Injunctions in Patent Cases

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Recent decisions by the U.S. Supreme Court and the Federal Circuit Court of Appeals have renewed interest in the availability of injunctions in patent cases. Prevailing wisdom has been that permanent injunctions invariably issue when a patentee wins at trial, but preliminary injunctions at the beginning of a litigation are rare. The regular issuance of permanent injunctions once the patentee has established validity and infringement before a jury was premised on the statutory “right to exclude others” from employing the patented invention. The infrequency of preliminary injunctions was the result of Federal Circuit law which provided that accused infringers need only show “a substantial question” of invalidity or noninfringement to defeat preliminary injunction motions.

The present era of “patent trolls” led the Supreme Court to review the standard for permanent injunctions in eBay, Inc. v. Mercexchange, L.L.C. A typical patent troll does not engage in research and development or use patents as a basis for producing and selling goods or services, but rather acquires patents (sometimes out of bankruptcy) for the purpose of charging high license fees. In eBay, the patent holder won at trial, the trial court denied a permanent injunction, and the Federal Circuit reversed.

In the view of the Supreme Court, both lower courts erred by applying bright line tests. The trial court had erred by holding that patentees who have shown a willingness to license their patents, and patentees who do not produce the goods or services they have patented, should not receive injunctive relief. The Court of Appeals erred by applying a categorical rule “that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.” According to the Supreme Court rigid tests are incorrect; the applicable test is the traditional, flexible, equitable balancing between (1) irreparable injury, (2) adequacy of remedies at law, (3) the relative hardships on the parties, and (4) the public interest. Pursuant to this test, the court noted, there might be patentees who only license their patents and do not produce, such as universities that engage in research and development, but still satisfy the four-factor equitable test. However, a concurring opinion by Justice Kennedy strongly suggested that courts should guard against patentees whose only function is to buy patents and use them to wrest “exorbitant” licensing fees. eBay is widely believed to make it more difficult for patentees to obtain permanent injunctions.
A three-judge Federal Circuit panel considered the effect of eBay on preliminary injunctions in Abbott Laboratories v. Sandoz, Inc. The traditional equity test for preliminary injunctions focuses on the plaintiff’s likelihood of success on the merits at trial. The trial court applied the traditional test rather than the Federal Circuit’s “substantial question” test, and granted injunctive relief. Judge Newman, writing for the majority, said that under eBay the traditional equity balancing test applies to all injunctions, including intellectual property matters. She concluded that the longstanding “substantial question” test was wrong.

The difference between the “likelihood of success” test and the “substantial question” test is significant. At trial, a patent is entitled to a presumption of validity and a party challenging the patent must show invalidity by clear and convincing evidence, more than the standard burden of proof. The “substantial question” test, in effect, reverses this burden of proof, forcing the patentee to show that the accused infringer’s invalidity defense lacks substantial merit.

Does Abbott Laboratories make it easier to obtain preliminary injunctions? That is not entirely clear. In Erico International Corporation v. Vutec Corporation, a case decided after eBay and before Abbott Labs, a different Federal Circuit panel applied the “substantial question of validity” test (Judge Newman dissenting). Thus, there appears to be disagreement within the Federal Circuit bench. However, one thing is certain: where there was formerly little prospect of obtaining a preliminary injunction, there is now hope. Expect preliminary injunctions to be sought with more frequency in patent litigation.