Supreme Court in *eBay*: Permanent Injunctions are not Automatic, but Decided by Traditional Test in Equity

*By Kenneth Godlewski, Tom Corrado & Eric Sophir**

In *eBay, Inc. v. MercExchange, LLC*, the Supreme Court rendered a highly anticipated decision holding unanimously that the decision to enjoin "is an act of equitable discretion by the district court." The Court vacated the Federal Circuit's application of a "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances"(401 F.3d 1323, 1339 (Fed. Cir. 2005)). The Court held that, according to the traditional principles of equity, the patent owner must demonstrate "(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."

The Court recognized the developing industry where patent owners do not provide goods or services, but instead, use the patents primarily for obtaining licensing fees. These patent owners, often referred to as "patent trolls," have prompted debate regarding whether it is appropriate for them to pursue permanent injunctions. In the majority opinion, written by Justice Thomas, the Court explained that the "willingness to license its patents" and "lack of commercial activity" are not sufficient to categorically deny a permanent injunction, especially in view of university researchers or self-made inventors, who might not undertake the efforts to secure the necessary financing for such activity.

In a concurring opinion, Justice Kennedy, joined by Justices Stevens, Souter, and Breyer, recognized that the threat of an injunction is often employed as leverage in negotiations, but an injunction may not serve the public interest. Additionally, injunctive relief may have different consequences for many business method patents, but the "potential vagueness and suspect validity" of some of these patents may "affect the calculus under the four-factor test." A concurring opinion by Chief Justice Roberts, joined by Justices Scalia and Ginsburg, emphasized that the right to "exclude," granted by the Constitution, is difficult to protect if infringers are allowed to use an injunction against the patent holder's wishes.

The Court's decision, which does not actually take a position on a permanent injunction against infringer eBay, takes a middle ground rather than favoring the patent owner or infringer. At one end of the spectrum in favor of the infringer, permanent injunctions will not issue as a matter of course upon a finding of infringement and the district court has some discretion in applying the four-factor test of equity principles. When applying this test, patent owners may have difficulty proving irreparable harm, especially if they already licensed the patent. At the other end of the spectrum, the Court's reliance on traditional notions of equity leaves the door open for courts to continue the historical practice of granting permanent injunctions in the vast majority of patent disputes.

*Kenneth Godlewski, Tom Corrado & Eric Sophir are attorneys with Kilpatrick Stockton, LLP.