

# Patent Law

Prof. Roger Ford

Monday, November 28, 2016

Class 22 – Remedies: Injunctive Relief

## Announcements

# Makeup class

- Tomorrow, November 29
- 11:45 am – 1:15 pm
- Room 103

# Final class

- Review instead of the antitrust assignment
- Email me questions!

# Recap

## Recap

- Inventorship
- Inequitable conduct
- Continuation practice and prosecution laches

# Today's agenda

## Today's agenda

- Remedies background
- Permanent injunctions
- Temporary injunctions

# Remedies background

## Remedies background

- Two basic remedies:
  - Damages
  - Injunctions
- And added remedies for special cases:
  - Increased damages
  - Attorney fees

**(post-AIA) 35 U.S.C. § 281 — Remedy for infringement of patent**

A patentee shall have **remedy by civil action** for infringement of his patent.

**(post-AIA) 35 U.S.C. § 283 — Injunction**

The several courts having jurisdiction of cases under this title **may grant injunctions** in accordance with the **principles of equity** to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

**(post-AIA) 35 U.S.C. § 284 — Damages**

Upon finding for the claimant the court shall award the claimant **damages adequate to compensate for the infringement**, but in no event less than a **reasonable royalty** for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court **may increase the damages up to three times the amount found** or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive **expert testimony** as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

**(post-AIA) 35 U.S.C. § 285 — Attorney fees**

The court in **exceptional cases** may award **reasonable attorney fees** to the prevailing party.

# Remedies background

## → Damages

- Reasonable royalty
- Lost profits

## → Injunctive relief

- Preliminary
- Permanent

# Remedies background

- Increased damages
  - Willfulness
- Attorney fees
  - Litigation misconduct
  - Bad-faith litigation
  - Baselessness
  - Other reasons in the district court's discretion

# Remedies background


- Permanent injunctions
  - Historically, almost **automatic**
  - Not just a Federal Circuit innovation – that was the rule almost from the beginning of the patent system
  - Patents are a type of **property**: one of the exclusive rights is the right to exclude

# Permanent injunctions

## *eBay v. MercExchange*

- eBay: online auctions
- MercExchange: online consignment system





US005845265A

**United States Patent** [19]  
**Woolston**

[11] **Patent Number:** 5,845,265  
 [45] **Date of Patent:** Dec. 1, 1998

[54] **CONSIGNMENT NODES**  
 [75] **Inventor:** Thomas G. Woolston, Arlington, Va.  
 [73] **Assignee:** MercExchange, L.L.C., Alexandria, Va.  
 [21] **Appl. No.:** 554,704  
 [22] **Filed:** Nov. 7, 1995

**Related U.S. Application Data**  
 [63] **Continuation-in-part of Ser. No. 427,820, Apr. 26, 1995.**  
 [51] **Int. Cl.** G06F 17/00  
 [52] **U.S. Cl.** 705/27, 705/27  
 [58] **Field of Search** 395/226, 237, 395/227, 235, 236, 239, 235/383, 381, 705/26, 27, 35, 36, 37, 39

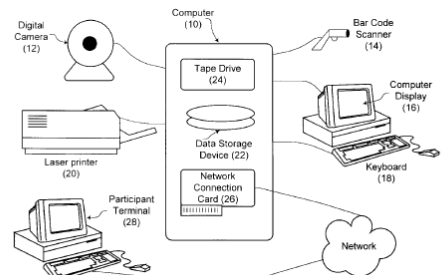
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 4,823,265 4/1989 Nelson  
 4,876,648 10/1989 Lloyd  
 4,885,685 12/1989 Wolfberg et al.  
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 4,910,676 3/1990 Allredge  
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 5,101,353 3/1992 Lupica et al.  
 5,193,056 3/1993 Boes

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 Whitmore, S. "Business on the Net: the New Gold Rush", PC Week v12, n43, p. 106, Oct. 30, 1995.  
 Gordon, M. "Auctions Become High Tech", Dealer Business, v29, n7, p. 21, Mar. 1995.  
 Goulik, M. "Sun Microsystems Bringing Interactive Technology to the WWW," Open Information Systems, 10-3 p. 20, Mar. 1995.

**Primary Examiner**—Robert A. Weinhardt  
**Attorney, Agent, or Firm**—Thomas G. Woolston


[57] **ABSTRACT**  
 A method and apparatus for creating a computerized market for used and collectible goods by use of a plurality of low cost posting terminals and a market maker computer in a legal framework that establishes a baillee relationship and consignment contract with a purchaser of a good at the market maker computer that allows the purchaser to change the price of the good once the purchaser has purchased the good thereby to allow the purchaser to speculate on the price of collectibles in an electronic market for used goods while assuring the safe and trusted physical possession of a good with a vetted baillee.

**29 Claims, 13 Drawing Sheets**



# U.S. Patent No. 5,845,265

→ "Consignment nodes"



US005845265A

**United States Patent** [19]  
**Woolston**

[11] **Patent Number:** 5,845,265  
 [45] **Date of Patent:** Dec. 1, 1998

[54] **CONSIGNMENT NODES**  
 [75] **Inventor:** Thomas G. Woolston, Arlington, Va.  
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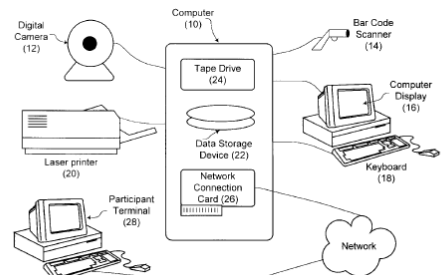
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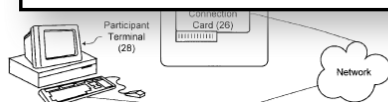
**29 Claims, 13 Drawing Sheets**



# U.S. Patent No. 5,845,265

## BACKGROUND OF THE INVENTION

This application is a continuation in part of U.S. patent application Ser. No. 08/427,820 filed Apr. 26, 1995, incorporated herein by reference in its entirety. The present invention relates to used and collectible goods offered for sale by an electronic network of consignment stores. More specifically, the present invention may be an electronic "market maker" for collectable and used goods, a means for electronic "presentment" of goods for sale, and an electronic agent to search the network for hard to find goods. In a second embodiment to the present invention, a low cost posting terminal allows the virtual presentment of goods to market and establishes a two tiered market of retail and wholesale sales.



United States Patent [19]  
Woolston

[11] Patent Number: 5,845,265  
[45] Date of Patent: Dec. 1, 1998



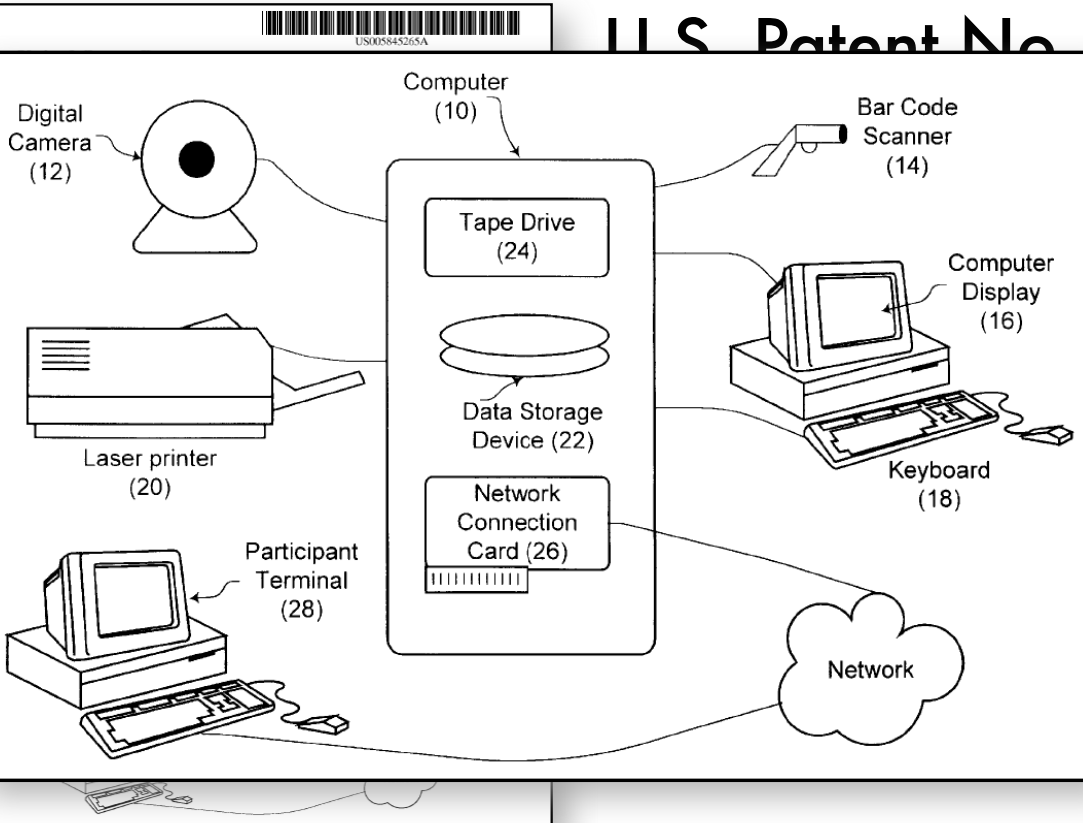
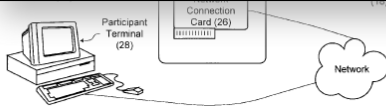
**U.S. Patent No.**  
**5,845,265**


[54] CONSIGNMENT NOTES 5,206,803 4/1993 Mingiano et al.

[57]

## ABSTRACT

A method and apparatus for creating a computerized market for used and collectible goods by use of a plurality of low cost posting terminals and a market maker computer in a legal framework that establishes a bailee relationship and consignment contract with a purchaser of a good at the market maker computer that allows the purchaser to change the price of the good once the purchaser has purchased the good thereby to allow the purchaser to speculate on the price of collectibles in an electronic market for used goods while assuring the safe and trusted physical possession of a good with a vetted bailee.



<b>United States Patent</b> [19] <b>Woolston</b>		 US005845265A
	[11]	<b>Patent Number:</b> 5,845,265
	[45]	<b>Date of Patent:</b> Dec. 1, 1998
[54] <b>CONSIGNMENT NOTES</b> [75] <b>Inventor:</b> Thomas G. Woolston, Arlington, Va. [73] <b>Assignee:</b> MercExchange, L.L.C., Alexandria, Va.		
	5,206,803	4/1/93 Mingiano et al. . .
	5,235,680	8/1/93 Bjugstad . . .
	5,237,500	8/1/93 Peng et al. . .
	5,239,462	8/1/93 Jones et al. . .
	5,262,942	11/1/93 Earle . . .

# U.S. Patent No. 5,845,265

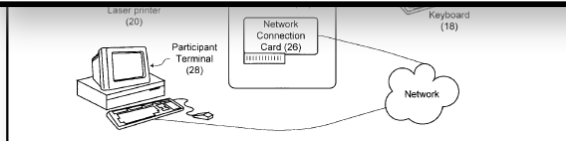
Therefore, I claim:

1. A system for presenting a data record of a good for sale to a market for goods, said market for goods having an interface to a wide area communication network for presenting and offering goods for sale to a purchaser, a payment clearing means for processing a purchase request from said purchaser, a database means for storing and tracking said data record of said good for sale, a communications means for communicating with said system to accept said data record of said good and a payment means for transferring funds to a user of said system, said system comprising:

- a digital image means for creating a digital image of a good for sale;
- a user interface for receiving textual information from a user;
- a bar code scanner;
- a bar code printer;
- a storage device;

a communications means for communicating with the market; and

a computer locally connected to said digital image means, said user interface, said bar code scanner, said bar code printer, said storage device and said communications means, said computer adapted to receive said digital image of said good for sale from said digital image means, generate a data record of said good for sale, incorporate said digital image of said good for sale into said data record, receive a textual description of said good for sale from said user interface, store said data record on said storage device, transfer said data record to the market for goods via said communications means and receive a tracking number for said good for sale from the market for goods via said communications means, store said tracking number from the market for goods in said data record on said storage device and printing a bar code from said tracking number on said bar code printer.



## eBay v. MercExchange

→ Is this patentable subject matter?

# eBay v. MercExchange

→ Is this patentable subject matter?

- Abstract idea (?): “an electronic market designed to facilitate the sale of goods between private individuals by establishing a central authority to promote trust among participants”
- Other (conventional?) elements: computer; scanner; &c
- Under *Bilski* and *Alice*, MercExchange has problems

# eBay v. MercExchange

→ A bit of history

- Historically, there were courts of equity and courts of law
- Courts of law applied statutes and could award damages
- Courts of equity applied principles of substantial justice and could order non-money forms of relief

# eBay v. MercExchange

→ A bit of history

- The difference was abolished in the federal courts in 1938
- Vestiges persist
- One big difference: the decisions judges and juries can make

# eBay v. MercExchange

→ Injunctions: the general rule of equity balances four factors

- Irreparable harm
- Inadequacy of money damages
- Balance of the hardships
- Public interest

# eBay v. MercExchange

→ So how does this apply to [patent law](#)?

# eBay v. MercExchange

→ So how does this apply to [patent law](#)?

- Court: the normal rules of equity apply
- Even though patents are property

# eBay v. MercExchange

→ So how does this apply to [patent law](#)?

- Court: the normal rules of equity apply
- Even though patents are property
- The existence of a right does not necessarily correlate to the remedy
- Note: copyright is also a property right, and the four-factor test applies

# eBay v. MercExchange

- Dueling concurrences!
- Roberts/Scalia/Ginsburg?

# *eBay v. MercExchange*

- Dueling concurrences!
- Roberts/Scalia/Ginsburg?
  - Don't want to disrupt the patent system
  - First factor: Irreparable harm is likely given the difficulty of protecting a right to exclude through money damages
  - Fourth factor: Strong public interest in patent incentives

# *eBay v. MercExchange*

- Dueling concurrences!
- Kennedy/Stevens/Souter/Breyer?



# eBay v. MercExchange

- Dueling concurrences!
- Kennedy/Stevens/Souter/Breyer?
  - History is useful, but only to a point; patents are economically different now
  - Patent trolls exploit asymmetric bargaining power
  - Royalties may be perfectly adequate to compensate non-practicing entities

# eBay v. MercExchange

- Dueling concurrences!
- Kennedy/Stevens/Souter/Breyer?
  - This was relatively early in the concern about patent trolls/the patent system
  - The opinion presaged arguments about anticommons and patent thickets
  - “When the patented invention is but a small component of the product...”

# *eBay v. MercExchange*

→ Why have injunctive relief at all?

# *eBay v. MercExchange*

→ Why have injunctive relief at all?

- Property is property
- It's hard to value patent rights
- Injunctions force the parties to come to a market value
- This is the debate between property rules and liability rules

# *eBay v. MercExchange*

- Injunction: property rule
  - Best when valuation is hard
- Damages: liability rule
  - Best when transaction costs are high
  - Many parties
  - Sunk costs
  - Holdup problem

# *eBay v. MercExchange*

- Reaction:
  - Could this help the patent-troll problem?
  - Litigants need to be really careful to show irreparable harm
  - “Based on this decision, it is now clear that the value of a patent does depend upon the identity of the owner.”  
–Prof. Dennis Crouch
  - More patent holders have gone to the ITC

# z4 v. Microsoft

- z4 patents: methods for limiting the unauthorized use of software through online activation
- Microsoft products: Windows and Office
- Court: Eastern District of Texas
  - Usually considered highly favorable to patent holders

United States Patent [19] Patent Number: 6,044,471  
Colvin [45] Date of Patent: Mar. 28, 2000

US0006044471A

[54] METHOD AND APPARATUS FOR SECURING SOFTWARE TO REDUCE UNAUTHORIZED USE

[75] Inventor: David S. Colvin, Commerce Township, Oakland County, Mich.

[73] Assignee: Z4 Technologies, Inc., Commerce Township, Mich.

[21] Appl. No.: 09/090,620

[22] Filed: Jun. 4, 1998

[51] Int. Cl.<sup>7</sup> ..... H04L 9/32

[52] U.S. Cl. .... 713/202; 709/226; 705/51

[58] Field of Search ..... 714/202, 201, 714/200; 709/229; 380/3, 4, 23, 705/51, 52, 53, 55, 57, 59

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5,652,793 7/1997 Plim et al. ....

5,842,124 11/1998 Kenagy et al. .... 455/411

Primary Examiner—Robert W. Beausoliel, Jr.  
Assistant Examiner—Christopher A. Revak  
Attorney, Agent, or Firm—Brooks & Kushman P.C.

[57] ABSTRACT

A method and apparatus for securing software to reduce unauthorized use include associating a password or series of passwords with each copy of group of authorized software and requiring entry of a first password obtained from the developer or authorized representative of the software after exchanging registration information. The method and apparatus may also subsequently require entry of a second password from the series associated with the software to continue using the software. A password or authorization code series may be associated with each authorized copy or with a group of copies such as those distributed to a particular organization or site. Preferably, subsequent passwords or authorization codes are obtained from an authorized software developer, manufacturer, or distributor which gathers current information from the user to monitor compliance with licensing restrictions. The number and frequency of required password updates may be regular or irregular depending upon the application, user, or software manufacturer. A code which disables the software may be communicated if the manufacturer determines that the user is an unauthorized user.

45 Claims, 6 Drawing Sheets

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graph TD
    START([START]) --> 80[ASSOCIATE PASSWORD WITH SOFTWARE AND DISTRIBUTE SOFTWARE WITHOUT PASSWORD]
    80 --> 82[REQUIRE END USER TO REGISTER SOFTWARE]
    82 --> 84[PERIODICALLY REQUIRE NEW PASSWORD FOR CONTINUED USE OF SOFTWARE]
    84 --> 86[COMMUNICATE PASSWORD TO SOFTWARE TO ENABLE SOFTWARE]
    86 --> END([END])
```

## U.S. Patent No. 6,044,471

- Method and apparatus for securing software to reduce unauthorized use

US006044471A

**United States Patent** [19] [11] **Patent Number:** **6,044,471**  
**Colvin** [45] **Date of Patent:** **Mar. 28, 2000**

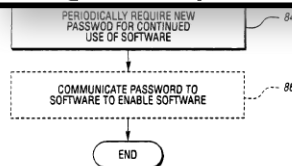
[54] **METHOD AND APPARATUS FOR SECURING SOFTWARE TO REDUCE UNAUTHORIZED USE**  
 [75] **Inventor:** David S. Colvin, Commerce Township, Oakland County, Mich.  
 [73] **Assignee:** Z4 Technologies, Inc.  
 [21] **Appl. No.:** 09/011,111  
 [22] **Filed:** Jun 1, 1998  
 [51] **Int. Cl.:** G06F 12/00  
 [52] **U.S. CL.:** 713/168  
 [58] **Field of Search:** 713/168  
 [56] **References:**  
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 5,341,429 8/1994  
 5,509,070 4/1996  
 5,564,038 10/1996  
 5,579,479 11/1996  
 5,652,793 7/1997

5,842,124 11/1998 Keagy et al. 455/411  
 Primary Examiner—Robert W. Beansoliel, Jr.  
 Assistant Examiner—Christopher A. Revak  
 Attorney, Agent, or Firm—Brooks & Kushman P.C.  
 [57] **ABSTRACT**

# U.S. Patent No. 6,044,471

**10.** A method of securing software to reduce unauthorized use, the method comprising:

- associating a series of passwords with the software;
- requiring an end user to contact a representative to obtain a password previously associated with the software;
- communicating a password previously associated with the software to the software, wherein the software is not functional until the password has been communicated;
- and
- subsequently requiring a new password, the new password being obtained from the series of passwords previously associated with the software.



## ***z4 v. Microsoft***

- Trial: The jury finds Microsoft liable for infringement and orders it to pay \$115 million in damages
- Post-trial: z4 asks for a permanent injunction
  - pre-eBay, this would have been a slam dunk

“z4 asks the Court to **enjoin Microsoft from making, using, selling, offering for sale, and/or importing its current software products that use product activation**, *i.e.* Windows XP products since 2001 and Office products since 2000. z4’s motion proposes that the Court order Microsoft to **deactivate the servers that control product activation for Microsoft’s infringing products** and to re-design its Windows and Office software products to eliminate the infringing technology. Microsoft will release the next generation of its Windows and Office software—Windows Vista (2007) and Office (2007)—in January of 2007, and both products plan to eliminate the infringing product activation technology.”

## ***z4 v. Microsoft***

→ What do you think would have happened if the court had granted the motion?

# ***z4 v. Microsoft***

- What do you think would have happened if the court had granted the motion?
- Windows and Office become deactivated?
  - or, Microsoft and z4 settle?

# ***z4 v. Microsoft***

- Factor 1: Irreparable harm to z4
- z4: We made tremendous efforts to commercialize and failed due to Microsoft's infringement
  - z4: We might be very successful but for Microsoft's infringement

# *z4 v. Microsoft*

## → Factor 1: Irreparable harm to z4

- z4: We made tremendous efforts to commercialize and failed due to Microsoft's infringement
- z4: We might be very successful but for Microsoft's infringement
- Court: Microsoft's infringement does not affect z4's ability to license its technology
- Court: Microsoft does not sell its activation alone; it is a small component of the larger product

# *z4 v. Microsoft*

## → Factor 1: Irreparable harm to z4

- "z4 will not suffer **lost profits**, the **loss of brand name recognition** or the **loss of market share** because of Microsoft's continued sale of the infringing products. These are the type of injuries that are often incalculable and irreparable. The only entity z4 is possibly prevented from marketing, selling or licensing its technology to absent an injunction is Microsoft."



## ***z4 v. Microsoft***

### → Factor 2: Adequacy of remedies at law

- Court: Infringement can be hard to remedy because an infringer can saturate the market, damaging the patent holder's product in a way that's impossible to assess
- Court: Calculating z4's remedy won't be hard, since we can just use the same royalty rate and z4 is not suffering any lost sales
- Also: Microsoft can be trusted to pay

## ***z4 v. Microsoft***

### → Factor 3: Balance of hardships

- Microsoft: Redesigning Windows and Office would take time and impose hardships
- Microsoft: Turning off activation could lead to the market being flooded by pirated software
- z4: Microsoft using our IP creates hardships

# z4 v. Microsoft

## → Factor 3: Balance of hardships

- “Although the arguments presented by Microsoft may be hypothetical, the scenarios Microsoft describes are not out of the realm of possibility and are in some instances quite likely. Importantly, the 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.”

# z4 v. Microsoft

## → Factor 4: Public interest

- Windows and Office are used by public
- Taking them off the market for a redesign would hurt the public
- “Under both aspects of z4’s proposed permanent injunction, there is a risk that certain sectors of the public might suffer some negative effects. However, the Court is unaware of any negative effects that might befall the public in the absence of an injunction.”

# Permanent injunctions

## → Injunctions after *eBay*

- The most important factor: irreparable harm
- Whether plaintiff and defendant compete
- Whether plaintiff has lost sales
- How many competitors there are
- How important a component the patented invention is
- Whether plaintiff has licensed others
- Whether plaintiff has delayed bringing suit

# Permanent injunctions

## → What counts toward the public interest?

# Permanent injunctions

- What counts toward the public interest?
  - Harm to the sanctity of property rights?
  - Harm to the American consumer?
  - Harm to the infringing firm and its workers?
  - Harm to the incentives created by patents?
  - Harm to the government/national security?
  - Harm to public health?
  - Harm to Congress's access to Blackberries?

# Permanent injunctions

- Private responses to injunctions
  - Cross-licensing
  - Patent pools
  - Standards-setting organizations
  - RAND (reasonable and nondiscriminatory) licensing terms

# Tech versus pharma

- The technology industry has largely supported patent reform and narrower patent rights
  - Ethos of open innovation
  - Hundreds of patents covering any given product
  - High degree of holdup
  - Low ratio of innovation costs to copying costs

# Tech versus pharma

- The pharmaceutical industry has largely supported strong patent rights
  - Small number of very valuable patents
  - Low degree of holdup
  - Very high ratio of innovation costs to copying costs

# Preliminary injunctions

## Preliminary injunctions

- Patent litigation takes a long time
- Patents give a right to exclude
- So sometimes the court will enforce that right to exclude while the litigation is still pending



**United States Patent** [19] **Hartman et al.**

[11] **Patent Number:** 5,960,411

[45] **Date of Patent:** Sep. 28, 1999

[54] **METHOD AND SYSTEM FOR PLACING PURCHASE ORDER VIA A COMMUNICATIONS NETWORK**

[75] **Inventors:** Peri Hartman, Jeffrey P. Kaphan, Joel Spiegel, all of Wash.

[73] **Assignee:** Amazon.com, Inc., Seattle

[21] **Appl. No.:** 08/928,951

[22] **Filed:** Sep. 12, 1997

[51] **Int. Cl.:** G06F 0000/00

[52] **U.S. Cl.:** 705/26, 705/27

[58] **Field of Search:** 705/26, 705/27, 380/25, 235/2, 375, 378, 381

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Jones, Chris. "Java Shopping Cart and Java W plans to join e-commerce initiative." Mar. 31 World Media Group.

# U.S. Patent No.

# 5,960,411

**We claim:**

1. A method of placing an order for an item comprising:

under control of a client system,

displaying information identifying the item; and

in response to only a single action being performed,

sending a request to order the item along with an identifier of a purchaser of the item to a server system;

under control of a single-action ordering component of the server system,

receiving the request;

retrieving additional information previously stored for the purchaser identified by the identifier in the received request; and

generating an order to purchase the requested item for the purchaser identified by the identifier in the received request using the retrieved additional information; and

fulfilling the generated order to complete purchase of the item

whereby the item is ordered without using a shopping cart ordering model.

# Amazon.com v. Barnesandnoble.com

→ Equitable factors for preliminary injunctions:

- Likelihood of success on the merits
- Possibility of irreparable harm absent an injunction
- Balance of hardships on both sides
- Public interest



# Amazon.com v. Barnesandnoble.com

→ Equitable factors for preliminary injunctions:

- Likelihood of success on the merits
- Possibility of irreparable harm absent an injunction
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Same as with  
permanent injunctions

# Amazon.com v. Barnesandnoble.com

→ Equitable factors for preliminary injunctions:

Unique to  
preliminary injunctions

- Likelihood of success on the merits
- Possibility of irreparable harm absent an injunction
- Balance of hardships on both sides
- Public interest

Same as with  
permanent injunctions

# *Amazon.com v. Barnesandnoble.com*

- Equitable factors for preliminary injunctions:
- Most important factors**
- Likelihood of success on the merits
  - Possibility of irreparable harm absent an injunction
  - Balance of hardships on both sides
  - Public interest

# *Amazon.com v. Barnesandnoble.com*

- What's necessary to succeed on the merits?

# ***Amazon.com v. Barnesandnoble.com***

→ What's necessary to succeed on the merits?

- A valid patent
- That is infringed
- (Also, lack of inequitable conduct)
- (Also, lack of license)
- (&c)

# ***Amazon.com v. Barnesandnoble.com***

→ So a patent holder must show that it is likely to succeed on both

- Validity and
- Infringement

→ "Likely" implies flexibility

- Certainty of proof required
- Degree of evidence required

# ***Amazon.com v. Barnesandnoble.com***

→ Was Amazon likely to succeed on infringement?

# ***Amazon.com v. Barnesandnoble.com***

→ Was Amazon likely to succeed on infringement?

- Yup
- The bn.com system worked essentially the same way

# ***Amazon.com v. Barnesandnoble.com***

→ Was Amazon likely to succeed on invalidity?

# ***Amazon.com v. Barnesandnoble.com***

→ Was Amazon likely to succeed on invalidity?

- Nope
- CompuServe prior art was strong prior art, even if not every element was clearly disclosed

# ***Amazon.com v. Barnesandnoble.com***

- Would Amazon have been likely to succeed on § 101 (assuming current law)?

# ***Amazon.com v. Barnesandnoble.com***

- Would Amazon have been likely to succeed on § 101 (assuming current law)?
- Probably not – bn.com has a strong *Alice* argument
  - *But*, no need to decide that on a preliminary injunction – it doesn't require discovery

# Next time

## Next time

→ Remedies: damages