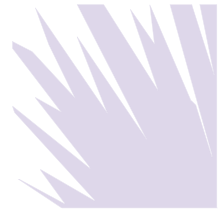


## Non-Practicing Entities and Permanent Injunctions Post-eBay

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# NON-PRACTICING ENTITIES AND PERMANENT INJUNCTIONS POST-*eBAY*

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## INTRODUCTION

Permanent injunctions are not off limits to non-practicing entities. Since *eBay*, however, many commentators and practitioners assume the opposite. Presumably they reach this conclusion in light of Justice Kennedy's concurring opinion, in which he criticizes non-practicing entities. But this superficial analysis ignores three main considerations. First, the majority opinion specifically proscribes categorical rules for issuing or denying injunctions. Second, Chief Justice Roberts explained in his concurring opinion that history must inform courts' decisions on injunctions in patent cases, and traditionally an injunction vindicated the right to exclude. Finally, Justice Kennedy's concurrence can only be read to address a subset of non-practicing entities that control a subset of patents.

In the years since *eBay*, moreover, courts *have* granted permanent injunctions in favor of non-practicing entities. This article shows how non-practicing entities seeking injunctive relief can find support in *eBay's* majority and *both* concurrences. Then it highlights three cases where courts have granted injunctive relief in favor of non-practicing patent holders. The article concludes by discussing four important factors non-practicing entities should argue and prove when requesting injunctive relief.

## **I. The *eBay* decision altered, but did not erase, the landscape for injunctions in patent cases.**

### **A. Justice Thomas' majority opinion**

The Supreme Court's decision in *eBay v. MercExchange* unquestionably changed patent law.<sup>1</sup> Before *eBay*, courts awarded victorious patent holders a permanent injunction unless the case was "exceptional."<sup>2</sup> The Supreme Court changed this rule. In an opinion penned by Justice Thomas, the Court held patent holders must satisfy the traditional four-part equitable test to receive an injunction.<sup>3</sup> The four-part test requires the plaintiff show:

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*The content of this article should not be taken as legal advice or as an expression of the views of the firm, its attorneys, or any of its clients. We hope the article spurs discussion in the legal community with insight into the experience of the authors.*

1 547 U.S. 388 (2006).

2 See, e.g., *MercExchange LLC v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005).

3 To reach this conclusion, the Court distinguished a right from a remedy. The patent statute, for instance, plainly confers on patent holders the right to exclude others practicing their invention. "The Patent Act also declares that 'patents shall have the attributes of personal property,' Section 261, including 'the right to exclude others from making, using, offering for sale, or selling the invention,' Section 154(a)(1)." But the Court rejected the Federal Circuit's interpretation of this "right" as justifying an injunction as a presumptive remedy. "[T]he creation of a right is distinct from the provision of remedies for violations of that right." And the Patent Act sets forth "that injunctive relief 'may' issue only 'in accordance with principles of equity,' Section 283."

“(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.”<sup>4</sup>

The Court went on to make clear that non-practicing entities are not *per se* excluded from satisfying this test. Importantly, the district court had denied an injunction, concluding that MercExchange’s “willingness to license its patents” and “its lack of commercial activity in practicing the patents” precluded a finding of irreparable harm.<sup>5</sup> The Court disavowed “such broad classifications,”<sup>6</sup> and gave examples of non-practicing patent holders that may satisfy the four-part test. “For example, some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves. Such patent holders may be able to satisfy the traditional four-factor test, and we see no basis for categorically denying them the opportunity to do so.”<sup>7</sup>

### **B. Chief Justice Roberts’ concurrence**

Chief Justice Roberts authored a concurring opinion, which Justices Scalia and Ginsberg joined. While Justice Roberts agreed that the traditional four-factor test should apply in patent cases, he emphasized the role history should play when courts apply the four-factor test. Specifically, he noted “[f]rom 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 traditional 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—a difficulty that often implicates the first two factors of the traditional four-factor test.”<sup>8</sup> Chief Justice Roberts, therefore, counseled against “writing on an entirely clean slate.”<sup>9</sup> And he advised “a page of history is worth a volume of logic” when courts apply the four-factor test to future patent cases.<sup>10</sup>

### **C. Justice Kennedy’s concurrence**

Justice Kennedy wrote a separate concurrence, which Justices Stevens, Souter, and Breyer joined. He acknowledged that history may be instructive, but suggested times have also changed. “In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. 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.”<sup>11</sup> These entities then use an injunction “as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.”<sup>12</sup> As a result, legal damages may suffice and injunctive relief may not be appropriate in these instances, particularly when “the patented invention is but a small component of the [accused] product.”<sup>13</sup> Justice Kennedy, nonetheless, agreed that categorical rules are improper.<sup>14</sup>

<sup>4</sup> *eBay*, 547 U.S. at 391.

<sup>5</sup> *Id.* at 393 (quoting the district court).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 394-95.

<sup>9</sup> *Id.* at 395.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 396.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 396-97.

<sup>14</sup> *Id.* at 395.

## II. Courts following *eBay* do not categorically deny non-practicing entities injunctions

Four years after *eBay*, courts still routinely grant injunctions to victorious patent holders. Indeed, as of April 2011, courts issued injunctions 132 times out of 175 requests.<sup>15</sup> One commentator has seen courts award injunctions more liberally as more time passes since the *eBay* decision.<sup>16</sup> Another view emerged, nonetheless, that “a patentee who does not compete with the infringer, but merely licenses its intellectual property, will likely not be awarded a permanent injunction.”<sup>17</sup> And one court was even more direct: “While *eBay* has allowed courts to decline requests for injunctive relief where the plaintiff is a ‘patent troll,’ *eBay* has changed little where a prevailing party seeks an injunction to keep an infringing competitor out of the market.”<sup>18</sup> But courts have granted injunctions in favor of non-practicing entities since *eBay*. This, of course, is consistent with the Court’s rejection of categorical rules about when an injunction may issue,<sup>19</sup> as well as the long-standing precedent in *Continental Paper Bag Co. v. Eastern Paper Bag Co.* allowing courts to issue injunctions to patent holders even in instances of “nonuse.”<sup>20</sup> The following three cases are most supportive of injunction rights for non-practicing entities post-*eBay*.

### A. *Commonwealth Scientific Industrial Research v. Buffalo Technology Inc.*

Commonwealth Scientific and Industrial Research Organization (“CSIRO”) never intended to practice its patent.<sup>21</sup> Instead, “CSIRO’s intent from the beginning was to derive revenue from its invention through licensing.”<sup>22</sup> In general, “[o]ne of CSIRO’s broad goals is to develop technology that can be used to create start-up companies and/or be licensed to firms to earn commercial royalties to fund other research.”<sup>23</sup> CSIRO sued Buffalo Technology, Inc. for infringing a patent covering Wireless Local Area Network technology.<sup>24</sup> Judge Davis in the Eastern District of Texas found CSIRO’s patent valid and infringed, and then issued a permanent injunction.<sup>25</sup>

Even though CSIRO did not compete directly with Buffalo, the court found irreparable harm and inadequate remedies at law.<sup>26</sup> The court focused on the harm done to CSIRO’s reputation. “Having its patents challenged via the courts not only impugns CSIRO’s reputation as a leading scientific research entity but forces it to divert millions of dollars away from research and into litigation costs.”<sup>27</sup> In addition, the diverted money leads

15 See Jeffrey Johnson et al., PATSTATS U.S. Patent Litigation Statistics, <http://www.patstats.org/> (last updated April 11, 2011).

16 See Stacy Streur, 8 NW. J. TECH. & INTELL. PROP. 67 (2009).

17 George M. Newcombe et al., *Practitioner Note: Prospective Relief for Patent Infringement in a Post-eBay World*, 4 N.Y.U. J.L. & BUS. 549, 559 (2008).

18 *Amgen, Inc. v. Hoffman-La Roche, Ltd.*, 581 F. Supp. 2d 160, 210 (D. Del. 2008). The court went on to define “patent troll” as “non-practicing entities” who “do not manufacture products, but instead hold . . . patents, which they license and enforce against alleged infringers.” *Id.* (citing *Taurus IP v. DaimlerChrysler Corp.*, 519 F. Supp. 905, 911 (W.D. Wis. 2007)).

19 In *Prompt Med. Sys., L.P. v. Allscripts/Smisys Healthcare Solutions, Inc.*, the court denied defendants’ motion to dismiss the patent holder’s request for injunctive relief at the pleadings stage because of the patent holder’s non-practicing status. No. 6:10-CV-71, 2011 U.S. Dist. Lexis 29093, at \*4 (E.D. Tex. Feb. 11, 2011) (“The Court will determine whether Prompt is entitled to injunctive relief if it is determined that Defendants infringe Prompt’s patent”).

20 210 U.S. 405, 422-30 (1908). The Court addressed whether jurisdiction existed for courts to issue injunctions to a patent holder that did not practice its invention. *Id.* at 422. The Court found jurisdiction, reaching its decision based on a patent holder’s exclusive right to practice its invention. “We have seen that it has been the judgment of Congress from the beginning that the sciences and the useful arts could be best advanced by giving an exclusive right to an inventor.” *Id.* at 429. Furthermore, “[i]t hardly needs to be pointed out that the right can only retain its attribute of exclusiveness by a prevention of its violation. Anything but prevention takes away the privilege which the law confers upon the patentee.” *Id.* at 430.

21 *Commonwealth Scientific and Indus. Research. Org. v. Buffalo Techn. Inc.*, 492 F. Supp. 2d 600 (E.D. Tex. 2007).

22 *Id.* at 602.

23 *Id.* at 601.

24 *Id.* at 602.

25 *Id.*

26 See *id.* at 604.

27 *Id.*

to less funding, less research, and, therefore, fewer opportunities.<sup>28</sup> These lost opportunities are irreparable.<sup>29</sup> Furthermore, the harm done to CSIRO's reputation is no less important than harm a competitor suffers in the marketplace. "Its reputation as a research institution has been impugned just as another company's brand recognition or good will may be damaged."<sup>30</sup> Lastly, Buffalo's infringement was not minor. In fact, CSIRO's patent covered core technology for industry-wide standards.<sup>31</sup>

### **B. *Ren Judkins v. HT Window Fashions Corp.***

The next case came from the Western District of Pennsylvania, which involved an individual inventor who asserted a patent on window blinds.<sup>32</sup> After a jury found the patent valid and infringed, the court addressed Ren Judkins' request for a permanent injunction. The court focused on Mr. Judkins' licensing relationships.<sup>33</sup> In particular, Mr. Judkins had previously entered into an exclusive license agreement with a third party covering the asserted patent.<sup>34</sup> And evidence at trial showed Mr. Judkins' long-term relationships with businessmen in the window blind industry.<sup>35</sup> As a result, the court concluded irreparable harm and lack of legal remedies existed.<sup>36</sup>

With respect to the exclusive license agreement in place, the court reasoned that continued infringement unwillingly violates the agreement. The court concluded this would "have an unavoidable and undeniable effect on Judkins' future licensing negotiations. If a licensee specifically negotiates for exclusivity and [the inventor] cannot deliver it, [the patent holder's] bargaining power and standing in the industry will be diminished. This is not speculation. It is logic."<sup>37</sup> As a result, Mr. Judkins would suffer irreparable harm unless the court enjoined the defendant's infringement.<sup>38</sup> Similarly, monetary damages would not compensate Mr. Judkins for the harm done to his relationships in the industry, which spanned many years. "Harm to those relationships, and the resulting loss of these, and other, tangential benefits, cannot be quantified and remedied completely with money."<sup>39</sup>

### **C. *Joyal Products Inc. v. Johnson Electric North America***

The District Court of New Jersey granted a permanent injunction in favor of a non-practicing patent holder that was in the process of liquidation.<sup>40</sup> Joyal Products, Inc. held a patent for a method for making electrical connections in dynamoelectric machines, which it previously commercialized.<sup>41</sup> But within one year of learning about the defendant's infringement, Joyal ceased its manufacturing operations and Joyal no longer practiced the invention.<sup>42</sup> In fact, the patent was one of Joyal's few remaining assets, which Joyal wished to sell.<sup>43</sup>

The court determined that the defendant's continued infringement would deprive Joyal of the patent's maximum value. Competitors, for instance, had little incentive to buy

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28 *Id.*

29 *Id.*

30 *Id.* at 605.

31 *Id.* at 606.

32 *Ren Judkins v. HT Windows Fashions Corp.*, No. 07-0251, 2010 U.S. Dist. LEXIS 31312 (W.D. Pa. Mar. 31, 2010).

33 *See id.* at \*9-10.

34 *Id.* at \*9.

35 *Id.* at \*10.

36 *Id.*

37 *Id.* at \*9.

38 *Id.*

39 *Id.* at \*10.

40 *Joyal Products, Inc. v. Johnson Electric North America, Inc.*, No. 04-5172, 2009 U.S. Dist. LEXIS 15531 (D.N.J. Feb. 27, 2009).

41 *See id.* at \*30 n.2.

42 *Id.*

43 *Id.* at \*31.

Joyal's patent, so long as the defendant was infringing.<sup>44</sup> The court recognized Joyal may not be able to sell the patent at all, let alone for maximum value, if it did not have the right to exclude others from practicing the patent.<sup>45</sup> The court, therefore, declined to grant an ongoing royalty, but instead enjoined the defendant from infringing further.

### III. Important considerations and strategies for non-practicing entities seeking an injunction

Non-practicing entities must strategically seek and argue for an injunction. Despite the cases highlighted above, district courts applying *eBay* will not grant injunctions to every non-practicing entity in every case. But courts will issue injunctions in some cases. The following considerations are relevant to courts' determinations on injunctions for non-practicing entities.

#### A. A focused licensing objective supported by evidence

A critical factor for non-practicing entities to develop is whether and how continued infringement will affect their licensing program. Non-practicing entities that have licensed their patents across an industry are unlikely to receive an injunction.<sup>46</sup> But a patent holder with a narrower, more focused licensing program may well qualify for an injunction under the four-part test. In *Judkins*, of course, continued infringement would interfere with and breach the patent holder's exclusive licensing agreement already in place. But courts look at this consideration more broadly. In *Broadcom Corp. v. Qualcomm, Inc.*, a case not involving direct product competition,<sup>47</sup> the district court assessed how Broadcom licensed its patent portfolio as a general matter.<sup>48</sup> For instance, Broadcom did not generally license its patents, but rather licensed patents as "a tool to settle pending or threatened litigation, but has generally done so through portfolio-wide cross-licenses."<sup>49</sup> Continued infringement interferes with and injures "Broadcom's right to enforce its exclusionary right to manage its patent portfolio in accordance with its chosen strategy."<sup>50</sup> Courts require, nonetheless, sufficient evidence showing how continued infringement affects a patent holder's licensing program.<sup>51</sup>

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> See, e.g., *Ricoh Co. v. Quanta Computer, Inc.* 06-CV-462, 2010 U.S. Dist. LEXIS 38220, at \*6 (W.D. Wis. Apr. 19, 2010) (explaining "plaintiff does not identify any sellers of optical disk drivers other than defendants [sic] that have not yet taken a license. Thus, plaintiff cannot argue persuasively that it is trying to narrowly limit the practice of its invention rather than simply maximize a potential licensing fee"). See also *Laserdynamics, Inc. v. Quanta Computer, Inc.*, No. 2:06-CV-348, 2010 U.S. Dist. LEXIS 61645, at \*7 (E.D. Tex. June 22, 2010); *MercExchange LLC v. eBay, Inc.*, 500 F. Supp. 2d 556, 582 (E.D. Va. 2007)

Briefly recapping the relevant analysis, the court's conclusion that monetary damages adequately compensate MercExchange for its injury is driven not only by the fact that MercExchange failed to develop its patent or develop its patent through a licensing program, but also by the fact that MercExchange has established a pattern of utilizing the '265 patent primarily as a sword to aid in litigation or threatened litigation against infringers or potential infringers. Although the court recognizes that MercExchange has every right to utilize its patent in such manner, such behavior suggests an injunction against eBay may also be used to obtain similar ends. Utilization of a ruling in equity as a bargaining chip suggests both that such party never deserved a ruling in equity and that money is all that such party truly seeks, rendering monetary damages an adequate remedy in the first instance.

*Id.*

<sup>47</sup> *Broadcom Corp. v. Qualcomm, Inc.*, No. SACV 05-467, 2007 U.S. Dist. LEXIS 97647, at \*10 (C.D. Cal. Dec. 31, 2007) (explaining "episodic market").

<sup>48</sup> *Id.* at \*11-12.

<sup>49</sup> *Id.* at \*12.

<sup>50</sup> *Id.* at \*16.

<sup>51</sup> See, e.g., *Telecordia Techs., Inc. v. Cisco Sys., Inc.*, 592 F. Supp. 2d 727, 748 (D. Del. 2009) (rejecting argument that infringement will affect licensing "especially given the fact that it is not supported by any evidence or irreparable harm due to Cisco's infringement, such as lost sales, licensing, or research and development opportunities"); *Soverain Software, LLC v. Newegg, Inc.*, No. 6:07-cv-511, 2010 U.S. Dist. LEXIS 89268, at \*47-48 (E.D. Tex. 2010) ("it is too speculative in this case to assume that third parties will choose to risk litigation rather than license Soverain's technology simply because [the defendant] has not been enjoined."); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-cv-211, 2006 WL 2385139, at \*5 (E.D. Tex. Aug. 16, 2006) ("Plaintiff does not demonstrate why other potential licensees would be less likely to take a license if this case ends with monetary damages instead of equitable relief."). But see Yixin H. Tang, *Recent Development: The Future of Patent Enforcement After eBay v. MercExchange*, 20 HARV. J.L. & TECH. 235, 243 (2006) ("Since *eBay* drastically reduced the threat of permanent injunctions over large corporations' core products or services, these corporations now have even less financial incentive to license from non-practicing patent owners, which include significant number of independent inventors who tried to practice their patents but could not obtain the necessary funding.")

In addition, the district court in *Joyal* downplayed past licensing efforts in the context of whether monetary damages suffice. The court distinguished the defendant's reliance on case law showing "companies with an ongoing business who widely licensed their patents," by explaining *Joyal's* past licensing efforts years earlier were not relevant to the court's analysis.

## **B. The maximum patent value**

A factor that dovetails closely with a patent holder's licensing program is the ability of a patent holder to maximize the value of its patent. Patents, like other property, are assets. And a fundamental precept of capitalism is that rational investors maximize the value of their assets. This is easier to accomplish when a patent holder has extensively licensed its patents throughout an industry.<sup>52</sup> The value of the patent is determined almost by simple arithmetic.

But for patent holders that do not attempt to license their patents industry wide, the right to exclude is necessary to maximize the patent's value. While the *Joyal* court most recently explained this point,<sup>53</sup> the Federal Circuit has long recognized this principle: "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."<sup>54</sup> This is a critical argument for non-practicing entities to develop in support of injunctive relief.

## **C. The value and use of the patented feature**

Another factor for a non-practicing entity—indeed any patent holder—to assess in seeking an injunction is the infringer's use of the patented feature. The Kennedy concurrence, of course, specifically identified this issue as grounds for denying an injunction. And district courts have relied on it. For instance, in *Amado v. Microsoft*, the district court denied an injunction in part because of Microsoft's limited infringement of a limited feature. "Amado's patent only covers a very small component of the infringing products – claim 21, the only claim that the jury found Microsoft Office and Access infringed, covers a small feature linking Access and Excel."<sup>55</sup> Similarly, in *Laserdynamics, Inc. v. Quanta Computer, Inc.*, the court again relied on the Kennedy concurrence in denying an injunction, explaining "the claimed invention embodied in the disc-drive is but one relatively small component of the entire assembled computer."<sup>56</sup> The necessary corollary to the Kennedy concurrence, however, is that significant use of a patented feature weighs in favor of an injunction.

And courts have accepted this corollary. Most notably, as discussed above, the Eastern District of Texas granted an injunction in favor of CSIRO, a non-practicing entity, in part because of the infringer's significant infringement. The court explained that "[t]he

<sup>52</sup> See note 22.

<sup>53</sup> "Joyal's ability to obtain the maximum value from the sale – indeed, the very ability to sell the patent at all – will be materially impaired if [the defendant] is permitted to continue its to produce [sic] and sell infringing products in the United States. Because the heart of this impairment centers on the right to exclude under the patent, this impairment simply cannot [sic] remedied by assessing an ongoing royalty." *Joyal Products, Inc.*, 2009 U.S. Dist. LEXIS 15531 at \*32-33 (emphasis added).

<sup>54</sup> *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1578 (Fed. Cir. 1983).

<sup>55</sup> *Amado v. Microsoft Corp.*, No. 8:03-CV-242, 2007 U.S. Dist. LEXIS 96487, at \*38-39 (C.D. Cal. Mar. 13, 2007), *aff'd*, 517 F.3d 1353 (Fed. Cir. 2007). See also *z4 Techs. Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006) ("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 functionality."), *aff'd*, 507 F.3d 1340 (Fed. Cir. 2007).

<sup>56</sup> *Laserdynamics, Inc. v. Quanta Computer, Inc.*, No. 2:06-CV-348, 2010 U.S. Dist. LEXIS 61645, at \*7 (E.D. Tex. June 22, 2010).

right to exclude becomes more urgent when *the [accused] product is the invention.*<sup>57</sup> Indeed, the patent related “to the essence of the technology,” which made money damages inadequate to compensate for infringement.<sup>58</sup> Similarly, in *Transocean Offshore Deepwater Drilling v. Globalsantafe Corp.*, the court read Justice Kennedy’s concurrence to support an injunction when infringement was not a minor component.<sup>59</sup> The patented structures “related to the rigs’ core functionality.”<sup>60</sup>

The degree to which an infringer utilizes the patented feature—whether in a “minor” or a “core” manner—will be relevant and disputed in future cases. But even in cases involving a minor component, recent case law suggests this may weigh in favor of an injunction too. The Federal Circuit, for instance in *i4i v. Microsoft* explained this analysis is relevant to the balance of hardships factor. The accused feature, “custom XML editor in certain versions of Microsoft Word,” only related to “a small fraction of Microsoft’s sizeable business.”<sup>61</sup> Because the patented feature was *i4i*’s entire business, however, the court agreed with the district court that this contrast supported an injunction.<sup>62</sup>

#### D. The public’s interest in innovation

The four-factor test for injunctive relief primarily focuses on the parties in litigation. But the last factor considers the public interest. While that factor is often most relevant in medical devices directly affecting health, a broader point can be made because ongoing royalties—as opposed to injunctions—reduce innovation further.<sup>63</sup> The Federal Circuit has explained the importance to the public of companies designing around patented products because it furthers innovation and technology for the public’s benefit. “One of the benefits of a patent system is its so-called ‘negative incentive’ to ‘design around’ a competitor’s products, even when they are patented, thus bringing a steady flow of innovations to the marketplace.”<sup>64</sup> But once patent holders—practicing or otherwise—lose their right to exclude infringers from practicing their invention, the infringer’s incentive to develop non-infringing technology lessens.

Even more generally, the public is harmed when the patent system is weakened. President Lincoln wisely recognized that “the patent system added the fuel of interest to the fire of genius.”<sup>65</sup> This of course recognizes that the incentive-based patent system drives innovation. Individuals and companies invest in assets with the highest return on investment. And a patent is often worth less without a right to exclude infringers. Individuals and companies, therefore, will be less likely to invest in the research and development necessary for a patent if they are not allowed to exclude infringers.<sup>66</sup> Less

57 *Commonwealth Scientific Indus. Research Org., v. Buffalo Tech., Inc.*, 492 F. Supp. 2d 600, 606 (E.D. Tex. 2007) (emphasis added).

58 *Id.*

59 *Transocean Offshore Deepwater Drilling v. Globalsantafe Corp.*, No. H-03-2910, 2006 WL 3813778, at \*5 (S.D. Tex. Dec. 27, 2006).

60 *Id.*

61 *i4i Ltd. v. Microsoft Corp.*, 598 F.3d 831, 862-63 (Fed. Cir. 2010).

62 *See id.* at 863.

63 This proposal is further discussed by Jake M. Holdreith and David A. Prange in *The Availability of Permanent Injunctive Relief Post-eBay, Inc. v. MercExchange, LLC*, which will be presented by Mr. Holdreith at the AIPLA 2010 Annual Meeting, Washington, D.C. (Oct. 22, 2010).

64 *State Indus. Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985).

65 President Lincoln is the only United States President named as an inventor on a patent. The United States Patent Office awarded him U.S. Patent 6,469, which claimed an innovative method for lifting boats over shoals. By all historical accounts, President Lincoln never practiced this invention.

66 In 1776, Adam Smith recognized “[i]t is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.” Adam Smith, *The Wealth of Nations*, Book I, Chapter II: Of the Principle which gives Occasion to the Division of Labour (cited by *Amgen, Inc. v. Hoffman-La Roche Ltd.*, 581 F. Supp. 2d 160, 266-67 (D. Del. 2008)). Two centuries later, the District of Delaware observed “[i]f America is to continue to be an engine of medical innovation it will be because we protect the right of inventors to exploit the limited monopoly granted in the Patent Clause.” *Amgen*, 581 F. Supp. 2d at 266-67.



research and development means less innovation. And less innovation is bad for the public interest.<sup>67</sup> Chief Justice Roberts' caution that a "page of history is worth a volume of logic" is particularly insightful in this context. Quite simply, the public suffers when injunctions are denied because innovation diminishes.

### CONCLUSION

The Supreme Court's *eBay* decision is not the death knell of injunctions for non-practicing entities. Early lessons from the case law teach that courts will still grant non-practicing entities injunctions, just not in every case. Except for cases involving widespread industry license agreements, in fact, a number of arguments exist to justify injunctions in favor of non-practicing entities. And there is a lot of room to further expand upon these arguments. The key is to avoid the *eBay* chilling effect, in which some patent holders do not even seek an injunction, presuming injunctive relief is unavailable. Indeed, the case law suggests that that is a costly presumption.

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<sup>67</sup> "Removing the grant of property rights would not bring about an end to research and development activities. However, it would certainly reduce such activities. Investments in some research and development activities would decrease, particularly in technology areas such as pharmaceutical development, where large financial investments are required and the resulting product is incapable of being protected as a trade secret." Andrew Beckerman-Rodau, *The Supreme Court Engages in Judicial Activism in Interpreting the Patent Law in eBay, Inc. v. MercExchange, L.L.C.* 10 TUL. J. TECH. & INTELL. PROP. 165, 168 (2008).