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Supreme Court Holds Injunctive Relief is an Equitable Remedy at the Discretion of the Court, Upholding the Traditional Four-Factor Test

A unanimous Supreme Court Monday issued a ruling that is likely to reduce the availability of permanent injunctions in patent infringement cases. The Court held in *eBay, Inc. v. MercExchange* that the Federal Circuit and the District Court erred in applying the rules for deciding whether injunctive relief should be granted for patent infringement. Justice Clarence Thomas wrote that prior to issuing permanent injunctive relief, trial courts must apply the traditional four-factor test: (1) that the plaintiff has suffered irreparable harm; (2) that the remedies available are inadequate to compensate for the injury; (3) that considering the balance of the hardships between the plaintiff and the defendant a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. The Supreme Court took no position on whether an injunction should or should not have issued, but rather the case will now be sent back to the District Court so that it may apply the test.

When MercExchange sought to license their business method patent to eBay and Half.com and the parties failed to reach an agreement, MercExchange filed suit in District Court for the Eastern District of Virginia. A jury found that MercExchange's patent was valid and that eBay and Half.com infringed the patent, but the Court denied MercExchange's request for permanent injunctive relief. The Court of Appeals for the Federal Circuit reversed, applying its "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances."

The decision upholds the principle that the decision to grant or deny permanent injunctive relief is an act of equitable discretion that is reviewable on appeal.

Justices Roberts, Scalia and Ginsburg concurred, noting that although historically courts have granted permanent injunctions for a finding of infringement in the vast majority of patent cases, patentees are not *entitled* to one, nor is there a *general rule* that injunctions should issue. In a second concurring opinion, Justices Kennedy, Stevens, Souter, and Breyer wrote that Courts should consider whether a patentee is using their patent to obtain exorbitant license fees, suggesting that the threat of an injunction may give a patentee undue leverage in license negotiations. The concurring opinion also noted that vagueness and suspect validity of some business method patents should also be considered.

The opinion can be found at http://www.supremecourtus.gov/opinions/05pdf/05-130.pdf.

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