

Cos. Sigh Relief from Supreme Court's eBay Decision

by *James J. Foster*

Two weeks ago, the Supreme Court shook up the patent world by ruling that the owner of a patent eBay had infringed would not necessarily be able to shut down eBay. Only time will tell how this ruling will play out for other patent owners. For the time being, many companies in the semiconductor, computer and software industries are breathing a sigh of relief.

To be effective, patents have to be able to be enforced. Injunctions have a role in enforcement, because an injunction provides the patent owner with the muscle to prevent continued infringement. The threat of an injunction thus deters potential infringers from making investments in products that might end up not being sold. Although a patent owner would also obtain damages for past infringement, in most cases no one would question that a patent owner should be able to prevent the infringement from continuing.

Certain cases, however, present compelling exceptions. For example, a microprocessor or computer program found to infringe a patent may actually include hundreds or perhaps thousands of other inventions, compared to which the patented invention may be relatively inconsequential. The infringing manufacturer may have designed the product through its own considerable research and development. The manufacturer may have had no knowledge of the patent owner or his patent when the product was designed. The product may have become an industry standard, perhaps before the patent had even issued.

In such situations, the patented invention may have little intrinsic value to the manufacturer. However, because it has become embedded irreversibly in the product base, the manufacturer cannot avoid infringement without bearing the extraordinary, perhaps ruinous, costs of starting over with a new product.

Before the Supreme Court decision, the rule had been that the patent owner could shut down the infringer in virtually every case. A patent owner could thus "hold up" defendants who had made significant, irreversible investments and force them to make payments that far exceeded the invention's true value.

The Supreme Court threw out that rule, wisely deciding the trial courts should have discretion to apply established principles of equity to determine whether an injunction would be unjust. Under the test that will now be employed, a court cannot enjoin continued infringement without first considering:

- whether the patent owner has suffered an irreparable injury;
- whether damages or a royalty would adequately compensate for that injury;
- the balance of hardships between the patent owner and the infringer; and
- the public interest.

Although the Supreme Court decision has changed the law, the effects of the change are difficult to predict. Under the new test, a court would still almost always grant an injunction where the patentee practices

the patent in competition with the infringer or where the infringer otherwise sells a product that cuts into the patentee's business. Similarly, where the infringer simply copies the idea from the patentee, equity would cause most courts to order the infringement stop. Because the Supreme Court's opinion mentions, favorably, university researchers and sole inventors, they would also be expected to get an injunction, although some exceptions might arise.

It will take several years for the lower courts, by ruling in various actual cases, to establish clear guidelines dictating when injunctions will issue under the new standard. However, that lower courts now have the discretion to allow continued activity is a welcome development.



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