

**THE FUTURE OF PATENT ENFORCEMENT AFTER *EBAY V.*  
*MERCExchange***

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TABLE OF CONTENTS

I. INTRODUCTION.....	236
II. FACTS OF THE CASE.....	237
III. PROCEEDINGS IN THE LOWER COURTS.....	237
IV. THE SUPREME COURT SPEAKS: NO CATEGORICAL RULES.....	240
<i>A. Finding Equity in the Statutes and Limiting Continental         Paper Bag.....</i>	240
<i>B. Patent Rights Do Not Include Any Property-like Rights         Beyond the Provisions of the Federal Patent Statutes.....</i>	241
<i>C. More Discretion for the District Courts, with Conflicting         Directions.....</i>	241
V. ANALYSIS.....	243
<i>A. The Change in Law Disfavors Non-Practicing Patent         Holders.....</i>	243
<i>B. It Is No Longer Meaningful to Think of Patents as         “Property”.....</i>	244
VI. THE POST- <i>EBAY</i> LEGAL LANDSCAPE.....	246
<i>A. z4 Technologies, Inc. v. Microsoft Corp.....</i>	246
<i>B. Finisar Corp. v. DIRECTV Group, Inc.....</i>	247
<i>C. Why Finisar Is Much Worse Than z4 for Non-Practicing         Patent Holders.....</i>	248
VII. IMPLICATIONS.....	249
<i>A. The eBay Ruling Benefits Large Corporations.....</i>	249
<i>B. The Shift in the Patent Law Regime in Large         Corporations’ Favor Does Not Promote the Public         Interest.....</i>	251
VIII. CONCLUSION.....	252

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## I. INTRODUCTION

Since the creation of the United States Court of Appeals for the Federal Circuit in 1982, the Supreme Court has largely refrained from reviewing patent cases.<sup>1</sup> However, beginning last Term, the Court has shown renewed interest in patent cases,<sup>2</sup> perhaps motivated by several concerns. The Court may have noticed an increase in “intra-circuit splits”<sup>3</sup> in the Federal Circuit. The generalist Supreme Court may have wanted to keep the specialist Federal Circuit from “stray[ing]” too far afield.<sup>4</sup> The Court has also expressed concerns that the increasing prominence of business method patents might have created “*too much* patent protection,”<sup>5</sup> especially for “firms [that] use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.”<sup>6</sup>

In *eBay Inc. v. MercExchange, L.L.C.*, the last two factors may have motivated the Supreme Court’s review. In an attempt to reduce patent protection for certain patents and certain patent holders, the Court effectively made it much harder for patent holders who do not practice their patented inventions to obtain a permanent injunction after a finding of infringement of their patents. The Court’s approach in *eBay* led to the holding that traditional equitable principles apply in patent cases, which casts doubt on the conventional view of patent as a type of property.

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1. See Arthur J. Gajarsa & Lawrence P. Cogswell, III, *The Federal Circuit and the Supreme Court*, 55 AM. U. L. REV. 821, 821–22 (2006) (stating that between 1982 and 2005, the Supreme Court granted certiorari in only sixteen patent cases, not including “summary dispositions, writs of certiorari that were granted and later withdrawn, or decisions summarily vacated in light of an earlier Supreme Court decision”).

2. In the 2005–2006 Term alone, the Supreme Court (1) decided *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 126 S. Ct. 1281 (2006) (reversing the opinion of the Federal Circuit and holding that “in all cases involving a tying arrangement, the plaintiff must prove that the [patentee] defendant has market power in the tying product”) and *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006); (2) heard argument in *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*, 126 S. Ct. 2921 (2006) (dismissing certiorari as “improvidently granted” despite a vigorous dissent); (3) granted certiorari to *MedImmune, Inc. v. Genentech, Inc.*, 126 S. Ct. 1329 (2006) and *KSR International Co. v. Teleflex, Inc.*, 126 S. Ct. 2965 (2006); and (4) invited the Solicitor General to file briefs on *Microsoft Corp. v. AT&T Corp.*, 126 S. Ct. 1901 (2006) and *Apotex Inc. v. Pfizer, Inc.*, 126 S. Ct. 2057 (2006).

3. Gajarsa & Cogswell, *supra* note 1, at 843 n.159.

4. John F. Duffy, *The Festo Case and the Return of the Supreme Court to the Bar of Patents*, 2002 SUP. CT. REV. 273, 340 (2003); see also *Lab. Corp.*, 126 S. Ct. at 2929 (2006) (Breyer, J., dissenting) (“[A] decision from this generalist Court could contribute to the important ongoing debate . . .”).

5. *Lab. Corp.*, 126 S. Ct. at 2922 (2006) (Breyer, J., dissenting); see also *eBay*, 126 S. Ct. at 1842 (2006) (Kennedy, J., concurring) (expressing concern at the relationship between injunctions and the “burgeoning number of patents over business methods, which were not of much economic and legal significance in earlier times”); *Diamond v. Diehr*, 450 U.S. 175, 213–15 (1981) (Stevens, J., dissenting) (explaining that a method that is an “algorithm” should not be patentable).

6. *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring).

## II. FACTS OF THE CASE

MercExchange, L.L.C., was founded by Thomas G. Woolston, an electrical engineer and lawyer by training.<sup>7</sup> In April 1995, Woolston invented “a method and apparatus for creating a computerized market for used and collectible goods,”<sup>8</sup> and applied for patents. As his patent applications wound their way through the U.S. Patent and Trademark Office (“USPTO”), Woolston tried to raise money to build a functional website, but attracted little attention from venture capitalists.<sup>9</sup> In December 1998, MercExchange was granted the first of its three patents, U.S. Patent No. 5,845,265 (“’265 Patent”). Licensees and \$10 million in venture capital soon followed.<sup>10</sup> However, by then the competition in online auction sites had intensified, and MercExchange’s efforts to commercialize Woolston’s invention failed within two years.<sup>11</sup>

Before MercExchange’s commercializing efforts failed, eBay expressed interest in buying its patent portfolio. According to Woolston, eBay sent litigators to look at MercExchange’s patents and demanded to see MercExchange’s confidential patent files.<sup>12</sup> After the negotiations broke down, eBay started offering the “Buy-It-Now” feature, which infringed the ’265 patent.<sup>13</sup> MercExchange filed suit in September 2001.<sup>14</sup>

## III. PROCEEDINGS IN THE LOWER COURTS

After a five-week jury trial, during which the presiding judge’s patience wore thin,<sup>15</sup> a jury in the Eastern District of Virginia found that eBay had willfully infringed MercExchange’s patents. Nevertheless, the district court denied MercExchange’s motion for a permanent injunction.<sup>16</sup>

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7. See Julia Wilkinson, *The eBay Patent Wars: Interview with MercExchange CEO Thomas Woolston*, AUCTIONBYTES.COM, Sept. 30, 2004, <http://www.auctionbytes.com/cab/abn/y04/m09/i30/s01>; Brief for Respondent, eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837 (2006) (No. 05-130), 2006 WL 622506.

8. U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

9. See Wilkinson, *supra* note 7; Ellen McCarthy, *Waiting Out a Patent Fight with eBay*, WASH. POST, Jan. 6, 2005, at E1, available at <http://www.washingtonpost.com/ac2/wp-dyn/A51969-2005Jan5>.

10. See McCarthy, *supra* note 9.

11. See Wilkinson, *supra* note 7.

12. See *id.*

13. *Id.*

14. McCarthy, *supra* note 9.

15. See MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695, 714, 720 (E.D. Va. 2003) (“From day one the parties have been unable to agree on anything . . .”).

16. *Id.* at 722.

When considering the motion for permanent injunction, the district court first applied the presumption of irreparable harm<sup>17</sup> after the jury finding of patent infringement, but deemed the presumption rebutted in this case because of “the plaintiff’s willingness to license its patents, its lack of commercial activity in practicing the patents, and its comments to the media as to its [willingness to license its patents to eBay].”<sup>18</sup> Moreover, the district court noted that MercExchange had not moved for a preliminary injunction, which, the court reasoned, showed that MercExchange did not think it would suffer irreparable harm.<sup>19</sup> These facts convinced the district court that monetary damages would be adequate in this “atypical case.”<sup>20</sup>

Next, the district court pointed to the “growing concern over the issuance of business-method patents” in finding that the public interest favored the infringers in this case.<sup>21</sup> The court stated that “[t]he public does not benefit from a patentee who obtains a patent yet declines to allow the public to benefit from the invention contained therein.”<sup>22</sup>

Finally, under the subheading “Balance of the Hardships,” the judge predicted that, due to the highly contentious nature of this litigation, if an injunction were issued, there would be “contempt hearing after contempt hearing requiring the court to essentially conduct separate infringement trials to determine if the changes to the defendants’ systems violates [sic] the injunction.”<sup>23</sup>

Both parties appealed to the Federal Circuit.<sup>24</sup> eBay also asked the USPTO to reexamine the ’265 patent.<sup>25</sup> In reversing the district

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17. See, e.g., *Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 974 (Fed. Cir. 1996) (“The presumption of irreparable harm acts as a procedural device which places the ultimate burden of production on the question of irreparable harm onto the alleged infringer.”) (internal quotation omitted); *H. H. Robertson Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390 (Fed. Cir. 1987) (“This 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 irreparable harm.”) (internal quotation omitted). *eBay* diminished the presumption of irreparable harm, though the magnitude of that change remains to be seen. See *Voda v. Cordis Corp.*, No. CN-03-1512-6, 2006 WL 2570614 at \*5 (W.D. Okla. Sept. 5, 2006); *Christiana Indus. Inc. v. Empire Elecs., Inc.*, No. 06-12568, 2006 U.S. Dist. LEXIS 54210, at \*5 (E.D. Mich. Aug. 4, 2006).

18. *MercExchange*, 275 F. Supp. 2d at 712.

19. *Id.*

20. *Id.* at 713.

21. *Id.* at 713–14.

22. *Id.* at 714. The district court did not mention the widely-held view that the bargain inherent in the U.S. patent system is adequate disclosure by the inventor in exchange for a limited monopoly. See, e.g., *Universal Oil Prods. Co. v. Globe Oil & Ref. Co.*, 322 U.S. 471, 484 (1944) (explaining that the “quid pro quo” is sufficient disclosure for the public “to practice the invention once the period of the monopoly has expired”); Note, *Pure Fiction: The Attempt to Patent Plot*, 19 HARV. J. L. & TECH. 231, 241 (2005).

23. *MercExchange*, 275 F. Supp. 2d at 714. Since the district court judge did not grant a compulsory license to eBay, forcing the plaintiff to file new suits over eBay’s continuing infringement seems rife with the same inefficiencies as contempt proceedings.

24. See *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1326 (Fed. Cir. 2005).

court's denial of a permanent injunction, the Federal Circuit reaffirmed "the general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged" because "the right to exclude recognized in a patent<sup>26</sup> is but the essence of the concept of property."<sup>27</sup> The Federal Circuit has recognized an exception to this rule only when the patentee's refusal to practice "frustrates an important public need" such as aiding public health.<sup>28</sup>

The Federal Circuit addressed the district court's reasoning in rather summary fashion.<sup>29</sup> A general concern regarding the proliferation and quality of business-method patents did not amount to an "important public need."<sup>30</sup> The likelihood of continuing disputes was not "a sufficient basis for denying a permanent injunction."<sup>31</sup> MercExchange's willingness to grant licenses was irrelevant to its right to an injunction,<sup>32</sup> even if an injunction would have given it "additional leverage in licensing," because any added leverage "is a natural consequence of the right to exclude and not an inappropriate reward."<sup>33</sup> Failure to move for a preliminary injunction should not have been relevant to MercExchange's right to a permanent injunction, since a preliminary injunction and a permanent injunction "have different prerequisites and serve entirely different purposes."<sup>34</sup> In short, "the district court did not provide any persuasive reason to believe this case is sufficiently exceptional to justify the denial of a permanent injunction."<sup>35</sup>

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25. *See id.* Despite the *MercExchange* jury's finding of validity, the USPTO could still have invalidated MercExchange's '265 patent using a lower evidentiary standard, rendering moot the jury's finding of infringement of that patent.

26. In addition to repeated judicial recognition, the "right to exclude" is codified in 35 U.S.C. § 154(a)(1) (2000).

27. *MercExchange*, 401 F.3d at 1338 (quoting *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989)). The *Richardson* opinion was based on (1) 35 U.S.C. § 261 (2000), which states that "[s]ubject to the provisions of this title, patents shall have the attributes of personal property," and (2) the generally accepted view that the patent law "partakes" of "the laws of property." *Richardson*, 868 F.2d at 1247.

28. *MercExchange*, 401 F.3d at 1338 (quoting *Rite-Hill Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

29. *See id.* at 1338–39. While the district court's opinion discussed the issue of a permanent injunction over four full pages, the Federal Circuit's treatment filled only one. *See id.*

30. *Id.* at 1339.

31. *Id.*

32. *But see Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 974 (Fed. Cir. 1996) (suggesting that a willingness to license would rebut the presumption of irreparable harm in patent cases).

33. *MercExchange*, 401 F.3d at 1339.

34. *Id.* (quoting *Lermer Germany GmbH v. Lermer Corp.*, 94 F.3d 1575, 1577 (Fed. Cir. 1996)). This distinction may explain why, in its *MercExchange* opinion, the Federal Circuit completely ignored *Polymer Technologies*, 103 F.3d 970, which only dealt with the granting of a preliminary injunction.

35. *MercExchange*, 401 F.3d at 1339.

## IV. THE SUPREME COURT SPEAKS: NO CATEGORICAL RULES

eBay petitioned the Supreme Court for a writ of certiorari, presenting two questions for review: (1) whether the Federal Circuit erred in employing the general rule of issuing a permanent injunction after a finding of infringement, and (2) “whether this Court should reconsider its precedents, including *Continental Paper Bag Co. v. Eastern Paper Bag Co.*,” which contained strong language upholding a patent holder’s rights, and could have been viewed as requiring a “near automatic injunction rule.”<sup>36</sup> The Supreme Court granted certiorari<sup>37</sup> and reversed the Federal Circuit decision that granted MercExchange a permanent injunction based solely on a finding of validity and infringement.<sup>38</sup>

*A. Finding Equity in the Statutes and Limiting Continental Paper Bag*

Justice Thomas wrote the opinion for a unanimous Court. The Court’s analysis began with 35 U.S.C. § 283, which provides that courts “may grant injunctions in accordance with the principles of equity.”<sup>39</sup> The Court interpreted the phrase “principles of equity” to mean the “well-established principles of equity” embodied in the traditional four-factor test for granting injunctions.<sup>40</sup> The Court’s interpretation of the statute also meant that the district court’s decision to grant or deny a permanent injunction should be reviewed “on appeal for abuse of discretion.”<sup>41</sup> Justice Thomas found support for the holding in the Supreme Court’s use of the “traditional equitable considerations” for injunctions under the Copyright Act.<sup>42</sup>

eBay narrowed the holding of the influential 1908 case *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, in which the Court emphasized that a patent was the inventor’s “absolute property” and gave her a “right to exclude others from its use.”<sup>43</sup> eBay cited *Continental Paper Bag* approvingly, but only for the proposition that “a court of equity has . . . jurisdiction to grant injunctive relief to a patent holder

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36. Brief of Petitioners at i, 45, *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (No. 05-130), 2006 WL 927236.

37. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 733 (2005).

38. *eBay*, 126 S. Ct. 1837.

39. *Id.* at 1839 n.2 (2006) (quoting 35 U.S.C. § 283 (2000)).

40. *Id.* at 1839. The four factors are: (1) whether the plaintiff suffered irreparable injury; (2) whether the plaintiff has adequate remedy at law; (3) whether the balance of hardships warrants a remedy in equity; and (4) the effect on the public interest. *Id.*

41. *Id.* (citing *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 505 (2001)). The Federal Circuit did not set forth its standard of review. See *MercExchange L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338–39.

42. *eBay*, 126 S. Ct. at 1840.

43. *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 424–25 (1908).

who has unreasonably declined to use the patent.”<sup>44</sup> The opinion narrowed *Continental Paper Bag*’s holding and did not directly address any of the dicta that supported the imposition of a permanent injunction as a remedy for the violation of a patentee’s right to exclude. Instead, Justice Thomas stressed that “the creation of a right is distinct from the provision of remedies for violations of that right.”<sup>45</sup>

*B. Patent Rights Do Not Include Any Property-like Rights Beyond the Provisions of the Federal Patent Statutes*

The Federal Circuit in its *MercExchange* opinion relied on the view that patents were a species of property.<sup>46</sup> eBay argued to the Supreme Court that “[t]he Patent Act states that ‘patents shall have the attributes of personal property’ [and a] personal property right has never been treated as a demand note for an injunction.”<sup>47</sup> In response, MercExchange distinguished “fungible” personal property from “unique personal property.”<sup>48</sup> The point was that injuries to fungible personal property could be remedied by money, and no injunction would be necessary to compensate for a violation of rights pertaining to fungible personal property. Therefore, MercExchange argued, Congress must have viewed patents as real property, or alternatively as unique personal property, when it authorized permanent injunctions for patent infringement.<sup>49</sup>

Justice Thomas took a different approach from the Federal Circuit. He pointed out that 35 U.S.C. § 261, the only Patent Act section providing that patents have “attributes of personal property,” contains the clause, “[s]ubject to the provisions of this title.”<sup>50</sup> Therefore, he reasoned, nothing about the “attributes of personal property” should affect the statutory requirements for obtaining patent rights and remedies.<sup>51</sup>

*C. More Discretion for the District Courts, with Conflicting Directions*

The Court emphasized that “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district

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44. *eBay*, 126 S. Ct. at 1840–41 (citing *Cont’l Paper Bag*, 210 U.S. at 422–30).

45. *Id.* at 1840.

46. See *supra* notes 26–27 and accompanying text.

47. Brief of Petitioners at 26, *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130), 2006 WL 927236 (quoting 35 U.S.C. § 261 (2000)).

48. Brief for Respondent at 29–30 & n.38, *eBay*, 126 S. Ct. 1837 (No. 05-130), 2006 WL 622506.

49. *Id.*; see also 35 U.S.C. § 283 (2000).

50. *eBay*, 126 S. Ct. at 1840 (quoting 35 U.S.C. § 261 (2000)).

51. *Id.*

courts.”<sup>52</sup> It found that each court below had erroneously applied a “categorical rule.”<sup>53</sup> The district court erred in holding that “[a] lack of commercial activity in practicing the patents’ would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue.”<sup>54</sup> The Federal Circuit, on the other hand, erred in “articulat[ing] a ‘general rule’ in patent cases ‘that a permanent injunction will issue once infringement and validity have been adjudged.’”<sup>55</sup>

Two separate concurring opinions were intended to give district courts guidance in exercising their newly restored equitable discretion.<sup>56</sup> However, their advice pointed in different directions. Chief Justice Roberts, joined by Justices Scalia and Ginsburg, noted a “long tradition of equity practice,” in which courts granted permanent injunctions “upon a finding of infringement in the vast majority of patent cases.”<sup>57</sup> They appreciated “the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee’s wishes.”<sup>58</sup> These justices preferred that district courts exercise “limiting discretion,” and follow “the basic principle of justice that like cases should be decided alike.”<sup>59</sup> Not wanting to discard twenty-four years of Federal Circuit jurisprudence, they advised district courts against “writing on an entirely clean slate.”<sup>60</sup>

Justices Kennedy, Stevens, Souter, and Breyer rejected the view that a right to exclude necessarily leads to the remedy of permanent injunctions against patent infringement.<sup>61</sup> They considered the tradition of granting permanent injunctions a result of “the contexts then prevalent.”<sup>62</sup> Today, however, those contexts are overshadowed by the need “to adapt to the rapid technological and legal developments in

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52. *Id.*

53. *Id.* at 1840–41.

54. *Id.* at 1840 (quoting *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003)). The Court thereby diminished the role of the presumption of irreparable harm in patent infringement cases. *See supra* note 17. The district court, to be sure, had cited and faithfully applied the test announced by the Federal Circuit in *Polymer Technologies, Inc. v. Bridwell*, 103 F.3d 970, 974 (Fed. Cir. 1996).

55. *eBay*, 126 S. Ct. at 1841 (quoting *MercExchange L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005)).

56. *Id.* at 1841, 1842.

57. *Id.* (Roberts, C.J., concurring) (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982)).

58. *Id.*

59. *Id.* at 1841–42 (quoting *Martin v. Franklin*, 126 S. Ct. 704, 710 (2005)).

60. *Id.* at 1841.

61. *Id.* at 1842 (Kennedy, J., concurring). This opinion is consistent with the collective view expressed in *Kelo v. City of New London*, 545 U.S. 469 (2005), which held that economic development is sufficient justification for the taking of private property and that monetary compensation is sufficient for such extinguishing of property rights, including the right to exclude.

62. *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring).



the patent system,”<sup>63</sup> especially when (1) the patent holder is a firm that “use[s] patents . . . primarily for obtaining licensing fees,” and the injunctions “can be employed as a bargaining tool to charge exorbitant [licensing] fees”;<sup>64</sup> (2) the infringed patent covers an invention that is “but a small component of the [infringing] product”;<sup>65</sup> or (3) the infringed patent discloses a business method, especially if the patent is “potential[ly] vague[.]” or invalid.<sup>66</sup>

## V. ANALYSIS

### A. The Change in Law Disfavors Non-Practicing Patent Holders

In *eBay*, the Supreme Court gave district courts discretion to grant or deny permanent injunctions after patent infringement, albeit without much direction.<sup>67</sup> However, since the status quo included a “general rule” of granting a permanent injunction after a finding of patent infringement, *eBay* reduced the likelihood that patent rights will be enforced through the use of permanent injunctions, especially for patent holders who do not themselves practice the patented inventions.

The Kennedy concurrence explicitly encouraged district courts to “bear in mind” new situations and fashion new remedies in suits involving patent licensing entities, business method patents, patents covering a “small component” of the infringing product, and patents with “potential vagueness and suspect validity.”<sup>68</sup> District courts have already followed this suggestion.<sup>69</sup> The Federal Circuit has yet to review a post-*eBay* decision on permanent injunctions. However, handcuffed by the “abuse of discretion”<sup>70</sup> standard of review, the Federal

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63. *Id.*

64. *Id.* These four justices, however, did not say when a fee would be “exorbitant,” especially given the fact that a high licensing fee is often the result of the large scope of infringement. They also did not explain why use of an injunction as a bargaining tool was undesirable.

65. *Id.* The justices warned against “undue leverage in negotiations” whereby a “small component” patent could delay a complex product. *Id.* However, there is a dearth of empirical study on whether small-component patents can truly prevent a complex product from getting to the market. In district court, eBay claimed to have a work-around solution that would cost less than \$15,000 to implement. *See MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 721 (E.D. Va. 2003).

66. *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring). The issue of patent validity is usually for the jury. The four justices appeared to suggest that trial judges engage in the unenviable task of second-guessing jury findings. Alternatively, Justice Stevens may have been reaffirming his view that all method patents that disclose “an ‘algorithm’ . . . and . . . no other inventive concept” are categorically invalid as unpatentable subject matter. *See Diamond v. Diehr*, 450 U.S. 175, 213–15 (1981) (Stevens, J., dissenting).

67. 126 S. Ct. at 1841.

68. *Id.* at 1842 (Kennedy, J., concurring).

69. *See infra* notes 88–106 and accompanying text.

70. *eBay*, 126 S. Ct. at 1839.

Circuit will probably have difficulty overturning district courts' decisions.

*B. It Is No Longer Meaningful to Think of Patents as "Property"*

In its petition to the Supreme Court, eBay argued that patents should be compared to personal property.<sup>71</sup> It relied on the statutory language providing patents with "attributes of *personal* property."<sup>72</sup> This argument encountered two difficulties. First, the Supreme Court had historically equated patents with real property.<sup>73</sup> Moreover, analogizing patents to personal property does not end the inquiry. As MercExchange argued in its brief, personal property can be either fungible or unique.<sup>74</sup> According to MercExchange, since violations of fungible property can be fully compensated by monetary damages, Congress must have viewed patents as *unique* personal property, which is treated like real property, when it authorized the granting of permanent injunctions for patent infringement.<sup>75</sup>

If patent rights are comparable to real property rights, a permanent injunction should be granted after a finding of willful infringement, except in "exceptional" cases.<sup>76</sup> A violation of a patent owner's right to exclude is analogous to an intentional and continuous trespass on land.<sup>77</sup> Federal and state courts have routinely issued permanent injunctions after finding intentional trespass on land, even if the injunction would cause the trespasser great hardship.<sup>78</sup> Courts have issued injunctions even when the property in question was "wild and uninhabited."<sup>79</sup>

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71. See Brief of Petitioners at 26, *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130), 2006 WL 927236.

72. 35 U.S.C. § 261 (2000) (emphasis added).

73. See, e.g., *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Savings Bank*, 527 U.S. 627, 637, 642 (1999) (holding that patents are a form of property protected by the Fourteenth Amendment) (citing *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876)); see also *United States v. Palmer*, 128 U.S. 262, 269 (1888) (holding that patent infringement is like trespass on land).

74. See *supra* Part IV.B.

75. See *supra* Part IV.B (citing 35 U.S.C. § 283 (2000)).

76. See, e.g., *Goulding v. Cook*, 661 N.E.2d 1322, 1323–24 (Mass. 1996); see also ROBERT E. KEETON ET AL., *TORT AND ACCIDENT LAW* 863 (4th ed. 2004) ("In a case involving purposeful and continuous bodily trespass, an injunction against the defendant, protecting plaintiff's property entitlement, would today be pretty automatic.")

77. See *Palmer*, 128 U.S. at 269.

78. See, e.g., *Goulding*, 661 N.E.2d at 1325 (holding that the defendant, in addition to paying money damages for installing a septic system on a small piece of land owned by the plaintiff, had to remove the system — even though it was the only way to make his property useable).

79. *Starks v. White*, 49 Fed. Appx. 798, 799 (10th Cir. 2002). Exceptions do exist where an injunction was denied because the damages to the land were nominal whereas hardship on the trespasser, if enjoined, would be great. See, e.g., *Crescent Mining Co. v. Silver King Mining Co.*, 17 Utah 444 (1898).

In *eBay*, the Supreme Court avoided the question of whether patents should be analogized to unique or fungible property. By analyzing patent rights and remedies solely by reference to federal statutes, the Court rendered superfluous the clause in 35 U.S.C. § 261 providing patents with “attributes of personal property”<sup>80</sup> and implicitly disposed of any common-law property-right moorings patents may have had.

This is not the first time federal courts have distinguished patent rights from property rights. A line of cases from *Schillinger v. United States*<sup>81</sup> and *Crozier v. Fried. Krupp Aktiengesellschaft*<sup>82</sup> to *Zoltek Corp. v. United States*<sup>83</sup> supports the proposition that the Takings Clause of the Fifth Amendment does not give rise to an independent cause of action when the federal government violates patent rights, because the dimensions of patent rights are defined purely by federal statutes, and so are unaffected by the limitations of common law property rights. Since Congress can enlarge or diminish patentees’ rights vis-à-vis the federal government under its Article I power, equating patent rights with property rights would lead to the disquieting conclusion that the scope of protection under the Fifth Amendment is subject to alteration by federal legislation.<sup>84</sup>

Given the differences between patents and property rights with respect to the source of rights, the applicability of the Fifth Amendment, and the available remedies for infringement, it is perhaps more useful *not* to think of patents as “property.” The *eBay* Court made this clear by holding that different rules apply to patents and property.

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80. See *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006).

81. *Schillinger v. United States*, 155 U.S. 163 (1894). A patentee attempted to sue the U.S. for patent infringement in the Court of Claims, which could only hear claims founded upon the Constitution, a federal statute or regulation, or a contract with the U.S. government, but not claims sounding in tort. The suit was dismissed for lack of jurisdiction. The Supreme Court affirmed, classifying the alleged patent infringement “a tort pure and simple.” *Id.* at 169. Justice Harlan, in a vigorous dissent, suggested that “the claim to have just compensation for such an appropriation of private property to the public use is ‘founded upon the Constitution of the United States.’” *Id.* at 179 (Harlan, J., dissenting) (quoting the Act of March 3, 1887, 24 Stat. 505). However, the majority rejected his view.

82. *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 302–03 (1912) (declining to grant an injunction against the federal government for patent infringement because a remedy at law was sufficient). *Crozier* explains that, in response to *Schillinger*, Congress enacted “[a]n Act to provide additional protection for owners of patents of the United States,” giving the Court of Claims jurisdiction to hear cases in which a patentee claims patent infringement by the United States. *Id.* at 302–03 (citing 36 Stat. 851 (1910)).

83. *Zoltek Corp. v. United States*, 442 F.3d 1345, 1349, 1353 (Fed. Cir. 2006) (denying plaintiff’s attempt to amend its complaint from a claim of patent infringement against the United States to allege a Fifth Amendment taking).

84. *Marbury v. Madison*, 5 U.S. 137, 177 (1803) (holding that the protection of rights under the Constitution is not “alterable when the legislature shall please to alter it”).

VI. THE POST-*EBAY* LEGAL LANDSCAPE

The Federal Circuit has not reviewed the permanent injunction issue since the Supreme Court issued its *eBay* opinion.<sup>85</sup> In district courts, several patent holders who practiced their patents-in-suit in direct competition with patent infringers obtained permanent injunctions against the infringers.<sup>86</sup> However, patent holders who did not practice their patents found themselves in a more difficult position, as illustrated by a trio of cases from the Eastern District of Texas. Two of these cases are discussed in the subsections that follow.<sup>87</sup>

A. *z4 Technologies, Inc. v. Microsoft Corp.*<sup>88</sup>

After the jury found that Microsoft willfully infringed *z4*'s patents on methods of software product activation, the court refused to permanently enjoin Microsoft from making and selling its infringing Windows XP and Office products.<sup>89</sup> The district court rejected *z4*'s argument that the right to exclude created a presumption of irreparable harm and instead put the burden of proving irreparable injury on the plaintiff.<sup>90</sup> The court reasoned that since "Microsoft only uses the infringing technology as a small component of its own software,"<sup>91</sup> *z4* would not suffer "lost profits, the loss of brand name recognition, or the loss of market share," or other "injuries that are often incalculable and irreparable" from Microsoft's continued sale of the infringing products.<sup>92</sup> Furthermore, the district court found that if the infringing components were enjoined, the balance of hardship would tip in Mi-

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85. In its first application of *eBay* to a request for a preliminary injunction, the Federal Circuit refused to grant the injunction even though the parties were direct competitors. *See Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331 (Fed. Cir. 2006).

86. *See, e.g., Wald v. Mudhopper Oilfield Servs., Inc.*, No. CIV-04-1693-C, 2006 WL 2128851, at \*3, \*5 (W.D. Okla. July 27, 2006) (holding that lost market share, missed opportunity to set an industry standard, and loss of reputation could not be adequately compensated even with treble damages); *TiVo, Inc. v. EchoStar Commc'ns Corp.*, No. 2:04-CV-1-DF, 2006 WL 2398681, at \*1-2 (E.D. Tex. Aug. 17, 2006) (granting a permanent injunction to a patent holder that had suffered a loss of market share to an infringing direct competitor).

87. The third case is *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139 (E.D. Tex. Aug. 16, 2006), which denied the plaintiff's motion for an injunction against the infringing defendant after concluding that the burden of proving irreparable harm fell on the plaintiff and that the plaintiff had failed to show that monetary relief was inadequate.

88. *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. 2006).

89. *Id.* at 438-39.

90. *Id.* at 439-40.

91. *Id.* at 440-41. Judge Davis quoted Justice Kennedy's concurring opinion in *eBay*, stating that "legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest" where a "patented invention is but a small component of the product the companies seek to produce . . ." *Id.*

92. *Id.*

crosoft's favor.<sup>93</sup> Microsoft contended that a permanent injunction "could result in the products being taken off the market for a short period of time," and this absence, "even if for only a week, would have a detrimental effect on the retail sellers of its products as well as the retail consumers."<sup>94</sup> The "public's undisputed and enormous reliance on these products" also weighed in Microsoft's favor.<sup>95</sup>

The *z4* court crafted an unprecedented remedy. It ordered *z4* to file a new complaint for post-verdict patent infringement, and then ordered Microsoft both to answer this complaint and to file quarterly reports indicating the number of infringing products sold.<sup>96</sup> Moreover, the court indicated that "the same reasonable royalty calculation used by the jury at trial [in the first action]" could be used to calculate damages for the new action.<sup>97</sup>

#### B. Finisar Corp. v. DIRECTV Group, Inc.<sup>98</sup>

Things went from bad to worse rather quickly for non-practicing patent holders suing in the Eastern District of Texas. In *Finisar*, after a jury found that DIRECTV had willfully infringed Finisar's patent on the transfer of information to subscribers through satellite transmission, the trial judge not only refused to enjoin DIRECTV, but also granted a compulsory license to DIRECTV "for the remaining life of the . . . patent [in suit]."<sup>99</sup> The judge concluded that there was no irreparable harm because Finisar did not practice its patent.<sup>100</sup> The court

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93. *Id.* at 443. The product activation method covered by the *z4* patents is an anti-piracy measure. The district court, however, did not discuss whether these "hardships" on Microsoft's part were foreseeable consequences of its *willful* infringement. In a more recent case from the same district, Judge Folsom held that any "hardship" the infringer's customers and authorized distributors might suffer following a permanent injunction would be "a consequence of Defendants' infringement and does not weigh against an injunction." *TiVo Inc. v. EchoStar Commc'ns Corp.*, No. 2:04-CV-1-DF, 2006 WL 2398681, at \*6 (E.D. Tex. Aug. 17, 2006) (granting a permanent injunction to the patent holder).

94. *z4*, 434 F. Supp. 2d at 443.

95. *Id.* at 443–44. *But see TiVo*, 2006 WL 2398681, at \*6 (characterizing any potential hardship an injunction might cause the infringer's customers as "a consequence of Defendant's infringement" and noting that "[t]he public has an interest in maintaining a strong patent system").

96. *z4*, 434 F. Supp. 2d at 444.

97. *Id.* at 442. The court did not address whether or how the damages in the new action should be enhanced since Microsoft's continuing infringement would be *per se* willful.

98. *Finisar Corp. v. DIRECTV Group, Inc.*, No. 1:05-CV-264, 2006 WL 2709206 (E.D. Tex. Sept. 1, 2006) (order denying defendants' renewed motion for judgment as a matter of law and motion for new trial).

99. *Finisar Corp. v. DIRECTV Group, Inc.*, No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at \*4 (E.D. Tex. July 7, 2006).

100. *See* Transcript of Hearing at 123–24, *Finisar*, No. 1:05-CV-264 (E.D. Tex. July 6, 2006), available at [http://www.fr.com/news/Finisar-v-Directv\\_Transcript1.pdf](http://www.fr.com/news/Finisar-v-Directv_Transcript1.pdf) and [http://www.fr.com/news/Finisar-v-Directv\\_Transcript2.pdf](http://www.fr.com/news/Finisar-v-Directv_Transcript2.pdf). However, in the *eBay* case, the Supreme Court specifically disapproved of the district court's practice of using the patentee's willingness to license and lack of commercial activity to categorically find a lack of irreparable harm. *See supra* note 54 and accompanying text.

found that the public interest factor disfavored Finisar, emphasizing that DIRECTV employed thousands of employees and provided service to 15 million people, including many rural television viewers with no alternatives to DIRECTV.<sup>101</sup>

Finisar raised two interesting issues during the oral argument for its post-trial motion to grant a permanent injunction. First, it argued that a permanent injunction could force an “actual negotiation between two parties,” setting a market rate for the use of the patented invention.<sup>102</sup> In response, the presiding judge found himself competent to set a reasonable royalty rate, after “working through this [case] for almost a year.”<sup>103</sup>

The second issue arose from the court’s link between Finisar’s non-practice of its patent and the finding of no irreparable harm. The only competitor to DIRECTV in the satellite TV business was EchoStar, with a forty-four percent market share.<sup>104</sup> Finisar’s attorney asked how the court would value violations of the right to exclude if Finisar gave a competitor (presumably EchoStar) an exclusive license, or sold the patent-in-suit to a competitor.<sup>105</sup> The judge did not comment upon this point.<sup>106</sup>

### C. *Why Finisar Is Much Worse Than z4 for Non-Practicing Patent Holders*

*Finisar* was quite different from *z4*. First, the *z4* remedy left open the possibility of recalculation or enhancement of damages if Microsoft did not fulfill its promise to phase out the infringing products, or if conditions changed substantially. The *Finisar* court, on the other hand, imposed a prospective compulsory license at a “reasonable” set rate. Granting a compulsory license even though the licensee did not commit any inequitable conduct is unprecedented in Federal Circuit jurisprudence.<sup>107</sup> If the patentee did not act wrongfully, a compulsory

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101. See Transcript of Hearing, *supra* note 100, at 125–26.

102. See *id.* at 8–9. Finisar used the dispute between NTP and Research in Motion, Ltd. (“RIM”) as an example. The jury in the NTP case awarded a “reasonable royalty” of \$23 million to NTP, but the actual settlement resulting from a free negotiation following the threat of a permanent injunction was for \$612.5 million. Finisar contended that this result showed that such an award could be very inaccurate. See *id.*

103. *Id.* at 14.

104. *Id.* at 30.

105. *Id.* at 14–15.

106. *Id.* at 14–17. The hypothetical question was answered in a real case soon afterward. In *TiVo Inc. v. EchoStar Commc’ns. Corp.*, No. 2:04-CV-1-DF, 2006 WL 2398681, at \*5–7 (E.D. Tex. Aug. 17, 2006), a different judge from the same district enjoined EchoStar from using its willfully infringing DVR products because the patent holder TiVo competed directly with the infringer.

107. Traditionally, courts only imposed compulsory licenses in cases in which the patentee acted inequitably. See, e.g., *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1273 (Fed. Cir. 1999). But see *Foster v. Am. Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir.

license would be “against the will and interest of the person wronged, in favor of the wrongdoer.”<sup>108</sup>

Second, Microsoft informed the court that it would stop infringement of the z4 patent within two or three years, after which z4 would regain its right to exclude others from making or using its invention.<sup>109</sup> As long as the court enforces this phase-out, the remedy in z4 could be viewed as a slow-acting permanent injunction. In addition, Microsoft is one of many potential purchasers or licensees of z4’s patented invention, so z4’s right to exclude remains meaningful even as Microsoft continues its infringement. Finisar’s right to exclude, on the other hand, was utterly destroyed by the court’s ruling. The compulsory license was for the lifetime of the patent. There was only one other competitor in the market, EchoStar. Any argument used successfully by DIRECTV, a willful infringer, could be used by EchoStar in the future to ward off permanent injunctions on the Finisar patent.<sup>110</sup>

## VII. IMPLICATIONS

### A. The eBay Ruling Benefits Large Corporations

Patent rights are not needed for the inventor to practice his invention.<sup>111</sup> What, then, does patent law give the inventor? Under the new rule, a patentee can still collect monetary damages after his “right to exclude” has been violated. Therefore, the right to exclude survives on paper. Nevertheless, exclusion as a remedy is much harder to obtain for non-practicing patent owners, as they will be hard-pressed to prove irreparable harm. Furthermore, both the balance of hardship and the public interest factors will likely weigh against them in the new calculus.

The *eBay* ruling further benefits large corporations. Under the pre-*eBay* patent system, large corporations already lacked financial incentive to license patents from non-practicing patent owners.<sup>112</sup> The

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1974) (denying a permanent injunction in favor of a compulsory license because “the appellee [infringer] manufactures a product; the appellant [patentee] does not”). eBay relied heavily on *Foster* in its brief to the Supreme Court, perhaps to demonstrate a “circuit split” — *Foster* was an outlier not followed by the Federal Circuit.

108. *Monsanto Co. v. Ralph*, 382 F.3d 1374, 1384 (Fed. Cir. 2004) (quoting *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1328 (Fed. Cir. 1987)).

109. *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 3d 437, 442 (E.D. Tex. 2006).

110. If the *z4* and *Finisar* decisions are appealed and upheld, the Eastern District of Texas may experience a drastic decrease in filings of patent infringement suits.

111. *See Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 424 (1908) (holding that a patentee “receives nothing from the law that he did not have before, and that the only effect of the patent is to restrain others from manufacturing and using that which he has invented”) (citing *United States v. Bell Tel. Co.*, 167 U.S. 224, 249 (1897)).

112. Large corporations view patent litigation as a cost of doing business; it is a numbers game. *See* Yixin H. Tang, *The Economics of “Patent Trolling,”* INTELL. PROP. LITIG., Winter 2006, at 9. Large corporations come out ahead financially if they infringe multiple pat-

uncertainties and extreme cost of patent litigation protected patent infringers with many resources.<sup>113</sup> They could also take a second bite at the apple by initiating patent re-examination, a process independent of court proceedings.<sup>114</sup> 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 from non-practicing patent owners, which include a significant number of independent inventors who tried to practice their patents but could not obtain the necessary funding.<sup>115</sup>

Large corporations can afford the financial risk of willfully infringing others' patents. In practice, even after a finding of willfulness, courts use their discretion very cautiously.<sup>116</sup> They rarely treble the damages.<sup>117</sup> As permanent injunctions become more difficult to obtain, it is sensible to argue for a corresponding increase in damages to ensure that monetary damages truly compensate for patent rights violations. Justice Thomas, in his *eBay* opinion, used copyright law as a guidepost for the remedies of patent infringement.<sup>118</sup> The Copyright Act authorizes damages exceeding the *entire* "profits of the infringer

ents and litigate each and every patent infringement suit to the hilt instead of obtaining licenses for each patented invention they use. The high litigation costs of patent infringement suits favor large corporations. Occasional damages awards are not likely to deter large corporations. eBay, for example, earned \$250 million in the three months ending in June 2006, which dwarfs the \$35 million in damages awarded to MercExchange. See The Associated Press, *eBay Meets Earnings Expectations, Raises Fees for Some Stores*, USA TODAY, July 19, 2006, [http://www.usatoday.com/money/companies/earnings/2006-07-19-ebay\\_x.htm](http://www.usatoday.com/money/companies/earnings/2006-07-19-ebay_x.htm).

113. See Tang, *supra* note 112, at 9.

114. See *supra* note 25.

115. Such independent inventors include the plaintiff in the *eBay* case. See *supra* Part II; see also Andrew Park, *A Patent Challenge for Dell*, BUS. WK. ONLINE, Nov. 3, 2004, [http://www.businessweek.com/technology/content/nov2004/tc2004113\\_4934\\_tc119.htm](http://www.businessweek.com/technology/content/nov2004/tc2004113_4934_tc119.htm) (discussing how repeated delays by the USPTO may prevented the eventual patentee "from raising the capital it needed to bring the idea to market"); Barrie McKenna et al., *Patently Absurd: The Inside Story of RIM's Wireless War*, GLOBE & MAIL, Feb. 21, 2006, at B4, (reporting that the inventor's company, Telefind, folded in 1991 after AT&T withdrew funding).

116. See, e.g., *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 721 (E.D. Va. 2003) (declining to enhance damages after the jury found willful infringement, even though the court agreed that the defendants deliberately failed to take remedial action); see also *z4 Techs., Inc. v. Microsoft Corp.*, No. 6:06-CV-142, 2006 WL 2401099 (E.D. Tex. Aug. 18, 2006). In the *z4* case, "there is ample circumstantial evidence that to Microsoft [the plaintiff] and his patent rights were insignificant because Microsoft never thought [the plaintiff] would be able to pursue his rights against it. The evidence presented at trial suggests that Microsoft considered *z4* a small and irrelevant company that was not worthy of Microsoft's time and attention." *z4*, 2006 WL 2401099 at \*26. Nevertheless, the *z4* court only enhanced the jury award by less than twenty-five percent. See *id.* at \*27.

117. See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement 14* (2004), available at [http://mason.gmu.edu/~kamoore/Moore\\_final\\_by\\_MooreWILLFUL.doc](http://mason.gmu.edu/~kamoore/Moore_final_by_MooreWILLFUL.doc) (observing that in all the patent infringement cases reaching judgment from 1999 to 2000, judges only trebled damages in 8.7 percent of cases in which the judge found the infringement willful).

118. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006).



that are attributable to the infringement.”<sup>119</sup> In comparison, the monetary damages for violating a non-practicing patent holder’s rights only amount to a fraction of the infringer’s profits as a result of the patent infringement.<sup>120</sup> To bring remedies for patent infringement more in line with remedies for copyright infringement, monetary damages should be increased in cases where the court has denied a permanent injunction. There is no indication, however, that either Congress or the district courts are moving in that direction.<sup>121</sup> Currently, even if litigation were unfavorable for a large corporation patent infringer, the corporation may take a third bite at the apple by continuing the infringement at a profit even after paying damages. A large corporation “might pay . . . damages, and . . . defiantly continue [its infringement], and, in spite of its wrong, make of itself, in effect, a tenant who could not be dispossessed.”<sup>122</sup> And the rent is cheap.

*B. The Shift in Patent Law Regime in Large Corporations’ Favor Does Not Promote the Public Interest*

Ironically, in the current patent law regime, the larger the scale of the patent infringement, the less likely it is that a court will grant a permanent injunction. So when the public “enormous[ly]” relies on the infringing products, the infringer no longer needs to fear permanent injunctions.<sup>123</sup> This tilt towards patent users who are fulfilling a public need is unnecessary, and it does not serve the public interest.

First, the widely-held view is that the bargain inherent in the patent system is the disclosure of the invention in exchange for a limited monopoly.<sup>124</sup> According to this view, a system that prompts inventors to keep their inventions secret would be much less conducive to the “promot[ion of] the progress of science and useful arts.”<sup>125</sup> Second, if the practice of an invention is essential to the public benefit, the federal government can appropriate the invention instead and practice it without the patentee being able to enjoin the infringement.<sup>126</sup> This is

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119. 17 U.S.C. § 504(b) (1999).

120. See 35 U.S.C. § 284 (1999). The rule of thumb for calculation of a “reasonable royalty” is twenty-five percent of the infringer’s profits resulting from the infringement. See *Standard Mfr. Co., Inc. v. United States*, 42 Fed. Cl. 748, 766 (Fed. Cl. 1999). Cf. *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1077 (Fed. Cir. 1983) (finding that one third was a reasonable royalty).

121. It is unlikely that the Federal Circuit would enhance damages *sua sponte*, as the enhancement of damages is firmly in the district court judges’ discretion and frequently involves detailed factual analysis.

122. *Crescent Mining Co. v. Silver King Mining Co.*, 17 Utah 444 (1898) (McCarty, J., dissenting).

123. *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 442–44 (E.D. Tex. 2006).

124. See *supra* note 22.

125. U.S. CONST. art. I, § 8, cl. 8.

126. See *supra* notes 81–83; 28 U.S.C. § 1498 (2000). It is preferable to allow the federal government, and not private entities, to use a patent without the patent holder’s authoriza-

an adequate built-in safety valve that existed before *eBay*, and that continues to guard against patent non-use that is truly against the public interest.

### VIII. CONCLUSION

The Supreme Court's decision in *eBay v. MercExchange* added several uncertainties to patent law jurisprudence. District courts now have more discretion to grant or deny permanent injunctions. Accordingly, they have imposed heightened evidentiary and substantive standards on non-practicing patentees that have moved to obtain permanent injunctions against successful companies infringing their patents on a large scale. This result did not necessarily follow from the opinions in *eBay*. The current situation allows large corporations to take three bites at the apple, and eliminates nearly all incentives for these large corporations to enter into licensing agreements with non-practicing patent owners. The balance between invention disclosure and patent monopoly has shifted in favor of large corporations. It is doubtful that the end result will promote progress in the useful arts.

Patent rights were traditionally viewed as a species of property right. However, after the *eBay* ruling, one must question whether it is still tenable to call patent rights "property rights." The Supreme Court stated that the "attributes of personal property" in 35 U.S.C. § 261 did not attach any rights to patents independent of statutes. This statement confirmed Supreme Court and Federal Circuit precedents that have held patents to be purely a creation of federal statutes and not "property" within the meaning of the Fifth Amendment.<sup>127</sup>

The desire, in the spirit of generalism, to apply the familiar principles of equity "with equal force to disputes arising under the Patent Act"<sup>128</sup> has in effect pushed patent law further from property law, which had been a traditional analog of patent law. At this juncture, it may be useful to think of patent rights as *sui generis* rights defined solely by the Patent Act and its judicial interpretation.

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tion on the grounds of "public need" because the federal government is more visible and less motivated by the pursuit of profit.

127. See *supra* Part V.B.

128. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006).