

Licensing or Commercial Activities May Be Sufficient to Award a Permanent Injunction to a Non-Practicing Patent Owner

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Since the Supreme Court's watershed decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), trial courts have become less likely to issue a permanent injunction after finding validity and infringement when that patent owner did not manufacture products covered by its patents. Typically, courts have found that such patent owners cannot establish the first prong of *eBay's* four-factor test: "that [the patent owner] has suffered irreparable injury" because these patent owners do not manufacture or practice the patent themselves and therefore will not be irreparably harmed in the absence of an injunction.

Some non-practicing patent owners have attempted to overcome this deficiency by licensing the patent, often to competitors in the accused infringer's field. This strategy has been met with only marginal success, particularly when the plaintiff merely grants boilerplate licenses to any interested party. In such cases, permitting the licensed infringer—holding a compulsory license or otherwise—to remain in the market would not irreparably harm the plaintiff. In contrast, *Harris Corp. v. Federal Express Corp.*, No. 6:07-cv-1819 (M.D. Fla. Feb. 28, 2011) presents licensing activities of a non-manufacturing patent owner that supported a finding of irreparable injury and an award of a permanent injunction.

The *Harris* Decision

In *Harris*, the plaintiff, Harris Corporation ("Harris"), sued Federal Express Corporation ("FedEx") for infringing several patents related to aircraft flight data communication. The patented systems collect and store flight performance data recorded during flight and wirelessly transmit it when the aircraft is parked on the ground. Following a jury trial, a special verdict found that FedEx infringed all asserted claims, that those claims were not invalid, and that the infringement was willful. Harris then moved for a permanent injunction.

In ruling on Harris's motion, the court noted that patent holders no longer enjoy a rebuttable presumption that an injunction should automatically issue following a showing of infringement. Rather, the decision of whether to grant an injunction rests in the equitable discretion of the court, to be exercised consistent with traditional principles of equity. These principles are captured in *eBay's* four-

factor inquiry where the plaintiff must demonstrate "(1) that it has suffered an irreparable injury; (2) that remedies available at law 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." 547 U.S. at 393. The court devoted most of its attention to the first factor: whether Harris has suffered an irreparable injury. Contrary to FedEx's assertions, the court found that Harris's decision to license its patents rather than manufacture a product embodying the claims does not preclude a finding that Harris suffered irreparable injury. The court observed that while Harris and FedEx were not direct competitors, FedEx's systems were in direct competition with Harris's licensees thereby interfering with Harris's licensing opportunities. Important to the court was the fact that Harris pursued various commercial activities with its patent portfolio, including endeavoring (but ultimately choosing not) to manufacture products embodying the claims, soliciting purchase offers for the patents, and granting licenses to certain entities but not others.

The court distinguished this case from ones where the plaintiff routinely grants boilerplate licenses to any interested party because allowing the accused infringer to remain in the market would not irreparably harm such a plaintiff. Harris had not entered into any such licenses and even refused to license certain other parties. Ultimately, the court concluded that continuing to permit FedEx's infringing systems to remain in the market competing with Harris's licensees created a risk of irreparable harm. A contrary conclusion would have meant that Harris's loss of the right to exclude would have impacted its licensing opportunities.

Turning to the other *eBay* factors briefly, the court held that money damages would be inadequate to compensate Harris, the balance of the hardships favored Harris, and an injunction protecting Harris's patent rights would serve the public interest. Concerning the balancing of the hardships, the court found that Harris had invested over \$20 million developing the patented technology and allowing FedEx to remain in the market would hinder Harris's efforts to recoup that investment. In light of these facts, the court permanently enjoined FedEx's systems that infringed Harris's patents.

Strategy and Conclusion

(1) Non-practicing entities are not categorically precluded from obtaining an injunction. While a patent holder that manufactures its patented invention and competes directly in the same market as the accused infringer has the strongest case for irreparable injury, a non-practicing patent owner can show irreparable harm by relying on other commercial activities. For example, attempting to manufacture the patented equipment, soliciting purchase offers for the patents, granting licenses to some entities, and declining to grant licenses to others were all found to be relevant in *Harris*. Thus, in the absence of manufacturing, other commercial activities can support irreparable injury, and consequently, an injunction.

(2) Granting boilerplate licenses to any interested party may be insufficient to demonstrate irreparable injury. When a non-practicing patent owner attempts to demonstrate irreparable injury by citing boilerplate licenses granted to any interested party, such evidence is inadequate as a matter of law. Rather, a non-practicing entity seeking to protect its patents with an injunction should actively and selectively license its patented technology. It is immaterial whether the non-practicing entity directly competes with the accused infringer, so long as the non-practicing entity's licensees compete in the relevant market.

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