

Patent Law—Prevailing Patent Owner Presumptively Entitled to Injunctive Relief Against Infringing Use of Patented Invention—*MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323 (Fed. Cir. 2005).

Article I, section 8 of the Constitution promotes progress in the arts and sciences by granting inventors exclusive right to their discoveries for a limited time.¹ For almost 100 years, courts have recognized the patentee's right to exclude others from making and using the patented invention as the fundamental right bestowed by a patent, and have protected that right using injunctive relief.² In *MercExchange, L.L.C. v. eBay, Inc.*,³ the Federal Circuit Court of Appeals considered whether MercExchange, L.L.C. (MercExchange) could enjoin eBay, Inc. (eBay) from continued use of methods covered by MercExchange's patents.⁴ The court reversed the district court's denial of MercExchange's motion for injunctive relief, holding that a patent presumptively entitles the patentee to injunctive relief against infringers of his patented invention, unless it would cause significant public harm.⁵

The United States Patent and Trademark Office (USPTO) issued two patents to MercExchange for methods of operating a trusted computer network for buying and selling goods, as well as conducting an online auction.⁶ MercExchange filed suit against eBay and Half.com for allegedly infringing its patented methods.⁷ After a five week trial, a jury found eBay liable for infringing MercExchange's patents.⁸ Following trial, MercExchange filed a motion to enjoin eBay from further infringing on MercExchange's patents.⁹

1. U.S. CONST. art. I, § 8, cl. 8.

2. *Infra* notes 18-19 and accompanying text (asserting exclusive right "very essence" of patent and entitling patent holder to injunctive relief); *see also* 35 U.S.C. § 283 (2000) (permitting injunctive relief for violations of any secured patent rights).

3. 401 F.3d 1323 (Fed. Cir. 2005).

4. *Infra* notes 33-34 and accompanying text (reviewing MercExchange's right to injunctive relief).

5. 401 F.3d at 1338-39 (stating public interest exception to granting patentee injunctive relief); *see also infra* note 35 and accompanying text (describing holding and reasoning behind court's grant of injunctive relief).

6. U.S. Patent No. 6,085,176 (filed Mar. 8, 1999) and U.S. Patent No. 5,485,265 (filed Nov. 1, 1995).

7. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 698-99 (E.D. Va. 2003) (noting willful infringement trial), *rev'd*, 401 F.3d 1323 (Fed. Cir. 2005).

8. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 698-99 (E.D. Va. 2003) (discussing defendant eBay's liability for willful infringement), *rev'd*, 401 F.3d 1323 (Fed. Cir. 2005). eBay, Inc. operates an internet website that permits sellers to list and buyers to search for and purchase products either through an online auction or at a fixed price. 401 F.3d at 1325. Half.com, Inc., is a wholly-owned subsidiary of eBay, Inc., that operates an online auction internet website. *Id.* *MercExchange, L.L.C.*, markets digital products and technologies. *MercExchange, L.L.C., MercExchange-Generating Changes in Dynamic Markets*, at <http://www.mercexchange.com/index.html> (last visited Oct. 14, 2005).

9. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 699 (E.D. Va. 2003) (describing plaintiff's permanent injunction motion) *rev'd*, 401 F.3d 1323 (Fed. Cir. 2005).

The United States District Court denied injunctive relief and awarded damages after considering four equitable factors that weighed in eBay's favor: whether the plaintiff suffered irreparable harm, whether MercExchange had an adequate remedy at law, the public interest concerning business method patents, and the balance of hardships between the parties.¹⁰

Upon the appeal of eBay and the cross-appeal of MercExchange, the Federal Circuit Court reversed the district court's denial of MercExchange's motion for injunctive relief.¹¹ The court recognized that under rare instances it may deny the patent holder injunctive relief to protect the public interest.¹² The court rejected the idea that a general concern regarding business method patents constituted a sufficient public interest to justify the unusual step of denying injunctive relief.¹³ Although the court considered equitable factors in reaching

10. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003) (explaining equitable factors court considered in denying MercExchange injunctive relief), *rev'd*, 401 F.3d 1323 (Fed. Cir. 2005). The district court in *MercExchange* indicated that 35 U.S.C. § 283 authorizes courts to grant the patent holder injunctive relief against the infringer after the court establishes that the patent is valid and a party is infringing the patent. *Id.* at 711 (citing 35 U.S.C. § 283 (2000)). The court clarified that injunctive relief is not automatic, however, and the trial judge has discretion to grant or deny injunctive relief. *Id.* The district court found that MercExchange did not experience irreparable harm because it expressed a willingness to license the patent, failed to practice the patent in commerce, and commented to the media that it sought damages, not equitable relief, against eBay. *Id.* at 712. The district court found that since MercExchange had licensed its patent in the past, the court could award it monetary damages as an adequate remedy for eBay's continuing infringement. *Id.* at 713. The district court also found that while granting injunctive relief would serve the public interest of protecting the patent system, denying injunctive relief would equally serve the public interest because MercExchange did not practice the invention and because of the concern over the validity of business method patents. *Id.* at 713-14; *see also infra* notes 24-26 and accompanying text (discussing business method patents and public debate surrounding their merit). The district court found that the balance of hardships tilted in eBay's favor because, while it remained important to respect the patent holder's right, MercExchange did not practice the patent and would be compensated with monetary damages. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 714-15 (E.D. Va. 2003) *rev'd*, 401 F.3d 1323 (Fed. Cir. 2005).

11. 401 F.3d at 1326 (explaining MercExchange's appeal). eBay also cross-appealed, seeking to reverse the district court's finding that the online auction patent was valid and that eBay infringed the patent. *Id.* The court affirmed, holding that substantial evidence supported the jury's verdict that the patent was valid and that eBay infringed. *Id.*

12. *Id.* at 1338 (explaining courts may deny injunctive relief in rare instances to "protect public interest").

13. *Id.* at 1338-39 (detailing district court's lack of persuasive public interest arguments in denying patentee injunctive relief). eBay and Half.com have filed a petition for a writ of certiorari, arguing that the Federal Circuit's consistent application of the per se rule in patent cases runs contrary to law. *See* Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit, *eBay Inc. v. MercExchange, L.L.C.*, 401 F.3d 1323 (Fed. Cir. 2005) (No. 05-130) [hereinafter *eBay Petition*]. eBay noted that in *Hecht Co. v. Bowles*, 321 U.S. 321, 328 (1944), the Supreme Court reversed the Federal Circuit's strict application of an injunction for a violation of the Emergency Price Control Act of 1942, holding that the mandatory injunction rule conflicted with the principles of equitable discretion. *eBay Petition*, at 19. eBay applied the Court's reasoning in *Hecht* to argue that nothing in 35 U.S.C. § 283 or in the legislative history justifies the (virtually) automatic injunction rule in patent cases. *eBay Petition*, at 19; *see also Hecht Co. v. Bowles*, 321 U.S. 321, 328-29 (1944) (explaining legislative record does not justify automatic injunctions). In *Hecht*, the Court reasoned that if Congress had intended Courts to issue mandatory injunctions for noncompliance with the Act in drastic departure with equity principles, it would have stated an affirmative intention of such purpose directly in the statute's language or in the Act's legislative history. *Hecht Co. v. Bowles*, 321 U.S. 321, 329-30 (1944); *cf. Nat'l Labor Relations Bd. v. Catholic Bishop of Chicago*, 440 U.S. 490, 507 (1979) (interpreting

its decision, the court ultimately granted a permanent injunction, applying the long-established per se rule that, absent exceptional circumstances, entitles patent holders to injunctive relief against infringers of their inventions.¹⁴

The Patent and Copyright Clause of the Constitution provides inventors with exclusive rights to their inventions.¹⁵ Since the late 1700s, Congress has authorized courts of equity to grant a patent holder injunctive relief to protect his invention against patent infringers.¹⁶ In the landmark case, *Continental*

jurisdiction over religious schools to avoid constitutional violation absent affirmative Congressional intent). In *National Labor Relations*, the Court considered whether the National Labor Relations Board had jurisdiction over agreements between teachers and their parochial school employers. *Nat'l Labor Relations Bd. v. Catholic Bishop of Chicago*, 440 U.S. 490, 491 (1979). If jurisdiction existed, the Court would have to determine whether such jurisdiction was a violation of the Free Exercise Clause of the First Amendment. *Id.* at 490; *see also* U.S. CONST. amend. I. The majority held that because Congress did not affirmatively express an intent, either in the statute's language or in the legislative record, that the statute covered parochial school employees, it should not be interpreted to include them so as to avoid a First Amendment question. *Nat'l Labor Relations Bd. v. Catholic Bishop of Chi.*, 440 U.S. 490, 507 (1979); *see also* William N. Eskridge, Jr. & Phillip P. Frickey, *The Supreme Court, 1993 Term—Forward: Law as Equilibrium*, 108 HARV. L. REV. 26, 101 (1994) (listing substantive statutory “avoidance” canon to interpret statutes to avoid difficult Constitutional question).

14. 401 F.3d at 1339 (explaining court's holding). The Supreme Court has granted certiorari. THE SUPREME COURT OF THE UNITED STATES 2005 TERM COURT ORDERS, 11/28/2005 ORDER LIST 2 (Nov. 2005), at <http://www.supremecourtus.gov/orders/courtorders/112805pzor.pdf>; *see also* Brief of Amici Curiae Qualcomm Incorporated, Tessera, Inc. and Biogen Idec Inc. in Support of Respondent, *eBay Inc. v. MercExchange, L.L.C.*, 401 F.3d 1323 (Fed. Cir. 2005) (No. 05-130) (urging Supreme Court not step into pending legislative process); *infra* note 37 and accompanying text (describing legislation in Congress to amend patent statute). According to the Qualcomm brief, the legislature is better equipped to resolve important public policy issues because it permits all interested parties to voice their opinions. Brief of Amici Curiae Qualcomm Incorporated, Tessera, Inc. and Biogen Idec Inc. in Support of Respondent, at 12, *eBay Inc. v. MercExchange, L.L.C.*, 401 F.3d 1323 (Fed. Cir. 2005) (No. 05-130). *But see* Brief of Amici Curiae of 35 Intellectual Property Professors in Support of the Petition for Certiorari, *eBay Inc. v. MercExchange, L.L.C.*, 401 F.3d 1323 (Fed. Cir. 2005) (No. 05-130) (asserting court best forum for resolving issue); Brief Amicus Curiae of Electronic Frontier Foundation in Support of Petitioners, *eBay Inc. v. MercExchange, L.L.C.*, 401 F.3d 1323 (Fed. Cir. 2005) (No. 05-130) (arguing per se injunctive relief for patent holders may curtail future of online speech) [hereinafter *EFF Brief*]. According to the professors' brief, the Federal Circuit has denied the very equitable power that the existing statute grants to courts. Brief of Amici Curiae of 35 Intellectual Property Professors in Support of the Petition for Certiorari, *eBay Inc. v. MercExchange, L.L.C.*, 401 F.3d 1323 (Fed. Cir. 2005) (No. 05-130). They argued against requiring Congress to reenact the statute, since courts are responsible for applying the statute as it is written. *Id.* The Electronic Frontier Foundation (EFF) asserts that in the past, the strict per se rule may have been justified because patent litigation promoted innovation. *EFF Brief*, at 10. This, however, is no longer the case according to EFF, because patents have increasingly “appropriate[d] methods of communication.” *EFF Brief*, at 10 (quoting John R. Thomas, *Liberty and Property in the Patent Law*, 39 HOUS. L. REV. 569, 588 (2002)). EFF pointed to patents on video downloading, web page publishing, email communications, telephone calls over the internet, and online fundraising as examples where court-issued injunctive relief limiting the use of these technologies would raise significant free speech concerns. *EFF Brief*, at 10.

15. *See supra* note 1 and accompanying text (describing Constitutional rights of inventors). At present, patents expire twenty years from their filing date. 35 U.S.C. 154(a)(2) (2000) (stating term of patent). Chief Justice Marshall, in *Grant v. Raymond*, described the purpose of the patent system stating that the public receives “[t]he full benefit of the discovery, after its enjoyment by the discoverer for fourteen years . . . and for his exclusive enjoyment of it during that time the public faith is pledged.” *Grant v. Raymond*, 31 U.S. 218, 242 (1832) (expounding inventor's valuable discovery constitutes absolute property of inventor).

16. *See Ex parte Wood*, 22 U.S. 603, 608-09 (1824) (explaining Congress's constitutionally delegated power over securing patent rights). Justice Joseph Story, who wrote the opinion in *Ex parte Wood*,

Paper Bag Co. v. Eastern Paper Bag Co.,¹⁷ the Supreme Court granted the inventor injunctive relief, holding that his right to exclude gave him the right to enjoin infringers from making and using his patented invention, absent exceptional circumstances.¹⁸

The Federal Circuit Court of Appeals and its predecessor court, the Court of Customs and Patent Appeals, have consistently followed the decision in *Continental Paper Bag Co.* and provided injunctive relief to patent holders.¹⁹ Under the long-established per se rule, the patent holder may exclude others from using his invention absolutely or on terms he chooses.²⁰ Under rare circumstances, courts have the discretion to deny injunctive relief to protect an important public interest, such as public health and safety.²¹ Courts have consistently held to this narrow public interest exception, despite strong arguments to consider economic hardship, the adequacy of monetary damages

subsequently asserted that without injunctive relief, the patent holder might be ruined by the inability to adequately protect his patented invention. J. Story, COMMENTARIES ON EQUITY JURISPRUDENCE AS ADMINISTERED IN ENGLAND AND AMERICA § 931 (13th ed. 1886). Today, patent holders may sue for injunctive relief under 35 U.S.C. § 283, which authorizes courts, under principles of equity, to grant the patent holder injunctive relief to prevent infringers from violating patent privileges. 35 U.S.C. § 283 (2000).

17. 210 U.S. 405 (1908).

18. *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 425 (1908) (summarizing exclusive rights under patent provide patentee right to injunctive relief against infringers).

19. *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 423-24 (1908) (establishing special per se rule for injunctive relief in patent cases); *see also* *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1457 (Fed. Cir. 1988) (asserting infringers granted compulsory licenses against patentee's protective rights without injunctive relief); *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577-78 (Fed. Cir. 1983) (stating injunctive relief important in protecting patented invention). As explained in *Smith*, without the court's ability to issue injunctive relief, the patentee's right would be diminished, jeopardizing the patent system's purpose of encouraging development in the arts and sciences. *Id.* The *Hybritech* court explained that without the option of injunctive relief, patent holder's would be forced to grant infringers compulsory licenses and may not be fully compensated for the market effects against future infringement, significantly weakening the patent holder's vested right to protect and control his invention. *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1457 (Fed. Cir. 1988); *see also* *Pac. Cage & Screen Co. v. Cont'l Cage Corp.*, 259 F.2d 87, 88 (9th Cir. 1958) (stating no injunction granted unless patent "valid and infringed beyond question"). The *Pacific Cage* court articulated that in obtaining injunctive relief, the patent holder must first establish that the patent is valid and the violator infringed the patent. *Pac. Cage & Screen Co. v. Cont'l Cage Corp.*, 259 F.2d 87, 88 (9th Cir. 1958).

20. *See, e.g.,* *Hartford-Empire Co. v. United States*, 323 U.S. 386, 417 (1945) (stating patent owners always enjoyed right to license patent or not); *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 34-35 (1923) (holding patent holder may exclude others from making or using patented invention); *United States v. United Shoe Mach. Co.*, 247 U.S. 32, 57 (1918) (asserting patent holder may exclude others from using invention absolutely or on terms he chooses).

21. *See* *Rite-Hite Corp. v. Kelly Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) (recognizing courts may deny injunctive relief in "rare instances" where public interest concerned); *see, e.g.,* *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1458 (Fed. Cir. 1988) (upholding decision denying injunctive relief because patented test kits ensured public health); *Datascope Corp. v. Kontron Inc.*, 786 F.2d 398, 401 (Fed. Cir. 1986) (holding injunction on patented catheter harmful to public because of physicians' preference for device); *Vitamin Tech., Inc. v. Wisconsin Alumni Research Found.*, 146 F.2d 941, 944 (9th Cir. 1944) (stating refusal of use of patented process against public interest); *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934) (denying injunctive relief because closing city sewage plant could pose serious public health threat).

for the patent holder, and other compelling equitable factors.²² In maintaining the line on the narrow public interest exception, courts have recognized that an expanding set of equitable factors would dilute the patentee's right to exclude others from making and using the patent, thereby seriously frustrating the purpose of the patent system to promote progress in useful arts and sciences.²³

In recent years, the explosive growth and ubiquity of electronic commerce has produced a marked increase in patents awarded for automated business data processing technologies, often called business method patents.²⁴ Although business method patents have been awarded as early as the 1800s, the court's recent decision in *State Street Bank & Trust Co. v. Signature Financial Group*²⁵ triggered an awareness that business methods embodied in software constituted patentable subject matter.²⁶ The increase in the number of business method patents has sparked public debate concerning whether many business method patents for software programs meet the requirement of non-obviousness.²⁷

22. See *Rite-Hite Corp. v. Kelly Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) (holding ordinary rules for granting injunctive relief not applicable unless injunctive relief frustrates important public need). The *Weinberger v. Romero-Barcelo* Court considered four equitable factors to determine whether to grant injunctive relief in a patent case: whether the patent holder will suffer irreparable harm from the infringing behavior, whether issuing damages is an adequate remedy at law, whether the public interest disfavors injunctive relief, and the balance of hardships between the parties. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312-13 (1982).

23. *Rite-Hite Corp. v. Kelly Co.*, 56 F.3d 1538, 1577-78 (Fed. Cir. 1995) (holding ordinary rules governing equitable relief would seriously undermine patentee's rights); see also *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980) (explaining without injunctive relief, compulsory license forced upon patentee).

24. USPTO WHITE PAPER: AUTOMATED FINANCIAL OR MANAGEMENT DATA PROCESSING METHODS (BUSINESS METHODS) 1 [hereinafter USPTO WHITE PAPER] (describing increase in business method patent filings in electronic commerce). Business method patents encompass machines and their corresponding methods for conducting data processing and calculations related to the management of an enterprise, financial data, or the determination of charges for goods and services. *Id.* at 5.

25. 149 F.3d 1368 (Fed. Cir. 1998).

26. See USPTO WHITE PAPER, *supra* note 24, at 2 (denoting *State Street Bank's* role in creating awareness of business method patents). In 1799, Jacob Perkins obtained the first financial patent for an invention to detect counterfeit notes. USPTO WHITE PAPER, *supra* note 24, at 2; see also *State St. Bank & Trust Co. v. Signature Fin. Group Inc.*, 149 F.3d 1368, 1373 (D. Mass. 1998) (holding method for transforming share price data into discrete dollars amounts valid patentable subject matter). The *State Street Bank* court stated that mathematical algorithms merely representing abstract ideas are not patentable; the court also held, however, that when an abstract idea is used to obtain a "useful, concrete, and tangible result," the application of the idea is patentable. *State St. Bank & Trust Co. v. Signature Fin. Group Inc.*, 149 F.3d 1368, 1373 (D. Mass. 1998) (quoting *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994)); see also *AT&T Corp. v. Excel Commc'ns, Inc.*, 172 F.3d 1352, 1356-57 (Fed. Cir. 1999) (holding patentable subject matter includes computer programs applying mathematical algorithms to perform useful functions).

27. See FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY: A REPORT BY THE FEDERAL TRADE COMMISSION 53-55 (2003) [hereinafter FTC REPORT] (articulating USPTO issues too many "questionable" patents on computer software). The FTC report suggests that USPTO fails to examine the relevant prior art and consequently issues software patents that are too broad or obvious. *Id.* at 54; see also Brief for Computer & Communications Industry Association as Amici Curiae Supporting Petitioners, *eBay Inc. and Half.com, Inc. v. MercExchange, L.L.C.*, 401 F.3d 1323 (Fed. Cir. 2005) (No. 05-130) (stating USPTO and Federal Circuit have made patents too easy to obtain resulting in decreased quality of patents).

Many in the business community, especially those in the software and financial services sectors, have voiced concern that business method patents stifle innovation because they curtail product development in areas of rapid change, including e-commerce.²⁸ The business community also argues that patents delay product cycles because of the time and expense required to perform due diligence on existing patents and in obtaining patents.²⁹ In response to the debate over business method patents, Congress introduced legislation that removed the presumption of non-obviousness for business method inventions, thereby making it more difficult to obtain patents on business methods.³⁰ Further, the USPTO created a second level of review for business method inventions to ensure that they meet the patentable subject matter requirement before the patent issues.³¹

In *MercExchange, L.L.C. v. eBay, Inc.*, the Federal Circuit Court of Appeals considered whether MercExchange had the right to enjoin eBay from further infringing on MercExchange's online auction patents.³² In reversing the district court's denial of injunctive relief to MercExchange, the appellate court held that, absent exceptional circumstances, the long-standing per se rule in patent law presumptively granted MercExchange the right to enjoin eBay from further infringing its patented inventions.³³ The court emphasized that the only exception to granting injunctive relief applies when the injunction frustrates an important public need.³⁴ Further, the court indicated that the general concern regarding the validity of business method patents, as eBay stressed, constituted an insufficient public interest to justify the lower court's denial of

28. See FTC REPORT, *supra* note 27, at 44 (explaining business community's concern with business method patents).

29. See FTC REPORT, *supra* note 27, at 50-53 (discussing how patents stifle innovation). The FTC report notes that the speed of innovation in software is so fast that the long period of patent protection may stifle subsequent improvements to software inventions. FTC REPORT, *supra* note 27, at 51. In addition, because software is often developed by individuals with little working capital, the high cost of obtaining patents, searching for infringement, and protection may be a significant barrier to market entry. FTC REPORT, *supra* note 27, at 51.

30. Business Method Improvement Act of 2001, H.R. 1332, 107th Cong. § 4 (1st Sess. 2001) (proposing 35 U.S.C. § 103 amendments making business method inventions for computer technology presumptively invalid).

31. USPTO WHITE PAPER, *supra* note 24, at 21 (describing USPTO practice changes for examining business method patent applications).

32. 401 F.3d at 1338 (stating issue before court).

33. *Id.* at 1339 (holding per se rule requires injunctive relief against infringer eBay in favor of MercExchange). The court asserted that the patent holder has the right to exclude others from making and using the patented invention. *Id.* In addition, it has the right to obtain injunctive relief against infringers to fully protect his patented invention. *Id.*

34. *Id.* (explaining existence and scope of public interest exception). Only in rare circumstances, such as when not practicing the invention would frustrate an important public need, should courts decline to enjoin infringers from continued use of the patented invention. *Id.*; see also *Rite-Hite Corp. v. Kelly Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) (describing public interest exception); *Roche Prod. Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865-66 (Fed. Cir. 1984) (identifying public interest exception for injunctions).

MercExchange's request to enjoin eBay.³⁵ The court explained that only serious threats to public health and safety can trump the patentee's protective rights.³⁶ The court held that the arguments regarding irreparable harm, adequate remedy at law, and the balance of hardships, which guided the lower court's decision, were not dispositive.³⁷

Although the court correctly granted MercExchange injunctive relief against eBay, it misapplied the per se rule by considering equitable factors beyond the narrow public interest exception.³⁸ Courts have reasoned that considering equitable factors beyond the narrow public interest exception seriously diminishes the patentee's right to exclude others from making and using the invention.³⁹ Without the strict limitations of the per se rule, the court can freely

35. 401 F.3d at 1339 (stating concern over business method patents did not justify denying injunctive relief). The court recognized MercExchange's online auction patents as business method patents and held that public debate over business method patents did not justify the unusual step of denying injunctive relief. *Id.* The court disagreed with the district court's determination that a permanent injunction in such a "contentious" case would result in endless, expensive, and time-consuming litigation. *Id.* The court opined that protracted litigation seemed equally probable if the court denied the injunction, reasoning ongoing disputes are not uncommon in patent litigation. *Id.* Additionally, litigation would likely continue if the patentee could not enjoin the infringer in the face of continued violations. *Id.* The court also held that injunctive relief is not reserved only for patentees intending to practice their patented invention, but is equally available to patentees, such as MercExchange, who choose to license their patented inventions. *Id.* eBay argued in its petition for certiorari to the Supreme Court that injunctive relief should not be granted to non-practicing entities (NPEs) such as MercExchange, who do not intend to practice their patent, but only to prevent competitors from using the invention or enforce patents against other firms. *See eBay Petition, supra* note 13, at 27 (explaining how NPEs threaten innovation and raise consumer costs). NPEs are derogatorily referred to as "patent trolls," which inhibit innovation because they force companies to forgo using new functionality in their products because companies fear that NPEs will attempt to extract higher royalties or hold-up companies' development efforts. FTC REPORT, *supra* note 27, at 31. Innovating companies, in response to higher extractions from NPEs, may raise consumer prices. FTC REPORT, *supra* note 27, at 41. Further, because NPEs do not practice any inventions, they need not fear counter infringement suits and thus have an unfair advantage in determining licensing and royalty arrangements. FTC REPORT, *supra* note 27, at 53. *But see* *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 406-07 (1908) (asserting patent holder has right to exclude regardless of whether holder practices invention). The *Continental Paper Bag* Court considered a policy argument against granting injunctive relief to non-practicing patent holders because of the harm caused to established businesses. *Id.* at 422-29. The Court unequivocally rejected the argument, holding that the right to exclude included the right to use the invention or not, as well as the right to license the invention or not. *Id.* at 429.

36. 401 F.3d at 1338-39 (explaining public interest exception).

37. *Id.* at 1338-40 (explaining equitable factors not dispositive). The court reconsidered the equitable factors that the district court discussed in detail. *Id.* In June 2005, the House of Representatives introduced the Patent Reform Act of 2005 which proposed changes to the patent system, including changes to 35 U.S.C. § 283 that would allow the court to consider "all the facts and relevant interests of the parties" in determining whether to grant injunctions. The Patent Reformation Act of 2005, H.R. 2795, 109th Cong. § 7 (1st Sess. 2005). The bill would have permitted courts to consider a wider range of equitable factors, which would have likely resulted in less injunctive relief to patent holders, since these factors tend to favor compensatory damages to patent holders. *See infra* note 40 and accompanying text (describing effect of equitable factors on court determining injunctive relief). A subsequent draft of the bill removed section 7, thus preserving the per se rule for injunctions. *See* K. Karel Lambert, *Patent Reform Act of 2005 (HR 2795) - Markup of Title 35 U.S.C.*, (citing changes to Act since original draft), available at http://www.4ipt.com/IPMetalworks/Title35-perCoalitionPrintRev_20Oct2005.pdf (last visited Nov. 8, 2005).

38. 401 F.3d at 1338-39 (considering host of equitable factors beyond public interest exception).

39. *See supra* note 19 and accompanying text (asserting patent rights diminished without automatic

consider a host of equitable factors that tend to favor the patentee's issuance of a compulsory license to the infringer in return for damages.⁴⁰ Although the patentee receives monetary damages, he loses the right to control his patented invention as it falls subject to an ever-expanding set of equitable factors.⁴¹ In considering whether the parties experienced irreparable harm, whether MercExchange had an adequate remedy at law without injunctive relief, and the balance of hardships to the parties, the court increased the likelihood that patent holders in the future will have to relinquish exclusivity over their patented inventions in favor of mounting equitable factors weighing against injunctive relief.⁴²

eBay's argument that 35 U.S.C. § 283 expressly authorizes courts to grant injunctive relief on such terms as the court deems reasonable is not without merit.⁴³ If Congress truly intended a per se rule, it would have expressly limited the court's discretion to grant injunctive relief with terms such as "shall," instead of "may" and "reasonable."⁴⁴ The statute's permissive language allows the court to reasonably consider equitable factors beyond the per se rule's strict limitation to public interest harms.⁴⁵ Under the more permissive standard expressed in § 283, the Federal Circuit Court validly considered a range of equitable factors and reasoned that MercExchange should be granted the right to enjoin eBay from infringing its patent.⁴⁶

eBay's argument that the per se rule could significantly inhibit innovation and threaten economic interests does not justify diluting the patent owner's

injunctive relief for patent holder).

40. *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1456-57 (Fed. Cir. 1988) (explaining only exclusionary right of patent can make patentee whole); *see also Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980) (explaining without injunctive relief, patentee either grants license or faces forfeiture of statutory protection).

41. 401 F.3d at 1338-40 (explaining equitable factors).

42. *Id.* (discussing host of equitable factors).

43. *See eBay petition*, *supra* note 13, at 13 (explaining per se rule inconsistent with § 283). In statutes, courts generally interpret the term "may" to be precatory, and the term "shall" to be mandatory. Eskridge & Frickey, *supra* note 13, at 98 (listing textual canon explaining difference between "may" and "shall" in statutes); *see also Escondido Mut. Water Co. v. LaJolla Indians*, 466 U.S. 765, 772 (1984) (holding use of word "shall" in statute indicates Congress mandated certain actions). *But see* Karl N. Llewellyn, *Remarks on the Theory of Appellate Decision and the Rules or Canons About How Statutes Are to be Construed*, 3 VAND. L. REV. 395, 406 (1949) (explaining opposite canons of interpretation of permissive and mandatory words). Evidence of intent and the rights of the parties may imply that words of permission may be read as mandatory, and words of command may be read as permissive. *Id.* at 406; *see also Birdsong & Sledge v. Brooks*, 7 Ga. 88, 88 (1849) (holding "may" means "must" when important public right at stake). The *Birdsong* court reasoned that the term "may" could be either permissive or imperative, depending on the circumstances. *Id.* The court interpreted the term "may" to be imperative within the phrase "declarations . . . may be filed at the first term of the Court", because the public interest favors speedy determination of suits. *Id.*

44. *See eBay Petition*, *supra* note 13, at 17 (explaining § 283 expressly vests equitable discretion in courts).

45. *See eBay Petition*, *supra* note 13, at 18 (explaining per se rule ignores terms in § 283).

46. 401 F.3d at 1338-40 (reviewing equitable factors in granting MercExchange injunctive relief); *see also supra* note 22 and accompanying text (explaining *Romero* court's expanded set of equitable factors).

right to exclude others from making and using his patented invention.⁴⁷ According to eBay and others in the software community, the patent system must not only be strong, but must also be flexible.⁴⁸ The parties argue that the per se rule fails to account for the harmful affects of injunctive relief, which can force businesses to shut down or pay excessive damages.⁴⁹ The Federal Circuit Court correctly recognized that the need to protect the patent owner's right to exclude others from making and using his patented invention eclipses economic interests of the infringing party.⁵⁰ Thus, despite economic interest arguments to the contrary and dire warnings about stifled innovation, courts have continued to uphold the per se rule because it fully protects the patent holder's exclusivity right under the Constitution.⁵¹

When the *MercExchange* court considered equitable factors in its analysis beyond the narrow public interest exception, it may have made it more difficult for future patent holders to assert their right to injunctive relief. As courts consider an ever-expanding set of equitable factors, which in practice tend to favor the infringer, they may force the patent holder to grant a compulsory license and accept compensatory damages from the infringer. This would seriously dilute the value of a patent and discourage would-be inventors from investing the time and effort required to develop and publicize their inventions, opting instead to keep them as trade secrets. Loosening of the per se rule in patent law could frustrate the intent of the framers to create a patent system that fosters innovation, expands public knowledge, and allows the public to enjoy the fruits of scientific and artistic discovery.

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47. See *supra* note 19 and accompanying text (explaining per se rule's importance in maintaining integrity of patent system).

48. See *eBay Petition, supra* note 13, at 25-26 (explaining per se rule's costs on innovating companies). According to the petitioner, Congress intended a balanced and flexible patent system that considered a full range of equitable principles. See *eBay Petition, supra* note 13, at 25. The petitioner claims that the Federal Circuit Court's narrow interpretation of § 283, that it should issue injunctive relief except when the public interest is harmed, upsets the statute's "careful legislative balance." See *eBay Petition, supra* note 13, at 25.

49. See *eBay Petition, supra* note 13, at 25 (discussing harmful effects injunctive relief imposes on existing businesses).

50. 401 F.3d at 1339 (explaining general concern over business method patents and ensuing economic harm as insufficient public interest).

51. *Id.* (justifying per se standard for injunctive relief); see also *supra* note 19 and accompanying text (explaining importance of per se rule in maintaining underlying purpose of patent system).