact used against them in an infringement action"]; The problem has been termed as 'patent squatters' where high-tech companies do not perform any patent clearance studies before releasing their products. While there are difficulties in conducting a minute or an extensive search as the products could be too complex and there are too many patents involved in one product or because patents may be issued later, it does not excuse a complete lack of effort in making a patent clearance study which is portrayed in most cases. See Written Testimony of Hart Denkin 'Antitrust Modernization Commission' Hearings Panel II: Patent Law Reform (2005)

¹⁷³ Brief of Amici Curiae Qualcomm Incorporated and Tessera, Inc. In Support of Respondent, eBay and Half.com, Inc., v. MercExchange, L.L.C (05-130) (2006) at 9.

APPENDIX: POST EBAY PATENT INFRINGEMENT CASES (May 2006 – May 2007)

Preliminary Injunction Granted

Canon Inc. v. GCC International Ltd No.06-Civ-3324 450 F.Supp.2d 243 (S.D.N.Y. Aug.29, 2006)

Parties are competitors. Court held that plaintiff is likely to succeed on merits of their infringement claim. Price erosion, loss of sales and market share were considered. Money damages were held to be inadequate due to difficulty in enforcing decision as defendants were based out of the U.S. District

Preliminary injunction granted.

Chamberlain Group Inc. v. Lear Corp., No. 05-3449, 2007 WL 1017751 (N.D.Ill. March 30, 2007)

Parties are competitors. Court held that plaintiff is likely to succeed on merits of their infringement claim. Plaintiff asserted loss of market share, market spoliation, price erosion, loss of goodwill and strain on maintaining customer relationship.

Preliminary injunction granted.

Christiana Indus. Inc. v. Empire Electronics Inc. 443 F. Supp. 2d. 870 (E.D. Mich. July 25, 2006). See also 2006 WL 2375956 (E.D.Mich. Aug.16, 2006)

Parties are competitors. Court held that plaintiff is likely to succeed on merits of their infringement claim. District Court held that eBay case relates to the proper analysis for **permanent** injunctive relief and not preliminary injunctive relief. Hence, Court used the traditional analysis for grant of preliminary injunction.

Preliminary injunction granted.

Erico International Corp. v. Doc's Marketing Inc., No. 05-CV-2924, 2007 WL 108450 (N.D.Ohio Jan.9, 2007)

Parties are competitors. Court held that plaintiff is likely to succeed on merits of their infringement claim. District Court whilst acknowledging that eBay involved proper analysis for permanent injunction nevertheless held that "it appears—and logic certainly supports the conclusion—that the Court's intention in that case was to remind Courts that patent cases are not entitled to special consideration when determining whether an injunction is appropriate" and the eBay Court reasoning "applies with even greater force at the preliminary injunction stage".

Preliminary injunction granted. Sustained on reconsideration application filed by defendant.

GP Industries Inc. v. Bachman and Eran Industries 2006 WL 3253450 (D.Neb. Nov.8, 2006)

Parties are competitors. GP filed a declaratory judgement action of non-infringement against defendants. It also filed for preliminary injunction enjoining defendant from seeking to prevent GP from making or selling its products. The motion stemmed from defendant's communications with GP's customers about the suit resulting in loss of contracts to GP. Court found that it was unclear if patents were valid

Preliminary injunction granted.

or infringed by GP's products. but held that GP has demonstrated a threat of irreparable harm if the communications of defendant continued.

Permanent Injunction Granted

3M Innovative Properties Co. v. Avery Dennison Corp., 01-1781 2006 WL 2735499 (D.Minn. Sept. 25, 2006)

800 Adept Inc. and Adeptel Inc v. Murex Securities Ltd. and West Corp., 6-02-CV-1354 2007 WL 1101238 (M.D.Fla. Apr.12, 2007)

American Seating Co. v. USSC Group Inc. 01-00578 2006 WL 2472196 (W.D.Mich. Aug.24, 2006)

Black & Decker Inc. v. Robert Bosch Tool Corp. 4-C-7955 2006 WL 3446144 (N.D.Ill. Nov. 29, 2006)

Floe Int'l Inc. and Wayne G. Floe v. Newman's Mfg. Inc., 04-5120 2006 WL 2472112 (D.Minn. Aug.23, 2006); See also 2007 WL 902809 (D.Minn. March 12, 2007)

Innogenetics N.V. v. Abbott Labs. 05-C-0575-C (W.D.Wis. Jan 12, 2007)

Litecubes L.L.C. et. al. v. Northern Lights

Wilful infringement of patents. Direct competitors. Plaintiff has consistently refused to execute a licensing agreement with Defendant despite spending nearly 5 years to protect its claim.

Wilful infringement of valid patents. Direct competitors. Defence included delay in filing case to demonstrate lack of irreparable harm which was rejected as Court held that it applied only in relation to preliminary injunction.

Wilful infringement of valid patents. Direct competitors. Court found that defendant's wheelchair restraint system infringed plaintiff's patent. Plaintiff subsequently moved for an injunction against future sales or offers to sell by Defendant. Court granted permanent injunction stating nothing in the eBay case dictated otherwise. No further information on the court's analysis was provided in the opinion.

Wilful infringement of valid patents. Direct competitors. Plaintiff claimed loss of reputation, and market share. Trial not complete as the new version of the infringing product continues to be tried by another judge of the same Court. Federal Court held appeal premature as trial Court has not entered final judgement on *all* products.

Wilful infringement of valid patents. Direct competitors. Parties stipulated to a permanent injunction, subject to reasonable time for defendant to sell existing inventory to which the patent-holder agreed.

Infringement of patents. Defendant competing with plaintiff's **licensees**.

Wilful infringement of patents. Direct competitors. Case

Permanent injunction awarded.

Permanent injunction enhanced damages and attorney fees awarded

Permanent injunction, lost profits awarded.

Permanent injunction relating to those products tried by the jury in the instant case. Court refused to extent it to the advanced version of the product which is under trial.

Permanent injunction, enhanced damages, costs, prejudgement interest awarded.

Permanent injunction, damages awarded

Permanent injunction, damages, fees,

<p>Prods. Inc., 04-CV-00485 ERW unreported slip op. at 16-17 (E.D.Missouri Aug.25, 2006); 2007 WL 892459 (E.D.Mo. March 21, 2007)</p>	<p>also relates to copyrights and trademark issue.</p>	<p>costs and interest awarded.</p>
<p>MGM Well Services, Inc. v. Mega Lift Systems, 05-1634 2007 WL 1231682 (S.D. Tex. Apr. 25, 2007)</p>	<p>Wilful infringement of patents. Direct competitors. Court held that a patent holder's willingness to license its technology – though not dispositive, is a factor to be considered in connection with the “irreparable harm” – but found that MGM has proven an existing policy not to license its patented technology.</p>	<p>Permanent injunction, lost profits, and costs awarded.</p>
<p>MPT Inc. v. Marathon Labels and Polymeric Converting L.L.C., 1-04-CV-2357 2007 WL 184747 (N.D.Ohio Jan.19, 2007)</p>	<p>Patents not wilfully infringed. Direct competitors. Patents comprises the core of the product</p>	<p>Permanent injunction, damages and costs awarded.</p>
<p>Novozymes A/S v. Genencor Int'l Inc. and Enzyme Development Corp., 474 F.Supp.2d 592 (D.Del. Feb. 16, 2007)</p>	<p>Wilful infringement of patents. Patentee functions through its wholly-owned subsidiary holding a nonexclusive license of the patent with no right to exclude. Held: subsidiary lacked standing to join patentee as co-plaintiff.</p>	<p>Permanent injunction, enhanced damages and attorney fees awarded.</p>
<p>O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co. et. al. 04-32, 2007 WL 869576 (E.D.Tex. March 21, 2007)</p>	<p>Wilful infringement of patents. Direct Competitors. “This Court has recognized the high value of intellectual property when it is asserted against a direct competitor in the plaintiff's market.” Because all of the defendants were foreign corporations, and there was no assurance that monetary damages could be collected, permanent injunction would be the appropriate remedy.</p>	<p>Permanent injunction granted.</p>
<p>Ortho-McNeil Pharm'l Inc. v. Mylan Labs Inc. et. al. 04-1689, 06-757, 06-5166, 2007 WL 869545 D.New Jersey March 20, 2007)</p>	<p>Wilful infringement of patents. Direct competitors</p>	<p>Permanent injunction granted.</p>
<p>Rosco Inc. v. Mirror Lite Co. CV-96-5658, 2006 WL 2844400 (E.D.N.Y. Sept. 29, 2006)</p>	<p>Wilful infringement of patents. Direct competitors. The trial Court judgement went twice to the Federal Circuit which reversed and remanded the case back to trial Court. Both parties both had design patents relating to safety mirrors used on buses and both were in the business as competitors. Rosco brought action seeking declaratory relief that Mirror Lite's patent was invalid and unenforceable. Mirror Lite filed counter-claim alleging Rosco's mirrors</p>	<p>Mirror Lite's request for permanent injunction granted.</p>

<p>Sanofi-Synthelabo et. al. v. Apotex Inc. and Apotex Corp. 02-2255 2007 WL 1746134 (S.D.N.Y June 19, 2007) *</p>	<p>infringed Mirror Lite's patent. Not clear from opinion of Court if irreparable harm analysis was addressed. Court held mandatory licensing will not adequately compensate Mirror Lite.</p> <p>Infringement of patents. Direct Competitor. No question of wilfulness as validity was being contested. Dist. Court initially ordered preliminary injunction but refused to recall infringing products already manufactured and distributed. Whilst hearing merits of case, the Court held the patents valid. Held price erosion, loss of goodwill and negative impact on R&D cannot be remedied by monetary damages.</p>	<p>Permanent injunction granted.</p>
<p>*Included June 07 ruling as it is a continuum of judgement granting preliminary injunction. 2006 WL 2516486 (S.D.N.Y. Aug.31, 2006). This was upheld in the U.S. Court of Appeals. See 470 F.3d 1368 (Fed.Cir.2006)</p>	<p>Infringement of patents. Direct Competitor. Defendant argued that patent could be fully compensated monetarily as patentee has licensed the patents to its competitors before and has extended several licensing offers to the Defendant. Court held that plaintiff's willingness to license its patent is not sufficient to establish that the patent holder would not suffer irreparable harm and that by competing in the market for the patented invention the defendants have damaged patent holder's goodwill and brand name recognition.</p>	<p>Permanent injunction granted.</p>
<p>Smith & Nephew Inc. v. Synthes (U.S.A) and Synthes Stratec Inc. 02-2873 2006 WL 3543274 (W.D.Tenn Oct.27, 2006)</p>	<p>Plaintiff filed action for patent infringement against several defendants but withdrew charges against one and settled with two defendants. The remaining defendant is Seoul Info. Inc. based in Korea. Having failed to appear in Court the Defendant was held to have admitted to all of the plaintiff's allegations; including the allegation that plaintiff suffered irreparable harm due to the infringement.</p>	<p>Permanent injunction granted but attorney fees and costs denied.</p>
<p>Telequip Corp. v. The Change Exchange, Korus Technologies, Seoul Information Ind. Inc., Optimal Robotics Corp., and Optimal Robotics Inc.) 2006 WL 2385425 (N.D.N.Y. Aug.15, 2006) See also No.5:01-CV-1748 (FJS/GJD) 2007 WL 655734 (N.D.N.Y Feb.26, 2007)</p>	<p>Wilful infringement of patents. Direct competitors. Plaintiff pleaded that infringement has direct, severe consequences on its ability to compete and has led to critical loss of market share. Plaintiff also cited price erosion and value erosion whilst dealing with business partners. Infringement was held to be encumbering Plaintiff's ability to invest in R&D. Plaintiff is small and new company</p>	<p>Permanent injunction and damages awarded</p>
<p>Tivo Inc. v. Echostar Comm. Corp. 446 F.Supp.2d 664 (E.D.Tex. Aug.17, 2006)</p>		

Transocean Offshore Deepwater Drilling, Inc. v. Global Santafe Corp. et. al. 03-2910 2006 WL 3813778 (S.D.Tex. Dec. 27, 2006)

dependent on its patented technology compared to the Defendant which is a large corporation.

Infringement of patents. Direct competitors. Patents cover core function of the product. Held that absent injunction the infringer will compete against patentee using the patent for business in a developing market with a small customer base. Court held that plaintiff's earlier willingness to license the patent to defendant and to others does not defeat its claim to an injunction and plaintiff's loss cannot be remedied by monetary damages. Held that an absence of permanent injunction will impose an unfair compulsory license on plaintiff who will not be able to control its technology or limit encroachment on its market share

Permanent injunction granted.

Visto Corporation v. Seven Networks Inc. 2:03-CV-333-TJW

Wilful infringement of patents. Direct competitors. Visto was granted permanent injunction and enhanced damages. But as Visto's attorneys violated the Protective Order in the case, and attempted to conceal the same, the injunction was stayed pending appeal.

Permanent injunction and enhanced damages awarded. Injunction stayed pending appeal following plaintiff attorney's violation of Protective Order.

Wald v. Mudhopper Oilfield Servs. Civ-04-1693-C 2006 WL 2128835 (W.D.Okl. July 27, 2006)

Wilful infringement of patents. Direct competitors. The Court found irreparable harm as plaintiff lost sales, market share and the opportunity to maintain their own product as the industry standard. The plaintiffs reputation for innovation was also held to be damaged.

Permanent injunction, damages and cost awarded.

Preliminary Injunctions Denied

Abbott Labs v. Andrx Pharms 452 F.3d 1331 (Fed. Cir. June 22, 2006); See also 473 F.3d 1196 (Fed. Cir. Jan.5, 2007)

Competitor. Federal Circuit vacated Dist. Court's order of preliminary injunction on basis that accused infringer *raises substantial questions concerning validity* and patentee failed to establish a likelihood of success on the merits. Moreover, it was held that Abbott failed to show that monetary damages would be inadequate relief. Newman J dissented on basis that reversal of District Court's order requires a clear showing that the Dist. Court has exceeded its discretionary authority.

Preliminary injunction granted by District Court vacated by Federal Court.

DocuSign Inc. v. Sertifi Inc., No.06-0909Z, 2006 WL 3000134 (W.D. Wash. Oct. 19, 2006)

Competitor. Court did not hold patent invalid but held that patentee has failed to show a likelihood of infringement or offer evidence supporting its speculation on the possible impacts of the alleged infringer's presence in the marketplace.

Preliminary injunction denied.

Permanent Injunctions Denied

z4 Technologies v. Microsoft Corp. and Autodesk Inc. 434 F.Supp. 2d 437 (E.D.Tex. June 14, 2006); 6-06-CV-142 2006 WL 2401099 (E.D. Tex. Aug.18, 2006); 214 Fed.Appx.977 (Jan.9, 2007); 2006-1640 (March 12, 2007)

Wilful infringement of patents. Parties not competing in the infringing product market. z4 claimed that it made "tremendous efforts to commercialize" but failed in its efforts "partly due to Microsoft's infringement". Court held that infringing claim is only a *small component of overall product*. Court held "Microsoft's continued infringement does not inhibit z4's ability to market, sell or license is patented technology to other entities" Microsoft undertook to remove infringing claim out of the forthcoming version of product which was due in Jan 2007.

Permanent injunction denied but enhanced damages, attorney's fees and prejudgment interest awarded. Court held that future infringement can be compensated by "**reasonable royalty**".

Acumed LLC v. Stryker Corp. et. al. 483 F.3d 800 (Fed. Cir. 2007); 2007 WL 1086539 (Fed. Cir.(Or) April 12, 2007)

Wilful infringement of patents Parties not competing in the infringing product market. *But patentee's assignee is competitor to infringer.*

Permanent injunction vacated by Appeal Court on basis that it was granted under the traditional analysis. Remanded.

Finisar corp. v. DirecTV Group Inc. et. al 1:05-CV-264 (E.D.Tex. July 6, 2006); See also F.Supp.2d. 2006 WL 2709206 (E.D.Tex. Sept.1, 2006) and F.3d 07-1023 (Fed.Cir.2007)

Plaintiff asserted 15 patent claims 7 of which were found invalid and 1 not infringed. The rest were held to be **Wilful infringement of patents. Parties not competing in the infringing product market.** Court found that there was no irreparable harm because Finisar never sold the rights to the patent or made an attempt to practice the patented technology.

Permanent injunction denied. **Order includes compulsory license** and 'reasonable' royalty. Damages and costs awarded

IMX Inc. v. Lending Tree, LLC 03-1067 2007 WL 62697 (D.Del. Jan 10, 2007). See also Civ. No.03-1067 (D.Del. April 25, 2007)

Wilful infringement of patents. Though both parties system are in public use; plaintiff's system "*does not provide its technology directly to the public*". **Court unsure if parties are direct competitors.** Infringing product mimics the patented technology and was not small component of overall product.

Permanent injunction denied. Damages, pre and post judgement interest awarded.

International Rectifier Corp. v. Ixys Corp. 04-1014 2006 WL 2036676 at *1 (Fed.Cir.

Infringement of patents. Patentee not competing in the infringing product market. But plaintiff is patentee's

Permanent injunction granted by District Court vacated by Federal Circuit. Case

July 14 2006)

Monsanto Co. v. Scruggs 459 F.3d 1328
(Fed. Cir. 2006) Aug.16, 2006

Paice LLC v. Toyota Motor Corp. et. al.
2:04-CV-00211-DF 2006 WL 2385139
(E.D. Tex. Aug. 16, 2006)

Praxair Inc. v. ATMI Inc. and Advanced
Technology Materials Inc. 479 F.2d 440 WL
906704 (D.Del. March 27, 2007); See also
Fed.Cir. ATMI v. Praxair (April 19, 2007)

assignee. Federal Court vacated District Court's permanent injunction granted prior to eBay. Case was remanded to Dist. Court and though the Federal Court did not provide any specific guidance concerning the factors to be considered with regard to permanent injunction, it stated that in light of the eBay decision, the Dist. Court's determination of permanent injunction should be revisited.

Parties not competing in the infringing product market. Owner of patents for GM soybean and cotton seeds sued farmers for infringement when he reused new seeds grown from original batch. Farmers counterclaimed for patent misuse and antitrust violation. Exhaustion doctrine applied. Though the Federal Court did not provide any specific guidance concerning the factors to be considered with regard to permanent injunction, it stated that in light of the eBay decision, the Dist. Court's determination of permanent injunction should be revisited.

Plaintiff asserted 10 claims. Jury found that Defendant infringed 2 claims of a patent but **not willful infringement.** **Parties not competing in the infringing product market.** Court held plaintiff only seeking licensing fees and that infringed patent small component of overall product.

Direct competition. Infringement of valid patents. Court held that *the quantum of evidence* required under eBay is unclear. It further held that while money damages are generally considered inadequate to compensate for the violation of a patentee's right to exclude, Praxair nonetheless had a burden to iterate specific reasons why defendant's infringement cannot be compensated for with a money award. The court stated: "Praxair has not explained why it may have "difficulties calculating damages going forward", nor how money damages could not adequately compensate for "lost market share" or any "lost research opportunities." The court concluded that Praxair has not demonstrated that it is entitled to injunctive relief.

remanded to District Court.

Permanent injunction granted by District Court vacated by Federal Circuit. Case remanded to District Court.

Permanent injunction denied. Damages awarded. Jury's determination of an **"appropriate reasonable royalty rate"** for future infringement upheld.

Permanent injunction denied.

Sundance Inc. v. DeMonte Fabricating Ltd. 02-73543, 2007 WL 37742 (E.D.Mich. Jan 4, 2007)

Jury found patent invalid and infringed. Court set aside jury's verdict on invalidity. **Parties not competing in the infringing product market.** But Patentee's **licensees** are competitors to DeMonte. Sundance had also offered to license patent to DeMonte prior to filing of suit. Court observed such behaviour to establish that money damages are adequate. Also the fact that patent was a small component of finished product was taken into consideration.

Permanent injunction denied.

Voda v. Cordis Corp. CIV-03-1512, 2006 WL 2570614 (W.D. Okla Sept. 5, 2006); (No.CIV-03-1512-L 2007 WL 950365 (W.D.Okla.) March 27, 2007; and U.S Court of Appeals 476 F.3d 887 Feb.1, 2007)

Wilful infringement of patents. Parties not competing in the infringing product market. Permanent injunction denied as plaintiff has failed to "demonstrate either irreparable injury or that monetary damages are inadequate". Court held that plaintiff has identified no harm to himself; but rather has relied on alleged harm to a non-party who is the **exclusive licensee** of patentee.

Permanent injunction denied. Prejudgement interest granted. Damages increased but not trebled. Litigation expenses awarded

KEG Technologies, Inc. v. Laimer, 436 F. Supp. 2d. 1364 (N.D. Ga. 2006)

Direct competitors. Court held infringement was established through default. Court held "In light of the absence of competent evidence supporting the award of either lost profits or a reasonable royalty", the Plaintiff is denied monetary award. As eBay was decided on the same day when evidentiary hearing on this case was held, the Court was reluctant to deny injunctive relief on the basis that evidence relating to adequacy of monetary relief and balance of hardships were lacking.

Damages denied. **Judgement on injunctive relief deferred.** The Court found it necessary to take "additional evidence and argument respecting the availability of injunctive relief, or, for that matter, more equitable alternatives (e.g., a compulsory license)".