

**A POSTMORTEM FOR PERMANENT INJUNCTIONS
AGAINST BUSINESS METHOD PATENT
INFRINGEMENT IN THE WAKE OF
*EBAY V. MERCEXCHANGE***

[I]njunctive relief may have different consequences for the burgeoning number of patents over business methods. . . . The potential vagueness and suspect validity of some of these patents may affect the calculus under the four-factor test.¹

INTRODUCTION

Have you ever viewed a check you had written using your online checking account, bid for something on eBay, or used the “1-Click” feature on Amazon.com to purchase a new book? If you answered yes to any of these questions, you have used technology contained in a “business method” patent.² Business method patents are awarded for business-related processes that produce “useful, concrete and tangible result[s].”³ These results are not limited to any particular form, but depend upon the claim language, which defines the “metes and bounds” of a patent.⁴ This inherent ambiguity has fueled the expansive use of business method patents, while drawing the ire of judges and academics alike.⁵

A patent is a government-sponsored monopoly that allows its holder to “exclude others from making, using, offering for sale, or sell-

1. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring).

2. Frequently used business methods are numerous. The following list is illustrative:

[1] Netscape Communications Corporation’s patent directed to secure processing of on-line business transactions.

[2] CyberGold’s patent directed to the practice of paying consumers to look at advertisements on the Internet.

[3] Priceline.com’s patent directed to reverse seller’s auctions on the Internet.

[6] Citibank N.A.’s three patents directed to a method for [a] acquiring and [b] presenting an electronic credential using a customer trust agent, an authority trust agent and a host processor, and [c] a system for open electronic commerce where both customers and merchants can securely transact using [a] and [b].

Steven L. Friedman et al., *State Street Bank and Trust Company v. Signature Financial Group, Inc.: At the Intersection of Technology, Commerce and the Law*, 17 INTELL. PROP. L. NEWSLETTER 8, 15 (Spring 1999).

3. *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999).

4. *See Brenner v. Manson*, 383 U.S. 519, 534 (1966).

5. *See infra* notes 36–69 and accompanying text.

ing the [patented] invention.”⁶ If a court determines that another party has infringed upon any of these rights, the court may issue a permanent injunction to prevent further infringement.⁷ Over the past twenty years, the Court of Appeals for the Federal Circuit has granted permanent injunctions after finding patent validity and infringement, “unless there is a sufficient reason for denying [them].”⁸ In *eBay, Inc. v. MercExchange, L.L.C.*, the U.S. Supreme Court reversed the automatic injunction tendency, holding that a court must instead use traditional equitable considerations when determining whether to issue a permanent injunction.⁹

This Note argues that *eBay* placed an insurmountable burden on business method patent owners seeking permanent injunctions to enforce their intellectual property rights. Business method patent owners will find themselves unable to satisfy any of the four traditional equitable considerations required for a court to grant a permanent injunction.¹⁰ First, they will be unable to establish irreparable harm due to the intrinsic nature of business methods, which precludes courts from finding the traditional indicia of irreparable harm.¹¹ Second, business method patent owners will be unable to prove the inadequacy of remedies available at law because of the inherent differences between business methods and other technologies.¹² Third, a business method patentee will be unable to tip the scales of equity in her favor, because an infringing party will likely be injured as much as, if not more than, the patentee if a permanent injunction were to issue.¹³ Finally, as technology progresses and business methods become a greater part of public life, the public’s interest in keeping widely used and infringing business methods in operation will outweigh the public’s interest in enforcing the patent holder’s rights.¹⁴

6. 35 U.S.C. § 154(a)(1) (2000).

7. § 283.

8. *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988).

9. 126 S. Ct. 1837, 1841 (2006).

10. The *eBay* Court enumerated the equitable considerations:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id. at 1839 (citing *Amoco Prod. Co. v. Gambell*, 480 U.S. 531, 542 (1987); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311–13 (1982)).

11. *See infra* notes 173–195 and accompanying text.

12. *See infra* notes 196–215 and accompanying text.

13. *See infra* notes 216–222 and accompanying text.

14. *See infra* notes 223–231 and accompanying text.

Part II provides a background of process patents and explains how business methods fit within the statutory provision making processes patentable subject matter.¹⁵ It also discusses the history of business method patents, particularly emphasizing the watershed case of *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*¹⁶ Finally, Part II offers a brief synopsis of the state of permanent injunctions prior to *eBay* and the equitable considerations in both patent and non-patent cases.¹⁷ Part III presents this Note's subject opinion: *eBay, Inc. v. MercExchange, L.L.C.*¹⁸ Part IV analyzes the *eBay* Court's reasoning and the policies embodied in that decision.¹⁹ It then critically examines the opinion and finds that the Supreme Court distinguished business methods from other technologies, unfairly prejudicing trial courts against business method patent owners.²⁰ Next, Part V argues that this decision will place an insurmountable burden in the path of business method patent holders seeking to obtain permanent injunctions.²¹ Finally, Part VI concludes that, while the long-term response to business method patents is uncertain, *eBay* will have the immediate impact of deterring district courts from awarding injunctive relief for business method patent infringement.²²

II. BACKGROUND

Business method patents are process patents that typically cover the way a business is "structured, managed, organized [or] carried out."²³ Both business methods and processes have endured many challenges regarding whether the government should award patents for these technologies.²⁴ This Part provides a background of process patents, business methods, and the permanent injunctive relief available for infringement of these types of patents.²⁵

15. See *infra* notes 23–46 and accompanying text.

16. 149 F.3d 1368 (Fed. Cir. 1998). See also *infra* notes 47–69 and accompanying text.

17. See *infra* notes 70–101 and accompanying text.

18. See *infra* notes 102–147 and accompanying text.

19. See *infra* notes 148–171 and accompanying text.

20. *Id.*

21. See *infra* notes 172–231 and accompanying text.

22. See *infra* note 232 and accompanying text.

23. Michael E. Melton, *The Business of Business Method Patents*, 589 PLI/PAT 97, 103 (Feb. 2000).

24. See *infra* notes 26–69 and accompanying text.

25. See *infra* notes 26–101 and accompanying text.

A. The History of Process Patents

In obtaining a patent, an inventor must first show that his invention falls into one of the four classes provided in 35 U.S.C. § 101. These four classes—process, machine, manufacture, or composition of matter—define the realm of patentable subject matter.²⁶ If the invention falls within the range of patentable subject matter, it must then satisfy the statutorily prescribed requirements of patentability: novelty, utility, and nonobviousness.²⁷

A patentable process has been described as “an operation or series of steps leading to a useful result.”²⁸ However, the intangible nature of processes has led to confusion over what types of processes fit within the statutory definition of patentable subject matter.²⁹ Early cases discussing patentable processes dealt with chemical processes, but eventually the scope of protection was expanded to include those processes within the mechanical arts as well.³⁰ The U.S. Supreme Court has made clear that process patents cannot consist exclusively of laws of nature, natural phenomena, or abstract intellectual concepts.³¹ However, a process that utilizes these “abstract ideas” is not per se unpatentable subject matter.³²

The Federal Circuit clarified statutory subject matter for process patents by holding that a set of data-manipulating algorithms could be patentable subject matter if it produced a “useful, concrete and tangi-

26. 35 U.S.C. § 101 (2000).

27. *Graham v. John Deere Co.*, 383 U.S. 1, 12 (1966) (“[P]atentability is dependent upon three explicit conditions: novelty and utility as articulated and defined in [35 U.S.C.] § 101 and [35 U.S.C.] § 102, and nonobviousness, the new statutory formulation, as set out in [35 U.S.C.] § 103.”).

28. 1 DONALD S. CHISUM, *CHISUM ON PATENTS* § 1.03 (2007).

29. 35 U.S.C. § 101 (2000) (“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”).

30. *See Expanded Metal Co. v. Bradford*, 214 U.S. 366, 385–86 (1909) (“We therefore reach the conclusion that an invention or discovery of a process or method involving mechanical operations, and producing a new and useful result, may be within the protection of the Federal statute, and entitle the inventor to a patent for his discovery.”); *Corning v. Burden*, 56 U.S. (15 How.) 252, 268 (1853) (“But it is well settled that a man cannot have a patent for the function or abstract effect of a machine, but only for the machine which produces it.”).

31. *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972). *See* Mark E. Wojcik, *The Perilous Process of Protecting Process Patents from Infringing Importations*, 14 *LOY. L.A. INT’L & COMP. L.J.* 207, 211 (1992) (noting the difficulty of distinguishing some forms of patentable processes from unpatentable principles).

32. *Diamond v. Diehr*, 450 U.S. 175, 187 (1981) (“[A]n *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.” (emphasis in original)).

ble result.”³³ Early cases applying this standard dealt with processes performed on machines, such as computers.³⁴ The Federal Circuit subsequently stated that some algorithms could be patentable subject matter, even if the inventor merely claimed the process independently of the computer implementing it.³⁵

B. Business Method Patents

Until the Federal Circuit’s decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*,³⁶ practitioners commonly believed that business methods were not statutory subject matter under 35 U.S.C. § 101 and were therefore unpatentable.³⁷ Additionally, *Hotel Security Checking Co. v. Lorraine Co.* was understood to have established a business method exception to statutory subject matter, rendering business methods unpatentable.³⁸ *Lorraine Co.* involved a method for “cash-registering and account-checking designed to prevent fraud[] . . . by waiters and cashiers.”³⁹ The Second Circuit found that a method of doing business could not be statutory subject matter.⁴⁰ The Patent Office and subsequent courts relied on this position.⁴¹

The proliferation of computers in the business world throughout the 1960s and 1970s replaced many tasks done by hand and prompted businesses to seek protection for their computerized methods.⁴² In *In re Johnston*, the Court of Customs and Patent Appeals⁴³ took the first

33. *In re Alappat*, 33 F.3d 1526, 1544–45 (Fed. Cir. 1994) (upholding as a “machine” claim a computer that performed algorithms to smooth a waveform on an oscilloscope display).

34. See, e.g., *AT&T Corp. v. Excel Commc’ns, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999).

35. *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1372 (Fed. Cir. 1998).

36. 149 F.3d 1368.

37. See Brianna Dolmage, Note, *The Evolution of Patentable Subject Matter in the United States*, 27 WHITTIER L. REV. 1023, 1026–36 (2006) (discussing the history of the mathematical algorithm and business method exceptions).

38. 160 F. 467 (2d Cir. 1908).

39. *Id.* (internal quotation marks omitted).

40. *Id.* at 469 (“A system of transacting business disconnected from the means for carrying out the system is not . . . an art.”). See Thomas R. Makin, *Hotel Checking: You Can Check Out Any Time You Want, But Can You Ever Leave? The Patenting of Business Methods*, 24 COLUM.-VLA J.L. & ARTS 93, 95 (2001) (“*Hotel Security* did express something of a subject matter-based aversion to business method patents, focusing on the incongruity of calling a business method an ‘art’ . . .”).

41. See *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1377 (Fed. Cir. 1998) (noting that prior versions of the Manual of Patent Examining Procedures had a regulation allowing examiners to reject business method patents for a lack of statutory subject matter).

42. 1 CHISUM, *supra* note 28, § 1.03[5].

43. In 1982, Congress created the Federal Circuit by merging the Court of Claims and the Court of Customs and Patent Appeals. See H.R. REP. NO. 109-407, at 3 (2006).

steps toward patenting business methods employed on computers when it upheld as statutory subject matter a machine claim that used a series of steps to provide bookkeeping services.⁴⁴ The number of businesses seeking patent protection continued to increase throughout the late twentieth century, as the Internet revolution of the 1990s flooded the patent office and the judiciary.⁴⁵ This prompted Judge Newman of the Federal Circuit to write a stinging dissent in *In re Shrader*, calling for the abolition of all protection afforded business methods.⁴⁶

Much to the dismay of Judge Newman, the Federal Circuit went in the opposite direction in *State Street*, expressly abolishing the business method exception.⁴⁷ Defendant Signature Financial Group, Inc. was the assignee of U.S. Patent No. 5,193,056 (the '056 patent), which claimed a data processing system allowing mutual funds ("spokes") to combine their assets into a portfolio ("hub").⁴⁸ The hub and spoke system allowed mutual funds to form partnerships within a hub, giving the benefits of a consolidated management of assets and the tax advantages of a partnership.⁴⁹ The system permitted mutual fund administrators to monitor their mutual funds' investments within the hub and calculate the value of its assets down to the value of its shares within the hub.⁵⁰

Plaintiff State Street Bank & Trust Co. entered into talks with Signature to license the '056 patent.⁵¹ However, negotiations failed, and State Street brought a declaratory judgment action claiming patent invalidity.⁵² The district court granted State Street's motion for summary judgment declaring invalidity, holding that the system was not statutory subject matter under 35 U.S.C. § 101.⁵³ The district court

44. 502 F.2d 765, 771 (C.C.P.A. 1974).

45. See Ichiro Kobayashi, *Private Contracting and Business Models of Electronic Commerce*, 13 U. MIAMI BUS. L. REV. 161, 162-63 (2005) (describing the surge in business method patents that occurred post-*State Street* and during the dot-com bubble).

46. 22 F.3d 290, 298 (Fed. Cir. 1994) (Newman, J., dissenting) ("I discern no purpose in perpetuating a poorly defined, redundant, and unnecessary 'business methods' exception, indeed enlarging (and enhancing the fuzziness of) that exception and applying it in this case.").

47. *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998). See generally Joseph Robert Brown, Jr., Note, *Software Patent Dynamics: Software as Patentable Subject Matter After State Street Bank & Trust Co.*, 25 OKLA. CITY U. L. REV. 639, 640 (2000); Colin P. Marks, Note, *Opening the Door to Business Methods: State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 37 HOUS. L. REV. 923, 944-47 (2000).

48. *State St.*, 149 F.3d at 1370.

49. *Id.*

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.*

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construed the means-plus-function⁵⁴ claims to be directed to a process that fell under the mathematical algorithm exception or, alternatively, the business method exception.⁵⁵ After referencing several cases, including *Lorraine Co.*, to establish the existence of these exceptions, the court held that it did not matter which exception the '056 patent fell under, because the patent encompassed too broad a spectrum of accounting methods.⁵⁶

The Federal Circuit rejected the district court's claim interpretation, stating that, when determining whether a claim contains statutory subject matter, it is irrelevant whether the claim describes a process or a machine, because both are enumerated in 35 U.S.C. § 101.⁵⁷ Nevertheless, the Federal Circuit reasoned that the means-plus-function claims constituted structures within a machine that performed the processes.⁵⁸ It then addressed the exceptions to statutory subject matter referenced by the district court. First, the Federal Circuit found that the district court incorrectly applied the mathematical algorithm exception to the system.⁵⁹ Next, the court contrasted the nonstatutory subject matter of an abstract mathematical idea with the statutory subject matter of a mathematical process that produces a "useful, concrete and tangible result."⁶⁰ The court held that the system was in the latter category, because its mathematical algorithms processed financial information into the "useful, concrete and tangible result" of a final share price.⁶¹

After distinguishing the system from a mathematical algorithm, the Federal Circuit turned to the business method exception. The court took "[the] opportunity to lay this ill-conceived exception to rest" and

54. A means-plus-function claim allows a patent applicant to claim many different ways to perform a function. For example, if a patent was directed to a camera and its flash device, the drafter may use a means-plus-function claim to cover more than one way of connecting the camera to the flash. Means-plus-function claims are statutorily permitted under 35 U.S.C. § 112 ¶ 6, but the means that may be claimed to perform a specific purpose are not unlimited. The second clause of § 112 ¶ 6 directs a court or examiner to limit the possible means of accomplishing the function to those "structures, materials or acts," and their equivalents, described in the patent specification. MARTIN J. ADELMAN ET AL., *CASES AND MATERIALS ON PATENT LAW* 556–57 (2d ed. 2003).

55. *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 927 F. Supp. 502, 513–17 (D. Mass. 1996).

56. *Id.* at 515–17.

57. *State St.*, 149 F.3d at 1372.

58. *Id.* at 1371.

59. *Id.* at 1373–74.

60. *Id.* at 1375 (citing the mathematical operations in *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994), which produced the "useful, concrete and tangible" result of a smooth waveform display on a rasterizer monitor).

61. *Id.*

hypothesized that the exception's genesis lay within the now-defunct "requirement for invention" test.⁶² The Federal Circuit analyzed case law involving business method patents and concluded that neither it nor its predecessor court had relied on the business method exception to invalidate the patents at issue.⁶³ Instead, the patents were invalidated on other statutory grounds, such as obviousness, lack of novelty, or merely being an abstract idea.⁶⁴ Even *Lorraine Co.*, the case credited with establishing the business method exception, invalidated the patent at issue for lack of novelty and invention—not lack of statutory subject matter.⁶⁵ Thus, the Federal Circuit unequivocally abolished the business method exception and removed it from statutory subject matter analysis.⁶⁶

Signature failed to counterclaim for patent infringement at the district court level and was therefore precluded from seeking injunctive relief upon remand.⁶⁷ If Signature had counterclaimed for infringement and sought permanent injunctive relief, the district court would have applied the Federal Circuit's test for permanent injunctions prevalent in the late 1990s. At that time, the Federal Circuit was backing away from its late-1980s approach, in which a permanent injunction would generally issue after a finding of patent validity and infringement.⁶⁸ Instead, the Federal Circuit began stressing that a district court must weigh equitable considerations before awarding a permanent injunction.⁶⁹

62. *Id.*

63. *State St.*, 149 F.3d at 1375. See Zainabu Rumala, Comment, *Interpretation Spawns Rethinking of Patent Law: A Jurisprudential Review of the Courts' Treatment of Software Patents*, 11 J. TECH. L. & POL'Y 113, 120 (2006).

64. *State St.*, 149 F.3d at 1375. See *In re Schrader*, 22 F.3d 290, 291–92 (Fed. Cir. 1994) (affirming the Patent and Trademark Office Board of Patent Appeals and Interferences' rejection of claims describing a "novel way of conducting auctions," because the claims were simply a "mathematical algorithm that [was] not applied to or limited by physical elements or process steps"); *In re Howard*, 394 F.2d 869, 871 (C.C.P.A. 1968) (invalidating a patent for lack of novelty).

65. *State St.*, 149 F.3d at 1376 (citing *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467 (2d Cir. 1908)).

66. *Id.* at 1377. The reasoning in *State Street* was subsequently extended to cover a business method patent claiming a process independent of any machine. See *AT&T Corp. v. Excel Commc'ns, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999) (upholding process claims for a method of inserting call data into a long-distance telephone call).

67. *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 927 F. Supp. 502, 516 (D. Mass. 1996). Instead, Signature filed two counterclaims: "(1) a damages claim against State Street for bringing what Signature alleges to have been frivolous litigation and falsely claiming that its patent was invalid (Count I); and (2) a declaration that State Street is bound by an oral licensing agreement over use of the data processing system (Count II)." *Id.*

68. See *infra* notes 97–101 and accompanying text.

69. See *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1272 (Fed. Cir. 1999) ("[The court] also recognize[s] that district courts, as befits a question of equity, enjoy considerable discretion

C. Permanent Injunctions

A court sitting in equity may order injunctive relief to either prohibit a party from acting or to compel a party to act in a certain manner.⁷⁰ A permanent injunction is a form of injunctive relief that a court may award after it has entered a final judgment.⁷¹ The primary purpose of a permanent injunction is to restrain a party from “doing that which he has no legal or equitable right to do”⁷² for as long as harm may result.⁷³ A permanent injunction is a particularly powerful remedy; thus, courts grant such relief only to protect property rights against irreparable damage.⁷⁴ A permanent injunction does not issue automatically, but is ordinarily granted only after equitable consideration of the facts in a particular case.⁷⁵ The equitable practice of issuing injunctions derives not from statutory authority, but from several hundred years of common law.⁷⁶ The Supreme Court has distilled the common law requirements for an injunction into four equitable factors that a party must establish after prevailing on the merits.⁷⁷ None of these four factors is dispositive; rather, each should be weighed in relation to the others, so that a weakness in one may be made up for by the strength of another.⁷⁸

in determining whether the facts of a situation require it to issue an injunction.”); *Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1551 (Fed. Cir. 1994) (“[E]ntitlement to an injunction implementing the right to exclude, as compared with only assessing damages against an infringer, is not absolute even during the life of a patent, but is discretionary.”).

70. 43A C.J.S. *Injunctions* § 1 (2004).

71. *B & P Enters. v. Overland Equip. Co.*, 758 A.2d 1026, 1051 (Md. Ct. Spec. App. 2000). See 35 U.S.C. § 283 (2000).

72. *W. Union Tel. Co. v. Int’l Bhd. of Elec. Workers, Local Union No. 134*, 133 F.2d 955, 957 (7th Cir. 1943).

73. *Condura Constr. Co. v. Milwaukee Bldg. & Constr. Trades Council AFL*, 99 N.W.2d 751, 754 (Wis. 1959). See 43A C.J.S. *Injunctions* § 11 (2004).

74. *Cavanaugh v. Looney*, 248 U.S. 453, 456 (1919).

75. *City of Harrisonville v. W.S. Dickey Clay Mfg. Co.*, 289 U.S. 334, 337–38 (1933).

76. *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944).

77. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311–13 (1982). The four traditional equitable principles expressed in *Weinberger* have been summarized as follows:

Issuance of injunctive relief against [the defendants] 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 the hardships tips in the plaintiff’s favor.

Odetics, Inc. v. Storage Tech. Corp., 14 F. Supp. 2d 785, 788 (E.D. Va. 1998), *aff’d*, 185 F.3d 1259 (Fed. Cir. 1999).

78. *Chrysler Motors Corp. v. Auto Body Panels, Inc.*, 908 F.2d 951, 953 (Fed. Cir. 1990) (applying the four-factor test from *Weinberger* in addressing the issuance of a preliminary injunction).

The cornerstone, and hence the first factor, of any type of injunctive relief is irreparable injury.⁷⁹ An irreparable injury cannot be repaired, atoned for,⁸⁰ or remedied by monetary damages alone.⁸¹ Although economic damages that have remedies at law are not normally considered irreparable, “impossibility of proof has long been recognized as bearing upon adequacy of the legal remedy.”⁸² A court may find it difficult to determine whether the party sought to be enjoined contributed to the injury, but it must consider all of the equities in deciding whether irreparable injury has in fact occurred. Absent legislative intent to the contrary, the court cannot use a hard-and-fast rule or a presumption of irreparable harm in a particular case.⁸³

The second major equitable consideration is the inadequacy of remedies available at law.⁸⁴ The “inadequacy of damages” concept is often difficult to distinguish from “irreparable injury,”⁸⁵ especially because irreparable harm is frequently used to establish an inadequacy of remedies available at law.⁸⁶ One way of separating the two is by using irreparable harm as a “trigger” for an equitable remedy inquiry, whereas the inadequacy of remedies at law is a prospective test to assess the efficacy of the equitable remedy.⁸⁷ When a court analyzes a motion for injunctive relief, any inability to quantify damages will always weigh against the adequacy of remedies at law.⁸⁸ Available legal remedies do not have to fail in all aspects of preventing further harm, but must be “seriously deficient” when compared to the damages that the plaintiff would continue to suffer.⁸⁹ Inadequacy of remedies, like irreparable injury, is an equitable consideration that must involve a

79. *Weinberger*, 456 U.S. at 312.

80. *Graham v. Med. Mut.*, 130 F.3d 293, 296 (7th Cir. 1997).

81. See *Goldie's Bookstore, Inc. v. Super. Ct. of Cal.*, 739 F.2d 466, 471 (9th Cir. 1984) (“Mere financial injury, however, will not constitute irreparable harm if adequate compensatory relief will be available in the course of litigation.”); *Jackson Dairy, Inc. v. H.P. Hood & Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979) (“For it has always been true that irreparable injury means injury for which a monetary award cannot be adequate compensation and that where money damages is adequate compensation a preliminary injunction will not issue.”).

82. *Texas v. Seatrain Int'l, S.A.*, 518 F.2d 175, 179 (5th Cir. 1975) (stating that a court may find irreparable harm where economic rights are involved and damages are unduly speculative).

83. *Amoco Prod. Co. v. Gambell*, 480 U.S. 531, 544–45 (1987). The Court held that the Ninth Circuit incorrectly presumed irreparable damage where a government agency failed to evaluate the environmental impact of its actions. *Id.* at 541–46.

84. *Weinberger*, 456 U.S. at 312.

85. 43A C.J.S. *Injunctions* § 71 (2004) (citing *Lewis v. S.S. Baune*, 534 F.2d 1115, 1124 (5th Cir. 1976)).

86. *Id.*

87. *S.S. Baune*, 534 F.2d at 1124.

88. *Texas v. Seatrain Int'l, S.A.*, 518 F.2d 175, 179 (5th Cir. 1975).

89. *Foodcomm Int'l v. Barry*, 328 F.3d 300, 304 (7th Cir. 2003) (finding that no remedy existed at law to adequately compensate damage to business relationships). *Accord Justice v. United*

case-specific investigation into the effectiveness, timeliness, and completeness of all remedial options.⁹⁰

Third, the court must balance the hardships between the parties.⁹¹ If the potential hardship on the party to be enjoined is greater than the potential relief received by the party requesting the injunction, all other factors being equal, an injunction will not issue.⁹² Courts have found situations where there is an undeniable interference with a party's property rights, but the compensation awarded for the interference and the significant hardship involved in ending the interference were enough to outweigh the continued injury.⁹³

The fourth equitable consideration is whether the issuance of a permanent injunction is against the public interest.⁹⁴ The public interest normally weighs in favor of the party asserting its property rights.⁹⁵ However, it may weigh against the party trying to assert its rights if an injunction will negatively affect public health or safety.⁹⁶

D. *The Pre-eBay Test for Permanent Injunctions against Business Method Patent Infringement*

From the late 1980s until the early 2000s, a line of patent law cases slowly diverged from this traditional four-factor approach and created several presumptive standards regarding permanent injunctions.⁹⁷ Because the right to exclude others from one's intellectual property is an essential right of that property, these cases concluded that with-

States, 6 F.3d 1474, 1482 & n.16 (11th Cir. 1993) (denying a lack of remedies at law due to the presence of a legal cause of action).

90. See 43A C.J.S. *Injunctions* § 72 (2004).

91. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (“[T]he 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.’” (quoting *Yakus v. United States*, 321 U.S. 414, 440 (1944))). See David S. Schoenbrod, *The Measure of an Injunction: A Principle to Replace Balancing the Equities and Tailoring the Remedy*, 72 MINN. L. REV. 627, 671 (1988).

92. *Litton Sys., Inc. v. Sundstrand Corp.*, 750 F.2d 952, 959–61 (Fed. Cir. 1984).

93. *City of Harrisonville v. W.S. Dickey Clay Mfg. Co.*, 289 U.S. 334, 338 (1933).

94. *Weinberger*, 456 U.S. at 312–13.

95. *Jacobson v. Cox Paving Co.*, 19 U.S.P.Q.2d 1641, 1657 (D. Ariz. 1991).

96. See *Datascope Corp. v. Kontron, Inc.*, 786 F.2d 398, 401 (Fed. Cir. 1986) (affirming a district court's denial of a preliminary injunction against a patent infringer on the grounds that many physicians preferred the infringing product and that enjoining its use would harm the public). The oft-cited case of *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577 (7th Cir. 1934), provides another illustration of public policy outweighing a patentee's rights. See *id.* at 593.

97. See *Metabolite Labs., Inc. v. Lab. Corp.*, 370 F.3d 1354, 1372 (Fed. Cir. 2004) (“The district court's order states that it ‘finds no sound reason for denying the injunction.’ While this statement does not explicitly set forth detailed reasons, the district court properly granted the injunction because *LabCorp* was found to infringe.” (emphasis added)); *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988).

holding injunctive relief impermissibly allows an infringer to violate an essential right granted by a patent.⁹⁸ However, before *eBay*, district courts did not, as a whole, apply any uniform rule for permanent injunctions.⁹⁹ This included the United States District Court for the Eastern District of Virginia—where the *eBay* case began—which used the traditional equitable four-factor test to decide whether to grant MercExchange’s motion for a permanent injunction.¹⁰⁰ The Federal Circuit reversed, holding that an injunction will issue in a patent infringement case once there has been a determination of patent validity and infringement.¹⁰¹

III. SUBJECT OPINION: *eBAY, INC. v. MERCExchange, L.L.C.*

The *eBay* Court reinstated the four traditional equitable factors for permanent injunctions into the realm of patent law.¹⁰² The Supreme Court also struck down certain “expansive principles” used by the district court and Federal Circuit in their permanent injunction analyses.¹⁰³ It found that general rules regarding a patent holder’s willingness to license her patent, a failure to practice her patent, or automatic issuance of an injunction after a finding of validity and infringement all contradicted principles of equity in too broad a “swath of cases.”¹⁰⁴ The Court determined that neither of the courts below had correctly applied the traditional equitable considerations. Thus, it remanded without deciding whether it should grant injunctive relief.¹⁰⁵

A. *History of the Two Companies*

Both eBay, Inc. and MercExchange, L.L.C. were founded on the premise of using the Internet to facilitate auctions for individuals’ goods. In 1994, Tom Woolston, MercExchange’s founder, developed

98. *Richardson*, 868 F.2d at 1246–47.

99. *See, e.g.*, *Honeywell Int’l, Inc. v. Universal Avionics Sys. Corp.*, 397 F. Supp. 2d 537, 540 (D. Del. 2005); *Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro*, 369 F. Supp. 2d 1075, 1080–81 (S.D. Iowa 2005); *Ciena Corp. v. Corvis Corp.*, 334 F. Supp. 2d 610, 611–14 (D. Del. 2004).

100. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 711 (E.D. Va. 2003). The district court used the equitable considerations it had articulated in *Odetics, Inc. v. Storage Technology Corp.*, 14 F. Supp. 2d 785, 788 (E.D. Va. 1998).

101. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005).

102. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841 (2006).

103. *Id.* at 1840.

104. *Id.* at 1840–41.

105. *Id.* at 1841. At the time of this writing, the district court has not yet reached a final disposition in the case. *See MercExchange, L.L.C. v. eBay, Inc.*, 467 F. Supp. 2d 608 (E.D. Va. 2006).

the idea of using consignment stores connected by the Internet to sell goods.¹⁰⁶ Mr. Woolston sought patent protection for his idea, filing the first of three patent applications¹⁰⁷ in November 1995.¹⁰⁸

On Labor Day weekend in 1995, Pierre M. Omidyar launched an Internet-based auction service called Auction Web, eBay's predecessor.¹⁰⁹ Mr. Omidyar did not seek patent protection. However, by 1997, eBay hosted more than 800,000 auctions each day,¹¹⁰ while MercExchange was still trying to get off the ground.¹¹¹ As eBay flourished and MercExchange began to derive income solely through licensing its patents, MercExchange approached eBay about a licensing agreement.¹¹² The negotiations fell through,¹¹³ and MercExchange sued eBay for infringement in 2002.¹¹⁴

B. Procedural Background

MercExchange sued over eBay's "Buy it Now" function, naming eBay, its wholly-owned subsidiary, Half.com, Inc., (together "eBay"), and ReturnBuy, Inc. as defendants.¹¹⁵ MercExchange alleged infringement of U.S. Patent Nos. 5,845,265 ("the '265 patent"), 6,085,176 ("the '176 patent"), and 6,202,051 ("the '051 patent").¹¹⁶ The United States District Court for the Eastern District of Virginia determined that the '051 patent was invalid, but allowed the question of infringement for the other two patents to go before a jury.¹¹⁷ The jury found that eBay had willingly infringed both the '265 and the '176 patents and awarded MercExchange \$35 million in damages.¹¹⁸ Fol-

106. Business Briefs, *Supreme Court Hands eBay Win in Patent Fight*, LINCOLN J. STAR, May 16, 2006, at A4.

107. Consignment Nodes, U.S. Patent No. 5,845,265 (filed Nov. 7, 1995). The other two patents were the 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), and Facilitating Internet Commerce Through Internetworked Auctions, U.S. Patent No. 6,202,051 (filed Feb. 19, 1999).

108. Julia Wilkinson, *The eBay Patent Wars: Interview with MercExchange CEO Thomas Woolston*, AuctionBytes.com (Sept. 30, 2004), <http://www.auctionbytes.com/cab/abn/y04/m09/i30/s01>.

109. *Id.*; Hoovers In-Depth Company Records, eBay, Inc., Sept. 20, 2006, available at 2006 WLNR 16306350.

110. Hoovers In-Depth Company Records, *supra* note 109.

111. Wilkinson, *supra* note 108.

112. William M. Ried & Miwako Hosaka, *Supreme Court Abolishes Automatic Injunctions Against Patent Infringement*, METROPOLITAN CORP. COUNS., Aug. 2006, at 14.

113. eBay, Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837, 1839 (2006).

114. MercExchange, L.L.C. v. eBay, Inc., 271 F. Supp. 2d 789 (E.D. Va. 2002).

115. MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1325–26 (Fed. Cir. 2005) (noting that ReturnBuy filed for bankruptcy and entered into a licensing agreement with MercExchange).

116. *See supra* note 107.

117. *MercExchange*, 401 F.3d at 1326.

118. *Id.*

lowing the verdict, the district court applied the traditional equitable considerations for injunctions and denied MercExchange's motion for a permanent injunction.¹¹⁹ The district court reasoned that MercExchange had failed to show irreparable harm, because it did not practice its inventions and existed merely to license its patents.¹²⁰ The court also found that MercExchange was unable to prove that licensing was not an adequate remedy due to MercExchange's statements indicating its willingness to license the patents to eBay.¹²¹ MercExchange could not tip the hardship scales in its favor, nor was it able to convince the court that the public interest weighed in favor of an injunction.¹²²

The Federal Circuit reversed the district court's denial of a permanent injunction, stating its general rule that a permanent injunction will issue once "infringement and validity have been adjudged . . . absent exceptional circumstances . . . [and] in rare instances . . . to protect the public interest."¹²³ Further, the court found that, when a court awards a permanent injunction to a property owner, it recognizes the owner's right to exclude—"the essence of the concept of property."¹²⁴ Because the right to exclude is not conditioned on the use of one's property, the Federal Circuit held that MercExchange's failure to practice its invention could not deprive it of the right to exclude others from such practice.¹²⁵ MercExchange's willingness to license its patents was also not dispositive, because the leverage a permanent injunction gives a patent holder is merely a "natural consequence of the right to exclude."¹²⁶

C. *The Supreme Court's Opinion*

Writing for a unanimous Court, Justice Thomas stated that certiorari was granted to determine the appropriateness of the Federal Circuit's general rule in favor of issuing injunctions where a patent has been found to be valid and infringed.¹²⁷ He noted that, historically, plaintiffs in federal courts had to satisfy a four-factor test before a

119. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 711 (E.D. Va. 2003) (quoting *Odetics, Inc. v. Storage Tech. Corp.*, 14 F. Supp. 2d 785, 794 (E.D. Va. 1998)).

120. *Id.* at 712.

121. *Id.* at 713.

122. *Id.* at 713–14.

123. *MercExchange*, 401 F.3d at 1338.

124. *Id.* (citing *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226 (Fed. Cir. 1989)).

125. *Id.*

126. *Id.* at 1339.

127. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1838–39 (2006).

permanent injunction would be granted.¹²⁸ The Court reasoned that these principles should apply to patent cases due to language in the Patent Act incorporating principles of equity.¹²⁹

The Court then turned to the decisions of the lower courts. It first addressed the opinion of the Federal Circuit, which had justified its general rule on permanent injunctions by analogizing the right to exclude others from property to the right to exclude others from practicing a patented invention.¹³⁰ The Court explained that the Federal Circuit had failed to distinguish between the statutorily granted right to exclude and the penalties for the violation of that right.¹³¹ It noted that the Patent Act embodies this distinction by providing that injunctions “may” issue to prevent the violation of patent rights.¹³² The Copyright Act uses similar language in its sections pertaining to injunctive relief for copyright infringement.¹³³ Previously, the Court had rejected an automatic injunction rule following determination of copyright infringement.¹³⁴ The similarities between copyrights and patents were sufficient to convince the Court that any deviation from the traditional four-factor test would be against both precedent and the plain language of the Patent Act.¹³⁵

The Court next found that both the district court and the Federal Circuit had adopted expansive principles that incorrectly precluded a fact-specific inquiry as required by the four-factor test.¹³⁶ The district court generalized that a “plaintiff’s willingness to license its patents” and “its lack of commercial activity in practicing its patents” would prevent a patent holder from showing irreparable harm.¹³⁷ Such a generalization, the Court reasoned, would unnecessarily deprive certain types of patent holders of the right to obtain injunctions against

128. *Id.*; see *supra* note 10.

129. *eBay*, 126 S. Ct. at 1839 (quoting 35 U.S.C. § 283 (2000)).

130. *MercExchange*, 401 F.3d at 1338 (“Because the ‘right to exclude recognized in a patent is but the essence of the concept of property,’ the general rule is that a permanent injunction will issue once infringement and validity have been adjudged.”). See 35 U.S.C. § 261 (2000) (“[P]atents shall have the attributes of personal property.”); § 154.

131. *eBay*, 126 S. Ct. at 1840.

132. *Id.* (quoting 35 U.S.C. § 283 (2000)).

133. 17 U.S.C. § 502(a) (2000).

134. *eBay*, 126 S. Ct. at 1840 (citing *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 505 (2001); *Dun v. Lumbermen’s Credit Ass’n*, 209 U.S. 20, 23–24 (1908)).

135. Both copyrights and patents (1) grant the right to exclude; (2) are awarded for “genius and meditations and skill of individuals”; and (3) provide incentives for creators or inventors. *Id.* (citing *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)).

136. *Id.*

137. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003).

infringing parties.¹³⁸ The general rule of the Federal Circuit went in the opposite direction, making injunctions almost automatic when they should instead be granted with “considerable discretion.”¹³⁹ The Court concluded by stating that the present case addressed nothing more than district courts’ use of the traditional principles of equity in their decisions to grant or deny injunctive relief.¹⁴⁰

D. *The Concurring Opinions*

The two concurring opinions agreed on the use of the traditional four-factor test, but diverged in their reasoning. Chief Justice Roberts found that the equitable considerations are justified by the “difficulty of protecting a right to exclude” where a court limits damages to monetary awards.¹⁴¹ Justice Kennedy did not justify the four-factor test on the right to exclude;¹⁴² however, he agreed with Chief Justice Roberts that the pattern of issuing an injunction in infringement cases was the result of applying the four-factor test.¹⁴³ Justice Kennedy then weighed in on so-called “patent trolls” and business method patents.¹⁴⁴ Three justices joined Justice Kennedy in questioning the “po-

138. The Court went to great lengths to carve out a niche for inventors who are unable to market their patented technologies without the help of others:

For example, some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves. Such patent holders may be able to satisfy the traditional four-factor test, and we see no basis for categorically denying them the opportunity to do so. . . . The [district] court’s categorical rule is also in tension with [*Continental Paper Bag Co. v. Eastern Paper Bag Co.*], which rejected the contention that a court of equity has no jurisdiction to grant injunctive relief to a patent holder who has unreasonably declined to use the patent.

eBay, 126 S. Ct. at 1840–41 (citing *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 422–30 (1908)). This niche will probably not be large enough to include patent holders outside of these two groups. The language surrounding the exceptions has caused some to infer that the exceptions will serve as more of an exclusive list. See Anthony Zeuli, *eBay v. MercExchange*, NAT’L L.J., June 26, 2006, at 13.

139. *eBay*, 126 S. Ct. at 1841.

140. *Id.*

141. *Id.* (Roberts, C.J., concurring) (emphasis omitted).

142. *Id.* at 1842 (Kennedy, J., concurring). Justice Kennedy used the language of the majority’s opinion to rebut Chief Justice Roberts’s right-to-exclude reasoning: “Both the terms of the Patent Act and the traditional view of injunctive relief accept that the existence of a right to exclude does not dictate the remedy for violation of that right.” *Id.*

143. *Id.* Additionally, Justice Kennedy noted that the mere existence of a historical trend due to the circumstances of the cases could not justify the general rule advanced by the Federal Circuit. *Id.*

144. Justice Kennedy did not refer to “patent trolls” by name, but instead generally described their practices and how their business models affect the calculus of the four-factor test. *Id.* The phrase “patent troll” is a slang term for a company that exists solely to enforce its patent rights and generates revenue only through licensing its patents. Terrence P. McMahon et al., *Who is a*

tential vagueness and suspect validity” of business method patents.¹⁴⁵ Interestingly, these dicta directly conflict with the Federal Circuit’s statements admonishing the district court for denying injunctive relief based on a general concern for the validity of business method patents.¹⁴⁶ The *eBay* Court thus appears to silently reaffirm the district court’s opinion that public policy weighs against issuance of a permanent injunction for business method patents.¹⁴⁷

IV. ANALYSIS

In *eBay*, the Supreme Court sought a return to traditional equitable considerations for permanent injunctions. Whether the Court was correct in adhering to the traditional equitable test is a difficult question—one that will not be answered here. Instead, this Part asserts that the decision will have the unintended effect of disproportionately reducing the ability of business method patent holders to enforce their rights. Two factors predict this outcome. First, Justice Kennedy’s concurrence will have a chilling effect on the rights granted by business method patents.¹⁴⁸ Second, the rejection of the general rule granting permanent injunctions against infringement further weakens the position of a business method patent holder.¹⁴⁹ This Part concludes by arguing in favor of informing equitable considerations with a presumption of irreparable harm for business method patent infringement.¹⁵⁰

Troll? Not a Simple Answer, 7 SEDONA CONF. J. 159, 159–66 (2006) (discussing the difficulties of determining a bright-line definition for patent trolls).

145. *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring).

146. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005). The district court had given weight to a similar “growing concern over the issuance of business-method patents” in finding that the public interest was against permanently enjoining eBay. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 713–14 (E.D. Va. 2003). The district court used the Business Method Improvement Act of 2001, H.R. 1332, 107th Cong. (2001), as evidence of how the public interest would not be served by permanently enjoining eBay. *MercExchange*, 275 F. Supp. 2d at 714. “While [the general concern over business method patents] is certainly not dispositive, it lends significant weight against the imposition of an injunction, particularly in this case where the patentee does not practice its patents, nor has any intention of practicing its patents.” *Id.*

147. See *supra* note 122 and accompanying text.

148. See *infra* notes 151–159 and accompanying text.

149. See *infra* notes 160–168 and accompanying text.

150. See *infra* notes 169–171 and accompanying text.

A. *Justice Kennedy's Concurrence Will Have a Chilling Effect upon the Rights Granted by Business Method Patents*

Three Justices joined Justice Kennedy in noting the “potential vagueness and suspect validity” of business method patents.¹⁵¹ Courts and litigants will undoubtedly use this statement to argue against awarding permanent injunctions for business method patents.¹⁵² Justice Kennedy failed to cite any authority, but his belief undoubtedly flows from the briefs of the parties and amici curiae, which contained references disparaging business method patents.¹⁵³

Justice Kennedy also indicated his concern that injunctive relief may have different consequences for business methods, noting that they were “not of much economic and legal significance in earlier times.”¹⁵⁴ His opinion does a two-step of sorts; the first being his use of the phrase “in earlier times,” which subtly promotes judicial wariness of business methods by stressing their recent vintage. Next, Justice Kennedy takes a somewhat shorter step backward, stating how the Patent Act is “well suited to allow courts to adapt to the rapid technological and legal developments in the patent system.”¹⁵⁵

Academics have been making the first step's historical argument for years, with at least one author going so far as to argue that awarding business method patents is a violation of the plain meaning of the Constitution.¹⁵⁶ In addition to the fact that some of the driving forces behind the need for business method patents—the computer and the Internet—are relatively new technologies, the business method exception is also to blame for keeping business methods out of the judicial consciousness for over a century. New technologies often stretch the

151. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring).

152. *See Zeuli, supra* note 138.

153. *See, e.g.*, Reply Brief of Petitioner at 3–5, *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130), 2006 WL 690255, at *3–5 (citing Richard A. Posner, *Do We Have Too Many Intellectual Property Rights?*, 9 MARQ. INTELL. PROP. L. REV. 173, 184–85 (2005), for the proposition that “[i]n the old days, [business methods] would have been thought non-patentable [and] would have been considered the kind of normal business innovation that is driven by incentives that did not depend on propertization”); Brief Amicus Curiae of Electronic Frontier Foundation in Support of Petitioners, *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130), 2005 WL 2381067 (describing public policy reasons against validity of business method patents).

154. *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring).

155. *Id.* Justice Kennedy also stressed the need to take these changes into account when applying precedent. “For these reasons it should be recognized that district courts must determine whether past practice fits the circumstances of the cases before them.” *Id.* at 1842–43.

156. Malla Pollack, *The Multiple Unconstitutionality of Business Method Patents: Common Sense, Congressional Consideration, and Constitutional History*, 28 RUTGERS COMPUTER & TECH. L.J. 61, 119 (2002).

meaning of “[s]cience and useful [a]rts” for which Congress has authority to grant a patent; it is therefore implicit in the policies behind the patent system that this definition continue to expand in order to encourage progress.¹⁵⁷

As for the second step, the patent system’s ability to deal in similar ways with new and changing technologies has been a driving force behind this country’s success.¹⁵⁸ The adaptability of the patent system may benefit many new technologies in their pursuit of patentability; however, business methods have been excised out of this group because of their “potential vagueness and suspect validity.”¹⁵⁹ The net effect of this split is not only to set business methods apart from existing technologies by questioning their validity, but also to distinguish them from future potentially patentable technologies. Justice Kennedy’s statements provide ample deterrents—relative ambiguity and questionable validity—to prevent risk-adverse district court judges from affording business method patents the same level of deference normally given to other technologies.

*B. The Rejection of the Absolute Right to Exclude Harms
Business Method Patent Holders*

The *eBay* Court further weakened the position of business method patent holders when it dispensed with the Federal Circuit’s general rule in favor of permanent injunctions.¹⁶⁰ The Court rejected the approach taken by the Federal Circuit, because, although a patent grants its owner the right to exclude, the Patent Act provides only that injunctions “may” issue to prevent the violation of patent rights.¹⁶¹ Unfortunately, as the Court extricated the automatic issuance rule from case law, it also overturned the well-established Federal Circuit precedent that justified the presumptive award of injunctive relief—that “the right to exclude is but the essence of the concept of property.”¹⁶²

The right of a business method patent holder to exclude others from making, using, or selling the business method is the most valuable

157. See U.S. CONST. art. I, § 8, cl. 8.

158. This point was well articulated in an amicus brief for another case that pushed the limits of patentable subject matter—*Diamond v. Chakrabarty*. See Brief on Behalf of Genentech, Inc., Amicus Curiae at 4–5, *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) (No. 79-136), 1980 WL 339766, at *4–5.

159. Cf. *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring).

160. *Id.* at 1839–40 (majority opinion).

161. *Id.* at 1840 (quoting 35 U.S.C. § 283 (2000)).

162. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989).

right her patent grants.¹⁶³ The right to exclude is, for two main reasons, particularly important for business methods. First, many types of business methods, particularly Internet-based business methods, function like a “black box”—consumers have no idea what the provision of the services entails.¹⁶⁴ For example, consider a business method patent for an online shopping cart licensed to a customer’s favorite online retailer.¹⁶⁵ Without the right to exclude, the patent holder would be hard-pressed to prevent a competitor from designing a “brown box” to provide a similar shopping cart and selling it to other retailers.¹⁶⁶

Second, the value of a business method may not lie in how it works, but rather in the inventor’s ability to obtain a monopoly over the invention through patenting.¹⁶⁷ Many business methods, such as the 1-Click patent, have little value directly attributable to their technical merit; instead, their value lies in the right to exclude others from practicing a relatively revolutionary advancement.¹⁶⁸ Without an absolute ability to displace potential infringers, business method patent holders are crippled in asserting the statutory rights obtained in exchange for disclosure of their ingenuity.

163. Before the modern Patent Act, the Supreme Court described the right to exclude as the only right conferred by a patent. *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510 (1917). Section 154(a)(1) expressly grants the right to exclude, but does not describe this right as the only right granted. 35 U.S.C. § 154(a)(1) (2000).

164. See generally Alice Hill, *Top 5 Reasons Your Customers Abandon Their Shopping Carts (And What You Can Do About It)*, SMART BUS. FOR THE NEW ECON., Mar. 2001, at 80.

165. Examples of “shopping cart” patents are Network Sales System, U.S. Patent No. 5,909,492 (filed June 18, 1997), and Network Sales System, U.S. Patent No. 5,715,314 (filed Oct. 24, 1994). See ChillingEffects.org, Chilling Effects Clearinghouse: E-Commerce Patents, <http://www.chillingeffects.org/ecom/> (last visited Nov. 2, 2007). Divine, Inc. owns both shopping cart patents and has engaged in an aggressive licensing campaign targeting online merchants. *Id.* The website “note[s] that even the U.S. Patent Office website has a ‘shopping cart’ feature.” *Id.*

166. Due to the absence of research and development costs, the “brown box” would provide the same or improved utility to consumers at a cost less than the black box. See Duncan M. Davidson, *Common Law, Uncommon Software*, 47 U. PITT. L. REV. 1037, 1097–98 (1986).

167. See May Wong, *High-Stakes Battle Waged Over Patents for Internet Techniques, Business Methods*, L.A. TIMES, July 17, 2000, at C5 (Orange Co. ed.) (“The frenzied pace of technological innovation and an extremely competitive Internet marketplace are behind the surge. Dozens of software developers and dot-com executives could be developing similar business methods simultaneously, so securing a patent can be the key to survival.”).

168. Amazon One-Click Shopping, <http://cse.stanford.edu/class/cs201/projects-99-00/software-patents/amazon.html> (last visited Sept. 18, 2007). Industry studies had shown that between 60% and 65% of online shopping carts were abandoned before checkout. In an effort to streamline the process and recover those lost sales, Amazon invested in technology that would recognize when a buyer returned to the website and locate previously stored credit card information. Twenty-three days after issuance, Amazon brought suit against its largest competitor, Barnes and Noble, which was using a one-click purchase system called “Express Lane.” Jeff Bezos, the CEO of Amazon, admitted that, while simple to duplicate, the 1-Click patent was revolutionary when its competitors were locked into the idea of using shopping carts.

C. *A Presumption of Irreparable Harm Should Inform Equitable Considerations*

Although it is clear that the *eBay* Court overruled the automatic issuance of injunctive relief, several Justices appeared to instruct district courts to use prior experience, including Federal Circuit case law, to limit legal discretion.¹⁶⁹ In place of the Federal Circuit's general rule granting an automatic injunction now stands a traditional equitable test for permanent injunctions, but that does not mean that the presumption of irreparable harm cannot be used to inform equitable considerations.¹⁷⁰ As one author suggested, a presumption of irreparable harm may survive in some form, because the Court limited the absolute nature of the property right, but did not disturb the underlying justifications for the presumption.¹⁷¹ Whether the presumption that infringement causes irreparable harm still exists, business method patent holders can no longer expect district courts to issue permanent injunctions after a finding of validity and infringement. This loss of an absolute property right places business method patent holders at a distinct disadvantage and will prevent them from obtaining permanent injunctive relief for patent infringement.

V. IMPACT

The *eBay* decision rights the course and purges any per se rules from the permanent injunction analysis. But did the Court overcorrect, thereby creating a per se rule against the issuance of permanent injunctions for infringement of valid patents? Additionally, how will newer technologies, such as business methods, be able to satisfy the traditional equitable considerations for permanent injunctions? Will business method patent holders be able to analogize their injuries and property rights to those found in cases awarding permanent injunctions to owners of patents for traditional technologies? This Part ana-

169. Justice Kennedy, joined by Justices Stevens, Souter, and Breyer, appears to leave untouched Federal Circuit precedent outside of the automatic injunction realm. See *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring). See also Mitchell G. Stockwell, *Implementing eBay: New Problems in Guiding Judicial Discretion and Enforcing Patent Rights*, 88 J. PAT. & TRADEMARK OFF. SOC'Y 747, 749 (2006) ("The irreparable harm 'presumption derives in part from the finite term of the patent grant' and the fact that 'passage of time can work irremediable harm.' *eBay* left untouched this underlying justification." (citations omitted)).

170. *Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1347 (Fed. Cir. 2006) (noting, without questioning the use of the irreparable harm presumption, that "[t]he district court presumed Abbott would suffer irreparable harm absent the injunction because of its conclusion regarding likelihood of success on the merits").

171. Stockwell, *supra* note 169, at 749.

lyzes the four-factor test and asserts that business method patent holders will be unable to satisfy the traditional equitable considerations for permanent injunctions.¹⁷²

A. Business Method Patent Holders Will Be Unable to Show Irreparable Harm

Although irreparable harm and inadequacy of legal remedies are separate considerations, “whether something is ‘irreparable’ requires, to a certain extent, a lack of [adequate] alternative remedies.”¹⁷³ Post-*eBay* courts will examine traditional indicia of irreparable harm—damages that are nonmonetary in nature or difficult to value—in determining whether remedies other than injunctive relief will correct the injury.¹⁷⁴

When a business method patent holder requests a permanent injunction, a district court will use the “long tradition of equity practice” to determine irreparable harm.¹⁷⁵ Unfortunately, infringement of business method patents will likely fail to raise the traditional indicia of irreparable harm, because business methods do not compete in a traditional marketplace.¹⁷⁶ Instead, business methods are frequently practiced in two ways: (1) developed in-house and used by a company; or (2) licensed to a party that will implement the business method in its practice.¹⁷⁷ In the first situation, infringement may occur where another entity copies or independently develops the patented business method and “makes, uses, offers to sell, or sells” the

172. See *infra* notes 173–231 and accompanying text.

173. *Canadian Lumber Trade Alliance v. United States*, 441 F. Supp. 2d 1259, 1264 n.4 (Ct. Int'l Trade 2006). Alternatively, “irreparable injury is not an independent requirement for obtaining a permanent injunction; it is only one basis for showing the inadequacy of a legal remedy.” 11A CHARLES ALAN WRIGHT ET AL., *FEDERAL PRACTICE AND PROCEDURE* § 2944 (2d ed. 1995). Where monetary damages are adequate, there can be no irreparable injury, unless the impact of infringement is unduly speculative. See *supra* notes 79–82.

174. See *Interphoto Corp. v. Minolta Corp.*, 417 F.2d 621, 622 (2d Cir. 1969) (accepting the plaintiff's contention that irreparable injuries subsumed incalculable damages, including loss of goodwill); *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. E.F. Hutton & Co., Inc.*, 403 F. Supp. 336, 343 (E.D. Mich. 1975); *Ala. Dept. of Transp. v. Blue Ridge Sand & Gravel, Inc.*, 718 So. 2d 27, 32 (Ala. 1998) (“Loss of profits does not justify the issuance of an injunction.”).

175. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006).

176. While patented inventions used in goods such as hybrid vehicles may create a comparative advantage over another hybrid vehicle, business methods do not compete on such an apples-to-apples basis. See *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *4–5 (E.D. Tex. Aug. 16, 2006) (distinguishing Paice's business, which generated revenue from licensing patents, from Toyota's business, which generated revenue by producing vehicles).

177. See *supra* notes 48–50 and accompanying text. For example, mutual funds owned by the same company could employ *State Street's* hub and spoke system, or the company could license its system to other companies to allow a pooling of mutual fund assets.

patented article.¹⁷⁸ Because the business method was intended to be used in-house, and not as a product in the marketplace, there would be no loss of brand name recognition or market share.¹⁷⁹ Thus, the patentee would not be irreparably harmed, and infringement could then be remedied by obtaining a royalty from the parties wrongfully using the intellectual property.

Where the business method patent holder actively licenses his business method to other parties, there would still be an absence of irreparable harm. Where a party misappropriates the patent holder's business method and sells it to a customer, the patent holder has lost a sale, because there is one less potential customer.¹⁸⁰ Alternatively, the misappropriating party may copy or independently develop the patented business method for use in-house, thereby causing the business method patent holder to lose a sale to a different customer.¹⁸¹ In both cases, the infringement may cause a loss of profits, market share, and research and development opportunities.¹⁸² It may also damage the patent holder's brand name.

However, any loss of profits may be remedied by an effective royalty program, which would put the patent holder in as good a financial

178. 35 U.S.C. § 271(a) (2000).

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

180. *See* *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 441 (E.D. Tex. 2006) ("Microsoft's use of z4's intellectual property does not exclude z4 from selling or licensing its product to any sector of the market or threaten z4's brand name recognition or good will in any way. z4 is only excluded from selling or licensing its technology to Microsoft."). A party in possession of an infringing business method has little incentive to pay for a license. However, once a party is put on notice that it is using an infringing business method, this can establish willful infringement, thereby subjecting it to punitive damages. *See* *Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1574 (Fed. Cir. 1996) ("Enhancement [of damages] is not a substitute for perceived inadequacies in the calculation of actual damages, but depends on a showing of willful infringement or other indicium of bad faith warranting punitive damages.").

181. Not only would the business method patent holder lose a customer, he would not necessarily know that he has suffered a loss. Nor would he be able to pursue legal action against the continued infringement. *See* Alan Wright, *The North American Free Trade Agreement (NAFTA) and Process Patent Protection*, 43 AM. U. L. REV. 603, 606 (1994) ("Compared to proving infringement of a product, proving infringement of a process is more difficult because products are tangible and typically in the stream of commerce, while processes are typically conducted outside public view."). *See also* William E. Ridgway, Note, *Realizing Two-Tiered Innovation Policy Through Drug Regulation*, 58 STAN. L. REV. 1221, 1245 (2006) (reasoning that a process patent holder will have to file more legal actions because of the difficulty of detection).

182. A court would analyze the sale lost due to infringement in a manner analogous to the process described in *supra* notes 70–96 and accompanying text. In the hypothetical situation of companies independently creating the business method or purposely copying it, there is only one infringing party involved at a time. Although there may be many individual entities that the patent holder must pursue in court, it would be unlikely that courts would find infringement by one entity to be irreparable—the court could simply require a forced license to compensate for the lost sale.

position as if he had licensed the business method to the infringing user or seller.¹⁸³ While a court-ordered royalty program may reclaim profits taken by the infringing party, the parties who bought from the infringing seller would still be using a product not licensed by the patent holder. The market share test in post-*eBay* cases appears to center on whether the infringing seller's buyers cannot be reclaimed¹⁸⁴ or, alternatively, whether the effect of early market share results in a different subsequent arrangement of the marketplace.¹⁸⁵ Business methods, and especially Internet-based business methods, will be unable to trigger either of these tests due to the ever-changing market environment. Licensees of business methods are not "sticky"—they will acquire the product that will provide them with a competitive advantage.¹⁸⁶ Nor will failure to enjoin infringement of a business method cause a permanent change to the future composition of a market, because free and emerging markets will adapt around a business method that guarantees one party a monopoly on a market segment.¹⁸⁷

If a patented technology competes in a marketplace, infringement by others may result in loss of brand name reputation or loss of goodwill.¹⁸⁸ Owners of business method patents can distinguish their prod-

183. See *Paice*, 2006 WL 2385139, at *5 (reasoning that losses caused by sales of infringing products can be remedied through a royalty set by the jury). This requires the court to determine how many sales the infringing party made, which is easier than determining the number of parties that could have independently invented an infringing business method and used it in-house.

184. See *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 983 (W.D. Tenn. 2006); *Tivo, Inc. v. EchoStar Commc'ns Corp.*, 446 F. Supp. 2d 664, 670 (E.D. Tex. 2006) ("One thing the parties agree on is that DVR customers are 'sticky customers,' that is they tend to remain customers of the company from which they obtain their first DVR. . . . [Thus.] Defendants' continued infringement is shaping the market to Plaintiff's disadvantage and results in long-term customer loss.").

185. Controlling a market at an early stage is critical to ensuring market share as the market matures. See *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. H-03-2910, 2006 WL 3813778, at *4 (S.D. Tex. Dec. 27, 2006); see also *Tivo*, 446 F. Supp. 2d at 670 ("[Tivo's] primary focus is on growing a customer base specifically around the product with which Defendants' infringing product competes. And, as [Tivo] is a relatively new company with only one primary product, loss of market share and of customer base as a result of infringement cause severe injury."); *z4 Techs.*, 434 F. Supp. 2d at 440.

186. See *Tivo*, 446 F. Supp. 2d at 670 (noting that DVR buyers tend to "stick" to the company that sold them their first DVR).

187. See *Kelly Hershey, Scheiber v. Dolby Laboratories, Inc.*, 18 BERKELEY TECH. L.J. 159, 164 (2003) ("Only where an innovation creates an entirely new market, or represents a quantum advance in an old one, is the patent likely to confer an economic monopoly.").

188. *Chrysler Motors Corp. v. Auto Body Panels*, 719 F. Supp. 622, 625 (S.D. Ohio 1989) (noting Chrysler's argument that consumers would mistake an infringing lower-quality replacement fender for stock equipment on a pickup truck; thus, if the fender's finish was faulty, it would reflect poorly on Chrysler).

ucts and brand names by way of top-notch customer support, exceptional products, or similar methods.¹⁸⁹ But infringement of a business method patent will have a different effect on the intangible assets of one's brand name than infringement of any other type of technology. When an infringing party uses, sells, or independently develops the patented business method, any ill will generated due to the business method is not directed toward the business method patent holder, but toward the party who provided the customer with the misappropriated business method.¹⁹⁰

A party that holds and actively licenses a patent for a traditional technology may be irreparably injured in the form of decreased research and development capacity due to an infringing party selling the patented technology.¹⁹¹ To be irreparable, such a loss must constitute more than a loss of funding because of decreased revenues attributable to the infringing party.¹⁹² All business methods undoubtedly require research and development; however, this process is not irrevocably foreclosed by customers' purchase or use of an infringing product.¹⁹³ Because business methods involve the way a business is "structured, managed, organized [or] carried out,"¹⁹⁴ an infringing use or sale of a business method actually benefits the patent holder by giving him an opportunity to examine how the patent is utilized in a broader range of applications. Accordingly, business method patent holders will be unable to satisfy the irreparable harm prong due to the differences between business methods and traditional technologies used throughout the "long tradition of equity practice."¹⁹⁵

189. See John Jantsch, *10 Ways to Make Your Business Stand Out*, <http://www.businessknow-how.com/marketing/dominate.htm> (last visited Sept. 18, 2007).

190. For example, assume A owns a business method patent covering business method software (BMS); B reverse engineers the BMS, then turns around and sells a BMS knockoff to C. Even though the BMS is the same product being offered by A, possibly causing some consumers to be confused as to who first invented the BMS, C is going to address any complaints regarding the BMS with B, not A. If B instead began employing the patented technology in-house and did not sell it, why would B think less of A when B has knowingly infringed?

191. *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 983 (W.D. Tenn. 2006) ("The loss of sales due to competition . . . inhibits the company's ability to develop new products because it interferes with the relationships Smith & Nephew is able to form with surgeons.").

192. If loss of funding were enough, nearly every infringed upon patent holder could prove irreparable harm. See *Eli Lilly & Co. v. Am. Cyanamid Co.*, 82 F.3d 1568, 1578 (Fed. Cir. 1996). The *Eli Lilly* court also noted that injury to research efforts "is not materially different from any claim of injury by a business that is deprived of funds that it could usefully reinvest." *Id.*

193. By selling (or giving) customers of the infringing seller(s) a license, the patent holder could establish lines of communication between himself and the customers. This would allow research and development feedback beyond that obtained through the patent holder's sales.

194. Melton, *supra* note 23, at 103.

195. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006).

B. *Business Method Patent Holders Cannot Show an Inadequacy of Remedies at Law*

The inadequacy of remedies available at law is an equitable determination made by a district court based on the facts of each case.¹⁹⁶ If the district court finds that there is an available remedy at law, the remedy must “be plain and adequate . . . to [achieve] the ends of justice and its prompt administration as the remedy in equity.”¹⁹⁷ A court may find that, even if damages can be clearly calculated, a remedy at law is not an equitable solution given the circumstances of the case.¹⁹⁸ However, business method patent holders will be unable to successfully argue that compulsory licensing or monetary damages fail to meet “the ends of justice.”¹⁹⁹

Post-*eBay* decisions provide insight into the likely considerations that district courts will examine in deciding whether to grant injunctive relief to a business method patent holder. The reasoning in these opinions laid an analytical framework producing an insurmountable burden for business method patent holders seeking to establish the inadequacy of remedies available at law.²⁰⁰ The *eBay* Court stated that an injunction “may” issue upon violation of the patent holder’s right to exclude, thereby overruling the dispositive weight the Federal Circuit gave such a violation.²⁰¹ A district court will therefore examine whether other factors, combined with the violation of a patent holder’s right to exclude, establish the inadequacy of remedies available at law. These factors typically encompass the traditional indicia of irreparable harm that are difficult to remedy with monetary damages, such as loss of market share, consumer goodwill, or brand name recognition.²⁰²

196. *Id.*

197. *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 984 (W.D. Tenn. 2006) (quoting *Canadian Lumber Trade Alliance v. United States*, 441 F. Supp. 2d 1259, 1266 (Ct. Int’l Trade 2006)).

198. *Id.* (noting that even if a value could be placed on lost profits and other tangible damages, the result would not necessarily be equitable, because it would allow the infringement to continue).

199. *Id.* (quoting *Canadian Lumber Trade Alliance*, 441 F. Supp. 2d at 1266).

200. *See, e.g., Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139 (E.D. Tex. Aug. 16, 2006) (refusing to enjoin Toyota’s infringing use of a patented transmission component on its Prius hybrid vehicle); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. 2006) (denying injunctive relief to a plaintiff holding a patent for product activation software included within Microsoft Office and Windows).

201. *eBay*, 126 S. Ct. at 1839–40.

202. *See Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. H-03-2910, 2006 WL 3813778, at *4 (S.D. Tex. Dec. 27, 2006).

Unfortunately for business method patent holders seeking injunctive relief, these damages are more accurately determined for business methods than for other types of technologies. Any market share loss due to infringement of a business method patent is more easily and clearly calculated than for other technologies, because potential customers for business method patents are less “sticky.”²⁰³ Additionally, a business method patent holder may reclaim lost consumers through forced licensing if market forces are insufficient to convince the consumers to purchase licenses at market rates.²⁰⁴ If a company is infringing a business method patent under its own name, damage to consumer goodwill or brand name recognition of the business method patent holder will be readily calculable, as there are no damages to the patent holder.²⁰⁵ Instead, any ill will arising against a business method is directed against the infringing party who provided the misappropriated business method.²⁰⁶

Courts may also examine the relative importance of a patented business method to an infringing product and will likely find that Justice Kennedy’s “suspect validity” admonition forces the conclusion that remedies available at law are adequate.²⁰⁷ Justice Kennedy warned that, when a patented technology constitutes a “small portion” of an infringing product, an injunction could be against the public interest, because monetary damages may be enough to compensate the patent

203. Purchasers of business methods are less sticky, because the end users are likely to be even less sticky. An example of this phenomenon is eBay’s technique to keep users on its website. See Mary M. Calkins, Comment, *My Reputation Always Had More Fun Than Me: The Failure of eBay’s Feedback Model to Effectively Prevent Online Auction Fraud*, 7 RICH. J.L. & TECH. 33 (2001). See also James E. Landis, Note, *Amazon.com: A Look at Patenting Computer Implemented Business Methods Following State Street*, 2 N.C. J.L. & TECH. 1, 27–28 (2001) (reasoning that a buyer will not recognize whether a convenience, in this case the 1-Click business method, is patented or not; customers are only interested in the convenience of their interaction with the business).

204. See Dean Alderucci & Kurt Maschoff, *Patenting the New Business Model: Building Fences in Cyberspace*, 589 PLI/PAT 205, 222–26 (2004) (discussing considerations regarding licensing business methods to preexisting entities).

205. The difference between infringing a patent and using the invention disclosed by the patent has been summarized as follows:

An infringer, however, does not infringe the *patented product* but rather the patent itself. Accordingly, damage to the business reputation or goodwill of the patentee stemming from patent infringement must flow from the patent to the patented product to the patentee—a three-link chain. As a result, the nexus between the patent infringement and the damage may be quite attenuated and difficult to prove.

Christopher S. Marchese, *Patent Infringement and Future Lost Profits Damages*, 26 ARIZ. ST. L.J. 747, 780 (1994) (emphasis in original).

206. See *supra* notes 164, 166 and accompanying text.

207. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring).

holder.²⁰⁸ A business method patent holder could argue that, because business methods are inherently a broader technology, they are less likely to serve a *de minimis* role within an infringing product.²⁰⁹ This reasoning appears to weigh against the adequacy of remedies available at law. However, Justice Kennedy was concerned with the situation where a patent holder tries to extort disproportionate licensing fees by using his patent monopoly, not with creating a dispositive licensing test based on the relative importance of the patented technology.²¹⁰

Finally, the actual or potential licensing opportunities available to a business method patent holder will convince a district court that adequate remedies at law are available. The *eBay* Court disapproved of any categorical rules, such as willingness to license, in the traditional four-factor test.²¹¹ But that does not prohibit a district court from treating licensing activity as evidence that monetary damages are adequate.²¹² Even when the business method patent holder has not offered to license to another party, courts will believe that a forced license affirms the patent holder's patent rights equally as well as a permanent injunction.²¹³ The counterargument is that, if one infringer merely has to pay for a compulsory license, other parties will not be deterred from infringement.²¹⁴ But this argument ignores the effect of a prior finding of patent validity and the immense transaction costs

208. *Id.*

209. See William Fisher et al., *Business Method Patents Online*, Harvard Law Sch. Berkman Ctr. for Internet & Soc'y, http://cyber.law.harvard.edu/ilaw/mexico_2006_module_7_obmp (last visited Sept. 18, 2007) (providing examples of business method patents that broadly cover areas of Internet commerce and banking).

210. Such a test would require an impossible threshold determination of whether or not the patented technology constituted enough of the infringing product to require an injunction. In determining a "small portion," would courts look to the value the patented technology added to the infringing product? Further, would "value" mean monetary value or functional value?

211. The Court addressed the district court's use of the patent holder's "willingness to license its patents" and its "lack of commercial activity in practicing its patents." *eBay*, 126 S. Ct. at 1840 (majority opinion) (arguably carving out a niche for "university researchers or self-made inventors," who prefer to merely license their patents and might be unable to satisfy the traditional four-factor test).

212. See *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *5 (E.D. Tex. Aug. 16, 2006). *But see* *Transocean Offshore Deepwater Drilling, Inc. v. Global-SantaFe Corp.*, No. H-03-2910, 2006 WL 3813778, at *5 (S.D. Tex. Dec. 27, 2006).

213. *Paice*, 2006 WL 2385139, at *5 ("[T]he entry of a judgment for monetary relief in conjunction with the jury's infringement and validity findings will affirm Plaintiff's patent rights, as would the issuance of an injunction.").

214. The reasoning is that potential infringers can either buy a license from the patent holder, or they can take the chance that the patent holder will never discover their infringement. If the patent holder does discover the infringement, the penalty will only be the cost of the license that they avoided in the first place. See *Transocean*, 2006 WL 3813778, at *5.

involved in patent litigation.²¹⁵ Whether or not a business method patent holder seeks to license his technology, a district court will likely conclude that a compulsory licensing scheme will adequately compensate for infringement.

C. *Business Method Patent Holders Cannot Tilt the Balance of Hardships in Their Favor*

“One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected.”²¹⁶ This reasoning would seem to carry considerable weight for business method patents because of their potential to cover an infringer’s entire enterprise.²¹⁷ But the broad use of business methods will cause injunctive relief to be denied for two reasons. First, as business methods continue to expand their role within every aspect of our daily lives, consumers, businesses, and governments will accordingly place greater reliance on business methods—whether patented or not.²¹⁸ This third party reliance on infringing business methods will create significant hardship that will weigh in favor of the infringing party.

Additionally, enjoining an infringing business method will cause significant hardship for the infringing party. Even for a business method that covers only a small fraction of a party’s business activities, the cost of an injunction can be staggering.²¹⁹ But, if the infringing busi-

215. See Gregg A. Paradise, *Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration Through Evidence Rules Reform*, 64 *FORDHAM L. REV.* 247, 253 (1995) (“Most patent cases cost \$500,000 at a minimum to litigate, and average over one million dollars in costs per party. Frequently, cases will cost between two and five million dollars.”).

216. *Windsurfing Int’l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986). See William C. Rooklidge, *Reform of the Patent Laws: Forging Legislation Addressing Disparate Interests*, 88 *J. PAT. & TRADEMARK OFF. SOC’Y* 9, 15–16 (2006) (warning that these dicta should not be considered in isolation; rather, they should be read in conjunction with Federal Circuit precedent consistently giving district courts considerable equitable discretion).

217. See Christopher Hayes, *Snap, Crackle Patents*, *IN THESE TIMES*, Jan. 2, 2006, <http://www.inthesetimes.com/site/main/article/2451> (discussing a small-business owner who is trying to patent a method and system for selling cereal in an ice cream store manner).

218. Healthcare is one example of a field in which business methods are increasing exponentially. See John R. Thomas, *The Post-Industrial Patent System*, 10 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 3, 48 (1999) (“Medical practitioners have for decades obtained patents on methods of medical treatment ranging from administering insulin to treating cancer.”). Business methods appear to be making the largest impact on the office-management side of health care. See William T. Ellis & Aaron C. Chatterjee, *Floodgates Open in the U.S. for Software Patents Covering Financial Configurations and Business Models for Health Care Management and Insurance*, 11 *HEALTH LAW* 4 (1998).

219. See *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 442–43 (E.D. Tex. 2006). Although a court considering injunctive relief should weigh all the equities involved in any remedy, placing a significant amount of weight on the injury to the infringing party rewards parties

ness method is widely employed, an injunction could terminate all business operations and put the party out of business—the most significant of business hardships.²²⁰ A district court will weigh these consequences against the harm that the patent holder would suffer in the absence of an injunction.²²¹ When the court examines the hardship to the patent holder, it will conclude that, in the absence of equitable relief, remedies available at law will be adequate to remedy business method patent infringement.²²² Business method patent holders will therefore be unable to establish any hardship that can overcome the crippling effect an injunction would have on the infringing party.

*D. Enjoining Infringing Business Methods Will Not
Serve the Public Interest*

The public has an interest in enforcing the rights of patent holders, which include injunctive relief to prevent infringement.²²³ But the public interest may weigh against injunctive relief where it would cause serious public inconvenience or loss without a corresponding advantage to the patent holder.²²⁴ In the case of business methods, courts will be unwilling to grant injunctive relief due to public reliance on infringing methods and the adequacy of compulsory licensing in vindicating business method patent rights.²²⁵

who make infringement central to their business. This encourages currently infringing parties to go “all-in” and attempt to create a level of infringement so staggering that ceasing the infringement would cost billions of dollars. Further, considering the damage to an infringing party will allow large corporations to steam-roll small companies and individuals that own infringed upon patents. If Microsoft sticks an infringing program somewhere within its Office or Windows software, it will of course become so entrenched in PC-using society that no court would dare issue an injunction.

220. See Ellis & Chatterjee, *supra* note 218, at 6 (discussing the ability of a business method patent holder to exclude others from an entire business model). See also John J. Feldhaus, *Preliminary and Permanent Injunctions in Patent Cases*, 804 PLI/PAT 521, 553–54 (2004) (discussing *Bell & Howell Document Mgmt. Prods. Co. v. Altek Sys.*, 132 F.3d 701, 708 (Fed. Cir. 1997), where the trial court took into its equitable considerations for a preliminary injunction the fact that an injunction might put the alleged infringer out of business).

221. See *z4 Techs.*, 434 F. Supp. 2d at 443 (“[T]he potential hardships Microsoft could suffer if the injunction were granted outweigh any limited and *reparable* hardships that z4 would suffer in the absence of an injunction.” (emphasis added)).

222. See *supra* notes 196–215 and accompanying text.

223. See *Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1348 (Fed. Cir. 2006); *PPG Indus., Inc. v. Guardian Indus. Corp.*, 75 F.3d 1558, 1567 (Fed. Cir. 1996) (upholding the district court’s balancing of the strong public policy in favor of enforcing patent rights against the public interest in the infringer’s product).

224. See *Yakus v. United States*, 321 U.S. 414, 440–41 (1944); *Mobley v. Saponi Corp.*, 212 S.E.2d 287, 289 (Va. 1975).

225. See *supra* notes 196–215 and accompanying text.

As technology continues to pervade society, the public increasingly relies on its availability.²²⁶ Public interest in favor of enjoining infringing business methods is inversely proportional to public reliance on the infringing use.²²⁷ Software- or Internet-based business methods may be substituted relatively quickly; however, even minor disruptions may cause damage so severe as to direct public interest against an injunction.²²⁸ There may be more than one way to skin a cat, but business methods are not fungible goods—a patent granting a monopoly may foreclose the only way to carry on a particular process.²²⁹ This absence of noninfringing substitutes tips the scale further away from a business method patent holder.²³⁰ Finally, the public interest in enforcing patent rights will be minimal for business method patents. Compulsory licensing will be not only an adequate remedy for infringement, but also a vindication of the public's interests in enforcing patent rights and avoiding business disruptions, albeit at the cost of the patent holder's bargaining leverage.²³¹

226. In the foreseeable future, a direct connection could arise between public health and business method patent rights. For example, if a patent was awarded for a particular method of filling and monitoring medicine prescriptions over the Internet, an infringing company could point to a large customer base of patients with limited mobility that depended on the infringer's services to keep their medicines up to date. See also Allen S. Hammond, *Reflections on the Myth of Icarus in the Age of Information*, 19 SANTA CLARA COMPUTER & HIGH TECH. L.J. 407, 416 (2003) ("Given the growing social utility, increasing societal reliance and potentially critical evolutionary role of communications technology, it is essential that we consider how we create, deploy and use it."); Eugene M. Katz & Theodore F. Claypoole, *Willie Sutton Is on the Internet: Bank Security Strategy in a Shared Risk Environment*, 5 N.C. BANKING INST. 167, 203–04 (2001) (discussing the public's increasing reliance on Internet-based banking and the attendant risks).

227. See *supra* note 96 and accompanying text.

228. If an infringing business method is sufficiently relied upon, a patent holder should expect rapid technological advances within the field to militate against an injunction where equitable relief would drive the infringer from the market. See John W. Bagby, *Business Method Patent Proliferation: Convergence of Transactional Analytics and Technical Scientifics*, 56 BUS. LAW. 423, 456–57 (2000). See also Jane Spencer & Jessica E. Vascellaro, *Blank-berry Fear Seeps In: Court Decision Not Expected to Pull The Rug Out From Under Those Who Rely on Handheld, But It's Possible*, CHI. SUN-TIMES, Jan. 29, 2006, at A43 ("[D]ozens of government agencies—including the Los Angeles Police Department—are contemplating how they would operate without BlackBerrys, which are currently used to alert police captains in the field about homicides.").

229. See Melton, *supra* note 23, at 103 ("Imagine if Federal Express had patented its innovative method of distributing parcels, if cable television had been patented, or if someone at Xerox had the perspicacity to give their patent attorneys free rein at Xerox Parc."); Peter J. Howe, *A Make-or-Break Court Case: Left As Is, Patent Verdict Could End Telecom's Days*, BOSTON GLOBE, June 7, 2005, at D1.

230. If there is no alternative noninfringing business method that could take its place, then the public would prefer to keep the infringing business method rather than have no business method at all. The public hardship that would be involved in switching to noninfringing alternatives is also considered. See *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1458 (Fed. Cir. 1988).

231. See *Paice, L.L.C. v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at *5 (E.D. Tex. Aug. 16, 2006). The difference in bargaining power between a compulsory license and an injunction was not lost on the court. "Although potential licensees will likely consider the

VI. CONCLUSION

This is an exciting period in patent law, and scholars have the opportunity to witness the earliest stages of what is an effectively new type of patentable subject matter—business methods. As with any new technology, there are growing pains in patent prosecution and occasional questions of patent quality, spurring substantial academic and judicial skepticism. Justice Kennedy’s concurrence touts the patent system’s ability to handle new forms of technologies, but dismisses any application of this flexibility to business methods, noting their “potential vagueness and suspect validity.”²³² These dicta will have a chilling effect upon district courts’ applications of the traditional four-factor test for permanent injunctions. District courts will be inclined to find that compulsory licensing is an adequate remedy at law for the infringement of a business method patent, which will compel a finding of no irreparable harm. Business method patent holders will also be unable to satisfy the balance of hardship and public policy prongs because of the severe damage that enjoining a business method would inflict on an infringer and the public’s ever-increasing reliance on business methods. Will *eBay* and its progeny reduce business method holders to second-class citizens that are able to get a patent but unable to enforce their rights? Only time will tell. But the *eBay* decision’s immediate impact is clear. Business method patent holders will now be unable to satisfy the traditional four-factor test for a permanent injunction as promulgated by the *eBay* Court.

*Jonathan H. Urbanek**

outcome of this case in their licensing decisions, Plaintiff has not been prevented from continuing its licensing efforts.” *Id.*

232. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring).

* J.D. Candidate 2008, DePaul University College of Law; B.S. 2005, University of Michigan. I would like to thank Robert Teigen and Meggan Duffy for their help in reviewing previous drafts of this Note.