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### PATENTS

### INJUNCTIONS

Although the Supreme Court's *eBay* decision changed the analysis for evaluating whether a permanent injunction is warranted in patent infringement cases, injunctive relief remains the rule, especially when the parties are direct competitors.

## Two Years Since *eBay*: The Impact on Permanent Injunctive Relief in Patent Cases

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In May 2006, the U. S. Supreme Court sent shockwaves through the patent world by rejecting the Federal Circuit's long-standing "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances."<sup>1</sup> The Supreme Court held, contradicting prior rulings by the U.S. Court of Appeals for the Federal Circuit, that the right to exclude provided under the patent law<sup>2</sup> is "dis-

tinct from the provision of remedies for violation of that right."<sup>3</sup>

The *eBay* decision thus raised doubts as to the availability of injunctive relief to prevent patent infringement. Notwithstanding the initial concerns of patent owners, though, two years of experience has shown that permanent injunctive relief remains more the rule than the exception in patent infringement cases. This is particularly so where the patentee and the infringer are head-to-head competitors.

In place of the "general rule" favoring injunctive relief, the *eBay* court required that a patentee seeking permanent injunctive relief against an infringer satisfy "the four-factor test historically employed by courts of equity."<sup>4</sup> As explained in *eBay*, the "traditional test" requires that in order to obtain a permanent injunction a patentee that has proven infringement must further demonstrate "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as mon-

<sup>1</sup> *eBay Inc. v. MercExchange LLC*, 547 U.S. 388, 391, 78 USPQ2d 1579 (2006).

<sup>2</sup> 35 U.S.C. § 154(a)(1) (72 PTCJ 60, 5/19/06).

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<sup>3</sup> 547 U.S. at 392.

<sup>4</sup> *Id.* at 390-91.

etary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.”<sup>5</sup> This article examines how the courts have applied each of these requirements since *eBay*.

Significantly, as discussed below, the courts have employed somewhat circular reasoning in applying the four-factor test, giving considerable weight to a patent’s statutory right to exclude in deciding whether each individual element of the test is satisfied and whether an injunction is, therefore, warranted as an equitable matter. As a federal district court in Texas stated: “Since a patent grants the right to exclude others from practicing the invention, 35 U.S.C. § 154, the right to exclude remains a relevant issue for courts to consider when weighing the equities for and against an application for permanent injunction.”<sup>6</sup>

### Irreparable Harm: Presumption Unresolved.

There exists an open question as to whether, after *eBay*, there is still a presumption that the patent owner will suffer irreparable harm absent a permanent injunction preventing infringement. Another district court in Texas stated that “a presumption of irreparable harm[] is not in line with the Supreme Court’s holding [in *eBay*]”<sup>7</sup> and a district court in Georgia interpreted *eBay* to “not leave room for a presumption of irreparable injury in patent cases, whether raised at the preliminary or permanent injunction phase.”<sup>8</sup> However, in a very recent decision, the Federal Circuit expressly did not reach the question of “whether there remains a rebuttable presumption of irreparable harm following *eBay*.”<sup>9</sup>

Even without affording the patentee the benefit of a presumption of irreparable harm, courts have repeatedly held that where the patentee and the infringer are direct competitors, there is a threat of irreparable harm, absent a permanent injunction, owing to the importance of the patent’s statutory right to exclude. In *Muniauction Inc. v. Thomson Corp.*, for example, a federal district court in Pennsylvania commented: “Plaintiff and defendants are direct competitors in a two-supplier market. If plaintiff cannot prevent its only competitor’s continued infringement of its patent, the patent is of little value.”<sup>10</sup>

The court said that “[e]ven though we may not categorically enter an injunction solely because plaintiff’s patent has been infringed, we may still consider this to be a relevant factor in our analysis under the four-factor test.”<sup>11</sup>

Similarly, in *Visto Corp. v. Seven Networks Inc.*, a federal district court in Texas stated: “The parties to this case are direct competitors, and this fact weighs

heavily in the court’s analysis. Intellectual property enjoys its highest value when it is asserted against a direct competitor in the plaintiff’s market.”<sup>12</sup>

In direct competitor cases, the courts typically find irreparable harm in the fact that infringing sales reduce the patentee’s market share.<sup>13</sup> Courts have also attributed a threat of irreparable harm to “a competitor’s attempts to usurp the pioneering company’s market position and goodwill,”<sup>14</sup> “harm to plaintiff’s reputation as the leading innovator in the field,”<sup>15</sup> the fact that absent an injunction “others may be encouraged to infringe their patents and risk litigation, thus devaluing the plaintiff’s property,”<sup>16</sup> and the fact that a patentee had “actively created a market[] and established a strong market position and customer goodwill.”<sup>17</sup>

In one case, a district court expressed the view that “absent a permanent injunction the infringer . . . will be able to continue using the patented invention to compete against the patent holder . . . for business in a developing market with a small customer base.”<sup>18</sup> The court further noted that not entering a permanent injunction would “force a compulsory license on [patentee] that will not contain any of the commercial business terms typically used by a patent holder to control its technology or limit encroachment on its market share.”<sup>19</sup>

### Pharmaceutical Cases: Generic Competition.

In pharmaceutical cases, where generic manufacturers were held to infringe patents owned by research-based companies, courts have deemed price erosion resulting from generic competition to be irreparable harm. In *Sanofi-Synthelabo v. Apotex Inc.*, in upholding the grant of a preliminary injunction excluding a generic version of Plavix, the Federal Circuit pointed to the district court’s finding that Sanofi “would suffer irreversible price erosion in light of a complex pricing scheme that is directly affected by the presence of the generic product in the market.”<sup>20</sup> The Federal Circuit noted that the district court had found that the brief introduction of a generic competitor had forced Sanofi “to offer discounted rates and price concessions to third-party payers, such as health maintenance organizations, in order to keep Plavix[] on a favorable pricing tier” and that “the availability of a generic product encourages third party payers to place Plavix[] on a less favorable tier, thereby requiring consumers to pay a higher co-pay, and perhaps deterring them from purchasing Plavix.”<sup>21</sup>

Similarly, in *Abbott Laboratories v. Sandoz Inc.*, a federal district court in Illinois held that Abbott had

<sup>12</sup> 2006 U.S. Dist. Lexis 91453, at \*12 (E.D. Tex. Dec. 19, 2006).

<sup>13</sup> See, e.g., *Johns Hopkins University v. Datascope Corp.*, 513 F. Supp. 2d 578, 586 (N.D. Md. 2007); *Muniauction*, 502 F. Supp. 2d at 482-83; *Visto*, 2006 U.S. Dist. Lexis 91453 at \*12-13.

<sup>14</sup> 800 *Adept Inc. v. Murex Securities Ltd.*, 505 F. Supp. 2d 1327, 1337 (M.D. Fl. 2007).

<sup>15</sup> *Muniauction*, 502 F. Supp. 2d at 483.

<sup>16</sup> *Johns Hopkins*, 513 F. Supp. 2d at 586.

<sup>17</sup> *MPT Inc. v. Marathon Labels Inc.*, 505 F. Supp. 2d 401, 420 (N.D. Ohio 2007).

<sup>18</sup> *Transocean Offshore*, 2006 U.S. Dist. Lexis 93408 at \*13.

<sup>19</sup> *Id.* at \*19.

<sup>20</sup> 470 F.3d 1368, 1382, 81 USPQ2d 1097 (Fed. Cir. 2006) (73 PTCJ 185, 12/15/06).

<sup>21</sup> *Id.*

<sup>5</sup> *Id.* at 391.

<sup>6</sup> *Transocean Offshore Deepwater Drilling Inc. v. Global-SantaFe Corp.*, 2006 U.S. Dist. Lexis 93408, at \*11-12 (S.D. Tex. Dec. 27, 2006).

<sup>7</sup> *Z4 Technologies Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006).

<sup>8</sup> *Tiber Laboratories LLC v. Hawthorn Pharmaceuticals Inc.*, 527 F. Supp. 2d 1373, 1380 (N.D. Ga. 2007).

<sup>9</sup> *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1359 n.1, 86 USPQ2d 1090 (Fed. Cir. 2008) (75 PTCJ 474, 3/7/08).

<sup>10</sup> 502 F. Supp. 2d 477, 482 (W.D. Pa. 2007).

<sup>11</sup> *Id.* at 483.

demonstrated that an injunction was necessary to prevent irreparable harm via the marketing of a generic extended release form of Abbott's Biaxin.<sup>22</sup> Abbott had argued that it would "suffer loss of market share, goodwill and profits; will be constrained to terminate 190 sales representatives; and will face losses that will never be fully compensable in money damages."<sup>23</sup>

In *Novartis Pharmaceuticals Corp. v. Teva Pharmaceuticals USA Inc.*, however, a district court in New Jersey denied a preliminary injunction to prevent Teva from marketing a generic version of Novartis's Famvir antiviral product, finding that "loss of market share and price erosion are economic harms and are compensable by money damages."<sup>24</sup> The court deemed Novartis's price erosion claims as "purely speculative" absent evidence "of a branded pharmaceutical suffering price erosion in response to generic competition."<sup>25</sup>

### More Than Direct Competition.

Notwithstanding that the patent holder and the infringer are direct competitors, the patentee may well be required to provide detailed evidence to support its claim of irreparable harm. *Precision Automation Inc. v. Technical Services Inc.*, in denying a preliminary injunction motion, a district court in Oregon faulted the patentee for failing to offer evidence of "customer confusion, complaints, or lost sales that would support a finding of lost goodwill."<sup>26</sup> The patentee's declarations failed to show "a decrease in sales, harm to . . . market share, or any other irreparable harm associated" with two of the three patents in suit.<sup>27</sup> The declarants had offered no "specific examples of [possible] lost sales" and merely speculated "about possible future harm" without support in the record in the form of "customer statements, sales data, or market-share information."<sup>28</sup>

Similarly, in *Praxair Inc. v. ATMI Inc.*, a district court in Delaware denied a permanent injunction motion on the grounds that the patent owner 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 [the infringer]."<sup>29</sup>

Likewise, in *Voile Manufacturing Corp. v. Danurand*, a district court in Utah stated that "more than unsupported factual conclusions" are required to support a finding of irreparable harm.<sup>30</sup> The court was critical of the fact that the patentee's "conclusory affidavit" failed to make clear how the patentee was "being devalued by the sale of the [accused product]," did not "point to any potential licensees who . . . refused to enter agreements because of the presence of the [accused product]" and provided no evidence of sales by the patentee or the accused infringer thus "making it impossible to determine

whether or to what extent [the patentee's] market share has been eroded."<sup>31</sup>

### Non-Competing Parties.

The fact that the patent owner and the infringer are not direct competitors does not preclude a finding that there is a threat of irreparable harm. In *Commonwealth Scientific and Industrial Research Organization v. Buffalo Technology Inc.*,<sup>32</sup> the court recognized that even though the patentee and the infringer were not direct competitors the patentee competed with other research groups "for resources, ideas, and the best scientific minds."<sup>33</sup> Challenging the patents in court impugned the patentee's reputation and diverted funds, resulting in "lost research capabilities, lost opportunities to develop additional research capabilities, [and] lost opportunities to accelerate existing projects or begin new projects."<sup>34</sup> The court deemed "the harm of lost opportunities [to be] irreparable."<sup>35</sup>

The eBay court specifically rejected "categorical rule[s]" which preclude injunctive relief in favor of patentees which have licensed their patents to others or did not themselves practice the patent.<sup>36</sup> Thus, in *Muniauction*, the court stated that "licensing activity . . . does not negate a finding that the patentee has suffered irreparable harm."<sup>37</sup>

Nonetheless, courts are most likely to find a lack of irreparable harm where the patentee and the infringer are not direct competitors. In *Paice LLC v. Toyota Motor Corp.*, where the patentee did not manufacture products to compete with those of the infringer but rather was "geared towards licensing its technology," a district court in Texas held that the patentee's "losses from [the infringer's] sales of infringing products can be remedied via monetary damages in accordance with the reasonable royalty set by the jury."<sup>38</sup>

The court concluded that the patent owner had "not been prevented from continuing its licensing efforts."<sup>39</sup> The court also noted that "because [the patentee] does not compete for market share with the accused vehicles, concerns regarding loss of brand name recognition and market share . . . are not implicated."<sup>40</sup>

In *z4 Technologies Inc. v. Microsoft Corp.*,<sup>41</sup> the jury found that Microsoft's Office and Windows software products had infringed z4's product activation patents, but the court denied z4 a permanent injunction. The court relied on the fact that Microsoft did not compete with z4 in selling, distributing or licensing product activation software to other software manufacturers or consumers.

Furthermore, the court found that Microsoft "only uses the infringing technology as a small component of its own software, and it is not likely that any consumer of Microsoft's Windows or Office software purchases these products for their product activation functional-

<sup>22</sup> 500 F. Supp. 2d 807, 843 (N.D. Ill. 2007).

<sup>23</sup> *Id.*

<sup>24</sup> 2007 U.S. Dist. Lexis 65792, at \*39 (D.N.J. Sept. 6, 2007).

<sup>25</sup> *Id.* at \*40.

<sup>26</sup> 2007 U.S. Dist. Lexis 93200, at \*11 (D. Ore. Dec. 14, 2007).

<sup>27</sup> *Id.* at \*13-14.

<sup>28</sup> *Id.* at \*14.

<sup>29</sup> *Praxair, Inc. v. ATMI Inc.*, 479 F. Supp. 2d 440, 444 (D. Del. 2007).

<sup>30</sup> *Voile Manufacturing Corp. v. Dandurand*, 2008 U.S. Dist. Lexis 20556, at \*14 (D. Utah Mar. 14, 2008).

<sup>31</sup> *Id.* at \*15.

<sup>32</sup> 492 F. Supp. 2d 600, 604 (E.D. Tex. 2007).

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> 547 U.S. at 393.

<sup>37</sup> 502 F. Supp. 2d at 483.

<sup>38</sup> *Paice LLC v. Toyota Motor Corp.*, 2006 U.S. Dist. Lexis 61600, at \*13 (E.D. Tex. Aug. 16, 2006).

<sup>39</sup> *Id.* at \*14.

<sup>40</sup> *Id.*

<sup>41</sup> 434 F. Supp. 2d 437 (E.D. Tex. 2006).

ity.”<sup>42</sup> The court thus concluded that “[i]n the absence of a permanent injunction against Microsoft, z4 will not suffer lost profits, the loss of brand name recognition or the loss of market share because of Microsoft’s continued sale of the infringing products. These are the type of injuries that are often incalculable and irreparable.”<sup>43</sup>

### Inadequacy of Legal Remedy.

Although irreparable harm and inadequate legal remedy are “stated as two separate factors under *eBay*, the irreparable harm requirement contemplates the inadequacy of alternate remedies available to the plaintiff. Under the principles of equity to which the court referred throughout its opinion in *eBay*, irreparable harm means ‘that unless an injunction is granted, the plaintiff will suffer harm which cannot be repaired.’”<sup>44</sup>

As a Utah federal district court stated in a recent preliminary injunction decision, “[t]he essence of showing irreparable harm is demonstrating an injury that money damages cannot sufficiently remedy.”<sup>45</sup> Thus, the types of damages that are viewed as irreparable harm are also viewed as not compensable with money damages.

In *Muniauction*, the Pennsylvania district court stated that “permanent loss of market share” and “harm to plaintiff’s reputation as the leading innovator in this field” are not compensable in damages.<sup>46</sup>

Again, in considering the adequacy of a legal remedy, the courts have relied heavily on the patent’s statutory right to exclude. A district court in Tennessee, for example, took the position that “[m]onetary damages generally are not an adequate remedy against future infringement because the central value of holding a patent is the right to exclude others from using the patented product.”<sup>47</sup> A district court in Delaware stated similarly that “[t]he statutory right to exclude represents a tangential benefit associated with patent rights that cannot be quantified in monetary damages.”<sup>48</sup>

### Measuring Damages.

One factor that courts consider in deciding whether money damages will be adequate is the precision with which damages can be measured. In *Brooktrout v. Eicon Networks Corp.*, a district court in Texas stated that “although future damages in lieu of an injunction may compensate . . . for an approximate loss, that does not make future damages adequate in the sense that they are a suitable proxy for injunctive relief. The inability to calculate the plaintiff’s future loss with reasonable precision makes legal remedies inadequate in this case.”<sup>49</sup>

In *Visto*, the court stated that “[a]lthough future damages may compensate *Visto* for an approximate loss, that does not make them adequate in the sense that they are a suitable proxy for injunctive relief. What

makes legal remedies inadequate under the circumstances of this case is the ability to calculate the plaintiff’s future losses with precision.”<sup>50</sup>

In *Smith & Nephew*, the court likewise explained that “[d]amages due to lost sales might theoretically be proven with lesser or greater degree of certainty, but intangible losses, such as the loss of goodwill, can never be ascertained accurately.”<sup>51</sup>

### Accused Product or Compound?

The adequacy of a legal remedy may also hinge on whether the invention is the accused product or merely a component thereof. In his concurrence in *eBay*, Justice Anthony M. Kennedy instructed that “[w]hen the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”<sup>52</sup> Kennedy recognized that, as the court put it in *Commonwealth Scientific*, “[t]he right to exclude becomes more urgent when the product is the invention.”<sup>53</sup>

Thus, in the *z4* case, the district court found the legal remedy adequate in that “product activation is a very small component of the Microsoft Windows and Office software products that the jury found to infringe *z4*’s patents.”<sup>54</sup> The court decided that because the “infringing product activation component of the software is in no way related to the core functionality for which the software is purchased by consumers[,] . . . Kennedy’s comments support[ed] the conclusion that monetary damages would be sufficient to compensate *z4* for any future infringement by Microsoft.”<sup>55</sup>

The court explained that because Microsoft was phasing out its infringing products, “[c]alculating the appropriate royalty rate for any future infringement . . . should not be too indefinite or difficult. Such future damages will not be based on injuries that are difficult to measure such as the loss of market share or damage to brand name recognition and good will, but will be based on a reasonable royalty for each of the infringing products sold by Microsoft.”<sup>56</sup>

In the *Commonwealth Scientific* case, by contrast, the Texas district court concluded that because the infringement there “relate[d] to the essence of the technology and [was] not a ‘small component’ of [the] infringing products, monetary damages are less adequate in compensating [the patentee] for . . . future infringement.”<sup>57</sup> The court explained that a royalty payment with respect to future infringement would be determined based on the infringer’s prior sales which might not reflect the value of the patent going forward and, in any event, would not include “non-monetary license terms which are as important as monetary terms to a licensor.”<sup>58</sup>

<sup>42</sup> *Id.* at 440.

<sup>43</sup> *Id.*

<sup>44</sup> *Smith & Nephew Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 982-83 (W.D. Tenn. 2006) (citations omitted).

<sup>45</sup> *Voile*, 2008 U.S. Dist. Lexis 20556 at \*14.

<sup>46</sup> 502 F. Supp. 2d at 482-83.

<sup>47</sup> *Smith & Nephew*, 466 F. Supp. 2d at 984.

<sup>48</sup> *Martek Biosciences Corp. v. Nutrinova Inc.*, 520 F. Supp. 2d 537, 558-59 (D. Del. 2007).

<sup>49</sup> *Brooktrout Inc. v. Eicon Networks Corp.*, 2007 U.S. Dist. Lexis 43107, at \*4-5 (E.D. Tex. Jun. 14, 2007).

<sup>50</sup> *Visto*, 2006 U.S. Dist. Lexis 91453 at \*13.

<sup>51</sup> *Smith & Nephew*, 466 F. Supp. 2d at 984.

<sup>52</sup> 547 U.S. at 396-97.

<sup>53</sup> 492 F. Supp. 2d at 605.

<sup>54</sup> *Z4 Technologies*, 434 F. Supp. 2d at 441.

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at 442.

<sup>57</sup> *Commonwealth Scientific*, 492 F. Supp. 2d at 606.

<sup>58</sup> *Id.*

## Hardships: Harm to Infringer Discounted.

In analyzing the “balance of hardships” prong of the four-factor test adopted in *eBay*, the courts again, somewhat circularly, give considerable weight to the patent’s statutory right to exclude while discounting the harm that the infringer suffers as a consequence of its own infringement.

In *Visto*, the court expressly factored the right to exclude into the balance of hardships analysis: “Visto will lose goodwill, potential revenues and the very right to exclude that is the essence of the intellectual property at issue.”<sup>59</sup> On that basis the court concluded that “the balance of hardships favors Visto in this case.”<sup>60</sup> Identical language appeared in the same court’s *Brooktrout* decision a year later. In *Muniauction*, in weighing the parties’ relative hardships, the court took account of the fact that “without the injunction, plaintiff would suffer,” *inter alia*, “continued encroachment on its patent rights.”<sup>61</sup>

In the generic pharmaceutical context, in *Abbott*, the court granted Abbott’s motion for a preliminary injunction to prevent Sandoz from marketing a generic version of extended release clarithromycin. The court stated that “one who infringes upon a patent cannot be heard to complain about the financial consequences of either ending its infringing conduct or being restored to its pre-infringing position.”<sup>62</sup> Similarly, in the *Sanofi* case, the Federal Circuit decided that the district court “did not clearly err in finding that [the infringer’s] harms were ‘almost entirely preventable’ and were the result of its own calculated risk to launch its product pre-judgment.”<sup>63</sup>

In *Smith & Nephew*, the court discounted the “effort, time and expense” that would be required to redesign the infringing product as “that is the consequence of . . . patent infringement.”<sup>64</sup> The court in *MGM Well Services Inc. v. Mega Lift Systems LLC*, stated that the impact of an injunction on sales of the infringing product is a “hardship . . . imposed by law, not by any peculiar circumstances of this case.”<sup>65</sup> The court noted that the infringer was “free to focus on the sale” of its non-infringing systems.<sup>66</sup>

## Importance of Products.

In assessing whether the balance of hardships favors a permanent injunction, the courts typically consider the relative importance of the product to the businesses of the patent holder and the infringer.

In *800 Adept*, for example, the defendant provided infringing telephone routing services. In granting a permanent injunction the court observed that the patentee was “primarily involved in offering its services in the telephone call routing market” and had “a small share of that market,” while telephone routing services were “a very small part of the business” of the infringer,

though it serviced a larger portion of the market than the patentee.<sup>67</sup>

In the *MPT* case, in concluding that the balance of hardships favored an injunction, the court pointed to the fact that “only a small percentage of [the infringer’s] total sales will be prohibited by an injunction.”<sup>68</sup> In *Martek*, the court stated that the balance of hardships tilted towards the patentee Martek because the accused DHA produced “represent[ed] only a small percentage of [the accused infringer’s] total business,” but was the patentee’s “primary source of revenue.”<sup>69</sup>

In finding, in *Tivo*, that the balance of hardships “weighs heavily in favor of an injunction,” the court observed that “[a]s a relatively new and small company, every day of . . . infringement affects [the patentee’s] business.”<sup>70</sup> Moreover, the infringing products were found to “directly compete” with the patentee’s “primary product.”<sup>71</sup> By contrast, the court found that “infringing products do not form the core of [the infringer’s] satellite transmission business” and “the injunction will not interfere with [the infringer’s] satellite transmission.”<sup>72</sup>

Courts may fashion an injunction specifically so that the balance of hardships favors an injunction. In the much publicized litigation between Verizon Services Corp. and Vonage Holdings Corp., the Federal Circuit noted that with respect to the balance of hardships the district court should have considered allowing Vonage time “to implement a workaround that would avoid continued infringement . . . before issuing its injunction.”<sup>73</sup> In *800 Adept*, the court determined that “a properly circumscribed injunction would permit [the infringers] to continue as an ongoing business concern while protecting the interests of [the patent owner].”<sup>74</sup>

Again, in the balance of hardships context, courts will not accept conclusory assertions of harm. The *Johns Hopkins* court granted an injunction, characterizing the infringer’s evidence of potential harm from a permanent injunction as “speculative,” “conjectural” and “slight.”<sup>75</sup> The court cited a lack of evidence that an injunction would harm the infringer’s relationship with its customers and threaten a loss of sales of unrelated products.

## Patent Protection vs. Other Concerns.

The patentee’s statutory right to exclude, 35 U.S.C. § 154(a)—which the courts have accorded significant weight in analyzing the first three prongs of *eBay*’s four-factor test—also carries weight in determining that the public interest would not be disserved by a permanent injunction. Courts have held that the “public interest is best served by protecting patent rights and enforcing the applicable laws”<sup>76</sup>; “the public maintains an interest in protecting the rights of patent holders, and in-

<sup>59</sup> *Visto*, 2006 U.S. Dist. Lexis 91453 at \*14.

<sup>60</sup> *Id.*

<sup>61</sup> 502 F. Supp. 2d at 483.

<sup>62</sup> *Abbott Laboratories v. Sandoz Inc.*, 500 F. Supp. 2d 807, 845 (N.D. Ill. 2007).

<sup>63</sup> *Sanofi-Synthelabo*, 470 F.3d at 1383.

<sup>64</sup> *Smith & Nephew*, 466 F. Supp. 2d at 984.

<sup>65</sup> 505 F. Supp. 2d 359, 379 (S.D. Tex. 2007).

<sup>66</sup> *Id.*

<sup>67</sup> 505 F. Supp. 2d at 1338.

<sup>68</sup> *MPT*, 505 F. Supp. 2d at 420.

<sup>69</sup> *Martek*, 520 F. Supp. 2d at 559.

<sup>70</sup> *Tivo Inc. v. Echostar Communications Corp.*, 446 F. Supp. 2d 664, 670 (E.D. Tex. 2006).

<sup>71</sup> *Id.*

<sup>72</sup> *Id.*

<sup>73</sup> *Verizon Services Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295, 1311 n.12 (Fed. Cir. 2007).

<sup>74</sup> *800 Adept*, 505 F. Supp. 2d at 1338.

<sup>75</sup> *Johns Hopkins*, 513 F. Supp. 2d at 586.

<sup>76</sup> *MGM*, 505 F. Supp. 2d at 379-80.

junctions serve that interest”<sup>77</sup>; and “[t]he public . . . interest in maintaining a strong patent system . . . is served by enforcing an adequate remedy for patent infringement—in this case, a permanent injunction.”<sup>78</sup>

A public health interest is likely the best argument for overcoming the public interest in patent enforcement. Thus, in *MPT* the court stated “[t]here is a general public interest in favor of strong patent protection, except in cases where an obvious public interest such as public health and safety exists.”<sup>79</sup>

Also, in concluding that an injunction would not disserve the public interest, the *Tivo* court stated: “The infringing [video recorder] products are not related to any issue of public health or any other equally key interest; they are used for entertainment.”<sup>80</sup> In *3M Innovative Properties Co. v. Avery Dennison Corp.*, the court similarly pointed out that, in a case involving commercial graphics used for advertising, “concerns about public health or safety that could warrant denial of injunctive relief are not present.”<sup>81</sup> Yet another Minnesota federal court noted in *Torspo Hockey International Inc. v. Kor Hockey Ltd.* that the case before it concerned hockey skates, not “life-saving drugs.”<sup>82</sup>

In *Johns Hopkins*, the court concluded that the public interest would not be disserved by an injunction with respect to the sale of medical devices in that there was evidence that the patent owner had “sufficient manufacturing capacity to meet the demand” for the medical devices at issue then being met by the infringer.<sup>83</sup>

In pre-*eBay* preliminary injunction cases, courts did deny injunctive relief due to the public interest in the availability of medical products even if they are infringing. In *Datascope Corp. v. Kontron Inc.*, the Federal Circuit found adequate basis in the record for the district court’s determination “that the public will be harmed by an injunction in that some physicians prefer defendant’s dual lumen [intra-aortic balloon catheters].”<sup>84</sup>

In *Sanofi*, however, the court held that although the generic infringer raised legitimate concerns about the price of the brand name drug and about the confusion that would follow removal of the generic from the market, the district court had not erred in concluding that “the ‘significant public interest in encouraging investment in drug development and protecting the exclusionary rights conveyed in valid pharmaceutical patents’ tips the scale in favor of [the patentee].”<sup>85</sup>

The public interest in medical issues is not the only public interest that courts will consider in deciding whether an injunction is appropriate. In *z4*, the court concluded that because of the public’s “undisputed and enormous reliance” on Microsoft’s infringing Windows and Office products the public interest would be disserved by an injunction which might cause even a “minor disruption of the distribution of the products.”<sup>86</sup>

In *Novozymes A/S*, which concerned a patent relating to the production of fuel ethanol, the court stated that an injunction would not harm the public: “while the fuel ethanol industry has growing importance in a time of rising energy prices, [the patentee] has a competing product, and [the infringer] has products that do not infringe.”<sup>87</sup>

## Damage Awards: When Are They Justified?

An October 2007 Federal Circuit decision is worth noting with respect to the assessment of damages in the absence of permanent injunctive relief. In *Paice LLC v. Toyota Motor Corp.*, the court stated that “[u]nder some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate.”<sup>88</sup> According to the *Paice* court, however, such relief is not justified “as a matter of course whenever a permanent injunction is not imposed.”<sup>89</sup> The Federal Circuit suggested that “[i]n most cases, where the district court determines that a permanent injunction is not warranted, the district court may wish to allow the parties to negotiate a license amongst themselves regarding future use of a patented invention before imposing an ongoing royalty.”<sup>90</sup>

The Federal Circuit’s decision in *Innogenetics N.V. v. Abbott Laboratories*, is instructive as to avoiding a possible pitfall in seeking past damages as well as injunctive relief.<sup>91</sup> The patent owner’s damages expert proposed a \$7 million damage award “which included an upfront payment that equated to approximately \$5.8 million and a running royalty of 5 to 10 [e]uros per test on the 190,000 tests.”<sup>92</sup> The market entry fee was to be paid “in anticipation of Abbott’s long-term license to sell its products.”<sup>93</sup>

The court held that the jury’s \$7 million awarded included “an upfront fee that contemplates or is based upon future sales by Abbott in a long term market.”<sup>94</sup> Having requested that compensation, the patent owner “could not be heard to complain that it will be irreparably harmed by future sales.”<sup>95</sup> Accordingly, the Federal Circuit vacated the district court’s issuance of an injunction prohibiting future sales.

## Conclusion.

Although *eBay* has changed the formal analysis that courts must conduct in determining whether a permanent injunction is warranted to prevent patent infringement, the bottom line has not changed much—particularly where the patent owner and the infringer are direct competitors. The patent holder’s statutory right to exclude, which was the cornerstone of pre-*eBay* law, remains a key to each of the four factors that comprise the *eBay* analysis.

A significant public interest—especially in the area of public health—is probably the strongest argument for

<sup>77</sup> *Smith & Nephew* 466 F. Supp. 2d at 985.

<sup>78</sup> *Tivo*, 446 F. Supp. 2d at 670.

<sup>79</sup> *MPT*, 505 F. Supp. 2d at 420.

<sup>80</sup> *Tivo*, 446 F. Supp. 2d at 670.

<sup>81</sup> *3M Innovative Properties Co. v. Avery Dennison Corp.*, 2006 U.S. Dist. Lexis 70263, at \*6 (D. Minn. Sep. 25, 2006).

<sup>82</sup> *Torspo Hockey International Inc. v. Kor Hockey Ltd.*, 491 F. Supp. 2d 871, 882 (D. Minn. 2007).

<sup>83</sup> *Johns Hopkins*, 513 F. Supp. 2d at 586.

<sup>84</sup> 786 F.2d 398, 401, 299 USPQ2d 41 (Fed. Cir. 1986).

<sup>85</sup> *Sanofi-Synthelabo*, 470 F.3d at 1384.

<sup>86</sup> *Z4*, 434 F. Supp. 2d at 443-44.

<sup>87</sup> *Novozymes A/S v. Genencor International Inc.*, 474 F. Supp. 2d 592, 613 (D. Del. 2007).

<sup>88</sup> 504 F.3d 1293, 1314, 85 USPQ2d 1001 (Fed. Cir. 2007) (74 PTCJ 767, 10/26/07).

<sup>89</sup> *Id.* at 1314-15.

<sup>90</sup> *Id.* at 1315.

<sup>91</sup> 512 F.3d 1363, 85 USPQ2d 1641 (Fed. Cir. 2008) (75 PTCJ 313, 2/1/08).

<sup>92</sup> *Id.* at 1380.

<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

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defeating a request for a permanent injunction. Nonetheless, the practitioner must take care to support the client's contentions about irreparable harm, the inad-

equacy of damages, the balance of hardships and the public interest with detailed evidence, not merely conclusory assertions.