

## SUPREME COURT PONDERS INJUNCTIONS FOR PATENT INFRINGEMENT

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BPLA members Robert M. Asher and Erik Paul Belt of Bromberg & Sunstein LLP recently submitted to the Supreme Court of the United States an amicus curiae brief in a case that has gained national attention: *eBay Inc. v. MercExchange, L.L.C.* (Case No. 05-130). Like the recently-settled Blackberry litigation, the eBay case involves the appropriateness of an injunction, a concern in some circles over business method patents, a multi-million dollar verdict, and a debate over so-called "patent trolls" (i.e., licensing shops that do not themselves make and sell the patented product or method). The case has pitted the software industry (which generally disfavors business method patents) against the pharmaceutical industry (which supports strong patent rights) and inventors against those who would exploit their inventions.

The background of this case may by now be familiar to BPLA members. An individual inventor, Woolston, patented certain online auction technologies and later assigned his patents to MercExchange, which sought to license eBay. eBay refused a license, and MercExchange later filed suit against eBay and its affiliate, [Half.Com](#). A jury found that eBay and [Half.Com](#) willfully infringed MercExchange's U.S. Patent No. 5,845,265. The district court, however, refused to grant an injunction, reasoning, in part, that there could be no irreparable harm to a non-practicing patent owner who merely sought to license patents rather than compete with the infringer. In effect, the district court held that a compulsory license should be the remedy for continuing infringement. The Court of Appeals for the Federal Circuit reversed the denial of an injunction, holding that the district court had abused its discretion.

In granting certiorari to address the appropriateness of the injunction, the Supreme Court asked whether it should reconsider its 98-year old precedent in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908),

which holds that a patent owner's non-use of the patented technology is irrelevant to whether he or she deserves an injunction.

Attorneys Asher and Belt submitted the amicus brief on behalf of the United Inventors Association ("UIA") and Technology Licensing Corporation ("TLC"). The UIA is an association of independent inventors with a strong interest in intellectual property and patent reform issues. TLC is a licensing entity formed by a prolific inventor, J. Carl Cooper, whose products were increasingly copied by foreign competition. Mr. Cooper and his company, Pixel Instruments Corp., could not compete against these copyists and thus turned to licensing and patent enforcement instead of manufacturing.

In supporting MercExchange's position, the UIA and TLC argued that (a) independent inventors contribute disproportionately to technological innovation and the American economy, even if they do not themselves manufacture or sell the technology; (b) licensing efforts by these independent inventors support research and development and thus should be encouraged; (c) eliminating the threat of injunctions reduces the inventors' leverage in licensing negotiations and thus unfairly handicaps those who choose to license rather than manufacture; (d) compulsory licenses do not adequately compensate inventors for the infringement; and (e) the exclusive rights granted by a patent are not contingent on the inventor's ability to practice the invention.

The Federal Circuit has supported the grant of injunctions because that remedy flows from the Constitutional policy favoring patent rights:

Without the injunctive power of the courts, the right to exclude granted by the patent would be diminished, and the express purpose of the Constitution and Congress, to promote the useful

arts, would be seriously undermined. The patent owner would lack much of the "leverage," afforded by the right to exclude, to enjoy the full value of his invention in the market place. Without the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of scientific and technological research.

*Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577-78 (Fed. Cir.), cert. denied, 464 U.S. 996 (1983). The UIA and TLC relied on this rationale and other arguments in support of MercExchange.

A PDF copy of the amicus brief is available at [www.bromsun.com](http://www.bromsun.com)