

Denial of a Permanent Injunction Against Patent Infringement is Not a “Compulsory License”

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I. Introduction

Since the Supreme Court’s decision in *eBay, Inc. v. MercExchange, L.L.C.*,² U.S. courts have changed the process by which they determine the propriety of injunctive relief against an adjudicated infringer. Before *eBay*, permanent injunctive relief was a standard remedy for a patentee and was awarded as a matter of course. However, in *eBay* the Supreme Court instructed that in determining whether injunctive relief is an appropriate remedy for patent infringement, courts must use the same four-factor test that is used in considering injunctive relief in non-patent cases. This paper examines the ways in which courts have undertaken the newly-required *eBay* test and the factors courts have considered in determining whether injunctive relief is appropriate.

After *eBay*, injunctive relief against infringers is no longer a virtual certainty. Some commentators have asserted that when injunctive relief is denied, the court effectively issues a compulsory license to the adjudicated infringer. The occasional denial of injunctive relief post-*eBay* is not, however, comparable from an economic or policy perspective to compulsory licenses that have been granted in other countries.³ This paper explores some of those

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² *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

³ See, e.g., India’s 2012 grant of a compulsory license on Bayer’s Nexavar® pharmaceutical; Thailand’s 2006 grant of a compulsory license on Merck’s Stocrin® pharmaceutical and 2007 grant of a compulsory license on Abbott’s Kaletra® pharmaceutical; and Brazil’s 2007 grant of a compulsory license on Stocrin®. Recent media reports indicate that India is has also begun the

differences, which render untenable the contention that compulsory licenses akin to those issued by foreign governments are now issued routinely in the U.S. via denials of injunctive relief. Indeed, the U.S. has never issued a compulsory license for a pharmaceutical product, and true compulsory licensing of patents in the U.S. is narrowly constrained to certain limited, extraordinary circumstances.

II. *eBay v. MercExchange*

The *eBay* case arose from a dispute between patent holder MercExchange, L.L.C. and accused infringers eBay, Inc. and Half.com.⁴ After finding infringement, the district court proceeded to determining the appropriate remedy. The district court, however, decided not to impose the typical remedy following a finding of infringement—a permanent injunction. Instead, the court awarded MercExchange only monetary damages. The court supported its decision by citing Federal Circuit precedent holding that “the lack of commercial activity by the patentee is a significant factor in the calculus” of whether the patentee will suffer irreparable harm.⁵ The court found MercExchange did not practice its patents and was willing to license them, thereby rebutting any presumption that MercExchange would suffer irreparable harm absent a permanent injunction.⁶

On appeal, MercExchange argued that the district court erred in refusing to grant permanent injunctive relief.⁷ The Federal Circuit reversed, applying its general rule that a

process of issuing compulsory licenses for the manufacture of three additional cancer drugs, including Roche’s Herceptin® and Bristol-Myers Squibb’s Sprycel® and Ixempra®.

⁴ *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695 (E.D. Va. 2003).

⁵ *Id.* at 712 (E.D. Va. 2003) (citing *High Tech Med. Instrumentation, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995)).

⁶ *Id.* at 712.

⁷ *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1326 (Fed. Cir. 2005).

permanent injunction will issue once infringement and validity have been determined.⁸ The Federal Circuit couched its application of the general rule in the well-recognized idea that ownership of a patent, like other property, includes the right to exclude others from using that property.⁹ Although the Federal Circuit acknowledged that rare circumstances could support a district court's refusal to enter an injunction after finding infringement,¹⁰ the court found no such circumstances existed in *eBay*. It then remanded the decision to the district court for determination of the appropriate terms of the permanent injunction.¹¹ The defendants subsequently petitioned for certiorari to the Supreme Court.

The Federal Circuit's application of the general rule of granting injunctive relief after a finding of infringement reaffirmed the frequent, seemingly nondiscretionary application of the rule. The Supreme Court's decision on appeal, however, shook that rigid application. The Supreme Court rejected the general rule applied by the Federal Circuit "that courts will issue permanent injunctions against patent infringement absent exceptional circumstances."¹² It clarified that patent cases, like all other cases, are subject to the traditional four-factor test for determination of whether a permanent injunction is appropriate.¹³ This test places the evidentiary burden on the plaintiff to 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

⁸ *Id.* at 1338.

⁹ *Id.* at 1338 (citing *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed. Cir. 1989) (internal quotation marks omitted)).

¹⁰ *Id.* at 1338 (citing *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

¹¹ *Id.* at 1338-40.

¹² *Id.* at 1339.

¹³ *eBay, Inc.*, 547 U.S. at 391.

is warranted; and (4) that the public interest would not be disserved by a permanent injunction.¹⁴

The Supreme Court also instructed that district courts should grant or deny permanent injunctive relief based on their equitable discretion.¹⁵ The Court thus remanded the case back to the district court to determine whether a permanent injunction was appropriate after applying the four-factor test.¹⁶

In a concurring opinion, Justice Kennedy, joined by Justice Stevens, Justice Souter, and Justice Breyer, explained how the four-factor test should be applied in light of the emergence of nonpracticing entity plaintiffs:

“[i]n cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. . . . For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent. . . . When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”¹⁷

III. Implementation of *eBay* by Lower Courts

In the seven years following the Supreme Court’s holding in *eBay*, the district courts and the Federal Circuit have implemented the newly-required analysis numerous times. Justice Kennedy’s identification of the economic motivations of litigants has proved most instructive in application of the new test. In applying the four-factor *eBay* test, courts have regularly granted

¹⁴ *Id.* at 391.

¹⁵ *Id.* at 391, 394.

¹⁶ *Id.* at 394.

¹⁷ *Id.* at 396-97.

injunctive relief to patentees who practice their invention against direct, active competitors. They have done so less frequently, however, to patentees who do not practice the patented invention, those who have actively licensed their technology, and those who do not face ongoing competition in the marketplace. Accordingly, as one district court noted, “[w]hile *eBay* has allowed courts to decline requests for injunctive relief where the plaintiff is a ‘patent troll,’ *eBay* has changed little where a prevailing plaintiff seeks an injunction to keep an infringing competitor out of the market.”¹⁸

A. Cases Involving Direct Competitors

Where the accused infringer is a direct competitor of the patentee and there is ongoing infringement, the application of the *eBay* test continues to favor the grant of a permanent injunction. Several recent cases illustrate circumstances in which injunctive relief is appropriate.

In *Layne Christensen Co. v. Bro-Tech Corp.*,¹⁹ the court granted the patentee’s motion for a permanent injunction against the infringer, finding that an injunction was appropriate where both parties practiced the patented technology and were direct competitors. The court relied extensively on the Federal Circuit’s 2011 discussion in *Robert Bosch LLC v. Pylon Mfg. Corp.*:

Although *eBay* abolishes our general rule that an injunction normally will issue when a patent is found to have been valid and infringed, it does not swing the pendulum in the opposite direction. In other words, even though a successful patent infringement plaintiff can no longer rely on presumptions or other short-cuts to support a request for a permanent injunction, it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude. Indeed, this right has its roots in the Constitution, as the Intellectual Property Clause of the Constitution itself refers to inventors’ “exclusive Right to their respective ... Discoveries.” Although the Supreme Court disapproved of this court’s absolute reliance on the patentee’s right to exclude as a basis for our prior rule favoring

¹⁸ *Amgen, Inc. v. F. Hoffman-La Roche Ltd.*, 581 F. Supp. 2d 160, 210 (D. Mass. 2008) *aff’d in part, vacated in part, and remanded*, 580 F.3d 1340 (Fed. Cir. 2009).

¹⁹ *Layne Christensen Co. v. Bro-Tech Corp.*, 871 F. Supp. 2d 1104 (D. Kan. 2012).

injunctions, that does not mean that the nature of patent rights has no place in the appropriate equitable analysis. While the patentee's right to exclude alone cannot justify an injunction, it should not be ignored either.

The abolition of categorical rules and the district court's inherent discretion to fashion equitable relief, moreover, also do not mandate that district courts must act on a clean slate. Discretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike. In this area, as others, a page of history is worth a volume of logic when it comes to discerning and applying those standards. This wisdom is particularly apt in traditional cases, such as this, where the patentee and adjudged infringer both practice the patented technology.²⁰

Similarly, in *Emory Univ. v. Nova Biogenetics, Inc.*, the district court granted a permanent injunction in favor of the patentees.²¹ In discussing its application of the *eBay* test, the court concluded that a permanent injunction was appropriate because the plaintiff would be irreparably harmed, for the parties were direct competitors in the marketplace.²² Although the defendant had been administratively dissolved, the court was not dissuaded from issuing the injunction as the defendant could not present strong evidence that it would not infringe again.²³

In *Aerielle Technologies, Inc. v. Procare Int'l Co.*, the court granted a permanent injunction against the defendant, who was a direct competitor of the patentee.²⁴ The court agreed that the patentee would suffer irreparable harm absent an injunction because the parties were direct competitors, even selling to the same retailer.²⁵ The court concluded that inadequate remedies at law were available to the patentee in part because of the serious risk that the

²⁰ *Id.* at 1116-17, quoting *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1149-50 (Fed. Cir. 2011) (citations and internal quotations omitted).

²¹ *Emory Univ. v. Nova Biogenetics, Inc.*, No. 1:06-CV-0141-TWT, 2008 WL 2945476 (N.D. Ga. July 25, 2008).

²² *Id.* at *4-5.

²³ *Id.* at *4.

²⁴ *Aerielle Techs., Inc. v. Procare Int'l Co.*, No. 2:08-cv-284-TJW, 2011 WL 1238924 (E.D. Tex. Mar. 1, 2011).

²⁵ *Id.* at *2-3.

defendant would continue to infringe, and further because the patentee would have to enforce any monetary judgment against the defendant overseas, which would likely be unsuccessful.²⁶

Permanent injunctions are also regularly awarded to successful patentees in Hatch-Waxman litigation, where an innovator pharmaceutical company alleges patent infringement resulting from a generic manufacturer's filing of an Abbreviated New Drug Application ("ANDA") seeking approval to market a generic pharmaceutical. Indeed, generic drug companies file ANDAs seeking to directly compete with the innovator in the marketplace for the patented drug, so it is unsurprising that courts regularly grant injunctive relief in such cases.²⁷

In *Hospira, Inc. v. Sandoz Inc.*, the district court entered a permanent injunction against the defendant for infringing the asserted patent by filing an ANDA for the sedative Precedex[®].²⁸ After finding infringement and applying the four-factor test from *eBay*, the court determined that a permanent injunction was appropriate because the infringement would not be adequately remedied by monetary damages and because the public interest would not be disserved by granting the injunction in view of the strong interest in intellectual property rights.²⁹

Similarly, in *Sanofi-Aventis Deutschland GmbH v. Glenmark Pharmaceuticals Inc., USA*, the defendants filed an ANDA for Tarka[®], a drug used to treat high blood pressure.³⁰ The court applied the four-factor test from *eBay* and determined that the appropriate remedy was to grant a

²⁶ *Id.* at *3.

²⁷ The rare Hatch-Waxman cases in which injunctive relief is not granted recognize that the patentee is protected against market entry by the generic company by virtue of a statutorily-mandated order preventing the FDA from approving the generic product until after patent expiration. *See, e.g., Alcon, Inc. v. Teva Pharms. USA, Inc.*, No. 06-234-SLR, 2010 WL 3081327 (D. Del. Aug. 5, 2010). Thus, in the pharmaceutical context, even where no injunctive relief is awarded courts routinely refuse to permit the adjudicated infringer to enter the marketplace until after the patent has expired.

²⁸ *Hospira, Inc. v. Sandoz Inc.*, No. 09-4591 (MLC), 2012 WL 1587688 (D.N.J. May 4, 2012).

²⁹ *Id.* at *34.

³⁰ *Sanofi-Aventis Deutschland GmbH v. Glenmark Pharms. Inc., USA*, 821 F. Supp. 2d 681, 685-86 (D.N.J. 2011).

permanent injunction.³¹ In discussing the *eBay* factors, the court noted that “[c]ourts will usually have little trouble making these findings and issuing an injunction in cases between direct competitors.”³²

In another recent Hatch-Waxman litigation, a generic manufacturer’s request for an ongoing royalty in lieu of an injunction was rejected by the court. In *Research Foundation of State University of New York v. Mylan Pharmaceuticals Inc.*,³³ the generic manufacturer had argued that an award of a reasonable royalty on future sales of the generic drug product would be more appropriate than entry of a permanent injunction. The court disagreed, finding, *inter alia*, that the patentee had demonstrated harm through its showing that the parties were direct competitors.³⁴ The court also found that given the significantly lower price of the anticipated generic product, any royalties on the sales of the generic product would likely be inadequate to compensate the patentee for the losses it would suffer as a result of generic entry into the marketplace.³⁵ The court further found that the public interest factor favored the patentee, as the interest in strict enforcement of valid patent rights outweighed the benefit of generic competition for the pharmaceutical product.³⁶

The Federal Circuit most recently addressed the issue of permanent injunctions in *Presidio Components, Inc. v. American Technical Ceramics Corp.*³⁷ There, the court vacated a district court’s denial of a permanent injunction, holding that the district court had erred in finding a lack of irreparable harm where the litigants were direct competitors. The court noted

³¹ *Id.* at 693-96.

³² *Id.* at 693, quoting Patent Case Management Judicial Guide § 9.2.1.1 (2009).

³³ *Research Found. of State Univ. of New York v. Mylan Pharms. Inc.*, No. 09-184-LPS, 2012 WL 1901267, at *2 (D. Del. May 25, 2012).

³⁴ *Id.*

³⁵ *Id.* at *3.

³⁶ *Id.*

³⁷ *Presidio Components, Inc. v. Am. Technical Ceramics Corp.*, 702 F.3d 1351 (Fed. Cir. 2012).

that “the axiomatic remedy for trespass on property rights is removal of the trespasser,”³⁸ and in discussing the application of the *eBay* test, stated:

This analysis proceeds with an eye to the “long tradition of equity practice” granting “injunctive relief upon a finding of infringement in the vast majority of patent cases.” [*eBay*, 547 U.S.] at 395 (Roberts, C.J., concurring). This historical practice of protecting the right to exclude through injunctive relief is not surprising given the difficulties of protecting this right solely with monetary relief. Indeed, a calculating infringer may thus decide to risk a delayed payment to obtain use of valuable property without prior negotiation or the owner’s permission. While a patentee is not entitled to an injunction in every case, “it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude.” *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1149 (Fed. Cir. 2011).³⁹

Although the patentee in *Presidio* directly competed with the infringer, it did not actually practice the patented invention. Nevertheless, the Federal Circuit was unconcerned, finding that a patentee could still suffer irreparable injury even without practicing the claimed invention, and that direct competition in the same market is a factor “suggesting strongly the potential for irreparable harm without enforcement of the right to exclude.”⁴⁰

B. Cases Involving Nonpracticing Entities, Active Licensors, or Lack of Ongoing Infringement

Courts appear more reluctant to grant injunctive relief when the patentee is a nonpracticing entity, where the patentee has actively licensed its patent to others, or where there is no threat of ongoing infringement. In such cases, application of the *eBay* test may result in an award of monetary damages in lieu of an injunction, as illustrated in the following recent cases.

³⁸ *Id.* at 1362.

³⁹ *Id.* at 1362-63.

⁴⁰ *Id.* at 1363.

1. Nonpracticing Entities

Patentees who do not actually practice the invention have had difficulty proving the existence of irreparable harm, thereby leading courts to deny injunctive relief. In *Orion IP, LLC v. Mercedes-Benz USA, LLC*, the district court refused to grant the plaintiff a permanent injunction, finding that it could not make out any case for irreparable harm.⁴¹ The court noted that “Orion does not practice the patented invention, does not compete in the marketplace . . . , nor does research or develop new technologies for which it requires licensing funds to finance its efforts. Orion is not a self-made inventor or a university research institution. . . . Orion’s sole purpose is to license existing patents.”⁴² This type of case squarely illustrates the category of patent holders identified in Justice Kennedy’s *eBay* concurrence for whom compensable legal damages may be sufficient.

The court also refused to award injunctive relief to a nonpracticing entity in *Ricoh Co. v. Quanta Computer, Inc.*⁴³ There, Ricoh sought a permanent injunction after adjudication that its patents were infringed. In refusing to grant the permanent injunction, the court explained that the plaintiff did not practice the invention and was not a researcher or a self-made inventor.⁴⁴ In fact, the court noted that the plaintiff was exactly the type of patent holder that Justice Kennedy’s concurrence suggested should not be granted an injunction.⁴⁵

2. Active Licensors

Courts also appear more willing to deny injunctive relief where the patentee has actively engaged in licensing its patent. For example, in *Active Video Networks, Inc. v. Verizon*

⁴¹ *Orion IP, LLC v. Mercedes-Benz USA, LLC*, No. 6:05 CV 322, 2008 WL 8856865, at *4 (E.D. Tex. Mar. 28, 2008).

⁴² *Id.* at *4.

⁴³ *Ricoh Co. v. Quanta Computer, Inc.*, No. 06-CV-462-BBC, 2010 WL 1607908 (W.D. Wis. Apr. 19, 2010).

⁴⁴ *Id.* at *1.

⁴⁵ *Id.* at *1.

Communications, Inc.,⁴⁶ the Federal Circuit reversed the district court’s grant of injunctive relief against the infringer. The court held that because the patentee had “sought to broadly and extensively” license its technology—including to the infringer, both before and during the litigation—the patentee would not be irreparably harmed by payment of a royalty.⁴⁷ The court further noted that the patentee was not a direct competitor of the infringer.

Similarly, in *Johnson & Johnson Vision Care, Inc. v. CIBA Vision Corp.*,⁴⁸ the court denied injunctive relief to a patentee with an active licensing program. The patentee had licensed its technology to a number of competitors, and, like the patentee in *Active Video*, had offered a license to the infringer as well. In view of this licensing activity, the court found that the patentee could not demonstrate that it would be irreparably harmed in the absence of injunctive relief.

3. Lack of Ongoing Infringement

Where the infringing activity by the defendant has ceased or will soon cease, courts are also less likely to grant injunctive relief. For example, in *Accentra Inc. v. Staples, Inc.*,⁴⁹ the plaintiff was the licensee of three patents which it asserted defendant Staples, Inc. infringed.⁵⁰ Following a jury verdict of infringement, the court denied permanent injunctive relief because it found no irreparable harm, and the balance of the remaining factors from *eBay* did not favor a permanent injunction.⁵¹ The court supported its decision with evidence that Staples had stopped placing orders for infringing units, that it was merely selling the remaining infringing units it had previously purchased, that it was moving to a different, noninfringing unit, and that the patentee

⁴⁶ *Active Video Networks, Inc. v. Verizon Comm’ns, Inc.*, 694 F.3d 1312 (Fed. Cir. 2012).

⁴⁷ *Id.* at 1340-41.

⁴⁸ *Johnson & Johnson Vision Care, Inc. v. CIBA Vision Corp.*, 712 F. Supp. 2d 1285 (M.D. Fla. 2010).

⁴⁹ *Accentra Inc. v. Staples, Inc.*, 851 F. Supp. 2d 1205 (C.D. Cal. 2011).

⁵⁰ *Id.* at 1210-11.

⁵¹ *Id.* at 1237-40.

did not suffer price erosion or a decreasing market share because the litigants had different target customers.⁵² The court determined that there was no need for a permanent injunction because the defendant had taken affirmative steps to remove itself from being a potential competitor and because plaintiff failed to show that they were direct competitors.

In *Emcore Corp. v. Optium Corp.*, the district court denied a permanent injunction because there was “no cognizable danger of a recurrent violation.”⁵³ The court found that the infringing products had been on the market for less than one year and had been replaced by noninfringing products, and that there was not a serious risk of future infringement.⁵⁴ Thus, as with *Accentra*, the lack of any ongoing infringement appears to be a primary factor in the court’s decision not to grant injunctive relief.

The Federal Circuit’s recent decision in *Edwards Life Sciences AG v. CoreValve, Inc.*,⁵⁵ provides another example of how courts apply the equitable determination required by *eBay* when there exists a question of continuing infringement. After finding infringement, the district court denied the patentee’s request for a permanent injunction. Instead, it found that damages and the possibility of bringing future suits against the infringer if it continued its infringing activity would sufficiently remedy the infringement.⁵⁶ In withholding the permanent injunction, the district court “placed significant weight on CoreValve’s statements that it was immediately moving [the] manufacturing operation to Mexico, and thus the infringement would terminate.”⁵⁷ In fact, CoreValve never moved to Mexico, and the infringement continued.⁵⁸

⁵² *Id.* at 1239-40.

⁵³ *Emcore Corp. v. Optium Corp.*, No. 7–326, 2010 WL 235126 (W.D. Pa. Jan. 15, 2010).

⁵⁴ *Id.* at *1-2.

⁵⁵ *Edwards Life Sciences AG v. CoreValve, Inc.*, 699 F.3d 1305 (Fed. Cir. 2012).

⁵⁶ *Id.* at 1315.

⁵⁷ *Id.*

⁵⁸ *Id.*

On appeal, the Federal Circuit noted that the patentee's right to exclude was a fundamental tenet of patent law, and that commercial considerations impinge on every equitable determination of the propriety of injunctive relief.⁵⁹ The court further found that because CoreValve had not in fact ceased infringing activity by moving to Mexico, the district court's denial of injunctive relief was based upon circumstances that had since changed. Accordingly, the Federal Circuit vacated and remanded the district court's decision.⁶⁰

IV. Imprecise Usage of the Term "Compulsory License"

Some commentators have asserted that the decreased frequency of entry of permanent injunctions that has followed *eBay* reflects a new era of "compulsory licensing" of patents in the United States. On occasion, courts have imprecisely suggested that an award of damages in lieu of an injunction constitutes a "compulsory license."⁶¹ While a grant of monetary damages combined with a denial of a permanent injunction may superficially appear to give the same result as a compulsory license, the two concepts are in fact quite dissimilar. Generally understood, a compulsory licensing scheme permits the government to force a patentee to license its technology to others.⁶² The term "compulsory license" thus requires an explicit governmental authorization of the grant.

⁵⁹ *Id.* at 1314.

⁶⁰ *Id.* at 1315-16.

⁶¹ See, e.g., *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1381 (Fed. Cir. 2008); *Univ. of Pittsburgh of Com. Sys. of Higher Educ. v. Varian Med. Sys., Inc.*, 08CV1307, 2012 WL 1436569, at *11 n.5 (W.D. Pa. Apr. 25, 2012); *Sanofi-Aventis Deutschland GmbH v. Glenmark Pharms. Inc.*, 821 F. Supp. 2d 681, 694 (D.N.J. 2011); *i4i Ltd. v. Microsoft Corp.*, 670 F. Supp. 2d 568, 603 (E.D. Tex. 2009); *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, CV-03-0597-PHX-MHM, 2009 WL 920300 (D. Ariz. Mar. 31, 2009) *aff'd*, 670 F.3d 1171, *opinion vacated in part on reconsideration*, 682 F.3d 1003 (Fed. Cir. 2012) and *vacated in part on reh'g en banc*, 476 F. App'x 747 (Fed. Cir. 2012); *Commonwealth Scientific & Indus. Research Org. v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 606 (E.D. Tex. 2007).

⁶² See, e.g., Black's Law Dictionary 1003 (9th ed. 2009) ("Compulsory license: *Patents*. A statutorily created license that allows certain people to pay a royalty and use an invention without the patentee's permission.").

The understanding of the term “compulsory license” with respect to patented inventions in the United States is very similar to the common international definition, embodied by the World Trade Organization’s agreement on Trade Related Aspects of Intellectual Property Rights (“TRIPS”). Article 31 of TRIPS provides for “Other Use Without Authorization of the Right Holder,” which permits Member-States to “use the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government” provided that the Member-State follows the provisions in TRIPS.⁶³

Although countries such as India, Thailand, and Brazil have issued compulsory licenses of patents in recent years, the U.S. lacks a history of compulsory licensing of patents, and particularly so with respect to patents on pharmaceuticals. Indeed, the Supreme Court has noted that “[c]ompulsory licensing of patents often has been proposed, but it has never been enacted on a broad scale.”⁶⁴ In the U.S., compulsory licenses of patents are permitted in only a few specific contexts, in circumstances where Congress has passed legislation providing for such licenses to certain inventions directed to atomic energy and reducing air pollution.⁶⁵ Notably, the U.S. government has never issued a compulsory license pursuant to these statutes.

Another statute, 28 U.S.C. § 1498, permits a patent owner to receive compensation for unauthorized use of a patented invention by the U.S. government, but does not provide for an affirmative compulsory license. When the government uses, manufactures, or directs the

⁶³ World Trade Organization, Trade Related Aspects of Intellectual Property Rights, Article 31, (available at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf). This provision is further supported by the Doha Declaration, World Trade Organization, Declaration on the TRIPS Agreement and Public Health (available at <http://www.who.int/medicines/areas/policy/tripshealth.pdf>), which specifically states that a Member-State may use compulsory licensing of intellectual property to protect the public health of their citizens.

⁶⁴ *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 & n.21 (1980).

⁶⁵ See 42 U.S.C. § 2183 (Atomic Energy Act) and 42 U.S.C. § 7608 (Clean Air Act).

manufacture of a patented product for which it does not have a license or right to use, the patent owner's remedy comes from the Court of Federal Claims and is for the reasonable and entire compensation for that use of the patent.⁶⁶ This remedy, however, is not the same as a "compulsory license" as the term is commonly understood. Unlike the Clean Air Act or the Atomic Energy Act, 28 U.S.C. § 1498 does not affirmatively grant the government a compulsory license. The law merely recognizes that a patent owner is entitled to compensation for the government's unauthorized use of the patent.

Similarly, the exercise by the U.S. government of march-in rights pursuant to the Bayh-Dole Act is not properly viewed as a "compulsory license." Such rights are part of the agreed-upon bargain between the research entity and the government – in exchange for federal funding, the recipient acknowledges the possibility that the government might seek to exercise march-in rights. Accordingly, there is no "unauthorized" use of the patented technology in such situations. The research entity is, of course, free to forgo government funding if it would rather retain complete control over the practice of any resulting inventions.

Spin-offs or licensing of patented technology to obtain approval by the Federal Trade Commission of a proposed merger is likewise not a "compulsory license." In such situations, the spin-off or remedy an antitrust violation or to proceed with a merger are entirely different, from an economic and policy perspective, than a compulsory license. Such spin-offs or licensing are again agreed to by the parties, rather than forced upon them as is the case with a compulsory license. While a court may require licensing of technology as a remedy for an antitrust violation, such licensing is properly viewed as a remedy to redress potentially criminal anticompetitive

⁶⁶ 28 U.S.C. § 1498(a).

behavior, and serves to eliminate market distortions caused by such behavior. Compulsory licenses, by contrast, *create* market distortions, as discussed in more detail in the next section.

V. Denial of Injunctive Relief Does Not Constitute Grant of a Compulsory License

While the Supreme Court’s decision in *eBay* changed the way courts approach determining whether injunctive relief is appropriate in patent cases, it does not permit courts to impose compulsory licenses on patentees. The *eBay case* encouraged courts to consider the appropriateness of all available remedies. A court’s award of damages in lieu of injunctive relief is different from the compulsory licenses provided by the Atomic Energy Act and the Clean Air Act, which permit an affirmative grant of a license to the patent.

Moreover, calling a denial of injunctive relief a “compulsory license” represents a fundamental misunderstanding of the nature of those concepts. Legal remedies, such as injunctions and monetary damages, serve to prevent, redress, or compensate violations of rights. The remedies available against a patent infringer are specified by statute and include the grant of an injunction against the infringer⁶⁷ and/or an award of damages to compensate for the infringement.⁶⁸ By contrast, compulsory licenses are mechanisms for forcing a patentee “to tolerate, against his will, the exploitation of his invention.”⁶⁹ The remedies provided by the Patent Act never contemplated forcing the patentee to tolerate any imposed license for the continued exploitation of his patent.

As discussed above, since *eBay*, US courts sometimes deny injunctive relief where the patentee is a nonpracticing entity, actively licenses its patents, or faces no ongoing

⁶⁷ 35 U.S.C. § 283.

⁶⁸ 35 U.S.C. § 284.

⁶⁹ United Nations Conference of Trade & Development, TRIPS Post-Grant Flexibilities: Compulsory Licenses & Government Use, December 7-9, 2009 (available at http://unctad.org/sections/dite_totip/docs/tot_ip_0021_en.pdf); see Black’s Law Dictionary 1003 (9th ed. 2009) (“Compulsory license: *Patents*. A statutorily created license that allows certain people to pay a royalty and use an invention without the patentee’s permission.”).

infringement. In such cases, the patentee suffers no competitive injury resulting from the infringement of the patent. On occasion, courts have awarded “ongoing royalties” in lieu of injunctive relief to compensate for continued infringement.⁷⁰ But this practice is in sharp contrast to the compulsory licenses recently issued by the government of India, where the license is awarded to another manufacturer notwithstanding the direct presence of the patentee in the market. Thus, denial of injunctive relief by the U.S. courts cannot be fairly characterized as a “compulsory license” akin to those that have been issued by foreign governments.

Whereas damages compensate for violation of the patent holder’s right to exclude, compulsory licenses *create* the violation and thereby alter the patent owner’s commercial activity related to the patented product. In most of the post-*eBay* cases in which no injunction was granted, the patentees had either willingly licensed their innovations or were simply not making or selling a product. Denials of injunctions in those circumstances do not alter the innovator’s role in the market, as the patentees in those instances had already accepted their place as a licensor. When the government of India issued its recent compulsory license of Bayer’s patent on its cancer therapeutic Nexavar®, however, it wholly altered the patent holder’s commercial activity related to the patented product. Bayer was active in the marketplace and did not seek to license its patent to others. After India’s issuance of the compulsory license, however, Bayer

⁷⁰ The Federal Circuit’s discussion in *Paice LLC v. Toyota Motor Corp.* illustrates the differences between a compulsory license and an ongoing royalty that is sometimes awarded in lieu of an injunction. In *Paice*, the Federal Circuit affirmed the grant of an “ongoing royalty” to compensate the patentee for infringement. The court chose the term “ongoing royalty” to distinguish the remedy from a “compulsory license,” noting that “[t]he term ‘compulsory license’ implies that anyone who meets certain criteria has congressional authority to use that which is licensed. By contrast, the ongoing-royalty order at issue here is limited to one particular . . . defendant[]; there is no implied authority in the court’s order for any other [infringer] to follow in [defendant]’s footsteps and use the patented invention with the court’s imprimatur.”⁷⁰ *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 n.13 (Fed. Cir. 2007) (citation omitted).

now must accept whatever compensation the Indian government deems appropriate. That forced change in marketplace circumstances is not analogous to the post-*eBay* denials of injunctive relief.

When a patentee is actively practicing the patent in direct competition with others in the marketplace, a grant of a compulsory license acts to displace the patentee, thereby destroying the economic value of its patent. As discussed above, however, when permanent injunctive relief is not awarded to a patentee, it is generally because the patentee is *not* practicing the invention or is *not* in direct competition with the infringer. Thus, the denial of injunctive relief does not act to displace an active patentee. The circumstances in which injunctions are denied are thus entirely different from those that have been argued to support a grant of a compulsory license in countries like India, Thailand, and Brazil where pricing considerations often underlie government motivations for seeking compulsory licenses.

VI. Conclusion

While courts no longer issue permanent injunctions against adjudicated infringers as a matter of course, they continue to grant injunctive relief regularly where the infringer is a direct competitor of the patentee. Courts have been more willing to deny injunctive relief where the patentee is a nonpracticing entity, where it actively licenses its patents, or where there is little likelihood of ongoing infringement. Such denials of injunctive relief are, however, quite different from the compulsory licenses that foreign governments have recently issued with respect to pharmaceutical patents. Courts generally withhold injunctive relief in circumstances where the patentee is not active in the marketplace, and thus the denial of injunctive relief does not displace the patentee and destroy the value of its patent. Compulsory licensing as it has recently been applied by foreign governments leads to the opposite effect, as it serves to completely alter the patentee's status as the sole provider of the patented product.