



## **The Impact of eBay on Preliminary Injunctions in Intellectual Property Cases**

Now, more than ever, it is important to consider filing a motion for preliminary injunction because a recent Federal Circuit decision suggests that patentees must move for and obtain a preliminary injunction if they want to recover enhanced damages for conduct that occurs *after* a lawsuit is filed. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1374 (Fed. Cir. 2007).

Courts regard preliminary injunctions as “extraordinary remedies” because they require decisions to be made at an early stage of the case, often on an incomplete record. While there is no uniform standard for deciding whether to issue a preliminary injunction, courts agree that the most important factor to consider is whether the movant will suffer irreparable harm before a decision on the merits can be rendered. In intellectual property cases, movants are entitled to a presumption of irreparable harm if they can prove a likelihood of success on the merits. The rationale for applying this presumption in patent cases is that money damages cannot make a patentee whole because the principal value of a patent is its statutory right to exclude. This presumption explains why more preliminary injunctions are granted in intellectual property cases than in other areas of the law. For example, federal district courts granted some form of preliminary injunctive relief 45% of the time in intellectual property cases as compared to only 25% of the time, which do not enjoy a presumption





of irreparable harm.<sup>1</sup>

However, the Supreme Court's recent *eBay Inc. v. MercExchange L.L.C.* decision has prompted courts to consider whether it is appropriate to apply a presumption of irreparable harm for preliminary injunction motions in intellectual property cases. 126 S. Ct. 1837 (2006). In *eBay*, the Supreme Court admonished the Federal Circuit for departing from traditional principles of equity in evaluating the need for permanent injunctions and overruled the Federal Circuit's longstanding "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances." *Id.* at 1839. The Court made clear that the traditional test for permanent injunctions applies to patent cases and requires lower courts to evaluate four factors:

- (1) whether the plaintiff has suffered an irreparable harm;
- (2) whether remedies available at law, such as monetary damages, are inadequate to compensate for that harm;
- (3) whether, when considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and
- (4) whether the public interest would not be disserved by a permanent injunction.

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<sup>1</sup>These statistics were compiled for the upcoming ABA Book on Preliminary Injunctions and Temporary Restraining Orders by Kirstin Stoll-DeBell, Nancy Dempsey, and Brad Dempsey, which is scheduled to be published in 2008.

*Id.* Although the *eBay* decision discussed only *permanent* injunctions in patent cases, the Court's insistence that irreparable harm should not be presumed calls into question whether the presumption still applies in the preliminary injunction context in all types of intellectual property cases.

Several district courts have interpreted *eBay* broadly and eliminated the presumption of irreparable harm for preliminary injunctions:

- *Torspo Hockey Int'l, Inc. v. Kor Hockey Ltd.*, 491 F. Supp. 2d 871 (D. Minn. 2007): denying a preliminary judgment in a patent case where the movant did not show a likelihood of success on the merits and asserting that the presumption is dead following the *eBay* decision.
- *Erico Int'l Corp. v. Doc's Marketing, Inc.*, No. 1:105-cv-2924, 2007 U.S. Dist. LEXIS 1367 (N.D. Ohio Jan. 9, 2007): stating that in reviewing motions for a preliminary injunction in a patent case, the Supreme Court's reasoning in *eBay* applies with greater force at the preliminary injunction stage.
- *The Chamberlain Group, Inc. v. Lear Corp.*, No. 05-3449, 2007 U.S. Dist. LEXIS 23883 (N.D. Ill. Mar. 30, 2007): refusing to apply a presumption of irreparable harm even though the patentee showed a likelihood of success on the merits, but issuing a preliminary injunction because the patentee had demonstrated irreparable harm.
- *Sun Optics, Inc. v. FGX Int'l, Inc.*, No. 07-137, 2007 U.S. Dist. LEXIS 56351 (D. Del. Aug. 2, 2007): denying a preliminary injunction motion because the patentee had not shown likelihood of success on the merits or irreparable harm and commenting that the presumption appears to be inconsistent with *eBay*.



These courts and other courts contend that *eBay*'s logic forbids the categorical presumption of irreparable harm and that *eBay* applies to all injunctions. This argument is strengthened when considered in conjunction with other Supreme Court precedent. In *Amoco Prod. Co. v. Vill. of Gambell*, the Court reversed the grant of a preliminary injunction in a case based on the Alaska National Interest Lands Conservation Act (ANILCA) because the lower courts relied on a presumption of irreparable harm. 480 U.S. 531, 545 (1987). Such presumption "is contrary to traditional equitable principles, has no basis in ANILCA, and is unnecessary to fully protect the environment." *Id.* The Court noted that the environment can be fully protected without this presumption because environmental injury, by its nature, can seldom be adequately remedied by money damages and is often permanent or at least of long duration, *i.e.*, irreparable. If such injury is sufficiently likely, the balance of hardships will usually favor the issuance of an injunction to protect the environment.

Other courts have narrowly interpreted *eBay*, maintaining that this decision applies only to permanent injunctions:

- *Christiana Indus., Inc. v. Empire Elecs., Inc.*, No. 06-12568, 2006 U.S. Dist. LEXIS 54210 (E.D. Mich. Aug. 4, 2006): denying defendant's motion to reconsider its preliminary injunction order in a patent case and rejecting defendant's argument that *eBay* eliminated the presumption of irreparable injury for preliminary injunctions: "The *eBay* court addressed the proper analysis for *permanent* injunctive relief." *Id.* at \*5 (emphasis in original).
- *Advance Magazine Publr., Inc. v. Leach*, 466 F. Supp. 2d 628 (D. Md. 2006): granting a preliminary injunction in a copyright case, stating that "if a plaintiff





establishes a prima facie case of copyright infringement, the district court may presume that it could show both probable likelihood of success on the merits and irreparable harm." *Id.* at 638.

There are several arguments to support limiting *eBay* to permanent injunctions. First, the *eBay* decision did not address preliminary injunctions, which are fundamentally different from permanent injunctions. Unlike permanent injunctions, which are entered only after the merits have been fully and finally resolved, preliminary injunctions are entered to maintain the status quo before the facts are fully developed and a decision on the merits can be made. Furthermore, permanent injunctions are just that—permanent. In contrast, preliminary injunctions are temporary and last only as long as it takes to decide the merits. "Given these considerations, one could legitimately conclude that a plaintiff should be absolved of proving irreparable harm at such an early stage." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, No. 01-8541, 2007 U.S. Dist. LEXIS 79726, at \*42 (C.D. Cal. Oct. 16, 2007).

Additionally, the *eBay* decision was grounded on the idea that patent cases should be treated like any other case when evaluating injunctive relief. However, other types of cases are also entitled to a presumption of irreparable harm at the preliminary injunction stage. For example, constitutional causes of action relating to personal rights, such as the First, Eighth, and Fourteenth Amendments, are entitled to a presumption of irreparable harm if a likelihood of success on the merits is shown. *See, e.g., Cayuga Indian Nation v. Vill. Of Union Springs*, 293 F. Supp. 2d 183, 196-98 (N.D.N.Y. 2003). Thus, the fundamental policies underlying



*eBay* may not support extending this decision to preliminary injunctions.

Still other courts have not decided whether the presumption will apply to preliminary injunctions after *eBay*:

- *Altana Pharma AG v. Teva Pharms. USA, Inc.*, No. 04-2355, 2007 U.S. Dist. LEXIS 67285 (D.N.J. Sep. 6, 2007) (citations omitted) (patent case): “The Court need not consider whether Plaintiffs are entitled to a rebuttable presumption of irreparable harm and whether such presumption, which was previously applied by the Federal Circuit, survived the United States Supreme Court's decision in *eBay Inc. v. MercExchange L.L.C.*, 126 S. Ct. 1837 (2006). Such a presumption, if it is even still valid in light of *eBay*, would only be applied where a plaintiff makes a *clear* or *strong* showing of likelihood of success on the merits. Since, as discussed above, Plaintiffs have not met their burden of showing likelihood of success on the merits, they certainly have not made a clear or strong showing of such success and thus, they would not be entitled to the presumption.” *Id.* at \*42-43.
- *Lorillard Tobacco Co. v. Engida*, 213 Fed. Appx. 654 (10th Cir. 2007): denying a motion for preliminary injunction in a trademark infringement case, stating it did not need to consider how *eBay* may apply in this context because plaintiff did not show that any harm it would suffer in the absence of an injunction would outweigh the potential harm to defendants if an injunction were granted.
- *Nat'l League of Junior Cotillions, Inc. v. Porter*, No. 3:06-cv-508-RJC, 2007 U.S. Dist. LEXIS 58117 (W.D.N.C. Aug. 9, 2007): refusing to decide whether *eBay* applies to preliminary injunctions in trademark and copyright cases until guided by the Supreme Court or the Fourth Circuit.



The Federal Circuit has not addressed the issue of whether *eBay* eliminated the presumption of irreparable harm for preliminary injunctions in patent cases:

- *Canon, Inc. v. GCC Int'l Ltd.*, No. 2006-1615, 2007 U.S. App. LEXIS 26584 (Fed. Cir. Nov. 16, 2007): affirming a preliminary injunction order because plaintiff demonstrated a likelihood of success on the merits and irreparable harm. Although the court quoted from the *eBay* decision, it did not address the presumption issue.
- *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368 (Fed. Cir. 2006): affirming the grant of a preliminary injunction and stating it need not address the issue of whether *eBay* eliminated the presumption of harm because plaintiff demonstrated several kinds of irreparable harm.
- *Abbot Labs. v. Andrez Pharms., Inc.*, 452 F.3d 1331, 1347 (Fed. Cir. 2006): vacating a preliminary injunction because plaintiff did not show a likelihood of success on the merits. Although the decision does cite *eBay*, it does not discuss whether *eBay* impacts the presumption of irreparable harm for preliminary injunctions.

In sum, the standards for preliminary injunctions in intellectual property cases are in flux. Intellectual property owners can no longer assume that they will be entitled to presumption of irreparable harm if the merits of their case are strong. Although it was always a good idea for movants to present evidence of irreparable harm, this showing has become critical in the aftermath of *eBay*. Likewise, *eBay* has made the irreparable harm requirement one of the most important areas to attack when defending against a motion for preliminary injunction.



Preliminary injunctions are now an essential component to obtaining or defending against requests for enhanced damages for post-filing conduct in patent cases. *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007). In *Seagate*, the Federal Circuit overruled the standard for willful infringement set out in *Underwater Devices v. Morrison-Knudsen Co.*, 717 F.2d 1380 (1983), and held that proof of willful infringement permitting enhanced damages required at least a showing of objective recklessness.

The court discussed how preliminary injunctions play a crucial role in determining whether the recklessness standard has been met:

It is certainly true that patent infringement is an ongoing offense that can continue after litigation has commenced. However, when a complaint is filed, a patentee must have a good faith basis for alleging willful infringement. So a willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringer's pre-filing conduct. By contrast, when an accused infringer's post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. A patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct. Similarly, if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness.



*Id.* at 1374 (citations omitted).<sup>2</sup> As a result of this decision, it is now even more important to be able to prove the elements of a preliminary injunction, including irreparable harm, in cases involving a claim of willful infringement for post filing-conduct.

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<sup>2</sup>For a more thorough discussion of the effects of the *Seagate* decision, see Kaustuv M. Das, *In re Seagate: Willful Infringement, Advice of Counsel, and Waiver*, The Edge: M&G's Intellectual Property White Paper, November 2007, <http://www.merchantgould.com/attachments/155.pdf>.

