

Patent Injunctions *After eBay*: A Diminished Right to Exclude

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Prior Law

- After a finding of validity, enforceability, and infringement, the court issued a permanent injunction almost automatically
- Rationale: a patent provides the right to **exclude**
- The patentee puts the infringer out of business or has the leverage to get a very favorable license agreement

eBay v. MercExchange (5/15/06)

- Supreme Court held that the traditional 4-part test for injunctions applied to patent cases
 - The patentee must show:
 - It suffered irreparable harm
 - Monetary damages are inadequate compensation
 - Balance of hardships between the parties warrant an injunction
 - Public interest would not be disserved
- Injunctions no longer automatic

MercExchange v. eBay (Dist. Ct. 7/27/07)

- Court denied renewed request for an injunction, finding:
 - Since ME's business plan was to license its patent, it would not suffer irreparable harm and monetary damages would be adequate compensation
 - Neither party was favored in the balance of harms
 - Public interest weighed against an injunction
 - Patent under re-examination; claims rejected
 - eBay a billion \$ company; ME had 2 employees

Other Lower Court Cases

- Numerous courts have denied injunctions
- *CSIRO v. Buffalo Technology* (6/15/07)
 - Court granted injunction to CSIRO, an Australian government scientific research organization
 - How is CSIRO different from MercExchange?
 - Court found harm to CSIRO's reputation from the infringement
 - Also found a compulsory license would not adequately compensate because royalty would be extrapolated from BT's past sales, not current value of patent
 - Supreme Court had said injunctions should not be automatically denied to universities and inventors

Implications and Consequences

- Removes a big weapon from the “patent trolls”
 - Undercuts need for patent “reform” legislation
- But may also make it harder for a small company to stand up to a large company
- Different rules for universities?
- Injunction denial = compulsory license
 - Is this willful infringement requiring treble damages?