



## Understanding the Errors of *eBay*

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On January 5, 2017, Amgen secured against Sanofi and Regeneron a permanent injunction that shook economic markets and the legal world.<sup>1</sup> Sanofi and Regeneron had admitted to infringing Amgen's patents by selling their product Praluent, an antibody drug for treating high cholesterol and heart disease. A jury had earlier found the patents to be valid. After that finding, the conventional wisdom was that Amgen would not receive its requested injunction. When the injunction was granted, legal commentators and business watchers expressed surprise: "a surprise and overwhelming victory to Amgen,"<sup>2</sup> "a nearly unprecedented move."<sup>3</sup> One law professor tweeted, "I am shocked."<sup>4</sup>

The reactions raise important questions. Why was there such surprise at the injunction, when the defendant companies admitted to infringing a competitor's patents, and the patent holder has a drug that competes with the infringing drug? Why is there such surprise when a court grants an injunction after the infringer fails to defeat the patent's validity? This is not to say that an injunction is automatic, but, without knowing anything else,

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<sup>1</sup> After the injunction, Regeneron's stock price dropped 5.5 percent, Sanofi's stock price dropped 2.7 percent, and Amgen's stock rose 2.5 percent. See Allison Gatlin, *Regeneron, Sanofi Hammered After Judge Bans Amgen-Rivaling LDL-Buster*, INV.'S BUS. DAILY (Jan. 6, 2017), <http://www.investors.com/news/technology/regeneron-sanofi-hammered-after-judge-bans-amgen-rivaling-ldl-buster/>.

<sup>2</sup> Adam Feuerstein, *After Stunning Loss to Amgen in Patent Case, Regeneron Plans to Join Sanofi in Appeal*, THE STREET (Jan. 6, 2017, 5:50 AM), <https://www.thestreet.com/story/13944621/1/regeneron-cholesterol-lowering-drug-banned-from-u-s-market-in-stunning-loss-to-amgen-in-patent-case.html>.

<sup>3</sup> Matthew Herper, *Could Amgen's Patent Victory Be Bad for Medicine?*, FORBES (Jan. 6, 2017, 10:28 AM), <https://www.forbes.com/sites/matthewherper/2017/01/06/could-amgens-patent-victory-be-bad-for-medicine/>.

<sup>4</sup> *Id.*

shouldn't an infringer be enjoined more often than not? After all, the patent grant is an "exclusive right."<sup>5</sup>

The root cause of the "surprise," we believe, is the Supreme Court's decision in *eBay Inc. v. MercExchange, L.L.C.*<sup>6</sup> and the confusion it has caused during the past decade.<sup>7</sup> The confusion is attributable to the multiple opinions and the lack of in-depth analysis.<sup>8</sup> The Court's unanimous opinion itself offers no analysis of the facts and merely recites the standard four-factor analysis. The competing concurrences of Chief Justice Roberts and Justice Kennedy sowed further instability by offering conflicting views of the law, particularly with Justice Kennedy's assertion that injunctions may be less warranted for certain types of patents and patent holders—that is, business method patents and non-practicing entities.

In the ensuing decade, courts increasingly declined to enjoin infringers from continuing the infringing activity, which has led to a concomitant decrease in the value of intellectual property. More troubling, the availability of an injunction is highly dependent on the identity of the patent holder—creating the very categorical rules that the unanimous Court, including Justice Kennedy, stated should not be applied. This should never have been the result, and a reassessment of *eBay* is sorely needed, particularly given that non-U.S. jurisdictions are increasingly recognizing the valuable role of injunctions in enforcing patent rights.<sup>9</sup>

#### I. WHAT (IF ANYTHING) DID THE SUPREME COURT SAY IN *EBAY*?

A fundamental weakness of *eBay* is that the opinion of the Court, authored by Justice Thomas, said little more than that the four factors must be applied in patent cases, as in other cases. The Court recited the four factors for determining whether a patent owner deserves an injunction: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved

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<sup>5</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>6</sup> 547 U.S. 388 (2006).

<sup>7</sup> To be clear, we take no position on the correctness or incorrectness of the injunction in the Praluent case. Rather, we use that case merely to highlight current impressions about whether, in general, a patent infringer should be enjoined and the continued limiting effects of *eBay*. It is far too early to guess whether the Praluent case will be an opportunity for the Supreme Court to reassess its *eBay* opinion.

<sup>8</sup> Miranda Jones, *Permanent Injunction, A Remedy by Any Other Name Is Patently Not the Same: How eBay v. MercExchange Affects the Patent Right of Non-Practicing Entities*, 14 GEO. MASON L. REV. 1035, 1040 (2007).

<sup>9</sup> Paul Michel & Matthew J. Dowd, *The Uncertain State of Patent Law 10 Years into the Roberts Court*, IAM, Nov./Dec. 2016, at 27.

by a permanent injunction.”<sup>10</sup> The Court also tersely stated that neither the district court nor the Federal Circuit had “fairly applied these traditional equitable principles,”<sup>11</sup> and the latter “articulated a ‘general rule,’ unique to patent disputes, ‘that a permanent injunction will issue once infringement and validity have been adjudged.’”<sup>12</sup>

Beyond that, the Court’s opinion offered little more. Indeed, the Court expressly avoided any analysis of the particular facts: “[W]e take no position on whether permanent injunctive relief should or should not issue in this particular case, or indeed in any number of other disputes arising under the Patent Act.”<sup>13</sup> In sum, the only issue all Justices agreed upon was that, in their view, the Federal Circuit had misstated the applicable standard, not that the facts did not warrant an injunction.

## II. THE DISTRICT COURT AND THE FEDERAL CIRCUIT APPLIED THE FOUR-FACTOR ANALYSIS

As an initial matter, let us pick up where the Court left off—the facts of the case and an analysis of what the Federal Circuit and district court actually decided. The record demonstrates three clear points. First, the Federal Circuit did not apply an “automatic injunction” regime, as the Supreme Court suggested. Second, the district court also applied the four-factor analysis, albeit incorrectly in the view of the Federal Circuit. Third, the district court’s application was erroneous, and the facts supported an injunction.

First, the Federal Circuit did not apply an “automatic injunction” rule, notwithstanding the Supreme Court’s characterization and the claims of some *amici*. Rather, the Federal Circuit—in this as in other cases—expressly considered whether any circumstances of the case warranted departure from the general norm of injunctive relief. The court noted the “general rule” that injunctions are granted once infringement of a valid and enforceable patent has been duly adjudged. As discussed in more detail below, this “general rule” is not an “automatic injunction” rule; it is a recognition of the common-law development under the applicable four factors. As cases are decided over the years, certain trends develop, and the common law fills interstices and answers questions created by the four factors. Ironically, the Court admonished the

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<sup>10</sup> *eBay*, 547 U.S. at 391. Whether this four-factor “test” is consistent with traditional equitable principles for granting an injunction is beyond the scope of this article. We do note, however, considerable scholarship challenging the four-factor analysis. Mark P. Gergen, John M. Golden & Henry E. Smith, *The Supreme Court’s Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L. REV. 203, 207–11 (2012); THOMAS F. COTTER, *COMPARATIVE PATENT REMEDIES: A LEGAL AND ECONOMIC ANALYSIS* 102–03 (Oxford Univ. Press 2013); Doug Rendleman, *The Trial Judge’s Equitable Discretion Following eBay v. MercExchange*, 27 REV. LITIG. 63, 76 n.71 (2007) (“Remedies specialists had never heard of [eBay’s] four-point test.”).

<sup>11</sup> *eBay*, 547 U.S. at 393.

<sup>12</sup> *Id.* at 393–94 (citing *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005)).

<sup>13</sup> *Id.* at 394.

Federal Circuit for doing precisely what four Justices deemed acceptable in Justice Kennedy's concurrence—that, based on certain broad characterizations, some patent owners are less deserving of an injunction than others. Simply put, the Federal Circuit opinion did not contain any holding or analysis warranting review by the Supreme Court.

Second, the district judge performed a detailed four-factor assessment—the very analysis the Supreme Court called for. The district court's opinion included explicit findings of fact on all four factors.<sup>14</sup> Although the district court noted that “the grant of injunctive relief against the infringer is considered the norm,” the court also explained that “the decision to grant or deny injunctive relief remains within the discretion of the trial judge.”<sup>15</sup> The district court proceeded to work through the four factors. Although acknowledging this much, the Supreme Court went further and suggested that the district court “adopt[ed] certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases.”<sup>16</sup> Yet a careful reading of the district court's opinion does not indicate any acceptance of categorical rules, but rather an acceptance of general trends, developed through the common-law process.<sup>17</sup>

This gets us to a consideration of some of the reasoning in the Federal Circuit's opinion. The appeals court's analysis included several non-controversial conclusions, all of which are consistent with the Supreme Court's opinion. The Federal Circuit rejected the district court's conclusion that the patent owner's statements about its willingness to license was sufficient to reject an injunction: “Injunctions are not reserved for patentees who intend to practice their patents, as opposed to those who choose to license. The statutory right to exclude is equally available to both groups, and the right to an adequate remedy to enforce that right should be equally available to both as well.”<sup>18</sup> This conforms to the Supreme Court's statement 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.”<sup>19</sup>

The Federal Circuit also explained that the district court's “concern about the likelihood of continuing disputes over whether the defendants' subsequent actions would violate MercExchange's rights is not a sufficient

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<sup>14</sup> *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 711–15 (E.D. Va. 2003).

<sup>15</sup> *Id.* at 711.

<sup>16</sup> *eBay*, 547 U.S. at 393.

<sup>17</sup> See, e.g., *MercExchange*, 275 F. Supp. 2d at 712 (stating that the presumption of irreparable harm “may be rebutted by factors such as whether the infringer has ceased its infringing activity, whether the patentee has granted licenses in the past such that it can be compensated for the infringement, and whether the patentee delayed in bringing the lawsuit” (citing *Polymer Tech., Inc. v. Bridwell*, 103 F.3d 970, 974 (Fed. Cir. 1996))).

<sup>18</sup> *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005).

<sup>19</sup> *eBay*, 547 U.S. at 393.

basis for denying a permanent injunction.”<sup>20</sup> The district court considered this concern under the “balance of the hardships” prong, but there was no basis for doing so.<sup>21</sup>

The district court also had incorrectly expressed concern, under the public interest prong, about “the issuance of business-method patents.”<sup>22</sup> This “concern” related to the validity of the patent, but the patent’s validity had already been upheld.

In hindsight, the Federal Circuit’s opinion could have been more explicit in its four-factor analysis. But the court’s opinion must be understood in the context of the case. An appeals court’s goal is not to provide a detailed restatement of every legal principle and rule raised by every party in every case. Instead, the appeals court applies the correct legal analysis, under the correct standard of review, and determines whether there is reversible error based on the particular facts presented by the parties. In the *eBay* case, the Federal Circuit noted the erroneous analysis of the district court. That, together with the other facts that supported an injunction, was sufficient to reverse the district court.

### III. THE ROBERTS CONCURRENCE

If all the Supreme Court had issued was its unanimous opinion, *eBay* would have perhaps caused minimal disruption of the jurisprudence of injunctions. The significant confusion caused by *eBay*, however, arises from the competing concurrences by Chief Justice Roberts and Justice Kennedy. It is difficult to reconcile the views in the two concurrences. So the question is whether one view is a more accurate assessment of the law.

Chief Justice Roberts, joined by Justices Scalia and Ginsburg, observed that the traditional remedy for patent infringement included an injunction:

From at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases. This “long tradition of equity practice” is not surprising, given the difficulty of protecting a right to exclude through monetary remedies that allow an infringer to use an invention against the patentee’s wishes—a difficulty that often implicates the first two factors of the traditional four-factor test.<sup>23</sup>

In essence, the Roberts concurrence confirmed the Federal Circuit’s “general rule.” It was not an automatic rule created by an aberrant appeals court.

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<sup>20</sup> *MercExchange*, 401 F.3d at 1339.

<sup>21</sup> *MercExchange*, 275 F. Supp. 2d at 714–15.

<sup>22</sup> *Id.* at 713.

<sup>23</sup> *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring) (emphasis omitted) (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982)).

Instead, the Federal Circuit’s “general rule” was a distillation of rulings generated through the common-law process. Indeed, other circuits had similarly recognized that the infringement of an intellectual property right often created irreparable harm, thus strongly weighing in favor of an injunction.<sup>24</sup>

Even with its guidance, however, the Roberts concurrence is short and sparse on details. When Chief Justice Roberts says that grants of an injunction were historically made in the “vast majority of patent cases,” does he mean all patent cases, or only cases of direct competitors, each making a product? Is he referring only to a numerical analysis, or does he mean the vast range of cases generally, including all types of patent owners, all technologies, and all types of business models? The Roberts concurrence simply does not answer these questions, leaving district courts guessing as to what should be done.

#### IV. THE KENNEDY CONCURRENCE

In contrast to the Roberts concurrence, the Kennedy concurrence presented a very different view of the role of injunctions. Justice Kennedy made several assertions about the role of injunctions, none of which withstands further scrutiny.

Justice Kennedy contended that “in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases.”<sup>25</sup> But the concurrence did not explain or support this assertion, other than by citing an FTC report. Research by leading legal scholars reveals that Justice Kennedy’s impression is not quite accurate. Patent licensing entities were an important component of the U.S. economy in the 19th and early 20th centuries.<sup>26</sup> Major inventors, including Goodyear, Howe, and Edison, actively licensed and enforced their patent portfolios.<sup>27</sup> A fair reading of history indicates that patent licensing

<sup>24</sup> Jay Dratler, Jr., *eBay’s Practical Effect: Two Differing Visions*, 2 AKRON INTELL. PROP. J. 35, 44 n.38 (2008) (“Before *eBay*, not only the Federal Circuit, but also many other circuit courts of appeal, recognized presumptions of irreparable harm in a wide variety of intellectual property cases.”); see also J. Gregory Sidak, *Irreparable Harm from Patent Infringement*, 2 CRITERION J. ON INNOVATION 1 (2017); J. Gregory Sidak, *Is Harm Ever Irreparable?*, 2 CRITERION J. ON INNOVATION 7 (2017).

<sup>25</sup> *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

<sup>26</sup> See Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848 (2016); Adam Mossoff, *Patent Licensing and Secondary Markets in the Nineteenth Century*, 22 GEO. MASON L. REV. 959 (2015); Naomi R. Lamoreaux & Kenneth L. Sokoloff, *Inventive Activity and the Market for Technology in the United States, 1840–1920*, at 10–13 (NBER Working Paper No. 7107, 1999), <http://www.nber.org/papers/w7107>.

<sup>27</sup> B. Zorina Khan, *Trolls and Other Patent Inventions: Economic History and the Patent Controversies in the Twenty-First Century*, 21 GEO. MASON L. REV. 825, 833 (2014) (“The ‘great inventors’ of the nineteenth century, who were responsible for major disruptive technological innovations, were especially likely to be, or to benefit from, ‘nonpracticing entities.’”); Adam Mossoff, *The History of Patent Licensing and Secondary Markets in Patents: An Antidote to False Rhetoric*, CENTER FOR PROTECTION INTELL. PROP. (Dec. 9, 2013), <http://cpip.gmu.edu/2013/12/09/the-history-of-patent-licensing-and-secondary-markets-in-patents-an-antidote-to-false-rhetoric/>.

is not, as Justice Kennedy suggests, a new phenomenon. Indeed, Supreme Court Justice Levi Woodbury captured the predominant legal view when, in 1845, he wrote: “[W]e protect intellectual property, the labors of the mind, productions and interests as much a man’s own, and as much the fruit of his honest industry, as the wheat he cultivates, or the flocks he rears.”<sup>28</sup>

Along similar lines, Justice Kennedy asserted that injunctions “can be employed as a bargaining tool to charge exorbitant fees,”<sup>29</sup> but any property right can be used by its owner in an attempt to charge a high fee. The marketplace routinely deals with participants who are buying and selling properties, and negotiating over price is fundamental to that process. More fundamentally, what does Justice Kennedy mean by “exorbitant”? From the infringer’s perspective, any fee is likely considered too high. Similarly, Justice Kennedy’s concern that “the threat of an injunction is employed simply for undue leverage”<sup>30</sup> is misplaced. By its very nature, ownership in a property gives the owner leverage over the potential buyer or the adjudged trespasser. Justice Kennedy offers no explanation of how much leverage is acceptable or “undue.”

Another problem with the Kennedy concurrence is its focus on the purported “potential vagueness and suspect validity of some of these [business method] patents.”<sup>31</sup> Beyond the questions of what is meant by “potential vagueness” and “suspect validity,” the error here is that it is relitigating the patent’s validity. Worse, though, is that Justice Kennedy’s concern seems tied to general impressions about broad classes of patents rather than to evidence specific to the patent at issue. The “suspect validity” of a patent is not relevant to whether an injunction should issue. To be sure, courts deal with close cases concerning patent validity. If an infringer thinks it will prevail on appeal, then the proper recourse is to seek a stay of the injunction, under Federal Rule of Civil Procedure 62 or Federal Rule of Appellate Procedure 8, which will frequently require the infringer to secure a bond to protect the patent owner’s rights.

## V. THE DAMAGE CAUSED BY *eBAY*

During the past ten years, *eBay* has caused significant mischief and damage to the patent system. Not surprisingly, the grant rate for injunctions has fallen significantly, with injunctions being denied in about one-third of cases.<sup>32</sup>

<sup>28</sup> Davoll v. Brown, 7 F. Cas. 197, 199 (C.C.D. Mass. 1845).

<sup>29</sup> *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

<sup>30</sup> *Id.*

<sup>31</sup> *Id.* at 397.

<sup>32</sup> Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1982–83 (2016) (reporting pre-*eBay* grant rate of over 80 percent and a post-*eBay* grant rate of approximately 68 percent); Lily Lim & Sarah E. Craven, *Injunctions Enjoined; Remedies Restructured*, 25 SANTA CLARA COMPUTER & HIGH TECH L.J. 787, 798 (2009) (finding that “an NPE’s chance of

Patent values, as measured by public sales, plummeted during the last ten years compared to the ten-year period preceding *eBay*. This result decreases the value of intellectual property because it undermines the enforceability of the exclusive right and it makes it more expensive to obtain a remedy for adjudged infringement.

*eBay* has also led to trial courts needing to address scenarios where the infringer continues its infringing activity after the finding of infringement. Absent an injunction, the infringer will generally have little incentive to cease infringing activity.<sup>33</sup> Future law suits may need to be filed, requiring a patent owner to, again, carry the burden of proof and spend significant sums to vindicate his rights as if the earlier judgment never occurred.<sup>34</sup>

The Federal Circuit's "general rule" also recognized the awkward, untenable position of setting royalties for the future without, of course, any expertise or data about *future* market forces and competitive circumstances. As one commentator observed, *eBay* "has placed courts in the license-drafting and license-administration businesses, a result they would probably eschew if they had foreseen the problems associated with it."<sup>35</sup> It is one thing to ask trial courts to ascertain past damages, but quite another to require trial courts to speculate about the future cost of infringement.<sup>36</sup> Although some courts have issued awards for ongoing royalties for continuing infringement,<sup>37</sup> "a comprehensive methodology for determining ongoing royalties has yet to emerge."<sup>38</sup> Indeed, is not every infringer who continues infringement after judgment a "willful" infringer?

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getting an injunction [fell] precipitously" after *eBay* compared to "a patentee who directly competes in the marketplace"; *id.* ("Before *eBay*, courts granted patentees injunctions 95% of the time after finding infringement.")

<sup>33</sup> Sheri J. Engelken, *Opening the Door to Efficient Infringement: eBay Inc. v. MercExchange, L.L.C.*, 2 AKRON INTELL. PROP. J. 57, 58–59 nn.7–14 (2008); Jeremy Mulder, *The Aftermath of eBay: Predicting When District Courts Will Grant Permanent Injunctions in Patent Cases*, 22 BERKELEY TECH. L.J. 67, 72–79 (2007).

<sup>34</sup> See, e.g., *24 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444–45 (E.D. Tex. 2006) (denying an injunction, denying prospective monetary relief for ongoing infringement, and ordering the patent owner to file a new civil action to recover damages for post-verdict infringement).

<sup>35</sup> Paul M. Janicke, *Implementing the "Adequate Remedy at Law" for Ongoing Patent Infringement After eBay v. MercExchange*, 51 IDEA 163, 165–66 (2011).

<sup>36</sup> See, e.g., *Apple, Inc. v. Samsung Elecs. Co.*, 877 F. Supp. 2d 838, 904 n.9 (N.D. Cal. 2012) (finding that "the incalculability of future lost market share supports a finding that monetary damages are an inadequate remedy"); see also Christopher B. Seaman, *Ongoing Royalties in Patent Cases After eBay: An Empirical Assessment and Proposed Framework*, 23 TEX. INTELL. PROP. L.J. 203, 205 (2015) (observing that "numerous questions regarding such relief remain unresolved, including when ongoing royalties should be awarded, the structure and methodology for computing an award, and possible enhancement of the royalty rate for post-judgment willful infringement"); John M. Golden, *Injunctions as More (or Less) Than "Off Switches": Patent-Infringement Injunctions' Scope*, 90 TEX. L. REV. 1399, 1401 n.1 (2012) ("Denials of patent-infringement injunctions have raised questions of when and how a court should award an 'ongoing royalty' to compensate for expected activity that the court does not enjoin."); Ronald J. Schutz & Patrick M. Arenz, *Uncharted Waters: Determining Ongoing Royalties for Victorious Patent Holders Denied an Injunction*, 11 SEDONA CONF. J. 75, 78 (2010) ("[T]he law is not clear who—the court or the jury—determines the ongoing royalty, or how the fact-finder determines an appropriate ongoing license.")

<sup>37</sup> See, e.g., *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1313–16 (Fed. Cir. 2007).

<sup>38</sup> Seaman, *supra* note 36, at 205; see also J. Gregory Sidak, *Ongoing Royalties for Patent Infringement*, 24 TEX. INTELL. PROP. L.J. 161 (2016).

Importantly, *eBay* fails to recognize the uniqueness of patents as a property right and the role injunctions play in protecting that right. The Constitution itself defines the patent grant as a right to exclude. “Exclusivity is closely related to the fundamental nature of patents as property rights.”<sup>39</sup> The uniqueness of the patent grant has been recognized in other contexts as well, including disputes over the ownership of patents.<sup>40</sup>

Perhaps the most ironic result of *eBay* is the creation of categorical rules—the very rules the Court cautioned against. The recent study by Christopher Seaman demonstrated that “district courts have applied *eBay* in a manner that awards permanent injunctions to operating companies who compete with the infringer in the vast majority of cases, while simultaneously denying them to most PAEs and non-competitors.”<sup>41</sup> Indeed, according to his study, injunctions were granted in 84 percent of cases involving competitors, compared to only 21 percent of cases involving non-competitors.<sup>42</sup> The grant rate was similarly dismal for so-called patent assertion entities: PAEs obtained in an injunction in only 16 percent of cases.<sup>43</sup> This confirms other reports of disparate issuance of injunctions.<sup>44</sup>

This disparate result is incongruent with the patent right, however. The exclusive right granted by the patent is not conditioned on its owner practicing the patent to make a product.<sup>45</sup> Patent law has long confirmed that a patent owner need not “practice the invention” in order to enjoy the benefits of the patent grant.<sup>46</sup> Therefore, one’s status as a non-practicing patent

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<sup>39</sup> *Douglas Dynamics, LLC v. Buyers Prods. Co.*, 717 F.3d 1336, 1345 (Fed. Cir. 2013); *see also id.* (“Where two companies are in competition against one another, the patentee suffers the harm—often irreparable—of being forced to compete against products that incorporate and infringe its own patented inventions.”).

<sup>40</sup> Adam Mossoff, *The Use and Abuse of IP at the Birth of the Administrative State*, 157 U. PA. L. REV. 2001, 2029 (2009) (“Unsurprisingly, patents, and by implication, copyrights, have also long been deemed uniquely valuable to their owners, and thus specific performance is also a default remedy in legal disputes concerning conveyances of these intellectual property rights.”); *see also Conway v. White*, 9 F.2d 863, 866 (2d Cir. 1925) (“It is of course well-settled law that a contract to sell or transfer a patented right, like a contract to sell real estate, may be specifically enforced. The reason is that there is no accurate measure of damages, and a pecuniary payment is inadequate relief.”); *cf. White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1, 19 (1908) (Holmes, J., concurring) (“The notion of property . . . consists in the right to exclude others from interference with the more or less free doing with it as one wills.”).

<sup>41</sup> Seaman, *supra* note 32, at 2002.

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> John M. Golden, “Patent Trolls” and Patent Remedies, 85 TEX. L. REV. 2111, 2113–14 (2007) (observing that “district courts’ post-*eBay* practice may be in some tension with the Supreme Court’s warning against the ‘categorical denial of injunctive relief’ to broad classes of patent holders”); Karen E. Sandrik, *Reframing Patent Remedies*, 67 U. MIAMI L. REV. 95, 97 (2012) (“Case law in the last five years has established a near categorical rule that [non-practicing entities] cannot obtain injunctive relief.”); Eric Maughan, *Protecting the Rights of Inventors: How Natural Rights Theory Should Influence the Injunction Analysis in Patent Infringement Cases*, 10 GEO. J.L. & PUB. POLY 215, 217 (2012) (“[M]any lower courts and commentators, following the lead of Justice Kennedy’s concurrence, would deny NPEs injunctions (almost) as a matter-of-course under the test.”).

<sup>45</sup> *See* 35 U.S.C. § 154(a)(1) (setting forth the exclusive rights of a patent).

<sup>46</sup> *Trebro Mfg., Inc. v. Firefly Equipment, LLC*, 748 F.3d 1159, 1171 (Fed. Cir. 2014) (“[A] party that does not practice the asserted patent may still receive an injunction when it sells a competing product.”); *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 702 F.3d 1351, 1363 (Fed. Cir. 2012) (“Even

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owner (whether an NPE, a PAE, or a research university) should have no effect on enjoinability.

#### CONCLUSION

*eBay* has had a profoundly negative effect on the enforceability of U.S. patents, including patents whose validity is beyond doubt. With the likelihood of an injunction severely diminished, patent infringers appear less willing to cease infringing activity. In contrast to U.S. practice, injunctions are routine in Germany and other European countries and becoming so in Asian nations, particularly China, for all technologies and all types of owners. Investment money is mobile and flows toward the high-value assets. *eBay* has crimped patent rights and thereby diminished investment incentives in the United States. The result: reduced research and development, less job creation, lower economic growth, and diminished American global competitiveness. This cannot be what the Supreme Court intended, but it is how the Kennedy concurrence is being implemented by most district courts that ignore the less forceful Roberts concurrence. The time has come for the Court, or at least the Federal Circuit, to rescue America from this folly.

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without practicing the claimed invention, the patentee can suffer irreparable injury.”); *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 702–03 (Fed. Cir. 2008) (affirming permanent injunction where patent owner sold “non-practicing,” indirectly competing product).