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Permanent Injunctions: Still Possible, But Be Realistic And Plan Early

BY TIMUR E. SLONIM

- Permanent injunctions are still possible in patent cases
- Patent owners must show irreparable harm, such as loss of reputation, market share, customers, and opportunities
- An injunction is likely when the patent owner has a product that practices the infringed patent and directly competes with the infringing product in a two-supplier market

Manufacturing companies sometimes try to use patent infringement lawsuits to protect their market shares by attempting to obtain permanent injunctions against their competitors' infringing products. In 2006, the Supreme Court in *eBay v. MercExchange*, 547 U.S. 388 (2006), made the job of qualifying for a permanent injunction more difficult, but still not impossible. After *eBay*, patent owners cannot simply rely on findings of infringement and no invalidity of the patent-in-suit to carry them over the goal line. The presumption of irreparable harm flowing from each and every patent infringement, which automatically resulted in injunctions pre-*eBay*, is no more. Now patent owners have to prove irreparable harm like everybody else who is seeking equitable relief.

The strongest case of irreparable harm is presented by a patent owner who has a product of its own which practices the infringed patent and directly competes with the infringing product in a two-supplier market. The patent owner has to show that the customers can essentially buy the same product from each of them. The more the facts in a case differ from this injunction-friendly scenario, the harder it is to prove irreparable harm and get an injunction.

A four-factor test now governs the grant of permanent injunctions:

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1. whether the patent owner is suffering irreparable harm;
2. whether money damages are inadequate to compensate for that harm;
3. whether the balance of hardships (to the infringer if an injunction is granted, and to patent owner if an injunction is denied) favor an injunction; and
4. whether the public interest will be disserved by an injunction.

What evidence is likely to establish irreparable harm and the inadequacy of money damages, the hardest factors for the patentees to prove? First, the strongest evidence is that of a two-supplier market and direct, head-to-head competition for certain sizeable customers and projects over the years. Second, another crucial piece, is evidence of a loss of market opportunity and the opportunity to establish profitable business relationships beyond the products at issue, which cannot be quantified with reasonable certainty. Third, evidence of loss of market share by the patent owner's competing product and loss of specific customers, both due to its existing customers switching to the infringing product, would be crown jewels in a bid for an injunction. But the patent owner should not rest on this evidence. There should also be evidence suggesting that past losses of market share, customers, and opportunities have not ended, and are likely to continue in the future.

The nature of the products and their competition are also important. If the products at issue are finished goods sold to end users, then the patent owner and the infringer compete for every "retail" sale, making an injunction less likely. If the products at issue are components of a finished product, the competition is for adoption or "design in" of the components into a finished product. Once the infringing component is "designed into" a finished product, the patentee loses the ability to compete until the finished product comes up for redesign. Even then, the patent owner is at a disadvantage as the infringer has established its reputation and built a business relationship with this particular customer. An injunction is more likely in this scenario.

Evidence regarding the reputation and goodwill of the patent owner and its relevant products—preferably from third-party sources such as its customers, trade groups, or market analysts—is also necessary. An established reputation as a technology innovator, perhaps evidenced by industry awards, is also helpful. Evidence that this reputation has been diminished due to the infringement is also important.

Such evidence of irreparable harm also helps to overcome the knee-jerk impression that harm to the patent owner is always compensable with money damages, especially where damages based on lost profits, price erosion, and other economic harm from the infringement were just recovered. Patentees would also greatly help themselves to establish the inadequacy of money damages by turning down offers to settle and license the patent-in-suit for money.

Patent owners can tip the balance of hardships in their favor by establishing that a design around the patent-in-suit is possible (and has been considered by the infringer) or that the infringing product is a small part of the infringer's business. This shows that an injunction would have a limited effect on the infringer and should be granted.

The public interest factor is typically neutral in most cases that do not involve

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lifesaving medical technology or national security. Even in these cases, a patent owner's ability to satisfy the important public interests served by the infringing product favors an injunction. The community economic wellbeing has recently emerged as another potential barrier to injunctions. In these recessionary times, some courts have disfavored injunctions that would put a large number of the infringer's employees out of work and onto already-stretched public assistance.

Manufacturing patent owners should not be discouraged by the more stringent proof requirements for permanent injunctions. The case for an injunction may become stronger with evidence of two-supplier competition and loss of market share, customers, and opportunities occurring even during the pendency of litigation, which typically is two to three years from filing to trial. With careful planning, patent owners can maximize their chances of obtaining a permanent injunction against an infringing product. Indeed, more than 60% of the patentees seeking permanent injunctions have done just that post-*eBay*.

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