

## Permanent Injunctions in Patent Cases

DARIUSH KEYHANI†

### INTRODUCTION

Historically, the U.S. courts have almost as a matter of course upheld the presumption of a permanent injunction when finding infringement of a valid patent.<sup>1</sup> However, the U.S. Supreme Court in *eBay, Inc. v. MercExchange, L.L.C.*, revisited this long-standing relationship between the exclusive right conferred by patents and the right to injunctive relief.<sup>2</sup> In an opinion delivered by Justice Thomas, the Court overturned<sup>3</sup> a long line of Federal Circuit cases that applied the “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstance.”<sup>4</sup> The Court held that the “well-established principles of equity” require a plaintiff to satisfy the four-factor test before a court may grant permanent injunctive relief and that these principles should “apply with equal force” to disputes arising under the Patent Act.<sup>5</sup> According to the four-factor test, “a plaintiff must demonstrate: (1) that it has suffered an

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† LL.M. Candidate (2009), New York University School of Law; J.D., State University of New York at Buffalo School of Law; M.S., Molecular Immunology, University of Rochester School of Medicine; B.A., *cum laude*, M.S. Ed., University of Rochester. Mr. Keyhani is a founding member of the law firm of Meredith & Keyhani, PLLC, a New York and New Jersey law firm that focuses its practice on litigation and consulting in all areas of intellectual property law.

<sup>1</sup> See, e.g., *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405 (1908) (holding that it was the essence of the patent to exclude others without question of motive); see also, *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 554 (2006) (Roberts, C.J., concurring) (“[F]rom at least the early 19th Century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases.”); *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 842 F.2d 1275 (Fed. Cir. 1988).

<sup>2</sup> See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 388 (2006).

<sup>3</sup> See *id.*

<sup>4</sup> See, e.g., *MercExchange, L.L.C. v. eBay*, 401 F.3d 1323, 1339 (2005), *vacated*, 547 U.S. 388 (2006).

<sup>5</sup> *eBay*, 547 U.S. at 391.

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 by a permanent injunction.”<sup>6</sup>

Although the majority in *eBay* held that the issuance of a permanent injunction would need to be decided on the equities on a case-by-case basis upon consideration of the four factors,<sup>7</sup> a survey of the district courts’ interpretation of the decision over the past two years reveals that the courts have for the most part adopted the approach advocated by Justice Kennedy in his concurring opinion.<sup>8</sup> The lower courts have generally considered a three-tier categorization of patent holder rights: those that participate in the manufacture and sales of patented products and methods; research and non-profit institutions that produce patentable inventions; and inventors that pursue commercialization of the patented inventions by licensing.<sup>9</sup> In almost all of these cases, the district courts have refused to grant permanent injunctions to patentees in the third group.<sup>10</sup> Besides the fact that it is inherently inequitable to discriminate against patentees who choose to commercialize their inventions in different ways, the preclusion of permanent injunctive relief to some patentees where the benefit is being transferred to other private parties is inconsistent with the Takings Clause of Fifth Amendment<sup>11</sup> and U.S. obligations under international intellectual property agreements, including the World Trade Organization Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS).<sup>12</sup> Most significantly, taking away U.S. patentees’ rights to permanent injunctive relief is bad economic policy and undermines the United States’ last economic edge in the global market—innovation and entrepreneurship. The U.S. Supreme Court should redefine or clarify the scope of permanent injunctions under 35 U.S.C. § 283. Alternatively, Congress should amend the Patent Act to provide for a *per se* right to a permanent injunction where it has been found that a valid patent has been infringed. The only exception should be for injunctions that protect public health and safety, and are

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<sup>6</sup> *Id.* (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311-13 (1982)).

<sup>7</sup> *Id.* at 396 (Kennedy, J., concurring, with whom Stevens, J., Souter, J. and Breyer, J., joined).

<sup>8</sup> *See id.*; *see, e.g.*, Bernard H. Chao, *After eBay, Inc. v. MercExchange: The Changing Landscape for Patent Remedies*, 9 MINN. J.L. SCI. & TECH. 543, 543-72 (2008).

<sup>9</sup> *See, e.g.*, Chao, *supra* note 8.

<sup>10</sup> After a search on Westlaw of district court decisions on permanent injunction since *eBay* and a review of other commentators’ reviews, the author has been unable to identify a single case since *eBay* in which a district granted a non-manufacturing, non-competing, or non-university/non-profit research institution patentee a permanent injunction.

<sup>11</sup> *See infra* note 23 and accompanying text.

<sup>12</sup> *See infra* note 33 and accompanying text.

solely for the purposes of “public use” under an eminent domain type doctrine with a strict standard of review.

## I. HISTORICAL CONTEXT OF PERMANENT INJUNCTIONS IN PATENT CASES

Patent rights are granted in the United States under Article I, Section 8 of the U.S. Constitution, which provides that Congress shall have the power “to 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.”<sup>13</sup> The first U.S. patent statute was enacted in May of 1790<sup>14</sup> and has since undergone many full revisions, most recently codified in the Patent Act of 1952.<sup>15</sup> The current version of the Act provides that the grant of a patent confers a “right to *exclude* others from making, using, offering for sale, or selling the invention throughout the United States”<sup>16</sup> and “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”<sup>17</sup> The U.S. Supreme Court traditionally upheld the right to a permanent injunction where a valid patent was found to have been infringed.<sup>18</sup> Prior to 1952, the Patent Act defined patent rights as “the exclusive right to make, use and vend the said invention or discovery.”<sup>19</sup> In 1952, the Patent Act redefined the rights conferred from the grant of a patent as the right to “exclude others from making, using or selling” the invention.<sup>20</sup> Prior to the Court’s decision in *eBay*, the Federal Circuit, since its inception in 1982, had interpreted the right to injunctive relief for

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<sup>13</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>14</sup> See Patent Act of 1790, ch. 7, 1 Stat. 109 (repealed 1793).

<sup>15</sup> Patent Act of 1952, Pub. L. No. 593, 66 Stat. 792 (1952) (codified as amended at 35 U.S.C. §§ 1-376 (2006)).

<sup>16</sup> 35 U.S.C. § 154(a)(1) (2006) (emphasis added).

<sup>17</sup> 35 U.S.C. 271(a) (2006).

<sup>18</sup> See, e.g., *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1852); *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 429 (1908) (“[S]uch exclusion may be said to have been of 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.”) (citing *Connolly v. Union Sewer Pipe Co.*, 184 U.S. 546 (1902)).

<sup>19</sup> Act of July 8, 1870, ch. 230, § 22, 16 Stat. 198, 201 (repealed 1952). The Patent Act of 1790, the first U.S. patent legislation, conveyed to inventors the “sole and exclusive right and liberty of making, constructing, using and vending to others.” Patent Act of 1790, ch. 7, 1 Stat. 109 (repealed 1793).

<sup>20</sup> See Patent Act of 1952, Pub. L. No. 593, § 154, 66 Stat. 792, 804 (codified as amended at 35 U.S.C. § 154(a)(1) (2006)).

infringement of a valid patent almost as matter of course.<sup>21</sup>

## II. CATEGORICAL PRECLUSION OF INJUNCTIVE RELIEF

### A. *Fifth Amendment*

The Fifth Amendment of the U.S. Constitution provides in pertinent part that, “private property [shall not] be taken for public use, without just compensation.”<sup>22</sup> Some scholars argue that a prohibition of injunctive relief where a valid patent has been infringed is inconsistent with a patentee’s due process of law and the Takings Clause of the Fifth Amendment.<sup>23</sup> To the extent a patent conveys to a patentee an exclusive property right, the government’s imposition of “unexpected” limitations on this right, i.e., allowing a third party infringer or, worse yet, a willful infringer to continue to infringe a patent, is in effect a *de facto* private eminent domain sanctioned by the government. Traditionally, the government has the power to “take” private property for public interest and “public use” by invoking the power of eminent domain.<sup>24</sup> Under the “takings” law, the government’s exercise of eminent domain must be for “public use” and the party whose property is taken must be reasonably compensated for the value of the property taken.<sup>25</sup> Increasing the profits or economic opportunity of a private infringer or willful infringer, without evidence of forwarding any legitimate public interest, has not and should not trigger the power of the government’s eminent domain.<sup>26</sup> Even using the highly contested and

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<sup>21</sup> See, e.g., Elizabeth E. Millard, Note, *Injunctive Relief in Patent Infringement Cases: Should Courts Apply A Rebuttable Presumption of Irreparable Harm After eBay, Inc. v. MercExchange, L.L.C.*, 52 ST. LOUIS U. L.J. 985, 993-94 (2008) (“[A]n injunction should issue once infringement has been established unless there is sufficient reason for denying it.”) (quoting *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988))) (citing *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (1989)).

<sup>22</sup> The Fifth Amendment of the Constitution in full provides:

No person shall be held to answer for a capital, or otherwise infamous crime, unless on presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

U.S. CONST. amend. V.

<sup>23</sup> See, e.g., Paul M. Schoenhard, *Who Took My IP—Defending the Availability of Injunctive Relief of Patent Owners*, 16 TEX. INTEL. PROP. L.J. 187, 193 (2008) (citing *James v. Campbell*, 104 U.S. 356, 357-58 (1881)).

<sup>24</sup> See, e.g., *Penn Cent. Transp. Co. v. City of New York*, 438 U.S. 104, 122 (1978).

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

controversial low threshold eminent domain standard for private use upheld by the Supreme Court in *Kelo v. City of New London*<sup>27</sup> and certainly using a strict scrutiny standard that the author advocates here,<sup>28</sup> under the facts in *eBay*, a permanent injunction should have issued as there was no evidence of public interest or the kind of “public use” that necessitated a drastic eminent domain type of “taking” by the government or by a private company sanctioned by the government.

## B. *International Agreements*

The United States is a signatory to a number of intellectual property agreements, including TRIPS.<sup>29</sup> The TRIPS Agreement, the North American Free Trade Agreement (NAFTA), and corollary agreements were an attempt to harmonize the intellectual property laws around the world and to establish minimum standards of intellectual property protection.<sup>30</sup> Among the numerous limitations outlined in the Agreement, TRIPS prohibits compulsory licensing of patented inventions by member states absent exceptional circumstances provided under Articles 30 and 31.<sup>31</sup> Under Article 30, Members may provide limited exceptions to the exclusive rights conferred by a patent provided that such exceptions “do not

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<sup>27</sup> In a highly controversial 5-4 decision, the Supreme Court in *Kelo v. City of New London* upheld a city’s use of the power of eminent domain to transfer private property from one private property owner to another; the Court held that where a government presents a “comprehensive development plan” with “public benefits” that are not merely “incidental or pre-textual,” the Court will apply a deferential, rational basis–like standard to determine whether the asserted public benefit of the taking satisfies the “public use” requirement under the “takings clause” of the Fifth Amendment. *Kelo v. City of New London*, 545 U.S. 469 (2005).

<sup>28</sup> See, e.g., Jennifer J. Ruekeberg, Note, *Can Government Buy Everything? The Takings Clause and the Erosion of the “Public Use” Requirement*, 87 MINN. L. REV. 543, 570 (2002) (arguing for heightened scrutiny of “public use” when private parties receive the primary benefit of a taking).

<sup>29</sup> Agreement of Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round, 33 I.L.M. 1125, 1197 (1994), [hereinafter TRIPS]. Other agreements such as the North American Free Trade Agreement (NAFTA) have corollary provisions to those in TRIPS for the protection of intellectual property rights. See, e.g., North American Free Trade Agreement arts. 1701-18, U.S.-Can.-Mex., Dec. 17, 1992, 32 I.L.M. 605, 670-79 (1993) [hereinafter NAFTA]. For a discussion and background on international intellectual property agreements and those that the United States is a signatory, see generally, GRAEME B. DINWOODIE, WILLIAM O. HENNESSY & SHIRA PERLMUTTER, *INTERNATIONAL INTELLECTUAL PROPERTY LAW AND POLICY*, 35-87 (2001).

<sup>30</sup> See, e.g., Peter S. Menell, *Economic Implications of State Sovereign Immunity From Infringement of Federal Intellectual Property Rights*, 33 LOY. L.A. L. REV. 1399, 1449 (2000).

<sup>31</sup> TRIPS, *supra* note 29, art. 30, 31(h) (“The right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization.”).

unreasonably conflict with a normal exploitation of the patent and do unreasonably prejudice the legitimate interests of the patent holder, taking account of the legitimate interests of third parties.”<sup>32</sup>

The denial of a permanent injunction to patentees whose valid patent has been found to have been infringed is a denial of the right to exclude and is a *de facto* compulsory license.<sup>33</sup> Clearly, the right to exclude others from using a patentee’s invention and the right to choose how and by whom the patentee wishes to commercialize its invention are all part of the normal exploitation of a patent. Forcing a patentee to license its patent to a private party who is infringing the patentee’s patent does in fact prejudice the legitimate interest of a patentee and is arguably inconsistent with U.S. obligations under TRIPS and corollary international agreements.<sup>34</sup>

### III. UNEQUAL TREATMENT OF PATENTEES IS BAD ECONOMICS

In his concurring opinion in *eBay*, Justice Kennedy advocated for a restrictive categorization of injunctive relief for patent infringement or different treatment of patentees based upon economic disposition or function and the scope of the patented invention where a patented invention is a component of a larger product with multiple components. In his opinion, Justice Kennedy advocated against permanent injunctive relief for patentees who themselves do not practice or manufacture products covered by their patents and use the injunctive relief as a bargaining power to negotiate exorbitant royalties.<sup>35</sup>

Justice Kennedy’s conception of injunctive relief for different categories of patentees is not in line with the underlying policy interest of the patent system.<sup>36</sup> Most inventions are improvements of the prior art or expansions or developments on existing ideas. If one goes down the road that we are going to reward differently or provide a different incentive

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<sup>32</sup> TRIPS, *supra* note 29, art. 30.

<sup>33</sup> See, e.g., Christopher A. Cotropia, *Compulsory Licensing Under TRIPS and the Supreme Court of the United States’ Decision in eBay v. MercExchange*, in *PATENT LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH* 558 (Toshiko Takenaka & Rainer Moufang eds., 2008).

<sup>34</sup> See, e.g., *id.*

<sup>35</sup> Kennedy explained, “An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.” *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) (citation omitted).

<sup>36</sup> See, e.g., Vincenzo Denicolo et al., *Revisiting Injunctive Relief: Interpreting eBay in High-Tech Industries with Non-Practicing Patent Holders*, 4 J. COMPETITION L. & ECON. 3, 601-02 (2008).

structure for certain types of “improvements” or inventions there will be a slippery slope that will undermine the delicate balance underlying patent law; not to mention that in many cases the full value of an invention and a patent may not be known early on and may take years to be realized.

There is no evidence that the framers of the Constitution intended to give one set of patentees greater rights or remedies over others.<sup>37</sup> Any shift in the delicate balance of patent rights should be made by Congress and not on an *ad hoc* basis by the judiciary. Legislative amendments to patent remedies for patentees who serve different economic functions were unsuccessfully attempted by Congress in 2005.<sup>38</sup> The concern raised by Justice Kennedy in his concurring opinion regarding cases where a patented invention is only a small component of a large system should not be addressed by undermining the delicate incentive structure in patent law, but rather through the free market. If the patented invention is a “small” component or part of a larger system or product and it is not so important, the infringer or would be infringer can choose not to use that part or will design around that part. When the infringer insists upon using that part, there is a price for use of that part that should be determined by the market. If the price is too high, the infringer may design around, use a different part, or wait for the expiration of the patent. If that part is so valuable that the infringer cannot innovate around that part, then it is highly inventive, novel, and non-obvious, and really is not a “small part” but a legitimate and valuable invention. As the Supreme Court noted:

The term monopoly connotes the giving of an exclusive privilege for buying, selling, working, or using a thing which the public freely enjoyed prior to the grant. Thus, a monopoly takes something from the people. An inventor deprives the public of nothing which it enjoyed before his discovery, but gives something of value to the community by adding to the sum of human knowledge.<sup>39</sup>

The widely held premise of patent law is incentive for innovation<sup>40</sup>—

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<sup>37</sup> See, e.g., Katherine E White, *Preserving the Patent Process to Incentivize Innovation in Global Economy*, 2006 SYRACUSE SCI. & TECH. L. REP. 1 (2006).

<sup>38</sup> Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 7 (2005).

<sup>39</sup> *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933).

<sup>40</sup> 3 R. CARL MOY, *MOY'S WALKER ON PATENTS* §14:12 & n.20 (4th ed. 2007) (citing E. Wyndom Hulme, *The History of the Patent System Under the Prerogative and at Common Law*, 12 LAW Q. REV. 141, 153 (1896)) (“This, then provides the primary purpose behind United States patent law defining infringement in terms of making, using, offering for sale, and selling. Overall, the terms are meant to ensure that the patentee is able to control all use of the invention that are ‘commercial,’ i.e., that result in the actor deriving economic return from satisfying demand from consumers for the patented invention in the marketplace.”); see also, Denicolo et al., *supra* note 36, at 572 (citing KENNETH ARROW, *ECONOMIC WELFARE*

an inventor is given a commercial market advantage or a limited monopoly for the life of patent as a *quid pro quo* for the public disclosure of the invention. From an economics model, the categorical foreclosure of permanent injunction for a non-practicing and non-manufacturing patentees leads to economic inefficiencies that undermine the very policy interests patent law is supposed to forward. There is no economic justification for unequal or different treatment of patentees. Law and economics scholars have argued that the point of profit taking does not define the social benefit of a firm's presence in the marketplace and that diversity in firm structure, business models, and specialization is generally pro-competitive, enhances incentives for innovation, and ultimately results in lower prices for the consumers.<sup>41</sup>

#### IV. CHECKS AND BALANCES ON PATENTEES' RIGHTS

There has been an increasing number of legal and regulatory constraints placed on the rights of patent holders over the past twenty years. Over the past few years, the Supreme Court has come down with a number of decisions that have reined-in the scope of patentees' rights and remedies. In *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*<sup>42</sup> and its progeny, the Court broadened the scope of prosecution history estoppel that narrows the scope of infringement claims under the doctrine of equivalents. The Supreme Court in *KSR Int'l Co. v. Teleflex, Inc.*, raised the bar necessary for obviousness under § 103 of the Patent Act.<sup>43</sup> This has limited the number of patents and increased the legitimacy of patents that have been issued. In *Microsoft Corp. v. AT & T Corp.*, the Court limited the territorial reach of U.S. patent rights.<sup>44</sup> Just recently, the Federal Circuit has followed the Supreme Court trend and narrowed the scope of business method patents.<sup>45</sup>

The Supreme Court has long held that the grant of this "special

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AND THE ALLOCATION OF RESOURCES FOR INVENTIONS, IN THE RATE AND DIRECTION OF INVENTIVE ACTIVITY 619 (Richard Nelson ed., Princeton Univ. Press 1962).

<sup>41</sup> See, e.g., Denicolo et al., *supra* note 36, at 585-89.

<sup>42</sup> *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 740-41 (2002). The Supreme Court in *Festo* held that there is a rebuttable presumption that by making a narrowing amendment to a patent claim during prosecution, the patentee surrendered all subject matter between the original and the narrowed claim language. The Court further held that the patentee can overcome this presumption by showing: (1) that the equivalent at issue was unforeseeable when the claim amendment was made; (2) that the amendment made bears only a tangential relationship to the equivalent; or (3) there was some other reason that the patentee could not reasonably be expected to have described the alleged equivalent. *Id.*

<sup>43</sup> *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007); see 35 U.S.C. § 103 (2006).

<sup>44</sup> *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 438-40 (2007).

<sup>45</sup> See *In re Bilski*, 264 Fed. App'x 896 (Fed. Cir. 2008) (en banc).



privilege of patent monopoly” carries with it a duty to the public interest.<sup>46</sup> There are also other areas of the law that protect against overreaching and unfair competitive enforcement of patent rights including patent misuse<sup>47</sup> and antitrust laws<sup>48</sup> that protect the public against abuse of the patent holder’s legal “monopoly.” Patent misuse laws make attempts by patent holders to improperly expand the scope or term of a patent illegal,<sup>49</sup> and antitrust laws<sup>50</sup> protect against patent holders who engage in unfair competition. Prohibiting some patentees from excluding others from using their patented invention is not a reasonable means of regulating patent rights, but rather undermines the very existence of the right itself.

## V. THE PATENTEE’S RIGHT TO AN INJUNCTION

The framers of the Constitution nowhere indicated that remedies for patent infringement should be different depending on the market function of the patentee.<sup>51</sup> It is well settled that there is no requirement that the patentee commercialize its invention and the Patent Act no longer confers upon its owner the right to make, use, offer for sale, or sell its invention, but only the right to exclude others. Just the same as real property owners may exclude others from entering their property, but are not forced to rent a vacant property at any price, a patent grants the right to exclude others from entering their property and creates no obligation to sell or license (akin to rent) that property. Indeed, the Patent Act itself provides that “patents shall have the attributes of personal property,”<sup>52</sup> including the “right to exclude others from making, using, offering for sale, or selling the invention.”<sup>53</sup> The sole remedy for infringement of a patent is “remedy by civil action for infringement of his patent.”<sup>54</sup> When a patentee seeks to enforce his right to *exclude* others from making, using, offering for sale, or selling the invention, they must seek remedy by civil action. The only means of ensuring compliance with the Patent Act that grants the right to *exclude*

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<sup>46</sup> *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 492 (1942); *Preformed Line Prods. Co. v. Fanner Mfg. Co.*, 328 F.2d 265, 279 (6th Cir. 1961), *cert. denied*, 379 U.S. 846 (1964).

<sup>47</sup> 35 U.S.C. § 271(d) (2006).

<sup>48</sup> *See, e.g.*, U. S. DEP’T OF JUSTICE & FED. TRADE COMM’N, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY 1 (1995) available at <http://www.ftc.gov/bc/0558.pdf>; *United States v. Huck Mfg. Co.*, 382 U.S. 197 (1965).

<sup>49</sup> *See, e.g.*, *Windsurfing Int’l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001 (Fed. Cir. 1986).

<sup>50</sup> *See, e.g.*, *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

<sup>51</sup> *See, e.g.*, *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405 (1908).

<sup>52</sup> 35 U.S.C. § 261 (2006).

<sup>53</sup> 35 U.S.C. § 154(a)(1) (2006).

<sup>54</sup> 35 U.S.C. § 281 (2006).

others from making, using or selling an invention is to issue an injunction prohibiting infringers from making, using, or selling an invention.<sup>55</sup> Merely compensating a patentee does not ensure compliance with the Patent Act as it does not prevent the infringer from making, using, or selling an invention.<sup>56</sup>

Foreclosing a patentee's right to injunctive relief undermines the very essence of the rights conferred by a patent—i.e., the right to exclude others from making, using, or selling the patented invention. A permanent injunction therefore presents an unusual and exceptional situation that justifies a departure from the general rule. As the Federal Circuit has summarized, because “[t]he 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.<sup>57</sup> One hundred years ago, the Supreme Court in *Cont'l Paper Bag Co.* best clarified the relationship between a patent right and remedy in the form of injunctive relief:

From the character of the right of the patentee we may judge of his remedies. It hardly needs to be pointed out that the right can only retain its attribute of exclusiveness by a prevention of its violation. Anything but prevention takes away the privilege which the law confers upon the patentee. If the conception of the law that a judgment in an action at law is reparation for the trespass, it is only for the particular trespass that is the ground of the action. There may be other trespasses and continuing wrongs and the vexation of many actions. These are well-recognized grounds of equity jurisdiction, especially in patent cases, and a citation of cases is unnecessary. Whether, however, as case cannot arise where, regarding the situation of the parties in view of the public interest, a court of equity might be justified in withholding relief by injunction, we do not decide.<sup>58</sup>

The practicing and manufacturing patentee is not the only legitimate participant in the market of innovation and ideas. When modern conceptions of patent law were developing during the Industrial Revolution in the United States, businesses did not often engage in research and

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<sup>55</sup> See *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395.

<sup>56</sup> Chief Justice Roberts acknowledged this closely intertwined relationship between a patent right and remedy. See *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring) (“[T]his ‘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>57</sup> *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed. Cir. 1989).

<sup>58</sup> See *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 430 (1908).

development, and it was commonplace for independent inventors to obtain patents they would license to those with the resources to commercialize.<sup>59</sup> Diversity and specialization in the market are also relevant today where an individual inventor may have a patented invention and may be trying to come up with the resources to commercialize its invention or seeking partnership with those who have the manufacturing resources. Patentees should be able to choose how and with whom they wish to commercialize their innovation and the free market should determine their rewards and compensation for the patented invention. The patentee should not be forced to license its patented inventions to infringers at arbitrary court mandated rates.

Patentees are granted the exclusive rights to their discoveries in exchange for publishing and disclosing their invention. In this way, inventors are incentivized to disclose their ideas, science, and useful arts progress as a result. The laws governing injunctions should flow from the rights granted by a patent and should be in line with international laws regarding intellectual property. To do otherwise would upset the very *quid pro quo* that the Patent Act was intended to provide. Upon a finding of patent infringement, a permanent injunction should issue for all categories of patentees, unless the injunction would be contrary to public interests such as public health and safety as defined by the Federal Circuit precedent.<sup>60</sup> Permanent injunctions should be denied for “public use” under an eminent domain type doctrine where real property is taken by the government for public use, but only under a strict standard of review.

## CONCLUSION

Consider what would happen if countries around the world would grant compulsory licenses to domestic infringers and willful infringers of U.S. companies’ foreign patents and the courts in these countries would decide the appropriate compensation—how would this advance patent policy or U.S. economic interest? The Supreme Court in *eBay* realigned the scope of injunctive relief in patent infringement cases. The lower courts’ adoption of Justice Kennedy’s concurring opinion in *eBay* and seemingly categorical restrictions on the issuance of permanent injunctions has resulted in a disruption in the delicate balance of patent rights in the market of innovation that is constitutionally suspect and in direct tension with U.S.

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<sup>59</sup> See, e.g., Denicolo et al., *supra* note 36, at 585.

<sup>60</sup> For example, in the *City of Milwaukee v. Activated Sludge, Inc.*, the Seventh Circuit found plaintiff’s patent to have been infringed, but to protect the community’s public health, the court allowed the city to continue to infringe the patent, because if the injunction was made permanent, the city sewage plant would close and the city would not have any means for disposal of raw sewage. 69 F.2d 577 (7th Cir. 1934).

obligations under TRIPS and corollary international intellectual property agreements. The right of all patentees to permanent injunctive relief upon a finding of infringement, regardless of market function or means of commercialization, must be carefully reconsidered by Congress and the Supreme Court in future decisions; as Chief Justice Roberts admonished in his concurring opinion in *eBay*, “a page of history is worth a volume of logic”<sup>61</sup> and equally important are the public interests that patent law was mandated by the Constitution to serve—“to promote the progress of science and the useful arts.”<sup>62</sup>

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<sup>61</sup> *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395 (Roberts, C.J., concurring).

<sup>62</sup> *Cont'l Paper Bag*, 210 U.S. at 415 (1908) (“The right which a patentee receives does not need much further explanation. We have seen that it has been the judgment of Congress from the beginning that the sciences and the useful arts could be best advanced by giving an exclusive right to an inventor.”).