The Misinterpretation of *eBay v. MercExchange* and Why: An Analysis of the Case History, Precedent, and Parties

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ABSTRACT

eBay v. MercExchange, 547 U.S. 388 (2006) is approaching a decade of citation and, in that time, the landscape for injunctions in patent infringement cases has changed dramatically. Can revisiting the case give us a better understanding of how the standards for injunctions should be understood post-*eBay*, perhaps in contrast to how they are understood? The purpose of this article is to extract that detail regarding the *eBay* injunction denial from primary sources. This research focuses solely on the injunction issue post-trial to case settlement. The article next assesses the impact of *eBay* on district courts, inventors, news stories, intellectual property investors, and others over the last decade. Finally, based in part on a review of court opinions considering permanent injunctions since *eBay*, and court citations to *eBay*'s concurring opinions by Chief Justice Roberts and Justice Kennedy, the article argues that the case has largely been misinterpreted by district courts and others for various reasons including: improper reliance on Justice Kennedy's concurrence; misleading media coverage; eBay's public relations efforts to spin media attention in its favor; a district court judge generally biased against patent owners and uniquely concerned with the wide disparities between the parties, the motives of MercExchange, and the vast consequences an injunction may bring against the world's largest auction marketplace; and the fact that the case settled after the district court's second denial of an injunction but before the Federal Circuit could revisit the issues. The article concludes by emphasizing that *eBay* should be cited for what the Court actually held, and not for how the case has been (mis)interpreted these last ten years.

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INTRODUCTION

In the landmark Supreme Court decision, *eBay v. MercExchange,*[1] the Court changed the standards for granting permanent injunctions in patent cases. The opinion dramatically altered the landscape of patent litigation,[2] ending the practice of near-automatic granting of injunctions to successful patent owners.[3] There have been voluminous writings about all aspects of the *eBay* decision, but the particular details of the case and its procedural posture before the Supreme Court have gone largely unexplored by commentators and lawyers. It is important to ask whether the *eBay* Court's radical change to remedies law in

1 eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).

2 DOUGLAS C. LAYCOCK, MODERN AMERICAN REMEDIES: CASES AND MATERIALS 427 (4th ed. 2010) ("By early May 2010 [only four years after the opinion was issued], *eBay* had been cited more than 4,100 times. Before *eBay*, courts presumed irreparable injury in intellectual property cases on the ground that damages in such cases are notoriously difficult to measure. Now courts are split on whether any such presumption is permissible."); Mark P. Gergen et al., *The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L. REV. 203, 205 (2012) ("U.S. law has, it seems, entered a new world of injunctive relief in which the . . . language of *eBay* is king."); *see also id.* at 206 (noting the far-reaching *eBay* case impact to control even the United States national healthcare reform act enforceability, and detailing how the "government argued that a district court's declaratory judgment that the act is unconstitutional should not be deemed immediately effective without a holding that the *eBay* test was satisfied").

3 *See infra* Part III. A sampling of district court permanent injunction decisions between May 2003 and May 2005, just prior to *eBay*, revealed between 94% and 100% of patentee motions for injunctions granted. In the most recent and comprehensive study of the 217 district court permanent injunction decisions post-*eBay*, Professor Chris Seaman finds permanent injunctions were granted in only 72.8% of cases where the parties contested the issue. Where parties were not market competitors, injunctions were granted in only 21.6% of cases (8 of 37 cases), and where the patentee was an NPE, injunctions were granted in only 16.0% of cases (4 of 25 cases)—a 78% to 84% drop post-*eBay*. *Id.*

patent jurisprudence was effected, at least in part, by the litigation details.[4]

This Article fills the gap in the scholarship by asking some simple, yet heretofore unanswered, questions about the *eBay* case itself. Was there something in particular about the patent owner, MercExchange, or the litigation that led the Court to break with past practice? Can revisiting the case and its great impact give us a better understanding of how the standards for injunctions *should* be understood post-*eBay,* perhaps in contrast to how they *are* understood? After scrutinizing the primary sources, this Article provides what may appear to many patent lawyers and commentators to be surprising answers. In sum, a close analysis of the case records reveals that lawyers, judges, and academics have read *eBay* incorrectly, which has resulted in an improper post-*eBay* change in law governing how injunctions should be issued against infringers of patents.

The purpose of this Article is to answer the questions posed above. While much has been written about the likelihood of obtaining an injunction in patent litigation post-*eBay*, little attention has been given to what may have made the case, parties, or inventions at issue so unique that they became the basis for the Supreme Court's complete revision of equitable remedies doctrine in patent law.[5] In the words of MercExchange's former lead counsel, "Justice is made by the litigants of a particular case and what they consider to be a reasonable result."[6] Some attention to the particular facts of this case proves

4 These questions were prompted by an earlier article by the author. That article presented a case study of MercExchange, L.L.C., a patent assertion entity ("PAE"), as it rose to prominence from an inventive startup, to litigant against eBay, and finally to subject of a landmark United States Supreme Court decision. That article described inventors represented by PAEs and the stories behind their patents; however, commentators expressed interest in learning more about the injunction issue in MercExchange's famous appeal. *See generally* Ryan T. Holte, *Trolls or Great Inventors: Case Studies of Patent Assertion Entities*, 59 ST. LOUIS U. L.J. 1 (2014).

5 *See* Susan Decker & Oliver Staley, *EBay Agrees to Settle 'Buy It Now' Patent Lawsuit,* BLOOMBERG (Feb. 28, 2008, 4:25 PM), http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aoOIDXjUOi8A ("EBay Inc. . . . agreed to end a lawsuit over its 'Buy It Now' sales option in a case that reversed an almost 100-year-old precedent in U.S. patent law . . . . Before the Supreme Court's EBay ruling in May 2006, patent owners almost always received orders to block products. Since then, judges throughout the U.S. have denied such orders in cases where the patent owner is not a competitor of the company making the infringing products."); s*ee also* Andrew Beckerman-Rodau, *The Aftermath of* eBay v. MercExchange*, 126 S. Ct. 1837 (2006): A Review of Subsequent Judicial Decisions,* 89 J. PAT. & TRADEMARK OFF. SOC'Y 631, 632 (2007) ("However, in 2006 in *eBay v. MercExchange*, the Supreme Court overruled its longstanding precedent. Although a patent owner, pursuant to statutory patent law, is entitled to monetary damages for patent infringement, he or she is not entitled to permanent injunctive relief.").

6 Interview with Greg Stillman, Partner, Hunton Williams (July 15, 2014).

illuminating, as a previous article has shown in a case study of MercExchange as an alleged "patent assertion entity."[7]

This Article presents an in-depth case study of *eBay* with a focus on the injunction issue as it developed from post-trial to case settlement. Most people are aware of the basic "case brief" details of *eBay*, such as the denial of a permanent injunction after a jury found eBay to have willfully infringed MercExchange's patent,[8] but this Article explores more deeply what happened in this case by considering the following questions: first, were the facts of the case sufficiently different from previous cases to encourage the Supreme Court to reverse the Federal Circuit's practice of issuing injunctions virtually automatically based on findings of patent infringement; second, what were the facts and circumstances motivating the district court's initial denial of an injunction, and later the Supreme Court's review of the injunction as well; and third, what were the details of the eventual settlement of the dispute prior to resolution of MercExchange's second appeal to the Federal Circuit. It answers these questions by closely examining the primary sources to piece together the full story, including the records regarding the denial of the injunction, court transcripts, court dockets, and interviews with the parties and counsel involved.

This Article reviews the history of *eBay* and explains how and why this hugely important Supreme Court decision has been widely misunderstood in recent years. Part I provides the background on the case prior to reaching the Supreme Court, detailing the actual dispute between MercExchange and eBay, the jury's findings of infringement, the district court's denial of an injunction, and the Federal Circuit's reversal of the district court's decision. Part I then goes on to discuss the briefing and proceedings before the Supreme Court and resulting May 2006 opinion remanding the case to the district court with two separate concurrences by Chief Justice Roberts and Justice Kennedy. Part II reviews the case proceedings after the Supreme Court remand to the Eastern District of Virginia, which denied MercExchange an injunction against eBay for a second time, followed by further appellate proceedings at the Federal Circuit

7 Holte, *supra* note 4, at 1.

8 MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 559–60 (E.D. Va. 2007) ("On appeal, the Federal Circuit affirmed the damages award for the '265 patent, reversed the '176 damages, finding such patent invalid based upon obviousness . . . ." (citing MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323 (Fed. Cir. 2005))); *see also id.* at 560 ("Accordingly, the [Supreme] Court ordered that the '265 injunction dispute be remanded to [the district] court . . . .").

before the case finally settled in February 2008. Part III reviews what *eBay v. MercExchange* has come to mean to district courts, the Federal Circuit, inventors, the media, intellectual property investors, and others in the decade since the Supreme Court's opinion. This includes discussion of how injunction grants have gone from pre-*eBay* rates of 94%–100% to post-*eBay* rates of 73% for all patent owners and 16% for patentees that do not practice the patents they own.[9] Part III further includes how courts are routinely using Justice Kennedy's concurrence as the law in analyzing patent injunctions and how the public perception of patent infringement post-*eBay* is that injunctions are no longer allowed for non-practicing patentees. Finally, Part IV contrasts the application of the new injunction standard, described in Part III, with what the unanimous *eBay* opinion actually held. Based in part on surveys of how courts and others have understood the new injunction standards, as well as the detailed analysis of the *eBay* case record, this Article concludes that *eBay* has been misinterpreted by trial courts and others for a variety of reasons. These reasons include: courts improperly following Justice Kennedy's concurrence as precedent; incorrect media attention on the case; eBay's marketing and public relations efforts to spin media attention in its favor; the district court judge being generally biased against patent owners and uniquely concerned with the wide disparities between the parties, the motives of MercExchange, and the vast consequences an injunction may bring against the world's largest auction marketplace; and case settlement timing depriving the Federal Circuit of ruling on the case after the district court's second denial of an injunction on remand. This Article concludes by exploring what parties have won and lost in the *eBay* confusion and emphasizes that the *eBay* opinion should be cited for what it actually holds, not how it has been misinterpreted. As stated recently by a district court denying a motion to stay an injunction and emphasizing the importance of equitable remedy options for patent holders:

> [while] less well-remembered than its criticism of the Federal Circuit, *eBay's* criticism of the district court[] . . . was just as pronounced . . . . [W]hether for Thomas Edison and his light bulb patents or [a patent holder today] and its off-the-shelf purchase, the exclusive rights under 35 U.S.C. § 271 *are the same*; that period of exclusivity never comes back.[10]

9 *See infra* Part III.

10 Sealant Sys. Int'l, Inc., v. Tek Global, S.R.L., No. 5:11-cv-00774-PSG, 2014 LEXIS 146443, at *17 (N.D. Cal. Oct. 13, 2014) (emphasis added) (order denying motion to stay injunction, denying motion to extend injunction sunset period, and granting motion to modestly modify injunction).

I. *EBAY V. MERCEXCHANGE* BEFORE AND AT THE SUPREME COURT

A. *eBay v. MercExchange* at the District Court—Trial and Initial Permanent Injunction Request Denied

The dispute between eBay and MercExchange began in 2001 after communications between the parties regarding the sale of MercExchange's patents broke down.[11] MercExchange filed suit against eBay for patent infringement on September 26, 2001, in the U.S. District Court for the Eastern District of Virginia.[12] The three patents asserted by MercExchange, U.S. Patent Nos. 5,845,265 ("the '265 patent"), 6,086,176 ("the '176 patent"), and 6,202,051 ("the '051 patent"), all related to business methods for trusted Internet sales of used goods (eBay's "Buy It Now" feature).[13] Before trial, the district court judge, Jerome B. Friedman, granted summary judgment in favor of eBay on the '051 patent, finding it invalid for lack of written description.[14] Accordingly, trial proceeded on MercExchange's '265 and '176 patents.

The five-week jury trial concluded on May 27, 2003.[15]

> [The] jury found that eBay had willfully infringed [12] claims . . . of the '265 patent and had induced [a co-defendant] to infringe [4] claims . . . of the '265 patent; that [another co-defendant subsidiary of eBay][16] had willfully infringed [12] claims . . . of the '265 patent and [12] claims . . . of the '176 patent; and that neither the '265 patent nor the '176 patent was invalid.[17]

Concerning damages, the jury found eBay and its subsidiary liable for $29.5 million.[18]

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11 Holte, *supra* note 4, at 29.

12 MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695 (E.D. Va. 2003), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated and remanded*, 547 U.S. 388 (2006). The original suit was filed against eBay, Half.com, and ReturnBuy. Half.com is a subsidiary of eBay, and prior to trial ReturnBuy filed for bankruptcy and entered into a settlement agreement with MercExchange. MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1326 (Fed. Cir. 2005), *vacated and remanded*, 547 U.S. 388 (2006) ("Prior to [the district court] trial, ReturnBuy filed for bankruptcy and entered into a settlement agreement with MercExchange.").

13 Gregory d'Incelli, *Has* eBay *Spelled the End of Patent Troll Abuses? Paying the Toll: The Rise (And Fall?) of the Patent Troll*, 17 U. MIAMI BUS. L. REV. 343, 353 (2009) ("The *eBay* case involved a claim by MercExchange—the owner of a business method patent for an electronic market designed to facilitate sale of goods among private citizens—that eBay was violating its patent.").

14 *MercExchange,* 401 F.3d at 1336–37.

15 Holte, *supra* note 4, at 29.

16 Tim Eaton, *EBay Acquires Half.com,* CBSMARKETWATCH.COM (June 13, 2000, 8:00 PM), http://www.marketwatch.com/story/ebay-buys-halfcom ("EBay said Tuesday it will buy Half.com for up to $374 million in stock, adding a fixed-price service to the online auctioneer's business.").

17 *MercExchange*, 401 F.3d at 1326.

18 *Id.* The jury found eBay liable for $10.5 million for their infringement and

After trial, Judge Friedman decided ten post-trial motions and described the case as "one of the more, if not the most, contentious cases that [his] court [had] ever presided over."[19] Included in those motions, and the focus of this Article, was MercExchange's Motion for Entry of a Permanent Injunction Order.[20] In its "Brief in Support of Motion for Entry of a Permanent Injunction Order," citing numerous Federal Circuit decisions, MercExchange asserted "permanent injunctions are typically entered after a patent owner prevails on the merits."[21] MercExchange went on to say:

> The injunction creates a property right and leads to negotiations between the parties. A private outcome of these negotiations - whether they end in a license at a particular royalty or in the exclusion of an infringer from the market - is much preferable to a judicial guesstimate about what a royalty should be. The actual market beats judicial attempts to mimic the market every time, making injunctions the normal and preferred remedy. . . . In fact, it would be contrary to the maxims of property law to deny MercExchange its fundamental and statutory right to exclude now that the infringement has been adjudged.[22]

MercExchange further cited a District of New Jersey case that listed the four equitable factors courts should consider before issuing an injunction[23] and generally discussed each factor

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$5.5 million for inducing ReturnBuy to infringe the patent. The jury also held Half.com liable for $19 million for infringement, totaling $35 million for willfully infringing the plaintiff's patents. However, following the verdict, eBay moved to set aside the $5.5 million award for inducing ReturnBuy to infringe the patent. The district court granted eBay's motion to set aside the damages award for inducement of infringement. *Id.*

19 MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695, 698–99 (E.D. Va. 2003), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated and remanded*, 547 U.S. 388 (2006).

20 Plaintiff MercExchange, L.L.C.'s Brief in Support of Motion for Entry of a Permanent Injunction Order, *in* III Joint Appendix at 927, 927, eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) (No. 05-130), 2006 WL 236431, at *927.

21 *Id.* at 932, 936 ("Based on the jury's verdict of infringement, it is presumed that the continued infringement causes MercExchange irreparable harm. . . . 'In matters involving patent rights, irreparable harm has been presumed when a clear showing has been made of patent validity and infringement.'. . . '[T]his presumption derives in part from the finite term of the patent grant, for patent expiration is not suspended during litigation, and the passage of time can work irremediable harm.'" (quoting Richardson v. Suzuki Motor Co., 868 F.2d 1226, 1246–47 (Fed. Cir. 1989))); *see also id.* at 932 ("Infringement having been established, it is contrary to the laws of property, of which the patent law partakes, to deny the patentee's right to exclude others from use of his property . . . It is the general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it." (citing *Richardson,* 868 F.2d at 1246–47)).

22 *Id.* at 933.

23 *Id.* at 934 ("The *Boehringer* court stated that it should consider the equities of: (1) whether the patentee would be irreparably harmed without an injunction; (2) whether the patentee had an adequate remedy at law; (3) whether granting the injunction was in the public interest; and (4) whether the balance of hardships favored an injunction." (citing Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp., 106

as it related to the parties and case.[24] Finally, regarding the case equities, MercExchange noted that "representatives of eBay have already stated that the trial was only 'Round One' of an ongoing battle in an attempt to overwhelm the substantially smaller and under-funded MercExchange."[25]

In response, eBay's district court opposition brief cited three reasons why MercExchange's request for injunction was inappropriate. First, eBay argued that "MercExchange's proposed injunction [was] vague and overly broad, [and] impermissibly seeks to restrain lawful-and *non-infringing-activity*."[26] Second, eBay contended that "MercExchange's proposed injunction fails to provide sufficient guidance for design-around and contempt purposes . . . which would *bury* the Court with *computer source code*, engineering documents, and claim charts for over a decade."[27] Finally, eBay disagreed with MercExchange's assertions that an injunction was "automatic," disagreed that the equities weighed in favor of issuing an injunction, and argued that "MercExchange can be adequately compensated by damages."[28]

Regarding the equities of an injunction, eBay cited an Eastern District of Virginia case requiring the four traditional equitable principles to be considered.[29] Regarding the first equitable factor, whether MercExchange would be irreparably harmed, eBay argued that the infringement was more than a "close call"[30] and listed four points. First, eBay asserted that it did "not practice any claims of the #265 and #176 patents, or

F. Supp. 2d 696, 700–01 (D. N.J. 2000))).

24 *Id.* at 935–40.

25 *Id.* at 938 ("Moreover, post-verdict conduct by eBay and Half.com demonstrates that the infringement continues unabated. In fact, representatives of eBay have already stated that the trial was only 'Round One' of an ongoing battle in an attempt to overwhelm the substantially smaller and under-funded MercExchange. Without an injunction, defendants' efforts may ultimately exhaust MercExchange's resources, thus permitting it to prevail notwithstanding its wanton and willful infringement of MercExchange's property rights.").

26 Defendant's Opposition to Plaintiff MercExchange, L.L.C.'s Brief in Support of Motion for Entry of a Permanent Injunction Order, *in* III Joint Appendix at 982, 988, eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) (No. 05-130), 2006 WL 236431, at *988.

27 *Id.*

28 *Id.* at 989.

29 *Id.* at 1009 ("The Court should not, however, merely rubber-stamp the jury's verdict with an injunction, as MercExchange suggests. The Court must instead consider and weigh the equities of the case, including: (1) whether MercExchange would be inseparably [sic] harmed if the injunction does not issue; (2) whether MercExchange has an adequate remedy at law; (3) whether granting the injunction is in the public interest; and (4) whether the balance of hardships tips in the plaintiffs' favor." (citing Odetics, Inc. v. Storage Tech. Corp., 14 F. Supp. 2d 785, 794–97 (E.D. Va. 1998))).

30 *Id.* at 1011.

encourage any one else to do so."[31] eBay maintained "an injunction would be inappropriate because there will be no threat of future infringement."[32] Second, eBay argued "the evidence from trial was clear that MercExchange is willing to license or sell its patents, such that it can be adequately compensated for any allegedly continuing use. Such licenses weigh against, and in fact rebut, any irreparable harm . . . ."[33] Third, eBay noted media comments from MercExchange's inventor, Tom Woolston, stating, "[I]t is not our goal to enforce these patents, we want to sell off our Intellectual Property rights,"[34] and MercExchange's counsel's statement, "It's not our goal to put eBay out of business. It's our goal to provide just compensation for the patent owner."[35] Lastly, eBay asserted the evidence at trial made clear MercExchange's inventor "utterly failed at all attempts to commercialize and build his alleged inventions, and the *only* benefit his company receives from the patents-in-suit is licensing revenue."[36]

Judge Friedman issued his order and opinion denying MercExchange's permanent injunction request on August 6, 2003.[37] Judge Friedman acknowledged "the grant of injunctive relief against the infringer is considered the norm"; however, issuance of an injunction is governed by "traditional equitable principles."[38] Judge Friedman then went through discussion of the four equitable factors noted in both MercExchange and eBay's briefs.

Regarding the first factor, whether MercExchange would face irreparable injury if an injunction did not issue, Judge Friedman noted a "clear showing of [patent] validity and

31 *Id.* at 1013.

32 *Id.*

33 *Id.*

34 *Id.* at 1014 (citation omitted); Ina Steiner, *eBay-Contested MercExchange Patents Are on the Block*, ECOMMERCEBYTES.COM (May 30, 2003), http://www.ecommercebytes.com/cab/abn/y03/m05/i30/s01 ("When asked if he would go after small niche sites in the auction industry, Woolston said, 'it is not our goal to enforce these patents, we want to sell off our Intellectual Property rights.'").

35 Defendant's Opposition to Plaintiff MercExchange, L.L.C.'s Brief in Support of Motion for Entry of a Permanent Injunction Order, *supra* note 2620, at 1014 ("We are seeking reasonable royalties as permitted under the patent laws,' Robertson said. 'It's not our goal to put eBay out of business. It's our goal to provide just compensation for the patent owner." (quoting Troy Wolverton, *Patent Suit Could Sting eBay*, CNET (Sept. 5, 2002, 4:00 AM), http://news.cnet.com/Patent-suit-could-sting-eBay/2100-1017_3-956638.html)).

36 *Id.* at 1015.

37 MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695 (E.D. Va. 2003), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated and remanded*, 547 U.S. 388 (2006).

38 *Id.* at 711 (citing Odetics, Inc. v. Storage Tech. Corp., 14 F. Supp. 2d 785, 788 (E.D. Va. 1998)).

infringement has been met," but that "merely establishes a presumption of irreparable harm."[39] He went on, stating:

> [T]he evidence of [MercExchange's] willingness to license its patents, its lack of commercial activity in practicing the patents, and its comments to the media as to its intent with respect to enforcement of its patent rights, are sufficient to rebut the presumption that it will suffer irreparable harm if an injunction does not issue.[40]

He went on to note MercExchange never motioned for a preliminary injunction, which "lends additional weight in support of [eBay's] arguments that [MercExchange] will not be irreparably harmed absent an injunction."[41]

Regarding the second factor, adequate remedy at law, Judge Friedman stated that MercExchange "has licensed its patents to others in the past and has indicated its willingness to license the patents to [eBay] in this case."[42] He noted the court was aware "monetary damages are typically inadequate because it limits the patent holder from exercising its monopoly power" but that this particular dispute "[was] certainly an atypical case."[43]

Regarding the third factor, public interest, Judge Friedman discussed how the public's interest in maintaining the integrity of the patent system favors enjoining an infringer's activities, but stated: "[I]n this case[,] where the patentee does not practice its patents, nor has any intention of practicing its patents[,] . . . the public does not benefit from a patentee who obtains a patent yet declines to allow the public to benefit from the inventions contained therein."[44] He further noted "there is a growing concern over the issuance of business-method patents."[45]

Finally, regarding the fourth equitable factor, balance of the hardships, Judge Friedman reasoned that "[w]hile it is important to respect the rights of the patent holder, in this case, the plaintiff exists solely to license its patents or sue to enforce its patents, and not to develop or commercialize them."[46] Before denying MercExchange's injunction request, he concluded: "If the court did enjoin [eBay], the court would essentially be opening a Pandora's box of new problems. . . . The court envisions contempt

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39 *Id.* at 711–12.

40 *Id.* at 712.

41 *Id.*

42 *Id.* at 712–13.

43 *Id.* at 713.

44 *Id.* at 713–14. For a brief discussion of the error in this portion of the district court's holding, see Jeremy Mulder, *The Aftermath of* eBay*: Predicting When District Courts Will Grant Permanent Injunctions in Patent Cases*, 22 BERKELEY TECH. L.J. 67, 68 (2007).

45 *MercExchange*, 275 F. Supp. 2d at 713.

46 *Id.* at 714.

hearing after contempt hearing requiring the court to essentially conduct separate infringement trials . . . [at] extraordinary costs to the parties, as well as considerable judicial resources."[47]

B. *eBay v. MercExchange* at the Federal Circuit—Initial Appeal; Reverse and Remand of the District Court Injunction Denial

Both MercExchange and eBay appealed to the Federal Circuit on various grounds. The Federal Circuit issued a seventeen-page opinion on March 16, 2005, addressing the injunction issue for just over one page.[48] In reversing the denial of a permanent injunction, the Federal Circuit did not cite the four-factor equitable test. Instead, the court began its analysis by stating: "[T]he general rule is that a permanent injunction will issue once infringement and validity have been adjudged,"[49] but "a court may decline to enter an injunction when 'a patentee's failure to practice the patented invention frustrates an important public need for the invention,' such as . . . to protect public health."[50] The court went on to find error with the district court opinion in four fundamental areas.

First, regarding Judge Friedman's concern over the issuance of business-method patents, the Federal Circuit stated, "A general concern regarding business-method patents . . . is not the type of important public need that justifies the unusual step of denying injunctive relief."[51] Second, regarding Judge Friedman's concerns over multiple future contempt hearings requiring separate infringement trials if an injunction issued, the Federal Circuit stated, "A continuing dispute of that sort is not unusual in a patent case," but "[this] is not a sufficient basis for denying a permanent injunction."[52] The court went on to note that even in the absence of an injunction, such disputes would be likely to continue if MercExchange believed eBay continued to violate its patent rights.[53]

Third, regarding the district court's discussion of MercExchange's public statements describing willingness to license the patents at issue, the Federal Circuit stated,

47 *Id.*

48 MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323 (Fed. Cir. 2005), *vacated and remanded*, 547 U.S. 388 (2006).

49 *Id.* at 1338 (citing Richardson v. Suzuki Motor Co., 868 F.2d 1226, 1246–47 (Fed. Cir. 1989)).

50 *Id.* (quoting Rite–Hite Corp. v. Kelley, Inc., 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

51 *Id.* at 1339.

52 *Id.*

53 *Id.*

"Injunctions are not reserved for patentees who intend to practice their patents," and "[i]f the injunction gives [MercExchange] additional leverage in licensing, that is a natural consequence of the right to exclude."[54] Lastly, regarding Judge Friedman's conclusions that MercExchange's lack of moving for a preliminary injunction weighed against future rights to a permanent injunction, the Federal Circuit stated that a preliminary injunction is an extraordinary relief available on a special showing of pre-litigation need serving an "entirely different purpose[]" than a permanent injunction.[55] The Federal Circuit concluded its discussion of the injunction issue holding: "We therefore see no reason to depart from the general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances."[56]

There were two additional holdings worthy of note regarding the Federal Circuit opinion. First, the Court reversed the district court's summary judgment finding in favor of eBay on the '051 patent, vacating the district court's findings of invalidity and remanding for further proceedings.[57] Second, the Federal Circuit held MercExchange's '176 patent claims invalid as anticipated.[58] The '176 portion of the damages were $4.5 million.[59]

Interestingly, on the day the Federal Circuit opinion was published—March 16, 2005—eBay issued a press release stating:

> eBay is pleased with today's decision by the U.S. Court of Appeals that invalidates one of MercExchange's patents, and as a result, throws out all the related damages. Looking forward, we believe that any injunction that might be issued by the District Court with respect to the other patent will not have an impact on our business because of changes we have made following the District Court's original verdict.

The press release concluded by stating, "We are confident in our position against MercExchange and do not believe that these matters will have any impact on our business."[60]

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54 *Id.*

55 *Id.* (quoting Lermer Ger. GmbH v. Lermer Corp., 94 F.3d 1575, 1577 (Fed. Cir. 1996)).

56 *Id.*

57 *Id.* at 1337.

58 *Id.* at 1335 (discussing the '176 patent to be invalid as it was enabled and found that a previous article disclosed each limitation of the asserted claims of the '176 patent, "and for that reason [the court held] those claims are anticipated").

59 MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695 (E.D. Va. 2003) ("Accordingly, the Clerk is directed to enter judgment for the plaintiff in the amount of $29.5 million. This consists of . . . $4.5 million for . . . direct infringement of the '176 patent."), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated and remanded*, 547 U.S. 388 (2006).

60 Press Release, eBay, eBay Statement on U.S. Court of Appeals Ruling in MercExchange Case (Mar. 16, 2005), *available at* http://www.businesswire.com/news/

On April 29, 2005, three days after the Federal Circuit denied eBay's request for en banc rehearing, eBay petitioned the Federal Circuit for a stay of its mandate pending a planned writ of certiorari to the Supreme Court.[61] Within that pleading, eBay stated that staying the mandate "is necessary to prevent irreparable harm to eBay."[62] The Federal Circuit granted the stay of the mandate on May 11, 2005, without opinion.[63] On May 13, 2005, eBay issued a press release stating: "In granting eBay's petition to stay the case, the U.S. Court of Appeals considered whether there was both a reasonable probability that the Supreme Court would accept eBay's appeal and a fair prospect that the majority of the Supreme Court would reverse one or more rulings against eBay."[64]

C. *eBay v. MercExchange* at the Supreme Court—Reversal of the Federal Circuit and District Court

eBay filed its petition for writ of certiorari with the Supreme Court on July 25, 2005.[65] MercExchange filed its opposition on September 26, 2005; six amici curiae briefs regarding the petition for certiorari were also filed by that date.[66] On November 28, 2005, the Supreme Court granted certiorari on two questions.[67] First, the question presented by eBay—whether the Federal Circuit erred in employing the general rule of issuing a permanent injunction after a finding of infringement. Second,

home/20050316005875/en/eBay-Statement-U.S.-Court-Appeals-Ruling-MercExchange#.VE1tYYvF-xw.

61 Order Denying a Combined Petition for Panel Rehearing and for Rehearing En Banc, MercExchange, L.L.C. v. eBay, Inc. (No. 03-1600), 2005 U.S. App. LEXIS 10220 (Fed. Cir. Apr. 26, 2005) (excerpts from order on file with author); Order Granting Motion for Stay of Mandate, MercExchange, L.L.C. v. eBay, Inc. (Nos. 03-1600, -1616) (Fed. Cir. May 11, 2005) (excerpts from order on file with author).

62 *See* Order Denying a Combined Petition for Panel Rehearing and for Rehearing En Banc, MercExchange, L.L.C. v. eBay, Inc. (No. 03-1600), 2005 U.S. App. LEXIS 10220 (Fed. Cir. Apr. 26, 2005) (excerpts from order on file with author); Order Granting Motion for Stay of Mandate, MercExchange, L.L.C. v. eBay, Inc. (Nos. 03-1600, -1616) (Fed. Cir. May 11, 2005) (excerpts from order on file with author).

63 Press Release, eBay, eBay Patent Case Against MercExchange Put on Hold by U.S. Court of Appeals (May 13, 2005), *available at* http://www.businesswire.com/news/home/20050513005443/en/eBay-Patent-Case-MercExchange-Put-Hold-U.S.#.VQeX1ItNnKA.

64 *Id.*

65 Petition for Writ of Certiorari, eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) (No. 05-130), 2005 WL 1801263.

66 Brief in Opposition of Writ of Certiorari, eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) (No. 05-130), 2005 WL 2396812.

67 eBay Inc. v. MercExchange, L.L.C., 546 U.S. 1029 (2005). The Supreme Court did not invite the Solicitor General's office "to file an amicus brief setting forth the government's views as to whether the Court should grant certiorari in" the case. "Such invitations, which Supreme Court practitioners refer to as 'Calls for Views of the Solicitor General' or 'CVSG' orders, have been an accepted part of Supreme Court practice for about a half century." John F. Duffy, *The Federal Circuit in the Shadow of the Solicitor General*, 78 GEO. WASH. L. REV. 518, 525 (2010).

whether the Supreme Court should "reconsider its precedents, including *Continental Paper Bag Co. v. Eastern Bag Company*," a 1908 case containing strong language requiring a near automatic injunction rule.[68] Regarding the grant of certiorari in the case, MercExchange's CEO and inventor later stated: "[W]hen cert is granted your case becomes a vessel in which policy gets dumped into; leaving you as merely a passenger-party to hold on for the ride."[69]

1. Parties with Interest and Briefing

The first amici brief in the case was filed on January 17, 2006, by the American Intellectual Property Law Association and the Federal Circuit Bar Association, in support of neither party.[70] In all, there were thirty-one amici briefs filed; thirteen in support of eBay, fourteen in support of MercExchange, and four in support of neither party. In total, the briefs represented hundreds of associations, corporations, professors, technology investors, and inventors.

While a comprehensive review of all amici briefs filed is impractical, key parties and arguments may help provide insight into the impact of the case and greater policies at issue. Beginning with the thirteen briefs in support of eBay, some clear themes within the arguments are pronounced. First, in a representative brief filed by Time Warner, Amazon.com, Chevron, Cisco, Google, IAC, Infineon Tech., Shell Oil, VISA, and Xerox, amici argued: "[T]he automatic injunction rule grants patent holders leverage to extract unjust windfalls."[71] The brief went on to contend that the automatic injunction rule encourages the rise of non-practicing patent litigants and discourages the

68 *eBay*, 546 U.S. at 1029; *see* Cont'l Paper Bag Co. v. E. Paper Bag Co., 210 U.S. 405, 430 (1908) ("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.").

69 Telephone Interview with Thomas Woolston, CEO, MercExchange (July 15, 2014). Similarly, regarding Supreme Court briefing in the case, John Whealan, deputy general counsel for intellectual property law and solicitor of the United States Patent and Trademark Office at the time of *eBay*, stated: "In most cases everyone has policy issues to discuss when Solicitor General briefing goes on in a patent case." Telephone Interview with John Whealan, Dean for Intellectual Property Law Studies, The George Washington School of Law (Nov. 3, 2014).

70 Brief of Am. Intellectual Prop. Law Ass'n and Fed. Circuit Bar Ass'n as Amici Curiae in Support of Neither Party, eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) (No. 05-130), 2006 U.S. S. Ct. Briefs LEXIS 90 [hereinafter Brief of Am. Intellectual Prop. Law Ass'n].

71 Brief of Time Warner Inc., Amazon.com, Inc., Chevron Corp., Cisco Sys., Inc., Google Inc., IAC/Interactive Corp., Infineon Techs. AG, Shell Oil Co., Visa U.S.A., Inc., and Xerox Corp. as Amici Curiae in Support of Petitioners at 7, *eBay*, 547 U.S. 388 (No. 05-130), 2006 U.S. S. Ct. Briefs LEXIS 167, at *13.

useful innovation that the patent system is intended to promote, through causing great costs in innovation "that could be spent more productively on research and development."[72] The brief also noted that smaller companies may waste resources on defensive patents further reducing funds available for additional research and development.[73]

In a second representative brief filed in support of eBay by America Online, Applied Materials, Chevron, Cisco Systems, Google, Shell Oil, and VISA, amici curiae argued that the injunctions mandated by the Federal Circuit's rule "will exacerbate the growing problem of abusive patent litigation."[74] The brief went on to conclude that the abusive litigation will unnecessarily burden overstretched courts and undermine the primary goal of the patent system in promoting innovation.[75]

Turning to the fourteen briefs filed in support of MercExchange, in a representative brief filed by GE, 3M, Proctor & Gamble, Du Pont, and Johnson & Johnson, amici argued that they have relied and invested on the presumptive right to an injunction and "built their respective patent portfolios in reliance on this bargain."[76] Further, in a brief submitted by the

72 *Id.* at 17–18, 22 ("Instead, [litigants that do not practice their patents] seek out companies that have independently developed similar innovations and then either sue them or extort licenses out of them based upon the threat of suit . . . . The automatic injunction rule gives such sophisticated professional patent litigants additional leverage to extract unjust settlements and license fees. The non-practicing patent plaintiff has no capital investments or technology of its own at stake.").

73 *Id.* at 23 ("[T]he risk of litigation distorts business operations. For smaller firms, the risk of litigation is a major consideration in deciding whether to engage in research and development. Aware that they cannot afford the time and expense of patent litigation, many small companies reduce or alter their research and development efforts. . . . The research and development decisions of larger companies are affected as well. To avoid patent litigation, these companies often seek defensive patents that they would not otherwise prosecute, thereby reducing the funds available for additional research and development. . . . They also forego pursuing smaller innovations because it is safer to use old components and processes that are clearly in the public domain or for which they already own the patents.").

74 Brief of Am. Online, Inc., Applied Materials, Inc., Chevron Corp., Cisco Sys., Inc., Google Inc., Shell Oil Co., and Visa U.S.A. Inc. as Amici Curiae in Support of Petitioner at 4–5, *eBay*, 547 U.S. 388 (No. 05-130), 2005 U.S. S. Ct. Briefs LEXIS 2374, at *6–7 ("Of particular concern to *amici* are those instances in which a court will be compelled to grant injunctive relief based upon infringement by a minor element of a complex good or service. Such injunctions can impose enormous costs wholly unrelated to the value of the patent infringed because they force manufacturers to retool entire complex processes. . . . The threat of such costs will enable unscrupulous plaintiffs, many of whom are well-financed and experienced patent litigants, to leverage patents of little or no value into massive settlements. The automatic injunction rule hands a powerful club to such litigants, inviting abusive patent litigation.").

75 *Id.* at 5 ("By making otherwise frivolous litigation economically attractive and escalating the potential recovery in other cases, the rule adopted below will profoundly exacerbate this problem.").

76 Brief for Gen. Elec. Co., 3M Co., Procter & Gamble Co., E.I. Du Port De Nemours and Co., and Johnson & Johnson as Amici Curiae in Support of Respondent at 15, *eBay*,

American Bar Association ("ABA"), the ABA argued "there would be significant consequences if [the Supreme Court] changes the current standard for granting injunctions" and "independent discovery without notice of the patent and a 'close case of infringement' are not viable equitable defenses.'"[77] The ABA went on to assert that a change in the general rule would lead to additional litigation and promote forum-shopping in patent infringement cases.[78]

Speaking more broadly regarding the patent system, in a brief submitted by the United Inventors Association, a non-profit group composed of "local inventor organizations as well as individual inventors," amici argued that injunctive relief should turn on the facts of each case rather than general policy concerns regarding potential abuse of the patent system.[79] The ABA brief reiterated this in stating "Congress has exclusive authority to establish new equitable defenses that did not exist at common law."[80] Finally, a number of universities submitted a brief in

547 U.S. 388 (No. 05-130), 2006 U.S. S. Ct. Briefs Lexis 331, at *23 ("The Amici made these detailed disclosures of the fruits of their research and development, rather than maintaining their inventions as trade secrets, based on their understanding that they would receive an enforceable right to exclude others from practicing those inventions for the term of the patent.").

77 Brief of Am. Bar Ass'n as Amicus Curiae Supporting Respondent at 10–14, *eBay*, 547 U.S. 388 (No. 05-130), 2006 U.S. S. Ct. Briefs Lexis 342, at *16–21 ("Patent infringement is a strict liability offense . . . . This Court should not recognize new defenses in equity where none exists at law. . . . All patent licenses . . . have relied upon the general rule that a patentee—even one who is merely licensing, or is trying to merely license, his patented invention—is entitled to a permanent injunction against an adjudicated infringer. A change in that venerable general rule would have profound, immeasurable economic consequences on existing and future patent licenses. The judiciary is ill-equipped to decide whether the public interest would be better served by preserving or changing that general rule which has provided the economic foundation for patent licenses for a century or more.").

78 *Id.* at 16–17 ("The real threat of a permanent injunction is a major factor that currently must be considered in evaluating the risks of continued litigation of any suit for patent infringement. The risk of a permanent injunction might cease to be a consideration—especially if this Court were to declare 'close infringement' or 'independent creation' viable defenses to an injunction. . . . Permitting district courts to consider a wide variety of new factors in deciding whether to impose an injunction would also create incentives for patentees to 'forum-shop' and file lawsuits in those jurisdictions where the bench is thought to favor permanent injunctions against infringers. This would have the effect of undoing one of the goals for which the Federal Circuit was created, the elimination of forum-shopping in patent cases.").

79 Brief of United Inventors Ass'n and Tech. Licensing Corp. as Amici Curiae in Support of MercExchange, L.L.C., on the Merits, *eBay*, L.L.C., 547 U.S. 388 (No. 05-130), 2006 U.S. S. Ct. Briefs Lexis 333, at *4 ("The Amici believe that the ability to obtain injunctions, whether or not the patent owner is practicing the invention, is important to the licensing efforts of independent inventors. Such licensing is essential to continued research and development efforts by inventors across the country and the world.").

80 Brief of Am. Bar Ass'n, *supra* note 77, at 9–10 ("[T]he equitable considerations advanced by Petitioners are properly addressed to Congress, not to the federal courts. Congress is best able to evaluate these policy considerations . . . ." (quoting Nw. Airlines, Inc. v. Transp. Workers Union of Am., 451 U.S. 77, 88 n.41 (1981))).

favor of MercExchange, and emphasized their role in innovation by stating the "academic sector drives research and innovation in the United States . . . . [T]he sector accounted for an estimated 54% of the basic research conducted in this country."[81] After noting their strong interest in the outcome of the case, as academic amici are similarly situated "non-manufacturing entities" who license their inventions to the private sector, the university brief argued that all patentees should continue to have the same right to permanent injunctive relief.[82]

The final amicus brief in support of MercExchange was filed by the United States and signed by the Patent and Trademark Office, Department of Justice, and Solicitor General.[83] The brief asserted that: patent injunctions should be issued in accordance with the four equitable principles; injunctive relief should turn on the facts of each individual case; and "although the Court of Appeals did not recite the governing equitable principles, it correctly concluded that the district court abused its discretion."[84] The United States brief concluded that the Supreme Court need not overrule *Continental Paper Bag*, because that precedent was only dicta in the case which "*could* be read to support an erroneous rule of automatic or nearly automatic injunction relief . . . ."[85]

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81 Brief of Wis. Alumni Research Found., Am. Council on Education, Ass'n of Univ. Tech. Managers, Board of Trs. of the Univ. of Ill., Cal. Inst. of Tech., NDSU Research Found., Regents of the Univ. of Cal., Research Corp. Techs., Tex. A&M Univ. System's Office of Techn. Commercialization, Univ. of Va. Patent Found. and Wash. Research Found. as Amici Curiae in Support of Respondent at 1, 9, *eBay*, 547 U.S. 388 (No. 05-130), 2006 U.S. S. Ct. Briefs Lexis 341, at *1, 5–6 ("Making it more difficult for non-manufacturing entities like universities to obtain permanent injunctions also would reduce the leverage the academic sector needs to negotiate reasonable licensing agreements with potential licensees. Limiting injunctive relief similarly would mean that the academic section could no longer count on the right to exclusive use of an invention that the availability of an injunction protects. Universities need such certainty to form and invest in start-up companies built on university inventions.").

82 *Id.* at 2, 11.

83 Brief for United States as Amicus Curiae Supporting Respondent, *eBay*, 547 U.S. 388 (No. 05-130), 2006 U.S. S. Ct. Briefs Lexis 327 [hereinafter Brief for United States].

84 *Id.* at 23 ("The court of appeals did not recite or explicitly apply the traditional four-part test that governs the district court's exercise of equitable discretion, but it properly concluded that the district court abused its discretion by relying on inappropriate considerations in withholding equitable relief. Because this Court 'reviews judgments, not statements in opinions,' the court of appeals' judgment should be affirmed, and the case should be returned to the district court for entry of an appropriately tailored injunction."). *See generally* LAYCOCK, *supra* note 2 (stating that many amici parties, including the Solicitor General, referred to some version of the four traditional injunction factors but "did not all cite the same four factors").

85 Brief for United States, *supra* note 83, at 29–30 (emphasis added) ("The Court's decision in *Continental Paper Bag* arguably contains questionable dicta that could be read to support an erroneous rule of automatic or nearly automatic injunctive relief, but its central holding is sound. That holding, which the Court has repeatedly endorsed, is consistent with 35 U.S.C. 283, as well as with the collective experience of the federal

Turning to the four amici curiae briefs in support of neither party, two are worthy of discussion. First, the brief of IBM essentially argued in favor of eBay. IBM began its brief by noting that the original Patent Act of 1790 only gave patentees a remedy of monetary damages; the statutory remedy for patent injunctions was not introduced until 1819. Continuing its focus on history, IBM went on to argue that in "the 98 years since *Continental Paper Bag*, the patent laws and their interpretation have adapted to changes in technology and business operations, but the Federal Circuit's approach in addressing patent injunctions has become rigid."[86] IBM summarized that if an injunction would cause an infringer to abandon a significant investment, incur significant additional costs unrelated to technological merits, or block an infringing product that contains many thousands of technological elements, that disproportionate impact should weigh against an injunction.[87]

Finally, the Intellectual Property Law Association and Federal Circuit Bar Association Brief in Support of Neither Party argued an explanatory position of the Federal Circuit opinion. While the brief recognized that the traditional equitable factors apply, it argued that a patentee is normally entitled to an injunction under those factors.[88] In support of the Federal Circuit's reasoning, the brief went on to assert three fundamental points: "the Federal Circuit's 'general rule' correctly recognizes that patentees lack an adequate remedy at law"; "the Federal Circuit's 'general rule' has been part of the patent system for more than a century and a half"; and "the Federal Circuit's 'general rule' is consistent with the analysis applied in other areas of property law."[89]

courts in applying the principles of equity to patent disputes.").

86 Brief of Int'l Bus. Machs. Corp. as Amicus Curiae in Support of Neither Party at 2, *eBay*, 547 U.S. 388 (No. 05-130), 2006 U.S. S. Ct. Briefs Lexis 164, at *11–12.

87 *Id.* at 3 ("If an injunction would cause the infringer to abandon a significant investment or incur significant additional costs unrelated to technological merits of the invention, that may weigh against a broad injunction. Similarly, where an infringing product contains many thousands of technological elements, an injunction against a minor, infringing element could have a disproportionate impact on the infringer by preventing the marketing of the entire product, an entire product line and/or interrelated products.").

88 Brief of Am. Intellectual Prop. Law Ass'n, *supra* note 70, at 3 ("The Federal Circuit's 'general rule' that a permanent injunction will normally issue in a patent case once liability has been established is fully consistent with 35 U.S.C. § 283 and is well-grounded in the traditional factors governing the issuance of injunctions. The Federal Circuit's statement of the 'general rule' appropriately recognizes that three of the traditional injunction factors (irreparable harm, inadequate remedy at law and the public interest), will normally favor the patentee as a result of the inherently limited nature of the patent's exclusive right and the strong public policy favoring enforcement of valid patents.").

89 *Id.* at 10, 19–20.

Summarizing the amici curiae brief issues the day before oral argument, the Wall Street Journal stated the following:

> [T]o say that this case is about Ebay's "Buy It Now" feature is like saying Moby Dick is about a whale. Roughly thirty parties have submitted briefs to the Supreme Court weighing in on the injunction issue. Supporting MercExchange and arguing for courts' strong injunctive powers are companies fiercely protective of their patents such as General Electric and Procter & Gamble. Arguing on Ebay's side are tech companies such as Intel and Microsoft that hope to give considerable discretion to the courts in deciding whether to issue injunctions.[90]

2. Supreme Court Oral Argument

The Supreme Court oral argument was held on March 29, 2006. Carter G. Phillips argued for eBay, Seth P. Waxman argued for MercExchange, and Jeffrey P. Minear argued for the United States. To begin the argument, the question framed by eBay was "whether or not the . . . [Federal Circuit] rule that declares categorically that three out of the four traditional factors for deciding . . . injunctive relief will be irrebuttably presumed to be satisfied whenever a jury has found that a patent is valid and has been infringed."[91] Further, regarding the facts of the case, eBay's counsel repeatedly emphasized that "we not only intend to but have, in fact, implemented a design-around or a work-around to this particular patent."[92] In opposition to the general argument, MercExchange's counsel rebutted that "a final judgment of patent infringement yields an injunction in all but the very rare case, and that settled regime is not an exception to traditional equitable principles. It's an application of those principles."[93] Regarding MercExchange's factual emphasis before the Court, MercExchange's counsel reiterated that MercExchange

> is no patent troll. The founder of MercExchange really did invent this innovation. He really did . . . spend years of effort trying to build the system to suit himself . . . . He was [then] asked by eBay in 2000 to consider selling [the patents] . . . offered to license them . . . and eBay then stole the technology.[94]

90 Peter Lattman, Ebay v. MercExchange*: Sizing up the Case and Its Lawyers*, WALL ST. J. (Mar. 28, 2006, 6:00 AM), http://blogs.wsj.com/law/2006/03/28/ebay-v-merc exchange-sizing-up-the-lawyers/.

91 Transcript of Oral Argument at 3, *eBay*, 547 U.S. 388 (No. 05-130), *available at* http://www.supremecourt.gov/oral_arguments/argument_transcripts/05-130.pdf.

92 *Id.* at 17.

93 *Id.* at 37.

94 *Id.* at 42–43. For a full discussion of the MercExchange invention history, see generally Holte, *supra* note 4.

To summarize the argument, and concerns of the Court, a few representative questions are worth noting. First, during the argument, there was much discussion regarding business method patents. When Chief Justice Roberts pressed the issue of whether Judge Friedman's "concern over the issuance of business method patents . . . [was] appropriate consideration to take into account in determining whether to grant an injunction," eBay's counsel conceded, "I think probably, at the end of the day, it wouldn't be . . . ."[95] Justice Kennedy came back to this, stating that business method patents "can be very restrictive" and that if "you take that [consideration] away, I don't know if you've got a lot left for . . . saying no injunction in this case."[96]

Further, regarding specific representative questions by the Court, Justice Ginsberg emphasized to eBay's counsel that "[o]ne of the problems with the district court exercising equitable discretion without a close review by the Federal Circuit is just the thing that the Federal Circuit was created to handle . . . . the Federal Circuit is put there . . . so that you won't have wide disparities . . . ."[97] Regarding inventor control of inventions, Chief Justice Roberts asked "if I invent something . . . [a] better way to make a car engine work and I want to sell that to somebody . . . you'd say that's not practicing the invention because I don't build cars?"[98] Justice Scalia added, "[W]hy should I be in better shape, as far as getting an injunction is concerned, if I produce an automobile engine?" To the engine design questions, eBay's counsel replied, "[MercExchange] is not a competitor in the market. If they were . . . you have a much better claim to a need to occupy space . . . . [I]f you chose not to occupy it, it's not to say that you abandon your right to an injunction, but that ought to be a legitimate, individualized consideration . . . ."[99]

There were fewer questions to MercExchange's counsel during oral argument—and less time, since part of MercExchange's argument was allotted to the government—but perhaps more factual questions regarding the patent. Concerning reexamination of the patent-in-suit, Chief Justice Roberts asked, "Could the district court say, well, the patent office staff has rejected every claim of this patent, and I'm going to take that into account in deciding whether to put eBay out of business?"[100]

95 Transcript of Oral Argument, *supra* note 91, at 14.
96 *Id.* at 16.
97 *Id.* at 11–12.
98 *Id.* at 23.
99 *Id.* at 25.
100 *Id.* at 39. At the time of oral argument, the MercExchange '265 patent had been

MercExchange's counsel responded emphasizing that the patent had been involved in patent office administrative proceedings for "almost 3 years . . . [without] a final action."[101] Indeed, earlier in the argument, the Assistant Solicitor General had explained the United States Patent and Trademark Office (PTO) office action process, board of patent appeals processes (BPAI), and then judicial review, noting how long that took and the likely reversals after an initial early-stage office action.[102] Perhaps more damaging to MercExchange, however, later in the argument, Chief Justice Roberts asked, "[W]hat exactly is the invention here?"[103] After some stumbling in response, MercExchange's counsel replied, "[I]t's not a business method. It doesn't claim methods. It claims a system, an apparatus for an electronic market for the sale of goods via a network."[104] Without greater detail, the Chief Justice continued, "[I]t's displaying pictures of your wares on a computer network and, you know, picking which ones you want and buying them. I—I might have been able to do that."[105] MercExchange's counsel was unable to provide greater detail, but simply emphasized in response that the patent had gone through a lengthy Markman hearing and been upheld at the district court and Federal Circuit concerning written description.[106]

Lastly, during the government's argument, the Assistant Solicitor General emphasized that the Court can "provide guidance on how [the four equitable factors] are applied in the patent context . . . ."[107] Chief Justice Roberts characterized the argument as, "[A]ll you want us to do is edit [the Federal Circuit] opinion and stick in this formulaic paragraph about [']there are four factors['] and here they are."[108] The Assistant Solicitor General responded that the government's position was that the Court make clear the test was an exercise of "equitable

rejected under obviousness during the reexamination process at the Patent and Trademark Office. MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 562–63 (E.D. Va. 2007) ("Although the PTO has not yet issued a final office action in either pertinent reexamination, a ruling that would be appealable . . . the PTO has issued interim office actions in both reexaminations, twice indicating that all claims of the #256 patent are invalid as obvious . . . ."). However, the reexamination rejections at the Patent Office were eventually overcome, and the patent allowed. *See* Holte, *supra* note 4, at 29 (where the ultimate settlement between eBay and MercExchange included full assignment of the remaining patents and patent applications related to online auctions).

101 Transcript of Oral Argument, *supra* note 91, at 40.

102 *Id.* at 29.

103 *Id.* at 47.

104 *Id.*

105 *Id.* at 48–49.

106 *Id.* at 49.

107 *Id.* at 28.

108 *Id.* at 27–28.

discretion", but provide further guidance regarding questions of patent injunctions.[109]

Regarding specific questions from Justice Stevens concerning damages and adequate remedies, the Assistant Solicitor General asserted, "[D]amages are not an adequate remedy . . . the injunction harnesses the market to determine what the market value of that patent is. It forces negotiation between the parties . . . ."[110] This reiterated a point Justice Scalia made at the beginning of the argument to eBay's counsel: "[W]hy isn't the . . . free market normally adequate to solve any problems you're talking about? Everybody is in this for the money. Nobody is going to hold off giving the license beyond the point where—where it makes financial sense."[111] The government's argument ended with emphasis that "there should not be an automatic distinction between a party that practices the patent and one that licenses it."[112] Generally speaking, the government continued to emphasize the need for injunctions in patent cases, but only after a consideration under the four-part equitable test.

3. Supreme Court Opinion and Two Concurrences

The Supreme Court issued its decision in the case on May 15, 2006.[113] Justice Thomas delivered the opinion for a unanimous Court; Chief Justice Roberts filed a concurring opinion (joined by Justices Scalia and Ginsburg), as did Justice Kennedy (joined by Justices Souter and Breyer).[114]

The unanimous opinion held that a federal court considering whether to award permanent injunctive relief to a prevailing plaintiff in a dispute arising under the Patent Act must apply the four-factor test "historically employed by courts of equity."[115] The

109 *Id.* at 28.

110 *Id.* at 31–32.

111 *Id.* at 11.

112 *Id.* at 36.

113 eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).

114 *Id.*; *see id.* at 394 (Roberts, C.J., concurring); *see also id.* at 395 (Kennedy, J., concurring).

115 *Id.* at 390 (majority opinion). Some have argued that this "historical" or "traditional" notion for a permanent injunction test was not actually historical or traditional. 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 the four-point test."); LAYCOCK, *supra* note 2, at 426 (arguing that there was "no 'traditional' four-part test" and that the Supreme Court majority's citations supporting the four-part test are misplaced in cases related to preliminary injunctions). *But see* Rachel M. Janutis, *The Supreme Court's Unremarkable Decision in* eBay Inc. v. MercExchange, L.L.C., 14 LEWIS & CLARK L. REV. 597, 597 (2010) ("*eBay* is not a remarkable break from equitable practice. Indeed, the principles outlined by the Court in its decision are neither novel or surprising when viewed in light of previous precedents."); Samuel L. Bray, *The Supreme Court and the New Equity*, 68 VAND. L. REV. 997, 1029

Supreme Court held that the Federal Circuit failed to recite and apply the correct test:

> The [Federal Circuit] articulated a "general rule," unique to patent disputes, "that a permanent injunction will issue once infringement and validity have been adjudged." . . . Because we conclude that neither [the Federal Circuit nor the district court] correctly applied the traditional four-factor framework that governs the award of injunctive relief, we vacate the judgment of the Court of Appeals . . . .[116]

The Court accordingly vacated the judgment of the Court of Appeals, which applied the general rule that courts will issue permanent injunctions, and held in favor of petitioner-eBay.[117] Finally, the unanimous opinion contained the following limiting disclaimer: "We hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards."[118] Between 2000 and 2010, the *eBay* case stands as the only patent case where the party supported by the Solicitor General did not win.[119]

Worthy of note in the unanimous opinion are two guidance points regarding how courts should address equitable principles, specifically regarding non-commercializing patentees like MercExchange. First, regarding the district court's discussion of MercExchange's "lack of commercial activity in practicing the patents,"[120] the Court stated:

> [T]raditional equitable principles do not permit such broad classifications. For example, 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. Such patent holders may be able to satisfy the traditional four-factor test, and we see no basis for categorically denying them the opportunity to do so.[121]

(2015) ("The test in *eBay* is not '*the* traditional four-factor test,' but it is 'a *traditional* four-factor test.' Even so, the most fundamental objection to *eBay* from scholars of remedies is not to the Court's overclaiming. It is to the Court's entrenchment of doctrinal formulations that distinguish legal and equitable remedies: the irreparable injury rule and 'no adequate remedy at law' requirement.") (citations omitted).

116 *eBay*, 547 U.S. at 393–94 (citations omitted).

117 *Id.* at 390.

118 *Id.* at 394.

119 Duffy, *supra* note 67, at 538. Prof. Duffy notes, "[E]ven in [the *eBay*] case, the Court adopted the legal analysis applied by the Solicitor General . . . ." *Id.*

120 *eBay*, 547 U.S. at 393.

121 *Id.*

On this point, the Court concluded that the district court's "analysis cannot be squared with the principles of equity adopted by Congress."[122] Second, the Court explicitly affirmed *Continental Paper Bag*, the 1908 case which held that courts can grant injunctive relief in favor of patent holders who "unreasonably decline[] to use [their] patent."[123] In short, while technically reversing the Federal Circuit's opinion in favor of MercExchange, and not taking any "position on whether permanent injunctive relief should or should not issue in this particular case,"[124] the unanimous opinion spoke very kindly of the four-factor equitable test favoring injunctions for non-practicing patent owners.[125] Indeed, the affirmed 1908 *Continental* opinion stated: "Standing alone, non-use is no efficient reason for withholding injunction. There are many reasons for non-use which, upon explanation, are cogent . . . . Anything but prevention takes away the privilege which the law confers upon the patentee."[126]

Chief Justice Roberts' concurring opinion was only two paragraphs in length and focused on the historical precedent of injunctions in patent cases. After beginning his opinion by noting that the Court's majority holding rested upon the *traditional* notions of equity, he went into a discussion of that *tradition* vis-à-vis patent cases: Since the early nineteenth century, "courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases."[127] In his opinion, this traditional practice was not surprising "given the difficulty of protecting a right to *exclude* through monetary remedies that

122 *Id.*

123 *Id.*

124 *Id.* at 394.

125 *See* Janutis, *supra* note 115, at 617 ("Moreover, Justice Thomas emphasized the district court's overreliance on MercExchange's willingness to license its patent and its lack of commercial activity to explain the error in the district court's reasoning. Justice Thomas expressly acknowledged that 'traditional equitable principles' would not support a categorical presumption that a non-practicing patent holder was not entitled to an injunction. Further, Justice Thomas pointed to the non-commercial research institution and 'self-made inventors' as examples of patent holders whose failure to practice and willingness to license might still warrant an injunction. Justice Thomas noted that such patent holders might be entitled to an injunction because they 'might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves.'"); *see also* Jaideep Venkatesan, *Compulsory Licensing of Nonpracticing Patentees After* eBay v. MercExchange, 14 VA. J.L. & TECH. 26, 32 (2009) ("[W]hile holding that courts must review the four-factor test, Justice Thomas' opinion for the unanimous Court was officially agnostic on the question of whether nonpracticing patentees were entitled to injunctive relief.").

126 Cont'l Paper Bag Co. v. E. Paper Bag Co., 210 U.S. 405, 427, 430 (1908). Despite the Court explicitly affirming *Continental*, some commentators have argued that the opinion's generalities about equities stand in significant tension with the argument and holding from *Continental.* Eric Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, 22 GEO. MASON L. REV. (forthcoming 2015).

127 *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring).

allow an infringer to *use* an invention against the patentee's wishes . . . ."[128] Chief Justice Roberts concluded by citing Justice Holmes: Regarding the application of equitable standards in patent cases in favor of granting injunctive relief, "a page of history is worth a volume of logic."[129]

Justice Kennedy's three-paragraph concurring opinion—of mere "observations,"[130] as he referenced it—first supported the majority opinion's "well-established, four-factor test . . . in deciding whether to grant injunctive relief in patent cases."[131] Second, Justice Kennedy agreed with Chief Justice Roberts' "lesson of the historical practice"; however, he distinguished this instruction to "when the circumstances of a case bear substantial parallels to litigation courts have confronted before."[132] Justice Kennedy went on to cite to a single Internet-posted 2003 FTC report summarizing a panel discussion concerning "The Rise of Non-practicing Entities" in the computer hardware industry.[133] With this citation, he stated:

> 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.[134]

Applying the FTC report details to the patent injunction issue at hand, Justice Kennedy concluded that "legal damages may well be sufficient to compensate for the infringement," "an injunction may not serve the public interest," and the "potential vagueness and suspect validity of [business method patents] may affect the calculus under the four-factor test."[135] Regarding these

128 *Id.*

129 *Id.*; *see also* Jay Dratler, Jr., eBay's *Practical Effect: Two Differing Visions*, 2 AKRON INTELL. PROP. J. 35, 43 (2008) ("The thrust of the[] concurrence was that the results of permanent-injunction hearings in patent cases need not change drastically as a result of the Court's unanimous insistence on a four-factor equitable analysis.").

130 *eBay,* 547 U.S. at 397 (Kennedy, J., concurring).

131 *Id.* at 395.

132 *Id.* 396.

133 *Id.* (citing FTC, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 38–39 (2003), *available at* http://www.ftc.gov/sites/default/files/documents/reports/promote-innovation-proper-balance-competition-and-patent-law-and-policy/innovationrpt.pdf).

134 *Id.*

135 *Id.* at 396–97. *But see* Mulder, *supra* note 44, at 69 (concluding that the Roberts and Kennedy concurrences were intended by their authors to articulate rules regarding when emerging issues should be considered—or not considered—when determining whether granting an injunction is appropriate). Regarding Justice Kennedy's concerns, it is important to note that patent law already contains many safeguards regarding the control of patent owners. *See, e.g.,* Samuel F. Ernst, *Patent Exhaustion for the Exhausted Defendant: Should Parties Be Able to Contract Around Exhaustion in Settling Patent*

conclusions, however, given that the Kennedy concurrence was self-described as "observations," the FTC report citation was simply a summary of testimony related to an off-subject discussion (computer hardware). The briefing and oral argument before the Court deeply considered injunctions for specific classes of patents, and the unanimous opinion of the Court explicitly affirmed *Continental*—the concurrence can truly only be considered a general "observation" by a minority of the Court, with no precedential value or citation intended.[136]

4. Media Attention During and After Supreme Court Appeal

Beyond the usual coverage of Supreme Court cases during a Term, to properly analyze the *eBay* opinion and its impact, it is necessary to note the most active media details regarding patent issues during the *eBay* timeframe. First, while the case was pending at the Supreme Court, there was widespread publicity and media discussion regarding another patent injunction case, *NTP, Inc. v. Research In Motion, Ltd*., that was reported to have the potential to result in the shutdown of all BlackBerry wireless Internet service.[137] This case had a certiorari petition denied by the Supreme Court during the same Term as *eBay* and was a very hot story in the day-to-day press, receiving more press coverage than any other patent case within the 2005–2007 time period.[138] Indeed, "[m]any of the briefs in *eBay* urged the Court to do something about this [BlackBerry phone shutdown] problem,"[139] and one empirical study regarding the press coverage of the *NTP* and *eBay* cases together concluded:

> [The study] clearly illustrates not only the relative prevalence of the coverage of *NTP* vs. that pertaining to *eBay* over the course of the study period, but also the high concentration of *NTP* coverage during (1) the weeks (weeks 41 through 48) leading up to the grant of certiorari in *eBay* (week 49), and (2) the period between the grant of certiorari in *eBay* (B) in November, 2005 (Week 49) and the oral argument in *eBay* (E) on March 29, 2006 (Week 66).[140]

Litigation?, 2 U. ILL. J.L. TECH. & POL'Y 445, 479 (2014) ("[P]atent exhaustion may also play a role in preserving room for innovation because it limits the right of exclusion from being passed down the chain of production and distribution.").

136 Justice Kennedy's concurrence was also likely influenced by increased negative patent injunction press coverage. For a further discussion of this issue, see Dolak & Bettinger, *infra* note 140.

137 LAYCOCK, *supra* note 2, at 427–28.

138 NTP, Inc. v. Research In Motion, Ltd., 418 F.3d 1282 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006) (No. 05-638).

139 LAYCOCK, *supra* note 2, at 428.

140 Lisa A. Dolak & Blaine T. Bettinger, eBay *and the BlackBerry®: A Media Coverage Case Study*, 2 AKRON INTELL. PROP. J. 1, 24 (2008).

That same study also noted that "*eBay* received more coverage than any of the other Supreme Court cases pending or decided during the [two year] study period."[141]

Second, after the Supreme Court opinion was issued, eBay released a statement saying the following:

> **eBay Applauds Supreme Court Ruling**
>
> *San Jose, Calif., May 15, 2006*—eBay . . . applauds today's Supreme Court decision in eBay v. MercExchange, which reversed the ruling by the United States Court of Appeals for the Federal Circuit Court requiring that an injunction must be issued in this case. eBay argued that trial judges ought to have the discretion—expressly granted by Congress—to award money damages to patent owners, instead of injunctions, if the facts of a particular case warrant it. The Supreme Court agreed with eBay that the injunction rule applied by the Federal Circuit was unduly narrow. "We are extremely gratified by the Supreme Court's unanimous decision," said Jay Monahan, eBay's Deputy General Counsel, Intellectual Property. "The trial judge originally found in this case that money was sufficient, and denied an injunction. We are confident that when the District Court revisits this issue, particularly in light of the ongoing reexamination of the patents, that the result will be the same."[142]

Following up on this "win" for eBay within its own press release, many other media sources reported in similar fashion

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141 *Id.* at 12. The study period included the 2005–2006 and 2006–2007 Supreme Court Terms. The patent cases in those terms are: *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006); *Illinois Tool Works v. Independent Ink, Inc.*, 547 U.S. 28 (2006); and *Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394 (2006). Dolak & Bettinger, *supra* note 140, at 2, n.10.

142 *eBay Applauds Supreme Court Ruling*, EBAY INC. (May 15, 2006), http://investor.ebay.com/common/mobile/iphone/releasedetail.cfm?releaseid=197425&CompanyID=ebay. It is interesting to compare this press release language to eBay's July 2006 SEC quarterly filing, which stated:

> In May 2006, the U.S. Supreme Court reversed the Court of Appeals' decision on whether an injunction should have been issued and remanded the case back to the district court for further action. . . . Even if successful, our litigation of these matters will continue to be costly. In addition, as a precautionary measure, we have modified certain functionality of our websites and business practices in a manner which we believe would avoid any further infringement. For this reason, we believe that any injunction that might be issued by the district court will not have any impact on our business . . . Nonetheless, if the district court were to issue an injunction on remand, and if the modifications to the functionality of our websites and business practices are not sufficient to make them non-infringing, we would likely be forced to pay significant additional damages and licensing fees and/or modify our business practices in an adverse manner.

eBay Inc., Quarterly Report (Form 10-Q) 37–38 (July 21, 2006), *available at* http://www.sec.gov/Archives/edgar/data/1065088/000095013406014091/f223 71e10vq.htm.

during and after the opinion. For example, Forbes reported the following:

> **Supreme Court Buries Patent Trolls**
>
> In a victory for eBay, the justices ruled unanimously that federal courts must weigh several factors before barring a patent infringer from using a contested technology or business method. . . . Now the case will be sent back to the U.S. District Court where eBay originally won the right to continue operating "Buy It Now" while it designs around the patent it infringed. . . . The high court's decision deals a blow to patent trolls, which are notorious for using the threat of permanent injunction to extort hefty fees in licensing negotiations as well as huge settlements from companies they have accused of infringing. . . . Recall the $612.5 million that Canada's Research in Motion forked over to patent-holding company NTP to avoid the shutting down of its popular BlackBerry service. . . . In accepting the case and ruling as they did, the justices seemed to have had it in mind to hem in their power.[143]

Indeed, much of the press coverage during the time the case was pending at the Supreme Court, and after the opinion was issued, carried on the anti-patent troll message.[144] Legal empiricists have even put forth data regarding anti-patent troll press coverage during the time *eBay* was pending to suggest that the increased negative patent injunction message related to the *NTP* case was relevant to the Court's resolution—or at least Justice Kennedy's concurrence specifically—in the *eBay* case.[145]

II. *EBAY V. MERCEXCHANGE* AFTER THE SUPREME COURT

After the May 2006 Supreme Court opinion, the case was remanded to Judge Friedman in the Eastern District of Virginia. However, there were almost two years of contentious litigation between the parties, at both the district court and the Federal Circuit, before the case would finally settle.

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143 Jessica Holzer, *Supreme Court Buries Patent Trolls*, FORBES (May 16, 2006, 6:00 AM), http://www.forbes.com/2006/05/15/ebay-scotus-patent-ruling-cx_jh_0516scotus.html.

144 Dolak & Bettinger, *supra* note 140, at 27 ("Additionally, beyond descriptive references to the *NTP* plaintiff as a 'patent-holding company,' and mentions that a BlackBerry®-service ending injunction could issue/might have issued, the media coverage leading up to and during the pendency of *eBay* at the Supreme Court also delivered the (negative) message that such companies should not be entitled to enforce their patents, or to enforce them on the same terms as other patentees . . . .").

145 *Id.* at 31 ("That coverage, which was heavily concentrated in the seven weeks leading up to the grant of certiorari in *eBay*, and in the several months between the certiorari grant and the oral argument, contained significant discussion of particular considerations that were potentially relevant to the resolution of the question at issue in *eBay*, and ultimately expressly regarded as relevant by four of the Justices."). The study included anti-patent message coding, including "negative message 13," and stated, "[P]atents are (and shouldn't be) awarded to/enforceable by those who don't develop products/practice the invention." *Id.* at 18, n.83.

A. *eBay v. MercExchange* in Further Proceedings Before the District Court

1. Additional District Court Proceedings Before Reconsideration of the Injunction

The case was officially remanded to the district court, through the Federal Circuit, on July 13, 2006.[146] Within a few weeks, on August 28, 2006, eBay filed for a motion to stay proceedings pending PTO reexamination of the patents-in-suit, and MercExchange again filed for a permanent injunction.[147]

In its renewed motion for permanent injunction, MercExchange noted that after the Federal Circuit appeal, judgment of validity and infringement of the '265 patent was final.[148] Regarding the legal standard for the injunction, in addition to the Supreme Court majority opinion, MercExchange cited the same Eastern District of Virginia case cited by eBay in its 2003 injunction opposition brief, also cited by Judge Friedman in his 2003 denial of an injunction—essentially the same factors as before.[149] MercExchange again went through the four-factor analysis discussed in its 2003 briefing, emphasizing that "because eBay is a virtual monopolist, commanding 90 percent of the online auction market, no potential competitor can gain a foothold to compete against eBay so long as eBay is not enjoined from infringing MercExchange's technology."[150] Finally,

146 Order Vacating the Judgment of the Dist. Court and Remanding for Further Proceedings Consistent with the Op. of the U.S. S. Ct., MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556 (E.D. Va. 2006) (No. 2:01-cv-736) (on file with author).

147 Motion to Stay Proceedings in View of Ongoing Patent Office Reexamination Proceedings by eBay, Inc., Half.com, Inc., *MercExchange*, 500 F. Supp. 2d 556 (No. 2:01-cv-736).; Motion for Permanent Injunction by MercExchange, L.L.C., *MercExchange*, 500 F. Supp. 2d 556 (No. 2:01-cv-736) (on file with author).

148 Plaintiff MercExchange, L.L.C.'s Brief in Support of Renewed Motion for Entry of a Permanent Injunction Order at 6, *MercExchange*, 500 F. Supp. 2d 556 (No. 2:01-cv-736), 2006 WL 5359293 [hereinafter Renewed Motion for Injunction Brief] (on file with author).

149 *Id.* at 9 (citing Odetics, Inc. v. Storage Tech. Corp., 14 F. Supp. 2d 785, 794–97 (E.D. Va. 1998)); *see also* Defendant's Opposition to Plaintiff MercExchange, L.L.C.'s Brief in Support of Motion for Entry of a Permanent Injunction Order, *supra* note 20. *Compare Odetics*, 14 F. Supp. 2d at 794 ("Issuance of injunctive relief . . . is governed by traditional equitable principles, which require consideration of (i) whether the plaintiff would face irreparable injury if the injunction did not issue, (ii) whether the plaintiff has an adequate remedy at law, (iii) whether granting the injunction is in the public interest, and (iv) whether the balance of hardships tips in the plaintiff's favor."), *with* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006) ("A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of 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.").

150 Renewed Motion for Injunction Brief, *supra* note 148, at 16. But the harm to MercExchange is particularly severe on the record here. MercExchange, and MercExchange's licensees or potential licensees, are (or aspire to be) *competitors* of *eBay*—

regarding the Supreme Court concurrences, MercExchange cited both Chief Justice Roberts and Justice Kennedy in emphasizing that the "historical practice . . . [is] still important in the court's weighing of the four equitable factors."[151]

Former United States Solicitor General Seth Waxman joined the MercExchange legal team at the district court in September 2006[152]—presumably in expectation of oral argument on the injunction issue—however, in December 2006, Judge Friedman ordered additional discovery before considering the renewed injunction motion or the stay pending reexamination.[153] During the additional discovery, tensions between the parties increased and in March 2007, Judge Friedman issued a six-page order summarizing, *inter alia*:

> Presently before the court are too many letters and motions for the court to list, all are tangential to the two primary motions that the court has endeavored to address for over six months: MercExchange's Motion for an Injunction and eBay's Motion to Stay . . . the parties have on several occasions revealed their belief that the instant matter is the only case pending in this district as the parties demanded almost constant attention from the Magistrate Judge . . . At some point during what this court thought was supposed to be a **brief** period of **limited** discovery, that parties' inability to conduct five one-day depositions became almost comical . . . Most of the motions and letters are either a request to strike prior filings or an attempt to advance additional argument in support of prior filings; such duplicative arguments result in an exponential growth to the mountain of paperwork which frankly mystifies the court . . . the court does not and is frustrated by not only the sheer volume of unnecessary paperwork and speed in which counsel expect the court to respond, but also counsel's inability to work together to complete what the court views as a relatively simple task: take five depositions and serve associated document requests to bring the record up to date on recent factual developments.[154]

The conclusion of Judge Friedman's order, and the tensions between counsel, was that the court would also consider cross-motions regarding "unclean hands" at the same time it

an entity that commands 90 percent of the relevant market. *Id.*

151 *Id.* at 10, n.5 ("Justice Kennedy noted that the right to exclude does not inexorably dictate injunctive relief; rather, the four-factor test, applied in the context of analogous historical practice, governs.").

152 Motion for Seth Paul Waxman to Appear Pro Hac Vice by MercExchange, L.L.C., *MercExchange*, 500 F. Supp. 2d 556 (No. 2:01-cv-736) (on file with author).

153 Order and Op. Permitting Both Parties until March 2, 2007 to Perform Additional Discovery, *MercExchange*, 500 F. Supp. 2d 556 (No. 2:01-cv-736) (on file with author).

154 Order and Op. at 1–3, 5, n. 4, *MercExchange*, 500 F. Supp. 2d 556 (No. 2:01-cv-736) (emphasis in original) (on file with author).

considered the motions for injunction and to stay pending reexamination.[155]

2. District Court Injunction Oral Argument

Following the additional discovery and updated briefing, the district court held oral arguments on the injunction issue June 12, 2007.[156] After arguing the injunction issue for MercExchange before the Supreme Court, Seth Waxman argued the same issue, on remand, before the district court.[157] There are four key points, important to Judge Friedman regarding MercExchange, worth noting.

First, regarding the Supreme Court opinion, Mr. Waxman made the point: "[N]either the chief justice's concurring opinion nor Justice Kennedy's concurring opinion garnered five votes . . . So what a majority of the Supreme Court genuinely thinks, other than that the four-factor test should be applied, is yet to be determined."[158] To this assertion, Judge Friedman questioned Mr. Waxman regarding the "patent troll"[159] issue at length and whether MercExchange was a "troll."[160]

Second, Judge Friedman had many questions regarding MercExchange's alleged exclusive license arrangement with Internet auction company uBid,[161] eBay's largest competitor.[162] Specifically, Judge Friedman emphasized the recent suspect timing of the uBid contract, subsequent to the jury trial.[163] To this point, Mr. Waxman emphasized that eBay "utterly mischaracterized the deposition testimony of the uBid witness"[164] and further noted: "[L]ook at the three licenses that are in the record, not only the uBid license but the Aden license and the AutoTrader license, each one has unique and uniquely bargained for terms, and it's that factor plus the factor that we have a

155 *Id.* at 5.

156 *See generally* Transcript of Oral Argument, *MercExchange*, 500 F. Supp. 556 (No. 2:01-cv-736) (on file with author).

157 *Id.* at 3.

158 *Id.* at 7.

159 *Id.* at 8 (question from Judge Friedman).

160 *Id.* at 10 (question from Judge Friedman questioning MercExchange only having two employees).

161 *Id.* at 10–11.

162 *Id.* at 90 ("uBid is eBay's largest competitor . . . albeit it has only about 2 perhaps 3 percent of the market share . . . ."); *MercExchange*, 500 F. Supp. 2d at 575–76 (stating that uBid obtained a non-exclusive license to MercExchange's patent portfolio and negotiated an exclusive license in exchange for a twenty-five percent interest in MercExchange).

163 Transcript of Oral Argument, *supra* note 156, at 11.

164 *Id.* at 19.

monopolist here [eBay] that makes this case genuinely cry out for an injunction."[165]

Third, Judge Friedman had many questions regarding a hedge fund which had invested in MercExchange.[166] He referenced the fund as "speculators . . . gamblers," to which Mr. Waxman responded: "They have basically made a determination that this is a valid investment on the probability . . . that an enforceable injunction will issue in favor of this patent holder."[167]

Lastly, Judge Friedman addressed the issue of eBay allegedly designing around the patent. This detail, originally raised by MercExchange in prior briefing, was based on eBay's SEC quarterly reports stating to investors: "[W]e have modified certain functionality of our websites and business practices in a manner which we believe would avoid any further infringement. For this reason, we believe that any injunction that might be issued by the district court will not have any impact on our business."[168] On this issue, Judge Friedman stated: "I thought it was ludicrous when counsel, after or during the trial, said we could design around this patent in a couple of hours . . . for, like, $8,000, and the first thought I had was why in the world didn't they do it to avoid this whole mess."[169] Mr. Waxman agreed with the hypocrisy and Judge Friedman stated further: "What concerns me, Mr. Waxman, is no matter what this Court does today . . . what happens at that point? It's going to go on and on and on, and I never could understand why we were ever placed in this position, but there is nothing that I can do about that."[170]

Regarding eBay's argument before the court, there were two key points impressed to Judge Friedman by counsel. First, eBay's counsel asserted the notion that Justice Kennedy's concurrence in the Supreme Court's opinion allows district court judges to prevent patent holders from asserting "undue leverage" with the

165 *Id.* at 15.

166 *Id.* at 19.

167 *Id.* at 20; *see also id.* at 41 ("[T]he [MercExchange investment money] was given to them by a speculator, hoping that maybe [the money] will turn out to be a sound investment.").

168 eBay Inc., Quarterly Report, *supra* note 142, at 15. As noted at oral argument, eBay's non-infringing design around consisted of: "The main issues are, Your Honor, that we changed our log-in process. When you sell an item, we changed it. We simply removed all of the evidence that they relied on to indicate, and anything else that they rely on to indicate that we are authorizing a particular computer . . . ." Transcript of Oral Argument, *supra* note 156, at 65.

169 Transcript of Oral Argument, *supra* note 156, at 23.

170 *Id.* at 24. Judge Friedman's comments most likely relate to the issue of ongoing contempt hearings related to continued infringement even if an injunction issued. *See supra* Part I.B. (regarding Judge Friedman's consideration of those issues in the initial post-trial injunction denial).

threat of an injunction in licensing negotiations.[171] Pushing MercExchange as a troll, counsel further stated: "Justice Kennedy was alluding to it . . . that companies like MercExchange go around and they threaten litigation with their patents."[172] Since MercExchange had not proven "irreparable harm or inaccuracy of legal remedy," there was no reason for an injunction.[173]

Second, and during questions from Judge Friedman regarding "what harm would there be for . . . an injunction if [eBay] [is] no longer infringing [due to a design around],"[174] eBay's counsel responded that the damage from an injunction "is a big thing to the public, to [eBay's] investors."[175] Counsel went on to detail eBay's position that despite allegedly designing around MercExchange's patent, if an injunction were to issue, the financial damage to eBay's investor perception, general business operations in the marketplace, and stock price, would likely be nonreversible. Regarding MercExchange's potential harm, eBay's counsel countered that if an injunction were denied at the district court and later reversed on appeal, or if eBay did not actually design around the patent and was later found as a continued infringer, the only harm to MercExchange would be time delay in damages recovery.[176] Weighed with the two options in terms of greater risk, eBay's counsel suggested to the court that "MercExchange does not have any products, any services, does not practice [the patent] . . . there is no evidence that any other entity practices this invention"—the greater harm under any circumstance would be to issue an injunction that permanently damages eBay's business and takes the patent entirely out of the public marketplace.[177]

3. The District Court's Second Denial of a Permanent Injunction

Judge Friedman issued his thirty-six page order and opinion denying MercExchange's renewed motion for entry of a

171 Transcript of Oral Argument, *supra* note 156, at 20 ("And I suggest to Your Honor that they want to do that to create the undue leverage that Justice Kennedy talked about."); *see also id.* at 63 ("That's why they want [an injunction], because they want what Justice Kennedy cautioned against is illegitimate leverage.").

172 *Id.* at 46.

173 *Id.* at 62.

174 *Id.* at 58.

175 *Id.* at 80.

176 *Id.* at 62–63 ("You do get the harm issue. And that's like what would it harm Bill Gates if we asked him to give us $5 million? Probably nothing, right. But what would it harm eBay if you got out and say that we are enjoined and we can't do this anymore? It does hurt. It hurts us in the marketplace.").

177 *Id.* at 72–73.

permanent injunction on July 27, 2007. Detailed discussion of the opinion has already been provided by other scholars,[178] but a few key points regarding the holding, and unique facts related to the parties, are worthy of mention.

First, Judge Friedman lent much discussion to the separate concurrences within the Supreme Court opinion. There were three citation and discussion points regarding Chief Justice Roberts' concurrence, and four citation and discussion points to Justice Kennedy's concurrence.[179] Regarding Chief Justice Roberts' concurrence, Judge Friedman noted the historical frequency of a "plaintiff . . . establishing irreparable harm in the wake of establishing validity and infringement." However, Judge Friedman distinguished the Chief Justice's notions due to the Supreme Court majority holding "a permanent injunction shall only issue if *plaintiff carries its burden* of establishing that . . . the case specific facts warrant entry of an injunction."[180] Regarding Chief Justice Roberts' "page of history . . . worth a volume of logic" point, Judge Friedman rebutted:

> [W]hether the court is considering the injunction calculus, the likelihood that a criminal defendant with five prior felonies will be a recidivist, or whether a non-practicing patent holder with a track record for pursing monetary recovery through litigation is merely seeking an injunction as a bargaining chip to increase the bottom line. The factual history of this matter indicates that MercExchange has never sought to defend its right to exclude; to put credence in such claim at this late stage would not serve equity nor the public interest.[181]

Conversely to the treatment of Chief Justice Roberts' concurrence, Judge Friedman's take on Justice Kennedy's concurrence was far more agreeable, if not precedential. Judge Friedman cited Justice Kennedy for the proposition that "if the application of the case specific facts to the four-factor test reveals that equitable relief is warranted, the nature of such [business method] patents may be considered by the court when balancing the equities."[182] He went on to cite Justice Kennedy for the proposition that "[u]tilization of a ruling in equity as a

178 *See generally, e.g.,* Robert I. Reis, *Rights and Remedies Post* eBay v. MercExchange - *Deep Waters Stirred*, 2 AKRON INTELL. PROP. J. 133 (2008).

179 *See generally* MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556 (E.D. Va. 2007). In his opinion, Judge Friedman cited seven total times to the separate concurrences compared to ten total cites to the majority's opinion. *Id.*

180 *Id.* at 569.

181 *Id.* at 588.

182 *Id.* at 574 (citing eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 396 (2006) (Kennedy, J., concurring)); *see also* Reis, *supra* note 178, at 149 (citing this portion of Judge Friedman's opinion in an "extended *blend and tracking* of notations" regarding the district court's analysis of "'irreparable harm' and 'adequate remedy at law'").

bargaining chip suggests both that such party never deserved a ruling in equity and that money is all that such party truly seeks, rendering monetary damages an adequate remedy in the first instance."[183] Judge Friedman concluded on this stating: "Participation in such [patent licensing] industry lessens the impact of MercExchange's plea for equitable relief . . . ."[184] As other scholars have noted, "[There are] a number of issues regarding [Judge Friedman's] use or abuse of discretion and conformity with the principles set forth in the [*eBay*] opinion and concurrence . . . of Justice Kennedy."[185]

Beyond discussion of the Supreme Court's concurrences, a second point within the opinion was that Judge Friedman cited numerous case-specific facts, many of which were uncovered during the additional discovery after remand from the Supreme Court. These facts mentioned in the opinion all seemed to work against MercExchange's motion for injunction. Judge Friedman's notes include mention of emails between MercExchange's founder and inventor, Tom Woolston, and the CEO of uBid, the eBay competitor which licensed MercExchange's patents. Those emails, according to Judge Friedman,

> reveal that uBid chose to obtain the license [from MercExchange] in lieu of spending money 'on a detailed legal opinion as to [the] patents and [their] impact on uBid' . . . . [The uBid CEO] stated that 'in return' for a license to MercExchange's patents he would 'work directly with [Woolston] and [his] group to secure [their] eBay position' and any other challenges.[186]

Further emails from Woolston "indicate[] that such a [uBid content auction] website could likely be constructed but that Woolston should 'do some upfront assessment of will this model work and can it make $. Otherwise, this is another make Friedman semi happy and piss away some $.'"[187] To these exchanges, Judge Friedman concluded, "[T]he court recognizes that MercExchange's negotiations with uBid appear just as likely to be an effort to placate the court as they do an effort to develop the '265 patent."[188] Regarding MercExchange's hedge fund investors discussed at length at oral argument, Judge Friedman's opinion noted:

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183 *MercExchange,* 500 F. Supp. 2d at 582 (citing *eBay,* 547 U.S. at 396 (Kennedy, J., concurring)); *see also* Reis, *supra* note 178, at 150.

184 *MercExchange*, 500 F. Supp. 2d at 582; *see also* Reis, *supra* note 178, at 150.

185 Reis, *supra* note 178, at 151.

186 *MercExchange*, 500 F. Supp. 2d at 561–62.

187 *Id.* at 576–77.

188 *Id.* at 577.

> Altitude Capital's post-trial investment of $6.25 million in MercExchange . . . [was] to purchase an interest in MercExchange's litigation recovery. . . . $4 million of such investment was distributed to MercExchange's three members, and a large portion of the remainder was used to fund litigation[;] . . . little appears to have been devoted to developing the patents . . . .[189]

Judge Friedman concluded, "[I]t nevertheless appears to represent a bypassed opportunity to attempt to develop MercExchange's patents."[190] Finally, regarding the parties specifically, Judge Friedman described it as "a company of two employees, the inventor of the patents a former patent attorney"[191] as compared to "eBay . . . a multibillion dollar corporation whose online marketplace brings together tens of millions of buyers and sellers around the world and eBay unquestionably has a substantial impact on the United States' economy."[192]

A third point within the opinion was Judge Friedman's emphasis on MercExchange's '265 patent being invalidated by the PTO and an injunction unnecessarily harming eBay. Judge Friedman stated there was a "distinct possibility that the '265 patent [would] be invalidated through reexamination as two PTO interim office actions rejected all claims . . . as obvious."[193] He went on to note that issuing an injunction against eBay would result in "irreparable harm . . . should the PTO later invalidate the '265 patent" and that the "far more substantial risk of harm to eBay is the potential for eBay to lose customers if forced to remove the buy-it-now option from its website, potentially impeding millions of transactions, only to later discover that the '265 patent was never valid . . . ."[194]

Lastly, Judge Friedman's opinion analysis seemed to rest on MercExchange's continued desire to not practice the patents-in-suit.[195] Specifically, he noted "MercExchange has

189 *Id.* at 587 n.30.

190 *Id.*

191 *Id.* at 572.

192 *Id.* at 587 (suggesting that eBay may be "necessary to the public, such as medical devices").

193 *Id.* at 591. Judge Friedman's speculation was incorrect as within less than three months MercExchange's '265 patent was allowed by the PTO. Brief of Appellant at 52, MercExchange, L.L.C. v. eBay, Inc., 273 F. App'x 857 (2008) (No. 07–1531), 2007 WL 3338911 at *52 ("In an October 2, 2007 Office Action, the PTO . . . has now confirmed the patentability of claims 1-25 of the '265 Patent.").

194 *MercExchange*, 500 F. Supp. 2d at 585.

195 *See* Reis, *supra* note 178, at 149–51; *see also id.* at 149 n.66 (contrasting the utility of self-made inventors or university researches with Judge Friedman's analysis of MercExchange and noting "the majority of the utility achieved by [self-made inventor or university] licensing programs results from the fact that patent holders are still *seeking to develop* their patent, they are just opting to do so in partnership with others");

virtually no presence in the online auction industry and has little, if any, name recognition, customer base, market share or licensing program spurring patent development."[196] In almost direct defiance of the Supreme Court majority opinion, Judge Friedman reasoned that despite "the Supreme Court's admonishment to avoid categorical rules . . . [a plaintiff patent owner] offering a license to the defendant [patent infringer] . . . plainly weighs against a finding of irreparable harm as it illustrates the patent holder's willingness to forgo his right to exclude."[197]

4. Judge Friedman and Other Patent Cases

The seemingly strong lean of anti-patent holder sentiment regarding consideration of an injunction against eBay was perhaps standard anti-patent holder practice in Judge Friedman's courtroom. A review of the forty cases assigned to him while on the bench (November 1997 to August 2011) reveals a strong disfavor of patent holders. While eBay was the longest patent case pending before Judge Friedman,[198] of the other twelve cases pending for over 300 days on his docket,[199] four were cases concluded through summary judgment of non-infringement,[200] and eight cases were dismissed without substantive opinion.[201] No case decided by Judge Friedman could arguably be characterized as in favor of a patent owner.

Venkatesan, *supra* note 125, at 43 ("There could not be a clearer exposition and adoption of the Second Circuit's doctrine of denying nonpracticing patentees' monopoly rents from their patents.").

196 *MercExchange*, 500 F. Supp. 2d at 583; Reis, *supra* note 178, at 149 (concluding that Judge Friedman's listing of these factors constituted key elements in his consideration of injunction relief).

197 *MercExchange*, 500 F. Supp. 2d at 573.

198 MercExchange, L.L.C. v. eBay, Inc., No. 2:01-cv-00736, Dkt. at 1, 763 (E.D. Va 2007) (MercExchange's complaint was filed on Sept. 26, 2001, (Dkt. 1) and ended on Feb. 28, 2008, with an agreed order dismissing case (Dkt. 763), totaling 2841 days of litigation).

199 Cummins Eagle, Inc. v. Bakery Holdings, No. 2:98-cv-00945 (E.D. Va. 1998); Jacob v. Columbia-Arlington, No. 2:98-cv-01474 (E.D. Va. 1998); Bell-Atlantic Net. v. Covad Commc'ns, No. 2:99-cv-00712 (E.D. Va. 1999); Fantasy Sports v. Sportsline.Com, Inc., No. 2:99-cv-02131 (E.D. Va. 1999); Fantasy Sports v. Time Warner, Inc., No. 2:00-cv-00179 (E.D. Va. 2000); Microstrategy Inc. v. Bus. Objects, S., No. 2:01-cv-00826 (E.D. Va. 2001); Nystrom v. Trex Co., No. 2:01-cv-00905 (E.D. Va. 2001); Colt Def. L.L.C. v. Heckler & Koch Def., Inc., No. 2:04-cv-00258 (E.D. Va. 2004); AU Optronics v. Sharp Corp., No. 2:04-cv-00333 (E.D. Va. 2004); Audio MPEG, Inc. v. Creative Labs, Inc., No. 2:05-cv-00185 (E.D. Va. 2005); Bid for Position, L.L.C. v. AOL, L.L.C., No. 2:07-cv-00582 (E.D. Va. 2007); Osmose, Inc. v. Arch Chem., Inc., No. 2:10-cv-00108 (E.D. Va. 2010).

200 *Bell-Atlantic*, No. 2:99-cv-00712; *Microstrategy*, No. 2:01-cv-00826; *Nystrom*, No. 2:01-cv-00905; *Bid for Position*, No. 2:07-cv-00582; s*ee also* Dynamic Brands, L.L.C. v. Sun Mountain Sports, Inc., No. 2:08-cv-00244 (E.D. Va. 2008) (an additional decision adverse to the patent holder but related to ownership of the patent itself, was only pending for eighty-two days, and was voluntarily dismissed).

201 *Cummins Eagle*, No. 2:98-cv-00945; *Jacob*, No. 2:98-cv-01474; *Fantasy Sports*, No.

5. Procedural Notes and Press Before Second Federal Circuit Appeal

Before the second Federal Circuit appeal, and case settlement, it is important to note one procedural point, and one press communications point. Regarding case procedure, after Judge Friedman's July 2007 denial of MercExchange's renewed request for an injunction, MercExchange immediately motioned the court for post-verdict accounting and bond.[202] In turn, eBay motioned the court for judgment as a matter of law or new trial on the '265 patent, and summary judgment that eBay's current operations do not infringe.[203] In December 2007, Judge Friedman issued an order granting MercExchange's motion to certify the judgment and ordering the clerk of court to enter judgment in the amount of $25 million, with interest, on the '265 patent.[204] Accordingly, eBay posted a bond in the amount of $31 million on December 19, 2007.[205]

Regarding press communications, in contrast to the active release of communications at the time leading up to the Supreme Court decision, and regarding the Supreme Court decision, eBay did not issue any press releases regarding Judge Friedman's denial of the renewed motion for injunction in July 2007. The first post-Supreme Court press communication came from eBay in December 2007, when Judge Friedman entered judgment on the '265 patent. In that release, eBay stated:

> We are disappointed with the court's order and we plan to appeal it. . . . [T]he court concluded that it did not have the legal right to consider the merits of our arguments concerning the '265 patent, but rather was required to reject our motions based on the procedural posture of the case. . . . Additionally, our motion for summary judgment that our 2003 design-around was effective and there is no ongoing infringement of the '265 patent, and that no further damages are due, also remains pending before the court. We remain pleased with other developments in this ongoing case, including the decision by the United States Court of Appeals to invalidate another patent in

2:99-cv-02131; *Fantasy Sports*, No. 2:00-cv-00179; *Colt*, No. 2:04-cv-00258; *AU Optronics*, No. 2:04-cv-00333; *Audio MPEG*, No. 2:05-cv-00185; *Osmose*, No. 2:10-cv-00108.

202 Motion for Post-Verdict Accounting by MercExchange, L.L.C., *MercExchange*, 500 F. Supp. 2d 556 (ECF No. 696); Motion for Bond by eBay, Inc., Half.com, Inc., *MercExchange*, 500 F. Supp. 2d 556 (ECF No. 699).

203 Motion for Judgment as a Matter of Law or for New Trial on 256 Patent by eBay, Inc., Half.com, Inc., *MercExchange*, 500 F. Supp. 2d 556 (ECF No. 706); Motion for Summary Judgment that Defendants' Current Operations Do Not Infringe by eBay, Inc., Half.com, Inc., *MercExchange*, 500 F. Supp. 2d 556 (ECF No. 708).

204 Order Granting 693 Motion to Certify the Judgment Under FRCP 54(b), *MercExchange*, 500 F. Supp. 2d 556 (ECF No. 752); Judgment on the 265 Patent Under FRCP 54(b), *MercExchange*, 500 F. Supp. 2d 556 (ECF No. 759).

205 Supersedeas Bond in the Amount of $31 Million, *MercExchange*, 500 F. Supp. 2d 556 (ECF No. 761).

> this case; the May 2006 unanimous Supreme Court decision in eBay's favor on MercExchange's request for an injunction; and the District Court's subsequent affirmation in September 2007 that no injunction is called for.[206]

B. Second Appeal to the Federal Circuit and Settlement

The *eBay* litigation, lasting through trial, appeal—including to the Supreme Court—and then on remand and a second appeal, was a great anomaly for any patent case.[207] Federal Circuit briefing on Judge Friedman's denial of MercExchange's renewed motion for permanent injunction occurred between October and December 2007.[208] No new legal arguments were made during the briefing; however, there was much discussion regarding the October 2007 PTO post-*KSR*[209] office action allowing claims one through twenty-five of the '265 patent.[210] Indeed, Judge Friedman was incorrect in his assumption that the '265 patent would soon be invalidated by the PTO. Sometime after briefing, likely January 2008, the case was referred to the Federal Circuit's mediation office.[211] Settlement of the case was announced February 28, 2008, when eBay released the following statement:

> eBay Inc. announced today that it has agreed to a settlement with MercExchange, L.L.C. to dismiss all claims and appeals stemming from the patent lawsuit filed by MercExchange in September of 2001 . . . As part of the settlement, eBay will purchase all three patents involved in the lawsuit, as well as some additional related technology and inventions and a license to another search-related patent portfolio that was not asserted in the lawsuit. These assets will allow eBay to further enhance its operations and trust and safety efforts on its ecommerce sites . . . [eBay Senior Vice President and General Counsel stated] "In addition to resolving the litigation, this

206 *eBay Inc. Statement on District Court Ruling in* MercExchange v. eBay *Case*, EBAY INC. (Dec. 12, 2007), http://files.shareholder.com/downloads/ebay/0x0x151224/fdee3cd4-38fc-4a75-ad79-aee05ea38b64/EBAY_News_2007_12_12_General.pdf.

207 *See* Megan M. La Belle, *Against Settlement of (Some) Patent Cases*, 67 VAND. L. REV. 375, 381 (2014) (discussing studies of patent case settlements and noting that the vast majority of patent suits settle, patent cases that do settle generally involve the most litigated patents, and cases that do not settle generally result in a patent being invalidated; none of these factors can be found in the *eBay* litigation).

208 Brief of Appellant, MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556 (No. 07-1531), 2007 WL 3338911 (on file with author); Brief of Defendants, *MercExchange*, 500 F. Supp. 2d 556 (No. 07-1531), 2007 WL 4618645 (on file with author); Reply Brief of Appellant, *MercExchange*, 500 F. Supp. 2d 556 (No. 07-1531), 2007 WL 4984843 (on file with author).

209 The Supreme Court decision in *KSR* was issued April 30, 2007. KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007).

210 Reply Brief of Appellant, *supra* note 208, at 13.

211 Memorandum from Michael Morthland for Professor Ryan T. Holte regarding communications with the Federal Circuit records office (Oct. 28, 2014) (on file with author).

> settlement gives us access to additional intellectual property that will help improve and further secure our marketplaces."[212]

While the settlement details are confidential between the parties, it has been confirmed that eBay purchased all patents owned by MercExchange and continued to prosecute pending MercExchange patent applications.[213] Further, after a review of eBay's quarterly SEC earnings filings, it appears that the total settlement amount could likely have been somewhere between the $31 million bond amount and $55 million.[214]

While the confidential reasons for case settlement are only known to the parties, the February 2008 timing can likely be explained. First, given the Federal Circuit's previous treatment of the case, with almost automatic reversal of Judge Friedman's injunction denial, it was likely the Federal Circuit would again reverse Judge Friedman. Beyond specific errors in his reasoning that would potentially result in any patent-owner-licensor being denied an injunction[215] (at a minimum in violation of the *eBay* Court's affirmance of *Continental Paper Bag*), the Federal Circuit's treatment of permanent injunction appeals post-*eBay* has not likely changed. While additional comprehensive research into post-*eBay* injunction appeals at the Federal Circuit is needed—and forthcoming[216]—review of the fifty-two Federal Circuit injunction appeals applying the *eBay* analysis reveals nine appeals where a district court denied entry of a permanent injunction,[217] with the Federal Circuit affirming on only two occasions, both related to medical devices.[218]

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212 *eBay Inc. and MercExchange, L.L.C. Reach Settlement Agreement,* EBAY INC. (Feb. 28, 2008), http://investor.ebay.com/releasedetail.cfm?ReleaseID=296670.

213 Holte, *supra* note 4, at 29–30.

214 The $31 million to $55 million settlement range was calculated as follows. The $31 million bond posted to the district court was returned to eBay on February 29, 2008. MercExchange, L.L.C. v. eBay, Inc., No. 2:01-cv-00736, Dkt. 763 (E.D. Va. 2007). According to eBay's SEC filings, between December 31, 2007, and March 31, 2008, eBay general and administrative operating costs increased in the amount of $76,903,000. That is roughly a $25 million increase over the next two quarters' increases of $50 million and $44 million. *See SEC Filings*, EBAY INC. (last visited April 11, 2015), http://investor.ebayinc.com/sec.cfm?view=all. By conjecture, a weak conclusion can be drawn that the $25 million increase was partially due to a MercExchange settlement disbursement added to the previously paid and returned $31 million bond amount (the original jury award with interest). This is only conjecture based on publicly available information; the true settlement amount could have been paid in future installments, or some other means that cannot be independently verified.

215 Reis, *supra* note 178, at 149–51 (2008); Venkatesan, *supra* note 125, at 43 ("There could not be a clearer exposition and adoption of the Second Circuit's doctrine of denying nonpracticing patentees' monopoly rents from their patents.").

216 This author and Chris Seaman, Assistant Professor of Law, Washington and Lee University School of Law, are currently compiling data on all Federal Circuit permanent injunction appeals post-*eBay* and plan to release their data and findings in the fall of 2015.

217 Voda v. Cordis Corp., 536 F.3d 1311 (Fed. Cir. 2008); Ecolab, Inc. v. FMC Corp.,

A second likely reason supporting the pre-Federal Circuit opinion timing of the settlement is that any strategy by eBay to delay until MercExchange ran out of litigation funds was likely thwarted by the '265 patent claims being allowed at the PTO and a district-court-held bond of $31 million seemingly locked in the future for MercExchange. As Judge Friedman's opinion detailed, over $6 million had already been invested by one hedge fund before patent allowance and bond posting; after those benchmarks, it is likely MercExchange's attractiveness to litigation investors would only increase.

Third, and discussed in greater detail *infra*, eBay likely found value in its public efforts for the Supreme Court opinion to appear as an affirmance of Judge Friedman's initial denial of MercExchange's request for injunction, a much broader reversal of the Federal Circuit's opinion, and an image of Justice Kennedy's separate concurrence as the takeaway future law against any non-practicing patent owner. To this end, eBay likely preferred Judge Friedman's denial of MercExchange's renewed motion for a permanent injunction as the last opinion in the case, and likely placed great value in the Federal Circuit not creating adverse precedent in reversing Judge Friedman a second time.

III. WHAT THE *EBAY V. MERCEXCHANGE* OPINION HAS COME TO MEAN

Despite the unanimous Supreme Court opinion characterizing *eBay* as merely following "well-established principles of equity,"[219] the "opinion has had cataclysmic effect . . . a remarkable legal juggernaut."[220] Fewer than five years after the opinion was issued, "*eBay* had been cited more than 4,100 times. Before *eBay*, courts presumed irreparable injury in intellectual property cases on the ground that damages

569 F.3d 1335 (Fed. Cir. 2009); Robert Bosch L.L.C. v. Pylon Mfg. Corp., 659 F.3d 1142 (Fed. Cir. 2011); Bard Peripheral Vascular, Inc. v. W.L. Gore & Assoc., Inc., 670 F.3d 1171 (Fed. Cir. 2012); Whitserve, L.L.C. v. Computer Packages Inc., 694 F.3d 10 (Fed. Cir. 2012); Edwards Lifesciences AG v. CoreValve, Inc., 699 F.3d 1305 (Fed. Cir. 2012); Presidio Components, Inc. v. Am. Tech. Ceramics Corp., 702 F.3d 1351 (Fed. Cir. 2012); Douglas Dynamics, L.L.C. v. Buyers Prods. Co., 717 F.3d 1336 (Fed. Cir. 2013); Apple Inc. v. Motorola, Inc., 757 F.3d 1286 (Fed. Cir. 2014).

218 The patents in *Voda* and *Bard Peripheral Vascular* are both related to medical devices. The *Bard* decision relied on a strong public interest allowing market competition between the parties. *Bard Peripheral*, 670 F.3d at 1192 (affirming the district court's "finding that it was in the public interest to allow competition in the medical device arena"). *Voda* held the patent owner improperly argued irreparable injury on the part of its exclusive licensee instead of itself. *Voda*, 536 F.3d at 1329 ("Voda had attempted to prove irreparable injury by alleging irreparable harm to his exclusive licensee, rather than himself.").

219 eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006).

220 Gergen et al., *supra* note 2, at 205–06.

in such cases are notoriously difficult to measure. Now courts are split on whether any such presumption is permissible."[221] During hearings before the FTC, one university research professor, inventor of over twenty-five patents, and founder of numerous technology startups stated:

> [E]ven though the ruling in *eBay* may not have expressly commanded that one looks at whether it's a practicing or non-practicing entity to decide whether they're entitled to enjoin the infringer . . . the reality is . . . courts understand the *eBay* decision to actually mean that. That is if you're a licensor and do not practice, your ability today to have a meaningful power in the negotiation is greatly diminished . . . .[222]

A. Fewer Permanent Injunctions Granted Post-*eBay*

Looking at empirical case data post-*eBay*, the rate of permanent injunctions in patent infringement disputes has changed dramatically. A sampling of district court permanent injunction decisions between May 2003 and May 2005, just prior to *eBay*, revealed between 0% and 6% of patentee motions for injunction denied.[223] In great contrast, sampling district courts after the *eBay* decision, between 2006 and 2011, reveals 25% to 40% of patentee motions for injunctions denied.[224] Indeed, in the most recent and comprehensive study of the 217 district court permanent injunction decisions post-*eBay*, Professor Chris Seaman finds permanent injunctions were granted in only 158 cases—or a denial rate of 27.2%—where the parties contested the issue.[225] In short, post-*eBay* injunction denial rates have, at a minimum, quadrupled.[226]

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221 LAYCOCK, *supra* note 2, at 427.

222 Ron Katznelson, Hearing on the Evolving IP Marketplace: The Operation of IP Markets, Remarks at the Federal Trade Commission 5, 62 (Mar. 18, 2009) [hereinafter Hearning on the Evolving IP Marketplace], *available at* http://www.ftc.gov/sites/default/files/documents/public_events/evolving-ip-marketplace/09 0318transcript.pdf.

223 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. POL'Y 215, 224 (2012); Benjamin Simler & Scott McClelland, *A Model for Predicting Permanent Injunctions After* eBay v. MercExchange, BLOOMBERG LAW REPORTS 1 (2011) (finding in the year prior to *eBay* 100% of the courts to consider permanent injunctions granted the injunction).

224 Maughan, *supra* note 223; Simler & McClelland, *supra* note 223 (finding injunctions granted only 60% of the time between the years 2006 and 2010).

225 *See generally* Christopher B. Seaman, *Property Rules vs. Liability Rules in Patent Litigation After* eBay*: An Empirical Study* (forthcoming 2015). The percentage of total contested permanent injunctions granted by district courts from May 15, 2006 (date of Supreme Court's decision in *eBay v. MercExchange*) through December 31, 2013 is 72.8% (158 of 217 cases). The 217 cases include one case where the district court denied motions for permanent injunctions by both plaintiff and defendant/counterclaim plaintiff. This figure is in line with previous studies. *See* Colleen V. Chien & Mark A. Lemley*, Patent Holdups, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 9–10 (2012) (finding an injunction rate of 75% for cases through December 2011); FED. TRADE COMM'N, THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH

For patentees that do not practice the patents they own, the rates for injunctions are even lower post-*eBay*. Professor Seaman's recent study found competition in the marketplace to be an important consideration in deciding whether a given patentee would receive an injunction against an infringer.[227] Others have found that "when courts [find] no direct competition between the plaintiff [patentee] and infringer, they denied permanent injunctions in more than half [] of the cases."[228] Professor Seaman's study found where parties were not market competitors, injunctions were denied in 78.4% of cases (29 of 37 cases), and for non-practicing entities (which MercExchange was classified as), injunctions were denied in 84.0% of cases (21 of 25 cases).[229] For inventors and patent owners who do not themselves manufacture or otherwise produce a product related to their patent, the opportunity for preventing another from using the patent was almost completely destroyed by the *eBay* decision.[230]

Finally, as many industries are beginning to realize, the *eBay* injunction analysis, and change in rate of injunctions, is beginning to reach far beyond just patent infringement cases. "[F]ederal courts now commonly accept the *eBay* test as *the* test for injunctions in virtually all types of cases, from constitutional challenges under 42 U.S.C. § 1983, to actions under various federal regulatory or antidiscrimination statues, to diversity actions centered on state tort, contract, or statutory law."[231] For these areas of the law, following *eBay* precedent with district courts reviewing patent injunction issues, courts have similarly reduced presumptions in favor of injunctions, "including presumptions that continuing rights violations entail irreparable

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COMPETITION 217 (2011), *available at* https://www.ftc.gov/sites/default/files/documents/reports/evolving-ip-marketplace-aligning-patent-notice-and-remedies-competition-report-federaltrade/110307patentreport.pdf (reporting an injunction rate of 72% to 77%).

226 Maughan, *supra* note 223.

227 *See generally* Seaman, *supra* note 225. Percentage of cases where district court granted permanent injunction when the parties competed in a product market during the term of at least one patent-in-suit: 83.3% (150 of 180 cases). If Hatch-Waxman cases are excluded from this tally, the grant rate is slightly lower: 81.4% (127 of 156 cases). *Id.*

228 Douglas Ellis et al., *Economic Implications (and Uncertainties) of Obtaining Permanent Injunctive Relief after* eBay v. MercExchange, 17 FED. CIR. B.J. 437, 442–43 (2008); *see also* d'Incelli, *supra* note 13, at 360 ("Plaintiffs who were awarded injunctions tended to practice their patents and functioned as market competitors with the defendants.").

229 *See generally* Seaman, *supra* note 225. Percentage of cases where district court granted permanent injunction when the parties were *not* market competitors: 21.6% (8 of 37 cases). *Id.*

230 An important point regarding many patent owners who do not practice the patents they own is that they very likely formerly practiced the patents they owned. *See* Kristen Osenga, *Formerly Manufacturing Entities: Piercing the "Patent Troll" Rhetoric*, 47 CONN. L. REV. 435, 440 (2014).

231 Gergen et al., *supra* note 2, at 215.

injury."[232] After *eBay*, the ability to receive an injunction in *all* areas of the law has been reduced dramatically.

B. Courts Improperly Using Justice Kennedy's Concurrence as Precedent

One reason for the change in jurisprudence regarding issuance of permanent injunctions post-*eBay*, is that district court judges are citing Justice Kennedy's concurrence to support holdings that deny injunctions.[233] As other scholars have noted, "[p]luralities and concurrences" can often times result in "vagueness and uncertainty that . . . leave[s] us wondering what the controlling rule is . . . ."[234] The *eBay* precedent seems to be just that situation.

In reviewing post-*eBay* injunction cases, many other scholars have concluded "a review of post-*eBay* federal district court decisions shows that though it is not the opinion of the Court, [Justice] Kennedy's concurrence has proven to be highly persuasive."[235] Specifically to non-practicing patentees, the "increase in denied injunctions to NPEs reflects a reliance by many courts upon Justice Kennedy's concurring opinion in *eBay* and its general disapproval of NPEs."[236] "District courts have responded in apparent lockstep to Justice Kennedy's concerns about trolls."[237] And as found empirically regarding competition as the greatest factor in injunction denials, "focusing on direct competition [between parties in patent injunction decisions] is really a proxy for focusing on a firm's status as an NPE."[238] Finally, dismissing the notion that courts are potentially placing

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232 *Id.* at 216.

233 Despite there not being a "swing vote" with a unanimous opinion on the *eBay* injunction issue, perhaps there is some conformity to be found in Justice Kennedy's singular control of the law in yet another case.

234 Berkolow, *Much Ado About Pluralities: Pride and Precedent Amidst the Cacophony of Concurrences, and Re-percolation After* Rapanos, 15 VA. J. SOC. POL'Y & L. 299, 301 (2008) (discussing the confusion over Justice Kennedy's concurrence in *Rapanos*, among other things, and noting that justices are increasingly becoming aware of the power they can hold in shaping the law where they cannot otherwise garner a majority in support of their view).

235 Venkatesan, *supra* note 125, at 30. In support of this, some non-patent scholars actually think it is best when courts consider Justice Kennedy's concurrence. LAYCOCK, *supra* note 2 ("The only hint of what should have been the real issue in *eBay* comes in the penultimate paragraph of Justice Kennedy's concurring opinion.").

236 Maughan, *supra* note 223, at 225.

237 John M. Golden, *"Patent Trolls" and Patent Remedies,* 85 TEX. L. REV. 2111, 2113 (2007); s*ee also* Yixin H. Tang, *The Future of Patent Enforcement After* eBay v. MercExchange, 20 HARV. J.L. & TECH. 235, 246 n.91 (2006) (discussing Judge Davis' opinion in *z4 Tech. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. 2006) and stating "Judge Davis quoted Justice Kennedy's concurring opinion in *eBay* stating that 'legal damages may well be sufficient to compensate for the infringement'"(citation omitted)).

238 Maughan, *supra* note 223, at 225.

equal weight or discussion to Justice Roberts' "historical" concurrence discussion, one scholar reviewing district courts denying permanent injunctions found "[a]lthough several of the courts cited Justice Kennedy's concurrence . . . none have cited Justice Roberts' concurrence . . . ."[239]

Another important point regarding the growth of Justice Kennedy's concurrence as precedent for *eBay* injunction analysis is that many early district courts citing Justice Kennedy, and denying injunctions, are themselves being "widely cited by subsequent district courts."[240] Simply looking at citations to Judge Friedman's 2007 denial of MercExchange's renewed motion for injunction reveals at least thirteen citations within cases considering permanent injunctions for unrelated patent infringement cases.[241] While these cases themselves are not

239 Benjamin Petersen, *Injunctive Relief in the Post-*eBay *World*, 23 BERKELEY TECH. L.J. 193, 197 (2008).

240 *Id.*

241 Trading Techs. Int'l, Inc. v. eSpeed, Inc., No. 04C5312, 2008 WL 4531371, at *2 (N.D. Ill. May 22, 2008) ("The *eBay* district court, along with numerous other courts, has since decided that no presumption can exist under relevant case law and the language of the Supreme Court's decision."); Joyal Products, Inc. v. Johnson Elec. N. Am., Inc., No. 04-5712(JAP), 2009 WL 512156, at *11 (D. N.J. Feb. 27, 2009) (citing Judge Friedman's order to distinguish an entity who largely licenses their patents for the utilization of the patent); Arlington Indus., Inc. v. Bridgeport Fittings, Inc., No. 3:01-CV-0485, 2010 WL 817519, at *5 (M.D. Pa. Mar. 9, 2010) (citing Judge Friedman's opinion that the public interest factor favors the patentee in interest of maintaining the integrity of the patent system); Enpat, Inc. v. Budnic, No. 6:11-cv-86-PCF-KRS, 2011 WL 1196420, at *3 (M.D. Fl. Mar. 29, 2011) ("However, 'the [c]ourt is not blind to the reality that the nature of the right protected by a patent, the right to exclude, will frequently result in a plaintiff successfully establishing irreparable harm in the wake of establishing validity and infringement.'" (citing MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 568 (E.D. Va. 2007))); ePlus, Inc. v. Lawson Software, Inc., No. 3:09CV620, 2011 WL 2119410, at *6 (E.D. Va. May 23, 2011) (explaining that ePlus' first burden is to demonstrate irreparable harm); Metso Minerals, Inc. v. Powerscreen Int'l Distrib. Ltd., 788 F. Supp. 2d 71, 74 (E.D. N.Y. 2011) ("On remand from the Supreme Court, [the district court] declin[ed] to grant injunctive relief where it appeared that the patent holder was 'merely seeking an injunction as a bargaining chip to increase the bottom line.'" (citing *MercExchange*, 500 F. Supp. 2d at 588)); Belden Techs., Inc. v. Superior Essex Commc'ns LP, 802 F. Supp. 2d 555, 578 (D. Del. 2011) (differentiating entities who use third-party licensing to bring concepts to market, and "excis[ing] a tax from companies already participating in the market" (citing *MercExchang*e, 500 F. Supp. 2d at 583 n.24)); ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc., 827 F. Supp. 2d 641, 648 (E.D. Va. 2011) (comparing the plaintiff to MercExchange, who both use their patents to threaten litigation in order to negotiate the maximum value of a license), *aff'd in part, rev'd in part, vacated in part,* 694 F.3d 1312 (Fed. Cir. 2012); Layne Christensen Co. v. Bro-Tech Corp., 871 F. Supp. 2d 1104, 1117 (D. Kan. 2012) (noting that "irreparable harm had not been shown in part because the patentee had consistently licensed the patent instead of engaging in commercial activity in practicing the patent" (citing *MercExchange*, 500 F. Supp. 2d at 570–71)); ePlus Inc. v. Lawson Software, Inc., 946 F. Supp. 2d 459, 467 (E.D. Va. 2013) (noting the overlap between the factors of adequate remedy at law and irreparable harm), *vacated* 760 F.3d 1350 (Fed. Cir. 2014); Smith & Nephew, Inc. v. Interlace Med., Inc., 955 F. Supp. 2d 69, 78 (D. Mass. 2012) (explaining that the PTOs preliminary rejection of the patents weakens the plaintiff's ability to show irreparable harm); Open Text, S.A. v. Box, Inc., 36 F. Supp. 3d 885, 906. (N.D. Cal. 2014) ("[C]ase law is clear that the *potential* for

necessarily citing Justice Kennedy's concurrence as precedent directly, as discussed *supra*, Judge Friedman's reasoning to deny an injunction was certainly in favor of following Justice Kennedy's concurrence as precedent.

One final point regarding the precedential citation of Justice Kennedy's concurrence in *eBay* injunction jurisprudence is that the trend does not seem to be influencing Federal Circuit decisions. Of the fifty-two Federal Circuit cases reviewing appeals of permanent injunctions since *eBay*, only two cases cite to Justice Kennedy, and one of those cases, *Robert Bosch LLC v. Pylon Manufacturing Corp.*, cites to Justice Kennedy for comparison regarding the facts of that case being clearly distinguishable from Justice Kennedy's concerns in *eBay*.[242] Further, if any concurrence-following conclusion can be drawn from Federal Circuit citations, it would actually be in the four post-*eBay* cites to Chief Justice Roberts' concurrence, noting his discussion of the historical practice before analyzing the injunction factors. For example: "the analysis by the district court proceeds under the 'long tradition of equity practice' granting 'injunctive relief upon a finding of infringement in the vast majority of patent cases.'"[243] "This analysis proceeds with an eye to the 'long tradition of equity practice' granting 'injunctive relief upon a finding of infringement in the vast majority of patent cases.'"[244] As discussed *supra*, additional comprehensive research into post-*eBay* injunction appeals at the Federal Circuit is needed, and forthcoming.[245] Preliminary data suggests, however, that the change in jurisprudence found in district courts, and using Justice Kennedy's concurrence as injunction precedent, is not mirrored in Federal Circuit post-*eBay* injunction jurisprudence.

C. Public Perception of Patent Injunctions Post-*eBay*: No Injunctions Allowed

As discussed previously, during the time immediately surrounding the *eBay* case pending before the Supreme Court,

loss of market share is insufficient.").

242 Robert Bosch L.L.C. v. Pylon Mfg. Corp., 659 F.3d 1142, 1149–50 (Fed. Cir. 2011); Apple Inc. v. Samsung Elecs. Co., 735 F.3d 1352, 1372–73 (Fed. Cir. 2013).

243 Broadcom Corp. v. Emulex Corp., 732 F.3d 1325, 1338 (Fed. Cir. 2013).

244 Presidio Components, Inc. v. Am. Tech. Ceramics Corp., 702 F.3d 1351, 1362 (Fed. Cir. 2012). The other two Federal Circuit cases citing Chief Justice Roberts' concurrence are *Robert Bosch L.L.C.,* 659 F.3d, at 1149 and *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1302 n.4 (Fed. Cir. 2009).

245 This author and Professor Chris Seaman are currently compiling data on all Federal Circuit permanent injunction appeals post-*eBay* and plan to release their data and findings in the fall of 2015.

and after, "17% of all [patent case] related news and editorial items in [newspapers] . . . included the negative message that 'patents are (and shouldn't be) awarded to/enforceable by those who don't develop products/practice the invention.' This was the most prevalent 'message' – positive or negative – in" patent case-related news at the time.[246] Further, as discussed *supra*, during the time *eBay* litigation was pending through the courts, eBay systematically worked to create a public image that expanded their "win" in the Supreme Court majority opinion:

- From eBay's press release when the Supreme Court issued its opinion:

> eBay . . . applauds today's Supreme Court decision . . . . eBay argued that trial judges ought to have the discretion—expressly granted by Congress—to award money damages to patent owners, instead of injunctions, if the facts of a particular case warrant it. The Supreme Court agreed with eBay that the injunction rule applied by the Federal Circuit was unduly narrow. "We are extremely gratified by the Supreme Court's unanimous decision," . . . "The trial judge originally found in this case that money was sufficient, and denied an injunction. We are confident that when the District Court revisits this issue . . . the result will be the same."[247]

- From eBay's press release when Judge Friedman entered judgment: "We remain pleased with other developments in this ongoing case, including . . . the May 2006 unanimous Supreme Court decision in eBay's favor on MercExchange's request for an injunction; and the District Court's subsequent affirmation in September 2007 that no injunction is called for."[248]

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246 Dolak & Bettinger, *supra* note 140, at 28. The study conducted focuses on news related to the *NTP* case; however, the press coverage between that case and *eBay* during the time period cannot be distinguished:

> Given the characteristics in common between the two cases, we wanted to show what a consumer of major newspaper content might have experienced from the *NTP*-related coverage, in terms of quantity and quality, at and around the time that the Supreme Court was deciding to hear – and deciding – the *eBay* case. For this purpose, we regarded the coverage as monolithic, because we assumed that even a sophisticated reader with a particular interest in the *NTP* case would not systematically distinguish between pertinent news and editorial coverage. Rather, we assumed that an interested reader would read every *NTP*-related item in the paper or papers he/she reviewed in a routine, unexceptional fashion, i.e., along with other items of interest to the reader in those paper(s), as he/she happened upon them in casual fashion.

Id. at 10.

247 *See supra* Part I.C.4.

248 *See supra* Part II.A.5.

- Even eBay's press release regarding the Federal Circuit's decision to stay its mandate pending the Supreme Court's review of the writ of certiorari: "In granting eBay's petition to stay the case, the U.S. Court of Appeals considered whether there was both a reasonable probability that the Supreme Court would accept eBay's appeal and a fair prospect that the majority of the Supreme Court would reverse one or more rulings against eBay."[249]

After consideration of such misleading press releases by a huge consumer-direct company, it's no great surprise that even when eBay finally settled with MercExchange, press coverage continued to echo eBay's Supreme Court "win" and the end of non-practicing patentee injunctions. From CNET News February 2008:

> The terms of the settlement announced Thursday are confidential . . . . eBay appealed th[e] decision all the way to the Supreme Court, which ruled in its favor in spring 2006. The justices issued a landmark decision last May designed to make it more difficult for patent holders to get courts to sign off on shutoffs of infringing products.[250]

From the Wall Street Journal February 2008:

> Plaintiffs had all but automatically been granted injunctions in patent cases, giving them strong leverage in pressing for large payments from defendants. The Supreme Court in May 2006 issued a ruling that put some limits on the practice, stating that judges should weigh such factors as the public interest in deciding whether to grant injunctions.[251]

Indeed, there was never any popular media coverage related to portions of the Supreme Court opinion regarding the affirmance of *Continental Paper Bag*, the reversal of Judge Friedman's initial denial of MercExchange's request for injunction, or Chief

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249 *See supra* Part I.B.

250 Anne Broache, *eBay, MercExchange End 'Buy it Now' Patent Feud*, CNET NEWS (Feb. 28, 2008), http://www.cnet.com/news/ebay-mercexchange-end-buy-it-now-patent-feud/.

251 Don Clark, *EBay Ends Patent Fight with MercExchange*, WALL ST. J. (Feb. 29, 2008), http://online.wsj.com/news/articles/SB120422344163500365; *see also* Susan Decker & Oliver Staley, *eBay Agrees to Settle 'Buy It Now' Patent Lawsuit (Update4)*, BLOOMBERG NEWS (Feb. 28, 2008), http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aoOIDXjUOi8A ("On appeal, the U.S. Supreme Court ended patent owners' automatic right to block use of infringing products. . . . Since then, judges throughout the U.S. have denied such orders in cases where the patent owner is not a competitor of the company making the infringing products."); Mark Schwanhausser, *EBay Patent Case Settled*, SAN JOSE MERCURY NEWS (Feb. 29, 2008), http://www.mercurynews.com/breakingnews/ci_8397551 ("eBay took its case to the Supreme Court, where it prevailed. . . . Woolston also was derided as a 'patent troll' . . . .").

Justice Roberts' concurrence in contrast to Justice Kennedy's. Summarizing the media reports, it's no great surprise that to the average member of the public, technology entrepreneur, corporate executive, and even some district court judges, "if you're a licensor and do not practice, your ability today to have a meaningful power in the negotiation [of a patent business transaction] is greatly diminished . . . one looks at whether it's a practicing or non-practicing entity to decide whether the [entity is] entitled to enjoin the infringer."[252]

IV. MISINTERPRETATION OF *EBAY V. MERCEXCHANGE* AND WHY

"Precedent's power in the legal system relies on it carrying a weight" without confusion and often times "pluralities and concurrences are contributory factors in that confusion."[253] The *eBay* majority opinion was neither meant to change the law of injunctions nor serve as the ultimate test for injunction analysis. "Alternative language in *eBay*, especially the Court's concluding disclaimer, suggests that a humbler reach for the opinion was intended."[254] Looking back at the *eBay* majority opinion, with the *MercExchange v. eBay* litigation facts and procedure in hand, reveals important points in understanding the opinion's true holding and precedent.

A. The Holding of *eBay's* Unanimous Majority Opinion Has Been Lost

Looking at the *eBay* case facts and procedure, it is important to first note that the parties did not dispute the factors courts should consider when analyzing permanent injunction issues in patent cases. Indeed, both MercExchange in its opening brief requesting an injunction in 2003, and eBay in its brief in opposition, cited and discussed the four equitable factors courts

252 Hearing on the Evolving IP Marketplace, *supra* note 222, at 52. Perhaps one reason for public sentiment against non-practicing patent owners receiving injunctions is that public perception favors that courts apply the doctrine of accession to equitable determinations in patent cases for "substantially improving" infringers. For further discussion of the doctrine of accession applied to equitable patent remedies, see Peter Lee, *The Accession Insight and Patent Infringement Remedies*, 110 MICH. L. REV. 175, 218–19 (2011) ("*eBay* itself already embraces this notion of comparing the relative values of patented inventions and accused products. . . . which compels courts to compare the relative values of an underlying patent and a broader, infringing technology when determining the appropriateness of injunctive relief.").

253 Berkolow, *supra* note 234, at 313–14.

254 Gergen et al., *supra* note 2, at 219 (citing the Supreme Court's "disclaimer" within the unanimous opinion). "We hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards." eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 394 (2006).

should consider when deciding an injunction.[255] After the initial denial of the injunction, the disputed injunction issues focused on (1) Judge Friedman's seemingly categorical denial of injunctions for business method patents or patentees that do not practice their patents, and (2) Judge Friedman's inappropriate discussion of MercExchange not seeking a preliminary injunction or the likelihood of eBay filing multiple contempt hearings should an injunction issue.[256] After the Federal Circuit opinion, and reversal of Judge Friedman, the Supreme Court's disputed injunction matters focused on one completely different issue—whether the Federal Circuit erred in not considering the four equitable factors but instead citing a "general rule" that injunctions should issue.[257]

The unanimous Supreme Court opinion holds only three main conclusions that are clearly pronounced once placed into perspective within the earlier case facts and litigation history. First, the district court erred in discussing expansive principles related to MercExchange that would result in injunctions not issuing in a broad swath of cases. Second, the Federal Circuit erred in not applying the traditional four-part equitable test but instead citing a "general rule" that injunctions should issue once validity and infringement have been adjudged. Third, the Supreme Court affirmed the *Continental Paper Bag* case and explicitly said that injunctions may issue to patent owners who "unreasonably decline[]" to use the patents they own.[258]

Understanding the unanimous Supreme Court opinion, especially as it applies to Judge Friedman's first denial of an injunction, highlights that the Supreme Court rejected any injunction analysis that would result in a broad class of patent owners, or patents, being denied injunctive relief. Further, any discussion within Justice Kennedy's concurrence that lends to a conclusion opposite that of the unanimous Court is of no precedential value. While we might never know what Justice Kennedy's intent was with his concurrence as it relates to the Court's opinion, the use of the concurrence to hold a conclusion in conflict with the Court's unanimous opinion is entirely

255 *See supra* Part I.A.

256 *See supra* Part I.B.

257 *See supra* Part I.C.3.

258 *See supra* Part I.C (citing *eBay*, 547 U.S. at 393–94). Beyond the Supreme Court's own words in the unanimous opinion requiring a narrow reading of the conclusions, the Court's discussion and contemplation of the broader issues at oral argument enunciates the notion that the unanimous opinion did not seek to change law regarding the "business method" or "patent troll" issues belabored at oral argument. Even Chief Justice Roberts' skepticisms of the patent's complexity at oral argument were not part of any later written holding or concurrence by the Court. *See supra* Part I.C.2.

inappropriate, and "problems arise when subsequent courts are confused."[259] Further supporting the intended weakness of Justice Kennedy's concurrence is his self-description of it as mere "observations," and the single cite included to support the statements—an online FTC report summarizing testimony from a panel discussion regarding the computer hardware industry.[260] Indeed, Justice Kennedy's opinion, when placed into perspective with the case history and procedure, was most likely a thought-drop in time for a future case and Court to consider, not the spark to an anti-non-practicing entity conflagration resulting in an 84% drop in injunction grants for those patent owners.[261]

B. The *eBay v. MercExchange* Dispute Had Many Complications Resulting in Bad Precedent for Patent Injunctions

The incorrect precedent *eBay* now stands for at district courts can be explained through the case facts and procedure as well. First, and potentially foremost, the parties were before a district court judge who was decidedly anti-patent owner—every single patent case before Judge Friedman was decided against the patent owner.[262] MercExchange may have actually been the most-favored patentee in Judge Friedman's courtroom in that they were the only patent owner to actually go to trial on a patent. Further to the anti-patent lean is that Judge Friedman was an early follower of Justice Kennedy's concurrence as precedent[263] and was later widely cited in his incorrect following of that precedent.[264]

In defense of Judge Friedman, but likely another unique factor in the case history, is the harm an injunction, or injunction denial, may have inflicted on each party. As discussed *supra*, and argued directly to the Court at oral argument, should Judge Friedman have issued an injunction against eBay, the company stock price would have fallen, market share in its online business

259 For a detailed discussion of the importance of clear precedent for lower courts, see Berkolow, *supra* note 234, at 306–14 ("Adherence to the rule of law is critical . . . problems arise when subsequent inferior courts are confused.").

260 *See supra* Part I.C.3.

261 Despite Federal Circuit injunction jurisprudence seemingly unchanged due to *eBay*—to be confirmed in a forthcoming study—the outcome at the district court level is most important when considering the timing of equitable remedies (immediately after trial) and delay in appeals. The drastic decline in injunction grants at the district court level underscores the importance of correcting *eBay's* precedent given the impact the decline has caused. *See infra* Part IV.C.

262 *See supra* Part II.A.4. Potentially adding to Judge Friedman's frustrations with patentees/patent cases was the contentious nature of this specific litigation between the parties and the risk of the case continuing "to go on and on and on." Transcript of Oral Argument, *supra* note 156, at 24; *see supra* Part II.A.1–2.

263 *See supra* Parts II.A.3, III.B.

264 *See supra* Part III.B.

would have dropped through loss in functionality, the patent would have been taken entirely out of the public marketplace, and long-term consumer confidence in eBay would have decreased. Further—and as Judge Friedman himself noted in his opinion—all that would have had a detrimental impact on the entire U.S. economy.[265] Should the injunction later be reversed, in all likelihood, a majority of that harm to eBay could not have also been reversed. Alternatively, should MercExchange's request for injunction be denied, the non-practicing MercExchange would simply continue to not practice. Should the denial later be reversed, the only perceived harm to MercExchange would be a delay in financial profits.[266] In short, given the scale placed before him, perhaps Judge Friedman viewed eBay as too big to fail.

In final defense of Judge Friedman, but likely another unique factor in the case history, is that perhaps MercExchange was a worthy patentee to be biased against. As Judge Friedman noted in his opinion denying an injunction on remand, MercExchange was a company founded by an inventor-patent-lawyer, funded by litigation investment hedge funds, and potentially engaging in licensing activity "effort to placate the court as . . . [opposed to] develop[ing] the #265 patent."[267]

Further explaining the incorrect case precedent is that the timing of the dispute, and anti-patent media attention, likely played a role in the public and judicial outcome of what the opinion would come to mean.[268] Intentionally adding fuel to these flames was eBay and its many press releases misdirecting media attention on the case procedure, skewing any court's decision into its favor, and attempting to show every procedural step—even the Federal Circuit holding its mandate during cert filings—as an "eBay win" and "patent holder loss."[269] Perhaps this type of public relations behavior is standard practice for large corporations, but when the public relations of an unknown

265 *See supra* Part II.A.2–3.

266 While this reasoning appears rational, it is in direct conflict with the *Continental Paper Bag* case—explicitly affirmed within the *eBay* opinion—and destructive of United States patent law generally.

267 *See supra* Part II.A.3. If there is general policy concern over certain types, or owners, of patents, congressional review of the issue is likely better suited to address the problem. *See* William A. Drennan, *The Patented Loophole: How Should Congress Respond to this Judicial Invention?*, 59 FLA. L. REV. 229, 235 (2007) ("The Federal Circuit has stated that neither the courts nor the Patent Office should deny patent protection because an invention violates public policy; instead, only *Congress* can prohibit patent protection for a class of inventions on public policy grounds.").

268 *See supra* Parts I.C.4, II.A.5, III.C.

269 *See supra* Part III.C.

two-person company is forced to defend against a 35,000 person, $16 billion per year revenue enterprise that was potentially irrationally furthering litigation instead of making a single-case economics based settlement decision,[270] it can be assumed that eBay's voice ruled. Finally, regarding press matters, not helping MercExchange during the time of litigation was the ongoing and very public *NTP* BlackBerry-phone-shutdown matter with a cert petition pending during the same Court Term. With very similarly situated non-practicing parties, there was much anti-troll sentiment circulating throughout the media.[271]

Lastly, some of the incorrect precedent may have been caused by MercExchange. In the words of MercExchange's lead counsel, "[J]ustice is made by the litigants of a particular case and what they consider to be a reasonable result."[272] Should MercExchange not have settled before the Federal Circuit had opportunity to reverse Judge Friedman a second time, perhaps the *eBay* Supreme Court opinion might be interpreted differently based on the Federal Circuit explaining the case, and correcting the precedent, as opposed to an anti-patentee district court judge having the final word. Indeed, the likely surplus settlement amount eBay offered (over the jury's judgment) before the Federal Circuit could rule on Judge Friedman's second denial of the injunction most likely included value in the precedent of having Judge Friedman's denial of the injunction on remand being the final opinion in the case. This expansion of allowing Judge Friedman's opinion to be precedential—or at least not forever cited as "reversed" by a court of appeals—would only add to the "win" and change in precedent eBay public relations worked so hard to create. Additionally, perhaps the non-public

270 *See eBay Inc.*, YAHOO! FINANCE (Jan. 16, 2015), http://finance.yahoo.com/q/ks?s=EBAY+Key+Statistics. Beyond eBay's efforts to simply skew media attention in its favor, there is evidence of eBay implying that the case was part of a larger plan for anti-patent litigation messaging. For example, eBay's post–verdict description of trial as "'Round One' of an ongoing battle." *See supra* note 25 and accompanying text. While there is no way to conduct analysis on eBay's decisions to litigate so vigorously—and at an expense likely greater than the jury's judgment—based on the press releases and amici interest in the case, it can be assumed that there were much larger issues at stake for eBay to draw-out litigation. *See* Donald J. Kochan*, Corporate Social Responsibility in a Remedy-Seeking Society: A Public Choice Perspective*, 17 CHAP. L. REV. 413, 450 (2014) (discussing rent-seeking by corporate litigation and how extortion like techniques/leverage can be used to change the law); *see id.* ("When faced with a lawsuit or the threat of a viable liability claim, it is entirely possible that the judgment value is far exceeded by the external effects of the litigation on the corporation and the corporation's own interests in preserving its brand, image, reputation, customer base, investor interest, and the like.").

271 *See supra* Parts I.C.4, II.A.5, III.C. These examples of improper media attention on the case draw the conclusion that notable publicly-notorious entities easily become precedent-damaging parties within Supreme Court jurisprudence.

272 Interview with Greg Stillman, *supra* note 6.

litigation settlement amount MercExchange agreed to, if negotiated to be public, could have added strength for the non-practicing patentee community that one of their own actually won the *eBay* litigation, despite a public injunction not issuing. However, given the confidential settlement agreement MercExchange signed, for future understanding of the dispute, no conclusion can be drawn regarding the value eBay finally placed in MercExchange's patents.[273]

C. Who Has Won and Lost in the *eBay* Confusion

The final analysis of *eBay* precedent concerns a review of the true patent marketplace "winners" and "losers" based on how the case has been incorrectly interpreted. As another scholar has argued, the "*eBay* ruling further benefits large corporations."[274] The true winners of the current *eBay* precedent are "large corporations" who can afford the financial risk of willfully infringing others' patents. Since "*eBay* drastically reduced the threat of permanent injunctions over large corporations' core products or services, these corporations now have even less financial incentive to license."[275] Regarding the losers in the *eBay* aftermath, scholars have noted "legitimate small entities face a difficult battle to win a permanent injunction because . . . [the guidelines] provide lower courts with multiple avenues to rationalize denying permanent injunctions to legitimate small entities."[276] Regarding Justice Kennedy's concurrence specifically, one author noted "Justice Kennedy's guidelines . . . [are a] tool [that] effectively grants large companies a 'license' to willfully steal patented technology."[277]

Looking back at the *eBay* case facts and procedure before the Supreme Court opinion was issued, it's important to note the parties who had concern over the outcome of the litigation. Amici briefs filed in favor of eBay included Time Warner, Amazon.com, Chevron, Cisco, Google, Shell Oil, VISA, Xerox, and America Online—essentially a sampling of the largest companies in the United States.[278] Some of these companies—Google, Chevron, Cisco, Shell, and VISA—even signed on to multiple briefs in favor

273 Numerous attempts were made to contact eBay's former chief counsel to discuss the MercExchange litigation; no reply was received.

274 Tang, *supra* note 237, at 249.

275 *Id.* at 249–50.

276 William R. Everding, *"Heads-I-Win, Tails-You-Lose": The Predicament Legitimate Small Entities Face Post* eBay *and the Essential Role of Willful Infringement in the Four-Factor Permanent Injunction Analysis*, 41 J. MARSHALL L. REV. 189, 205 (2007).

277 *Id.*

278 *See supra* Part I.C.1.

of eBay's position before the Court.[279] In contrast, the briefs filed on behalf of MercExchange included association groups of much smaller entities or individuals, including the American Bar Association and the United Inventors Association.[280] While this Article did not include research regarding the role of other companies in the way *eBay* precedent has been misinterpreted, it is telling that like eBay, the desired outcome for these large corporate entities was achieved despite the Supreme Court not actually adopting their amici-argued positions. While there is certainly need for additional research, this correlation in the case may be added support for what some scholars have noted as "a cog in a grander project of curtailing injunctive relief in general."[281]

Regardless of the true reasons for the outcome, the damage to the "losers" is becoming increasingly clear. In the words of MercExchange's inventor and founder, Tom Woolston, testifying before the Federal Trade Commission after the conclusion of litigation in 2009:

> I don't know how you go out and raise money with a straight face on [] technology that is covered by a U.S. patent . . . [when] a faster better capitalized competitor is[] going to move into your market . . . . [S]mall companies don't stifle innovation, right. Big companies stifle innovation because they've got market share and market power and they don't need to innovate to maintain their profit margins so it's always the challenger to the market leader that's going to be the innovator because it has to be better, faster and cheaper . . . .[282]

CONCLUSION

For future precedent, the *eBay* opinion should be remembered, and cited, for what it is—the unanimous opinion. This includes affirmance of the *Continental Paper Bag* case just as strongly as a requirement for judges to apply the four-factor equitable framework. The unanimous *eBay* opinion does not

279 *Id.*

280 *Id.* The exception to this bias is that large patent-intensive companies like Qualcomm, General Electric, 3M, and pharmaceutical companies filed briefing on behalf of MercExchange. *See id.*

281 Gergen et al., *supra* note 2, at 205 n.7 ("Those of suspicious mind might contend that, regardless of the Supreme Court's protestations, *eBay* is a cog in a grander project of curtailing injunctive relief in general and possibly injunctive relief in institutional-reform and environmental litigation in particular.").

282 Hearing on the Evolving IP Marketplace, *supra* note 222, at 60–64. Should the aftermath of the *eBay* precedent not change, perhaps this added level of frustration for smaller companies is greater reason for new forms of patents or government grants to support invention-commercialization for small entities. For a thorough discussion of commercialization awards and commercialization patents, see Camilla A. Hrdy, *Commercialization Awards*, 2015 WIS. L. REV. 13 (2015).

allow courts to base permanent injunction decisions on broad classifications disfavoring patent owners who lack commercial activity in practicing their patents. While every case must be reviewed individually, the post-*eBay* 78%–84% drop in post-trial permanent injunction grants for patent infringers who are not market competitors is a broad abuse of *eBay* practice that needs to be further analyzed and potentially contained.