

Will there be Unintended Consequences from the Supreme Court Decision in eBay v. MercExchange?

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Although receiving most publicity as a possible step in the path of patent reform, the eBay v. MercExchange case may have altered the landscape in obtaining permanent injunctions generally, and thus may have unintended and unforeseen consequences in other areas of the law.

From the unanimous opinion (Thomas, J.) in eBay v. MercExchange, 126 S. Ct. 1837, 1839; 164 L. Ed. 2d 641, 645-646, 78 USPQ2d 1577 (2006) :

According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable [164 L.Ed. 2d 646] injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. See, e.g., Weinberger v. Romero-Barcelo, 456 U.S. 305, 311-313, 102 S. Ct. 1798, 72 L. Ed. 2d 91 (1982); Amoco Production Co. v. Gambell, 480 U.S. 531, 542, 107 S. Ct. 1396, 94 L. Ed. 2d 542 (1987).

Odetics v. Storage Technology, 14 F. Supp. 2d 785, 794 (ED Va 1998), cites Weinberger as follows:

Issuance of injunctive relief against STK is governed by traditional equitable principles, which require consideration of (i) whether the plaintiff would face irreparable injury if the injunction did not issue, (ii) whether the plaintiff has an adequate remedy at law, (iii) whether granting the injunction is in the public interest, and (iv) whether the balance of hardships tips in the plaintiff's favor. See Weinberger v. Romero-Barcelo, 456 U.S. 305, 312, 72 L. Ed. 2d 91, 102 S. Ct. 1798 (1982).

The district court decision in eBay, 275 F. Supp. 2d 695 (ED Va 2003) , relied on this text.

EBay's brief to the Supreme Court, 2005 U.S. Briefs 130, cites Weinberger in the following way:

This Court could stop there because "the equitable remedy is unavailable absent a showing of irreparable injury," Los Angeles v. Lyons, 461 U.S. 95, 111 (1983), and "the inadequacy of legal remedies." Weinberger v. Romero-Barcelo, 456 U.S. 305, 312 (1982).

The naïve reader might expect to find a four-factor test to obtain a permanent injunction at page 312 of the Supreme Court case Weinberger v. Romero-Barcelo. The naïve reader would be wrong.

Here's text around page 312 of Weinberger:

* Begin text

It goes without saying that an injunction is an equitable remedy. It "is not a remedy which issues as of course," Harrisonville v. W. S. Dickey Clay Mfg. Co., 289 U.S. 334, 337-338 (1933), or "to restrain an act the injurious consequences of which are merely trifling." Consolidated Canal Co. [456 U.S. 312] v. Mesa Canal Co., 177 U.S. 296, 302 (1900). An injunction should issue only where the intervention of a court of equity "is essential in order effectually to protect property rights against injuries otherwise irreparable." Cavanaugh v. Looney, 248 U.S. 453, 456 (1919). The Court has repeatedly held that the basis for injunctive relief in the federal courts has always been irreparable injury and the inadequacy of legal remedies. Rondeau v. Mosinee Paper Corp., 422 U.S. 49, 61 (1975); Sampson v. Murray, 415 U.S. 61, 88 (1974); Beacon Theaters, Inc. v. Westover, 359 U.S. 500, 506-507 (1959); Hecht Co. v. Bowles, supra, at 329.

Where plaintiff and defendant present competing claims of injury, the traditional function of equity has been to arrive at a "nice adjustment and reconciliation" between the competing claims, Hecht Co. v. Bowles, supra, at 329. In such cases, the court "balances the conveniences of the parties and possible injuries to them according as they may be affected by the granting or withholding of the injunction." Yakus v. United States, 321 U.S. 414, 440 (1944). "The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it." Hecht Co. v. Bowles, supra, at 329.

In exercising their sound discretion, courts of equity should pay particular regard for the public consequences in employing the extraordinary remedy of injunction. Railroad Comm'n v. Pullman Co., 312 U.S. 496, 500 (1941). Thus, the Court has noted that "[the] award of an interlocutory injunction by courts of equity has never been regarded as strictly a matter of right, even though irreparable injury may otherwise result to the plaintiff," and that "where an injunction is asked which will adversely affect a public interest for whose impairment, even temporarily, an injunction bond cannot compensate, the court may in the public interest withhold relief until a final determination of the rights of

the parties, though the postponement may be burdensome to the [456 U.S. 313] plaintiff." *Yakus v. United States*, supra, at 440 (footnote omitted). The grant of jurisdiction to ensure compliance with a statute hardly suggests an absolute duty to do so under any and all circumstances, and a federal judge sitting as chancellor is not mechanically obligated to grant an injunction for every violation of law. *TVA v. Hill*, 437 U.S., at 193; *Hecht Co. v. Bowles*, 321 U.S., at 329.

*End text

As is apparent from the text at the end of page 312, the injunction at issue in *Weinberger* was NOT a permanent injunction, but a temporary injunction wherein the ultimate resolution depended on another event [for example, "[The district court] refused, however, to enjoin Navy operations pending consideration of the permit application."] Issues of equitable balance for a temporary injunction, which are considered before the ultimate issues are resolved, are distinct from issues of balance for a permanent injunction, which are considered after the case has been decided on the merits. Thus, for example, the issue of "public interest" discussed at page 312 of *Weinberger* is the public interest BEFORE a final determination of the rights of the parties, NOT AFTER the final determination, as would be the case in a permanent injunction. [However, one notes that Orin H. Lewis referred to *Weinberger* as the "landmark permanent injunction case" in 72 Tex. L. Rev. 849; in such view, one considers that the district court disposed of the final issues before the district court, even though the ultimate disposition of the rights [of the Navy] would be in another forum.]

The *Weinberger* case does not enumerate a four factor test for consideration in granting a permanent injunction. In fact, the *Weinberger* case was not strictly about the grant of a permanent injunction because the ultimate merits were to be resolved in the permit application. The decision in *eBay v. MercExchange* about the presence of a four factor test for permanent injunctions may have unintended consequences. In *ZEN INVESTMENTS*, 2006 U.S. Dist. LEXIS 37171 (decided June 2, 2006), the court noted: "The Third Circuit has been unsettled n5 on whether a plaintiff must prove irreparable harm to receive a permanent injunction, as opposed to a preliminary injunction which always requires a showing of irreparable harm." The *eBay* decision squarely brings back "irreparable harm" into the permanent injunction calculus without giving much guidance on how to evaluate irreparable harm. The immediate impact will be more uncertainty.

Ironically, the cite to a non-existent four factor test by the *eBay* court resonates with certain questionable citation practices in the *Weinberger* case. For example, the appropriateness of citations of the *Weinberger* court to other cases which appear on page 312 has been questioned by legal academics. Thus, Douglas Laycock wrote of *Weinberger* in the *Harvard Law Review* in 1990 (103 Harv. L. Rev. 687):

*The Court said it "has repeatedly held that the basis for injunctive relief in the federal courts has always been irreparable injury and the inadequacy of legal remedies." It then cited *Rondeau v. Mosinee Paper Corp.*, a mootness case; *Sampson v. Murray*, a case about preliminary relief and deference to administrative agencies; *Beacon Theatres, Inc. v. Westover*, a jury trial case; and *Hecht Co. v. Bowles*, a case that does not even mention the irreparable injury rule. *Weinberger* itself is about undue hardship and deference to the military. Each of these cases is cited in a different section of this Article; they have almost nothing in common except the phrase "irreparable injury." *Hecht* does not even have that; *Hecht* denied an injunction on the ground that it would be futile. The Court miscited it in *Weinberger*. Perhaps the law clerk assumed that any case that denied an injunction and mentioned discretion must have been an irreparable injury case.*

Thus, the cases cited in the *Weinberger* decision, which was utilized to justify *eBay v. MercExchange*, don't really justify the proposition about "repeatedly held that the basis for injunctive relief is" Further, there is no four-factor list enumerated in the *Weinberger* case. Arguably, *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311 (1982) taught that an injunction will not "restrain an act the injurious consequences of which are merely trifling" (quoting *Consolidated Canal Co. v. Mesa Canal Co.*, 177 U.S. 296, 302 (1900)), an issue quite distinct from that faced in *eBay v. MercExchange*.

Although the unanimous decision in *eBay* is characterized as a narrow decision reiterating previous law, it has the possibility of creating more uncertainty in the area of the application of the concept of "irreparable injury" to the calculus for permanent injunctions.

Other aspects of the *eBay* case were discussed in *Los Angeles Times Gets Facts Wrong in Discussion about Supreme Court case, eBay v. MercExchange*

Considering that the Thomas opinion cites the still valid 1908 *Continental Paper* case against the reasoning of the district court *eBay* opinion, the analysis of the four factors made by the Court of Appeals for the Federal Circuit in this case might still be valid, and a permanent injunction might still issue. So, ironically, for all the smoke, *MercExchange* may still get its permanent injunction and we may almost obtain "business as usual" in the use of permanent injunctions in patent law, even as greater uncertainty is injected into other areas. Lawrence B. Ebert is a registered patent attorney located in central New Jersey. He holds a Ph.D. from Stanford where he was a Hertz Foundation Fellow, a J.D. from the University of Chicago where he was on Law Review and Roundtable, maintains a blog at IPBiz.blogspot.com, and is the author of *LESSONS TO BE LEARNED FROM THE HWANG MATTER: ANALYZING INNOVATION THE RIGHT WAY*, published in the *Journal of the Patent & Trademark Office Society* [88 JPTOS 239 (March 2006)]. Ezine draft submitted June 24, 2006.