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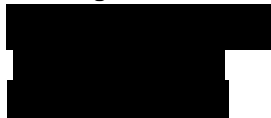
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# An Exercise in Restraint: Seeking and Combatting Injunctive Relief

MARIE MCKIERNAN



AUGUST 23, 2022, 08:46 AM



“Given the high bar set by *eBay*, patentees should assess the strength of their case with attention to the factors to determine if investing resources in pursuing an injunction is worth the endeavor.”

Prior to the Supreme Court's ruling in *eBay v. MercExchange*, when there was a finding of infringement, granting an injunction was almost automatic. See *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226 (Fed. Cir. 1989). But *eBay* rejected this categorical grant of injunctions, raising the bar for obtaining such relief. The Court's decision in *eBay* sets forth the test used in United States district courts for establishing the necessity of a permanent injunction.



The four *eBay* factors represent four high hurdles for patentees to meet for the entry of this exceptional relief and four avenues for alleged infringers to attack such requests. After looking at the contemporary grant rates for injunctive relief, we outline just some of the ways in which patentees can meet these hurdles and ways in which alleged infringers may refine their attacks.

## Trends in Injunctive Relief

When we examine the number of contested motions for permanent injunction in U.S. district courts from 2013 through 2017, as reported by Lex Machina, we see two things. First, the number of motions filed for permanent injunctions are generally low since this remedy is only available where the case is litigated all the way to the conclusion and a finding of infringement has been entered. Next, we see an overall increase in the number of motions for permanent injunctions filed by patentees over the course of five years. However, thereafter in 2018, we see a drop in both the number of motions filed and the grant rate of such motions.

#### Permanent Injunction Grant Rates

Year	Granted	Denied	Total	% Granted
2020	10	1	11	91%
2019	14	2	16	88%
2018	15	3	18	83%
2017	36	2	38	95%
2016	28	7	35	80%
2015	27	3	30	90%
2014	21	7	28	75%
2013	29	2	31	94%
<b>Total</b>	<b>180</b>	<b>27</b>	<b>207</b>	<b>87%</b>

Clark, G., Lex Machina Patent Litigation Report (March

While it is not entirely clear why the number of motions for permanent injunctions dropped so significantly from 2017 to 2018, one potential reason for this is introduction of inter partes review with the passing of the America Invents Act (AIA) in 2011, which introduced substantial implications for parallel district court litigation. We saw the filings for IPRs substantially increase in 2013. The normal progression of a district court case is three to five years in the United States and so it is possible that the filings of IPRs impacted overall patent success rates, and in turn, the number of motions for permanent injunctions.

The additional decline seen in permanent injunctions after 2018 may be attributable to the decrease in overall patent case filings in 2018. Nearly 40% fewer patent cases were filed in 2018 as compared to those filed in 2015. This leads to fewer cases going to trial and in turn, fewer cases where the patent owner is successful and seeks permanent injunctive relief. Statistics also suggest that approximately 90% of high-tech litigation in 2018 was initiated by non-practicing entities (NPEs) which may have negatively impacted the number of injunctions sought at the end of a case years later. As we explore below, NPEs can experience heightened difficulty meeting several of the *eBay* factors.

In addition to seeking injunctive relief after a finding of infringement, patentees can seek preliminary injunctive relief at the outset of litigation. Such relief is extraordinary given the early stage of the case as compared to the end of litigation where a merits determination has been reached. We analyzed the grant rate for motions for preliminary injunctions filed between January 2, 2013, and December 31, 2020, in U.S. district courts as reported by Lex Machina. Of the 490 motions for preliminary injunctions filed, 41% (203 motions) were granted. You may note that there are significantly more motions for preliminary injunctions (490) than permanent injunctions detailed above (207). This may seem counterintuitive given that preliminary injunctions are harder to obtain, however, there are several reasons for the increased filings.

First, we're starting with a fairly select group of cases. The filing of a preliminary injunction motion is not done lightly given the cost of what ends up being an expensive mini-trial at the start of a case. Thus, we most often see highly motivated plaintiffs filing such motions. Often these are competitors who have strong infringement cases. Another reason for the larger number of filings is the Federal Circuit's holding in *In re Seagate Tech., LLC* (abrogated by *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 579 U.S. 93, 136 S. Ct. 1923, 195 L. Ed. 2d 278 (2016)).

The decision makes the filing of a motion for a preliminary injunction a prerequisite for obtaining or defending against requests for enhanced damages for post-filing conduct in patent cases:

“[W]hen an accused infringer’s post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement ... A patentee who does not attempt to stop an accused infringer’s activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer’s post-filing conduct. Similarly, if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness.”

While motions for preliminary injunction may outnumber the filings for post-judgment injunctive relief, grant rates do not. Comparing the grant rate of preliminary (41%) and permanent (87%) injunctions, we see that the bar is much higher at the outset of the case. This is likely attributable to the standard used by courts to assess such preliminary requests. The standard for obtaining a preliminary injunction echoes most of what we see in the *eBay* test for permanent relief. However, the patentee must also show a likelihood of success on proving infringement. *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 429 F.3d 1364, 1372 (Fed. Cir. 2005). This results in a mini-trial on the merits, often necessitating expert testimony. Moreover, a finding of both

likelihood of success on the merits and irreparable harm to the patentee are required to obtain the injunctive relief at the outset of the case. *General Protecht Grp., Inc. v. Levitron Mfg., Co.*, 651 F.3d 1355, 1366 (Fed. Cir. 2011).

## Evidencing *eBay*

Now we return to the four *eBay* factors to highlight some of the evidence patentees and infringers can present when arguing for or against the entry of injunctive relief.

### **FACTOR 1: Has the patentee suffered an irreparable injury?**

First, a patentee must demonstrate that it has been irreparably harmed.

This requires that the patentee demonstrate a “causal nexus” between the defendant’s infringement and the patentee’s resultant harm. Infringers can combat this factor by arguing that a patented feature does not drive the demand for the product. In such cases, an alleged infringer can provide evidence that accused product sales would occur even if the patented feature at issue was absent from the product. If successful, this can prevent a finding of irreparable harm. This was the case in *Apple Inc. v. Samsung Elecs. Co.*, 678 F.3d 1314, 1324 (Fed. Cir. 2012) (“[A] likelihood of irreparable harm cannot be shown if sales would be lost regardless of the infringing conduct.”). There, while there was some evidence that Apple’s patented “bounce-back” feature had an impact on smartphone sales, there was more evidence that the feature “was not a determinative factor in consumer decisionmaking.” As a result, Apple had not demonstrated irreparable harm and the Federal Circuit affirmed the district court’s denial of a requested injunction. While this case pertains to the request for a preliminary injunction, the same arguments are applicable when combating a request for a permanent injunction.

The Apple case also highlights that patentees must demonstrate more than loss of “insubstantial market share.” Rather, it must clearly demonstrate “a likelihood of substantial and immediate irreparable injury.” Patentees can support this factor by detailing the competition between the parties. A 2016 study found that where the parties were competitors, a patentee was granted its request for permanent injunction in 84% of cases. By highlighting direct competition between the parties, patentees can bolster arguments that the failure to issue an injunction will result in irreparable harm. The Federal Circuit affirmed the grant of a permanent injunction in *SiOnyx LLC v. Hamatsu Photonics K.K.*, where the patentee did just that. The patentee presented evidence that the accused sensors were “competitive products” with the patentee’s sensors. Despite some contrary evidence regarding the market for such sensors, the court found that the infringer failed to “persuasively refute” the competition and in turn, the patentee’s claim of irreparable harm. Of note, while lack of direct competition does not preclude a finding of irreparable harm, it can be a “substantial basis” for finding lack of irreparable harm. As a result, infringers should also explore avenues of attacking the purported direct competition between the parties, such as portraying a wider market.

### **FACTOR 2: Are the available remedies available at law, such as monetary damages, inadequate to compensate for patentee’s injury?**

Second, the patentee must demonstrate that available remedies, such as monetary damages, are not adequate to compensate the irreparable injury. Patentees can point to the absence of licensing to evidence such inadequacy. In *i4i Ltd. P’ship v. Microsoft Corp.*, the Federal Circuit affirmed the district court’s finding of the inadequacies of remedies at law. *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 862 (Fed. Cir. 2010), *aff’d*, 564 U.S. 91 (2011).

It specifically noted that the “district court found no evidence that i4i had previously licensed the patent,” but rather found evidence of the patentee’s efforts to “retain exclusive use of its invention.”

Conversely, infringers can point to a patentee’s history of licensing to argue that monetary damages are adequate to remedy infringement. However, the Federal Circuit has cautioned that while prior licenses may suggest that reasonable royalties can compensate infringement injuries, they are not alone sufficient to demonstrate the absence of irreparable harm or the adequacy of monetary damages. *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1328-29 (Fed. Cir. 2008). The nature of any license agreements and the parties to these historical licenses can sway the court’s analysis. For example, in *Broadcom Corp. v. Qualcomm Inc.*, the infringer pointed to a prior licensing agreement between the patentee and its customer as evidence of the adequacy of monetary damages. The district court, and the Federal Circuit, agreed with the patentee that the specific agreement was “of limited probative value as to [the patentee’s] willingness to enter into similar such agreements with its direct competitor.” In addition to the distinction between the licensee and infringer, the patentee provided evidence of non-monetary benefits conferred to the patentee in the prior license to differentiate the circumstance. The Federal Circuit found in light of this evidence, the district court did not abuse its discretion in finding that monetary damages would be inadequate to remedy infringement.

### **FACTOR 3: Is equitable relief warranted considering the balance of hardships between the plaintiff and defendant?**

Third, the balance of harms between the patentee and alleged infringer must weigh in favor of granting the patentee’s requested injunction.

Here, infringers have pointed to the relative size of the parties and the negative impact injunctive relief would have on its revenues and business to influence the court’s calculus. In *Bio-Rad Lab’ys, Inc. v. 10X Genomics Inc.*, the Federal Circuit reversed a district court’s finding that the balance of hardships weighed in favor of injunctive relief. The patentee presented evidence of “considerable hardship” given its investment of “almost half a billion dollars to develop its products.” However, the Court found persuasive evidence from the infringer that it lacked non-infringing alternatives or re-designs for two of five accused product lines. Without such alternatives, the significantly smaller company would have no revenue since it depended entirely on the sales of the enjoined products. As a result, the court found the balance of harms weighed against the entry of an injunction. It should be noted, however, that highlighting infringer losses is not always a winning strategy as some courts have been unsympathetic to infringers who the courts view as victims of their own choice that build a business around an infringing product. *Windsurfing Int’l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n. 12 (Fed.Cir.1986)

Infringers can alternatively focus on the lack of harm to the patentee to combat requests for permanent injunctions. A 2016 study assessing permanent injunctions after eBay assessed the grant rate of injunction requests where patent assertion entities, including NPEs, were involved. The study found that only 16% of requests for injunctions made by patent assertion entities were granted. In contrast, 80% of requests by practicing patentees were granted. However, even the Supreme Court cautioned in *eBay* that there is no categorical rule that NPEs will always be denied permanent injunctions. The Court noted that “some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves.”

This scenario was borne out in *Commonwealth Scientific v. Buffalo Technology*, where the technology at issue concerned wireless local area network (WLAN) technology. The patentee was a research organization that did not have a product competing with the accused product on the market. Despite the absence of a competing product, the court found the research organization would suffer irreparable harm to resources, ideas, and recruitment with continued infringement. The court emphasized this again when assessing the balance of hardships, finding the organization's research and development endeavors would experience downstream financial impact from the infringers continued infringement. As a result, the balance of hardships weighed in favor of the non-practicing patentee and the granting of a permanent injunction.

#### **FACTOR 4: Would the public interest be disserved by entry of a permanent injunction?**

Finally, the court will consider the public's interest. While the public has an interest in the enforcement of valid patents, it also has "a very strong interest in guaranteeing that innovative products are available in the market." *Celgard, LLC v. LG Chem Ltd.*, 624 F. App'x 748, 754 (Fed. Cir. 2015). This factor represents a powerful tool for infringers if it can demonstrate that their accused products represent an important avenue of consumer choice. For example, in *Johnson & Johnson Vision Care, Inc. v. CIBA Vision Corp.*, Johnson and Johnson was found to infringe CIBA Vision's patent related to extended-wear contact lenses. CIBA moved for a permanent injunction which was denied. The court relied heavily upon CIBA's history of licensing in finding that it would not suffer irreparable harm and that monetary damages would be adequate to compensate CIBA for J&J's infringement. While the court glanced over the balance of hardships, the court spent significant time in walking through the evidence that the public would be harmed if an injunction were granted. The court found that an injunction would cause "medical, practical, and economic issues" for consumers of the infringing contacts: "[M]illions of innocent contact lens wearers will suffer real adverse consequences if sale of ACUVUE®OASYS is enjoined. These are not just issues of comfort or cosmetics, as CIBA argues, but rather deal with the more substantive concerns of proper vision and eye care." Consequently, the court denied the motion for permanent injunction. While this case presents how an infringer can leverage the public's interest to avoid a permanent injunction, the Federal Circuit has recognized that "the public interest nearly always weighs in favor of protecting property rights in the absence of countervailing factors..." *Apple v. Samsung Elecs. Co.*, 809 F.3d 633, 647 (Fed. Cir. 2015).

## **Takeaways**

The pursuit of injunctive relief, whether at the outset of a case or after judgment has entered, will result in a fact-intensive battle between patent owner and accused infringer. Each of the *eBay* factors presents opportunities for the patentee to present evidence to compel injunctive relief and for infringers to dissuade the court of the necessity of the same. Given the high bar set by *eBay*, patentees should assess the strength of their case with attention to the factors to determine if investing resources in pursuing an injunction is worth the endeavor. Patent owners should also assess in pre-litigation phases whether district court is the best venue to seek injunctive relief or if the International Trade Commission is a viable alternative. When met with a motion for injunctive relief, accused infringers should exhaust the body of post-*eBay* case law to emphasize all nuances of each *eBay* factor that could deter the court from entering such relief.

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