



High-stakes debate brews over injunctive relief in US patent cases

Permanent injunctions are a potentially devastating part of US patent litigation. A Supreme Court case could lead to changes in the way that they are imposed

Great attention has been paid in recent months in the US to the possibility that Research In Motion Ltd. (RIM) might be forced to discontinue service to its wildly-popular BlackBerry portable e-mail devices in the face of a court finding that RIM had infringed US patent claims of NTP Inc. This high-profile case has drawn notice to the strong tactical advantage provided to patentees under US law by the presumptive availability of injunctions to prevailing patent infringement plaintiffs. As the RIM case progresses, the US Supreme Court is separately re-considering the issue of when injunctive relief should be available to patentees. Given the formidable nature of the threat of a permanent injunction against an alleged infringer, managers will probably wish to continue monitoring judicial and legislative developments that may alter the scope of available injunctive relief.

In *eBay Inc v MercExchange LLC*, eBay Inc is asking the Supreme Court to overturn a lower court's ruling that patentee MercExchange ought automatically to receive a permanent injunction upon a finding at trial that eBay's fixed-price Buy-it-Now feature infringed three MercExchange patents that ostensibly broadly covered online buying and selling, and auction functionality. At trial, the jury agreed, and awarded MercExchange US\$10.5 million in damages. The district court judge nonetheless denied MercExchange's request for an injunction immediately prohibiting eBay from continuing to offer the Buy-it-Now functionality that had been found to infringe. This denial represented a highly anomalous outcome, given that most US district courts grant injunctions routinely following a finding of patent infringement. Following various appeals and procedural fencing, an appeals court ultimately directed entry of an injunction in favour of MercExchange, whereupon eBay succeeded in a request to the Supreme Court for review of the lower courts' decisions.

Normally, a court considers four factors

when deciding whether to issue an injunction: (1) the threat of irreparable harm to the plaintiff; (2) whether the plaintiff can be adequately compensated with monetary damages; (3) whether the injunction is in the public interest; and (4) the balance of the hardships to the plaintiff and defendant. In patent cases, however, permanent injunctions are routinely issued upon a jury verdict or other judicial finding of infringement, thereby greatly raising the stakes involved in patent litigation.

Once an injunction is issued against a company, the company becomes subject to severe fines and possible criminal sanctions should it violate the injunction. Because the outer limit of claim scope that a court will ultimately find merited for any particular patent may be prospectively unclear, companies faced with the possibility of having a patent asserted against them are often forced to err on the side of safety. This means they prospectively curtail drastically, or cease, their operations in a given line of business, with effects on revenue and customer goodwill that may approach the severity of the strictures they would incur had they been found liable at trial and received an order enjoining them from the operations in question.

Patent owners are aware of potential defendants' healthy fear of suffering imposition of an injunction, and some patentees arguably use the threat of an injunction on an *in terrorem* basis during settlement negotiations. So-called patent trolls may be particularly likely to make use of such pressure tactics before or during infringement litigation.

The magnitude of the advantage conferred on patentees by the possibility of an injunction was made dramatically evident in the RIM case, in which RIM confronted the real possibility that its entire US network and, accordingly, substantially all of its business, would be shut down overnight, and indefinitely, by an injunction following the trial court's determination that RIM infringed NTP's e-mail delivery method patent claims: a stark illustration of the fact that the routine availability of permanent injunctions in patent cases often imposes risks of a bet the company order of magnitude on defendants.

The timing of the Supreme Court's grant

of *certiorari* in *eBay* is particularly interesting in view of recent activity in Congress. In April of last year, the US House of Representatives Subcommittee on Courts, the Internet, and Intellectual Property held a hearing on what was then heralded as a major patent reform Bill (HR 2795). As introduced, the Bill included a provision that would have required courts to consider the fairness of requested injunctions in light of all of the facts and the relevant interests of the parties, rather than automatically granting them every time infringement was found. Accordingly, an injunction could be denied, or stayed pending appeal, upon an affirmative showing by a defendant that such denial or stay would not result in irreparable harm to the patent owner. The intended effect of the proposed revision was to remove the threat of immediate permanent injunction in cases brought by patent holding companies or other patentees with modest or no equities on their side. However, this proposed provision was dropped in subsequent revisions of the Bill in the face of political pressures from powerful patent-holding constituencies.

In the absence of an immediate legislative answer to debate over the propriety of injunctions in patent cases, eBay's petition for Supreme Court review has now posed a facial judicial challenge to the longstanding case-law making injunctions *de facto* automatic for prevailing patentees in litigation. Given that the pending patent reform legislation initially tried to revisit these issues (but that the drafters quickly backed down in the face of virulent opposition), the *eBay* case could be a highly important one to watch not only for those confronting so-called patent trolls, but for all patentees and defendants. Any meaningful change to the availability of injunctions would substantially change the balance of leverage and bargaining power of trolls and legitimate patentees, on the one hand, and their adversaries, on the other.

The Supreme Court is likely to hear arguments in the *eBay* case in March or April of 2006, with a decision expected some time before the end of June.

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