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EBAY v. MERCEXCHANGE CASE

The United States Supreme Court issued an opinion on May 15, 2006, in the case of *eBay Inc. v. MercExchange, L.L.C.*, unanimously reversing the Federal Circuit's "general rule" that a permanent injunction should follow a finding of patent infringement. Rather, the Supreme Court directed that issuance of an injunction is within the trial court's discretion after applying the same equitable test used in other areas of law.

Previous Federal Circuit decisions, including the one preceding this Supreme Court decision, have trended towards the standard that trial courts should issue permanent injunctions absent "exceptional circumstances." The Supreme Court in this case refocuses the standard for obtaining an injunction in patent cases, requiring trial courts to apply the same "four-factor test" for implementing a permanent injunction that they do in other cases.

The Supreme Court's implied intent in this test preserves the traditional economic value in patents, while at the same time giving trial courts the ability to equitably deal with abusive practices. The four-factor test requires a victorious patentee seeking a permanent injunction to prove the following:

- (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.

Also at issue in this case was whether factors such as existing licenses and the fact that the patentee does not use the patented technology should preclude an injunction. The Supreme Court upheld the strength of patents by expressly declining to altogether ban the issuance of injunctions in these cases, citing the legitimate use of patents by universities or other companies that develop technology. Instead, these factors are added to the mix in a trial court's equitable analysis of the four-factor test.

The impact of this change on each company's business will vary depending on the way it uses its patents and the nature of other patent owners in the field. While it remains to be seen at what rate trial courts will issue patent injunctions, we expect that this case is not likely to change the end result in most patent litigation. For example, where patent owners and infringers are direct competitors, it is likely that injunctions will continue to issue in the majority of cases. This case seems more likely to have an impact either in situations where the patent owner does not itself use the patented technology or in crowded fields, such as the software and business method fields, where many patents cover the same product or process. In any event, it seems likely that the issue of permanent injunctions will take a more prominent role in patent litigation, particularly in the discovery phase where facts regarding possible irreparable harm to the patentee would be investigated.

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