

THE SUPREME COURT'S UNREMARKABLE DECISION IN *EBAY INC. V. MERCECHANGE, L.L.C.*

by
*Rachel M. Janutis**

In eBay Inc. v. MercExchange, L.L.C. the Supreme Court concluded that a district court had discretion to balance the equities and deny a permanent injunction even after a finding of infringement and validity. The Court thus held that general equitable principles applied to patent disputes. Commentators have attacked the decision along two main lines of criticism. Some argue that the "general principles of equity" announced by the Court in eBay are inconsistent with the general principles actually practiced by courts sitting in equity. Specifically, they argue that the Court misconstrued the nature of the discretion accorded to courts in equity in two areas: enforcing property rights and statutory rights. Second, some commentators argue that even if discretion exists with respect to other statutory rights and property rights, the unique nature of patent rights makes such discretion undesirable.

This Article focuses on the argument that the principles delineated in eBay are inconsistent with actual equity practice. I argue that 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. Second, eBay accords only limited discretion to deny permanent injunctive relief upon finding a patent violation. This argument is supported by both the doctrine outlined by the Court in eBay, and by the manner in which the district courts have exercised their discretion post-eBay. Third, equity historically invested courts discretion to balance hardships even in cases involving real property rights. Courts could thus deny injunctions in cases where there was a gross disparity between the harm from an injunction and the harm from the interference, and in cases where the defendant acted without notice of the plaintiff's claim of right or under a good faith belief that the plaintiff's claim was invalid. As such, equitable discretion recognized in eBay is consistent with this traditional practice.

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I. INTRODUCTION

In *eBay Inc. v. MercExchange, L.L.C.* the Supreme Court reversed precedent in the Federal Circuit creating a seemingly irrebuttable presumption that a permanent injunction should issue in a patent dispute upon a finding of validity and infringement.¹ Instead, the Court concluded that a district court had discretion to balance the equities and deny a permanent injunction even after a finding of infringement and validity.² In so doing, the Court held that general equitable principles applied in patent disputes. As such, the Court's decision in *eBay* is consistent with other recent decisions in which the Court attempted to apply general equitable principles to patent disputes and other areas of law.³

Commentators from many areas have been quick to criticize the Court's efforts to fashion general rules of equity and also to criticize the content of such general principles. With respect to *eBay*, commentators assail the decision along two main lines. First, some argue that the "general principles of equity" announced by the Court in *eBay* are inconsistent with the general principles actually practiced by courts sitting in equity. Specifically, they argue that the Court misconstrued the nature of the discretion accorded to courts in equity in two areas: enforcing property rights and statutory rights. Second, some commentators argue that even if discretion exists with respect to other statutory rights and property rights, the unique nature of patent rights makes such discretion undesirable.

In this Article, I focus primarily on the first line of criticism: that the principles enunciated in *eBay* are inconsistent with actual equity practice.

¹ *EBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388, 393–94 (2006).

² *Id.* at 394.

³ See, e.g., *Great-West Life & Annuity Ins. v. Knudson*, 534 U.S. 204, 210–12 (2002).

I argue that *eBay* is not the remarkable break from equity practice that some commentators have made it out to be. To make this point, I argue first that the Court's resort to general principles of equity was neither surprising nor new in light of its previous precedent. Second, I argue that *eBay* accords only limited discretion to deny permanent injunctive relief to a patent holder upon a finding of validity and infringement. I make this claim primarily doctrinally but also include a brief empirical snapshot of *eBay*'s effect on the district courts. Third, I argue that historically, equity invested courts with discretion to balance the hardships even in cases involving invasion of real property rights. Courts exercised this discretion to deny injunctions in cases where gross economic disparity existed between the harm from an injunction and the harm from the interference and in cases where the defendant acted without notice of the plaintiff's claim of right or under a good faith belief that the plaintiff's claim was invalid. I conclude that the equitable discretion recognized in *eBay* is consistent with this traditional practice.

II. *EBAY V. MERCECHANGE*

In *eBay Inc. v. MercExchange L.L.C.*, plaintiff MercExchange held a business-method patent over a process for facilitating on-line sales of goods between private parties.⁴ MercExchange initially sought to license its patents to eBay.⁵ After negotiations broke down, MercExchange sued eBay, alleging infringement.⁶ eBay, meanwhile, challenged the validity of the patents before the Patent and Trademark Office (PTO).⁷

A jury found the patents valid and infringed, and awarded \$35 million in compensatory damages.⁸ The district court, however, denied MercExchange's request for a permanent injunction.⁹ In so doing, the district court noted the Federal Circuit's general rule that an injunction should issue upon a finding of infringement.¹⁰ However, the court also noted that the decision to grant or deny an injunction remained within the discretion of the trial judge and that the decision to issue or deny an injunction was governed by "traditional equitable principles."¹¹ The court noted that these traditional equitable principles required it to consider four factors: (1) whether the plaintiff would face irreparable harm in the absence of an injunction; (2) whether the plaintiff lacked an adequate remedy at law; (3) whether the granting of an injunction would further

⁴ *EBay*, 547 U.S. at 390.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 391 n.1; MercExchange, L.L.C. v. eBay, Inc., 500 F. Supp. 2d 556, 561 (E.D. Va. 2007).

⁸ MercExchange, L.L.C. v. eBay, Inc. 275 F. Supp. 2d 695, 698 (E.D. Va. 2003).

⁹ *Id.* at 722.

¹⁰ *Id.* at 711.

¹¹ *Id.*

the public interest; and (4) whether the balance of the hardships to the parties weighed in favor of issuing an injunction.¹²

In considering these factors, the court concluded, first, that MercExchange would suffer no irreparable harm if the court denied the injunction.¹³ In reaching this holding, the court again noted the Federal Circuit rule that a finding of validity and infringement gives rise to a presumption of irreparable harm.¹⁴ However, the court relied on three factors to conclude that the presumption of irreparable harm had been rebutted. First, the court noted “[s]ubstantial evidence . . . that the plaintiff does not practice its inventions and exists merely to license its patented technology to others.”¹⁵ Second, the court cited “numerous comments” that the plaintiff made to the media “indicating that it did not seek to enjoin eBay but rather sought appropriate damages for the infringement.”¹⁶ Finally, the court relied on MercExchange’s failure to seek a preliminary injunction.¹⁷ The court also relied on the fact that MercExchange had licensed its patents to others in the past and on MercExchange’s willingness to license its patents to eBay to conclude that compensatory damages would adequately compensate MercExchange.¹⁸

The court also concluded that the public interests in the case were in equipoise.¹⁹ The court noted the principle that the public interest generally favors granting an injunction to maintain the integrity of the patent system. However, the court also noted a “growing concern” over the issuance of business-method patents.²⁰ The court acknowledged the public’s interest in benefiting from the use of the patented technology and again emphasized MercExchange’s lack of commercial activity.²¹ The court concluded that “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.”²²

Finally, the court found the balance of the hardships weighed in favor of denying the injunction because of the significant supervision costs involved in enforcing the injunction.²³ The court again discounted any harm to the plaintiff if the injunction did not issue, noting that “[MercExchange] exists solely to license its patents or sue to enforce its patents, and not to develop or commercialize them.”²⁴ Thus, the court

¹² *Id.*

¹³ *Id.* at 712.

¹⁴ *Id.* at 711.

¹⁵ *Id.* at 712.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* at 713.

¹⁹ *Id.* at 714.

²⁰ *Id.* at 713.

²¹ *Id.* at 714.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

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reasoned that any harm to the plaintiff from infringement could be remedied by damages. On the other hand, the court noted the contentious nature of the litigation thus far.²⁵ The court also noted eBay's stated intent to design around the patents and MercExchange's contention that eBay would not be able to design around its patents.²⁶ The court speculated that, if it were to issue an injunction, it would be forced to preside over numerous contempt hearings as eBay attempted to design around MercExchange's patents and Merc-Exchange continued to maintain that each design around continued to infringe its patents.²⁷ The court reasoned that such contempt hearings would require it to "essentially conduct separate infringement trials to determine if the changes to the defendants' systems violates the injunction," maybe even requiring the court to retain its own expert.²⁸ The court concluded that these contempt proceedings would result in "extraordinary costs to the parties, as well as considerable judicial resources."²⁹

On appeal, the Federal Circuit reversed the district court. The Federal Circuit noted "the general rule that courts will issue permanent injunctions against patent infringement[s]."³⁰ The Federal Circuit also noted the trial court's discretion to deny an injunction in the "rare instances" the injunction "frustrates an important public need for the invention."³¹ However, the Federal Circuit concluded that the case was not sufficiently exceptional to deviate from the general rule.³² The Federal Circuit dismissed the district court's reasons for denying the injunction. The Federal Circuit noted that the district court's generalized concerns about business-method patents were not specifically tied to the patents at issue in this case.³³ Additionally, the Federal Circuit dismissed the supervision costs involved in this case as being no different than the supervision costs in other patent cases.³⁴ More importantly, the Federal Circuit noted that denying the injunction would not avoid the costs. Instead, the Federal Circuit reasoned that in the absence of an injunction, the contentious litigation likely would "continue in the form of successive infringement actions."³⁵ Finally, the Federal Circuit dismissed the district court's reliance on MercExchange's public statements regarding its willingness to license its patent and its lack of commercial activity by noting that the Patent Act grants the statutory right to exclude to all types of patent holders and reasoning that a

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ *MercExchange, L.L.C. v. eBay*, 401 F.3d 1323, 1339 (Fed. Cir. 2005).

³¹ *Id.* at 1338.

³² *Id.* at 1339.

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

remedy sufficiently adequate to enforce its right to exclude should be available to all patent holders.³⁶

The Supreme Court reversed the Federal Circuit's decision. In a short opinion for a unanimous Court, Justice Thomas concluded that neither the district court nor the Federal Circuit fairly applied "traditional equitable principles" in deciding whether the permanent injunction should issue.³⁷ The Court started by noting that ordinarily a federal court sitting in equity considers four factors in determining whether to issue a permanent injunction: (1) whether the plaintiff will suffer irreparable injury in the absence of an injunction; (2) whether remedies available at law will be adequate to compensate the plaintiff; (3) the balance of the hardships between the plaintiff and the defendant; and (4) the public interest.³⁸

The Court then held that this four-factor test applied to patent disputes as it did to any other disputes involving requests for injunctive relief.³⁹ The Court concluded that both the district court and the Federal Circuit failed to properly balance the equities of the given case and, instead, relied on broad categorical rules.⁴⁰ The Court recognized that the district court recited the proper four-factor test.⁴¹ However, the Court concluded that the district court's analysis adopted "expansive principles" that would preclude injunctive relief in a "broad swath of cases."⁴² In particular, the Court seemed troubled by the district court's heavy reliance on MercExchange's lack of commercial activity and was concerned that such reliance would preclude an injunction in any case in which the patent holder was not actively practicing its patent.⁴³ The Court noted that such a rule would be inconsistent with its decision in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*,⁴⁴ a case in which the Court rejected an argument that a patent could not issue to a non-practicing patent holder.⁴⁵ Essentially, the Court concluded that the district court must conduct a contextualized analysis into the circumstances of the case, including the reasonableness of the patent holder's decision not to practice its patent, when deciding whether to issue an injunction.⁴⁶

Although Justice Thomas's opinion is an opinion for a unanimous Court, two Justices authored concurring opinions in which five other Justices joined. Justice Roberts authored a concurring opinion in which

³⁶ *Id.*

³⁷ *EBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

³⁸ *Id.* at 391.

³⁹ *Id.*

⁴⁰ *Id.* at 393.

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ 210 U.S. 405 (1908).

⁴⁵ *Id.* at 422–30.

⁴⁶ *EBay Inc.*, 547 U.S. at 393–94.

Justices Scalia and Ginsburg joined. Justice Roberts seemed uneasy with the possibility that the opinion for the Court gave the district courts seemingly boundless discretion to deny injunctive relief in patent cases. Justice Roberts noted that since the early 19th century, the vast majority of courts had granted injunctive relief in patent cases.⁴⁷ Justice Roberts reasoned that this result made sense in light of the difficulty of protecting a right to exclude through a damage remedy that allowed an infringer to use a plaintiff's patent.⁴⁸ Justice Robert stressed that even though the district court was empowered to exercise its discretion in accordance with the four-factor test articulated by the Court, that discretion had to be exercised according to "the basic principle of justice that like cases should be decided alike."⁴⁹ Thus, Justice Roberts observed that when exercising discretion, "a page of history is worth a volume of logic."⁵⁰

Justice Kennedy, joined by Justices Breyer, Souter and Stevens, attempted to strike a middle ground between the possibility for boundless district court discretion and discretion constrained heavily by history. Justice Kennedy agreed that historical practice could be helpful in guiding the district court in its exercise of discretion.⁵¹ However, Justice Kennedy cautioned that historical practice was only useful to the extent that the circumstances of the case before the court paralleled the circumstances present in those historical precedents.⁵² Justice Kennedy observed that the nature of patents and the economic function of the patent holder in some contemporary cases might warrant departure from the historical practice of granting an injunction upon a finding of validity and infringement.⁵³ In particular, he suggested three circumstances that might warrant departure from the ordinary practice of granting an injunction. First, Justice Kennedy noted that existence of non-practicing patent holders that, unlike the patent holder in *Continental Paper Bag Co.*, not only lack the intent to practice their patents but hold the patents solely for the purpose of licensing them.⁵⁴ Second, Justice Kennedy noted the possibility for undue leverage that arises when the patented innovation comprises a small component of the would-be infringer's product.⁵⁵ Finally, Justice Kennedy noted potential vagueness and "suspect validity" of business method patents such as the patent at issue in *eBay*.⁵⁶ For Justice Kennedy, these circumstances might warrant departure from the historical practice of granting an injunction upon infringement.

⁴⁷ *Id.* at 394–95 (Roberts, C.J., concurring).

⁴⁸ *Id.* at 395.

⁴⁹ *Id.* (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

⁵⁰ *Id.* (quoting *N.Y. Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921)).

⁵¹ *Id.* at 395–96 (Kennedy, J., concurring).

⁵² *Id.* at 396.

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.* at 397.

III. THE POST-EBAY LANDSCAPE

A. Post-eBay Case Law

The decision in *eBay* does not appear to be the dramatic bombshell that some feared. Studies of post-*eBay* decisions reported that in the two years following *eBay*, district courts granted permanent injunctions in an overwhelming majority of the cases resulting in a finding of validity and infringement. For example, a study by Benjamin Petersen concluded that district courts issued permanent injunctions in twenty-four cases while denying injunctions in only ten cases.⁵⁷ Thus, according to Petersen's research in the two years following *eBay* courts issued injunctions in greater than seventy-two percent of the cases in which patents were adjudged valid and infringed.

Another study reached similar results. A study by Douglas Ellis, John Jarosz, Michael Chapman, and L. Scott Oliver, published in 2008, reported that during a similar period district courts applied *eBay* in thirty-six decisions.⁵⁸ The Ellis study reported that district courts granted injunctions in twenty-eight cases, while denying injunctions in only eight cases.⁵⁹ Thus, the Ellis study reported that injunctions were granted in almost seventy-eight percent of the cases.

Moreover, the Petersen study and the Ellis study as well as other commentators reported that post-*eBay* decisions have broken down along a few predictable lines. Practicing patent holders in direct competition with the infringer almost universally continue to receive an injunction upon a finding of infringement and validity.⁶⁰ Indeed, Ellis reported that practicing patent holders were denied injunctions against direct competitors in only two cases.⁶¹ In contrast, when a court concluded that the patent holder was not in direct competition with the infringer, the court was less likely to grant an injunction.⁶² Ellis reported that courts denied injunctions in five of the nine cases in which the courts concluded that the holder and the infringer did not compete.⁶³

⁵⁷ Benjamin Petersen, *Injunctive Relief in the Post-eBay World*, 23 BERKELEY TECH. L.J. 193, 196 (2008).

⁵⁸ Douglas Ellis et al., *The Economic Implications (and Uncertainties) of Obtaining Permanent Injunctive Relief After eBay v. MercExchange*, 17 FED. CIR. B.J. 437, 441 (2008).

⁵⁹ *Id.* at 441–42 nn.35–36.

⁶⁰ Ellis, *supra* note 58, at 442–43; Petersen, *supra* note 57, at 197–99; see 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, 633 (2007); Andrew Beckerman-Rodau et al., Session, *eBay v. MercExchange and Quanta Computer v. LG Electronics*, 4 J. BUS. & TECH. L. 5, 35–36 (2009) (statements of Andrew Beckerman-Rodau); Jeremy Mulder, *The Aftermath of eBay: Predicting When District Courts Will Grant Permanent Injunctions in Patent Cases*, 22 BERKELEY TECH. L.J. 67, 80 (2007).

⁶¹ Ellis, *supra* note 58, at 442–43.

⁶² Petersen, *supra* note 57, at 197–99.

⁶³ Ellis, *supra* note 58, at 443.

Both studies also concluded that a court was more likely to grant an injunction to a practicing patent holder than a non-practicing patent holder. Petersen concluded that non-practicing patent holders generally do not receive permanent injunctive relief even upon a finding of validity and infringement.⁶⁴ Meanwhile, Ellis concluded that companies that practiced their patents or licensed their patents to related entities were more likely to be deemed to be direct competitors of their infringers.⁶⁵

Petersen also looked at the effect of an offer to license or an existing licensing program on the courts' decisions. Petersen concluded that while the offer to license influenced courts' decisions, it was not as predictive a factor as competition.⁶⁶ Petersen noted that courts denied an injunction in five of the ten cases in which the patent holder licensed its patent to another entity.⁶⁷ Petersen also noted that in several cases courts relied on the plaintiffs' refusal to license the patent to support granting an injunction.⁶⁸ However, Petersen also noted that some courts expressly rejected the contention that the patent holders' willingness to license precluded injunctive relief.⁶⁹

A review of district court decisions issued between February 2008 and October 2009 indicates that the trends observed by these commentators seem to be continuing.⁷⁰ Injunctions continue to be granted in the vast majority of cases. Indeed, in seventeen out of twenty-six decisions applying *eBay*, district courts granted permanent injunctions.⁷¹ District courts denied injunctive relief in only nine out of twenty-six cases.⁷²

⁶⁴ Petersen, *supra* note 57, at 217.

⁶⁵ Ellis, *supra* note 58, at 450–52.

⁶⁶ Petersen, *supra* note 57, at 197–201.

⁶⁷ *Id.* at 199–200.

⁶⁸ *Id.* at 200.

⁶⁹ *Id.*

⁷⁰ Petersen expressly stated that he reviewed cases reported as of February 3, 2008. *Id.* at 196 n.21. The latest decision included in Ellis's study appears to be *Respirronics, Inc. v. Invacare Corp.*, No. 04-0336, 2008 WL 111983 (W.D. Pa. Jan. 7, 2008). Ellis, *supra* note 58, at 441–42 nn.35–36.

⁷¹ Flexiteek Ams., Inc. v. PlasTEAK, Inc., No. 08-60996-CIV, 2009 WL 2957310, at *10 (S.D. Fla. Sept. 15, 2009); Finjan Software, Ltd. v. Secure Computing Corp., No. 06-369 (GMS), 2009 WL 2524495, at *17 (D. Del. Aug. 18, 2009) (mem.); i4i Ltd. P'ship v. Microsoft Corp., No. 6:07CV113, 2009 WL 2449024, at *1 (E.D. Tex. Aug. 11, 2009); Transamerica Life Ins. Co. v. Lincoln Nat'l Life Ins. Co., 625 F. Supp. 2d 702, 719 (N.D. Iowa 2009); Joyal Prods., Inc. v. Johnson Elec. N. Am., Inc., No. 04-5172 (JAP), 2009 WL 512156, at *1 (D.N.J. Feb. 26, 2009); Constr. Equip. Co. v. Powerscreen Int'l Distrib., Ltd., No. 96-CV-1574-AC, 2009 WL 437703, at *7 (D. Or. Feb. 19, 2009); Funai Elec. Co., v. Daewoo Elecs. Corp., 593 F. Supp. 2d 1088, 1119 (N.D. Cal. 2009); Power Integrations, Inc. v. Fairchild Semiconductor Int'l, No. 04-1371-JJF, 2008 WL 5210843, at *1 (D. Del. Dec. 12, 2008); Callaway Golf Co. v. Acushnet Co., 585 F. Supp. 2d 600, 622 (D. Del. 2008); Becton Dickinson & Co. v. Tyco Healthcare Group L.P., No. 02-1694 GMS, 2008 WL 4745882, at *5 (D. Del. Oct. 29, 2008) (mem.); Extreme Networks, Inc. v. Enterasys Networks, Inc., No. 07-cv-229-bbc, 2008 WL 4756498, at *1 (W.D. Wis. Oct. 28, 2008); Amgen, Inc. v. F. Hoffman-La Roche Ltd., 581 F. Supp. 2d 160, 229 (D.Mass. 2008), *aff'd in part and vacated in part*, 580 F.3d 1340 (Fed. Cir. 2009); TruePosition Inc. v. Andrew Corp., 568 F. Supp.

Further, direct competition between infringer and holder continued to be a predictive factor. In seventeen of the decisions in which the district court granted an injunction, the district court also concluded that the infringer and the patent holder were direct competitors.⁷³ In contrast, the district court concluded that the infringer and holder were direct competitors in only four of the cases in which it denied an injunction.⁷⁴ In one of these cases, *Advanced Cardiovascular Systems v. Medtronic*, the court discounted the significance of direct competition between the litigants because the patent holder had licensed its patent to two other direct competitors that had gained more market share than either the plaintiff or the defendant.⁷⁵ Further, in refusing to grant an injunction in a fifth case, the district court expressly rejected the patent holder's argument that it was in direct competition with the infringer.⁷⁶ In a sixth case, the court concluded that an injunction should not issue because the defendant no longer competed with the plaintiff in a meaningful way.⁷⁷

2d 500, 534 (D. Del. 2008); Mannatech, Inc. v. Glycoproducts Int'l, Inc., No. 3-06-CV-0471-BD, 2008 WL 2704425, at *1 (N.D. Tex. July 9, 2008); Trading Techs. Int'l, Inc. v. eSpeed, Inc., No. 04 C 5312, 2008 WL 4531371, at *1 (N.D. Ill. May 22, 2008); Power-One, Inc. v. Artesyn Techs., Inc., No. 2:05-CV-463, 2008 WL 1746636, at *1 (E.D. Tex. April 11, 2008); Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, No. C 03-1431 SBA, 2008 WL 928496, at *1 (N.D. Cal. Apr. 04, 2008).

⁷² Medtronic Sofamor Danek USA v. Globus Med., 637 F. Supp. 2d 290, 315 (E.D. Pa. 2009); Hypoxico Inc. v. Colo. Altitude Training, 630 F. Supp. 2d 319, 326 (S.D.N.Y. 2009); Bard Peripheral Vascular, Inc. v. W.L. Gore & Assoc., Inc., No. CV-03-0597-PHX-MHM, 2009 WL 920300, at *9 (D. Ariz. Mar 31, 2009); Hynix Semiconductor Inc. v. Rambus Inc., 609 F. Supp. 2d 951, 966 (N.D. Cal. 2009); Telcordia Techs., Inc. v. Cisco Sys., Inc., 592 F. Supp. 2d 727, 752 (D. Del. 2009); Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc., No. C95-03577-DLJ, 2008 WL 4647384, at *13 (N.D. Cal. Oct 20, 2008); Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc., 579 F. Supp. 2d 554, 563 (D. Del. 2008); Avid Identification Sys. v. Phillips Elecs. N. Am. Corp., No. 2:04-CV-183, 2008 U.S. Dist. LEXIS 23648, *14–15 (E.D. Tex. March 25, 2008); Nichia Corp. v. Seoul Semiconductor, Ltd., No. 06-0162 MMC, 2008 WL 346416, at *3 (N.D. Cal. Feb 07, 2008).

⁷³ *Flexiteek Ams., Inc.*, 2009 WL 2957310, at *8; *Finjan Software, Ltd.*, 2009 WL 2524495, at *10; *i4i Ltd. P'ship*, 2009 WL 2449024, at *27; *Transamerica Life Ins. Co.*, 625 F. Supp. 2d at 719; *Joyal Prods., Inc.*, 2009 WL 512156, at *11; *Construction Equip. Co.*, 2009 WL 437703, at *5; *Funai Elec. Co.*, 593 F. Supp. 2d at 1111; *Power Integrations, Inc.*, 2008 WL 5210843, at *1; *Callaway Golf Co.*, 585 F. Supp. 2d at 619; *Becton Dickinson & Co.*, 2008 WL 4745882, at *3; *Extreme Networks, Inc.*, 2008 WL 4756498, at *2; *Amgen, Inc.*, 581 F. Supp. 2d at 212; *TruePosition Inc.*, 568 F. Supp. 2d at 531; *Mannatech, Inc.*, 2008 WL 2704425, at *1; *Trading Techs. Int'l, Inc.*, 2008 WL 4531371, at *2; *Power-One, Inc.*, 2008 WL 1746636, at *1 n.1; *Fresenius Med. Care Holdings, Inc.*, 2008 WL 928496, at *3.

⁷⁴ *Hypoxico Inc.*, 630 F. Supp. 2d at 325; *Bard Peripheral Vascular, Inc.*, 2009 WL 920300, at *7; *Hynix Semiconductor Inc.*, 609 F. Supp. 2d at 959; *Advanced Cardiovascular Sys., Inc.*, 2008 WL 4647384, at *10.

⁷⁵ *Advanced Cardiovascular Sys., Inc.*, 2008 WL 4647384, at *10.

⁷⁶ *Advanced Cardiovascular Sys., Inc.*, 579 F. Supp. 2d at 559–60.

⁷⁷ *Nichia Corp.*, 2008 WL 346416, at *2.

Post-*eBay*, district courts seem to be engaging in a more nuanced analysis of the relationship between the parties and the nature of the business. For example, district courts seem to be engaging in a more thorough consideration of the nature of the market and the role that each of the parties plays in the market. The courts have also developed a more thorough framework for analyzing the significance of previous licenses the patent holder may have granted.

Additionally, the Federal Circuit appears to be taking seriously language in *eBay* vesting the discretion to grant or deny a permanent injunction. In several appellate decisions the Federal Circuit has shown great deference to the district court's decision.⁷⁸ The Federal Circuit has reversed only where the Federal Circuit found that the district court did not state or analyze any of the four *eBay* factors.⁷⁹

B. Critical Response

The decision in *eBay* has generated a great deal of scholarly commentary. Much of that commentary has been critical. Criticisms have been lodged in two main areas.

First, some commentators have contended that Justice Thomas's opinion for the Court in *eBay* misconstrues traditional equitable principles. Preliminarily, some commentators have assailed the formalistic nature of Justice Thomas's opinion, contending that Justice Thomas fails to perceive the relationship between right and remedy.⁸⁰ Additionally, commentators argue that the four-factor test formulated by Justice Thomas was unknown to courts acting in equity. Specifically, commentators challenge the implicit allocation of burdens, requiring the plaintiff to prove entitlement to an injunction.⁸¹ Commentators also contend that to the extent that any cognizable factors exist, the Court has improperly expanded those factors.⁸² They note that equity did not recognize a requirement that the plaintiff's injury be irreparable separate and apart from the requirement that the plaintiff's remedy at law be inadequate. Instead, they contend that the irreparability of the plaintiff's injury and the inadequacy of the plaintiff's remedy at law capture the

⁷⁸ See, e.g., Fresenius USA, Inc. v. Baxter Int'l Inc., 582 F.3d 1288, 1295 (Fed. Cir. 2009); Acumed LLC v. Stryker Corp., 551 F.3d 1323, 1327 (Fed. Cir. 2008); Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683, 686 (Fed. Cir. 2008); Voda v. Cordis Corp., 536 F.3d 1311, 1318–19 (Fed. Cir. 2008).

⁷⁹ Ecolab, Inc. v. FMC Corp., 569 F.3d 1335, 1352 (Fed. Cir. 2009).

⁸⁰ See David McGowan, *Irreparable Harm*, 14 LEWIS & CLARK L. REV. 577, 579 (2010).

⁸¹ DOUGLAS LAYCOCK, MODERN AMERICAN REMEDIES 82 (3d ed. Supp. 2009); Doug Rendleman, *The Trial Judge's Equitable Discretion Following eBay v. MercExchange*, 27 REV. LITIG. 63, 85 (2007).

⁸² LAYCOCK, *supra* note 81, at 82–83.

same concept. Namely, a plaintiff's harm is irreparable because it cannot be remedied by a legal remedy such as damages.⁸³

More pointedly, some commentators complain about the Court's characterization of the discretion accorded to district courts to deny injunctions. These commentators argue that one of two features of patent rights suggest that even under traditional principles of equity courts should have little or no discretion to deny injunctions. Specifically, some commentators note that patents are property rights.⁸⁴ These commentators contend that in practice courts routinely enjoin interference of property rights with little or no consideration of the equities of a given case.⁸⁵ Other commentators argue that historically, the Supreme Court has accorded lower courts little discretion to deny injunctions based on the equities of a given case.⁸⁶

Second, some commentators have argued that patents are different from other types of property rights enforced in equity. Thus, general principles allowing for equitable discretion should not apply in equity. For example, commentators have expressed concern that discretion would upset private ordering.⁸⁷ Commentators have also expressed concern that discretion would discourage investment and innovation.⁸⁸

IV. EBAY AS EVOLUTION RATHER THAN REVOLUTION

Unlike these commentators, I would like to offer a possible defense of the Court's decision in *eBay Inc. v. MercExchange L.L.C.* To make this defense, I contend three things. First, neither the equitable principles enunciated in *eBay* nor their application to patent disputes were new. Indeed, even the Federal Circuit had recognized some role for equitable discretion in issuing and fashioning injunctive relief and in so doing

⁸³ See, e.g., *id.* at 82; John M. Golden, *The Supreme Court as "Prime Percolator": A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 695 (2009); Rendleman, *supra* note 81, at 76 n.71, 86–87 (2007).

⁸⁴ Beckerman-Rodau et al., *supra* note 60, at 45 (statements of Andrew Beckerman-Rodau).

⁸⁵ *Id.* at 48 ("I think *eBay* does the opposite. If we are going to give district court judges the ability to treat patent cases like regular cases, the tradition in the United States legal system is that willful infringement of property rights results in injunction. That is the standard approach across the board, regardless of the kind of property disputes, so we are actually changing the ball game." (statements of Andrew Beckerman-Rodau)).

⁸⁶ See, e.g., James M. Fischer, *What Hath eBay v. MercExchange Wrought?*, 14 LEWIS & CLARK L. REV. 555 (2010); James R. Fischer, *The "Right" to Injunctive Relief for Patent Infringement*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1, 9 (2007).

⁸⁷ See generally Beckerman-Rodau et al., *supra* note 60, at 10–26 (statements of F. Scott Keif).

⁸⁸ See, e.g., Andrew Beckerman-Rodau, *The Supreme Court Engages in Judicial Activism in Interpreting the Patent Law in eBay v. MercExchange L.L.C.*, 10 TUL. J. TECH. & INTELL. PROP. 165, 199–200 (2007); Miranda Jones, *Permanent Injunction, A Remedy By Any Other Name Is Patently Not the Same: How eBay v. MercExchange Affects the Patent Right of Non-Practicing Entities*, 14 GEO. MASON L. REV. 1035, 1070 (2007).

acknowledged that it was bound by traditional principles of equity, much as other courts were.⁸⁹ Second, the Supreme Court's application of those principles in *eBay* was at most evolutionary rather than revolutionary. To the extent that *eBay* effected a change in the law, the Court's opinions, when read in totality, offer only a slight modification rather than wholesale change of the remedial law surrounding patent disputes. Third, this slight change comports with equitable principles employed in other areas of property law. Contrary to the scholarly characterization, courts always retained some discretion in equity to deny injunctive relief even in disputes involving interference with real property. Courts not only retained this discretion but employed discretion to deny injunctions in high stakes cases and in cases where the defendant acted in good faith.

A. *The Patent Act and Previous Federal Circuit Decisions*

Neither the Court's application of general equitable principles in *eBay* nor its conclusion that those general principles of equity vest district courts with discretion to balance the hardships in a given case can be considered completely novel innovations. Instead, threads of the *eBay* decision can be found in the Patent Act, previous Federal Circuit decisions and Supreme Court precedent. Patents are creatures of statute. Since 1952, the Patent Act itself granted the courts some discretion to grant or deny injunctions. Further, in exercising that discretion, the Patent Act expressly directed district courts to be guided by the general principles of equity. Indeed, as the *eBay* Court recognized, the Patent Act provides: "The several courts having jurisdiction of cases under this title may grant injunctions *in accordance with the principles of equity* to prevent the violation of any right secured by patent, *on such terms as the court deems reasonable.*"⁹⁰

Even before *eBay*, the Federal Circuit recognized the discretionary language in the statute and concluded that the lower courts had the discretion to deny an injunction even upon finding infringement and validity.⁹¹ Indeed, in *Roche Products Inc. v. Bolar Pharmaceuticals Co.*, the Federal Circuit expressly rejected the plaintiff's contention that an injunction must follow from a finding of validity and infringement.⁹² Instead, the Federal Circuit held that the district court "has considerable discretion in determining whether the facts of a situation require it to issue an injunction."⁹³ In so doing,⁹⁴ the court expressly noted the permissive language of the Patent Act.

⁸⁹ See *infra* notes 91–110 and accompanying text.

⁹⁰ 35 U.S.C. § 283 (2006) (emphasis added); *eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388, 391–92 (2006).

⁹¹ See, e.g., *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865–67 (Fed. Cir. 1984).

⁹² *Id.* at 866–67.

⁹³ *Id.* at 865.

⁹⁴ *Id.*

Again relying on the express language of the statute and also common law, the Federal Circuit recognized that the district court was to be guided by “historic equity principles” in exercising this discretion.⁹⁵ The Federal Circuit noted that these equitable principles directed the district court to consider three factors. First, the Federal Circuit recognized that the district court could consider the public interest and that the district court could withhold injunctive relief where the plaintiff was using its right in a manner that was contrary to the public interest.⁹⁶ Second, the Federal Circuit also noted that the district court could consider the good faith of the defendant in denying injunctive relief.⁹⁷ Finally, the court noted that the district court must deny equitable relief if it could adequately remedy the harm through monetary damages.⁹⁸

The Federal Circuit further recognized the general applicability of these equitable principles. In reaching its holding, the Federal Circuit relied heavily on *Hecht Co. v. Bowles*,⁹⁹ a case arising under the Emergency Price Control Act rather than the Patent Act.¹⁰⁰ Indeed, relying on *Hecht Co.*, the Federal Circuit concluded that these general principles were so firmly entrenched in the judicial system that they applied to give the district court discretion in issuing and fashioning equitable remedies even when the express language of a statute, such as the Emergency Price Control Act,¹⁰¹ appeared to make an injunction mandatory.¹⁰² The Federal Circuit concluded:

In short, if Congress wants the federal courts to issue injunctions without regard to historic equity principles, it is going to have to say so in explicit and even shameless language rarely if ever to be expected from a body itself made up very largely of American lawyers, having, probably, as much respect for traditional equity principles as do the courts. If an injunction was not mandatory in *Hecht Co. v. Bowles*, the more permissive statutory language here makes it *a fortiori* that an injunction is not mandatory now.¹⁰³

In *eBay*, the Federal Circuit again recognized this discretion. However, the court contended that such discretion was limited to those cases in which granting an injunction would prevent the would-be infringer from bringing a technology to market that was necessary to protect the public health or safety.¹⁰⁴ This limitation does not seem consistent with the scope of the discretion delineated in *Roche Products, Inc.* In fact, despite its limited characterization of this exception, the

⁹⁵ *Id.* at 867.

⁹⁶ *Id.* at 865–66.

⁹⁷ *Id.* at 866.

⁹⁸ *Id.*

⁹⁹ See, e.g., *id.* at 865–67.

¹⁰⁰ *Hecht Co. v. Bowles*, 321 U.S. 321 (1944).

¹⁰¹ 50 U.S.C. app. §§ 901–906, 921–926, 941–946, 925 (1946) (terminated 1947).

¹⁰² *Roche Prods., Inc.*, 733 F.2d at 866.

¹⁰³ *Id.* at 867.

¹⁰⁴ *MercExchange, L.L.C. v. eBay*, 401 F.3d 1323, 1338 (Fed. Cir. 2005).

Federal Circuit itself had upheld the discretion of the district courts to deny an injunction for other reasons.

For example, in *Odetics, Inc. v. Storage Technology Corp.*, the Federal Circuit upheld a district court order denying an injunction on the grounds that the injunction sought would permit the patent holder to evade the doctrine of laches.¹⁰⁵ In *Odetics, Inc.*, the Federal Circuit again noted the “considerable discretion” of the lower courts in determining whether to issue an injunction.¹⁰⁶ In reaching its conclusion that the district court properly exercised its discretion in denying the injunction, the Federal Circuit noted that the district court previously found that laches barred recovery for certain pre-complaint sales of the infringing product.¹⁰⁷ The patent holder had sought an injunction to bar current use and repair of these products sold pre-complaint.¹⁰⁸ The Federal Circuit agreed with the district court that an injunction should not lie. In reaching this holding, the court relied expressly upon the undue leverage that such an injunction might give the patent holder in subsequent negotiations about licensing its product.¹⁰⁹ Specifically, the court noted that if an injunction issued, the patent holder might use the injunction to demand a royalty from the current users of the pre-complaint infringing products and that because the cost of shifting to noninfringing products would be great, the patent holder could demand a royalty in excess of the reasonable royalty rate.¹¹⁰ Neither the Federal Circuit nor the defendants made any claims that the current use of the pre-complaint products was necessary to protect public safety, thus suggesting exceptions to the general presumption in favor of an injunction existed in other circumstances.

Nonetheless, whatever the scope of equitable discretion, even the Federal Circuit in *eBay* did not doubt the discretion of the district courts to deny an injunction under some limited circumstances. This discretion appears to have existed for some time without significant impact upon the patent system. Further, as *Roche Products, Inc.*, demonstrates, the Federal Circuit also recognized that this discretion was grounded in generally applicable principles of equity.

B. Supreme Court Precedent and Traditional Principles of Equity

Likewise, threads of the Court’s decision in *eBay* can be found in two different strands of Supreme Court precedent. First, in a series of decisions, including a previous decision in a patent dispute, the Court attempted to articulate and apply generally applicable principles of equity to specialized areas of law. For example, in a series of decisions

¹⁰⁵ 185 F.3d 1259, 1273–74 (Fed. Cir. 1999).

¹⁰⁶ *Id.* at 1272.

¹⁰⁷ *Id.* at 1273–74.

¹⁰⁸ *Id.* at 1273.

¹⁰⁹ *Id.* at 1273–74.

¹¹⁰ *Id.* at 1273.

arising under the Employee Retirement Income Security Act (ERISA), the Court concluded that ERISA's express remedial provision allowing a plan to maintain an action for "other appropriate equitable relief"¹¹¹ limited courts to those types of remedies traditionally available in courts of equity prior to the merger of law and equity.¹¹² Most notably, in *Great-West Life & Annuity Insurance v. Knudson*, the Court concluded that a Benefits Plan could not maintain an action for specific performance of a reimbursement provision against plan beneficiaries who had recovered damages from a third-party tortfeasor.¹¹³ The Court concluded that restitution of money due under the reimbursement provision was not equitable relief because the Plan did not claim an interest in specific proceeds but rather sought a general judgment for money from the beneficiaries.¹¹⁴ In reaching this conclusion, the Court looked to those forms of relief traditionally available in equity prior to the merger of law and equity.¹¹⁵ The Court relied on generally applicable sources of law to support those conclusions. For example, the Court cited provisions of the Restatement of Restitution and the Restatement (Second) of Contracts as well as leading contract and remedies treatises to determine which forms of restitution were available in equity.¹¹⁶

Likewise, the Court has insisted that traditional principles apply to requests for injunctive relief in some areas. For example, in *Rondeau v. Mosinee Paper Corp.*, the Court held that "questions of liability and relief are separate in private actions under the securities laws, and that the latter is to be determined according to traditional principles."¹¹⁷ The Court concluded that the availability of injunctive relief under federal securities law did not relieve the movant from demonstrating irreparable harm and an inadequate remedy at law.¹¹⁸ More analogously, in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, the Court concluded that the doctrine of prosecution history estoppel was subject to the general equitable principles surrounding other claims of equitable estoppel.¹¹⁹

Meanwhile in another series of decisions, the Court has struggled to determine whether and to what extent a statutory provision authorizing a

¹¹¹ 29 U.S.C. § 1132(a)(3)(A) (2006).

¹¹² See *Great-West Life & Annuity Ins. v. Knudson*, 534 U.S. 204, 212–13 (2002); *Mertens v. Hewitt Assocs.*, 508 U.S. 248, 256–59 (1993).

¹¹³ *Great-West Life & Annuity Ins.*, 543 U.S. at 210–11, 218.

¹¹⁴ *Id.* at 214.

¹¹⁵ *Id.* at 212–13.

¹¹⁶ See generally *id.* at 210–14.

¹¹⁷ 422 U.S. 49, 64 (1975); see also *id.* at 62–63 ("[W]e have not hesitated to recognize the power of federal courts to fashion private remedies for securities laws violations . . . However, it by no means follows that the plaintiff in such an action is relieved of the burden of establishing the traditional prerequisites of relief.").

¹¹⁸ *Id.* at 65; see also *Amoco Prod. Co. v. Village of Gambell*, 480 U.S. 531, 544–45 (1987) (holding that the appellate court erred by presuming irreparable harm from a statutory violation and concluding, "[t]his presumption is contrary to traditional equitable principles and has no basis in [the statute].").

¹¹⁹ 535 U.S. 722, 735–36 (2002).

court to enforce a right through an injunction limits a court's traditional equitable discretion. Contrary to the suggestion of some *eBay* critics, the Court generally has recognized that district courts retain the discretion to deny injunctions in light of equitable considerations in statutory cases. Indeed, the Court has concluded that Congress can divest district courts of this equitable discretion only through a clear and valid legislative command mandating an injunction.¹²⁰ Absent such a command, the Court has recognized two limitations on the equitable discretion of lower courts in statutory cases. First, a court cannot use its discretion to deny an injunction in cases where failing to enjoin a violation results in nonenforcement of the statutory right.¹²¹ Most recently, in *United States v. Oakland Cannabis Buyers' Cooperative*, the Court concluded that in exercising its discretion, lower courts could not consider and re-weigh interests or hardships that Congress had already weighed within the statutory scheme.¹²² Thus, the Court held that a district court could not consider the hardships posed to those who claimed a medical need for marijuana in deciding whether to enjoin the operation of a medical marijuana cooperative under the federal Controlled Substances Act.¹²³

In many respects, the Court's opinion in *Oakland Cannabis Buyers' Cooperative* is a mirror image of the opinion in *eBay*. In *Oakland Cannabis Buyers' Cooperative*, the federal government brought suit to enjoin the operation of a cooperative organized to dispense marijuana to certain qualified patients pursuant to a California statute that legalized the possession and use of marijuana to treat serious medical illness.¹²⁴ The government argued that the cooperative's activities violated the federal Controlled Substances Act.¹²⁵ After the district court preliminarily enjoined the cooperative, the cooperative filed a motion asking the court to modify the injunction to permit distribution of marijuana in cases of medical necessity.¹²⁶ The district court recognized the hardship an injunction would pose to those seriously ill patients who benefitted from the distributions.¹²⁷ However, the district court concluded that its "equitable powers [do] not permit it to ignore federal law."¹²⁸ On appeal, the Ninth Circuit concluded that the district court retained equitable discretion to consider the public interest and, in particular, the harm to those patients denied marijuana. The Ninth Circuit remanded the case

¹²⁰ See *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 (1982).

¹²¹ See, e.g., *Tenn. Valley Auth. v. Hill*, 437 U.S. 153 (1978).

¹²² 532 U.S. 483, 497 (2001).

¹²³ *Id.*

¹²⁴ *Id.* at 486–87.

¹²⁵ *Id.* at 487.

¹²⁶ *Id.* at 487–88.

¹²⁷ *Id.*

¹²⁸ *Id.* at 488 (quoting Petition for Writ of Certiorari at 37a, *Oakland Cannabis Buyers' Coop.*, 532 U.S. 483 (No. 00-151)).

with directions to the district court to modify the injunction to set forth criteria for a medical necessity exception.¹²⁹

Before the Supreme Court, the cooperative advanced two arguments. First, the cooperative argued that the Supreme Court should construe the Controlled Substances Act to include a defense of medical necessity.¹³⁰ Second, even if no such defense exists in the statute, the cooperative argued that the Court should affirm the discretion of the lower courts to decline to enjoin distribution when distribution would be in the public interest.¹³¹ The Supreme Court, in an opinion by Justice Thomas, rejected both arguments. Relying on the express language of the Act, the Court concluded, first, that the Controlled Substances Act does not contain a medical necessity exception for the distribution of marijuana. The Court noted that the Controlled Substance Act expressly allows for the distribution, prescription, and use of some drugs for medical purposes but that it does not so allow for such use of marijuana.¹³² The Court refused to construe the statute in a manner that would “override a legislative determination manifest in a statute . . .”¹³³

The Court also rejected the lower court’s discretion to consider the medical necessity in fashioning an injunction. The Court noted that “[f]or ‘several hundred years,’ courts of equity have enjoyed ‘sound discretion’ to consider the ‘necessities of the public interest’ when fashioning injunctive relief.”¹³⁴ However, the Court also noted under *Tennessee Valley Authority v. Hill* that this discretion could be displaced by a clear and valid legislative command requiring the courts to issue an injunction.¹³⁵ The Court recognized that the Controlled Substances Act provides that the district courts “shall have jurisdiction . . . to enjoin violations” of the Act but concluded that this did not amount to a clear legislative direction mandating an injunction.¹³⁶ Nonetheless, the Court concluded the Act limits the discretion of the district courts in two significant ways. First, the courts may not consider the equities in deciding between nonenforcement or enforcement of the statute.¹³⁷ Instead, the courts may only weigh the equities in considering whether to enforce the statute through injunction or other available remedies.¹³⁸

Second, the courts are not free to consider any and all factors that might relate to the public interest or the convenience of the parties. Rather, where Congress has considered factors weighing on the public

¹²⁹ *United States v. Oakland Cannabis Buyers’ Coop.*, 190 F.3d 1109, 1115 (9th Cir. 1999).

¹³⁰ *Oakland Cannabis Buyers’ Coop.*, 532 U.S. at 490.

¹³¹ *Id.* at 495.

¹³² *Id.* at 492–93.

¹³³ *Id.* at 493.

¹³⁴ *Id.* at 496 (quoting *Hecht Co. v. Bowles*, 321 U.S. 321, 329–30 (1944)).

¹³⁵ *Id.* at 496–97 (citing *Tenn. Valley Auth. v. Hill*, 437 U.S. 153, 193–95 (1978)).

¹³⁶ 21 U.S.C. § 882(a) (2006); *see Oakland Cannabis Buyers’ Coop.*, 532 U.S. at 496.

¹³⁷ *Oakland Cannabis Buyers’ Coop.*, 532 U.S. at 497.

¹³⁸ *Id.* at 497–98.

interest and struck an accord amongst those factors, courts may not reweigh the balance.¹³⁹ Here, Justice Thomas recognized that the Controlled Substances Act divides drugs into five schedules, in part, based on whether the drugs have a medically accepted use and that Congress placed marijuana on a schedule of drugs with no medically accepted use.¹⁴⁰ Justice Thomas implicitly reasoned that Congress had considered the possible hardship failure to accord a medical necessity defense entailed and concluded that the interest in controlling dangerous substances outweighed this hardship because Congress placed marijuana on that restrictive schedule.¹⁴¹ As such, Justice Thomas concluded that a court may not deny an injunction based on this hardship.

The circumstances confronting the Court in *eBay* were different in two significant ways that make the result unsurprising in light of *Oakland Cannabis Buyers' Cooperative*. First, in contrast to the language in the Controlled Substances Act, the language in the Patent Act expressly delegates discretion to lower courts and directs the courts to exercise that discretion in conformity with equitable principles.¹⁴² Moreover, the Patent Act does not speak to the equities which the parties asked the court to consider. Unlike the Controlled Substances Act, which provides for recognized medical uses of some substances but not marijuana, the Patent Act contains no provisions authorizing some infringement or limiting the rights of some non-practicing entities. Thus, the Patent Act does not contain the same explicit weighing of the equities before the court in patent cases.

Second, the alternative enforcement mechanisms were not hypothetical possibilities but were available to the lower courts in *eBay*. In *Oakland Cannabis Buyers' Cooperative*, the Court noted that criminal enforcement was an alternative method for enforcing the statute.¹⁴³ Thus, the district court presumably has the discretion to consider the equities in determining whether to issue an injunction or criminal penalties. However, the district court had no power to issue criminal penalties unless and until the federal government sought criminal enforcement. Thus, realistically, the district court's choice was only the prohibited choice between enforcing and refusing to enforce the Controlled Substances Act. In contrast, as was the case in *Romero-Barcelo* and *Hecht*, the district court in a patent case has the power to order damages or other remedies in the case before it without any further action of the

¹³⁹ *Id.* at 497.

¹⁴⁰ *Id.* at 491–92.

¹⁴¹ *Id.* at 491–93, 497.

¹⁴² 35 U.S.C. § 283 (2006).

¹⁴³ *Oakland Cannabis Buyers' Coop.*, 532 U.S. at 497.

parties.¹⁴⁴ Thus, the court retains the discretion to weigh the equities when deciding amongst those enforcement options.

In light of these two strands of analysis, it is hardly surprising that the Court would apply traditional principles of equity to patent disputes. Likewise, it seems predictable that those traditional principles would include an insistence that a movant demonstrate irreparable harm and the district court balance the relative hardships of the parties. *eBay* did not introduce new principles but only expanded upon existing principles.

IV. EBAY, PATENT CASES AND TRADITIONAL USES OF EQUITABLE DISCRETION

The question then becomes whether the traditional principles delineated by the Court are consistent with the principles practiced by courts in other property cases. I contend the answer depends on how one characterizes the willingness of lower courts to use discretion to deny injunctions in property cases and also on how vast one views the discretion accorded to courts in handling patent disputes under *eBay* I start with the latter point.

A. As a Modest Expansion of Equitable Discretion

eBay portends only an evolutionary rather than a revolutionary expansion of this existing discretion. The Court's opinion undoubtedly opens the door to greater equitable discretion than district courts previously exercised. However, a close examination of the decision reveals only a minor expansion of the lower courts' equitable discretion. Justice Thomas' opinion for the unanimous Court arguably provides the greatest support for broad use of equitable discretion to deny injunctions. Even so, the opinion supports only a limited expansion of judicial discretion. As discussed above, in denying the injunction, the district court analyzed the traditional four factors in a fairly detailed opinion.¹⁴⁵ Nonetheless, the Court reversed not only the Federal Circuit, which had relied upon its categorical rule to reverse the denial of an injunction, but also the lower court. Justice Thomas actually devoted a greater part of the opinion to explaining the district court's failings than to the rejection of the Federal Circuit's categorical rule.¹⁴⁶ Thus, the format of the opinion seems to suggest caution in expanding the scope of district court discretion.

¹⁴⁴ See, e.g., 35 U.S.C. § 284 (authorizing the court to award damages for infringement, including treble compensatory damages in the event of willful infringement).

¹⁴⁵ See *supra* notes 12, 41 and accompanying text.

¹⁴⁶ Compare *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006), with *id.* at 393–94.

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.¹⁴⁷ 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.¹⁴⁸ 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.¹⁴⁹ 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."¹⁵⁰ Thus, even the broadest of the three opinions in *eBay* does not support a broad scale expansion of equitable discretion to deny injunctions or even to deny injunctions to all non-practicing entities. Rather, the opinion seems to invite lower courts to engage in a more exacting scrutiny of the nature of the patent holder, its reasons for using or licensing its patent, and the effect that its conduct and that of the infringer's conduct had on the end consumers of the patented innovation.

Given that a majority of the Justices signed on to concurring opinions, the Court's opinion must be read in conjunction with these concurring opinions. These concurring opinions serve only to limit this narrow interpretation of judicial discretion further. Most notably, Justice Kennedy's attempts to articulate affirmatively the limited circumstances that would justify departure from the presumption in favor of injunctive relief demonstrate the limited nature of the district court's discretion to deny injunctive relief even to a non-practicing entity under *eBay*.¹⁵¹

Indeed, the district courts seem to have read their discretion in a limiting fashion. The decision in *eBay* is less than four years old. One might have expected that early on lower courts may have reacted to an attempt to recalibrate the equitable scales by shifting further away from the presumption in favor of injunctions than *eBay* seems intended to effectuate. This is especially true when *eBay* is viewed as part of a larger scale rejection of Federal Circuit precedent by the Court¹⁵² and one

¹⁴⁷ *Id.* at 393.

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*

¹⁵¹ *Id.* at 396.

¹⁵² See Gretchen S. Sween, *Who's Your Daddy? A Psychoanalytic Exegesis of the Supreme Court's Recent Patent Jurisprudence*, 7 NW. J. TECH. & INTELL. PROP. 204, 205, 219 (2009) (noting that Judge Lee Yeakel had remarked, "[i]f you are wondering what the Supreme Court is doing with all of these patent cases, it seems to me that the Court is telling the Federal Circuit that patent cases are no different from any other" and concluding that "the Supreme Court's implicit message that a patent case is just a case like any other is, in one sense, quite correct"); see, e.g., Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 735–36 (2002) (concluding that the

considers that the Federal Circuit seems to be receiving this message.¹⁵³ However, the available empirical evidence suggests that district courts have used this discretion only sparingly. As discussed above, available empirical evidence suggests that district courts are still granting injunctions in at least 70% of cases.¹⁵⁴ Moreover, the courts are granting and denying injunctions in predictable fashions, allaying some concern that equitable discretion would result in great uncertainty and inconsistency in results.¹⁵⁵ Finally, rather than simply constructing artificial and sweeping constructs, district courts appear to be engaging in the type of exacting case-by-case scrutiny of the circumstances surrounding the patent holder's use of its patent and the infringer's conduct counseled by the opinions of Justice Thomas and Justice Kennedy.¹⁵⁶ Thus, *eBay* seems to have created only a modest expansion in equitable discretion.

B. Traditional Principles of Equity

As noted above, some critics of *eBay* contend that the Court misconstrued traditional principles of equity. They have been critical generally of the four-factor test enunciated by the Court. They have also been critical specifically of the scope of discretion *eBay* seemingly affords lower courts to deny injunctions in cases involving interferences with property. Contrary to these criticisms, the four-factor test enunciated by the Court is well grounded in historical equity practice. More importantly, well before *eBay* courts not only possessed but also exercised the discretion to deny injunctions in cases involving interferences with real property. Specifically, courts denied injunctions in light of the gross economic hardship a defendant would suffer under an injunction and in cases where a defendant acted in good faith.¹⁵⁷ This practice seems

doctrine of prosecution history estoppel was subject to the general equitable principles surrounding other claims of equitable estoppel).

¹⁵³ See, e.g., *Titan Tire Corp. v. Case New Holland Inc.*, 566 F.3d 1372 (Fed. Cir. 2009). In *Titan Tire Corp.*, the Federal Circuit reviewed a district court order denying a preliminary injunction. The Federal Circuit noted that its previous precedent held that where the defendant "raises a substantial question" as to invalidity, the patent holder must show that the defense "lacks substantial merit." *Id.* at 1377 (emphasis omitted). The court also noted that confusion existed about this language and that some plausible interpretations might alter the burden of proof or standard of proof required to obtain a preliminary injunction. *Id.* at 1377–80. However, the court concluded that, "[t]he Supreme Court has stated that the general rules applicable to injunctions in civil actions apply equally to injunctions in patent cases; there is no room for making the substantial question test a substitute or replacement for the established test for injunctions. That test places the burden on the plaintiff to prove likelihood of success." *Id.* at 1380 (footnote omitted).

¹⁵⁴ See *supra* notes 57–79 and accompanying text.

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

¹⁵⁷ See *infra* note 168 and accompanying text.

entirely consistent with the modest expansion of equitable discretion described above.

As noted above, in his opinion for the Court, Justice Thomas stated that “the creation of a right is distinct from the provision of remedies for violations of that right”¹⁵⁸ and that “[a]ccording to well-established principles of equity,” a plaintiff seeking a permanent injunction needed to satisfy a four-factor test.¹⁵⁹ Justice Thomas articulated this four-factor test as follows:

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.¹⁶⁰

When read in context, Justice Thomas’s observation that a right is distinct from a remedy appears to be nothing more than the Court’s rejection of a categorical rule in favor of injunctive relief based solely on the invasion of the right. Lower courts have long recognized the distinction between right and remedy, and that invasion of a right does not give rise to a right to injunctive relief.¹⁶¹ Instead, courts have long retained the discretion to consider whether the circumstances of the case justify an injunction. Moreover, courts have placed the burden on the plaintiff to demonstrate that circumstances exist warranting an injunction even after a finding that the plaintiff’s rights have been invaded.¹⁶² Such an allocation of burdens is consistent with the allocation of burdens with respect to legal remedies. For example, in a breach of

¹⁵⁸ *EBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006).

¹⁵⁹ *Id.* at 391.

¹⁶⁰ *Id.*

¹⁶¹ See, e.g., *Maier-Schule GMC, Inc. v. Gen. Motors Corp.*, 850 F. Supp. 1095, 1101 (W.D.N.Y. 1994) (the provision and scope of injunctive relief is left to the discretion of the court, and depends on a balancing of the equities and the hardships); *Dep’t of Transp. v. Pacitti*, 682 A.2d 136, 139 (Conn. App. Ct. 1996) (proof of a statutory violation does not deprive the court of discretion to consider the equities and does not obligate the court to grant an injunction); *Arthur Murray Dance Studios v. Witter*, 105 N.E.2d 685, 694 (Ohio Ct. Com. Pl. 1952) (“Granting of an injunction rests in the sound . . . discretion of the court” and “is not a matter of strict right.”).

¹⁶² See, e.g., *Walgreen Co. v. Sara Creek Prop. Co.*, 966 F.2d 273, 275 (7th Cir. 1992) (“The plaintiff who seeks an injunction has the burden of persuasion—damages are the norm, so the plaintiff must show why his case is abnormal.”); *Subaru Distrib. Corp. v. Subaru of Am., Inc.*, No. 98 CIV 5566 CM, 2002 WL 188473, at *30 (S.D.N.Y. Feb. 5, 2002) (noting that a movant seeking an affirmative injunction must demonstrate that extreme or very serious damage will result in the absence of the injunction); *Matlock v. Weets*, 531 N.W.2d 118, 123 (Iowa 1995) (“In seeking an injunction, [Plaintiff] has the burden to show not only a violation of her rights, but also that she will suffer substantial damages unless one is granted. The test for issuing an injunction is whether the facts in the case show a necessity for intervention of equity in order to protect rights cognizable in equity.” (citation omitted)).

contract, courts routinely require a plaintiff to establish her right to damages even after establishing a breach of contract by establishing that her damages were foreseeable and caused by the defendant's breach and by establishing the amount of those damages with reasonable certainty.

While courts have not uniformly phrased the equitable considerations for granting an injunction in terms of the four-factor test employed by the Court and the district court in *eBay*, some courts have used this articulation.¹⁶³ Nonetheless, the Supreme Court itself¹⁶⁴ and many of those courts that have not employed the *eBay* Court's terminology have recognized continually inadequacy and irreparability as the baseline for injunctive relief.¹⁶⁵ Granted, some of these courts have maintained that irreparability is a necessary component of inadequacy rather than an independent consideration. However, the courts have maintained the linguistic distinction. The majority's use of the four-factor test seems wholly consistent with traditional equity practice.

More importantly, to the extent that the majority's formulation differs from traditional equitable practice, the majority seems to be guilty of nothing more than clumsy drafting. Justice Thomas's opinion does not attempt to define either inadequacy or irreparability nor does the opinion attempt to delineate a distinction between the two considerations. Instead, the opinion criticizes the lower court's overreliance on MercExchange's lack of commercial activity and willingness to license its patent rights to support its finding of no irreparability, then provides examples of certain types of non-practicing patent holders that "may be able to satisfy the traditional four-factor

¹⁶³ See RUSSELL L. WEAVER ET AL., PRINCIPLES OF REMEDIES LAW 42–51 (2007).

¹⁶⁴ See, e.g., *Amoco Prod. Co. v. Village of Gambell*, 480 U.S. 531, 542 (1987) ("In brief, the bases for injunctive relief are irreparable injury and inadequacy of legal remedies. In each case, a court must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief."); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) ("The Court has repeatedly held that the basis for injunctive relief in the federal courts has always been irreparable injury and the inadequacy of legal remedies."); *Rondeau v. Mosinee Paper Corp.*, 422 U.S. 49, 57 (1975) ("The narrow issue before us is whether this record supports the grant of injunctive relief, a remedy whose basis 'in the federal courts has always been irreparable harm and inadequacy of legal remedies.'" (quoting *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 506–07 (1959))).

¹⁶⁵ See, e.g., *Bannercraft Clothing Co. v. Renegotiation Bd.*, 466 F.2d 345, 356 (D.C. Cir. 1972), *rev'd on other grounds*, 415 U.S. 1 (1974); *Subaru Distrib. Corp.*, 2002 WL 188473, at *30 ("The prerequisites for the issuance of a permanent injunction are irreparable injury and inadequacy of legal remedies."); *Muehlman v. Keilman*, 272 N.E.2d 591, 594 (Ind. 1971) ("The general rule in Indiana is that if there is great injury and no adequate remedy at law then an injunction can be issued."); see Douglas Laycock, *Injunctions and the Irreparable Injury Rule*, 57 TEX. L. REV. 1065, 1070 (1979) (recognizing that judges have formulated the inadequacy requirement to include separate requirements of an inadequate remedy at law and an irreparable injury but concluding this formulation is incorrect); see also Shyamkrishna Balganesh, *Demystifying the Right to Exclude: Of Property, Inviolability, and Automatic Injunctions*, 31 HARV. J.L. & PUB. POL'Y 593, 640–41 (2008) (tracing the development of the four factors—inequity, irreparability, relative hardship, and public interest).

test. . . ." ¹⁶⁶ However, the opinion is silent with respect to the lower court's treatment of inadequacy, and its imprecise reference to patent holders who may be able to meet the four-factor test suggests that the Court is not trying to tie the licensing activity to either the irreparability or inadequacy requirement separately. Thus, the majority opinion does not seem to be attempting to import some independent meaning into irreparability and inadequacy. Indeed, lower courts have not so read the opinion, but instead continue to recognize irreparability and inadequacy as "two sides of the same coin." ¹⁶⁷

Traditionally courts have also recognized the court's authority to balance the hardships and withhold or narrow the scope of an injunction when the hardship to the defendant caused by the injunction outweighed the harm to the plaintiff in the absence of an injunction. ¹⁶⁸ Even if traditional principles of equity recognized the court's authority to balance the equities, commentators argue that such discretion was virtually nonexistent in property cases. ¹⁶⁹ Instead, these commentators contend that courts almost universally enjoined interferences with real property. The accuracy of this characterization depends on the nature of the invasion of property rights and the characterization of the frequency with which courts were willing to utilize this discretion.

First, traditionally courts of equity did not treat all interferences with real property equally. Instead, courts treated trespassory invasions differently than nuisances. Intentional interference with another's possession of real property constitutes trespass. ¹⁷⁰ Generally, trespass requires physical invasion onto the land of another. All other non-possessory interferences with one's use and enjoyment of property constitutes nuisance and are actionable only if the interference is substantial and unreasonable. ¹⁷¹ As commentators have recognized, nuisance allows room for the type of contextual analysis and equitable balancing envisioned by the *eBay* Court. ¹⁷² Indeed, in nuisance the lower court retains some discretion in determining both whether an interference amounts to an actionable invasion and whether to enforce

¹⁶⁶ *EBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

¹⁶⁷ *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 569 n.11 (E.D. Va. 2007).

¹⁶⁸ See, e.g., *Subaru Distrib. Corp.*, 2002 WL 188473, at *30 ("The district court must balance the interests of the parties who might be affected by the court's decision."); *Hollingsworth v. Szczesiak*, 84 A.2d 816, 822 (Del. Ch. 1951) ("It does not necessarily follow in every case, even though the right may be clear, that the plaintiff is entitled to a mandatory injunction. The courts will always consider the equities between the parties, and, in some cases, where a great injury will be done to the defendants, with very little if any to the plaintiff, will deny equitable relief.").

¹⁶⁹ See *supra* note 86 and accompanying text.

¹⁷⁰ W. PAGE KEETON ET AL., PROSSER AND KEETON ON THE LAW OF TORTS § 13, at 67 (5th ed. 1984).

¹⁷¹ *Id.* at §§ 13, 88A, at 69, 630–31.

¹⁷² See, e.g., Henry E. Smith, *Exclusion and Property Rules in the Law of Nuisance*, 90 VA. L. REV. 965, 992–93 (2004).

the property owner's right through injunction or damages.¹⁷³ As stated above, a nonpossessory interference is actionable only if it is substantial and unreasonable. As commentators have recognized, inquiries into the reasonableness of an interference allow a court to balance the equities between competing uses.¹⁷⁴

Even when an interference is shown to be substantial and unreasonable, a court is vested with considerable discretion to balance the relative hardships to the parties, consider the public interest, and deny an injunction when the harm to the defendant outweighs the harm to the plaintiff or where an injunction would be contrary to the public interest.¹⁷⁵ Courts retain this discretion even when the defendant's conduct has been willful.¹⁷⁶ Indeed, not only are courts vested with such discretion, but courts have used this discretion to deny injunctions in such cases.

Perhaps the most famous example of a court's use of this discretion arose in *Boomer v. Atlantic Cement Co.*¹⁷⁷ In *Boomer*, the Court of Appeals of New York upheld the denial of a permanent injunction even though it determined that the defendant's cement factory created an unreasonable interference with the adjacent landowners' property rights and caused substantial damage to the landowners.¹⁷⁸ The court upheld the denial of the injunction because of the "marked disparity" in the "economic consequence between the effect of the injunction and the effect of the nuisance."¹⁷⁹ The court specifically cited the undue bargaining leverage such an injunction would give landowners in subsequent negotiations.¹⁸⁰

Boomer is not the only example of a court using its discretion to deny an injunction based on equitable considerations. Other courts have denied an injunction where the economic hardship to the defendant from the injunction outweighs the harm to the plaintiff from the nuisance.¹⁸¹

Even in trespass, where the presumption in favor of exclusion retains most vitality, courts have always retained the discretion to deny or limit

¹⁷³ *Id.*

¹⁷⁴ 1 DAN B. DOBBS, *LAW OF REMEDIES: DAMAGES-EQUITY-RESTITUTION* § 5.7(2), at 765–68 (2d ed. 1993); *see also* KEETON ET AL., *supra* note 170, § 88, at 630 (noting that whether an interference is unreasonable depends on many factors, including: (1) the amount of harm resulting from the interference; (2) the relative capacity of the plaintiff and the defendant to bear the loss by shifting the cost; (3) the plaintiff's use of the property; (4) the defendant's use of the property; and (5) the nature of the locality); *RESTATEMENT (SECOND) OF TORTS* § 826(a) (an interference is unreasonable if "the gravity of the harm outweighs the utility of the actor's conduct.").

¹⁷⁵ KEETON ET AL., *supra* note 170, § 88A, at 631; JAMES M. FISCHER, *UNDERSTANDING REMEDIES* § 94.3, at 622–23 (2d ed. 2006).

¹⁷⁶ *See* FISCHER, *supra* note 175, § 94.3, at 622–23.

¹⁷⁷ 257 N.E.2d 870 (N.Y. 1970).

¹⁷⁸ *Id.* at 871, 875.

¹⁷⁹ *Id.* at 872.

¹⁸⁰ *Id.* at 872–73.

¹⁸¹ *See, e.g.*, Baldwin v. McClendon, 288 So. 2d 761 (Ala. 1974).

the scope of an injunction where hardships to the defendant or the public counsel against a broad injunction. Thus, in *Jerome v. Ross*, Chancellor Kent famously declined to issue an injunction preventing the defendants from removing rock from the plaintiff's property, though the defendants clearly lacked any right to do so.¹⁸² Chancellor Kent noted the need for the rock to complete work on the Champlain canal and the landowner's apparent lack of any use for the rock.¹⁸³

Likewise, other courts have refused to enjoin trespasses when the adverse economic consequences to the defendant greatly outweighed the consequences to the plaintiff had an injunction not issued.¹⁸⁴ Most notably, courts have refused to enjoin a trespass where the trespassing defendant, in good faith, mistakenly constructs a structure on her land that encroaches on a small part of the plaintiff's land. For example, in *Arnold v. A. F. Melani*, the Washington Supreme Court ruled that an injunction could be withheld when a defendant constructed an encroaching structure in good faith if the benefit from removing the structure would be small, the encroachment did not interfere with the complaining landowner's ability to construct a suitable structure on his property, and it was impractical to remove the encroaching structure, such that enormous disparity in the resulting hardships existed.¹⁸⁵ In so doing, the court expressly noted that an injunction issued to a complaining landowner under such circumstances would give the landowner "an equitable club to be used as a weapon of oppression rather than in defense of a right."¹⁸⁶

Additionally, some courts have denied equitable relief where the defendant acted with knowledge of the plaintiff's claim of right but reasonably doubted the validity of that right. Thus, in *Forstmann v. Joray Holding Co.*, the New York Court of Appeals refused to order the defendants to tear down a commercial building they had erected on their property in a predominantly commercial section of Manhattan.¹⁸⁷ The court recognized that the defendants had erected a commercial building in violation of a restrictive covenant limiting construction to residential buildings only. The court noted the vastly disproportionate harm an injunction would inflict on the defendant because the defendant's property had little value as a residential property and the defendant's

¹⁸² 7 Johns. Ch. 315 (N.Y. Ch. 1823).

¹⁸³ *Id.* at 317.

¹⁸⁴ See, e.g., *Mobley v. Saponi Corp.*, 212 S.E.2d 287, 289–90 (Va. 1975) (affirming the denial of an injunction where the plaintiffs' land was "no less usable and convenient" and suffered only minimal damage as a result of the defendant's trespass); *Moore v. Serafin*, 301 A.2d 238, 240–42 (Conn. 1972); *Akers v. Mathieson Alkali Works*, 144 S.E. 492, 494 (Va. 1928) (affirming the denial of an injunction and the granting of an award of damages when stopping the flow of waste from defendant's land onto plaintiff's land would cost the defendant \$1 million and be "of little benefit" to the plaintiff).

¹⁸⁵ 449 P.2d 800, 805–06 (Wash. 1969).

¹⁸⁶ *Id.* at 806.

¹⁸⁷ 154 N.E. 652, 655 (N.Y. 1926).

commercial use of its property had little effect on the value of the plaintiff's property.¹⁸⁸ The court also concluded that the defendants had constructed the building with "full knowledge of the facts, and with notice of plaintiffs' claim" but that the defendants had "good reason to doubt whether, by reason of the change in the condition of the neighborhood and the short remaining life of the restrictive covenant, equity would enforce such rights as the plaintiffs claimed."¹⁸⁹

In short, equity has always accorded the courts some discretion to decline to enforce property rights. Courts have been most willing to do so when the equities of the case presented the possibility for what the courts considered to be undue economic leverage on the part of the injured property owner. Courts have also been willing to deny an injunction when the defendant acted in good faith either without knowledge of the plaintiff's claim to the property or on a colorable belief that the plaintiff's claim was invalid.

C. EBay's Consistency with General Principles of Equity

When the Court's opinion in *eBay* is read in connection with Justice Kennedy's limiting concurrence, the expansion of equitable discretion in patent disputes recognized in *eBay* would seem to be entirely consistent with this previously recognized discretion in real property cases. In particular, Justice Kennedy's concerns about the "complex invention" problem fit squarely within previous considerations supporting the denial of an injunction in two respects. First, in those cases in which the patented technology constitutes only a small part of the infringer's product, the harm to the defendant is likely greater than the value of the patented technology itself. Further, the complex invention poses problems for the party that wishes to avoid infringement that seem to parallel those of the defendant that trespasses with knowledge of a claim but with reason to challenge the claim. One commentator's remarks at the 2009 Lewis & Clark Business Law Forum illustrate the challenges for a party acting in good faith. Daralyn Durie noted an example in which her firm sought to conduct a patent clearance review for a client that sought to bring a product to market. Even after limiting the clearance study to focus on the patent portfolio of one competitor, her firm was left with 1,200 patents to review for potential issues.¹⁹⁰ Thus, even for the party seeking to act in good faith, avoiding infringement can be a near impossibility. Justice Kennedy's stated concerns about the vagueness and suspect validity of certain types of patents exacerbate this problem.

¹⁸⁸ *Id.* at 654.

¹⁸⁹ *Id.* at 655; *see also* *Lynch v. Union Inst. for Sav.*, 34 N.E. 364, 365 (Mass. 1893) (modifying injunctive relief, in part, because the defendant acted with knowledge of the claim but did not believe it to be valid).

¹⁹⁰ Daralyn J. Durie, Partner, Durie Tangri LLP, Remarks at the Fourteenth Annual Lewis & Clark Law School Business Law Fall Forum: Intellectual Property Remedies (October 2, 2009).

Questions of the invalidity of a patent by reason of doctrines such as obviousness are more imprecise than questions about boundaries in encroachment cases or even questions about changed community in restrictive covenant cases. These questions seem to be most pronounced in cases involving the method patents singled out by Kennedy. Yet, a rule of strict liability in infringement cases combined with a strict enforcement rule leaves the conscientious party with no meaningful way to challenge even suspect patents given the significant economic stakes. This seems to echo previous concerns about defendants who act with a reasonable basis to challenge a plaintiff's right. Viewed in this light, *eBay*'s expansion of equitable discretion in patent cases seems only to bring patent practice in line with the protection afforded to other types of property rights.

VI. CONCLUSION

Contrary to the assertions of patent and remedies scholars, the Supreme Court's decision in *eBay* does not seem to support a dramatic expansion of the courts' equitable powers to deny injunctions in patent cases. Indeed, lower courts have not seemed to engage in such a wide use of discretion post-*eBay*. Instead, *eBay* seems to have brought the scope of those equitable powers in patent cases more in line with the scope of those powers as actually employed in real property cases.