PRESENTED AT

11th Annual Patent Law Institute

March 10-11, 2016
Alexandria, Virginia

A Decade of *eBay*: An Analysis of the Irreparable Harm Factor

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A Decade of *eBay*: An Analysis of the Irreparable Harm Factor

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The Supreme Court's *eBay v. MercExchange* opinion is nearly ten years old, but the Federal Circuit continues to struggle with its application. Most recently, the appeals court issued its opinion in *Apple Inc. v. Samsung Elecs. Co. Ltd.*, 2015 U.S. App. LEXIS 21803 (Fed. Cir. Dec. 16, 2015) (*Apple IV*). The case was the fourth in a line of Apple/Samsung opinions addressing the availability of injunctive relief in patent suits, and, specifically, whether a plaintiff seeking an injunction must establish a "causal-nexus" between its injury and the defendant's infringement, and, if so, what evidence is necessary to prove the causal-nexus.

This paper is divided into five parts. The first three provide a brief overview of the *eBay* decision and the Federal Circuit's subsequent analysis of injunctive relief, with particular attention paid to the "causal-nexus" requirement. Parts four and five illustrate the need for additional clarity in this area and investigate whether guidance from copyright or trademark law is helpful.

I. THE SUPREME COURT'S DECISION IN *EBAY V. MERCEXCHANGE* (2006)

Prior to the Supreme Court's decision in *eBay v. MercExchange*,[1] the "general rule" in patent cases was to issue permanent injunctions absent "exceptional circumstances."[2] Such "exceptional circumstances" included only "rare instances" in which the public interest needed protection against an injunction, such as the need to use an invention to protect public health.[3]

The Federal Circuit followed established precedent when it reversed the district court's denial of an injunction in *MercExchange, LLC v. eBay, Inc.* A jury found that MercExchange's patent was not invalid, that eBay infringed the patent, and that an award of damages was appropriate.[4] Despite those findings, the district court denied MercExchange's request for a

[1] *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).
[2] *See MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005).
[3] *Id*. at 1338-1339 (citing *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).
[4] *Id*. at 1326.

permanent injunction, citing MercExchange's willingness to license its patents, its failure to move for a preliminary injunction, and a "growing concern over the issuance of business-method patents."[5] On review, the Federal Circuit considered each of those arguments but found no "persuasive reason to believe this case [was] sufficiently exceptional to justify the denial of a permanent injunction."[6]

eBay successfully obtained Supreme Court review. eBay argued that the Federal Circuit's "general rule" for awarding injunctions was improper.[7] The Supreme Court unanimously agreed, holding that a plaintiff seeking an injunction must demonstrate the following:

> (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.[8]

Writing for the unanimous Court, Justice Thomas explained that "[t]he decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court," so "familiar principles [of equity] apply with equal force to disputes arising under the Patent Act."[9] With respect to the Patent Act's explicit grant of a right to exclude, Justice Thomas noted that "the creation of a right is distinct from the provision of remedies for violations of that right."[10]

But while the *eBay* Court struck down the Federal Circuit's overly-permissive grant of injunctions, it also criticized the district court for being too restrictive. "Neither the District Court nor the Court of Appeals below fairly applied these traditional equitable principles in deciding respondent's motion for a permanent injunction."[11] Specifically, the district court "appeared to

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[5] *Id*. at 1326, 1339.
[6] *Id*. at 1339.
[7] *See eBay Inc. v. MercExchange, L.L.C,*, 547 U.S. 388, 390 (2006).
[8] *Id*. at 391.
[9] *Id*.
[10] *Id*. at 392.
[11] *Id*. at 393.

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