

NOTE

*EBAY V. MERCEXCHANGE: ON PATROL FOR TROLLS**

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I. INTRODUCTION

“WHO’S THAT TRIPPING OVER MY PATENT?” roared the Troll. “Oh, it’s only I, the tiniest corporation . . . Oh, please don’t take me. I’m too little . . . Wait till the Giant Corporation comes. He’s much bigger.”

“WHO’S THAT TRAMPING OVER MY PATENT?” roared the Troll. “IT IS I, THE GIANT CORPORATION,” said the Giant Corporation. And his voice was as loud as the Troll’s.

“If you don’t pay my licensing fees, I’m coming to gobble you up,” roared the Troll.

“Well, come along!” said the Giant Corporation.

“I’ve got attorneys, experts, and evidence that indicate you merely sit on your patent! See what you can do!”¹

The legend of the troll lurking under the bridge, waiting to gobble up the innocent passerby unless he pays a toll is just a myth.² Or is it? In fact, the emergence of the “patent troll” in intellectual property prompted much intense debate and caused upheaval in many aspects of patent infringement litigation.³

The right to exclude infringing users is deeply rooted in intellectual property law.⁴ Courts commonly awarded injunctive relief to remedy infringement of this right⁵ based upon a

1. See generally PAUL GALDONE, THE THREE BILLY GOATS GRUFF 11–13, 21–25 (Clarion Books 2001) (spinning the yarn of the Three Billy Goats Gruff who crossed the Troll’s bridge to get fat by feasting in greener pastures).

2. See Donald S. Chisum, *Reforming Patent Law Reform*, 4 J. MARSHALL REV. INTELL. PROP. L. 336, 340 (2005) (depicting the troll as hiding under the bridge, leaping out, and demanding a toll); Raymond P. Niro & Paul K. Vickrey, *The Patent Troll Myth*, 7 SEDONA CONF. J. 153, 153 (2006) (describing trolls as mythological Scandinavian figures of folklore).

3. See Terrence P. McMahon, Stephen J. Akerley & Jane H. Bu, *Who’s a Patent Troll? Not a Simple Answer*, 7 SEDONA CONF. J. 159, 167 (2006) (describing patent reform arising from fears of patent trolling and appropriate remedies when trolling is suspected).

4. See, e.g., *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 425 (1908) (noting the patent “consists altogether in the right to exclude every one from making, using, or vending the thing patented, without the permission of the patentee” (quoting *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549 (1852) (Taney, C.J.))).

5. See, e.g., ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY,

presumption of irreparable harm.⁶ Amidst a changing landscape of intellectual property issues, the Supreme Court defeated this presumption in *eBay v. MercExchange* by holding that courts must apply the traditional four-prong balancing test when evaluating the award of injunctive relief.⁷ Mysteriously, however, the Court omitted any guiding principles for determining when irreparable harm exists.⁸ To complicate the issue, the Court is seemingly split on how this standard should be applied.⁹ When the Supreme Court issues a mandate to utilize a general balancing test without suggesting appropriate guidelines, litigation is likely to increase.¹⁰ Therefore, in the wake of *eBay*, experts predicted sweeping change in intellectual property litigation.¹¹ Nevertheless, the anticipated effects on the outcomes of subsequent cases were uncertain.¹²

This Note reconciles the majority opinion and concurrences of the Supreme Court in *eBay*. Further, this Note argues that the cases decided after *eBay* can be squared with the proposed

INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 335 (4th ed. 2006) (indicating injunctive relief is a traditional remedy for infringement).

6. See, e.g., *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983) (“[W]here validity and continuing infringement have been clearly established . . . irreparable harm is presumed.”); see also *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988) (“[A]n injunction should issue once infringement has been established unless there is a sufficient reason for denying it.”).

7. See *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006) (finding there is no general presumption of harm—thus no categorical grant of injunctive relief—in patent cases).

8. See *id.* (taking no position on whether injunction is proper in the case, or any other cases, holding “only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts”).

9. See *id.* at 1840 (prohibiting determinative rules in an equitable analysis); *id.* at 1841–42 (Roberts, C.J., concurring) (arguing that the voluminous precedent favoring grants of injunctive relief should not be disregarded); *id.* at 1842 (Kennedy, J., concurring) (rejecting Chief Justice Roberts’s suggestion that the right to exclude determines the appropriate remedy and suggesting factual circumstances under which a denial of injunctive relief might be appropriate); see also Steve Seidenberg, *Troll Control*, 92 A.B.A. J. 50, 53–54 (2006) (expressing the concerns of the immediate-past chair of the ABA’s Section of Intellectual Property Law with regard to the “difference of opinion” expressed in the *eBay* concurring opinions).

10. See Steve Seidenberg, *Tougher Road Ahead for Patent Holders*, 5 No. 20 A.B.A. J. E-REP. 2 (2006) (quoting MercExchange’s attorney as stating that “[t]here will be a lot of litigation about the propriety of injunctive relief . . . Any time the Supreme Court decides a case and doesn’t announce a bright-line rule, a lot of litigation ensues”).

11. See *id.* (predicting that patent practice will be “turn[ed] . . . on its head” (quoting Cecilia H. Gonzales, co-chair of the Patent Litigation Committee of the ABA Intellectual Property Law Section)).

12. See *id.* (indicating changes in litigation procedures, citing concerns of practitioners, and debating the resulting changes); see also Howard Susser & Jerry Cohen, *Supreme Court Ends Special Treatment for Patent Injunctions*, 50 BOSTON B.J. 9, 9 (2006) (predicting devalued patents, changing litigation strategies, and increasing burdens on judges after the *eBay* decision).

interpretation, thus revealing the Court's true objective—to avoid abuse of the patent system resulting from the increasingly prominent ills of patent trolling, thereby promoting competition and innovation.¹³ Part II of this Note highlights the basis for injunctive relief in intellectual property infringement cases, describes the emergence of the “patent troll,” and introduces *eBay v. MercExchange*. Part III uncovers the implicit and explicit references to patent trolling throughout the *eBay* litigation and proposes a reconciled interpretation of the opinions delivered by the Supreme Court.

This Note proceeds by analyzing the salient facts and holdings of *eBay*'s progeny. By focusing primarily on the intertwined elements of irreparable harm and inadequacy of monetary damages, this Note demonstrates that the subsequent lower court decisions are consistent with the proposed interpretation. Leveraging the first order issued by the lower court on remand, this Note assesses the *eBay* case itself and predicts the likelihood that patent trolling factors will play a prominent role on remand. Part III concludes by identifying the emerging themes and trends in the criteria considered by the courts when awarding and denying injunctive relief, hence unearthing a pattern of expectation in applying the *eBay* standard.

Part IV concludes that the *eBay* Court empowered the lower courts to exercise their discretion in awarding injunctive relief. Further, it suggests courts may properly exercise this discretion when the facts and circumstances of the case lend themselves to a suspicion of patent trolling or abuse of the patent system. The post-*eBay* decisions indicate that absent evidence of patent trolling or a noncompetitive relationship between the parties the courts are likely to award injunctive relief, thus consistent with the precedent where courts presumed irreparable harm.¹⁴ Conversely, where courts suspect patent trolling or where parties do not compete with product or service offerings in the same market, courts will more strictly scrutinize the facts and will likely deny a request for injunctive relief.¹⁵

13. See generally U.S. CONST. art. I, § 8, cl. 8 (stating the purpose of patents is “[t]o promote the [p]rogress of [s]cience and useful [a]rts”); see also *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974) (suggesting patent laws create a right to exclude as an incentive for inventors to undertake risk of research and development).

14. See *infra* Part III.E (synthesizing the reasoning of the courts in post-*eBay* cases when courts do not suspect patent system abuse).

15. See *infra* Part III.E (extrapolating patterns from the post-*eBay* decisions).

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II. BACKGROUND

A. *Equitable Relief: Historical and Statutory Basis*

The practice of awarding injunctions as a form of equitable relief developed outside the realm of intellectual property;¹⁶ however, fundamental principles of procedure and the remedial nature of the relief are relevant in intellectual property.¹⁷ Today, statutes provide the courts with jurisdiction to grant equitable remedies in trademark, copyright, patent, and trade secret law.¹⁸

Section 283 of the Patent Act declares that courts “may grant injunctions in accordance with the principles of equity . . . on such terms as the court deems reasonable.”¹⁹ The Act also provides that the “court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty.”²⁰ The Act continues,

Every patent shall . . . grant to the patentee . . . the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States . . . and, if the invention is a process, of the right to exclude others from using, offering for sale, or selling throughout the United States . . . products made by that process.²¹

Under property law, which forms a basis for patent law, the right to exclude was the “essence of the concept of property.”²² However, under the plain language of Patent Act, this fundamental right is tempered by the requirement that the remedy be considered in light of equitable principles and

16. See TERENCE P. ROSS, INTELLECTUAL PROPERTY LAW: DAMAGES AND REMEDIES § 10.03, at 10-7 (2007) (chronicling the development of equitable principles in England and propagation in the law of the United States).

17. See *id.* § 10.03, at 10-8 (emphasizing that judges evaluate equitable remedies within their discretion and that balancing hardship to the parties and assessing the inadequacy of damages as a remedy guide the exercise of discretion).

18. Lanham Act, 15 U.S.C. § 1116(a) (2000); Copyright Act, 17 U.S.C. § 502(a) (2000); Patent Act, 35 U.S.C. § 283 (2000); UNIF. TRADE SECRET ACT § 2 (2000). For insight into the applicability of *eBay* outside patent law, see Thomas L. Casagrande, *The Reach of eBay Inc. v. MercExchange, L.L.C.: Not Just for Trolls and Patents*, 44 HOUS. LAW. 10 (2006).

19. Patent Act, 35 U.S.C. § 283 (2000).

20. Patent Act, 35 U.S.C. § 284 (2000).

21. Patent Act, 35 U.S.C. § 154(a)(1) (2000).

22. See *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006) (referencing Patent Act text establishing parallels between patents and personal property); see also *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246–47 (Fed. Cir. 1989) (accentuating the interrelationship of property law and intellectual property, focusing specifically on the cross-applicability of the right to exclude).

reasonableness.²³ It was this Act, in this context, that formed the statutory backbone of the *eBay* decision.²⁴

B. Case Recitation

1. *Factual and Procedural History.* The relatively succinct opinion of the Supreme Court in *eBay* focuses primarily on negating the assumptions and broad generalizations of the lower courts.²⁵ Thus, this Note discusses the factual circumstances of the case and the reasoning of the lower courts in great detail.

eBay operates an online marketplace that facilitates the exchange of goods and services in both auction and fixed-price transactions.²⁶ In 2000, eBay expanded by purchasing Half.com as a fixed-price alternative to its predominantly auction-based marketplace.²⁷ ReturnBuy, the third named defendant, used eBay to liquidate inventory by directing its customers to eBay's website where they could purchase overstocked items.²⁸

In 1994, Thomas Woolston developed an online auction application for which he ultimately obtained three patents.²⁹ In 1998, Woolston leveraged his patents to establish MercExchange

23. See Patent Act, 35 U.S.C. § 283 (2000) (stating explicitly that injunctive relief may only be granted "on such terms as the court deems reasonable").

24. See *eBay*, 126 S. Ct. at 1839–40 (determining that principles of equity apply in injunctive relief analysis under the Patent Act and drawing a parallel to the Copyright Act).

25. See *id.* at 1840 (pinpointing the errors made by the lower courts and omitting definitional guidance in application of the traditional test for injunctive relief).

26. See The eBay Company, <http://pages.ebay.com/aboutebay/thecompany/companyoverview.html> (last visited Nov. 8, 2007).

27. *eBay to Acquire Half.com, A Trading Site for Used Items*, N.Y. TIMES, June 14, 2000, at C4 (reporting on eBay's purchase of Half.com in exchange for \$313 million in stock). Half.com is a wholly-owned subsidiary of eBay. Petition for Writ of Certiorari at *6, *eBay*, 126 S. Ct. 1837 (No. 05-130), 2005 WL 1801263.

28. See Petition for Writ of Certiorari, *supra* note 27, at *6 (illustrating a commercial link between ReturnBuy and eBay). ReturnBuy settled with MercExchange, declared bankruptcy, and did not participate in arguments before the Supreme Court. *Id.* at 7 n.1; see also Nick Wingfield, *As eBay Grows, Site Disappoints Some Big Vendors*, WALL ST. J., Feb. 26, 2004, at A1 (highlighting ReturnBuy's failed use of eBay).

29. Consignment Nodes, U.S. Patent No. 5,845,265 (filed Nov. 7, 1995); Method and Apparatus for Using Search Agents to Search Plurality of Markets for Items, U.S. Patent No. 6,085,176 (filed Mar. 8, 1999); Facilitating Internet Commerce Through Internetworked Auctions, U.S. Patent No. 6,202,051 B1 (filed Feb. 19, 1999); see also Ellen McCarthy, *Waiting Out a Patent Fight with eBay*, WASH. POST, Jan. 6, 2005, at E01 (recounting how the closure of a baseball shop inspired Woolston to create the auction application); Julia Wilkinson, *The eBay Patent Wars: Interview with MercExchange CEO Thomas Woolston*, AUCTIONBYTES, Sept. 30, 2004, <http://www.auctionbytes.com/cab/abn/y04/m09/i30/s01> (recounting the initial commercial efforts and history of MercExchange). Interestingly, Woolston has a law degree and a "perfect background" for patent law. Wilkinson, *supra*.

as an online travel website.³⁰ Because Woolston entered an already-mature online travel market, MercExchange failed, leaving Woolston with only his patents.³¹ MercExchange ultimately evolved into a company that develops, patents, and offers licensing of technology solutions for use in e-commerce sites.³²

a. District Court. The *eBay v. MercExchange* saga begins with MercExchange alleging infringement and eBay challenging the validity of three patents assigned to MercExchange:³³ one for the facilitation of internet commerce through online auctions ('051 patent);³⁴ one for a method of locating items within the online environment ('176 patent);³⁵ and one for a method for structuring a legal framework of "consignment nodes" in the computerized market of "used and collectible goods" ('265 patent).³⁶ The primary thrust of the *eBay* litigation turns on the fixed-price purchasing functionality of eBay's sites, which allegedly infringed the '265 patent for consignment nodes.³⁷

In 2002, the Eastern District of Virginia granted in part and denied in part a summary judgment motion, ruling that the '051 patent was partially invalid and that validity of the '176 patent

30. See McCarthy, *supra* note 29 (describing MercExchange's initial offering as an internet travel website drawing \$10 million in venture capital funding).

31. See *id.* (implying the success of predecessor Priceline.com precluded the success of MercExchange's website and elaborating upon the collapse of the company).

32. MercExchange Solutions, <http://www.mercexchange.com/solutions.htm> (last visited Nov. 8, 2007); MercExchange Licensed, <http://www.mercexchange.com/licensed.htm> (last visited Nov. 8, 2007).

33. See *MercExchange, L.L.C. v. eBay, Inc.*, 271 F. Supp. 2d 789, 796–97 (E.D. Va. 2002) (ruling the '051 patent was partially invalid and that material issues of validity based on prior art existed for the '176 patent), *vacated in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006); *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 698–99, 722 (E.D. Va. 2003) (denying motions by eBay and Half.com for new trials and judgments as a matter of law following adverse jury verdicts for infringement of the '265 and '176 patents), *vacated in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006).

34. See generally '051 Patent (outlining the processes for item and seller identification, payment, and transaction tracking).

35. See generally '176 Patent (providing a method of locating items for bidding and searching electronic markets).

36. See generally '265 Patent (detailing the claims for creating bailee relationships and consignor contracts within the online auction environment).

37. See *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1325–27 (Fed. Cir. 2005) (viewing the purchase of items on eBay's website at a listed price as the primary issue and describing the scope of the '265 patent upon which the jury found eBay infringed), *vacated*, 126 S. Ct. 1837 (2006); John Platt, *For Whom the Bell Tolls*, 13 INTELL. PROP. TODAY 36, 36 (2006) (indicating that eBay's "buy it now" feature allegedly infringed the MercExchange patent).

should be determined at trial.³⁸ One year later, the parties presented the remaining issues in a five-week trial before a jury.³⁹ At trial, the evidence corroborated the argument of defendants eBay and Half.com that MercExchange sought to license—not use—its patents, but that licensing discussions between the two parties collapsed prior to MercExchange initiating litigation.⁴⁰ The jury found the defendants liable for willfully infringing valid patents '176 and '265 and consequently awarded sizeable damages to MercExchange.⁴¹ Both parties filed nearly a dozen post-trial motions, including a motion by MercExchange for entry of a permanent injunction order.⁴² In ruling on the motions, Judge Friedman stressed the discretionary nature of equity and considered the traditional principles of injunctive relief: (1) irreparable injury to the plaintiff if the injunction does not issue; (2) whether an alternative and adequate remedy exists; (3) whether granting the injunction is in the public interest; and (4) whether the balance of hardships tips for or against the plaintiff.⁴³

In assessing irreparable harm, the court referred to a “presumption” of harm following findings of validity and infringement.⁴⁴ The court noted the presumption is rebuttable and acknowledged evidence showing that the plaintiff “exist[ed] merely to license its patented technology to others,” weighing against awarding an injunction.⁴⁵ The plaintiff’s “lack of commercial

38. See *MercExchange*, 271 F. Supp. 2d at 794, 796 (finding that inadequate written description invalidated part of the '051 patent and that alleged prior art presented a genuine issue of material fact regarding the validity of the '176 patent).

39. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 698–99 (E.D. Va. 2003) (noting the duration and results of the jury trial, and tracing subsequent procedural history), *vacated in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006).

40. See *id.* at 712 & n.13 (supporting defendants’ position that MercExchange sought to license its technology by citing evidence including Woolston’s comments); Wilkinson, *supra* note 29 (relating the context of initial licensing discussions between eBay and MercExchange from Woolston’s perspective, suggesting eBay used the discussions to prepare for litigation).

41. See *MercExchange*, 401 F.3d at 1326 (reiterating the jury found eBay and Half.com willfully infringed the '265 patent and Half.com willfully infringed the '167 patent); *MercExchange*, 275 F. Supp. 2d at 698 (highlighting the \$35 million jury award for willful infringement).

42. *MercExchange*, 275 F. Supp. 2d at 699 (outlining the three motions filed by defendants eBay and Half.com and the seven motions filed by plaintiff MercExchange).

43. See *id.* at 711 (acknowledging the discretionary role of the judge despite the “norm” of granting injunctive relief (referencing *W.L. Gore & Assoc., Inc. v. Garlock*, 842 F.2d 1275, 1281 (Fed. Cir. 1998)) and enumerating the four equitable principles to be used in determining whether to award injunctive relief (citing *Odetics, Inc. v. Storage Tech. Corp.*, 14 F. Supp. 2d 785, 788 (E.D. Va. 1998))).

44. See *id.* (recognizing that in addition to this general presumption of “immediate irreparable harm,” the plaintiffs cited specific harms anticipated).

45. *Id.* at 712.

activity” and comments made to the media throughout the trial also suggested that the plaintiff’s primary objective was licensing and thus weighed heavily against a finding of irreparable harm.⁴⁶

In analyzing the second element—adequacy of monetary damages—the focus continued to be the willingness of MercExchange to license its patent.⁴⁷ The plaintiffs argued that removing accessibility to injunctive relief would seriously undermine the “express purpose of the Constitution, to promote the progress of the useful arts.”⁴⁸ The court disagreed and tipped the scales in favor of the defendants. The court also commented that licensing negotiations demonstrated sufficiency of monetary damages and assisted in determining the appropriate amount of monetary damages for use of the patent.⁴⁹ Critical to the holding, the court noted that this is an “atypical” scenario in that the right to exclude did not trump the receipt of licensing fees from others.⁵⁰

After addressing the remaining elements of public interest and hardship to the parties, the court denied the motion for a permanent injunction.⁵¹ EBay and Half.com appealed to the Court of Appeals for the Federal Circuit, disputing the denial of their motions for judgments as a matter of law or new trials based on findings of validity and infringement for the ’265 and ’176 patents.⁵² MercExchange cross-appealed, questioning the denial of injunctive relief.⁵³

46. See *id.* (inferring that licensing was the primary business objective) (internal quotation marks and citation omitted); see also, e.g., Ina Steiner, *EBay-Contested MercExchange Patents Are on the Block*, AUCTIONBYTES, May 30, 2003, <http://auctionbytes.com/cab/abn/y03/m05/i30/s01> (quoting Woolston as stating, “it is not our goal to enforce these patents, we want to sell off our Intellectual Property rights” when asked whether MercExchange might attempt enforcement against smaller auction sites).

47. See *MercExchange*, 275 F. Supp. 2d at 712–13 (stating that plaintiffs “willingness to license the patents to the defendants in this case . . . ‘suggests that any injury suffered by [plaintiff] would be compensable’” by money damages (quoting *High Tech Med. Instrumentation, Inc. v. New Age Indus., Inc.*, 49 F.3d 1551, 1557 (Fed. Cir. 1995))).

48. *Id.* at 713 (focusing on the plaintiff’s constitutional argument, stressing the use of the right to exclude as a means of “leverage” (quoting *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577–78 (Fed. Cir. 1983))).

49. See *id.* at 713 (acknowledging compulsory royalties as a potential remedy).

50. See *id.* (declining to follow the “many cases [that] state that monetary damages are typically inadequate” because of MercExchange’s history of and willingness to license).

51. See *id.* at 713–15 (resolving the remaining factors in favor of the defendants and denying injunctive relief).

52. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1326 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006).

53. *Id.* Issues on appeal other than the denial of injunctive relief are not addressed in this Note.

b. Appellate Court. In the appellate proceedings, the court upheld findings of validity and infringement by eBay with respect to the '265 patent but reversed the denial of a permanent injunction.⁵⁴ The circuit court gave little weight to the fact that MercExchange licensed its patents or to the comments made by Woolston.⁵⁵ In reversing the denial of injunctive relief, the court acknowledged that denial of such relief may be appropriate, but stressed it would be under narrow circumstances and focused almost exclusively on the potential harm to the public.⁵⁶ The court indicated the nature of the business-method patent at issue was not within the narrow circumstances that call for denial of injunction based on public need or public harm.⁵⁷

Desperate to avoid a permanent injunction that could have “potentially crippling consequences,” eBay petitioned for certiorari.⁵⁸ In its petition eBay argued that the application of a general rule awarding injunctive relief directly violated the plain language of the Patent Act.⁵⁹ Additionally, eBay emphasized the importance of the issue to the national economy.⁶⁰ The Supreme Court granted certiorari and directed the parties to address whether the Court should reexamine or modify the standard for awarding injunctive relief.⁶¹

2. *Supreme Court Reasoning.* On May 15, 2006, Justice Thomas delivered the opinion of the unanimous Supreme Court.⁶² The Court vacated and remanded the case, finding that neither lower court applied the appropriate framework for analysis.⁶³ In addition to the opinion filed by Justice Thomas, Chief Justice Roberts filed a concurring opinion, joined by

54. *Id.*

55. *Id.* at 1339 (“Injunctions are not reserved for patentees who intent do practice their patents, as opposed to . . . licens[ing].”).

56. *Id.* at 1338–39.

57. *See id.* at 1338 (indicating denial of injunctive relief is more appropriate when the injunction “frustrates an important public need” such as protecting public health (quoting *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995))).

58. Petition for Writ of Certiorari, *supra* note 27, at *6.

59. *Id.* at 14–18 (arguing that use of “may” language requires courts to apply traditional principles of equity rather than creating a “virtually irrebuttable presumption”).

60. *Id.* at 25–27 (describing the use of injunctions as tools of extortion and judicial waste that “impose substantial costs on innovating companies”).

61. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 733, 733 (2005) (mem.), *granting cert. to* 401 F.3d 1323 (Fed. Cir. 2005).

62. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1838 (2006).

63. *Id.* at 1841.

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Justices Scalia and Ginsburg.⁶⁴ Justice Kennedy also filed a concurring opinion, joined by Justices Stevens, Souter, and Breyer.⁶⁵

The Court rejected the notion of presuming irreparable harm and required that the plaintiff bear the burden of proving irreparable harm through the traditional application of a four-prong test for equitable relief.⁶⁶ In so holding, the Court declared that lack of commercial activity and willingness to license were not absolute bars to awarding a permanent injunction.⁶⁷ The Court admonished the district court for defining categorical rules for denying injunctive relief when the plaintiff is willing to license the patent or fails to engage in commercial activity.⁶⁸ Likewise, the Court chided the circuit court for using a “general rule” that irreparable harm is presumed once validity and infringement are concluded, concluding that categorical grants are equally inconsistent with the principles of equity.⁶⁹ While the Court did eschew the opposite extremes taken by the lower courts, it did not determine whether injunctive relief was appropriate in *eBay*, nor did it suggest guiding principles; thus the definition of irreparable harm is still largely left to the lower courts’ discretion.⁷⁰

In his concurring opinion, Chief Justice Roberts agreed discretion lies within the district courts but suggested *eBay* is not mandating a “clean slate” or requiring history be abandoned in its entirety.⁷¹ Justice Kennedy, although agreeing in part that history is a valid consideration, rejected the theory that the historical practice of awarding equitable relief is based on

64. *Id.* at 1838.

65. *Id.*

66. *Id.* at 1839; *see also* *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311–12 (1982) (stressing that equitable relief is discretionary and based on “irreparable injury and inadequacy of legal remedies”).

67. *See eBay*, 126 S. Ct. at 1840 (surmising financial costs of licensing and enforcement may deter individuals from taking on responsibility of intellectual property on their own).

68. *See id.* (expressing concern that broad rules would preclude injunctive relief in many scenarios).

69. *Id.* at 1841 (positioning the frameworks used by the lower courts as opposite extremes of the same error).

70. *See id.* (remanding the case for further analysis utilizing the traditional four-factor test); Mitchell G. Stockwell, *Implementing eBay: New Problems in Guiding Judicial Discretion and Enforcing Patent Rights*, 88 J. PAT. & TRADEMARK OFF. SOC’Y 747, 747 (2006) (recognizing the issues left open in the wake of *eBay*, including the precise factors lower courts should utilize to determine whether to deny injunctive relief).

71. *See eBay*, 126 S. Ct. at 1841–42 (Roberts, C.J., concurring) (stressing a departure from the “long tradition of equity practice” should not be taken without due consideration (quoting *Weinberger*, 456 U.S. at 320)).

difficulty in enforcing the right to exclude.⁷² Kennedy's concurrence emphasized the changing terrain of patent law and the rise of an industry that depends upon licensing as its primary sustenance.⁷³ Although Thomas warned against creating dispositive rules for awarding injunctive relief, Roberts suggested courts use historical notions of equity, and Kennedy suggested courts focus on the nature of the patent and the assignee.⁷⁴

C. Patent Trolls

An understanding of the nature and effects of patent trolling is critical to understanding the *eBay* decision. Peter Detkin, former in-house counsel for Intel, first coined the term "patent troll" in 2001 to describe a set of small companies that were suing Intel for patent infringement.⁷⁵ Because use of the term has increased and its definition now varies, it is more difficult to identify a patent troll.⁷⁶ The "patent troll" debate fundamentally involves the tug-of-war between preserving the legitimate "right to exclude" while restricting the use of patents as coercive tools.⁷⁷ Because the patentee holds the exclusive rights to the invention or method described in the patent, the patent troll can use the threat of infringement litigation and injunctive relief to coerce and extort better licensing terms than the marketplace would otherwise offer.⁷⁸ Thus, the patent troll serves not to foster innovation and competition, but rather to "tax" it.⁷⁹

72. See *id.* at 1842 (Kennedy, J., concurring) (implying monetary damages may be sufficient for use of an invention without the patentee's permission).

73. See *id.* (noting history is relevant when the case bears a resemblance to issues previously addressed, but recognizing the emergence of firms that use patents solely to obtain licensing fees).

74. Compare *id.* at 1840–41 (majority opinion) (rejecting the broad rules for denial suggested by the district court and the categorical grant of relief by the court of appeals), with *id.* at 1841–42 (Roberts, C.J., concurring) (suggesting the relevance of history and congruency in decisions), and *id.* at 1842 (Kennedy, J., concurring) (advocating for consideration of the nature of the patent and economic function of the patent holder).

75. Seidenberg, *supra* note 9, at 53 (recounting the origin of the term "patent troll").

76. See McMahon, Akerley, & Bu, *supra* note 3, at 160–61 (blurring the definition of patent troll based on the expansion in the scope of patentable subject matter).

77. See Brief for Yahoo! Inc. as Amicus Curiae Supporting Petitioner at 2–3, *eBay*, 126 S. Ct. 1837 (No. 05-130), 2006 WL 218988 (describing the incentive associated with the right to exclude, but depicting trolls as leveraging the possibility of injunctions to extort and increase settlements).

78. *Id.* at 2 (arguing that "automatic injunctions" create incentives for patent trolling and disrupt the system).

79. *Id.* at 3 (emphasizing that patent trolls seek injunctions to increase settlement value at the expense of innovation and other societal costs); see FEDERAL TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY ch. 3, at 40–41, 52–53 (2003) (alleging patent holders set license fees just beneath costs of litigation, thus licensing becomes the only economic alternative for their rivals),

Definitions of patent trolls may include: entities owning a number of patents and seeking “nuisance-value” settlements from alleged infringers; anyone enforcing a patent in an area where they are not commercially active; anyone threatening litigation on a vague or overbroad patent; anyone acquiring patents solely for generating revenue; or possibly some combination of the aforementioned.⁸⁰ Some have suggested that the commercial activity and nature of the patent assignee’s business may be a factor in identifying a patent troll.⁸¹

The behavior of an entity may also cause it to be identified as a patent troll.⁸² Patent trolling usually involves smaller companies holding larger companies, with deep pockets, hostage by acquiring broad patents.⁸³ Trolls hold patents in hopes of luring an infringer, then holding him hostage until he agrees to the troll’s terms or refrains from use, which may pose grave financial consequences for the infringer.⁸⁴ Thus, the troll profits from the infringement by using the threat of litigation as a method of coercion.⁸⁵

The nature of the patent itself may also be a consideration in identifying a patent troll.⁸⁶ Patent trolling is arguably more common when the patent covers a business method or could be considered

available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

80. See McMahon, Akerley, & Bu, *supra* note 3, at 165 (proposing a definition of patent troll based on corporate philosophy); Seidenberg, *supra* note 9, at 53 (noting the definition varies partially because alleged trolls attempt to avoid being defined as such); Nicholas Varchaver, *Who’s Afraid of Nathan Myhrvold?*, FORTUNE, July 10, 2006, at 110, 112 (defining “patent troll” as a derogatory term used for “[a]n entity that neither invents nor makes products but instead acquires patents and uses them to extort money from legitimate businesses by suing or threatening to sue”).

81. Brief for Yahoo! Inc. as Amicus Curiae Supporting Petitioner, *supra* note 81, at 6–8, 23 (describing the problem of “patent thickets” in the computer industry and proposing the use of business purpose as a factor in determining whether to award injunctive relief).

82. Seidenberg, *supra* note 9, at 53 (characterizing patent trolling as attempts to enforce a patent outside a business practice, threatening litigation, or seeking nuisance-value settlements).

83. See *id.* at 51–53 (highlighting the expenses associated with patent litigation and portraying the troll as seeking out companies with deep pockets that have made large investments into the infringing technology). *But see* Steve Lohr, *I.B.M. Sues Amazon.com Over Patents*, N.Y. TIMES, Oct. 24, 2006, at C1 (describing the plight of I.B.M. in its suit against Amazon.com as being contrary to the general rule of larger companies being targeted by trolls).

84. Brief for Yahoo! Inc. as Amicus Curiae Supporting Petitioner, *supra* note 81, at 9–11 (detailing use of patents to “hold[] up” companies by demanding high royalties).

85. FEDERAL TRADE COMM’N, *supra* note 79, ch. 3, at 40 (asserting that “hold ups” maximize these profits by setting royalty fees just below the cost of litigation; the higher royalties are in turn passed to consumers).

86. See, e.g., Seidenberg, *supra* note 9, at 54 (listing business method patents as ripe for denial of injunctive relief); *cf.* Sussner & Cohen, *supra* note 12, at 9 (observing the negative publicity surrounding “overbroad and improvidently granted” technology patents).

low quality.⁸⁷ Business-method patents protect the means or steps used to produce a particular result, as opposed to its physical embodiment.⁸⁸ Business-method patents are widely criticized and generally considered to be suspect by their very nature.⁸⁹ A recent Patent and Trademark Office study shows that secondary review prevented the issue of patents in over half of these business-method applications and prompted legislative efforts to remove the presumption of validity with regard to these patents.⁹⁰ Overly broad and vague patents provide a large platform from which to argue infringement; this problem results in a waste of resources in research and development process for those attempting to design around the scope of the patent.⁹¹

Another factor that may ease identification of patent trolls is that certain industries are more prone to trolling than others.⁹² For example, trolling is especially notorious within technology-based industries.⁹³

III. ANALYSIS

Patent trolling proves to be a dominant theme within the *eBay* decision and its progeny. The following section analyzes the *eBay* and post-*eBay* decisions to uncover key thematic patterns, which center on patent trolling.

87. See Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKLEY TECH. L.J. 577, 589–90 (1999) (highlighting the generally low quality patents issued for business methods, specifically in software, because they are often dismissive of prior art outside of the patent registers).

88. 60 AM. JUR. 2D *Patents* § 71 (2006) (defining a method patent).

89. See Lohr, *supra* note 83 (reporting IBM's criticism of business method patents).

90. Cheryl L. Johnson, *Why Judges are Destined to Flunk Their Markman Tests: The History of Claim Construction Assignment*, in HOW TO PREPARE AND CONDUCT MARKMAN HEARINGS 2006, at 9, 77 (PLI Pats., Copyrights, Trademarks, and Literary Prop. Course Handbook Series No. 8891, 2006) (expressing concerns about lax standards in reviewing and approving method patents and revealing PTO quality study results). U.S. Representatives Berman and Boucher proposed a modification to 35 U.S.C. § 103 that would make business-method patents presumptively obvious. See Business Method Improvement Act of 2001, H.R. 1332, 107th Cong. § 4 (2001). H.R. 1332 was referred to the House Subcommittee on Courts, the Internet, and Intellectual Property, but the Subcommittee took no further action. H.R. 1332 [107th]: Business Method Patent Improvement Act of 2001, <http://www.govtrack.us/congress/bill.xpd?bill=h107-1332> (last visited Nov. 8, 2007) (providing status for H.R. 1332).

91. FEDERAL TRADE COMM'N, *supra* note 79, at 6–7 (describing scenarios where “bad patents”—untouchable due to threat of litigation—cause waste in research and development).

92. See *id.* (indicating that patent thickets and questionable patents are more likely in the computer hardware and software technology industry).

93. *Id.*; Merges, *supra* note 87, at 589 (noting patents in technology are prone to being of poor quality).

A. Uncovering the Patent Troll

None of the trial, appellate, or Supreme Court opinions utilize the term “patent troll;” however, the courts implicitly and explicitly reference facts consistent with patent trolling throughout the litigation process.⁹⁴

1. *District Court.* Although erring in its application of categorical rules, the evidence cited by the district court demonstrates it was keen to the problem of patent trolling and suspected such activity in the *eBay* case.⁹⁵ In determining whether to award injunctive relief, the district court focused on evidence consistent with common notions of patent trolling in evaluating irreparable harm and adequacy of monetary damages.⁹⁶ For example, the court gave significant weight to MercExchange’s willingness to license its patents, both to demonstrate that harm would not be irreparable and also to show the ease of calculating monetary damages.⁹⁷ The court pointedly suggested that MercExchange “exists merely to license its patent[s].”⁹⁸ The lack of commercialization was a prominent theme in the trial court’s rationale, which bled into the court’s analysis of public harm.⁹⁹ The court ultimately concluded that holding the patent and not allowing the public to benefit from it was inconsistent with the goals of the patent system.¹⁰⁰

Additionally, the comments Woolston and his attorneys made to the media throughout the trial suggested a desire to

94. See generally *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005) (reversing the district court without explicitly mentioning the term “patent troll”), *vacated*, 126 S. Ct. 1837 (2006); *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695 (E.D. Va. 2003) (alluding to, without specifically referencing, the “patent troll”), *vacated in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006); see also Platt, *supra* note 37, at 36 (noting the term “patent troll” is not used in the Supreme Court’s *eBay* opinion).

95. See *MercExchange*, 275 F. Supp. 2d at 712 (focusing on lack of commercial activity, willingness to license, and comments made to media by Woolston).

96. *Id.* at 712–13 (noting substantial evidence demonstrating the lack of commercial activity and willingness to license).

97. *Id.* at 711–13 (acknowledging arguments of MercExchange based on the “right to exclude,” but aligning with the perspective of calculating reasonable royalties as a compensation for damage).

98. *Id.* at 712 (relying upon Woolston’s comments to unearth the primary objectives of MercExchange).

99. *Id.* at 712–14 (tying together the lack of commercial activity and MercExchange’s failure to seek a preliminary injunction as evidencing a lack of irreparable harm and extending the argument into the public interest analysis).

100. *Id.* at 714 (drawing a parallel between potential abuses of the patent system and the lack of commercial activity and suggesting denial of injunctive relief in such a case would be consistent with reform efforts).

obtain monetary compensation rather than to preserve the integrity of the patent or the right to exclude.¹⁰¹ The comments clearly reflected a disregard for the spirit and intent of the patent system and the “right to exclude” upon which property law is based and intellectual property derived.¹⁰² The plaintiff’s arguments before the court relied upon the very doctrine with which his out-of-court statements conflict.¹⁰³ Such blatant disregard for the integrity of the patent system, and use of the patent system to exploit settlements, is entirely consistent with patent troll behavior.¹⁰⁴

The court found the public harm from issuing the injunction equaled the harm MercExchange would suffer if the injunction was not issued.¹⁰⁵ Within this analysis, the court expressed concern regarding the nature of business method patents.¹⁰⁶ The fourth factor, balancing the hardships each party would suffer, also favored the defendants.¹⁰⁷ The court concluded the evidence did not support an award of injunctive relief, and therefore denied MercExchange’s motion.¹⁰⁸

2. *Circuit Court.* On appeal, the Federal Circuit dedicated a relatively small portion of its opinion to the irreparable harm and adequacy of monetary relief elements, focusing instead on public harm.¹⁰⁹ The court’s rationale rested primarily upon the strength of the “right to exclude” as reinforcing the general,

101. *Id.* at 712 n.13 (referencing two published accounts of statements made by MercExchange and emphasizing a consistent theme of obtaining financial compensation); see also, e.g., Steiner, *supra* note 46 (quoting Woolston as saying, “it is not our goal to enforce these patents, we want to sell off our Intellectual Property rights”).

102. Compare FEDERAL TRADE COMM’N, *supra* note 79, at 2 (theorizing that the right to exclude fosters innovation which, when coupled with disclosure, promotes dissemination of information and enables public use), with Steiner, *supra* note 46 (quoting Woolston as not desiring to enforce the patent, but rather to “sell off” the property rights).

103. Compare *MercExchange*, 275 F. Supp. 2d at 713 (accentuating the “atypical” nature of the case—contrary to precedent shows monetary damages are an inadequate remedy), with Steiner, *supra* note 46 (reporting comments of Woolston, which indicate a desire for monetary remedy).

104. McMahon, Akerley, & Bu, *supra* note 3, at 159 (lamenting the failure of traditional defenses against trolls and concluding that lengthy and expensive litigation make licensing the only alternative).

105. *MercExchange*, 275 F. Supp. 2d at 714.

106. *Id.* at 713–14 (recognizing legislative proposals to remedy concerns about business method patent quality).

107. *Id.* at 714–15 (predicting that award of injunctive relief would generate endless cycles of infringement allegations and litigation against the defendants).

108. *Id.* at 715.

109. See generally *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338–40 (Fed. Cir. 2005) (dedicating roughly one and a half pages to the injunction issue and emphasizing public interests), *vacated*, 126 S. Ct. 1837 (2006).

albeit erroneous, rule that injunctive relief awards follow a finding of infringement.¹¹⁰ The opinion recognized the potential for patent trolling by noting skepticism of business method patents.¹¹¹ Nevertheless, the court dismissed such concerns, indicating they did not rise to a level sufficient to constitute public harm.¹¹²

The court also recognized that the behavior and statements of MercExchange were characteristic of patent trolling but gave little weight to the fact that MercExchange licensed its patents and that Woolston's statements indicated enforcement of the patents was not a primary objective.¹¹³ The court relied so heavily upon the "right to exclude" that it practically enabled patent trolling by proclaiming, "If the injunction gives the patentee additional leverage in licensing, that is a natural consequence of the right to exclude and not an inappropriate reward to a party that does not intend to compete in the marketplace with potential infringers."¹¹⁴

3. *Supreme Court.* In vacating the prior opinions and remanding the case, the Supreme Court relied primarily upon the plain language of the Patent Act to conclude that an injunctive remedy is based on the historical principles of equity and is discretionary.¹¹⁵ The Court dispelled the circuit court's reasoning that the "right to exclude" justified the general rule of presuming irreparable harm by distinguishing the creation of right from the remedies established for a violation of the right.¹¹⁶ The opinion noted the district court utilized the proper rule but

110. *See id.* at 1338 (basing the award of injunctive relief on the need to protect property rights, specifically the right to exclude); *see also* eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837, 1840–41 (2006) (rejecting categorical approach used by the circuit court).

111. *MercExchange*, 401 F.3d at 1339 (recognizing a "general concern" about business method patents and steps undertaken to protect the patent system against potential abuse).

112. *Id.* (refusing to recognize a general concern as sufficient to validate the exceptional act of denying injunctive relief).

113. *Id.* (noting the statutory right to exclude applies equally to patentees that seek to use their patents as well as those that intend to license their patents).

114. *Id.* Curiously, the circuit court did not delve into the trial court's finding that monetary damages were in fact adequate, nor did it look to case law suggesting there are instances where injunctive relief can be denied outside the context of public harm. *See generally id.* at 1338–39 (omitting discussion of adequacy of monetary damages or denial of injunctive relief when no conflict with public interest exists).

115. eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. at 1839–41 (vacating the decision of the circuit court and discussing discretionary nature of injunctive relief under the Patent Act).

116. *Id.* at 1840 ("[C]reation of a right is distinct from the provision of remedies for violations of that right.").

erroneously made broad generalizations that could inappropriately prevent the award or denial of injunctive relief in many cases.¹¹⁷

The Court recognized the undercurrent of patent trolling as evidenced by the salient facts it included in the opinion. Justice Thomas highlighted that the patent was a business-method patent, MercExchange “holds a number of patents,” and MercExchange unsuccessfully tried to license the patent prior to litigation.¹¹⁸ Despite these indications of troll-like behavior, the Court warned against categorical rules for injunctive relief and supported their position by citing examples that contradict the stereotypical perceptions of the patent troll.¹¹⁹ The Court did not explicitly invalidate the behaviors relied upon by the district court or preclude them from consideration in a case-by-case analysis; rather, it merely stated that the patent trolling indications are not dispositive and rejected them to the extent they are used to “adopt[] . . . a categorical rule.”¹²⁰

B. Reconciling the Opinions in eBay

Despite agreement regarding the appropriate injunction standard, the concurring opinions suggested different approaches to applying the traditional standard.¹²¹ The concurrences can be squared with the unanimous opinion by viewing all three as focusing on preventing the ills of patent trolling and abuse of the patent system. To put the opinions in context, the patent system has been in a state of crisis.¹²² Reform legislation has addressed some ills, but the patent trolling problem persists.¹²³ Because of

117. *Id.* (noting the district court erred in “adopt[ing] certain expansive principles”).

118. *Id.* at 1839 (implying that MercExchange could be patent trolling based upon nature of patent, nature of patentee’s business, and willingness of patentee to license the patent); see McMahon, Akerley & Bu, *supra* note 3, at 159 (suggesting common characteristics and behaviors of patent trolls).

119. *eBay*, 126 S. Ct. at 1840 (citing university researchers and self-made inventors as legitimately preferring to license patents).

120. See *id.* (invalidating the district court opinion only “[t]o the extent that [it] adopted such a categorical rule”).

121. Seidenberg, *supra* note 9, at 53–54 (reflecting a perceived split amongst the opinions in terms of using history as a reference versus emphasis on issues relevant in modern patent law); Susser & Cohen, *supra* note 12, at 10 (opining that the Justices sent fractured messages).

122. See Doug Harvey, *Reinventing the U.S. Patent System: A Discussion of Patent Reform Through an Analysis of the Proposed Patent Reform Act of 2005*, 38 TEX. TECH L. REV. 1133, 1145 n.117 (2005) (describing the “crisis” state of patent law and suggesting that low-quality patents contribute to the predicament).

123. See Susser & Cohen, *supra* note 12, at 9 & n.2 (noting the “broad-based” reform effort and citing reports of a failure of the industry to keep up with the changes in the business environment). For a detailed discussion of patent reform, see Harvey, *supra* note 122.

the lack of certainty in defining and identifying a patent troll, the majority opinion was leery of categorical rules.¹²⁴ Justice Thomas avoided “bright line” rules for determining the appropriateness of injunctive relief by design because the nature of the patent law landscape is still evolving.¹²⁵ Additionally, based upon the exploitative nature of the patent troll’s behavior, if the Court defined clear rules for when injunctive relief should or should not be awarded, patent trolls would likely “design around” such guidelines.¹²⁶ Rather than nullify the criteria used by the lower courts, the Court simply chose not to make such criteria dispositive.¹²⁷ Although it is acceptable in patent law to design around a patent, the Court frowns upon those who attempt to circumvent its mandates.¹²⁸

The concurrences may provide a “gloss” on the unanimous opinion by offering insight into how the unanimous opinion might be applied and interpreted. Chief Justice Roberts’s concurrence urged “like cases should be decided alike” and stressed history need not be thrown out of the decisionmaking process entirely.¹²⁹ Such an approach is consistent with the Court’s opinion that a framework of historical principles of equity should be applied.¹³⁰ Therefore, when the facts of the case are consistent with the historical applications of patent law—that is, reflect an absence of patent trolling—the historical principles of

124. *eBay*, 126 S. Ct. at 1840 (holding categorical rules cannot be squared with the application of equitable principles); McMahon, Akerley & Bu, *supra* note 3, at 162–63 (comparing technology companies to educational institutions—each of which perform their own research and license the technology developed—as examples of the blurred line between trolling and non-trolling).

125. See Brief of Yahoo! Inc. as Amicus Curiae in Support of Petitioner, *supra* note 81, at 2 (indicating the difficulty in identifying patent trolls and requesting guidance from the Court in terms of relevant factors and considerations).

126. Cf. *id.* at 22–23 (portraying the patent trolls as manipulating the known boundaries of the patent system in order to “trap” infringers and citing examples of exploitative behavior).

127. See *eBay*, 126 S. Ct. at 1840–41 (limiting the rejection of the district court’s approach only to extent that it created categorical rules).

128. See Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 MINN. L. REV. 101, 121 (2006) (suggesting courts encourage designing around patents to promote innovation); see also Joshua A. Klein, *Commerce Clause Questions After Morrison: Some Observations on the New Formalism and the New Realism*, 55 STAN. L. REV. 571, 605 (2002) (describing the Court’s dislike of attempts to circumvent its prior holdings, even by legislation, and to usurp its authority to “say what the law is” (quoting *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803))).

129. See *eBay*, 126 S. Ct. at 1841–42 (Roberts, C.J., concurring) (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)) (hinting that historical patterns, where irreparable harm was presumed, may continue to be applicable under an *eBay* analysis).

130. See *id.* at 1839 (majority opinion) (mandating the application of the traditional four-prong test for equitable relief).

equity and their traditional application within patent law prevail; the threshold for showing irreparable harm is lower; and the difficulty in ascertaining adequate monetary damages increases.¹³¹ Conversely, if the facts of the case suggest patent trolling, which was not historically prevalent, the measuring criteria, the weighing of those criteria, or the results of the weighing may vary from historical precedent.¹³² In fact, Justice Roberts explicitly stated the discretion urged by the Court is to be tempered with history and not to be applied as if the law were a “clean slate.”¹³³ Such an interpretation of Justice Roberts’s concurrence would be entirely consistent with the opinion delivered by Justice Thomas.

Justice Kennedy, writing for himself and Justices Stevens, Souter, and Breyer, cautioned that “the existence of a right to exclude does not dictate the remedy for a violation of that right.”¹³⁴ This conclusion is a reasonable extension of the unanimous opinion’s suggestion that something less than injunctive relief may be an appropriate remedy.¹³⁵ Whereas the Chief Justice’s concurrence suggests how the Court’s unanimous opinion should be applied under facts mimicking the historical patent litigation environment—that is, when patent trolling is not present, the Kennedy concurrence stressed the application of the unanimous opinion in the modern day patent infringement environment.¹³⁶ The views expressed in the two prior opinions are reiterated by Kennedy, who elaborated upon the changed environment and reinforced the directive to review the circumstances of the individual cases in the proper context.¹³⁷ Kennedy stated the historical pattern of granting injunctions as a matter of course was merely demonstrative of the

131. *See id.* at 1841 (Roberts, C.J., concurring) (noting the long history of awarding equitable relief in patent cases based at least in part on difficulty in ascertaining monetary damages).

132. *Cf. id.* (demonstrating that in such situations Chief Justice Roberts would not start with “an entirely clean slate” when exercising equitable discretion).

133. *See id.* at 1841–42 (“[A] page of history is worth a volume of logic.” (quoting *N.Y. Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921))).

134. *See id.* at 1842 (Kennedy, J., concurring) (indicating that the Patent Act does not dictate remedies).

135. *See generally id.*

136. *See id.* (recommending reference to the concurrence of Justice Roberts when the case “bear[s] substantial parallels to litigation the courts have confronted before” but also warning that there are “present considerations quite unlike earlier cases”); Seidenberg, *supra* note 9, at 54 (suggesting the Kennedy opinion aimed to resolve “modern patent conflicts”).

137. *See eBay*, 126 S. Ct. at 1842 (Kennedy, J. concurring) (affirming the use of the four-factor test mandated by the Court and the instructive value of history when circumstances are consistent with prior cases).

circumstances under which the injunctions were sought.¹³⁸ This statement is consistent with Justice Roberts's concurrence because Kennedy is implying that, prior to *eBay*, the Court had not acknowledged the change in the patent law environment and its relevance to injunctive relief.¹³⁹ Practitioners and scholars perceived *eBay* as a significant modification in patent litigation because it reflected the changed environment in which the rule is applied, rather than a per se change to the rule.¹⁴⁰

Justice Kennedy's concurring opinion described characteristics and behaviors generally associated with patent trolling and emphasized elements such as the nature of the patent and the economic function of the patent holder.¹⁴¹ Skeptical of business-method patents, Kennedy suggested the analysis for infringement cases involving these historically unprecedented patents may vary from traditional applications of the standard for equitable relief.¹⁴² Kennedy also focused attention on the rise of firms that hold and leverage patents merely for financial gain, as opposed to establishing a competitive edge for their products or services.¹⁴³ Kennedy recognized that the injunction in this new context provides a bargaining tool rather than security for one's intellectual property, thus violating the objectives of the patent system.¹⁴⁴ The prospective criteria articulated by Justice Kennedy, such as the "nature of the patent" and the "economic function of the patent holder," do not violate the warnings of Justice Thomas.¹⁴⁵ Justice Kennedy, like Justice Thomas, does not suggest that they are dispositive, nor which way they would tip the scales, but rather suggests that they are considerations to be applied on a case-by-case basis.¹⁴⁶ Moreover, Justice Kennedy expressed an underlying concern regarding the ability of the courts to adapt to

138. *Id.*

139. *See id.* (encouraging district courts to consider whether the circumstances of the case are consistent with historical patterns or modern trends in patent law).

140. *Cf. id.* (recognizing the rapid changes in the legal and technical environment of patent law).

141. *See id.* (suggesting modern patent law "present[s] considerations quite unlike earlier cases").

142. *See id.* ("The potential vagueness and suspect validity . . . may affect the calculus under the four-factor test.").

143. *Id.*

144. *See id.* (suggesting that when the threat of injunctive relief is used as a bargaining chip, "legal damages may well be sufficient . . . and an injunction may not serve the public interest").

145. *Id.*

146. *See id.* (commenting on the various considerations but refusing to create categorical rules, stating only that such factors "may affect the calculus").

the changing nature of intellectual property.¹⁴⁷ This concern supports the proposition that the Court omitted guidelines because of the in-flux landscape of patent law and a reluctance to create a “blueprint” for patent trolls to avoid the consequences of their predatory actions.

In summary, the three opinions are reconciled by viewing Justice Thomas’s opinion as a revival of the traditional test for equitable relief and as a call to the courts to seek out evidence of patent trolling within the circumstances of the individual cases. Chief Justice Roberts’s opinion extends this theme by stressing that in cases where patent trolling is not a prevailing concern decisions should be consistent with historical precedent—generally favoring an injunction for the injured plaintiff.¹⁴⁸ The reverse would also be true. Where cases are unlike those of historical precedent—such as in cases of suspected patent trolling—the same four-factor analysis should apply, but the outcome may differ from the historical pattern of granting injunctive relief.¹⁴⁹ Thus, suspicions of patent trolling would trigger evaluation using a higher level of scrutiny, as suggested by the considerations and concerns outlined in Justice Kennedy’s opinion.¹⁵⁰

C. *Post eBay Cases*

After *eBay*, scholars and practitioners alike hypothesized as to how the courts would implement such an ostensibly radical diversion from prior case law.¹⁵¹ The interpretation and application of the standard by the lower courts will define the true impact of *eBay*.¹⁵² Several cases that have been decided under the *eBay* standard are assessed below, in chronological order, to determine how the standard articulated in *eBay* has

147. See *id.* (expressing that the discretionary role of courts “is well suited to allow courts to adapt to the rapid technological and legal developments in the patent system”).

148. See *id.* at 1841–42 (Roberts, C.J., concurring) (emphasizing congruence in decisions and value of history in equitable analysis).

149. See Platt, *supra* note 37, at 36 (recognizing that the “new reality of trolls requires a departure from . . . the way past cases turned out”).

150. See *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring) (suggesting criteria consistent with notions of patent trolling for use in weighing the equities); *supra* Part II.C (describing characteristics of patent trolls).

151. See Platt, *supra* note 37, at 36 (commenting on the potential for changes in claim construction, licensing negotiations, and uncertainty in which facts the courts will consider); Stockwell, *supra* note 70, at 747 (noting the various issues remaining with regard to the application of *eBay*).

152. See, e.g., Mark Vorder-Bruegge, Jr., *Injunctive Relief for Patent Infringement—A New Era?*, 53-Jul. FED. LAW. 14 (2006) (suggesting that the significance of the decision depends upon the trial court interpretation).

been applied and whether such application by the lower courts is consistent with the proposed reconciliation of the three opinions. The following sections of the Note use the proposed interpretation of the *eBay* opinion to determine which concurring opinion is instructive. It proceeds by evaluating the compatibility of the outcome of the case with the proposed interpretation.

1. *z4 Technologies v. Microsoft*. One of the first cases decided after *eBay* was *z4 Technologies v. Microsoft Corp.*¹⁵³ Z4, a privately held company that develops and licenses technology solutions, brought suit against Microsoft for infringing two of its patents.¹⁵⁴ The patents for product activation (the prevention of unauthorized use of software) were included in Microsoft's Office and Window's XP products.¹⁵⁵ At the conclusion of the trial, decided in the "plaintiff-friendly" Eastern District of Texas, the jury determined that Microsoft willfully infringed the two patents and awarded z4 over \$100 million in damages.¹⁵⁶ z4 subsequently sought injunctive relief, but the court refused to award it.¹⁵⁷

The court adhered to *eBay*, placing the burden of demonstrating irreparable harm solidly onto the plaintiff and rebuffed the application of general categorical principles.¹⁵⁸ Although the infringement was willful, the court seemingly discounted this finding and instead relied more heavily upon the commercial market position of the two parties.¹⁵⁹ The court reasoned that the infringing device of Microsoft was but a "small component" of the overall product, not an element that the end

153. *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. 2006).

154. *See id.* at 438 (alleging infringement of the '471 and '825 patents); *see generally* z4 Technologies, Inc., Corporate Information, <http://www.z4.com/corporate.php> (last visited Nov. 8, 2007).

155. *See z4 Techs.*, 434 F. Supp. 2d at 439; *see also* Method and Apparatus for Securing Software to Reduce Unauthorized Use, U.S. Patent No. 6,044,471 (filed June 4, 1998) (using password authentication to disable software for unauthorized users); Method for Securing Software to Decrease Software Piracy, U.S. Patent No. 6,785,825 (filed May 31, 2002) (using code to register and authenticate software).

156. *z4 Techs.*, 434 F. Supp. 2d at 438–39; Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sept. 24, 2006, § 3, at 1 (identifying "plaintiff-friendly" juries as a factor in the popularity of the Eastern District of Texas as a venue for patent infringement suits).

157. *See z4 Techs.*, 434 F. Supp. 2d at 444 (refusing to grant injunctive relief to z4 due to lack of irreparable harm).

158. *Id.* at 440.

159. *See id.* (emphasizing the market-share considerations and the lack of head-to-head competition). *But see* Alyson G. Barker, *Patent Permanent Injunctions and the Extortion Problem: The Real Property Analogy's Preservation of Principles of Equity*, 88 J. PAT. & TRADEMARK OFF. SOC'Y 256, 269–70 (2006) (suggesting the importance of willfulness in weighing the equitable factors).

user would specifically seek.¹⁶⁰ As such, the court hypothesized that the infringement caused no problem to z4 in marketing, selling, or licensing their product.¹⁶¹ It expanded the argument to its logical extent: the infringement could not have caused harm to their profits, market share, or brand name recognition.¹⁶² Essentially, Microsoft's product was not sold "to the exclusion" of z4's product.¹⁶³ The court impliedly suggested that z4 was seeking a monopoly and counteracted this argument with Microsoft's intention to phase out the infringing products within a relatively short time.¹⁶⁴ Arguably, the court could calculate a reasonable royalty because the anticipated actions of Microsoft limit the term of future infringement.¹⁶⁵

The court speculated that, if Microsoft abandoned use of the infringing software the market would likely be flooded with pirated software copies that may never be truly authenticated or properly supported.¹⁶⁶ The court recognized that granting z4's request for an injunction could cause irreparable harm to Microsoft and the end user community by violating the intellectual property rights of Microsoft.¹⁶⁷ Thus, the enforcement of one party's right to exclude would essentially breach the other's intellectual property rights.¹⁶⁸

Ultimately, by applying the traditional test for injunctive relief and not allowing the use of strictly defined categories, the court decided z4 consistently with the holding of *eBay*.¹⁶⁹ The standard used by the court is the traditional four-prong test and it maintained principles of fair competition.¹⁷⁰ By

160. See *z4 Techs.*, 434 F. Supp. 2d at 441 (invoking Justice Kennedy's concurrence and evaluating the proportion of the infringed technology to the functionality of the overall product).

161. See *id.* at 440–41 (relying upon a lack of adverse impact on competition in analysis of irreparable harm and adequacy of monetary damages).

162. *Id.*

163. *Id.* at 443.

164. See *id.* at 441–42 (suggesting the existence of the infringing product does not threaten z4's right to market or leverage its intellectual property in an incalculable way).

165. See *id.* at 442 (showing a jury could determine reasonable royalties based on Microsoft records).

166. See *id.* at 443 (detailing the complications of "turning off" the authentication mechanisms with regard to future authentication efforts and product support).

167. See *id.* (acknowledging the hypothetical nature of the pirated software scenario but recognizing it as within the "realm of possibility").

168. See *id.* Although addressed in the analysis of hardships and public harm, public harm can also constitute irreparable harm to a party.

169. See *id.* at 440 (rejecting z4's "creative" argument for a rebuttable presumption of irreparable harm, citing the *eBay* standard).

170. See *id.* at 439–44 (discussing each factor of the four-factor test while focusing on factors relevant to competition, such as loss of profits and brand-name recognition).

noting the calculation of a reasonable royalty, the ruling is consistent with Justice Thomas's interpretation of statutory directives in *eBay* in that the right to exclude alone is not sufficient to demonstrate irreparable harm.¹⁷¹ The ruling does not violate historical notions of equity, as referenced in Chief Justice Roberts's concurrence, because this case occurs within the new and potentially suspect industry of software technology.¹⁷² Further, it is consistent with the notions of deciding "like cases alike" by refusing to treat the two parties as competitors, when in fact their products were not prospective alternatives of one another.¹⁷³ The ruling is also consistent with Justice Kennedy's policy arguments regarding prevention of abuse of the patent system; z4 could arguably be considered a "holding company" in that it does not actually commercialize its twenty-four patents, comprising roughly 1,800 claims, but rather licenses them to other entities.¹⁷⁴

2. *Telequip Corp. v. The Change Exchange*. In *Telequip Corp. v. The Change Exchange*, the Northern District of New York issued a permanent injunction to protect the patent of a coin change machine.¹⁷⁵ The patent at issue covered an invention for holding and dispensing coins.¹⁷⁶

The ruling in *Telequip* is consistent with the proposed interpretation of *eBay*. It applies the four-prong standard and avoids creating any categorical rules for awarding injunctive relief, consistent with Justice Thomas's opinion.¹⁷⁷ With the

171. See *id.* at 441 (finding the monetary damages can be calculated to a reasonable certainty to compensate z4 for past and future infringement); see also *eBay Inc. v. MercExchange, Inc.*, 126 S. Ct. 1837, 1840 (2006) (arguing the Patent Act does not define the appropriate remedy for violation of the right).

172. See *eBay*, 126 S. Ct. at 1841 (Roberts, J., concurring) (noting continued relevance of traditional principles of equity); *id.* at 1842 (Kennedy, J., concurring) (highlighting dissimilarities between cases previously before the courts and modern cases); see also Seidenberg, *supra* note 9, at 54–55 (describing the z4 court's reliance upon Justice Kennedy's concurrence).

173. See *z4 Techs.*, 434 F. Supp. 2d at 441 (finding no relationship between the infringing product and the consumer's purpose for purchasing the infringing software and noting that Justice Kennedy's comments may be instructive).

174. See Seidenberg, *supra* note 9, at 54 (describing z4 as a one-man operation of a patent draftsman that creates patents in his spare time and does not currently commercialize the patents).

175. *Telequip Corp. v. The Change Exchange*, No. 5:01-CV-1748, 2006 WL 2385425, at *2 (N.D.N.Y. Aug. 15, 2006).

176. *Coin/Token Canister and Ejection Mechanism*, U.S. Patent No. 5,830,055 (filed Nov. 7, 1996).

177. Compare *Telequip Corp.*, 2006 WL 2385425, at *1 (applying the traditional equitable framework and discussing the factual circumstances of the case but omitting references to dispositive elements), with *eBay*, 126 S. Ct. at 1839–40 (same).

rationale of Chief Justice Roberts's concurrence as a backdrop,¹⁷⁸ differences in factual circumstances potentially explain the difference in results in *Telequip* and *eBay*. First, the *Telequip* court awarded a default judgment to the plaintiff on the issue of infringement and the foreign defendant defaulted in answering the motion for default judgment.¹⁷⁹ Because the defendant defaulted, the court accepted all well-pled claims as true and thus did not thoroughly analyze the claim of irreparable harm.¹⁸⁰ Second, although the court does not specifically mention that the parties involved were competitors, they were in fact rivals.¹⁸¹ Direct competition between the parties does not arouse suspicions of patent trolling because the plaintiff commercialized the invention within the same market as the defendant.¹⁸² Third, the patent was for an invention and not within the suspect class of business method patents; nor was the industry prone to trolling, as is the technology sector.¹⁸³ Therefore, the *Telequip* case does not implicate concerns pertaining to modern patent conflicts, as articulated in Justice Kennedy's concurrence.¹⁸⁴

3. *Paice v. Toyota*. One day after the decision in *Telequip*, the Eastern District of Texas denied a request for injunction related to the nonwillful infringement of three patents involving hybrid vehicles in *Paice v. Toyota*.¹⁸⁵ In seeking injunctive relief, the patent holder argued similar points as seen in *z4* with a similar lack of success due at least

178. See *eBay*, 126 S. Ct. at 1841 (Roberts, C.J., concurring) (advocating a limit on discretion to comport with historical principles and precedent).

179. See *Telequip Corp.*, 2006 WL 2385425, at *1 (recounting the procedural history of the conflict and noting the default by the Defendants).

180. *Id.*

181. Compare *Telequip*, <http://www.telequip.com/> (last visited Nov. 8, 2007) (promoting the commercial offerings of *Telequip* as increasing through put at checkout and decreasing cashier errors), with *Change Exchange*, <http://www.change-exchange.com> (last visited Nov. 8, 2007) (describing commercial offerings of *Change Exchange* in improving accuracy and efficiency in coin and currency handling).

182. See *supra* Part II.C (detailing behaviors and characteristics of patent trolls); see also *Telequip*, *supra* note 181 (reflecting active commercial nature of *Telequip*).

183. See '055 Patent (detailing the mechanism for storing and dispensing coins or tokens); see also *supra* Part II.C (noting industry concerns about the quality of business method patents and that the technology sector is prone to trolling).

184. See *eBay Inc. v. MercExchange, Inc.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring) (noting potential differences between prior cases as compared to modern patent litigation).

185. *Paice L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *1 (E.D. Tex. Aug. 16, 2006); Hybrid Electric Vehicle, U.S. Patent No. 5,343,970 (filed Sept. 21, 1992); Hybrid Vehicle, U.S. Patent No. 6,209,672 B1 (filed Mar. 9, 1999); Hybrid Vehicles, U.S. Patent No. 6,554,088 B2 (filed Apr. 2, 2001).

in part to the technology covered by the patents relative to the overall product.¹⁸⁶

Once again the Eastern District of Texas strictly applied the test of *eBay*, analyzing each prong of the test thoroughly.¹⁸⁷ Interestingly, this court essentially merged the first two prongs by stating definitively that “[i]rreparable harm lies only where injury cannot be undone by monetary damages.”¹⁸⁸ In this case, the parties did not directly compete.¹⁸⁹ The court implied that the case may have involved “patent trolling” because the patent holder was not actually producing hybrid cars and sought to license its technology.¹⁹⁰ Although the Court in *eBay* indicated that neither the nature of the patent holder nor willingness to license is dispositive, it did not prevent a lower court from considering them.¹⁹¹ Notably, the Court in *eBay* did not actually determine the appropriateness of awarding injunctive relief; therefore, while the issues may not be dispositive, they may win in a balancing test, as illustrated by *Paice*.¹⁹²

Also, in *Paice*, as in *z4*, the jury was able to ascertain what it determined to be a reasonable royalty.¹⁹³ Similar to *z4*, the patent holder alleged the infringement impacted its ability to market and sell its product.¹⁹⁴ However, the court considered evidence of the company’s potentially questionable reputation in the industry and determined that any difficulties could be attributed to the

186. Compare *Paice*, 2006 WL 2385139, at *2–3 (suspecting potential for patent trolling and infringement only on a small part of the total hybrid vehicle), with *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440–41 (E.D. Tex. 2006) (suggesting patent trolling and infringing component represent only a small part of the total product).

187. *Paice*, 2006 WL 2385139, at *4–6.

188. *Id.* at *5.

189. See *id.* (noting the lack of direct competition and misplaced concerns about loss of brand-name recognition and market share).

190. *Id.*; see also *supra* Part II.C (indicating factors that might raise suspicions of patent trolling).

191. See *eBay Inc. v. MercExchange, Inc.*, 126 S. Ct. 1837, 1840 (2006) (disallowing dispositive rules in balancing equities and citing exceptions to behavior generally associated with patent trolling).

192. *Id.* at 1840–41 (stating the Court makes no determination regarding award of injunctive relief); see *Paice*, 2006 WL 2385139, at *6 (concluding Plaintiff failed to prevail on any of the four elements).

193. See *Paice*, 2006 WL 2385139, at *5 (determining a reasonable royalty could be calculated by reference to the jury award for past infringement damages); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 441 (E.D. Tex. 2006) (suggesting the calculation of damages for future violation of the right to exclude be consistent with damages for past violations).

194. See *Paice*, 2006 WL 2385139, at *4 (arguing absence of court’s injunction negatively impacts licensing efforts); *z4 Techs.*, 434 F. Supp. 2d at 440 (alleging failure to commercialize patents is due to infringement).

preexisting reputation.¹⁹⁵ Once again, the court concurred with the premise that the right to exclude does not automatically invite injunctive relief.¹⁹⁶

The court here, as in *z4*, noted that the infringing item was but a smaller component of a larger product, often not visible to the end user.¹⁹⁷ Thus, a similar argument could be made that use of the component did not restrict Paice's ability to license its invention.¹⁹⁸

Because the facts of the case invoke concerns about the possibility of patent trolling, the case differs from the historical notion of patents promoting competition and innovation, hence implicating the concerns expressed in Justice Kennedy's opinion.¹⁹⁹ The patent holder fits the characteristic mold of the patent troll.²⁰⁰ Even after the finding of infringement, Paice continued to offer to license the invention to Toyota.²⁰¹ In determining that monetary damages would compensate Paice for the infringement, the court implies that perhaps Paice was hoping that the threat of a larger jury award might serve as a better bargaining chip for higher offers.²⁰² The court recognizes the patent system could be subjected to abuse by allowing patent holders to leverage patents as "bargaining tool[s]" in licensing negotiations, possibly inflating the license costs.²⁰³ The decision of the court appears to reject such questionable behavior.²⁰⁴

The *Paice* outcome is consistent with Justice Thomas's opinion because it does not invite the categorical denial of injunctions based solely upon a lack of commercial activity, but

195. See *Paice*, 2006 WL 2385139, at *4–5 (suggesting evidence presented indicated difficulties in commercializing patents were not due to infringement).

196. See *id.* at *5 (finding the right to exclude is "insufficient to warrant injunctive relief").

197. See *id.* at *3 (explaining infringement involves only a small portion of the transmission); *z4 Techs.*, 434 F. Supp. 2d at 441 (noting product activation was small portion of the infringing product); *supra* note 153.

198. *Paice*, 2006 WL 2385139, at *2 (referring to *z4* for the argument that the inability to license patents to others is not a basis for injunctive relief).

199. See *eBay Inc. v. MercExchange, Inc.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring) (indicating the nature of the patent holder might be an important consideration).

200. See *Susser & Cohen*, *supra* note 12, at 11 (describing Paice as an "innovating, but non-manufacturing" entity); see also *supra* Part II.C (identifying patent troll characteristics and behaviors).

201. *Paice*, 2006 WL 2385139, at *5.

202. *Id.* at *5 n.3 (acknowledging the injunction would serve as an "impressive bargaining tool").

203. See *id.*

204. See *id.* (noting that, despite the use of the injunction as a bargaining tool, the court must use the traditional test).

rather considers several factors based on the circumstances of the case at bar.²⁰⁵ The patent trolling concerns and allegations of “misrepresentation and improper business tactics” go to the heart of the issue—preventing abuse of the patent system and promoting competition—thus justifying the denial of injunctive relief.²⁰⁶

4. *TiVo v. EchoStar*. In *TiVo v. EchoStar*, the Eastern District of Texas granted a permanent injunction to TiVo, again strictly applying the *eBay* four-prong standard for awarding injunctive relief, only a day after the denial in *Paice v. Toyota*.²⁰⁷ The patent at issue involved a “time warping system” that facilitated the capture and replay of television programs.²⁰⁸ A jury found that EchoStar’s digital video recorder (DVR) devices willfully infringed on the patent of TiVo and awarded over \$73 million in compensatory damages.²⁰⁹

The court in *TiVo* also merged the notions of irreparable harm and adequacy of a remedy at law in performing the equitable analysis.²¹⁰ Although the industry is technology-based, which might raise suspicions of patent trolling, the fact that the parties compete directly conflicts with the traditional notion that patent trolls do not commercialize their patents.²¹¹ TiVo actively sells the patented devices at issue as its primary business operation.²¹² In fact, the first point made by the court in support of granting injunctive relief is that the two companies are direct competitors.²¹³ Furthermore, EchoStar’s primary business is not

205. *See id.* at *5–6 (considering multiple factors in applying the four-prong test).

206. *Id.* at *4 (inferring infringement may not be the sole cause of licensing difficulties).

207. *See TiVo Inc. v. EchoStar Commc’ns Corp.*, 446 F. Supp. 2d 664, 665–66 (E.D. Tex. 2006) (referencing the *eBay* standard for determining award of injunctive relief in a case decided August 17, 2006); *Paice*, 2006 WL 2385139, at *1 (denying injunctive relief on August 16, 2006).

208. *See Multimedia Time Warping System*, U.S. Patent No. 6,233,389 B1 (filed July 30, 1998). TiVo developed the digital video recorder (DVR), which enables recording of television shows for later viewing. TiVo, Investor Relations, <http://investor.tivo.com> (last visited Nov. 8, 2007). In comparison, EchoStar is a satellite television provider. DISH Network, About Us: Company Profile, http://www.dishnetwork.com/content/about_us/company_profile/index.shtml (last visited Nov. 8, 2007).

209. *TiVo*, 446 F. Supp. 2d at 665.

210. *See id.* at 669 (meshing elements of irreparable harm and inadequacy of damages). After concurrently analyzing these elements, the court dedicates only two short paragraphs to analysis of hardship and public interest. *See id.* at 669–70.

211. *See id.* at 670 (noting direct competition); *see also supra* Part II.C (highlighting typical trolling behavior).

212. TiVo, Investor Relations, *supra* note 208.

213. *TiVo*, 446 F. Supp. 2d at 669.

the supply of DVRs, thus the harm to EchoStar pales in comparison to that of TiVo.²¹⁴

This opinion is entirely consistent with the proposed interpretation of Justice Thomas's majority opinion, which advised against drawing categorical lines.²¹⁵ For example, although TiVo attempted to negotiate a business arrangement with EchoStar, such willingness to license did not presumptively categorize TiVo as a "patent troll" or implicate Justice Kennedy's concurrence because the parties directly compete.²¹⁶ Thus, the guidance of Justice Roberts's concurrence is more relevant because this case falls within historical notions of the patent system being used to protect and promote innovation and competition.²¹⁷

5. *3M v. Avery Dennison*. On September 25, 2006, the District of Minnesota granted plaintiff 3M's motion for a permanent injunction against Avery Dennison after having previously awarded and modified prior injunctive orders.²¹⁸ In 2005, a jury found that Avery Dennison infringed and encouraged infringement of 3M's patent for EZ Series Fleet Marketing Film.²¹⁹ Using the *eBay* standard for analyzing the motion for injunction, the court granted the permanent injunction 3M requested.²²⁰

214. *Id.* at 667 (arguing EchoStar's primary business is transmission of satellite television and enjoining DVRs would not impact that aspect of its business).

215. *See eBay Inc. v. MercExchange, Inc.*, 126 S. Ct. 1837, 1840 (2006) (warning against creation of dispositive rules in equitable analysis).

216. *TiVo*, 446 F. Supp. 2d. at 670 (stating the fact Tivo had attempted to enter into agreements with Echostar "does not demonstrate that there is no irreparable harm" or that "monetary relief is adequate"); *see also eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring) (indicating criteria that might raise suspicions of patent system abuse, such as business-method patents, lack of commercial activity, or infringing functionality being a small portion of the total product); *see supra* Part II.C (noting a willingness or sole desire to license as an indication of patent trolling).

217. *TiVo*, 446 F. Supp. 2d at 669–70 (stressing harmful impacts of infringement on competitive environment between parties); *see eBay*, 126 S. Ct. at 1841–42 (Roberts, C.J., concurring) (implying that denial of injunctive relief might be inappropriate in patent cases presenting traditional fact and legal issues).

218. *3M Innovative Props. Co. v. Avery Dennison Corp.*, No. 01-1781, 2006 WL 2735499, at *1 (D. Minn. Sept. 25, 2006) (recalling procedural history and prior award of injunctive relief and modification to prior order).

219. *Id.* The film is used to wrap cars with advertisements. 3M Scotchprint Graphics: 3M Controlac Plus Graphic Quality Film with Comply Performance Series 180C, http://products3.3m.com/catalog/us/en001/graphicarts/scotchprint/node_50ZHGGJDR7be/r oot_GST1T4S9TCgv/vroot_K9JT0N94GJge/gvel_GD4NMGP9LJgl/theme_us_scothprint_3_0/command_AbcPageHandler/output_html (last visited Nov. 8, 2007).

220. *See 3M*, 2006 WL 2735499, at *1 (referencing *eBay's* traditional standard for equitable relief and granting injunctive relief sought by 3M).

Underlying the analysis of the court is the fact that Avery Dennison and 3M are direct competitors. Avery Dennison specializes in adhesive products, including those used in product labeling, office supplies, and graphic materials.²²¹ 3M has a diverse portfolio that includes graphics and office products.²²² Further, the products at issue are in direct competition: 3M actively markets the infringed EZ Series Fleet Marketing Film as “Controлтac Plus Graphic Film with Comply Adhesive,”²²³ and Avery Dennison markets the infringing product under the “Easy Apply Technology EZ Graphics Film” product line.²²⁴ Both factors, direct competition and commercialization of the patent, weigh against the suspicion of patent trolling by 3M.²²⁵

The court explicitly rejected the opportunity to “force” 3M to grant a license to Avery Dennison, casting doubt on the viewpoint of some that the *eBay* decision is the equivalent of a court-created, compulsory licensing agreement.²²⁶ Additionally, the court found 3M would suffer irreparable harm from the potential for continued infringement by Avery Dennison.²²⁷

This case epitomizes the notion of not starting with a “clean slate,” urged by Chief Justice Roberts.²²⁸ The procedural history of this case reveals that the initial injunction issued before *eBay*, when presumption of irreparable harm was presumably in effect.²²⁹ Thus, the end result of this case illustrates that after

221. See generally Avery Dennison: Major Markets, <http://www.averydennison.com/> (follow “About Us” hyperlink; then follow “Major Markets” hyperlink) (describing Avery Dennison’s products) (last visited Nov. 8, 2007).

222. See generally 3M US: Products and Services, http://solutions.3m.com/en_US/Products (last visited Nov. 8, 2007) (listing 3M’s products).

223. See Press Release, 3M Public Relations, Injunction Prohibits Avery from Selling EZ Series Fleet Marking Film (Apr. 4, 2006), http://solutions.3m.com/wps/portal/3M/en_US/Graphics/Scotchprint/Resources/News/?PC_7_RJH9U5230GE3E02LECIE20S787_assetId=1114287452084 (indicating the 3M product infringed by Avery Dennison).

224. Press Release, Avery Dennison, Avery Dennison Says U.S. Patent Office Agrees to Reexamine the 3M Company Patent that is the Subject of Ongoing Litigation (Apr. 13, 2006), <http://www.averydennison.com/corporate.nsf/17f0ac7f911835cb88256a23005b823b/b811225dadda48b08825714f008374f6?OpenDocument> (indicating which Avery Dennison product was alleged to infringe the patent).

225. See *supra* Part II.C (highlighting characteristics of patent trolls).

226. 3M Innovative Props. Co. v. Avery Dennison Corp., No. 01-1781, 2006 WL 2735499, at *1 (refusing to force a licensing agreement when 3M consistently rejected the option); Susser & Cohen, *supra* note 12, at 9 (opining the *eBay* decision equates to a “post-trial compulsory license”).

227. See 3M, 2006 WL 2735499, at *1 (respecting decision of 3M in determining that a license would not serve its business interests).

228. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841 (2006) (Roberts, C.J., concurring).

229. See 3M, 2006 WL 2735499, at *1 (describing procedural history, including the initial grant of 3M’s motion for permanent injunction on March 17, 2006, two months

eBay, absent evidence of patent trolling, the result is the same.²³⁰ The absence of patent trolling avoids implicating the stricter scrutiny suggested by Justice Kennedy²³¹ and emphasizes historical precedents favoring the award of injunctive relief.

D. eBay on Remand

In light of the aforementioned cases, *eBay* itself proceeds to trial on remand to address MercExchange's renewed motion for permanent injunction.²³² In anticipation of trial, the district court heard motions relevant to the permanent injunction issue in November 2006, which may provide insight into the court's direction.²³³

One key motion involved the request by eBay to exclude new evidence associated with the commercial character and marketing intentions of MercExchange.²³⁴ On December 18, 2006, the Eastern District of Virginia denied eBay's request to exclude all new evidence but still limited the scope of admissible evidence.²³⁵ The court acknowledged that the determination to award or deny injunctive relief requires an analysis of facts as they exist presently, not as they were at the time of the initial trial.²³⁶ Thus, the court will admit relevant evidence postdating August 6, 2003, but no new evidence that existed before that date, to preclude "backfilling" of the record.²³⁷

Within this date restriction the court imposed a second constraint—it staunchly refused to give any weight to evidence that attempts to recast the record in conflict with the factual findings of the district court in the initial trial.²³⁸ Specifically, the

before the *eBay* decision).

230. *See id.* at *2 (granting injunctive relief to 3M based on application of traditional standard for balancing equities as mandated by *eBay*). The outcome of the case is the same, even though eBay rejects the presumption of irreparable harm. *See Casagrande, supra* note 18, at 14–15.

231. *See eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring) (highlighting the circumstances that may raise the suspicions of the courts when evaluating a motion for equitable relief).

232. *Id.* at 1841 (majority opinion) (remanding the case so the district court can apply the proper framework in determining injunctive relief).

233. *MercExchange, L.L.C. v. eBay, Inc.*, 467 F. Supp. 2d 608, 609 (E.D. Va. 2006) (indicating the court heard four motions filed by Defendants in November 2006).

234. *Id.* at 609–10, 613 (discussing the evidentiary motion and noting that the evidence is "aimed at proving that MercExchange intended to commercialize its inventions from their infancy").

235. *Id.* at 609, 620–21 (discussing the admissibility of new evidence).

236. *See id.* at 611.

237. *Id.* at 610 (selecting the limiting date as when the court initially denied the motion for injunctive relief).

238. *Id.* at 613–15 (warning the court will give no weight to evidence that attempts to

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court noted three key factual findings: (1) MercExchange's willingness to license its patents; (2) the lack of commercial activity in practicing the patents; and (3) Woolston's comments indicating a desire to obtain monetary damages rather than actually enforce the patent.²³⁹ The court specifically planned to disregard expert testimony that painted broad generalizations about the irreparable harm that small companies suffer due to infringement.²⁴⁰ Additionally, the court discounted expert testimony claiming that MercExchange intended to commercialize its patents, as it contradicts the prior finding that MercExchange did not intend to commercialize the patent.²⁴¹ The court characterized this as the same type of broad categorization that the Supreme Court explicitly rejected.²⁴² Thus, it refused to allow the right to exclude to prevail over prior findings of fact.²⁴³

Perhaps most interestingly, MercExchange entered into a business relationship with uBid, a direct competitor of eBay.²⁴⁴ The court will consider this evidence in its analysis of specific harm to MercExchange.²⁴⁵ The declaration of uBid's Merchandising Vice President reflects the unfavorable terms of the agreement are due in part to eBay's infringement of the '265 patent.²⁴⁶ Testimony from a uBid executive indicated the company considered a plan to create an auction site directly competitive with eBay.²⁴⁷ The company abandoned the plan because the "buy-it-now" functionality would not be unique to uBid and thus would not have value commensurate with exclusive use of the patent.²⁴⁸ The court practically advocated for eBay by pointing out that, if eBay were to present evidence that it has designed around the '265 patent, then the exclusive license

modify, recast, or add to prior findings of fact).

239. *Id.* at 613–14.

240. *See id.* at 615 n.7 (depicting Lori Pressman's testimony as adding nothing relevant to the post-August 3, 2003 timeframe and criticizing sweeping generalizations).

241. *Id.* (discounting the testimony of Larry Evans).

242. *Id.* (giving little if any weight to testimony "espousing categorical rules").

243. *See id.*; *see also* Barker, *supra* note 159, at 258–599 (analogizing denial of injunctions in real property despite the right to exclude to patent law). *But cf.* Niro & Vickrey, *supra* note 2, at 157 (emphasizing that the right to exclude is the essence of property and without it the courts are creating compulsory licenses and undermining patent values).

244. *MercExchange*, 467 F. Supp. 2d at 615–16 (describing the "non-exclusive license" and noting direct competition between uBid and eBay).

245. *Id.* (considering the evidence to be of the nature that would legitimately "update" the record).

246. *Id.* (explaining rationale for why the arrangement is not lucrative for MercExchange).

247. *Id.* at 616.

248. *Id.* (indicating lost revenue and additional harm resulting from infringement).

would be of no value to uBid, nor would the injunction be of value to MercExchange.²⁴⁹ Based upon the post-*eBay* decisions, this element could be determinative.²⁵⁰

From the key findings and salient facts selected by the court and the challenges posed by eBay's counsel, one can infer that the attorneys anticipate patent trolling will be a critical issue and that the court does not plan to allow MercExchange to easily escape insinuations of patent trolling.²⁵¹ The keen awareness of patent trolling demonstrates, even without categorical definitions, such evidence of trolling clearly operates in the decisionmaking process and Justice Kennedy's concurrence may be instructive in deciding the case.²⁵²

E. Emerging Themes and Key Factors

In the wake of *eBay*, several factors have been suggested as essential to the lower court's application of the *eBay* holding, including: the nature of the patent; characteristics of the patent holder; willful infringement; willingness to license; and a lack of commercial activity.²⁵³

1. *Nature of the Patent.* The nature of the patent includes the subject matter it covers and the industry in which it operates. Injunctive relief has been both awarded and denied in cases involving method patents and more traditional inventions and in both suspect and more traditional industries.²⁵⁴ However, cases involving business-method patents or suspect industries generally entailed a more thorough analysis, which is consistent with Justice Kennedy's suggestion and the proposed *eBay*

249. *Id.* at n.9 (hinting that a design around the patent would make the issues moot but thusfar eBay has failed to provide such evidence).

250. *See supra* Part III.C.1-5 (identifying direct competition as a key consideration in post-*eBay* cases).

251. *MercExchange*, 467 F. Supp. 2d at 615 n.7 (refusing to weigh evidence of the "woes of the small patent holder while ignoring this court's prior findings").

252. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring) (suggesting certain attributes of the parties or patents that might give rise to additional scrutiny).

253. *See, e.g.,* Platt, *supra* note 37, at 36 (noting willingness to license, lack of commercial activity, and nature of the patent as factors); Stockwell, *supra* note 70, at 747, 753 (suggesting willfulness of infringement and nature of patent and patent holder as considerations).

254. *Compare* Paice L.L.C. v. Toyota Motor Corp., No. 2:04-CV-211-DF, 2006 WL 2385139, at *6 (E.D. Tex. Aug. 16, 2006) (denying an injunction for hybrid vehicles), and *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (denying an injunction for a method of software authentication), with *TiVo Inc. v. EchoStar Commc'ns Corp.*, 446 F. Supp. 2d 664, 671 (E.D. Tex. 2006) (granting an injunction for a DVR invention in a technology-driven industry).

interpretation.²⁵⁵ Thus, although the nature of the patent or the industry to which it pertains may not be determinative in the grant or denial of injunctive relief, it does appear to implicate a more thorough inquiry.

2. *Characteristics of the Patent Holder.* The most determinative factor that can be extrapolated from the post-*eBay* cases is the nature of the patent holder. When the court suspects that the entity is merely a holding company, the analysis often receives the enhanced scrutiny suggested by Justice Kennedy's concurrence.²⁵⁶ The term "competition" is likely to be strictly construed because when infringement consists of only a small portion of the infringing product, the courts are unlikely to award injunctive relief.²⁵⁷ Moreover, courts consistently award injunctive relief when the entities or products are direct competitors.²⁵⁸

3. *Willful Infringement.* Although some have indicated that willful infringement could be a determinative issue, the courts' recent holdings do not support such a view.²⁵⁹ In fact, some cases do not even mention whether the defendant willfully infringed the patent.²⁶⁰

255. See *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring) (raising concerns of business method patents and certain industry-specific behaviors); see also, e.g., *z4 Techs.*, 434 F. Supp. 2d at 438–39 (analyzing characteristics of patent in detail).

256. See *z4 Techs.*, 434 F. Supp. 2d at 441 (noting relevance of Justice Kennedy's opinion); *Paice*, 2006 WL 2385139, at *5–6 (highlighting willingness to license and analyzing impact on Defendant's business).

257. Compare *TiVo*, 446 F. Supp. 2d at 666–67 (granting injunctive relief where products apparently overlap), *3M Innovative Props. Co. v. Avery Dennison Corp.*, No. 01-1781, 2006 WL 2735499, at *2–3 (D. Minn. Sept. 25, 2006) (granting injunctive relief where products compete), and *Telequip Corp. v. The Change Exchange*, No. 5:01-CV-1748, 2006 WL 2385425, at *2 (N.D.N.Y. Aug. 15, 2006) (awarding injunctive relief from infringing competitive product), with *z4 Techs.*, 434 F. Supp. 2d at 441 (denying injunction in part because authentication is small part of infringing Microsoft products), and *Paice*, 2006 WL 2385139, at *3 (denying injunction partially because infringing element was only a small part of the overall product).

258. See *TiVo*, 446 F. Supp. 2d at 666–67 (granting injunctive relief where products and markets overlap); *3M*, 2006 WL 2735499, at *2–3 (granting injunctive relief where inference exists that products directly compete in similar markets).

259. Compare *z4 Techs.*, 434 F. Supp. 2d at 438, 444 (denying injunction despite willful infringement), with *Telequip*, 2006 WL 2385425, at *1–2 (awarding injunctive relief and finding willfulness as a result of the defendant's default), and *TiVo*, 446 F. Supp. 2d at 665 (awarding injunctive relief upon finding of willful infringement). See, e.g., *Stockwell*, *supra* note 70, at 747, 753 (suggesting willfulness and nature of the patent and patent holder as considerations).

260. See generally *3M*, 2006 WL 2735499, at *1 (omitting any references to willful infringement).

4. *Willingness to License and Lack of Commercial Activity*. Both the willingness to license the patent and the lack of commercial activity are behaviors consistently associated with patent trolling.²⁶¹ Despite Justice Thomas's language indicating that actively marketing a particular patent is not a dispositive factor,²⁶² when the court senses the patent holder is "patent trolling," based on exhibition of either of these behaviors, it will very likely refuse to enforce an injunctive remedy.²⁶³

IV. CONCLUSION

Practitioners question the impact of *eBay* and express concern regarding the apparent split amongst the Justices;²⁶⁴ the actual results of the application of *eBay* have until now remained uncertain.²⁶⁵ Although some argue that post-*eBay* litigation is dominated by one Justice's opinion or another, it is possible to reconcile all three. The cases applying *eBay* appear dissimilar initially but the underlying principles and themes are unswerving and the holding consistently applied: the courts are putting a stop to patent trolling.

In *eBay*, the Court was simply reinforcing the discretion of the courts to thwart patent trolls in an environment where patent trolling is more prevalent and threatens the integrity of the patent system. Justice Thomas's disdain for categorical rules supports the notion of targeting patent trolls. The rules would serve as a blueprint for circumventing the mandate of the Court and trolls could adapt their behaviors to operate within the grey area of the defined rules, thereby continuing to abuse the patent system. The concurrences of Justices Roberts and Kennedy function as a "gloss" on the opinion of the Court. When no evidence of patent trolling exists, the concurrence of Justice Roberts is likely instructive. Thus, the traditional patterns and precedents favoring injunctive relief

261. See *supra* Part II.C (identifying characteristics and behaviors of patent trolls).

262. *eBay Inc. v. MercExchange Corp.*, 126 S. Ct. 1837, 1840 (2006) (citing university researchers as an example that conflicts with stereotypical patent trolling notions).

263. Compare *Paice L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *5–6 (E.D. Tex. Aug. 16, 2006) (emphasizing licensing efforts and denying injunctive relief), and *z4 Techs.*, 434 F. Supp. 2d, at 440, 444 (denying injunctive relief to company and noting infringement does not preclude licensing), with *TiVo*, 446 F. Supp. 2d, at 665, 670 (awarding injunctive relief when patent holder actively markets the product as its primary business operation), and *3M*, 2006 WL 2735499, at *1–2 (awarding injunctive relief when patent holder sells the invention in the routine course of business).

264. Seidenberg, *supra* note 9, at 53–54 (reflecting a perceived split among the opinions in *eBay*).

265. See Seidenberg, *supra* note 10 (debating result of the changes imposed by *eBay*).

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will likely be consistent with the results under *eBay*. On the contrary, Justice Kennedy's concurrence, suggesting courts use more discretion in evaluating whether to award injunctive relief if certain facts and circumstances exist, should be invoked if suspicions of patent trolling lurk. Although several criteria cited in Kennedy's concurrence are prevalent in subsequent court decisions, the operative question is whether the parties and products or services are direct competitors. In applying the proposed interpretation of *eBay*, the courts almost always award injunctive relief when direct competition exists.

Essentially, the rule applied did not truly "change"; however, the environment in which it operates did. An analysis of *eBay*'s progeny reveals that injunctive relief will likely be continually awarded to remedy infringement, absent evidence of patent trolling or a lack of competition between the parties. Whether *eBay* ushers in a sweeping change to infringement litigation depends upon the perceived prevalence of the patent trolling problem.

So up climbed that mean, ugly Troll, and at trial the Giant Corporation trampled him with his evidence and tossed him over the bridge.

Then the Giant Corporation went up the hillside to join his brothers. In the meadow the Corporations got so fat that they could hardly walk home again. They are probably there yet.

So snip, snap, snout, This tale's told out.²⁶⁶

Stephany Olsen LeGrand

266. See GALDONE, *supra* note 1, at 26–32 (culminating the conflict between the Biggest Billy Goat Gruff and the Troll with the victory of the Billy Goat Gruff).