

From “Preliminary Injunctions” section of *The IP Law Outline*, published September 18, 2011

Irreparable harm

- Irreparable harm – vs. damages are adequate to compensate the harm
- Infringement of valid patent inherently causes irreparable harm in absence of exception (e.g., future infringement no longer likely, the patentee’s licensing of patent, the patentee’s delay in bringing lawsuit) (Pfizer, 11/22/05)
- Presumption of irreparable harm = when patentee makes a strong showing of likelihood of success on the merits (i.e., infringement of a valid and enforceable patent) (Sanofi-Synthelabo, 12/8/06; Abbott Labs, 6/22/06; Pfizer, 11/22/05)
- Presumption is not negated by the presence of other infringers in the marketplace; the patentee need not sue all infringers at once (Pfizer, 11/22/05)
- Presumption contravenes *eBay (S.C.)*? (Abbott Labs, 10/21/08 (question was left unanswered, as the district court did not apply the presumption, instead ruling that all four PI factors weighed in the patentee Abbott’s favor); Sanofi-Synthelabo, 12/8/06); *See also* Duhn Oil Tool, 1/19/10 (Order) (nonprecedential – vacating PI where the patentee failed to show irreparable harm); Automated Merchandising Systems, 12/16/09 (nonprecedential – presumption is “no longer the law” after *eBay (S.C.)*, “in which the presumption of irreparable harm, based just on proof of infringement, was discarded. The burden is now on

the patentee to demonstrate that its potential losses cannot be compensated by monetary damages.”)

- Adequacy of monetary damages – when neither party can show that monetary damages would/would not suffice, irreparable prong favors neither party (Altana Pharma, 5/14/09 (no abuse of discretion in denying PI where the patentee had not shown that the generic defendants were unable to respond in money damages, and that the patentee likely had a business plan in place to deal with the launch of generic competition); Abbott Labs, 6/22/06); *See also* Automated Merchandising Systems, 12/16/09 (nonprecedential – lost sales (without more) are presumed to be compensable through damages, so that they do not require injunctive relief; district court clearly erred in finding the patentee’s alleged harms to be non-compensable by monetary damages); Canon, 1/25/08 (nonprecedential - irreparable harm consists of the harm that could not be sufficiently compensated by money damages or avoided by a later decision on the merits; damages resulting from price erosion and loss of market share are difficult, if not impossible, to determine, and thus an award of money damages would be inadequate)
- Market share and revenue loss, price erosion (Astrazeneca, 11/1/10 (calculating economic harm from premature launch of generic drug product was impossible); Altana Pharma, 5/14/09 (no abuse of discretion in not finding these types of harms irreparable, where the district court understood that the CAFC has upheld findings of irreparable harm based on these factors); Abbott Labs, 10/21/08 (price erosion caused by generic competition for drug already in the market did not negate the additional market share and revenue loss that would occur upon market entry of the defendant generic); Sanofi-Synthelabo, 12/8/06 (affirming the district court’s finding of irreparable harm based, in part, on price erosion)); *See also* Automated Merchandising Systems, 12/16/09 (nonprecedential – lost sales standing alone are insufficient to prove irreparable harm – *Abbott*

Labs; also, lost market share must be proven, or at least substantiated with evidence, for entry of PI – loss of market share cannot be speculative)

- Price erosion, loss of market position, revenue, goodwill, R&D support, and market opportunities are evidence of irreparable harm (Astrazeneca, 11/1/10 (damage to reputation and goodwill, and from layoffs of employees); Abbott Labs, 10/21/08)
- Erosion of markets, customers, and prices are “rarely reversible” (Abbott Labs, 10/21/08); *See also* Automated Merchandising Systems, 12/16/09 (nonprecedential – “price erosion is possible” was not evidence of irreparable harm)
- Entry of generic drugs to the market (Astrazeneca, 11/1/10 (irreparable harm to be caused by premature launch of generic drug product supported affirmance of PI); Altana Pharma, 5/14/09 (no abuse of discretion in denying PI where the manner in which the district court addressed the credibility of the patentee’s argument regarding the impact of generics entering the market on the patentee’s business was not clearly erroneous)); *See also* BIOTECH/PHARMA CASES – “Hatch-Waxman Issues – Preliminary injunction”
- End of Hatch-Waxman Act (30-month) stay (Altana Pharma, 5/14/09 (no abuse of discretion in denying PI where the patentee’s argument that its business would be crushed by the entry of generics was exaggerated in light of the expiration of the Hatch-Waxman stay))

From “Permanent Injunctions” section of *The IP Law Outline*, published September 18, 2011

Four-factor test of *eBay* (S.C.)

- *eBay v. MercExchange* (S.C.) requires courts to consider the standard four-factor test (*see* above discussion of *eBay*) before granting, or denying, permanent injunctions in patent cases (i4i, 3/10/10 (analyzing the district court’s application of the *eBay* (S.C.) factors in granting an injunction of narrow scope); Fresenius, 9/10/09; Ecolab, 6/9/09 (district court abused its discretion by failing to consider any of the four factors, or make fact findings regarding the factors, before denying an injunction); Acumed, 12/30/08 (no abuse of discretion in granting injunction); Broadcom, 9/24/08 (district court did not abuse discretion in issuing injunction); Voda, 8/18/08; Amado, 2/26/08 (dissolving injunction after applying the four-factor *eBay* test); Innogenetics, 1/17/08; Paice, 10/18/07 (district court’s denial or permanent injunction not appealed); Verizon, 9/26/07), **THUS** reversing the CAFC’s traditional rule that “courts will issue permanent injunctions against patent infringement absent exceptional circumstances (Acumed, 4/12/07; Monsanto, 8/16/06); *See also* Mytee Products, 9/2/11 (nonprecedential – rejecting argument that failure to seek a PI was relevant to whether to grant a permanent injunction – there are significant difference in the requirements and uses of PI’s and permanent injunctions)
- Injunction does not necessarily follow a determination that a patent has been infringed (Innogenetics, 1/17/08)
 - *eBay* (S.C.) (Roberts, C.J., concurring) - “courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases” (Fresenius, 9/10/09 (n.4: suggesting as the reason why the district court judge said an injunction was “all but inevitable” in the case))
- Well-settled principles of equity govern injunctions in patent disputes just as in disputes in other areas of law – *eBay* (S.C.) (Innogenetics, 1/17/08; Abbott Labs, 10/11/07)

- **Irreparable injury?**
 - Irreparable injury and lack of adequate remedy at law addressed in connection with each other (Acumed, 12/30/08)
 - Irreparable injury from infringement not remediable by a reasonable royalty, as the patent grant provides the right to exclude competitors from infringing the patent – 35 USC § 154(a)(1) (Acumed, 12/30/08)
 - Patentee “has suffered” an irreparable injury – although injunctions are tools for prospective relief designed to alleviate future harm, by its terms the irreparable injury factor looks, in part, at what has already occurred (i4i, 3/10/10 (proper for the district court to have considered evidence of past harm to the patentee, including loss of market share caused by the infringer’s product rendering the patentee’s product obsolete, where the patentee and infringer were direct competitors))
 - Past harm to a patentee’s market share, revenues, and brand recognition is relevant for determining whether the patentee *has suffered* an irreparable injury (i4i, 3/10/10)
 - Loss of market share proven by circumstantial evidence (i4i, 3/10/10 (the patentee was not required to prove that its customers stopped using its software because they switched to the infringing product))
 - Patentee must show that *it* has suffered an irreparable injury – nothing in *eBay (S.C.)* eliminates the requirement that the party seeking a permanent injunction must show that “*it* has

suffered an irreparable injury” (Voda, 8/18/08 (rejecting patentee’s argument for entitlement to an injunction by showing irreparable harm to its exclusive licensee)); *See also* Mytee Products, 9/2/11 (nonprecedential – grant of injunction supported by loss of market share based on indirect competition through the party’s customers)

- Irreparable injury shown despite the patentee not currently practicing the claimed invention (i4i, 3/10/10 (infringer’s software product rendered the patentee’s product obsolete); Broadcom, 9/24/08 (indirect competition between the accused infringer and patentee))
- Irreparable injury shown – lost sales, price erosion, lost opportunities to sell other services to lost customers, support injunction (i4i, 3/10/10 (lost market share to the direct competitor infringer); Acumed, 12/30/08 (irreparable injury shown based on lost market share, relying on post-*eBay* (S.C.) district court decisions); Verizon, 9/26/07); *See also* Mytee Products, 9/2/11 (nonprecedential – CAFC has not held that for irreparable harm a patentee must show it is entitled to lost profits or is in direct competition with the infringer)
- No irreparable injury shown – reasonable royalties awarded included an upfront market entry fee that contemplated future sales in a long term market; thus, the patentee was compensated and could not be irreparably harmed by future sales (Innogenetics, 1/17/08)
- **Damages adequate to compensate injury?**
(i4i, 3/10/10; Acumed, 12/30/08 (the patentee’s previous licensing of patent is “but one factor” for the district court to consider); Broadcom, 9/24/08 (damages not adequate -- based on the structure of the market; license

was to a customer, rather than a compulsory license to a direct competitor; and was difficult to estimate monetary damages); *Voda*, 8/18/08 (district court did not err in finding monetary damages to be adequate to compensate for infringement); *Verizon*, 9/26/07 (reasonable royalty not sufficient to compensate the patentee's harm; district court considered detailed testimony on both sides before issuing injunction))

- Difficulty in estimating monetary damages is evidence that remedies at law are inadequate - *Broadcom* (i4i, 3/10/10 (no abuse of discretion in concluding that monetary damages were inadequate, where the infringer captured 80% of the market, forcing the patentee to change its business strategy))

- Previous licensing of patent is “but one factor” for the district court to consider in determining whether a reasonable royalty constitutes an adequate remedy, based on 1) the fact of the grant of previous licenses, 2) the identity of the past licensees, 3) the experience in the market since the licenses were granted, and 4) the identity of the new infringer; the weight accorded to prior licenses falls squarely within the district court's discretion (*Acumed*, 12/30/08 (no abuse of discretion in granting injunction despite the patentee's previous licensing of the patent, stating that a patentee's “past willingness to license its patent is not sufficient per se to establish lack of irreparable harm if a new infringer were licensed . . . Adding a new competitor to the market may create an irreparable harm that the prior licenses did not,” citing *eBay* (S.C.)))

- Size of the parties, proportion of the patentee's business (i4i, 3/10/10 (the patentee was “a small company . . . practicing its patent, only to suffer a loss of market share, brand recognition, and

customer goodwill as the result of [Microsoft's] infringing acts); *Acumed*, 12/30/08 (no abuse of discretion in granting injunction where the patentee was smaller and its product was its flagship product))

- Granting of injunction is not dependent on the proportion that the infringing goods bear on a patentee's total business (*Praxair*, 9/29/08, J. Lourie, concurring, stating that "provided the four-factor test has been met, a patentee should be able to exclude competitors who sell only a small amount of an infringing product or competitors whose sales of an infringing product constitute only a small portion of its sales or of the patentee's sales. Otherwise, the patent right becomes devalued")

- Balance of hardships

- Factors considered – parties' sizes, products, and revenue sources (*i4i*, 3/10/10 (factor favored the patentee, where the patented technology was central to the patentee's software business, while relating to only a small fraction of Microsoft's sizeable business))

- Balance considered is only between a plaintiff and a defendant (*Acumed*, 12/30/08 (ruling that the injunction's effect on customers and patients was irrelevant to this factor, citing *eBay (S.C.)*))

- "One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected" – *Windsurfing Int'l* (*Acumed*, 12/30/08 (no abuse of discretion in the district court's decision not to consider the infringer's expenses in designing and marketing

the infringing device, as those expenses related to an infringing product); *Broadcom*, 9/24/08)

- Expenses incurred creating the infringing products are irrelevant - *Broadcom* (i4i, 3/10/10 (district court properly ignored))
- Costs of redesigning the infringing products are irrelevant (i4i, 3/10/10)
- Infringer's commercial success in exploiting the infringement is irrelevant – *Broadcom*, *Windsurfing Int'l* (i4i, 3/10/10)
- Allowance of time for infringer to implement work-around that would avoid continued infringement before issuing injunction; the patentee is entitled to end infringement, but not put the accused infringer out of business (*Verizon*, 9/26/07)
 - Balance favored the patentee where twenty-month *sunset provision* in the injunction allowed continued sales of infringing products with mandatory royalty to allow the accused infringer time to commercialize design-around product (*Broadcom*, 9/24/08)
 - Business decision made by the infringer not to produce non-infringing alternative (*Acumed*, 12/30/08)
- Public interest
 - Touchstone of the public interest factor – whether the injunction, both in scope and effect, strikes a workable balance between protecting the patentee's rights and protecting the public from the injunction's adverse effects – *Broadcom* (i4i, 3/10/10 (district court's injunction of limited scope

on current users of the infringing product properly recognized the balance))

- Public's general interest in upholding patent rights (i4i, 3/10/10 (favored injunction (of narrow scope)))
- Objective evidence of public health issue with the patentee's product such that the public interest would be disserved by an injunction? (Acumed, 12/30/08 (no abuse of discretion in giving no weight to testimony of biased experts, and assuming that physicians could use noninfringing alternatives to the patentee's product))
 - District court is in the best position to determine whether an injunction would cause a public health problem (Acumed, 12/30/08 (ruling that the district court was in the best position to assess the credibility of the witnesses and affiants and to weigh the evidence))
- Sunset provision in injunction (for allowing time to develop non-infringing substitutes) to balance the policy of protecting the patentee's rights against the desirability of avoiding immediate market disruptions (Broadcom, 9/24/08)