

**MUCH ADO ABOUT NOTHING:
THE BIOTECH AND PHARMACEUTICAL
INDUSTRIES HAVE LITTLE TO FEAR IN THE
POST-EBAY WORLD**

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INTRODUCTION	180
I. INJUNCTIVE RELIEF UNDER THE PATENT ACT AND THE FEDERAL CIRCUIT TEST	183
A. <i>Patent Act and Injunctive Relief</i>	183
B. <i>The Federal Circuit Approach</i>	184
II. THE DISPUTE	186
A. <i>Background</i>	186
B. <i>District Court Decision</i>	189
C. <i>Federal Circuit Decision</i>	191
III. EBAY V. MERCExchange, 126 S. CT. 1837 (2006)	192
A. <i>The Argument Over Equity</i>	193
B. <i>Biotech & Pharma Weigh In</i>	197
C. <i>The Supreme Court</i>	199
IV. IMPLICATIONS ON THE BIOTECH AND PHARMACEUTICAL INDUSTRIES	201
A. <i>Irreparable Harm</i>	203
B. <i>Lack of a Remedy at Law</i>	206
C. <i>Balancing of the Hardships</i>	207
D. <i>Public Interest</i>	208
E. <i>Other Considerations</i>	210
CONCLUSION	211

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INTRODUCTION

From its humble beginnings, eBay has grown into the dominant leader in the online auction and marketplace arena. eBay offers its buyers, sellers, and visitors an opportunity to browse through millions of product and service offerings, all with the promise of fairness and a truly “free market.” Similarly, Thomas Woolston saw the advantages of the Internet and used his creativity and ingenuity to create a method, which he later patented, for building an electronic marketplace.¹ He later assigned this, and other patents, to MercExchange, a company he founded with the hope of commercializing his ideas.²

By mid-2000, eBay and MercExchange were both chasing their futures on the Internet. eBay had developed into a formidable force, not only capitalizing on its founder’s visions for a “free market” on the Internet, but rapidly growing into one of the most popular and profitable websites on the Internet. MercExchange, on the other hand, was still a fledgling company, having failed to capitalize on its patent portfolio, and it was desperately seeking a foothold in the online auction marketplace. Nevertheless, it would eventually become clear to eBay that it needed to avoid potential patent issues, specifically with respect to those patents held by MercExchange.

Despite several attempts to purchase MercExchange’s patent portfolio, eBay failed to reach any workable agreement with MercExchange. Although there is some dispute as to what each of the parties sought out of their proposed arrangement, it is certain that what eBay did next would pave the way for a pivotal 2006 decision in the Supreme Court.

After eBay introduced its “Buy It Now” feature in late 2000 and opened its fixed price website, Half.com, MercExchange, as it has consistently claimed, was left with little choice.³ In 2001, MercExchange filed suit against eBay, claiming that eBay had infringed on its patents and sought, *inter alia*, a permanent injunction.⁴ What would happen over the next five years, from the decision in the district court in Virginia, to the Federal Circuit Court of Appeals, and finally the Supreme Court decision in 2006, would reverberate throughout the patent landscape.

1. See discussion *infra* Part II.A and notes 42-44.

2. See sources cited *infra* note 42.

3. See discussion *infra* Part II.A and notes 48-61.

4. See Complaint at 16, MercExchange, L.L.C. v. eBay, Inc., No. 2:01-CV-736 (E.D. Va. Nov. 21, 2001).

Prior to the Supreme Court decision in *eBay Inc. v. MercExchange, L.L.C.* (“*eBay*”),⁵ an injunction was a matter of course as a remedy after a court had determined infringement had in fact occurred. The Federal Circuit, with rare exception, reversed any attempt to impose a compulsory license as a substitute for an injunction. Its near-automatic injunction rule, although premised on the discretion that a trial court had in determining remedies under the Patent Act, had for all practical purposes, read a “shall” in place of the “may” in Section 283 of the United States Code.⁶ The Supreme Court, however, pushed back, and in a unanimous decision, reversed almost three decades of Federal Circuit precedent by mandating an express consideration of the equitable factors that are commensurate with the permanent injunction analysis.

This, as would be expected, created a tremendous amount of confusion among patentees and no more so than in the biotechnology and pharmaceutical industries – industries that rely heavily on patent protection for their financial, research, and market security. Although the distinction between the pharmaceutical and biotechnology industries has blurred in the last decade, there remain some fundamental research and economic distinctions. The differences between the research model of a pharmaceutical company and that of a biotech company may account for a slightly varied approach to patents by each of these industries.⁷

Nevertheless, this casenote argues that the Supreme Court decision will not substantively change the result of the equitable test for injunctive

5. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006).

6. *See* 35 U.S.C. § 283 (2000).

7. Pharmaceutical companies are traditionally associated with the prescription drugs and over-the-counter medication used by people around the globe. Large pharmaceutical companies expend billions of dollars on research and development and usually screen millions of compounds in search of a specific effect. This trial and error approach, described by some as “throwing a lot of spaghetti at the wall to see what sticks,” has a high failure rate and requires years of financial and intellectual investment. In recent years, pharmaceutical companies have shifted to an investment and sales model. Although they still perform research and development in-house on certain targets and compounds, pharmaceutical companies have begun to invest in drug candidates later in the pipeline, and thereby shift some of the risk to the myriad small and medium-sized biotechnology companies. More and more, pharmaceutical companies are sought out by the biotechnology industry to share in the later development costs and to provide the critical sales force necessary to market the eventual drug and recoup the billions of investment dollars. Biotechnology companies, on the other hand, were initially focused on genetic targets and researched small molecules and proteins with known effects. Advances in genetics, especially in light of the Human Genome Project, spurred an explosion in the number of biotechnology companies. This growth resulted in a concentration of research talent in the biotech sector – which may account for why in recent years, pharmaceutical companies are looking to biotechs as their “research engine.” *See generally* Deborah Hopewell, *Biotech vs. Pharma: Once Different, Now Collaborative Entities*, SAN JOSE BUS. J., June 20, 2003, available at <http://sanjose.bizjournals.com/sanjose/stories/2003/06/23/focus3.html>.

relief as it specifically applies to these industries. Further, this casenote addresses each of the four equitable factors and explains how both biotech and pharmaceutical patentees can rely on history and the concurring opinions in *eBay* to remain confident that, with rare exception, they will continue to enjoy the injunctive remedy as a threat against infringement and as a source of investor and marketplace confidence in their innovations.

Part I of this casenote introduces the Patent Act, its history, and its function in incentivizing research and innovation. This incentive is a compromise between a monopoly in the technology for a limited time in exchange for public access to that technology and an eventual dedication of it to the public domain. It also discusses, in general, the requirements for patentability as well as the historical approach of the Federal Circuit to the injunctive remedy for patent infringement.

Part II introduces the dispute between eBay and MercExchange. More importantly, it presents the polar opposite approaches of the District Court of the Eastern District of Virginia and the Federal Circuit Court of Appeals. These decisions highlight the tension that has existed for the previous two decades. Trial courts often placed too much emphasis on individual factors in their equitable analysis prior to granting an injunction. Meanwhile, in practice, the Federal Circuit had adopted a near-automatic rule for granting injunctive relief once infringement had been determined.

Next, Part III reviews the unanimous Supreme Court decision in *eBay*, as well as the two concurring opinions, each of which illustrate the tension of history and the future within the Patent Act and its interpretation by the courts. Additionally, Part III summarizes the arguments presented by eBay, MercExchange, and various amici in their briefs filed with the Supreme Court. While the unanimous opinion clearly requires that trial courts engage the traditional four-factor analysis prior to granting or denying a permanent injunction, the concurring opinions illuminate the considerations that will likely take place in the trial courts' calculus going forward.

Finally in Part IV, this casenote sets forth the reasons for why the biotech and pharmaceutical industries, two key players as amici in the Supreme Court appeal, as well as in the overall patent scheme, have little to fear from the decision. While the promise of an injunction preventing infringement is key to investment and innovation in these industries and the *eBay* decision clearly puts the near-automatic granting of injunctions at risk, this casenote argues that the decision carves out sufficient avenues for trial courts to maintain their historical approach in biotech and pharmaceutical patent infringement cases. This necessarily requires a detailed analysis of the four factors that courts must expressly address and how each of these factors still favor the biotech or pharmaceutical

patentee over a potential infringer. Therefore, this casenote ultimately concludes that while there may truly be an uncertain future to the injunctive remedy in other technological arenas, the biotech and pharmaceutical industries will be largely unaffected by the *eBay* decision and their concern may really be much ado about nothing.

I. INJUNCTIVE RELIEF UNDER THE PATENT ACT AND THE FEDERAL CIRCUIT TEST

A. *Patent Act and Injunctive Relief*

From the earliest periods of U.S. history, patent law has played an important role in the development of industry and the fostering of a fair and free market in American society. This is mainly due to Congress having near plenary power “[t]o Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”⁸ Under this grant of authority, patent law and copyright law came into being and have played an integral role in the development and protection of intellectual property rights.

The goal of the United States patent system is to encourage invention and investment into research and development.⁹ A patent grants the patentee the “right to exclude others from making, using, offering for sale, or selling [her] invention.”¹⁰ Therefore, “[t]he incentive provided by the patent system is a monopolistic rate of return on [the] invention to the patentee.”¹¹ Under such an incentive, inventors are assured that their ideas and novel creations can be protected from the “unscrupulous copyist.”¹² Having invested large sums of money and time, this right to exclude is of primary concern to the biotechnology and pharmaceutical industries – where competition is fierce and the value of an invention can be in the hundreds of millions of dollars, if not more.

Three basic requirements must be met in order for an invention to be patentable. First, the invention must be novel or an improvement on something that already exists.¹³ This includes a new “process, machine, manufacture, or composition of matter.”¹⁴ Because of this novelty requirement, if an invention was known or used by individuals other than

8. U.S. CONST. art. I, § 8.

9. *See* *Laitram Corp. v. King Crab, Inc.*, 244 F. Supp. 9, 14 (D. Alaska 1965).

10. 35 U.S.C. § 154(a)(1).

11. *Waterman-Bic Pen Corp. v. W. A. Sheaffer Pen Co.*, 267 F. Supp. 849, 854 (D. Del. 1967).

12. *See* *Graver Tank & Mfg. Co. v. Linde Air Prods., Inc.*, 339 U.S. 605, 607 (1950).

13. *See* 35 U.S.C. §§ 101-102.

14. 35 U.S.C. § 101.

the patentee, a patent will not issue.¹⁵ Second, the invention must be useful.¹⁶ The utility requirement only demands that some benefit be derived from the invention and that it has some legitimate purpose. Third, the invention must be non-obvious. The test for obviousness is fairly subjective and requires an analysis of whether the invention would have been obvious to one with ordinary skill in the art¹⁷ at the time the invention was developed.¹⁸ Once an invention is patented, the patent holder enjoys certain property rights, such as the right to exclude others from practicing the invention for a limited number of years.

The patent system also provides certain remedies for infringement by others. Generally, anyone who, without authorization, “makes, uses, offers to sell, or sells any patented invention” is liable for infringement.¹⁹ Additionally, anyone who actively induces another party to infringe is also liable.²⁰ Remedies for infringement include monetary damages as well as permanent injunctions preventing the infringing party from practicing the invention. If infringement is proven in court, damages are statutorily mandated. Section 284 provides that the court “shall award . . . damages adequate to compensate for the infringement.”²¹ Further, increased damages up to three times the amount determined by the court or jury may be proper in some circumstances. Conversely, injunctive relief is not statutorily required in every infringement case. Section 283 provides that “courts . . . may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent” and “on such terms as the court deems reasonable.”²² This provision appears to vest considerable discretion in the trial court.²³ Consequently, injunctive relief is not necessarily a guaranteed remedy for a patent holder.

B. *The Federal Circuit Approach*

The Federal Circuit has recognized that pursuant to 35 U.S.C. § 283, a district court has discretion “to impose a permanent injunction ‘in

15. See 35 U.S.C. § 102; *Metal Arts Co. v. Fuller Co.*, 389 F.2d 319, 321 (5th Cir. 1968).

16. See 35 U.S.C. § 101.

17. Usually, this means skill in the area in which or for which the invention was created. See 35 U.S.C. § 103(a). Obviousness is based on factual findings of “(1) the inventor’s level of skill in the pertinent art, (2) the scope and content of the prior art, (3) the differences between the prior art and the claimed invention, and (4) secondary considerations.” *Sun Prods. Group, Inc. v. B&E Sales Co.*, 700 F. Supp. 366, 375 (E.D. Mich. 1988).

18. See 35 U.S.C. § 103(a).

19. 35 U.S.C. § 271(a).

20. See 35 U.S.C. § 271(b).

21. 35 U.S.C. § 284 (emphasis added).

22. 35 U.S.C. § 283 (emphasis added).

23. Prior to *eBay*, few district courts successfully exercised such discretion.

accordance with the principles of equity.”²⁴

Further, the Federal Circuit has explained that district courts “enjoy *considerable discretion* in determining whether the facts of a situation require it to issue an injunction.”²⁵ Therefore, the Federal Circuit should review a denial or grant of a permanent injunction under the abuse of discretion standard.²⁶ But in practice, district court discretion has been significantly limited.

The Supreme Court has stated that a permanent injunction should not issue as a matter of course.²⁷ In fact, “an injunction should issue only where the intervention of a court of equity ‘is essential in order effectually to protect property rights against injuries otherwise irremediable.’”²⁸ To aid courts in the equitable analysis, the Supreme Court has developed four factors that must be analyzed prior to any determination on permanent injunctive relief.

Under the four-factor test, the plaintiff must show that it has suffered an irreparable injury, that remedies at law are inadequate, that the balance of hardships weighs in its favor, and that the public interest would not be disserved by a permanent injunction.²⁹ Neither the language of the test, nor the application of these factors outside the patent law landscape typically presumes an injunction once liability has been determined. However, while acknowledging that the traditional principles of equity apply, the Federal Circuit has also stated that, as a general rule, an “injunction will issue when infringement has been adjudged, absent a sound reason for denying it.”³⁰

The Federal Circuit has used the presumption that a patentee will be irreparably harmed by infringement to justify the granting of an injunction in nearly all cases. Traditional property principles recognize the right to exclude as one of the bundle of rights an owner enjoys.³¹ The Federal Circuit has similarly held that the “right to exclude recognized in a patent is but the essence of the concept of property.”³² Therefore, “irreparable harm has been presumed when a clear showing has been

24. *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1272 (Fed. Cir. 1999) (citing 35 U.S.C. § 283).

25. *Id.* (emphasis added).

26. *Id.*

27. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311 (1982).

28. *Id.* at 312 (quoting *Cavanaugh v. Looney*, 248 U.S. 453, 456 (1919)).

29. *See id.*

30. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989).

31. *See, e.g., Int’l News Serv. v. Assoc. Press*, 248 U.S. 215, 250 (1918) (Brandeis, J., dissenting) (“An essential element of individual property is the legal right to exclude others from enjoying it. If the property is private, the right of exclusion may be absolute; if the property is affected with a public interest, the right of exclusion is qualified.”).

32. *Richardson*, 868 F.2d at 1246-47 (quoting *Connel Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983)).

made of patent validity and infringement.”³³

Only in rare circumstances has the Federal Circuit permitted a finding of infringement and not held that an injunction should necessarily follow. In almost all cases where infringement did not result in an injunction for the patentee, it was because the district court was also required to consider the public interest in the equitable analysis. Consequently, “courts . . . in rare instances [have] exercised their discretion to deny injunctive relief in order to protect the public interest.”³⁴ Typically, the health and safety of the public has been the primary concern in cases where the Federal Circuit has upheld a denial of a permanent injunction after a determination of patent infringement. Such special reasons rarely exist, however.³⁵ Although there is a “public interest in enforcing valid patents,” injunctive relief must have a mechanism for ensuring the availability of critical medical supplies that are integral to the public health.³⁶ Injunctions may need to be tailored or forgone in circumstances where the public health would be endangered by removal of an infringer’s product or service from the market.³⁷

Absent these rare exceptions, the Federal Circuit has approached infringement with a near-automatic rule that grants an injunction to the patent holder.

II. THE DISPUTE

A. Background

On Labor Day of 1995, an inconsequential website named AuctionWeb joined three other web pages at a now-popular domain name owned by Pierre Omidyar.³⁸ Omidyar, a programmer and techie, wanted to create a marketplace that would produce a fair and natural price for goods without discriminating against any type of buyer or seller.³⁹ Despite his novel concept, seller and buyer traffic did not appear immediately. But, with the help of Usenet groups, web postings, and word-of-mouth across the Internet, AuctionWeb would host thousands of

33. *Id.* at 1247 (quoting *H.H. Robertson Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390 (Fed. Cir. 1987)).

34. *Mallinckrodt, Inc. v. Masimo Corp.*, 147 F. App’x 158, 177 (Fed. Cir. 2005) (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

35. *See, e.g.*, 35 U.S.C. § 287(c)(1) (exempting medical practitioner’s activity that may constitute infringement from the injunctive remedy); *Hybritech Inc. v. Abbot Labs.*, 4 U.S.P.Q.2d (BNA) 1001, 1015 (C.D. Cal. July 14, 1987), *aff’d*, 849 F.2d 1446 (Fed. Cir. 1988); *City of Milwaukee v. Activated Sludge*, 69 F.2d 577, 593 (7th Cir. 1934).

36. *Hybritech Inc.*, 4 U.S.P.Q.2d (BNA) at 1015.

37. *See City of Milwaukee*, 69 F.2d at 593; *see also* 35 U.S.C. § 287(c)(1).

38. *See ADAM COHEN, THE PERFECT STORE: INSIDE EBAY* 21-22 (2002).

39. *See id.* at 20.

auctions by the end of 1995.⁴⁰ On September 1, 1997, the AuctionWeb name was retired, and eBay came to life at www.ebay.com.⁴¹

Around the end of 1994, an engineer and lawyer named Thomas Woolston was looking for a way to use the Internet to build a business and utilize its advantages in overcoming geographical and communication limitations.⁴² He determined that the greatest stumbling block to a marketplace on the Internet was the lack of a medium that could effectively build a web business' trust and reputation.⁴³ So by April 1995, Woolston filed his first patent application, in what would eventually become part of the family of business-method patents at issue in the litigation with eBay, for a browse-able electronic marketplace.⁴⁴ Shortly thereafter, Woolston assigned his patent rights to MercExchange, a company he formed with several business partners.⁴⁵

In December 1998, the United States Patent and Trademark Office ("PTO") issued to MercExchange its first patent, which MercExchange subsequently licensed out within only six weeks.⁴⁶ Unfortunately for Woolston, MercExchange did not take off despite numerous attempts to get venture capital funding to commercialize its patents. While Woolston's goal may have been "to build an operating business that would practice his inventions," the economic downturn in the technology market during the dot-com implosion likely ended that proposition.⁴⁷ Enter eBay.

Beginning in June 2000, eBay made several attempts to purchase MercExchange's patent portfolio, but met with no success.⁴⁸ By this point, eBay had been operating its website for almost five years and was gaining in popularity. MercExchange, on the other hand, was not commercially practicing any of its patents and was looking for relationships with established companies to "capitalize [itself] into an operating company."⁴⁹

The two parties dispute their intentions behind the failed negotiations. eBay contends that MercExchange never intended to sell or license any of its patents, and rather, was using the negotiations as a

40. *See id.* at 22-25.

41. *See id.* at 79.

42. *See* Julia Wilkinson, *The eBay Patent Wars: Interview with MercExchange CEO Thomas Woolston*, AUCTIONBYTES.COM, Sept. 30, 2004, <http://www.auctionbytes.com/cab/abn/y04/m09/i30/s01>; *see also* Brief for Respondent at 1-4, *eBay*, 126 S. Ct. 1837 (2006) (No. 05-130).

43. *See* Wilkinson, *supra* note 42.

44. *See* Brief for Respondent, *supra* note 42, at 1-2.

45. *See id.* at 3.

46. *See* Wilkinson, *supra* note 42.

47. *See* Brief for Respondent, *supra* note 42, at 3.

48. *See id.* at 3-4.

49. *Id.* at 3.

ruse to induce infringement.⁵⁰ According to eBay, MercExchange, jealous of eBay's success in creating a successful electronic market, had "developed a strategy of suing."⁵¹ MercExchange, however, contends that eBay refused to enter into any extended relationship that would have allowed MercExchange to commercialize its invention. Accordingly, MercExchange argues that eBay chose to willfully infringe on those patents by incorporating MercExchange's technology only several months later. In fall of 2000, eBay introduced a "fixed-price sales capability"⁵² that was allegedly encompassed by MercExchange's '265 patent.⁵³

MercExchange claims that this infringement, in addition to a lack of capital, prevented it from commercializing its inventions.⁵⁴ Consequently, it was forced to build a licensing program as its only means of remaining in business.⁵⁵ But this too met with little success. Apparently, one of MercExchange's licensees made payment of royalties contingent on MercExchange preventing further and continued infringement of its patents by eBay.⁵⁶

By 2001, eBay was rapidly becoming the leading online auction marketplace with revenues over \$200 million.⁵⁷ Half.com had been recently acquired by eBay and was being operated as a wholly-owned subsidiary, offering a fixed-price Internet marketplace.⁵⁸ ReturnBuy, a seller of returned retail merchandise, operated a website advertising its goods for sale on eBay's online auction site.⁵⁹ Having failed to resurrect its fledgling business through a relationship with eBay, and now apparently stymied in its attempt to license its patents, MercExchange

50. See Brief of Petitioners at 5-6, *eBay*, 126 S. Ct. 1837 (2006) (No. 05-130).

51. *Id.*

52. This is known as the "Buy It Now" feature that is available for certain auctions on eBay's website. See generally *eBay*, <http://www.ebay.com> (last visited Sept. 29, 2007).

53. Brief for Respondent, *supra* note 42, at 4; see also U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

54. Brief for Respondent, *supra* note 42, at 4.

55. See *id.*

56. See *id.*

57. See COHEN, *supra* note 38.

58. See generally Half.com, <http://www.half.ebay.com/> (last visited Sept. 29, 2007); see also *Company News; eBay to Acquire Half.com, A Trading Site for Used Items*, N.Y. TIMES, June 14, 2000, available at <http://query.nytimes.com/gst/fullpage.html?res=940DE2DE133EF937A25755C0A9669C8B63>.

59. See Ina Steiner, *eBay Invests in ReturnBuy Inc.*, AUCTIONBYTES.COM, Apr. 10, 2001, <http://www.auctionbytes.com/cab/abn/y01/m04/i10/s03> ("ReturnBuy allows retailers, distributors and manufacturers to reduce processing costs and increase resale revenue on the growing volume of returned merchandise. It uses channels such as eBay to auction returned goods to consumers."); see also Bob Tedeschi, *E-Commerce Report; The Success of eBay is Spawning a Number of Online Liquidation Houses*, N.Y. TIMES, Apr. 29, 2002, available at <http://query.nytimes.com/gst/fullpage.html?res=9B0CE3D91E3EF93AA15757C0A9649C8B63>.

sought relief in federal district court.

In September 2001, MercExchange filed suit against the two popular online marketplaces and the seller, claiming patent infringement and seeking a permanent injunction as well as damages.⁶⁰ Specifically, MercExchange alleged that eBay, Half.com, and ReturnBuy infringed on three related patents it owned which described an “electronic market” over a “trusted network.”⁶¹

B. District Court Decision

After a five-week trial, which the trial judge described as being “one of the more, if not the most, contentious cases that [his] court [had] ever presided over,” the jury found that eBay had willfully infringed two of MercExchange’s patents and assessed damages of \$35 million.⁶² Following the verdict, both MercExchange and eBay filed various post-trial motions, continuing the acrimony that had been such an underlying part of the entire litigation.⁶³

The most significant post-trial motion, however, was the MercExchange’s Motion for Entry of a Permanent Injunction Order. Under Section 283, once the “infringement and validity of the patents have been established, a district court is authorized to grant a permanent injunction.”⁶⁴

Nevertheless, the district court recognized that it had discretion to grant or deny this injunctive relief based on a proper weighing of the traditional equitable factors, which included a consideration of whether MercExchange would suffer irreparable injury without an injunction, whether MercExchange had an adequate remedy at law, whether the public interest weighed in favor of an injunction, and finally whether the balance of hardships are in MercExchange’s favor.⁶⁵ The court approached each of these factors in turn.

First, MercExchange argued that, without an injunction, it would be deprived of its ability to develop its inventions and thereby, irreparably harmed.⁶⁶ Further, it argued that its exclusive right to license these

60. See First Amended Complaint, *MercExchange, L.L.C. v. eBay Inc.*, 275 F. Supp. 2d 695 (E.D.Va. 2003) (No. 2:01-CV-736).

61. See U.S. Patent No. 6,085,176 (filed Mar. 8 1999); U.S. Patent No. 6,202,051 (filed Feb. 19, 1999); U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

62. *MercExchange*, 275 F. Supp. 2d at 698-99, 714 (E.D. Va. 2003), *rev’d*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006).

63. See *id.* at 699.

64. *Id.* at 711; see also 35 U.S.C. § 283.

65. See *MercExchange*, 275 F. Supp. 2d at 711 (citing factors from *Weinberger*, 456 U.S. at 312).

66. *Id.*

inventions would also be impaired.⁶⁷ The district court, however, was receptive to counter-arguments rebutting the presumption of irreparable harm.⁶⁸ eBay was able to show that MercExchange (1) had been willing to license its patents, (2) had failed to utilize its patents in commercial activity on its own, and (3) had made comments to the press indicating that it was not seeking an injunction, but merely “appropriate damages” for the infringement.⁶⁹ Additionally, the district court pointed out that, although not dispositive, the fact that MercExchange had failed to seek a preliminary injunction weighed against its argument that it would be irreparably harmed.⁷⁰ Accordingly, the district court concluded that MercExchange failed to sufficiently establish that it would suffer irreparable harm without a permanent injunction.⁷¹

Second, MercExchange also failed to show that it lacked an adequate remedy at law. Because it had licensed its patents in the past and had “indicated its willingness to license the patents to the [D]efendants,” the court determined that monetary damages could be sufficient and that a compulsory license may be adequate compensation.⁷²

Third, in considering the public interest factor, the district court found that it favored neither party. The court recognized that typically the public interest favors the patentee in order to maintain the integrity of the patent system, although there are several notable exceptions. Such exceptions, however, usually exist only when concerns such as public health or gross inequity are implicated.⁷³ Nevertheless, the court was particularly swayed by eBay’s argument that the “growing concern over . . . business-method patents” in both the PTO and Congress indicated that public interest was potentially in their favor.⁷⁴ Although the court held that this issue was not dispositive of whether to grant an injunction, it did note that because MercExchange failed to practice its

67. *Id.* As is often argued, MercExchange claimed that the marketplace for its inventions would permit more beneficial terms for a licensing agreement than a court-imposed license. *See id.*

68. *See id.* at 712.

69. *Id.*

70. *See id.*

71. *See id.*

72. *See MercExchange*, 275 F. Supp. 2d at 713. A compulsory license is a “court-imposed license that authorizes the infringer to continue its conduct, presumably upon some payment of monies to the patentee.” Mitchell G. Stockwell, *Implementing eBay: New Problems in Guiding Judicial Discretion and Enforcing Patent Rights*, 88 J. PAT. & TRADEMARK OFF. SOC’Y 747, 755 (2006). Compulsory licenses are rare and face significant criticism. *See id.*

73. *See id.*

74. *Id.* at 713-14 (stating that eBay’s argument that pending legislation in Congress addressing business-method patents and a new second-level review policy at the PTO was potentially correct and that the public interest may not necessarily be served by an injunction).

business-method patent, the public interest factor was, at least, equalized.⁷⁵

Finally, the court balanced the hardships and determined that a permanent injunction should not issue in this case.⁷⁶ It found that any harm to MercExchange, including the possibility of continuing infringement, could be adequately compensated by monetary damages.⁷⁷ Further, the court was concerned that an injunction would only breed more contention, impose significant financial costs on both MercExchange and eBay, and expend a considerable amount of judicial resources.⁷⁸ In sum, it determined that MercExchange would be fully compensated in the absence of any injunction and denied its Motion for a Permanent Injunction.⁷⁹

C. Federal Circuit Decision

On appeal, the Federal Circuit faced the pertinent issue of whether the district court erred in denying MercExchange a permanent injunction against eBay.⁸⁰ It is important to note that the Federal Circuit appeared to address the issue *de novo*, although the proper review had traditionally been under an abuse of discretion standard.⁸¹ In reversing the district court's denial of a permanent injunction, the Federal Circuit dispelled many of the concerns raised under the four-factor equitable test.

As an initial matter, the Federal Circuit identified the typical test for whether to grant an injunction once infringement has been determined. "Because the 'right to exclude recognized in a patent is but the essence of the concept of property,' the general rule is that a permanent injunction *will* issue once infringement and validity have been adjudged."⁸² It acknowledged that injunctions have rarely been denied and, in those limited circumstances, usually only in order to protect the public interest.⁸³

The Federal Circuit dismissed entirely the conclusions of the district court. First, it held that the district court's concern over business-method patents was misplaced and did not reach the level of an important public need.⁸⁴ Second, it found that contentious proceedings and the potential

75. *See id.* at 714.

76. *See id.* at 714-15.

77. *Id.* at 714.

78. *See MercExchange*, 275 F. Supp. 2d at 714.

79. *See id.* at 715.

80. *See MercExchange*, 401 F.3d at 1338.

81. *See Pierce v. Underwood*, 487 U.S. 552, 558 (1988); *Weinberger*, 456 U.S. at 320.

82. *MercExchange*, 401 F.3d at 1338 (quoting *Richardson*, 868 F.2d at 1246-47) (emphasis added).

83. *Id.* at 1338.

84. *Id.* at 1339. The Federal Circuit rejected the district court's concern over business-

for continuing disputes was not only “not unusual” for patent cases, but also would likely occur irrespective of whether an injunction was granted.⁸⁵ Third, the Federal Circuit did not agree that MercExchange’s willingness to license its patents weighed against an injunction. It held that the “statutory right to exclude is equally available” to both patentees who practice their inventions and those who simply choose to license them.⁸⁶ Additionally, the court argued that any leverage a patentee enjoys because of an injunction is a “natural consequence of the right to exclude,” and not a consequence that should be avoided by denying an injunction.⁸⁷

Finally, the court held that whether MercExchange had sought a preliminary injunction was inconsequential to the decision of whether to grant a permanent injunction.⁸⁸ Consequently, the Federal Circuit held that the district court failed to “provide any persuasive reason . . . [showing] that this case [was] sufficiently exceptional to justify the denial of a permanent injunction.”⁸⁹

III. EBAY V. MERCEXCHANGE, 126 S. CT. 1837 (2006)

A little over eight months after the Federal Circuit reinforced its long-held general rule that an “injunction will issue once infringement and validity have been adjudged,”⁹⁰ the Supreme Court granted certiorari.⁹¹ eBay’s petition for certiorari presented the following question for review by the Supreme Court: “[w]hether the Federal Circuit erred in setting forth a general rule in patent cases that a district court must, absent exceptional circumstances, issue a permanent injunction after a finding of infringement.”⁹² The Court also requested that the parties address a broader issue: “[w]hether this Court should reconsider its precedents, including *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908), on when it is appropriate to grant an injunction against a patent infringer.”⁹³

method patents as “not the type of important public need that justifies the unusual step of denying injunctive relief.” *Id.*

85. *Id.*

86. *Id.*

87. *Id.*

88. *See MercExchange*, 401 F.3d at 1339.

89. *Id.*

90. *Richardson*, 868 F.2d at 1246-47.

91. *See eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 733 (2005) (granting certiorari to eBay as petitioner).

92. Petition for Writ of Certiorari at i, *eBay Inc.*, 126 S. Ct. 733 (2005) (No. 05-130).

93. *eBay Inc.*, 126 S. Ct. at 733.

A. *The Argument Over Equity*

The crux of eBay's argument in its appeal to the Court was that the Patent Act mandates that the district court exercise equitable discretion in determining whether a permanent injunction should issue after a finding of patent infringement.⁹⁴ Its argument was composed of two basic principles. First, the intent of Congress is clear from the language of the Patent Act where it explicitly vests or limits discretion in the trial court.⁹⁵ Second, the Supreme Court does not "interpret a federal statute to require an injunction without regard to equitable principles . . . unless . . . 'textually required.'"⁹⁶ Consequently, a district court should grant injunctions "in accordance with the principles of equity"⁹⁷ and apply the traditional four-factor test prior to granting a permanent injunction.⁹⁸

eBay argued that the language of the Patent Act vests a varying degree of discretion in the district court to make determinations on the availability of specific remedies for infringement. For example, the court must award damages once it determines that infringement has occurred.⁹⁹ This provision vests little discretion other than on the amount of actual damages. Similarly, Section 285 proscribes the awarding of attorney fees in all but "exceptional cases."¹⁰⁰ In contrast, Section 283 places what appears to be broad discretion on the district court with regard to injunctions.¹⁰¹

eBay had an unlikely ally in this argument. The United States submitted an amicus brief in support of MercExchange, but nonetheless admitted that Section 283 "confer[s] *discretionary* authority on district courts" and that its plain terms "foreclose any other construction."¹⁰² Even more striking, however, was the government's admission that Section 283 "directs the district courts, when adjudicating private patent rights, to issue injunctions in accordance with the familiar four-factor test."¹⁰³ Further, another amicus brief, although neutral with respect to party support, implored that a "rigid rule requiring automatic injunctions in all patent cases absent 'exceptional circumstances' is contrary to the explicit language of 35 U.S.C. § 283 as well as [Supreme Court]

94. See Brief of Petitioners, *supra* note 50, at 9.

95. See *id.* at 9-10.

96. *Id.* at 18 (citing *United States v. Oakland Cannabis Buyers' Coop.*, 532 U.S. 483, 496 (2001)).

97. 35 U.S.C. § 283.

98. See Brief of Petitioners, *supra* note 50, at 11.

99. See 35 U.S.C. § 284 (stating that the court "shall award the claimant damages adequate to compensate for the infringement" (emphasis added)).

100. 35 U.S.C. § 285.

101. See 35 U.S.C. § 283.

102. Brief for the United States as Amicus Curiae Supporting Respondent at 11, *eBay*, 126 S. Ct. 1837 (2006) (No. 05-130).

103. *Id.* at 14.

precedent.”¹⁰⁴ Consequently, eBay argued that an injunction should not be granted, unless textually required, without consideration of traditional equitable principles.¹⁰⁵ According to eBay, the Federal Circuit, in overturning the district court, had contravened this principle and implemented a “near-automatic” injunction rule.¹⁰⁶

eBay also found support among the various amici who filed briefs in the appeal to the Supreme Court. An amicus brief submitted by “52 IP Professors” argued that the Federal Circuit, in this decision, as well as in its decisions of the past twenty years, had “abandoned the role of equity” and completely ignored the statutory language of Section 283.¹⁰⁷ Although not completely accurate,¹⁰⁸ they argued that they failed to find even one instance of where the Federal Circuit had permitted a district court to refuse a permanent injunction after a finding of a patent infringement.¹⁰⁹ By failing to apply the equitable factors, the Federal Circuit was allowing some patent owners to perpetrate abuses of the patent system by using the near-automatic injunction standard as a weapon.¹¹⁰ Patentees with a minimal interest in the infringing product have exacted huge payoffs with the threat of an injunction, usually far in excess of the value of their patent rights.¹¹¹ Therefore, the Federal Circuit, by contravening the express language of Section 283, had opened the door to “hold-ups” and inequity in the application of injunctions as a remedy for patent infringement.

Further, eBay argued that *Continental Bag* did not preclude a proper interpretation of Section 283 of the Patent Act and did not act as stare decisis in its case.¹¹² Chief among its arguments was that a patent holder’s “right to exclude,” as held in *Continental Bag*, did not address whether an injunction was mandatory in order to protect this right.¹¹³ Further, *Continental Bag* did not address the statutory language of that

104. Brief for Teva Pharmaceuticals USA, Inc. as Amicus Curiae in Support of Neither Party at 2, *eBay*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter Brief for Teva].

105. See Brief of Petitioners, *supra* note 50, at 10-11. eBay cites several circuit court opinions that were overturned where the Supreme Court determined that injunctions should not issue as a matter of course unless the text of the statute requires the court to do so. See *Amoco Prod. Co. v. Vill. of Gambell*, 480 U.S. 531, 544 (1987); *Weinberger*, 456 U.S. at 313; *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944).

106. Brief of Petitioners, *supra* note 50, at 28.

107. Brief for 52 Intellectual Property Professors as Amici Curiae Supporting Petitioners at 1-2, *eBay Inc.*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter Brief for 52 IP Professors].

108. See cases cited *supra* note 35.

109. See *id.* at 2.

110. See *id.* at 3.

111. See *id.* at 5-6.

112. See Brief of Petitioners, *supra* note 50, at 41-44.

113. *Id.* at 43. This casenote discusses *Continental Bag* in greater detail, *infra*, in Part IV. It held that non-use could not be a consideration in determining whether an injunction should issue. See *Continental Bag Co.*, 210 U.S. at 425-29.

era.¹¹⁴ And finally, eBay maintained that any language in *Continental Bag* that could be interpreted to remove a district court's equitable discretion was, at most, "non-binding dicta" rather than the substantive holding of the case.¹¹⁵ As a result, *Continental Bag* did not operate as precedent standing for near-automatic issuance of an injunction and did not preclude the Supreme Court from finding that consideration of the four-factor equitable test was necessary for granting or denying an injunction.

In response, MercExchange tried to walk a fine line, explaining that the Federal Circuit's "general" rule that an injunction should issue upon a finding of infringement was not necessarily synonymous with an "automatic" rule.¹¹⁶ This "general" approach by the Federal Circuit, according to MercExchange, was more consistent with the underlying purposes of the Patent Act and, despite eBay's contention otherwise, was congruent with traditional equitable principles, supported by historical patent case law, and proper when considering patent policy as a whole.¹¹⁷

Although MercExchange recognized that the traditional equitable principles should apply, it also contended that the nature of the rights involved should determine the form of the equitable test.¹¹⁸ Because the purpose of the Patent Act is to prevent infringement, a "general rule that a particular equitable remedy is necessary to effectuate a congressional purpose" would be "entirely consistent with congressional authorization for courts to exercise equitable powers."¹¹⁹ Hence, according to MercExchange, there is a presumption of irreparable harm from a violation of the "right to exclude" inherent in patent rights, and an equitable test which grants an injunction "in all but very unusual circumstances" would not be improper.¹²⁰

Similarly, MercExchange argued that the historical purpose of patents has been, and continues to be, to incentivize innovation and sharing of technology, and to promote commercialization of those innovations for the benefit of the public.¹²¹ Such purposes are only served by vigorous enforcement of the right to exclude. In fact, historical practice has been even stricter than the near-automatic rule now followed by the Federal Circuit. Cases from the 19th century

114. *Id.* at 43-44. The language of the controlling patent law of that era was comparable to the current language of 35 U.S.C. § 283. Compare Act of Feb. 15, 1819, ch. 19, 3 Stat. 481 with 35 U.S.C. § 283.

115. Brief of Petitioners, *supra* note 50, at 44.

116. See Brief for Respondent, *supra* note 42, at 15.

117. See *id.*

118. See *id.* at 15-16.

119. *Id.* at 16.

120. *Id.* at 15-16.

121. *Id.* at 20.

typically found an entitlement to an injunction once infringement was proven.¹²² Historically, denials of injunctions were rare and were usually based on some exceptional circumstances such as significant financial harm to the defendant or a serious loss of employment with an incommensurately small injury, if any, to the plaintiff patentee.¹²³

MercExchange also argued that a near-automatic rule for infringement of patents was not inconsistent with trademark or copyright practice.¹²⁴ The comparable trademark remedy provision states that courts “shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable.”¹²⁵ Similarly, courts “may . . . grant . . . final injunctions on such terms as [they] may deem reasonable” in dealing with copyright infringement.¹²⁶ According to MercExchange, the general rule in copyright and trademark cases has been to grant a permanent injunction once past infringement and the potential for future infringement have been proved.¹²⁷ Therefore, it was not incongruous for the Federal Circuit to establish a near-automatic injunction rule in patent infringement cases.

Finally, MercExchange argued that only two of the traditional equitable factors are truly at issue in patent infringement. It distinguished *Weinberger* as not offering a four-factor test, but rather focusing on irreparable harm and the inadequacy of legal remedies as the basis for injunctive relief.¹²⁸ Accordingly, once infringement has been found, in most cases the plaintiff would have also shown that it lacks an adequate remedy at law.¹²⁹ Consequently, without injunctive relief, the plaintiff would not only lack a remedy, but would also suffer a continuing and irreparable harm.

Nevertheless, MercExchange contended that the remaining two factors, even if considered, would almost always favor the patentee. The balance of the hardships would rarely favor the infringing party, except

122. See Brief for Respondent, *supra* note 42, at 23 n.27.

123. See *id.* at 25 nn.28-29.

124. See *id.* at 26. Part of this argument is based on the underlying purpose of the Federal Circuit which was created, in part, to generate uniformity in intellectual property law.

125. 15 U.S.C. § 1116(a) (2006).

126. 17 U.S.C. § 502(a) (2006).

127. See Brief for Respondent, *supra* note 42, at 26.

128. See *id.* at 27 (arguing that *Weinberger*, 456 U.S. at 312, did not create any test for equitable relief).

129. See *id.* at 28. This is similar to a trespass on real property. Damages would be insufficient to recompense for the invasion since the trespasser would not be forced off the land. An injunction, therefore, is the only remedy that compensates for the trespass and prevents future trespass without the necessity for successive lawsuits. See *Kaiser Aetna v. United States*, 444 U.S. 164, 176-79 (1979) (holding that the right to exclude is a fundamental element of the property right); *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1578 (Fed. Cir. 1983) (holding that the right to exclude would be of much less value without the injunctive remedy).

in unusual circumstances where disproportionate harm would result. However, according to MercExchange, any financial benefits derived from the infringement should not be considered. Similarly, MercExchange argued that “[a]n injunction serves the public interest by protecting the value of patent rights . . . [such as] encouraging the creation, development, disclosure, and commercialization” of new inventions.¹³⁰ Following this argument to its logical conclusion, the Federal Circuit’s general rule in favor of an injunction in all but extraordinary circumstances was, therefore, entirely consistent with the purpose, language, and historical practice surrounding the Patent Act.

B. Biotech & Pharma Weigh In

Although eBay and MercExchange were the primary parties to the dispute, other important players decided to weigh in through amicus briefs – especially players such as the pharmaceutical and biotechnology industries. The primary concern of the pharmaceutical and biotechnology industries surrounding the *eBay* case and its implications on the injunctive remedy for patent infringement revolves around economics. “The promise of exclusionary rights . . . provides the investment incentive for the research and development of innovative products” that are essential for the public good.¹³¹ The primary asset of most small biotech companies is intellectual property, vis-à-vis patents, and the commensurate right to exclude is essential to justify the high cost and risk of investment.¹³² Consequently, an inability to enjoy infringement would diminish economic power and value of patent rights.¹³³

As a whole, the biotech industry filed over forty thousand new patents in 2003.¹³⁴ However, most of the companies that comprise the biotechnology sector are small and lack significant financial assets. As a result, their primary means of financing research and development is through private investment and negotiations. Consequently, they argued that any change or even uncertainty in the injunctive remedy could have a deleterious effect on negotiations with private investment sources, and thereby reduce the potential for future drug discovery.¹³⁵

Additionally, many biotech companies and research institutions do

130. See Brief for Respondent, *supra* note 42, at 33.

131. Brief for Biotechnology Industry Organization as Amicus Curiae Supporting Respondent at 1, *eBay*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter Brief for BIO].

132. See *id.* at 2; see also Brief for Pharmaceutical Research and Manufacturers of America Brief as Amicus Curiae Supporting Respondent at 7, *eBay*, 126 S. Ct. 1837 (2006) (No. 05-130) [hereinafter Brief for Pharma].

133. See Brief for BIO, *supra* note 131, at 8.

134. *Id.* at 1.

135. See *id.* at 5.

not immediately practice or develop their patented inventions.¹³⁶ In some circumstances this may be due to lack of financing, expertise, or manufacturing capacity. Also, licensing may not be strategically or economically beneficial. If the injunctive remedy was removed as a protection against infringement, the biotech industry would be forced to seek protections under different legal regimes, such as trade secrets, and this may not be in the best interests of the industry or the public as a whole.¹³⁷ The rewards of new medicines and improvements to public health and safety may be diminished or lost as a result.

Likewise, the pharmaceutical industry argued that the presumption in favor of a permanent injunction as a remedy for patent infringement is essential. As their amicus brief stated, the “pharmaceutical industry depends for its very existence upon strong, reliable patent protection.”¹³⁸ The high research and development costs associated with the long process from idea to FDA approval and the high likelihood of failure of most research compounds are subsidized by the products that successfully make it to the drug market.¹³⁹ Pharmaceutical drugs usually contain a single, easily identifiable compound that may qualify for patent protection.¹⁴⁰ While an injunction would lead parties to negotiate and reach a fair market price for use, compulsory licensing, as a judicial remedy, rarely factors in the true research and development costs.¹⁴¹ Therefore, according to the pharmaceutical industry, a failure of the right to exclude in any given circumstance could be disastrous.

Nevertheless, Teva Pharmaceuticals, a generic drug manufacturer, presented a strong counterargument against a near-automatic injunction rule.¹⁴² It argued that injunctions should not issue where the infringement is due to the presence of a “de minimis” or “mere “trifling”

136. *See id.* at 17.

137. *See id.* at 9-10. The patent system protects innovation for a limited time in exchange for a dedication of the technology to the public domain at the end of that limited period. *See, e.g., Universal Oil Prods. Co. v. Globe Oil & Ref. Co.*, 322 U.S. 471, 484 (1944). Trade secrets would be a disadvantage to both industry as well as the public. For example, industry would not be protected from reverse engineering or other copying of the technology. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475-76 (1974). And because trade secrets could, in theory, exist in perpetuity, many innovations may either never make it to market or be limited in supply or distribution, hurting access to it by the general public and limiting the potential innovation on that technology going forward.

138. Brief for Pharma, *supra* note 132, at 5.

139. *See id.* at 5-8.

140. *See id.* at 7.

141. *See id.* at 13-15. Research and development costs of patented drugs are not easily calculable because pharmaceutical companies usually offset the costs of failed drug candidates. *See id.* Consequently, the pharmaceutical industry argued that court-imposed licenses would “directly impact the number of new drugs brought to market. Pharmaceutical companies would be unable to raise as much money to invest in R&D, and the resulting decrease in R&D funding would translate directly into fewer new drugs.” *Id.*

142. *See* Brief for Teva, *supra* note 104.

amount of a patented substance in a drug product.¹⁴³ According to Teva, because these minute quantities of substances bear little or no significant therapeutic value,¹⁴⁴ an injunction against the entire drug product would be unfair.¹⁴⁵ The patent holder in these scenarios “suffers no competitive disadvantage” and the balancing of the hardships should not weigh in its favor.¹⁴⁶ As one district court stated, it would be a “travesty of equity” to grant an injunction in such cases.¹⁴⁷ A near-automatic rule would thereby restrain generic drug manufacturers and have a concomitant negative impact on the public interest in low-cost pharmaceuticals.¹⁴⁸

Although it appeared that MercExchange’s position enjoyed the support of the biotech and pharmaceutical industry, a strong counter-argument in favor of a full consideration of the four-factor equitable test was nevertheless presented.

C. *The Supreme Court*

The Supreme Court, in a unanimous opinion, rejected the Federal Circuit’s narrow test for an injunction and accepted eBay’s argument that the traditional four-factor test applies to injunctive relief under the Patent Act.¹⁴⁹ It held that for an injunction,

a plaintiff 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 the hardships between plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.¹⁵⁰

The Supreme Court found that nothing in the Patent Act indicated a contrary intent by Congress.¹⁵¹ Neither the language of the statute nor the personal property attributes of patents justified a departure from the traditional balancing test. The use of the term “may” in Section 283 supports this conclusion, as well as the discretion that it vests in the

143. *See id.* at 2-3.

144. Typically, these substances are by-products of the chemical or manufacturing processes employed to create the underlying active ingredient. *See id.* at 8-9. Often, eliminating these “impurities” would be cost prohibitive or impossible. *Id.*

145. *See id.*

146. *Id.* at 11 (quoting *Abbott Labs. v. Andrx Pharms., Inc.*, No. 05C1490, 2005 WL 1323435, at *14 (N.D. Ill. June 3, 2005)).

147. *Id.* at 9 (quoting *SmithKline Beecham Corp. v. Apotex Corp.*, 247 F. Supp. 2d 1011, 1045-46 (N.D. Ill. 2003)).

148. *See id.* at 12.

149. *See eBay*, 126 S. Ct. at 1838-39.

150. *Id.* at 1839.

151. *Id.*

district court to perform the requisite inquiry.¹⁵² Also, the existence of a personal property right is separate from any consideration of remedies for violations of that right.¹⁵³ Although the Federal Circuit held that the right to exclude, by itself, justified the general rule in favor of a permanent injunction, the Patent Act itself limits this right by making it “[s]ubject to the provisions” of the entire title, including, as the Court found, the remedy provision.¹⁵⁴

The Supreme Court further supported its decision by comparing the approach to permanent injunctive relief under the Copyright Act, which embodies a similar personal property right and statutory language as the patent statute.¹⁵⁵ Despite numerous attempts by litigants “to replace the traditional equitable considerations” under the Copyright Act, the Supreme Court has “consistently rejected” any rule that would automatically grant an injunction following a determination of copyright infringement.¹⁵⁶

According to the Court, neither the district court nor the Federal Circuit properly approached the test for injunctive relief. The district court properly identified the four-factor test, but then adopted “expansive principles” that may inequitably deny injunctive relief in certain cases.¹⁵⁷ Specifically, the Court noted that factors, such as a plaintiff’s “willingness to license its patents” and a “lack of commercial activity in practicing the patents,” could not be conclusive on the issue of whether the patent holder would suffer irreparable harm absent an injunction.¹⁵⁸ On the other hand, the Court determined that the Federal Circuit’s decision digressed to the extreme in the opposite direction. Its decision that injunctions should issue in all but exceptional cases was similarly infirm as a categorical rule.¹⁵⁹ However, the opinion offered little guidance on how to apply the equitable principles to the specific facts of the case.

Of particular interest are the two concurring opinions, one by Chief Justice John Roberts and the other by Justice Kennedy. Chief Justice Roberts, joined by Justices Scalia and Ginsburg, concurred with the holding of the Court, but then laid out, at least tacitly, support for the Federal Circuit approach favoring injunctive relief once patent infringement has been determined. He noted that for the last two hundred years, “courts have granted injunctive relief upon a finding of

152. *See id.* (quoting language from 35 U.S.C. § 283).

153. *See id.* at 1840.

154. *Id.* (quoting language from 35 U.S.C. § 261).

155. *See eBay*, 126 S. Ct. at 1840.

156. *Id.*

157. *Id.*

158. *Id.* (quoting *MercExchange*, 275 F. Supp. 2d at 712).

159. *See id.* at 1841.

infringement in the vast majority of patent cases.”¹⁶⁰ While he agreed that “[t]his historical practice [did] not *entitle* a patentee to a permanent injunction,” he also felt that ““a page of history [was] worth a volume of logic.””¹⁶¹

Justice Kennedy, in his concurring opinion joined by Justices Stevens, Breyer, and Souter, discounted Chief Justice Roberts’ attempt to support the Federal Circuit’s approach. Of particular importance to Justice Kennedy was the fact that current patent infringement cases are significantly dissimilar from the historical cases that had justified an almost categorical granting of injunctions.¹⁶² In recent years, commercial firms have sprouted up that are dedicated solely to the licensing of patents and not to the manufacturing of goods under the patent protection. Justice Kennedy feared that these firms may use an injunction “as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent[s]” in their collection.¹⁶³

However, Justice Kennedy’s most striking conclusion, which has particular importance to the patent law community, was that injunctive relief may not always be in the public interest. According to Justice Kennedy, where the patented method or invention is “but a small component” of the product that an infringing company manufactures, damages may be sufficient compensation to the patent holder.¹⁶⁴ This may be of special concern with respect to business-method patents, which are a recent phenomenon.¹⁶⁵ For these reasons, his call to district courts was to differentiate historical cases from modern incarnations and apply the traditional four-factor analysis on a case-by-case and fact-specific basis.

IV. IMPLICATIONS ON THE BIOTECH AND PHARMACEUTICAL INDUSTRIES

There is definitely confusion as to what the Supreme Court decision in *eBay* actually means to the patent landscape. Given that the clamor for change in patent law has been growing in recent years, largely fueled by “patent trolls” and the use of patents as an offensive tool to exact a ransom, this decision has not been interpreted in a vacuum.¹⁶⁶ Some law

160. *Id.* (Roberts, C.J., concurring).

161. *eBay*, 126 S. Ct. at 1841-42 (Roberts, C.J., concurring) (quoting Justice Holmes in *N.Y. Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921)).

162. *See id.* at 1842 (Kennedy, J., concurring).

163. *Id.* (Kennedy, J., concurring).

164. *Id.* (Kennedy, J., concurring).

165. *Id.* (Kennedy, J., concurring).

166. *See* Robert A. Armitage, *The Conundrum Confronting Congress: The Patent System Must Be Left Untouched While Being Radically Reformed*, 5 J. MARSHALL REV. INTELL. PROP. L. 268 (2006).

firms are counseling their clients that little, if anything has changed.¹⁶⁷ Others, perhaps, sense a shift from the near-automatic rule that had dominated the Federal Circuit approach for the last twenty years.¹⁶⁸

Arguably the decision changes very little on its face. The unanimous opinion did little more than reaffirm that traditional equitable principles apply to the analysis of whether to grant injunctive relief. Categorical rules on either side of the argument were expressly renounced by the Court. On one side, the decision states that a failure to commercially exploit or license a patent by a patentee cannot be the grounds for denying a permanent injunction in every case.¹⁶⁹ But that was already the situation under *Continental Bag*.¹⁷⁰ Likewise, a general rule that a permanent injunction should issue once infringement has been determined in every case is antithetical to the specific wording of Section 283 and eliminates the discretion that is statutorily vested in the district court.¹⁷¹

The concurring opinions, however, do raise competing issues under the cloak of historical practice. Chief Justice Roberts' opinion, favoring permanent injunctions because of the difficulty in enforcing the "right to exclude," would keep the near-automatic rule in place, at least as an underlying notion in applying the four-factor test.¹⁷² Justice Kennedy would also support a test which favors an injunction, but was careful to point out that many modern patent cases are highly distinguishable from historical ones and such differences need to be addressed in the four-factor analysis.¹⁷³

Nevertheless, the opinion does not necessarily imply that there will be a landmark change in the Federal Circuit analysis, especially for patent disputes in the biotechnology and pharmaceutical industries. One major concern of the industries may lie in whether use or practice of the invention in the marketplace is a dispositive issue on whether a court should grant an injunction for infringement. It is important to note that the core holding of *Continental Bag* was left intact by the Supreme Court

167. See generally Gregory A. Castanias & Susan M. Gerber, *The Supreme Court's Decision in eBay: What Does It Mean for Injunctions in Patent Cases?*, JONES DAY COMMENTARY (June 2006), http://www.jonesday.com/pubs/pubs_detail.aspx?pubID=S3507.

168. See WILSON SONSINI GOODRICH & ROSATI, CLIENT ALERT: SUPREME COURT ELIMINATES PRESUMPTIVE INJUNCTIONS IN PATENT CASES (2006), http://www.wsgl.com/publications/PDFSearch/clientalert_ebay.pdf; BRYAN C. DINER, ANTHONY C. TRIDICO & JOHN C. STOLPA, FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP, *The Effect of the U.S. Supreme Court's Decision in eBay v. MercExchange on the Biopharmaceutical Industry* (2006), <http://www.finnegan.com/publications/news-popup.cfm?id=1608&type=article>.

169. See *eBay*, 126 S. Ct. at 1840.

170. See *Continental Bag Co.*, 210 U.S. at 425-29.

171. See *eBay*, 126 S. Ct. at 1841.

172. See *id.* (Roberts, C.J., concurring).

173. See *id.* at 1842 (Kennedy, J., concurring).

decision in *eBay*. *Continental Bag*, an almost century-old patent case, stands for the principle that a patent gives the patentee exclusive rights to use of his invention, and that non-use cannot be a factor in determining whether an injunction should issue.¹⁷⁴ *Continental Bag* underscored the core purpose of the patent system was to allow a patentee to “reserve in himself the exclusive use of his invention.”¹⁷⁵ If a patentee “neither use[s] his device nor permit[s] others to use it, he has but suppressed his own [rights] . . . [because] he is neither bound to use his discovery himself nor permit others to use it.”¹⁷⁶ Consequently, “exclusion may be said to [be] . . . the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, without question of motive.”¹⁷⁷

Nevertheless, patent owners who use their invention and compete in the marketplace may have a stronger case for an injunction.¹⁷⁸ This may include manufacturers of drugs or compounds such as pharmaceutical companies, or in the case of some smaller biotechs, licensors of the patent to individual or multiple third parties. The Supreme Court decision does not alter the Federal Circuit framework in such cases.

In contrast, “those who gain no more than negotiating power from an injunction” may have a harder time persuading a court to issue an injunction in addition to, or instead of, money damages.¹⁷⁹ Some patent holders, especially startup biotech and institutional researchers, may have reasons to withhold their invention from the market. Under the post-*eBay* analysis, the more a non-using patent holder resembles a university or individual inventor, the more likely the courts will grant injunctive relief for infringement of the unused invention.¹⁸⁰

However, it is important to analyze how each of the four factors under the traditional equitable test would balance in a typical pharmaceutical or biotechnology dispute.

A. Irreparable Harm

Prior to the *eBay* case, Federal Circuit precedent presumed irreparable harm to the patentee after infringement was determined.¹⁸¹

174. *Continental Bag Co.*, 210 U.S. at 425-29.

175. *Id.* at 425.

176. *Id.*

177. *Id.* at 429.

178. See Posting of Steven J. Frank to Corporate Dealmaker Forum, Patent Injunctions: Is There Life After *eBay* v. MercExchange?, http://corporatedealmaker.thedealblogs.com/2006/05/patent_injunctions_is_there_li.php (May 24, 2006) [hereinafter Corporate Dealmaker Forum].

179. See Corporate Dealmaker Forum, *supra* note 178.

180. See *id.*

181. See, e.g., *Richardson*, 868 F.2d at 1247.

This, however, was a rebuttable presumption that placed the burden on the infringing party to demonstrate that the patentee would not suffer continuing and irreparable injury absent a permanent injunction.¹⁸² The Supreme Court decision does not address this burden-shift, and this analysis assumes that it remains in place.

Among the several factors that may play a role in deciding whether irreparable injury will result are: whether the patentee uses the invention commercially, whether he licenses the patent to others, and to what degree any irreparable injury has occurred during the pendency of the litigation.¹⁸³ While none of these factors may be dispositive on the greater issue of whether an injunction should be granted, each may indicate that any injury sustained may be adequately addressed through another remedy.

However, there are exceptions. Although most pharmaceutical companies and a fair number of biotechnology companies actively commercialize or license their patents,¹⁸⁵ many companies and research institutions, both private and public, do not immediately develop or market their patented products. This may be due to a lack of funding, inadequacy of technology or expertise, or some other roadblock to development.¹⁸⁶ While each of these scenarios could weigh against a finding of an irreparable injury, the unanimous Supreme Court opinion in *eBay* specifically addressed this concern. It recognized that “some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves.”¹⁸⁷

Since a patent that is not exploited commercially is more difficult to value than a patent that is licensed or used in the marketplace, biotechnology companies that do fail to practice or license their patents will have a more difficult, but not necessarily impossible, burden. First, they can attempt to prove that the balance of the remaining factors weighs in their favor. While failure to use an invention may weaken the irreparable harm argument, there may still be a significant showing of willful infringement or public harm if an injunction does not issue.

Second, they can choose to license their invention. Nothing

182. See *MercExchange*, 401 F.3d at 1339; *Reebok Int’l, Ltd. v. J. Baker Inc.*, 32 F.3d 1552, 1556 (Fed. Cir. 1994) (holding that a showing of infringement raises a rebuttable presumption of irreparable harm in the preliminary injunction context).

183. See *Polymer Tech., Inc. v. Bridwell*, 103 F.3d 970, 974 (Fed. Cir. 1996).

185. See generally Brief for BIO, *supra* note 131; Brief for Pharma, *supra* note 132.

186. See Brief for BIO, *supra* note 131, at 10-15.

187. *eBay*, 126 S. Ct. at 1840 (stating that “such patent holders may be able to satisfy the traditional four-factor test”).

prevents a patentee, such as a small biotech or research institution, from offering the alleged infringer an opportunity to purchase the right to practice the subject matter disclosed in the patent. While this patentee may argue that an injunction can achieve a more favorable, or even more “accurate,” fair market value for the patented invention, nothing dictates that the patentee should be able to wield the injunctive remedy as an exploitive tool.¹⁸⁸ Nevertheless, compulsory licenses, as imposed by courts through a damages remedy in place of an injunction, are similarly faulty because they often undervalue the patent or ignore intrinsic elements.¹⁸⁹

For those inventions that may sit on the proverbial shelf, biotechnology companies can seek protections from other areas of the law, such as trade secrets.¹⁹⁰ In such cases, since the company is choosing to not commercialize or license the invention, it may be of little present benefit to the public, thereby failing to implicate one of the underlying purposes of patent law. Trade secret protection for such innovations would not harm the public and would still offer some protection in the marketplace.

Similarly, the pharmaceutical industry will likely be able to show irreparable injury in the vast majority of infringement cases. Typically, pharmaceutical patents fall into one of two categories. The first category is a basic compound patent. These patents cover the basic compound of a drug, usually the active ingredient, and are often the result of vast expenditures of time and money in research and development.¹⁹¹ The second category includes subsequent generations of previously expired patents. These patents may cover innovations such as the process involved in manufacturing previously patented ingredients for a drug, new or revised formulations that contain previously patented ingredients, new structural forms of previously patented products, or even impurities in a previously patented ingredient of a drug.¹⁹² Each of these types of patents has a practical commercial use as well as a potential for licensing. Infringement by another company would reduce market share or significantly harm existing licensing agreements and irreparable economic injury would be the likely result absent an injunction.¹⁹³

188. See *id.* at 1842 (Kennedy, J., concurring).

189. See *In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litig.*, 831 F. Supp. 1354, 1397 (N.D. Ill. 1993), *aff'd*, 71 F.3d 1573 (Fed. Cir. 1995) (holding that “[t]he injunction creates a property right and leads to negotiations between the parties. A private outcome of these negotiations—whether they end in a license at a particular royalty or in the exclusion of an infringer from the market—is much preferable to a judicial guesstimate about what a royalty should be.”) [hereinafter *In re Mahurkar*].

190. See Brief for BIO, *supra* note 131, at 20.

191. See Brief for Pharma, *supra* note 132, at 11-12.

192. See Brief for Teva, *supra* note 104, at 12-13.

193. See Brief for BIO, *supra* note 131, at 20; Brief for Pharma, *supra* note 132, at 10-

Finally, there may be an additional factor for the patent holder to present in its favor in the irreparable harm analysis. During the usually lengthy process of patent litigation, often lasting several years, there may be either a preliminary injunction in place or otherwise, actual injury may be occurring. The preliminary injunction, although granted on slightly different equitable factors, can serve as a rebuttable presumption that irreparable injury would have occurred, shifting the burden to the infringer.¹⁹⁴ Likewise, if actual injury, such as a loss of market share or a failure of licensing agreements, occurred during the pendency of the litigation, it can serve as almost irrefutable proof that irreparable harm has occurred.

Consequently, the irreparable harm analysis will almost always weigh in favor of a pharmaceutical or biotech patent holder.

B. *Lack of a Remedy at Law*

With rare exception, a violation of the right to exclude can only be truly rectified with an injunction.¹⁹⁵ This necessarily implies that there is a lack of an adequate remedy at law for patent infringement. Nothing in the Supreme Court opinion in *eBay* likely changes that presumption. While licensing agreements are common throughout the biotechnology and pharmaceutical industries, there is no presumption that willingness to license indicates that money damages may sufficiently compensate for infringement.¹⁹⁶

The public posture of a company seeking to enforce its patents against an infringing party should play a role in determining whether an injunctive remedy is the sole fair relief. If litigation is merely being used as settlement leverage, then an injunction could provide a windfall to the claimant. Conversely, if the infringement is continuing and a substantial likelihood of a loss of market share or loss of selectivity in licensing agreements exists, then an injunction may be the sole remedy that would compensate for and prevent the harm.

Biotechnology and pharmaceutical companies often license their patent technology to third parties. Willingness to license should not, and according to the *eBay* decision, does not play a role in determining whether an injunction is proper.¹⁹⁷ Nevertheless, licensing agreements in these industries are often carefully written to limit the licensee's use of the patent for specific purposes or to offer exclusive access to the patent for the licensee. Infringement by another party would directly impact

14.

194. See *Reebok Int'l, Ltd.*, 32 F.3d at 1556.

195. See *Kaiser Aetna*, 444 U.S. at 176-79; *Smith Int'l, Inc.*, 718 F.2d at 1578.

196. See *eBay*, 126 S. Ct. at 1840.

197. See *id.*

these contracts and may lessen their value or worse yet, put the licensor-patent holder in breach of contract. An injunction in such cases would be the only remedy that would compensate and secure the patent holder's rights.

Nevertheless, there may be circumstances where infringement, at least in part, may be compensable with money damages and therefore, a remedy at law is available. If a pharmaceutical or biotech company holds a patent to an inactive ingredient that is a miniscule portion of the infringing product, a strong case could be made that damages and a "compulsory license" may be sufficient to remedy the infringement.¹⁹⁸ Likewise, if the patent is to some intermediary compound or process that is not part of the final product, while the infringement may be serious, damages could potentially compensate the patentee sufficiently in circumstances where the public would be harmed by a loss of a competitive marketplace or where the patentee is attempting to prolong its monopoly beyond the initial term. This necessitates a case-by-case analysis and a full exploration by a district court of this equitable factor.

It seems plausible therefore, that these factors will, as they have in the past, usually weigh in favor of the pharmaceutical and biotechnology patentee.

C. Balancing of the Hardships

A balancing of the hardships will almost always favor the patentee against the infringing party. The court must weigh the hardship imposed on the infringing party by an injunction against the patentee's hardship should an injunction be denied.¹⁹⁹ Pharmaceutical and biotechnology research is highly speculative and requires a significant investment of capital, and any diminution in market share or value of an invention because of infringement may impose a tremendous hardship.

Some of the strongest arguments presented by both the pharmaceutical and biotech industries in their amicus briefs were that research costs are often recouped only through the temporary monopoly permitted through the patent system.²⁰⁰ Such high costs are clear evidence that absent an injunction, a significant, if not debilitating, financial impact would result with continued infringement. It is unlikely that a court could estimate the long-term revenue of a commercially viable drug or other invention and a compulsory license would, only in

198. *See id.* at 1842 (Kennedy, J., concurring) (arguing that legal damages may be sufficient where a patented invention is a small component of a product); Brief for Teva, *supra* note 104, at 14-16.

199. *See eBay*, 126 S. Ct. at 1839.

200. *See* Brief for BIO, *supra* note 131; Brief for Pharma, *supra* note 132.

rare circumstances, successfully incorporate the true market value.²⁰¹

On the other hand, the hardships to the infringing party are usually considered irrespective of the financial impact on the company resulting from it being enjoined from manufacturing the infringing product.²⁰² While they could argue that a work-around or modification would be cost-prohibitive or infeasible, it is unlikely that such a hardship would outweigh the market damage to the patentee. Loss of employment, bankruptcy, and loss of investor monies would likely result irrespective of which party wins out, and consequently the balancing here is more granular.

However, in circumstances where the infringement is based on a tiny fraction of the drug or invention, such an argument may hold up. With many second and third generation patents, pharmaceutical companies attempt to extend their drug monopolies beyond the initial patent term.²⁰³ Such second and third generation patents are often based on impurities or fractionally present compounds that are not functional in the drug.²⁰⁴ However, removing such impurities is often cost prohibitive or impossible under currently existing technologies.²⁰⁵ In such cases, the hardship to the infringing party, such as a generic drug manufacturer, may outweigh the harm that would result from a compulsory license.

On the whole, however, the balance of hardships will usually favor the patent holder. Hence, the post-*eBay* analysis will rarely mandate a different outcome from the near-automatic rule based on this factor alone.

D. Public Interest

The final factor that a district court must consider before granting or denying an injunction is whether the public interest would be disserved by granting an injunction.²⁰⁶ The near-automatic Federal Circuit rule already incorporated certain aspects of this interest in the “unusual circumstances” exception.²⁰⁷ The *eBay* decision only requires a closer examination of the effect of a patent monopoly on the general public as well as on any public interest in commercial predictability.

The public interest in the products of pharmaceutical and biotech companies is relatively large. Most pharmaceutical companies create

201. See *In re Mahurkar*, 831 F. Supp. at 1397.

202. See 1 DAN B. DOBBS, DOBBS LAW OF REMEDIES § 2.4(5) (2d ed. 1993).

203. See Brief for Teva, *supra* note 104, at 13.

204. See *id.*

205. See *id.*

206. See *eBay*, 126 S. Ct. at 1839.

207. See, e.g., *Hybritech Inc.*, 4 U.S.P.Q.2d (BNA) at 1015; *Activated Sludge*, 69 F.2d at 593.

drugs that treat illness, prolong life, and improve the health of the general population.²⁰⁸ Likewise, biotechnology companies often discover the genes that cause cancers, debilitating diseases, and methods for efficacious and safe drug delivery.²⁰⁹ The patent not only offers the incentive to invest large sums of money into these research endeavors, but also protects the public from products of companies that may seek to provide inferior versions of these innovations.

This factor will almost always favor the patent holder. The amicus briefs of both industries clearly pointed out that absent the patent system's injunctive protections, multi-billion-dollar investment in research and development would likely not be practical.²¹⁰ Likewise, if an infringing party is allowed to exact a compulsory license on a regular basis, the investment community would be unable to predict the ultimate value of a drug or innovation, given that on any day, its market share can be depleted without warning.²¹¹

Nevertheless, there are several circumstances where the public interest would favor the denial of a permanent injunction. First, if the patent is on a drug that was previously protected by a now-expired patent, injunctive relief may be against the public interest.²¹² Generic drug companies offer cheaper alternatives to brand-name drugs that have come off patent protection. These lower priced, but usually identical formulations offer the public the opportunity for improved health and quality of life. The patent system was not designed to provide a permanent monopoly to a drug manufacturer and second or third generation patents are often used to perpetuate that stranglehold.

Second, allowing dilute quantities of patented *inactive* ingredients to prevent a generic alternative would likely be deemed against the public interest. Patent law was not meant to permit perpetual exclusive rights in an invention.²¹³ End-runs around this limitation by a former patent holder could be damaging to the public health, especially because it limits access to medical treatments for lower income individuals. Past cases have carved out public health and safety exceptions to injunctive relief,²¹⁴ and such exceptions likely continue to exist after the *eBay* decision.

208. See Brief for Pharma, *supra* note 132, at 1-2.

209. See Brief for BIO, *supra* note 131, at 1-4.

210. See Brief for BIO, *supra* note 131; Brief for Pharma, *supra* note 132.

211. See Brief for BIO, *supra* note 131, at 3-5; Brief for Pharma, *supra* note 132, at 7-8.

212. See Brief for Teva, *supra* note 104, at 9-11.

213. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989) (stating that the patent system “embodies a . . . bargain for encouraging . . . advances in technology . . . in return for the exclusive right to practice the invention for a *period of years*.” (emphasis added)).

214. See, e.g., *Hybritech Inc.*, 4 U.S.P.Q.2d (BNA) at 1015.

Finally, where biotech or pharmaceutical companies have shelved a patented product and thereby prevent the public from access to its benefits, there may be a case for the infringing party.²¹⁵ An argument can be put forth that an injunction in such circumstances would remove the drug or innovation entirely from the market, not because of safety or other concerns, but because of a profit motive. A compulsory license in such circumstances may be in the public's interest and may offer strong support to the infringing party in the four-factor analysis.

E. Other Considerations

Nevertheless, even if Justice Kennedy's concurring opinion gains traction in district court analyses, the differences between modern patent cases, such as where business-method patents are involved, and historical cases, which typically include patents held by biotech companies and pharmaceutical companies, should ensure that the near-automatic rule remains in place.

Business-method patents are new phenomena in the marketplace. Prior to the *State Street Bank & Trust*²¹⁶ decision, there was an uncertain "business-method" exception to the patentable subject matter under Section 101.²¹⁷ Because business-method patents are a more recent evolution in patent law, historical analogues are limited. Therefore, district courts, which may otherwise follow Justice Kennedy's suggestion to use historical practice as guidance in addressing injunctive relief for infringement of business-method patents, may have more latitude under the *eBay* decision to inquire further into the nature of the infringement and its consequences on the market and the parties involved prior to granting an injunction.²¹⁸

Biotech patents and pharmaceutical patents, however, are firmly grounded in historical practice under the patent system. The typical product of both industries is usually a simple compound that is novel, non-obvious, and useful.²¹⁹ Historical practice in such scenarios almost exclusively grants an injunction to the patentee, absent exceptional

215. *See id.*

216. *See State St. Bank & Trust Co v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998).

217. *See Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467, 469 (2d Cir. 1908) ("A system of transacting business disconnected from the means for carrying out the system is not, within the most liberal interpretation of the term, an art."). *See generally* Automated Financial or Management Data Processing Methods: Business Methods, USPTO White Paper, <http://www.uspto.gov/web/menu/busmethp/index.html>.

218. This latitude is probably supported by both the opinion of the court in *eBay*, 126 S. Ct. at 1840-41, as well as Justice Kennedy's concurring opinion, *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring).

219. *See* Christopher M. Holeman, *Biotechnology's Prescription for Patent Reform*, 5 J. MARSHALL REV. INTELL. PROP. L. 317, 337-38 (2006).

circumstances, and hence the industries' support for the near-automatic rule that had been law prior to *eBay*.

Further, it is unclear whether biotech and pharmaceutical companies will continue to lobby for the near-automatic injunction rule in the future. Biotechnology and pharmaceuticals in the 21st century are becoming more complex. Companies in both sectors increasingly incorporate multiple disciplines in the design and creation of their patentable products, such as biology, chemistry, physics, and engineering, and these novel products are more complex and may require multiple patents.²²⁰ And, it will become increasingly likely that some other player in the market may hold a patent to a fractional component of these complex products. As this trend continues, the industries may become more vulnerable to the threat of an injunctive hold-up.²²¹ Consequently, they may need to reevaluate their stance on the approach to patent injunctions at some point in the near future.

CONCLUSION

The *eBay* case has signaled the end, at least in principle, to the Federal Circuit's near-automatic injunction rule. On its face, the unanimous opinion merely reaffirmed that traditional equitable principles cannot be overlooked in the permanent injunction analysis. But it offered little, if any, interpretive guidance to the four-factor test.

It is too early to tell if there has been a sea change in patent law and its treatment of permanent injunctive relief after a determination of infringement. The Supreme Court, mindful of institutional competence, left its opinion vague because any substantial change in patent rights was better left for Congressional action. However, in the post-*eBay* era, district courts have reached varying conclusions. Some have incorporated principles from Justice Kennedy's concurring opinion and denied injunctive relief where the infringing technology was but a small part of the overall product and any redesign would have been cost-prohibitive.²²² Others have recited the four-factor test, analyzed the facts of the case, and, nevertheless, applied the equities in favor of a permanent injunction.²²³

Despite the biotechnology and pharmaceutical industries'

220. *See id.* at 337-41.

221. *Id.* at 338.

222. *See, e.g.,* *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006); *Paice L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600, at *15-18 (E.D. Tex. Aug. 16, 2006).

223. *See, e.g.,* *Visto Corp. v. Seven Networks, Inc.*, No. 2:03-CV-333-TJW, at *11-14, 2006 U.S. Dist. LEXIS 91453 (E.D. Tex. Dec. 19, 2006); *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, No. 02-2873 Ma/A, 2006 U.S. Dist. LEXIS 91851, at *7-14 (W.D. Tenn. Sept. 28, 2006).

contentions that changing the infringement calculus would have devastating effects on their research and development, investment opportunities, and approach to securing their intellectual property, the *eBay* decision, at least in their case, should not signal a drastic change in their expectations from patent rights. Historically, patent infringement in both industries has been treated by courts with a clear understanding of the ramifications. Courts have typically acknowledged the investor expectations in these industries and that the costly process from a drug lead to an actual marketable pill or treatment necessarily weighs in favor of finding irreparable harm as a consequence of patent infringement. Similarly, monetary damages rarely suffice because it is impossible for courts to accurately predict the long-term value of a pharmaceutical or biotech patent. Because the research is highly speculative, infringement not only diminishes the value of a potential breakthrough, but may short circuit the entire process of drug development, imposing a tremendous hardship on investors and the public alike. And finally, the public interest in the products of both industries, more than in almost any other arena, is exceptionally high. Patents form the foundation for the development of almost every treatment and improvement in public health.

Because the equitable factors weigh heavily in favor of the patentee in the pharmaceutical and biotechnology industries, courts will find it difficult to justify compulsory licensing in place of the traditional permanent injunction. Although the patent future is less clear for business-method patents and “patent trolls,” at least in the case of biotech and pharmaceuticals, the *eBay* case is likely much ado about nothing.