



Update On Post-*eBay* Permanent Injunction Cases

The Supreme Court decided *eBay, Inc. v. MercExchange, LLC*, 126 S. Ct. 1837 (2006), on May 15, 2006. The *eBay* decision dispensed with the general rule that permanent injunctions will issue in patent cases absent exceptional circumstances. Instead, the Supreme Court held that courts must apply the traditional four-part test for injunctive relief: (1) irreparable harm; (2) inadequate remedies available at law; (3) the balance of hardships warrants a remedy in equity; and (4) the public interest would not be disserved by an injunction. Since the *eBay* decision, there have been sixteen published decisions by trial courts applying *eBay* in a patent permanent injunction context. Based on that sample of cases, *eBay* has significantly impacted permanent injunction jurisprudence in patent cases. In particular, in each case in which the patentee was not actively competing in the market for the infringing product, a permanent injunction was denied.

The attached table lists the sixteen published patent permanent injunction decisions and one unpublished decision (*Finisar Corp. v. DirecTV Group, Inc.*) decided since the *eBay* decision. Of those seventeen decisions, twelve permanent injunctions were granted and five permanent injunctions were denied.

The most interesting trend is the effect of competition between the parties on the decision to grant or deny a permanent injunction. In each case in which the patentee did not compete in the market for the infringing product, a permanent injunction was denied. *See, e.g., z4 Technologies, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006) (“Microsoft does not produce product activation software that it then individually sells, distributes, or licenses to other software manufacturers or consumers. If it did, then z4 might suffer irreparable harm”); *Paice LLC v. Toyota Motor Corp.*, 2006 WL 2385139, at * 5 (E.D. Tex. Aug. 16, 2006) (“[B]ecause Plaintiff

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does not compete for market share with the accused vehicles, concerns regarding loss of brand name recognition and market share similarly are not implicated.”).

In contrast, in each case in which the patentee did compete in the market for the infringing product, a permanent injunction was granted. *See Transocean Offshore Deepwater Drilling, Inc. v. Globalsantafe Corp.*, 2006 WL 3813778, at *3 (S.D. Tex. Dec. 27, 2006) (The defendant “has not cited any case in which a continuing infringer in direct competition with a patent holder has not been permanently enjoined from using the patented invention to compete against the patent holder.”). The primary reasons cited for granting a permanent injunction were loss of market share, lost profits, price erosion, and harm to reputation as a market leader or innovator. If this trend continues, it will likely be difficult for non-competing parties (*e.g.*, the proverbial patent troll) to obtain permanent injunctions. Notably, three of the five cases denying permanent injunctions to non-competitors were decided in the Eastern District of Texas, which is perceived as a plaintiff-friendly jurisdiction.

Consistent with permanent injunction cases prior to *eBay*, the decisions to grant or deny a permanent injunction in the post-*eBay* cases have been dominated by the “irreparable harm” and “inadequate remedy at law” factors. The courts consistently find that the “balance of hardships” or “public interest” factors favor the same party as the irreparable harm and inadequate remedy at law factors. For example, in *Paice v. Toyota*, Judge Folsom found that the irreparable harm and inadequate remedy at law factors favored the infringer. In finding that the balance of hardships factor also favored the infringer, one of the issues cited was the impact of an injunction on related businesses, such as dealers and suppliers. In contrast, in *TiVo Inc. v. Echostar Communications Corp.*, 446 F. Supp. 2d 664 (E.D. Tex. 2006), Judge Folsom found that the irreparable harm and inadequate remedy at law factors favored the patentee. In finding that the balance of hardships factor also favored the patentee, the same court marginalized the impact of an injunction on related businesses, such as distributors, as a consequence of the infringement.

Another interesting point from these cases is that patentees cannot rely on harm to their licensees, but rather must allege their own harm. In *Voda v. Cordis*, 2006 WL 2570614 (W.D. Okla. Sept. 5, 2006), the patentee relied on the harm to his exclusive licensee which directly competed with the infringer. The court denied the injunction and held that the patentee must demonstrate personal harm, rather than harm to his licensee. Similarly, in *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 2007 WL 37742 (E.D. Mich. Jan. 4, 2007), the patentee relied on the harm to its non-exclusive licensees that directly competed with the infringer. The court denied the injunction and used the patentee's licenses as a basis for finding monetary damages were adequate compensation.

These cases demonstrate that the value of a patent can differ depending on the position of the plaintiff. Take as an example a patent holding company formed to hold the intellectual property rights of its parent company. If a patent-in-suit is assigned to the patent holding company, it may be difficult to obtain an injunction because the holding company is not competing in the market. However, if the patent is assigned to a company that competes in the market prior to suit (*e.g.*, the parent company), then a permanent injunction may be obtained, which potentially increases the value of the patent. Additionally, licensees should be included as plaintiffs whenever possible. If the exclusive licensee in *Voda v. Cordis* had been a co-plaintiff, it is likely that a permanent injunction would have been entered because the exclusive licensee was in direct competition with the infringer.

If you have any questions or would like to receive periodic updates to this white paper, please contact Darryl J. Adams at Dewey Ballantine LLP, 512-226-0410 or dadams@deweyballantine.com.

Table - Post-*eBay* Permanent Injunction Patent Cases

- 1 *z4 Technologies, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. June 14, 2006)*
- 2 *Finisar Corp. v. DirecTV Group, Inc.*, No. 1:05-CV-264, Transcript of July 6, 2006 Hearing (E.D. Tex.)*
- 3 *Wald v. Oilfield Services, Inc.*, 2006 WL 2128851 (W.D. Okla. July 27, 2006)**
- 4 *Telequip Corp. v. The Change Exchange*, 2006 WL 2385425 (N.D.N.Y. Aug. 15, 2006)**
- 5 *Paice LLC v. Toyota Motor Corp.*, 2006 WL 2385139 (E.D. Tex. Aug. 16, 2006).*
- 6 *TiVo Inc. v. Echostar Comm. Corp.*, 446 F. Supp. 2d 664 (E.D. Tex. Aug. 17, 2006)**
- 7 *American Seating Co. v. USSC Group, Inc.*, 2006 U.S. Dist. Lexis 59212 (W.D. Mich. August 22, 2006)**
- 8 *Litecubes, LLC v. Northern Light Products, Inc.*, 2006 U.S. Dist. Lexis 60575 (E.D. Mo. Aug. 25, 2006)**
- 9 *Voda v. Cordis Corp.*, 2006 WL 2570614 (W.D. Okla. Sept. 05, 2006)*
- 10 *3M Innovative Properties Co. v. Avery Dennison Corp.*, 2006 WL 2735499 (D. Minn. Sept. 25, 2006)**
- 11 *Rosco, Inc. v. Mirror Lite Co.*, 2006 WL 2844400 (E.D.N.Y. Sept. 29, 2006)**
- 12 *Smith & Nephew, Inc. v. Synthes*, 2006 WL 3543274 (W.D. Tenn. Oct. 27, 2006)**
- 13 *Black & Decker Inc. v. Robert Bosch Tool Corp.*, 2006 WL 3446144 (N.D. Ill. Nov. 29, 2006)**
- 14 *Visto Corp. v. Seven Networks, Inc.*, 2006 WL 3741891 (E.D. Tex. Dec. 19, 2006)**
- 15 *Transocean Offshore Deepwater Drilling, Inc. v. Globalsantafe Corp.*, 2006 WL 3813778 (S.D. Tex. Dec. 27, 2006)**
- 16 *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 2007 WL 37742 (E.D. Mich. Jan. 04, 2007)*
- 17 *MPT, Inc. v. Marathon Labels, Inc.*, 2007 WL 184747 (N.D. Ohio Jan. 19, 2007)**

*Permanent Injunction Denied	**Permanent Injunction Granted
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