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PATENTS, TROLLS, AND PERSONAL PROPERTY: WILL EBAY AUCTION AWAY A PATENT HOLDER'S RIGHT TO EXCLUDE?

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INTRODUCTION

Trolls are attacking corporate America. They are ruining innovation, taxing the American people, and wreaking havoc on our legal system. Trolls must be stopped. At least, that is what many in the field of patent law, as well as some Supreme Court Justices, would lead you to believe. But, as with any fairy tale creature, there is more than one side to the story of these infamous “trolls.”¹

Since as early as the ratification of the United States Constitution, a patent holder has had an exclusive right to his patent.² The Founding Fathers believed that such an exclusive right would “scarcely be questioned” and that such a right was not only beneficial for the inventor, but equally so for the public good.³ Congress reiterated this exclusive right under the current Patent Act in which it stated that “patents shall have the attributes of personal property.”⁴ These property attributes include “the right to exclude others from making, using, offering for sale, or selling the invention.”⁵ This right

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1. “Patent troll” is a pejorative term coined for patent owners who do not actually produce the subject of their patents, but rather extract large licensing fees from others who do wish to produce the subject of the patent or sue those infringing upon their patent. These “trolls” will be examined in-depth, *infra* Part I.B.

2. U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the *exclusive Right* to their respective Writings and Discoveries” (emphasis added)).

3. THE FEDERALIST No. 43, at 288 (James Madison) (Jacob E. Cooke ed., 1961) (“The copy right of authors has been solemnly adjudged in Great Britain to be a right at common law. The right to useful inventions, seems with equal reason to belong to the inventors. The public good fully coincides in both cases, with the claims of individuals.”).

4. 35 U.S.C. § 261 (2000).

5. 35 U.S.C. § 154(a)(1) (2000).

to exclude could come under attack for at least some patent holders, however, depending on how lower courts construe and interpret the recent Supreme Court decision of *eBay Inc. v. MercExchange, L.L.C.*⁶

In *eBay*, the Supreme Court handed down a unanimous opinion in which it stated that lower courts, when determining whether to grant permanent injunctive relief to a patent holder who has been infringed upon, must look to the "well-established principles of equity."⁷ The Court held that plaintiffs should not be granted injunctions automatically upon findings of validity and infringement, but rather should have to pass the same equitable test used for other permanent injunction determinations.⁸ Therefore, to obtain a permanent injunction to exclude others from making, using, or selling his patented product, 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.⁹

This rule was put in place to clarify the Federal Circuit's prior existing "general rule" in patent cases "that a permanent injunction will issue once infringement and validity have been adjudged."¹⁰

The Court's holding, written by Justice Thomas, was not, in itself, necessarily a major change in policy. Patent law could see a major change, however, when the holding is applied in context with the two separate concurring opinions. This potential change depends on how lower courts use those concurring opinions to guide their decisions as to when to grant permanent injunctions. Chief Justice Roberts, with whom Justices Scalia and Ginsburg joined, concurred to indicate the historical fact that "[f]rom at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases."¹¹ The Chief Justice warned against moving

6. 126 S. Ct. 1837 (2006).

7. *Id.* at 1839.

8. *Id.*

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

10. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006).

11. *eBay*, 126 S. Ct. at 1841 (Roberts, C.J., concurring).

too far away from the general rule of granting injunctive relief, stating that when it comes to exercising equitable discretion pursuant to the four-factor test, "a page of history is worth a volume of logic."¹²

Justice Kennedy, with whom Justices Stevens, Souter, and Breyer joined, also wrote a concurring opinion.¹³ Justice Kennedy expressed concern with new trends in patent cases, specifically regarding changes in technology and the manner in which patent licenses are dealt. He noted that an entire "industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees."¹⁴ For these reasons, he indicated that past practices of granting injunctions may not be appropriate where the patent holder uses his patents primarily for obtaining licenses, where the patented invention is but a small component of the product the infringing party seeks to produce, or where the patent is for a business method.¹⁵

This Note addresses the effect *eBay* may have on patent holders, on patent law, and on innovation in business generally. In particular, it addresses how the decision should be applied by district courts and the Court of Appeals for the Federal Circuit. But before reaching the immediate question, it is necessary to review the history of patent law in order to fully understand the decision's future impact. Therefore, Part I examines the state of patent litigation leading up to *eBay*, the recent emergence of so-called "patent trolls," and the long-standing history of the right to exclude. Part II then examines *eBay* in detail, reviewing the Court's majority holding, Chief Justice Roberts's concurring opinion, and Justice Kennedy's concurring opinion. Part III considers the different effects that the concurring opinions could have on patent law and innovation if followed by lower courts. Part IV then proposes a framework within which lower courts should determine whether to grant permanent injunctive relief to patent holders who have been infringed upon. More specifically, Part IV illustrates how following Chief Justice John Roberts's concurring opinion should lead lower courts to continue granting permanent injunctions to patentees on findings of validity and infringement in all but certain rare cases involving public health concerns. This frame-

12. *Id.* at 1842 (quoting *New York Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921)).

13. *Id.* at 1842 (Kennedy, J., concurring).

14. *Id.*

15. *Id.*

work would strike the proper balance between historical notions of equity and personal property rights.

I. THE STATE OF PATENT LAW IN THE UNITED STATES LEADING UP TO *EBAY*

The historical origins of patent law have been well documented elsewhere.¹⁶ What is more pertinent for purposes of this Note is a relatively recent explosion of activity that has taken place within American patent law.¹⁷ It is this explosion of activity that paved the road to *eBay*.

A. *The Road to eBay: Contemporary Patent Law and Litigation*

The increase in patent activity over the past couple of decades has exposed an inevitable trend: the more patents there are in existence, the more litigation there will be over them.¹⁸ With run-of-the-mill patent cases taking years to resolve and costing parties as much as \$2,000,000, such litigation has become financially draining on businesses.¹⁹ These costs have further adverse effects on future innovation because they take away from companies' research and development budgets.²⁰ The result is paradoxical—patents actually *restrict* the progress of science and innovation, *the exact opposite effect that they are intended to have*.²¹

16. See, e.g., ARTHUR R. MILLER & MICHAEL H. DAVIS, *INTELLECTUAL PROPERTY: PATENTS, TRADEMARKS, AND COPYRIGHT IN A NUTSHELL* 4–10 (3d ed. 2000); ROGER E. SCHECHTER & JOHN R. THOMAS, *PRINCIPLES OF PATENT LAW* 14 (2004).

17. James F. McDonough III, *The Myth of the Patent Troll: An Alternative View of the Function of Patent Dealers in an Idea Economy*, 56 EMORY L.J. 189, 191 (2006) ("Between 1970 and 2004, the annual number of patents issued by the U.S. Patent and Trademark Office increased from 67,964 to 181,302.").

18. ADAM B. JAFFE & JOSH LERNER, *INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT* 56 (2004).

19. Laurence H. Pretty, *Patent Preliminary Injunctions*, 875 PLI/PAT 175, 177 (2006); see also H.R. REP. NO. 109-673, at 3 (2006) ("[There is] a widespread perception that patent litigation has become too expensive, too time-consuming, and too uncertain."); Cono A. Carrano et al., *Patent Rocket Dockets: Coming Soon to a Venue Near You?*, *INTELLECTUAL PROPERTY TODAY*, Dec. 2006, at 10, 10 ("Complex patent litigation is a critical, yet increasingly burdensome way for companies and inventors to protect and exploit their valuable intellectual property rights.").

20. Vernon M. Winters, *If It's Broke, Fix It: Two Suggestions and One Note About Patent Reform*, *FED. LAW*, Sept. 2006, at 6, 6.

21. See *id.*

Furthermore, these costs can be insurmountable for smaller inventors who are unable to raise the resources needed to defend their patents.²² Small inventors are faced with the Hobson's choice of either going nearly bankrupt while attempting to defend their inventions or watching as those inventions are usurped and marketed by another.²³ As a result, in the vast majority of cases, large companies simply gain the intellectual property for free.²⁴ Because of these costly problems, this Note examines why there has been such an increase in patent applications and, subsequently, in patent litigation.

The United States is arguably in a period of greater transformation now than in any other period in its history.²⁵ This transformation is due to a shift in the country's economy away from manufacturing and towards other fields of innovation.²⁶ Additionally, a sharp expansion in technology, particularly software technology, has further changed the landscape of American commerce.²⁷ These two occurrences have led to a sharp increase in patent applications in the United States.²⁸ For example, software products are more complex and call for increasing numbers of patents in each product: the Windows 3.1 operating system, released in 1990, contained approximately three million lines of source code while Windows XP, released in 2002, reportedly contained more than *forty million* lines of source code.²⁹ As opposed to manufacturing sectors of the past, the advanced technology can require excessive numbers of patents to protect one single product.³⁰ When these factors are viewed together, it is apparent why patent applications began to swell in numbers.

Another factor contributing to the rapid increase in patents is that, as one publication noted, "it has sometimes seemed as if anyone can

22. McDonough, *supra* note 17, at 210 ("Individual inventors and small entities rarely have the financial resources to commence and sustain a lawsuit.").

23. Steve Seidenberg, *Troll Control*, A.B.A. J., Sept. 2006, at 51, 51 ("Only an infinitesimal percentage of small inventors can muster the resources to defend their property . . .").

24. *Id.*

25. Katherine E. White, *Preserving the Patent Process to Incentivize Innovation in Global Economy*, 13 SYRACUSE SCI. & TECH. L. REP. 27, 27 (2006).

26. *See id.* at 28–29.

27. McDonough, *supra* note 17, at 191 ("Over the last twenty years, technology firms have been patenting more, increasing patent scope, licensing more frequently, and revamping their business strategies in an effort to prioritize intellectual property.").

28. *See* Winters, *supra* note 20, at 6 ("For the 20-year period from 1963 to 1983, the total number of annual utility patent applications rose 21 percent For the 20-year period from 1984 to 2004, however, the number of annual applications ballooned by 221 percent . . .").

29. *Id.* at 7.

30. *Id.*

get a patent on almost anything."³¹ This is because the Federal Circuit has held that, even when inventions seem obvious or are the effort of common sense, any such general knowledge "must be articulated and placed on the record" to negate patentability.³² The problem with this rule is that when something is said to be common sense, there may not always be a clear or plausible way of articulating it for a record of law. This has led to the approval of patents for seemingly obvious things, such as a method of swinging side-to-side on a playground swing,³³ an "animal toy" that resembles a stick and can be made out of wood,³⁴ and a crustless peanut butter and jelly sandwich.³⁵ Indeed, "anything under the sun that is made by man" is appropriate subject matter for a patent.³⁶ As the then-Deputy Patent Office Commissioner told one newspaper, the Federal Circuit's ruling essentially means that when patent applications are filed, the United States Patent and Trademark Office "can't reject something just because it's stupid."³⁷

Adding to this increase in patent filings has been the increasing trend toward obtaining patents for business methods. A business method patent is just that: a patent for a "method of doing or conducting business."³⁸ These types of patents were first explicitly recognized and allowed by the Federal Circuit's decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*³⁹ In that case, the court explained that "business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method."⁴⁰ Following that case, Congress reacted in approval by amending the Patent Act to include business method patents.⁴¹

Patent litigation has also increased due to the creation of the Court of Appeals for the Federal Circuit.⁴² To maintain uniformity in patent law amid the profuse increase in patent applications, Congress

31. Steve Seidenberg, *Stating the Obvious*, A.B.A. J., Oct. 2006, at 14, 14.

32. *In re Sang-Su Lee*, 277 F.3d 1338, 1345 (Fed. Cir. 2002).

33. Method of Swinging on a Swing, U.S. Patent No. 6,368,227 B1 (filed Nov. 17, 2000).

34. Animal Toy, U.S. Patent No. 6,360,693 B1 (filed Dec. 2, 1999).

35. Sealed Crustless Sandwich, U.S. Patent No. 6,004,596 (filed Dec. 8, 1997).

36. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980) (quoting S. REP. NO. 82-1979, at 5 (1952); H.R. REP. NO. 82-1923, at 6 (1952)).

37. Seidenberg, *supra* note 31, at 14.

38. 35 U.S.C. § 273(a)(3) (2000).

39. 149 F.3d 1368 (Fed. Cir. 1998).

40. *Id.* at 1375.

41. 35 U.S.C. § 273 (effective Nov. 29, 1999).

42. JAFFE & LERNER, *supra* note 18, at 56-57.

created the Court of Appeals for the Federal Circuit in 1982 to exercise exclusive appellate jurisdiction over patent cases from the federal district courts, the United States Patent and Trademark Office, the International Trade Commission, and the U.S. Court of Federal Claims.⁴³

After the creation of the Federal Circuit, companies realized that they would have a higher likelihood of success in patent enforcement cases in the new court.⁴⁴ For this reason, companies began to patent aspects of their work that they never had before. With the realization that they could successfully enforce their patents against their competitors, companies switched sides of the proverbial ball. Traditionally, firms used their patents merely as defensive measures to protect themselves and their innovations from the usurpation of others.⁴⁵ But upon the realization that the Federal Circuit was friendlier to a patentee's rights, firms went on the offensive. They began using their patents as offensive weapons to threaten the business plans of their competitors and to extract licensing fees.⁴⁶ Effectively, what was once seen merely as a shield had also become a sword.

One of the leaders in this "offensive" movement was Texas Instruments, Inc. ("TI"), which asserted a number of its patents against its competitors shortly after the creation of the Federal Circuit.⁴⁷ The Federal Circuit's perceived generosity toward patentees, coupled with many defendants merely giving in to licensing demands rather than incurring the costs of litigation, made this strategy quite successful.⁴⁸ In less than two decades, TI was extracting an estimated \$800 million per year from patent licensing revenue alone.⁴⁹ This success revolutionized the way the semiconductor industry used

43. 28 U.S.C. § 1295 (2000); Howard Susser & Jerry Cohen, *Supreme Court Ends Special Treatment for Patent Injunctions*, BOSTON B.J., Nov./Dec. 2006 at 9, 11.

44. JAFFE & LERNER, *supra* note 18, at 2 ("The new court of appeals has interpreted patent law to make it easier to get patents, easier to enforce patents against others, easier to get large financial rewards from such enforcement, and harder for those accused of infringing patents to challenge the patents' validity.").

45. *Id.* at 56 (noting that some firms have now ceased to use patents for this function).

46. *See id.*

47. *Id.* at 56–57.

48. *See id.* (noting that, by 1999, more than 55% of TI's total net income derived from patent licensing revenues).

49. *Id.* at 57.

patents, and it did not take long for companies in other industries to follow suit.⁵⁰

The exponential growth in technology, the expansion of the scope of patent protection into previously uncharted subject matters such as software and business methods, and the success of offensive uses of patents for licensing fees have all led to an entirely new market of patent ownership in itself.⁵¹ This market involves the acquisition of patents for the purpose of licensing use of the patented products to others for high fees or suing infringers to collect damages.⁵² These licensing plans are often carried out by companies who do not even manufacture or use any of these patents but rather acquire them solely for the purpose of collecting licensing fees.⁵³

Some see the act of licensing patents without manufacturing or using the patent as contrary to the original purpose of the Patent Act. The question, then, is does such action make a company a troll? And if so, are trolls ruining innovation in American businesses?

B. *The Troll Under the Bridge*

There have been few terms used so advantageously and in so many different ways than the term "patent troll." Its definition depends on whom you ask and, in some cases, even when you ask them.⁵⁴ The origin of the pejorative use of the term is attributed to Peter Detkin, former Assistant General Counsel for Intel during the late 1990s.⁵⁵ Intel, at the time, faced accusations of infringing upon another company's patent rights.⁵⁶ Referring to the other company as a patent "extortionist" landed Intel in hot water over libel charges, so Detkin coined the term "patent trolls."⁵⁷ So what exactly is a patent troll? As Detkin then explained, "[a] patent troll is somebody who

50. *Id.* at 59.

51. Susser & Cohen, *supra* note 43, at 9.

52. *Id.*

53. *Id.*

54. See generally Seidenberg, *supra* note 23 (discussing the origins of the term "patent troll" and its varied use); see also Christopher M. Holman, *Biotechnology's Prescription for Patent Reform*, 5 J. MARSHALL REV. INTELL. PROP. L. 318, 336 (2006) (referring to such an entity as a "non-manufacturing entity" or "NME"); M. Craig Tyler, *Patent Pirates Search for Texas Treasure*, TEX. LAW., Sept. 20, 2004 (giving patent trolls the alternative name of "patent pirates").

55. Terrence P. McMahon et al., *Who is a Troll? Not a Simple Answer*, 7 SEDONA CONF. J. 159, 159 (2006).

56. Raymond P. Niro & Paul K. Vickrey, *The Patent Troll Myth*, 7 SEDONA CONF. J. 153, 154 (2006).

57. *Id.* at 153.

tries to make a lot of money off a patent that they are not practicing and have no intention of practicing and in most cases never practiced.”⁵⁸ Thus, the dawning of the era of the troll.

The term “patent troll” is most often used to refer to a non-practicing entity who grants a license, sometimes for an exorbitant price, to other companies who wish to use those patents.⁵⁹ Sometimes it is reserved for patent owners who neither invent nor produce but merely buy patents from others in order to license them.⁶⁰ Other times, it is applied even to the inventor of a patent himself when that inventor does not manufacture the patented product.⁶¹

One reason for the ambiguity as to who qualifies as a patent troll is the fact that everyone defines the term differently, so that the term applies to somebody else but not to his own client.⁶² This is illustrated by the fact that Mr. Detkin, the man who coined the term “patent troll” while fighting against a licensing patentee, is now the managing director of Intellectual Ventures.⁶³ Intellectual Ventures generates revenue by obtaining licensing fees for patents that it has no intention of practicing—exactly the kind of firm Mr. Detkin had in mind when he coined the infamous term.⁶⁴ Yet Mr. Detkin maintains that his firm is not a patent troll.⁶⁵ Therefore, while it remains unclear exactly who is and who is not a troll, it is clear that the so-called “patent trolls” are extremely controversial.⁶⁶

Whether so-called “patent trolls” are considered good or bad most likely depends on the perception of the company or individual involved. Large companies in particular tend to feel a certain scorn for “patent trolls.”⁶⁷ These large companies, along with others, have stated that because non-practicing companies do not invent or produce anything, they are merely exploiting loopholes within the patent system for personal gain at the expense of the commerce system as a whole.⁶⁸ Because such alleged “trolls” merely collect fees

58. *Id.*

59. See Winters, *supra* note 20, at 6.

60. McMahon et al., *supra* note 55, at 159; Seidenberg, *supra* note 23, at 53.

61. Seidenberg, *Troll Control*, *supra* note 23, at 51.

62. *Id.* at 53.

63. Niro & Vickrey, *supra* note 56, at 153.

64. *Id.*

65. Seidenberg, *supra* note 23, at 53.

66. See generally *id.* (discussing the controversy surrounding so-called “patent trolls”).

67. See *id.* at 53–55.

68. McMahon et al., *supra* note 55, at 159.

from other companies who produce valuable goods while producing none themselves, they are seen as adding a hidden tax onto every sector of the economy, while at the same time hindering innovation.⁶⁹ This has led some to refer to such companies as bottom-feeders who merely look at patent ownership as a sort of golden lottery ticket.⁷⁰ Others have gone so far as to question the very ethics and morality of such actions.⁷¹

It is the fact that the standard use of cross-licensing does not apply to such non-practicing patentees that causes many to complain that those entities harm the economy and the progress of innovation.⁷² A cross-licensing agreement is one in which two companies list a large number of patents that they each own.⁷³ Under the terms of the agreement, both companies agree to use any of the patents on the list. If the two companies' portfolios are of comparable size, the companies simply trade the right to use their own patents for the right to use the other company's patents.⁷⁴ This has been referred to as a form of "mutually assured destruction" in which both companies are assured that the other cannot bring suit for use of the patented products and the agreement is viewed as a rational way in which disputes may be resolved.⁷⁵

The fact that non-practicing companies do not wish to use the other company's patents, however, is why this "mutually assured destruction" does not work with such entities.⁷⁶ Non-practicing entities have no interest in sharing or trading patents; they are simply looking for a licensing fee or, in the alternative, the right to exclude another company from using their patents.⁷⁷ This imposes a certain asymmetric risk to the practice of cross-licensing, and therefore leads to an increase in litigation over such patents.⁷⁸

The other side of the debate paints a very different picture. With all the bad press around so-called "patent trolls," many call into question the veracity of the motives behind such accusations, stating

69. *Id.* at 160.

70. *Id.*; Winters, *supra* note 20, at 19.

71. Frank M. Washko, Note, *Should Ethics Play a Special Role in Patent Law?*, 19 GEO. J. LEGAL ETHICS 1027, 1034-35 (2006).

72. *See* Winters, *supra* note 20, at 6.

73. JAFFE & LERNER, *supra* note 18, at 59.

74. *Id.*

75. Winters, *supra* note 20, at 6.

76. *Id.*

77. *See id.*

78. *See id.*

that claims of “patent trolls,” much like the fictional troll under the bridge, are nothing more than myths.⁷⁹ Many believe that the label is merely a ploy by big companies to diminish their competition and attempt to weaken their competitors’ property rights.⁸⁰ Richard Lang, a small company CEO, states that large companies “want [intellectual property] to be immensely valuable when they own it, but worthless when a small company owns it.”⁸¹ As he explains, “[p]atents are either a valid form of property or they are not. The matter of who owns them is irrelevant.”⁸²

Others go further yet, stating not only that it should not matter who owns the property rights, but also that the non-practicing companies actually act as incubators of innovation.⁸³ A small inventor often creates new inventions merely for the purpose of selling his patent right, and non-practicing entities become a source where such an inventor can put his ideas into the market.⁸⁴ Whether the alleged “troll” is the original inventor or a purchaser of the inventor’s patent, the expansion of the marketplace in which to exploit patents only provides greater incentive to innovate, patent, and invent.⁸⁵ The non-practicing entities are seen as dealers who provide “liquidity, market clearing, and increased efficiency to the patent markets.”⁸⁶ The alleged “trolls,” then, have the effect of creating a central place of exchange that greatly reduces the search costs involved with marketing patents.⁸⁷

An incentive to innovate can come about only when patent holders, regardless of their levels of production or manufacturing, are given property rights to their patents. Any company that wishes to buy a patent gives a further incentive to an original inventor to

79. See generally Niro & Vickrey, *supra* note 56 (defending non-marketing patentees).

80. Seidenberg, *supra* note 23, at 53.

81. *Id.*

82. *Id.*; see also Ian Austen & Lisa Guernsey, *A Payday for Patents ‘R’ Us: Huge Blackberry Settlement Is Grist for Holding Company*, N.Y. TIMES, May 2, 2005, at C1 (“Those who criticize, they think that unless you make products, you aren’t entitled to having rights.” (quoting Donald Stout, co-founder of NTP, the company that won a multimillion-dollar settlement for use of its patented wireless e-mail technology by RIM, maker of the Blackberry)).

83. Niro & Vickrey, *supra* note 56, at 156.

84. *Id.* at 153.

85. *Id.* at 156.

86. McDonough, *supra* note 17, at 190.

87. *Id.* at 214 (“Just as dealers on the NASDAQ match investors with companies seeking owners and vice versa, patent dealers match patent owners with companies seeking to commercialize a patent.” (footnote omitted)).

innovate.⁸⁸ Even when these companies are non-practicing entities, they are still avenues by which innovation is compensated, and therefore fostered, not hindered.⁸⁹ Further, small companies or individuals often have no way to compete with large companies backed by large amounts of capital.⁹⁰ In some cases, a strong patent system that allows a small company to use its patent as real property is the only way to level the playing field, thereby improving commerce.⁹¹

Regardless of whether non-practicing patentees are as beneficial to commerce as they claim, they are in good company. These patent holders can point to many other individual inventors who ultimately formed companies to exploit their patented ideas but who initially did not manufacture anything, including Ford, Gillette, Harley, the Wright brothers, Marconi, and Disney.⁹² RCA stopped making radios during the 1920s and 1930s and licensed the technology to others.⁹³ Thomas Edison, one of the greatest innovators in history, often licensed his patented inventions to others.⁹⁴ Even President Abraham Lincoln was granted a patent for something that he did not manufacture or produce.⁹⁵ Was Honest Abe a patent troll?

Despite the differences and sometimes heated animosity between practicing and non-practicing patent holders, they have something in common: both rely on their patents having certain attributes of real property.⁹⁶ Without real property attributes, including the right to exclude, patents become nothing more than numbered slips of paper handed out by the government. For this reason, both types of holders have vested interests in knowing where the boundaries lie for the continued right to exclude, even if such interests do at times conflict with one another.⁹⁷

88. Niro & Vickrey, *supra* note 56, at 153.

89. *Id.* at 156.

90. McDonough, *supra* note 17, at 210.

91. *See id.*

92. Niro & Vickrey, *supra* note 56, at 156.

93. Seidenberg, *supra* note 23, at 53.

94. *Id.*; *see also* McDonough, *supra* note 17, at 198 (referring to Thomas Edison as the “king of trolls”).

95. U.S. Patent No. 6,469 (filed Mar. 19, 1849); Niro & Vickrey, *supra* note 56, at 156.

96. 35 U.S.C. § 261 (2000).

97. Robert A. Armitage, *The Conundrum Confronting Congress: The Patent System Must Be Left Untouched While Being Radically Reformed*, 5 J. MARSHALL REV. INTELL. PROP. L. 268, 277 (2006).

C. *The Historical and Inherent Right to Exclude*

The right of a patentee to exclude others from using his patent has always been his most powerful tool.⁹⁸ This right is recognized in the Constitution,⁹⁹ included in the original Patent Act of 1790,¹⁰⁰ and is still in place today.¹⁰¹ Patent law has always been considered a component of property law,¹⁰² and this was explicitly laid out in the current Patent Act, which states: “[P]atents shall have the attributes of personal property.”¹⁰³ Some, such as Frederic Bastiat, have even argued that man’s ability to convert natural resources into usable products is of the very essence of man and that the right to such property precedes any legislation that would attempt to take that property from him.¹⁰⁴ Others have pointed out that it is the security of property rights that has induced man to unite in society and that no man would become a member of a community in which he could not enjoy the fruits of his honest labor.¹⁰⁵

The right to exclude, therefore, is one of the most fundamental attributes of personal property.¹⁰⁶ The same is true for patent rights, as held by the Federal Circuit.¹⁰⁷ The necessity of the right to exclude is evident in the fact that a patent does not even confer upon its holder a positive right to use the patented invention; just because a person owns a patent does not mean that he has the affirmative right

98. Mitchell G. Stockwell, *Implementing eBay: New Problems in Guiding Judicial Discretion and Enforcing Patent Rights*, 88 J. PAT. & TRADEMARK OFF. SOC’Y 747, 747 (2006).

99. U.S. CONST. art. I, § 8, cl. 8.

100. 1 Stat. 109 (1790).

101. 35 U.S.C. § 154(a)(1) (2000).

102. See *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246–47 (Fed. Cir. 1989).

103. 35 U.S.C. § 261 (2000).

104. FREDERIC BASTIAT, *THE LAW* 5–6 (Dean Russell trans., Found. for Econ. Educ. 1950) (1850). Bastiat states:

By the application of our faculties to these natural resources we convert them into products, and use them. This process is necessary in order that life may run its appointed course.

Life, faculties, production—in other words, individuality, liberty, property—this is man. And in spite of the cunning of artful political leaders, these three gifts from God precede all human legislation, and are superior to it.

Id.

105. *Van Horne’s Lessee v. Dorrance*, 2 U.S. (2 Dall.) 304, 310 (1795).

106. *Richardson*, 868 F.2d at 1247 (“[T]he right to exclude recognized in a patent is but the essence of the concept of property.” (quoting *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983))).

107. *Id.*

to *use* the invention claimed in the patent.¹⁰⁸ The right to a patent, therefore, has been said to be a “negative” right to exclude others.¹⁰⁹ If a patent does not give patentees a positive right to use a patent, and if courts take away the negative right to exclude, patents will no longer have an essential attribute of personal property.

This fact has long been recognized by the Federal Circuit and district courts. Before *eBay*, a patent owner who proved infringement could count on the court granting an injunction as virtually automatic.¹¹⁰ This gave a patentee a strong bargaining chip in dealings within the market and during pretrial settlement discussions.¹¹¹ The Federal Circuit has upheld this notion time and again in relevant case law, holding that once a patent is found to be valid, and once that valid patent has been found to have been infringed, irreparable harm is presumed.¹¹² For this reason, and pursuant to the basic essence of property law, once infringement was found a patentee would be granted an injunction to ensure his right to exclude.¹¹³ Injunctions have been granted to a patentee even when the infringing party is no longer infringing upon his patent in order to prohibit future infringement.¹¹⁴ As the Federal Circuit has stated: “[A]n injunction should issue once infringement has been established unless there is a sufficient reason for denying it.”¹¹⁵

Sufficient reasons for denying a permanent injunction have been found only in the rarest of cases. The clearest examples are those where a permanent injunction would have adversely affected public health and safety while denial of the injunction protected the public.¹¹⁶ Typically these cases involve toxic substances, medical devices, or medicine itself.

108. SCHECHTER & THOMAS, *supra* note 16, at 4.

109. *Id.*

110. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005) (“[T]he general rule is that a permanent injunction will issue once infringement and validity have been adjudged.”), *vacated*, 126 S. Ct. 1837 (2006); Stockwell, *supra* note 98, at 747.

111. Stockwell, *supra* note 98, at 747.

112. *See, e.g., Atlas Powder Co. v. Ireco Chems.*, 773 F.2d 1230, 1232 (Fed. Cir. 1985).

113. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246–47 (Fed. Cir. 1989) (“[I]t is contrary to the laws of property, of which the patent law partakes, to deny the patentee’s right to exclude others from use of his property.”).

114. *W.L. Gore & Assocs. v. Garlock, Inc.*, 842 F.2d 1275, 1281–82 (Fed. Cir. 1988).

115. *Id.* at 1281.

116. STEPHEN M. MCJOHN, *INTELLECTUAL PROPERTY* 236 (2d ed. 2006); KIMBERLY A. MOORE ET AL., *PATENT LITIGATION AND STRATEGY* 565 (2d ed. 2003).

In *City of Milwaukee v. Activated Sludge, Inc.*, for example, the Court of Appeals for the Seventh Circuit refused to grant an injunction against an infringing party for using a patented method of sewage treatment.¹¹⁷ Had the court granted the permanent injunction, the city would have had to dump raw sewage into Lake Michigan.¹¹⁸ The court recognized that “the health and the lives of more than half a million people [were] involved” in the case.¹¹⁹ Therefore, the court denied the request for an injunction due to public health interests and imposed a compulsory license on the city, forcing it to pay the patentee a fee for using the patented invention.¹²⁰

Another way that courts can protect public safety and health is seen in the case of *Schneider (Europe) AG v. SciMed Life Sys., Inc.*¹²¹ In that case, the infringing party marketed and sold an already patented rapid-exchange catheter used by surgeons. Because the court recognized that many physicians strongly preferred the infringing product, it opted to grant a permanent injunction, but delayed the issuance of the injunction for one year from the entry of the judgment.¹²² This was done to allow the surgeons to switch from the infringing product with minimal disruption. The court further ordered that the patent holder receive a royalty fee at the rate of 15% during that transition period.¹²³ Presumably in light of the public health interest involved, the Federal Circuit did not view the district court’s decision as an abuse of discretion and affirmed the decision.¹²⁴

Nonetheless, cases of court-mandated compulsory licensing have been rare.¹²⁵ This is probably so because “[a] compulsory license is an involuntary contract between a willing buyer and an unwilling seller imposed and enforced by the state.”¹²⁶ Such mandatory licensing,

117. *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934).

118. *Id.*

119. *Id.*

120. *Id.*; see also *Vitamin Technologists, Inc. v. Wis. Alumni Research Found.*, 146 F.2d 941, 944–46 (9th Cir. 1945) (discussing the concept that injunctions should be refused where they act against public health concerns).

121. 852 F. Supp. 813 (D. Minn. 1994).

122. *Id.* at 861–62.

123. *Id.* at 862.

124. *Id.*, *aff’d mem.*, 60 F.3d 839 (Fed. Cir. 1995).

125. PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 524 (5th ed., Found. Press 2002) (1973); SCHECHTER & THOMAS, *supra* note 16, at 331 (“Cases like *City of Milwaukee* and *Vitamin Technologists* have been rare events in the U.S. patent law.”).

126. Leslie T. Grab, Note, *Equitable Concerns of eBay v. Mercexchange: Did the Supreme Court Successfully Balance Patent Protection Against Patent Trolls?*, 8 N.C. J. L. & TECH. 81, 104–

outside of the rare exceptions of public health or safety, simply contradicts the right to exclude that is the essence of property rights.¹²⁷

This concept can be made clear by a simple example. X owns a piece of real property. X does not live on the property or use it himself but X does wish to rent or license it to other people. Y then moves onto X's property and runs part of his business out of it. Pursuant to his personal property rights, X attempts to exclude the trespasser. But the court tells X that because Y is only using part of X's property and because X's property is only part of Y's business it will allow Y to use X's property. The court explains that Y's use will be permitted because it has a positive effect on "the public." The court does, however, make Y pay X compulsory rent for using X's property.¹²⁸

This result stands in stark opposition to personal property rights.¹²⁹ Although the use of easements and eminent domain is becoming more commonplace,¹³⁰ use of property is not simply granted to trespassers who illegally and willfully use the property of another. Because compulsory licenses directly contradict the right to exclude,¹³¹ Congress has repeatedly rejected calls for a general compulsory licensing provision.¹³² And because mandatory licensing simply contradicts the essence of personal property rights, courts,

05 (2006) (quoting Gianna Julian-Arnold, *International Compulsory Licensing: The Rationales and the Reality*, 33 IDEA 349, 349 (1993)).

127. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989) ("[T]he right to exclude recognized in a patent is but the essence of the concept of property." (quoting *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983))).

128. See also F. Scott Kieff & R. Polk Wagner, Op-Ed., *Testing Patent Protections*, WASH. TIMES, May 30, 2006, at A14 ("[I]magine a rule that allowed me, anytime I notice you are not using your car as I like, to use it myself and pay whatever a court might later request, if you sue me and win."); McDonough, *supra* note 17, at 199–200 (making an analogy to "Real Property Trolls"); Michael C. Smith, "Patent Pirates" Only Exist in Neverland, TEX. LAW., Oct. 11, 2004, at 30, 30 ("[Complaining about patent pirates] is tantamount to claiming that, unless a landowner is a real estate company, it has no right to object if someone builds an office building on its land without permission and keeps the rent."). For a discussion on intellectual property having similar rights to real property, see Frank H. Easterbrook, *Intellectual Property Is Still Property*, 13 HARV. J.L. & PUB. POL'Y 108, 188 (1990), in which Judge Easterbrook states that "[e]xcept in the rarest case, we should treat intellectual and physical property identically in the law."

129. See *Richardson*, 868 F.2d at 1247.

130. See, e.g., *Kelo v. City of New London*, 545 U.S. 469 (2005).

131. *Richard B. Klar, eBay Inc. v. Mercexchange, L.L.C.: The Right to Exclude Under U.S. Patent Law and the Public Interest*, 88 J. PAT. & TRADEMARK OFF. SOC'Y 852, 858 ("A compulsory license on any particular type of patent should be viewed as unconstitutional.").

132. Stockwell, *supra* note 98, at 756; see, e.g., *Compulsory Licensing of Patented Inventions*, H.R. 1708, 107th Cong. (2001) (never passed).

pre-*eBay*, granted patent owners injunctions for the remainder of the patent's life almost as a matter of course.¹³³

Despite this history, Justice Kennedy's *eBay* concurrence propounds the use of compulsory licenses. If courts look to Justice Kennedy's concurrence for guidance in granting permanent injunctions, compulsory licenses will become much more commonplace, even in cases not affecting public health. Before *eBay*, compulsory licenses were exceedingly rare and often came under harsh criticism.¹³⁴ After *eBay*, depending on how lower courts use the concurring opinions as guidance, an infringer might lose the battle but win the war. Even if a defendant is found to be willfully infringing upon a valid patent, the defendant could convince the court to deny a permanent injunction and impose compulsory licensing terms. The defendant's decision to fight the trial and force the patentee to mount expensive litigation would then be vindicated.¹³⁵

II. *EBAY V. MERCExchange*

Having analyzed the history of patent law and the stage that had been set prior to *eBay*, this Note now turns to an in-depth analysis of *eBay*. First, the Court's majority opinion as written by Justice Thomas must be reviewed. Then, the two concurring opinions, written separately by Chief Justice Roberts and Justice Kennedy, must be analyzed in full detail.

The Supreme Court decided the case of *eBay Inc. v. MercExchange, L.L.C.* on May 15, 2006.¹³⁶ It did not take long for those within the patent field to call the case "the most important" case of the year.¹³⁷ Although a select few commentators were skeptical,¹³⁸ the vast consensus has been that this case could potentially "turn patent injunction practice on its head."¹³⁹ As a result of the generality of the decision, the case has the potential to overflow into other areas

133. Klar, *supra* note 131, at 855.

134. Stockwell, *supra* note 98, at 755 (quoting *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1574 (Fed. Cir. 1988)).

135. *Id.* at 747.

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

137. Seidenberg, *supra* note 31, at 15.

138. Joseph N. Hosteny, *Litigators Corner: Hysteria Lane*, INTELL. PROP. TODAY, July 2006, at 28, 28-29.

139. Steve Seidenberg, *Tougher Road Ahead for Patent Holders*, A.B.A. J. E-REP. May 19, 2006, <http://www.aba.net/org/journal/ereport/my19ebay>.

of intellectual property law and even into fields altogether outside of intellectual property.¹⁴⁰ Because the reach and effect of the case depends greatly on how its concurring opinions are used as guidance, the “unanimous” decision must be reviewed in detail.¹⁴¹

A. *The Court’s “Unanimous” Holding*

The twisted saga of *eBay* stems from what appear to be fairly mundane facts. When the trial commenced, MercExchange, L.L.C. was the assignee of three separate patents.¹⁴² MercExchange claimed that eBay, Inc. and Half.com, Inc. were both willfully infringing on those patents.¹⁴³ At trial, a jury found that eBay and Half.com were both infringing upon at least one of the patents.¹⁴⁴ That patent was a business method patent on a system for selling goods through “an electronic network of consignment stores.”¹⁴⁵ Both infringing parties were forced to pay damages to MercExchange.¹⁴⁶ MercExchange then filed a motion for a permanent injunction, but the court denied it and cited the patent holder’s “willingness to license its patents” and “its lack of commercial activity in practicing the patents” as evidence that the patent holder would not suffer irreparable harm without the injunction.¹⁴⁷ For this reason, and others, the case was heard on appeal by the Federal Circuit.¹⁴⁸

The Federal Circuit held that “[b]ecause 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

140. Thomas L. Casagrande, *The Reach of eBay Inc. v. MercExchange, L.L.C.: Not Just for Trolls and Patents*, 44 HOUS. LAW. 10, 11 (2006) (“[T]he *eBay* decision, because of its generality, appears not only to have implications for all types of patent cases, but also extends into trademark and copyright law, and even beyond intellectual property law altogether.”).

141. See Winters, *supra* note 20, at 19 (“Although the Court’s opinion was unanimous in form, in substance it was not: the two concurring opinions showed a marked split.”).

142. MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1325 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006).

143. *Id.*

144. *Id.* at 1326 (noting that both eBay and Half.com were found to be infringing upon U.S. Patent No. 5,845,265, but also reversing a judgment against Half.com for infringing upon U.S. Patent No. 6,085,176).

145. U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

146. MercExchange, 401 F.3d at 1326.

147. MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695, 712 (E.D. Va. 2003), *vacated*, 188 F. App’x 993 (Fed. Cir. 2006).

148. MercExchange, 401 F.3d at 1323.

infringement and validity have been adjudged.”¹⁴⁹ The court further quoted precedent saying that “courts have in rare instances exercised their discretion to deny injunctive relief in order to protect the public interest.”¹⁵⁰ Further, “standards of the public interest, not the requirements of private litigation, measure the propriety and need for injunctive relief.”¹⁵¹ Because of “the general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances,” the Federal Circuit reversed the district court’s denial of MercExchange’s motion for a permanent injunction.¹⁵²

The Supreme Court of the United States granted certiorari to determine “when it is appropriate to grant an injunction against a patent infringer.”¹⁵³ In answering this question, Justice Thomas, writing for a unanimous court, held that both the district court and the Federal Circuit were wrong in adopting “categorical rule[s].”¹⁵⁴ The Court said that patent holders who license their patent rather than practice or use their patent should not be categorically barred from being granted injunctive relief.¹⁵⁵ At the same time, however, the Court held that the Federal Circuit had departed too far in the opposite direction by adopting a “general rule” that patent injunctions would issue once infringement and validity had been adjudged.¹⁵⁶

The test that should have been followed, according to the Court, was the test that had historically been used in cases of equity in granting permanent injunctions. Thus, a plaintiff seeking a permanent injunction must satisfy a four-factor test, demonstrating:

- (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

149. *Id.* at 1338 (quoting *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989)).

150. *Id.* (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

151. *Id.* (quoting *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865–66 (Fed. Cir. 1984)).

152. *Id.* at 1339.

153. *eBay Inc. v. MercExchange, L.L.C.*, 546 U.S. 1029–30 (2005).

154. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840–41 (2006).

155. *Id.* at 1840.

156. *Id.* at 1841.

warranted; and (4) that the public interest would not be disserved by a permanent injunction.¹⁵⁷

The decision in *eBay* clarifies that this equitable test applies with equal force to patent disputes.¹⁵⁸

Ultimately, the Supreme Court held that non-practicing patent holders should not be categorically denied injunctions based solely on their non-use, nor should permanent injunctions automatically attach on findings of infringement and validity. In light of the defects in the lower courts' holdings, the Supreme Court remanded the case so that the four-factor framework could be applied to the facts at hand.¹⁵⁹

B. *The Court Is Split*

The entire opinion of the Court was but a few pages long and was in accord with "well-established principles of equity."¹⁶⁰ The problem, however, is that it gave little guidance to lower courts on exactly how to apply the four-factor test, especially in regard to alleged "patent trolls."¹⁶¹ Some commentators even suggest that the case has presented more questions than it does answers.¹⁶² The generality in the court's holding was compounded by the fact that, although it was technically unanimous, the two concurring opinions were highly divergent on exactly how the holding should be applied.¹⁶³

1. *A Page of History*

Chief Justice Roberts, joined by Justices Scalia and Ginsburg, wrote a concurring opinion arguing that following "a page of history"

157. *Id.* at 1839.

158. *Id.*

159. *Id.* at 1841.

160. *Id.* at 1839.

161. Casagrande, *supra* note 140, at 16 ("[M]any were disappointed that the Supreme Court did not provide specific guidance about how courts should deal with 'patent trolls.'"); see generally Seidenberg, *supra* note 139.

162. *The Supreme Court, 2005 Term—Leading Cases*, 120 HARV. L. REV. 125, 337 ("Unfortunately, however, *eBay* raises more questions about the grant of permanent injunctions than it answers."); see also Klar, *supra* note 131, at 853 ("The grant of certiorari opens a plethora of questions involving attempts to redefine the standard for injunctive relief in patent infringement suits.").

163. Seidenberg, *supra* note 23, at 53 ("It all depends on how the lower courts interpret the ruling."); Susser & Cohen, *supra* note 43, at 10.

would be “worth a volume of logic.”¹⁶⁴ The Chief Justice noted that for nearly two hundred years courts have granted injunctive relief on a finding of infringement in the “vast majority of patent cases.”¹⁶⁵ He further noted the inherent difficulty in protecting the right to *exclude* by allowing an infringer to *use* the patented invention.¹⁶⁶ For this reason, while he agreed that this historical practice “does not *entitle* a patentee to a permanent injunction or justify a *general rule* that injunctions should issue,” the Chief Justice warned that courts should not be “writing on an entirely clean slate.”¹⁶⁷ Noting this historical tendency of granting permanent injunctions in order to protect the patentee’s right to exclude, he concluded by reaffirming the axiom of justice that “like cases should be decided alike.”¹⁶⁸ For this reason, it appears that the Chief Justice’s concurrence advocates a change in the means of the general rule of granting permanent injunctions, but not in the ends.¹⁶⁹

This concurring opinion guides lower court judges to find that the historical four-factor test generally *will* lead to injunctive relief, as argued by MercExchange.¹⁷⁰ The accompanying concurring opinion authored by Justice Kennedy, however, gives opposite guidance, at least in regard to non-practicing entities, new technological patents, and business method patents.¹⁷¹ Justice Kennedy appears to advocate the advancement of a new standard altogether.

2. *A New Standard*

Justice Kennedy, joined in his concurrence by Justices Stevens, Souter, and Breyer, conceded that the pattern of “granting an injunction against patent infringers almost as a matter of course” was simply the result of the application of the four-factor test.¹⁷² Justice

164. *eBay*, 126 S. Ct. at 1841–42 (Roberts, C.J., concurring) (quoting *New York Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921)).

165. *Id.* at 1841.

166. *Id.*

167. *Id.*

168. *Id.* at 1842 (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

169. *Susser & Cohen*, *supra* note 51, at 10 (“Chief Justice Roberts’ concurring opinion . . . appears to suggest that a change has been wrought mainly to the means, but not to the ends, of the automatic-injunction rule.”).

170. Brief for Respondent at 27, *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1387 (2006) (No. 05-130).

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

172. *Id.*

Kennedy opined that the historical test may have worked with historical cases and those cases today that still bear semblance to them. He also stated, however, that trials arising in today's rapidly developing technological and legal environments should be held to a different test.¹⁷³

Although the term "patent troll" never explicitly surfaced in the Court's opinions, Justice Kennedy took note that "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees."¹⁷⁴ For this reason, Justice Kennedy gave approval to the idea that there are times when compulsory licenses are acceptable. He proceeded to give three examples of when injunctions may be unnecessary and legal damages could suffice: (1) when the patent holder uses his patents primarily for obtaining licenses, (2) when the patented invention is but a small component of the product the infringing party seeks to produce, or (3) when the patent is for a business method.¹⁷⁵

Justice Kennedy's opinion therefore differentiated between different types of patent holders. He advocated differentiating practicing patent holders from non-practicing patent holders, tangible patent holders from business method patent holders, and even patent holders whose patents are used alone from those whose patents are a small part of a bigger product.¹⁷⁶ But this differentiation runs contrary to prior Supreme Court precedent.¹⁷⁷ In *Continental Paper Bag Co. v. Eastern Paper Bag Co.*,¹⁷⁸ the Supreme Court refused to distinguish between pioneer patents, which are patents for wholly novel devices,¹⁷⁹ and patents for improvements.¹⁸⁰ The Court also refused to distinguish between patents that were being used and those that were in non-use, stating that "it is manifest... that Congress has not overlooked the subject of non-user of patented inventions."¹⁸¹ The Court's holding further defended the granting of permanent injunctions to non-users, stating that "experience has

173. *Id.*

174. *Id.*

175. *Id.*

176. *Id.*

177. Klar, *supra* note 131, at 857.

178. 210 U.S. 405 (1908).

179. BLACK'S LAW DICTIONARY 1157 (8th ed. 2004).

180. *Cont'l Paper Bag*, 210 U.S. at 414-15.

181. *Id.* at 429 (quotation omitted). The Court went on, "In some foreign countries the right granted to an inventor is affected by non-use. This policy, we must assume, Congress has not been ignorant of nor of its effects." *Id.*

demonstrated its wisdom and beneficial effect upon the arts and sciences.”¹⁸² Not only is refusing to differentiate between different types of patent holders in line with Court precedent, treating all patent holders equally, rather than differentiating between different “types,” is more “equitable” than benefiting only big patent holders and big corporations over small companies.¹⁸³

Although “unanimous,” *eBay* is more fractured than it first appears. Depending on how it is followed by lower courts, *eBay* could influence patent law profoundly. Because the majority opinion in *eBay* is so general in its terms and because the concurring opinions are so divergent, the impact of *eBay* will depend upon how lower courts take guidance from the concurring opinions.¹⁸⁴

III. TO TROLL OR NOT TO TROLL: HOW *EBAY* COULD AFFECT CASES IN LOWER COURTS

In light of the differences between the concurring opinions, patent law and the right to exclude will be shaped on a court-by-court, case-by-case basis. Outcomes will depend on which concurring opinion is used as guidance, creating more uncertainty within the law.¹⁸⁵ This can be seen with a number of lower court cases that have already emerged. Two such cases are examined below.

A. *Where Is the Line Drawn?*

The case of *z4 Technologies, Inc. v. Microsoft Corp.* has already shown the effect of following Justice Kennedy’s concurring opinion as guidance.¹⁸⁶ The plaintiff in that case, *z4 Technologies*, is a one-person operation that held a patent on product activation that was allegedly infringed upon by Microsoft.¹⁸⁷ A jury found that Microsoft

182. *Id.* at 429–30; see also Smith, *supra* note 128, at 30 (“[L]imiting the enforcement of property rights based on the status or character of the holder of the rights is not just alien to property law—it is alien to free enterprise and a free society.”).

183. See Grab, *supra* note 126, at 112 (“[A] real danger exists for small companies or independent inventors that cannot afford to practice their technology.”); Tony Mauro, *Supreme Court Ruling for eBay a Major Victory for Big Patent Holders*, LAW.COM, May 16, 2006, <http://www.law.com/jsp/article.jsp?id=1147696529804> (stating that the decision will make it harder for patent holders to obtain injunctions against major patent holders and big companies).

184. Seidenberg, *supra* note 23, at 53.

185. Jessica Holzer, *Supreme Court Buries Patent Trolls*, FORBES.COM, May 16, 2005, http://www.forbes.com/home/2006/05/15/eBay-scotus-patent-ruling-cx_jh_0516scotus.html.

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

187. *Id.* at 438; Seidenberg, *supra* note 23, at 54.

had indeed infringed upon z4's patent and awarded z4 a substantial amount in damages.¹⁸⁸ When z4 filed a motion for a permanent injunction to exclude Microsoft from using z4's patent, however, the district court judge denied the motion.¹⁸⁹

In denying the injunctive relief, the court focused solely on Justice Kennedy's concurrence, neglecting that of Chief Justice Roberts.¹⁹⁰ Quoting Justice Kennedy, the court held that because the "patented invention is but a small component of the product the companies seek to produce . . . legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest."¹⁹¹ For these reasons, and because "certain sectors of the public might suffer" if a permanent injunction were granted, the court concluded that "[a]ny harm z4 might suffer can be adequately remedied through the recovery of monetary damages."¹⁹² In effect, the court granted a compulsory license.¹⁹³

In *TiVo Inc. v. EchoStar Communications Corp.*, however, the same district court reached a markedly different conclusion.¹⁹⁴ There, a jury found that EchoStar was willfully infringing upon several of TiVo's patents.¹⁹⁵ In determining whether to grant a permanent injunction, the court correctly looked to *eBay* and its four-factor test.¹⁹⁶ In doing so, however, the court took guidance from Chief Justice Roberts's warning against "writing on an entirely clean slate."¹⁹⁷ This led the court to state that it was "clear that the Supreme Court by its decision did not intend to part with long-standing decisions in equity."¹⁹⁸ Based on its application of the four-factor test and its understanding of the concurrences, the court concluded that a permanent injunction was warranted.¹⁹⁹ In discussing the public's

188. *z4 Techs.*, 434 F. Supp. 2d at 438-39.

189. *Id.* at 444.

190. *Id.* at 441.

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

192. *Id.* at 444.

193. *Id.* (preserving "z4's rights to future monetary damages" but not its right to exclude others from using its patent).

194. *TiVo Inc. v. EchoStar Commc'ns Corp.*, 446 F. Supp. 2d 664 (E.D. Tex. 2006).

195. *Id.* at 665.

196. *Id.* at 666.

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

198. *Id.* at 666.

199. *Id.* at 669.

interest in the case, the court stated that “[t]he public has an interest in maintaining a strong patent system” and “[t]his interest is served by enforcing an adequate remedy for patent infringement—in this case, a permanent injunction.”²⁰⁰ The court also noted the historical notion that, when weighing the public’s interest in the injunction, such interests should be weighed in relation to issues of “public health” or “other equally key interests,” not “for entertainment.”²⁰¹

The aforementioned cases are but two examples of how courts can arrive at different outcomes depending on the concurring opinion used for guidance in implementing the four-factor test. Either case could have had a different outcome had the respective judge followed the other concurring opinion. These cases and many others like them lead to questions of whether there will be different standards applied in each of the lower courts and perhaps even different standards for different types of companies or industries within each court.²⁰² This possibility is further evidenced by the fact that both *z4* and *TiVo* were decided in the *same court* but by different judges.²⁰³ Because different outcomes can be reached by using one concurrence as guidance over the other, this Note considers the effects of both possible outcomes.

B. *The Differing Effects of the Differing Guiding Opinions*

The primary purpose of patent law is to promote the progress of science and the useful arts.²⁰⁴ Without a proper system in place, the ability of American companies to innovate could be crippled and the very system that was designed to promote innovation could be destroyed.²⁰⁵ The historical right to exclude is what gives protection to inventors and rewards innovation.²⁰⁶ The protection provided by the right to exclude encourages inventors to take risks and spend time and money innovating because, with that protection, they know they

200. *Id.* at 670; *see also* *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 985 (W.D. Tenn. 2006) (“[T]he public maintains an interest in protecting the rights of patent holders, and injunctions serve that interest. Here, a permanent injunction will further consumer access to more competitive, and thus, presumably better, products by allowing [plaintiff] the benefit of its patents and the ability to gain greater brand recognition.”).

201. *TiVo*, 446 F. Supp. 2d at 670.

202. *See* *Susser & Cohen*, *supra* note 43, at 11.

203. *TiVo*, 446 F. Supp. 2d at 664; *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. 2006).

204. U.S. CONST. art. I, § 8, cl. 8.

205. *Seidenberg*, *supra* note 23, at 55.

206. *See* *White*, *supra* note 25, at 4.

will reap the fruits of their labor.²⁰⁷ The ability to sell patents to a licensing firm or to license patents to another company creates a marketplace for innovation.²⁰⁸ This leads to an increase in innovation, inventions, and patents.²⁰⁹ By compensating and protecting a patent holder's property rights by allowing him to sell and license his patents, innovation will not be hindered, as opponents of patent trolls purport; rather it will be fostered.²¹⁰

Justice Kennedy's concurrence, however, allows lower courts to issue permanent injunctions less frequently than in the past.²¹¹ Based on Justice Kennedy's concurrence, courts could say to an infringing company: "You have lost your challenge to the patent, but you get to keep on infringing anyway!"²¹² Rulings like this would minimize the power of patent holders to threaten litigation that would end in injunctions. Without the threat of injunctions, there is little incentive for manufacturers to purchase licenses; and with no one to purchase licenses, there is little incentive to innovate.²¹³ The historical likelihood of obtaining a permanent injunction defended the right to exclude and provided incentives for inventors to create new inventions and apply for new patents.²¹⁴

Many in the private market who run companies that deal with a heavy dose of patents concur that it has been the promise of exclusivity that has made investors willing to place huge bets on start-up enterprises.²¹⁵ The manner in which the patent system has operated in the last two decades under the Federal Circuit has been responsible for an abundant supply of venture capital that allows

207. *Id.* at 9.

208. Niro & Vickrey, *supra* note 56, at 156.

209. *See id.*

210. *Id.*

211. *See, e.g.,* 24 Techs., Inc. v. Microsoft Corp., 434 F. Supp. 2d 437, 438, 444 (E.D. Tex. 2006), *aff'd*, 507 F.3d 1340, 1344 (Fed. Cir. 2007); Paice L.L.C. v. Toyota Motor Corp., 2006 U.S. Dist. LEXIS 61600, at *11-*20 (E.D. Tex. Aug. 16, 2006) (denying permanent injunction to patent holder who only licensed his patent, holding injuries could be undone by monetary damages), *aff'd in part, vacated in part*, 504 F.3d 1293, 1313-16 (Fed. Cir. 2007) (rejecting district court's sua sponte imposition of ongoing royalty and remanding).

212. Armitage, *supra* note 97, at 272 (stating that this would be the consequence of more widespread judicial licensing).

213. White, *supra* note 25, at 4.

214. eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837, 1841-42 (2006) (Roberts, C.J., concurring); White, *supra* note 25, at 9 ("Patents convert the intangible property of an idea into tangible property that can be bought, sold, or licensed.").

215. Armitage, *supra* note 97, at 269.

innovators to develop new products and ideas.²¹⁶ It has even been argued that the defense of exclusive rights has led to expanded investment in the biotechnology industry which has in turn saved lives and restored health to a multitude of citizens.²¹⁷ It is the lure of extra return that comes with the enforcement of exclusive rights that induces extra investment and, in turn, extra invention.²¹⁸ If Justice Kennedy's concurrence leads to a decrease in the enforcement of exclusive use, it will also lead to a decrease in the lure of extra return on a patent. This could, consequently, lead to a decrease in innovation. Following Justice Kennedy's concurrence as guidance in issuing permanent injunctions, then, will hinder would-be patentees from obtaining the assistance that would otherwise be available in the open market.²¹⁹ As one federal judge pointed out, "[f]ailing to enjoin infringers may also diminish the incentives needed by investment bankers who would otherwise assist the patentee with development of his invention."²²⁰

If courts do not enforce patent rights and patentees' rights to exclude, some of the leading industry groups in the nation could be crippled.²²¹ This could have an even greater impact on intellectual property than simply on what transpires within our own shores. Intellectual property law is becoming increasingly globalized and many other countries already have far less stringent enforcement laws than those enjoyed in the United States.²²² Any changes or paradigm shifts in United States patent law must be done with awareness of how such changes could set precedents for the laws of foreign nations where American companies wish to do business.²²³ As Thomas L. Friedman has stated, "the world is flat,"²²⁴ and this flat-world phenomenon must be taken into account in assessing American patent law.

216. *Id.*

217. *Id.*

218. Easterbrook, *supra* note 128, at 110.

219. See Robert M.M. Seto, *A Federal Judge's View of the Most Important Changes in Patent Law in Half-a-Century*, 11 J. TECH. L. & POL'Y 141, 159 (2006).

220. *Id.*

221. Armitage, *supra* note 97, at 271.

222. See *id.* at 277.

223. *Id.* at 278.

224. THOMAS L. FRIEDMAN, *THE WORLD IS FLAT: A BRIEF HISTORY OF THE TWENTY-FIRST CENTURY* 5-11 (2005).

Yet another purpose of the patent system, and a way in which innovation is fostered, is the public disclosure of private inventions.²²⁵ When the inventor is ensured of his exclusive right to his invention, he discloses it to the public in exchange for that exclusive right.²²⁶ This public disclosure fosters innovation in others and allows them to build on what has already been done.²²⁷ If Justice Kennedy's concurring opinion is followed, leading to a decrease in permanent injunctions, and therefore a decrease in the right to exclude, it is possible that public disclosure will decrease proportionately as an inventor's assurances of his right to exclude decrease.²²⁸ On the other hand, if Chief Justice Roberts's concurrence is followed and a patent holder has protection in the form of a permanent injunction, he will still have an incentive to disclose his invention publicly. This incentive to disclose is in accord with the Federal Circuit's pronouncement that "[a] patent is granted in exchange for a patentee's disclosure of an invention, not for the patentee's use of the invention."²²⁹

Finally, the very essence of private and personal property rights could be determined by how lower courts apply *eBay*.²³⁰ If the essence of property rights is the right to exclude and courts exchange the right to exclude for monetary remedies and compulsory licenses, courts, and the compulsory licenses they approve, will strip patents of their most important property right.²³¹ Such holdings would be in direct opposition to the intentions of Congress.²³² While the virtues of compulsory licenses could be debated, it is the role of the courts to follow the law as handed down by Congress and, more importantly, as written in the Constitution.²³³ It has been the official policy of the

225. White, *supra* note 25, at 7–8.

226. *Id.* at 8.

227. *Id.*

228. *Id.*

229. Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1547 (Fed. Cir. 1995).

230. See Richardson v. Suzuki Motor Co., 868 F.2d 1226, 1247 (Fed. Cir. 1989) ("[T]he right to exclude recognized in a patent is but the essence of the concept of property." (quoting Connell v. Sears, Roebuck & Co., 722 F.2d 1542, 1548 (Fed. Cir. 1983))).

231. See eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837, 1841 (2006) (Roberts, C.J., concurring) ("[T]he tradition of granting injunctions] is not surprising, given the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee's wishes . . .").

232. 35 U.S.C. § 261 (2000) ("[P]atents shall have the attributes of personal property."); Stockwell, *supra* note 98, at 756 ("Congress has repeatedly rejected a general compulsory licensing provision . . .").

233. Stockwell, *supra* note 98, at 756 ("Where Congress has so often turned back compulsory licensing efforts, courts should proceed with caution.").

United States to oppose broad compulsory licensing provisions and this should not be overridden by those in the judiciary.²³⁴ In fact, the very constitutionality of compulsory licenses is even called into question.²³⁵

Courts, in following *eBay*, must look to that decision and its concurring opinions for guidance on when to grant permanent injunctions and when not to do so. As has been shown above, which concurring opinion lower courts use for guidance could make a drastic difference in shaping patent law. Further, because “like cases should be decided alike,”²³⁶ it would benefit parties on both sides of the debate if a set standard was adopted.

IV. COURTS SHOULD FOLLOW CHIEF JUSTICE ROBERTS’S HISTORICAL TEST OF “A PAGE OF HISTORY”

Due to the adverse ramifications the Kennedy concurrence will lead to if it is followed, lower courts should uphold private individuals’ property rights by taking guidance from Chief Justice Roberts’s concurrence.²³⁷ Courts should take notice that patent holders are not entitled to a permanent injunction in every case of infringement, but they should also recognize the difficulty in protecting a right to *exclude* by only awarding damages that allow another to *use* the patent.²³⁸ In so doing, lower courts will be able to follow the majority opinion of *eBay* and still further the very purposes of patent law—fostering innovation, promoting public disclosure, and protecting personal property rights.

A. *The Positive Effect of Taking Guidance from Chief Justice Roberts’s Opinion*

By granting a permanent injunction to patent holders whose patent rights have been infringed, except in cases involving public health or welfare, inventors will still be encouraged to innovate.²³⁹ When patent holders are confident that they retain personal property

234. *Id.*

235. Klar, *supra* note 131, at 858.

236. *eBay*, 126 S. Ct. at 1842 (Roberts, C.J., concurring) (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

237. *Id.* at 1841–42.

238. *Id.* at 1841.

239. See Niro & Vickrey, *supra* note 56, at 156.

rights in their patents, and therefore have the right to exclude others from using their patents, they will have an incentive to invent, innovate, and expand on their ideas.²⁴⁰ Absent this incentive, inventors and innovators may not put the time, energy, and expense into innovating for fear of another person or company usurping their intellectual property and stealing their ideas.²⁴¹ Creating a different standard for alleged “patent trolls,” which prevents non-practicing patent holders from excluding others because of their non-use, will hinder, not foster, innovation.²⁴² This is precisely the hindrance that could be avoided by following the Chief Justice’s concurrence.

Furthermore, it has long been recognized that injunctions benefit not only the patent holder but also the public.²⁴³ When a patent holder is assured the exclusive use of his patented invention or idea, he will disclose his innovation to the public so that they will know how it was created and can build on it in the future.²⁴⁴ Rejecting a patent holder’s right to exclude could have the negative effect of causing an innovator not to disclose his innovations to the public out of fear that his innovation might be stolen without any defense against such infringement.²⁴⁵ The courts can avoid this negative effect by upholding a patent holder’s right to exclude through permanent injunctions, thus giving the patent holder a defense with which he can confidently disclose his innovations.²⁴⁶

Lastly, but most importantly, upholding a patent holder’s right to exclude will also uphold personal property rights as we know them.²⁴⁷ If lower courts use Justice Kennedy’s concurrence for guidance and deny injunctive relief to non-practicing patent holders, the courts will be stripping rightful patent holders of their right to exclude.²⁴⁸ Such an outcome cannot be said to be in accord with the Constitution or the

240. White, *supra* note 25, at 9.

241. *Id.*

242. See Niro & Vickrey, *supra* note 56, at 156.

243. THE FEDERALIST No. 43, *supra* note 3, at 208 (“The public good fully coincides . . . with the claims of individuals.”); see White, *supra* note 25, at 9.

244. White, *supra* note 25, at 8.

245. *Id.* (“Without exclusive rights as an incentive, inventors would most likely keep their inventions as a trade secret.”).

246. Stockwell, *supra* note 98, at 747 (“A patentee’s right to exclude others has always been recognized as its most powerful remedy.”).

247. See *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246–47 (Fed. Cir. 1989).

248. *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 430 (1908) (“It hardly needs to be pointed out that the right can only retain its attribute of exclusiveness by a prevention of its violation.”).

Patent Act.²⁴⁹ Chief Justice Roberts rightly pointed out the difficulty in protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee's wishes.²⁵⁰ Such an outcome is internally incongruent and should be avoided whenever possible.

Allowing infringement would also be inconsistent with prior court rulings in regard to property law at both the state and federal levels. As one federal judge has stated, "[e]xcept in the rarest case, we should treat intellectual and physical property identically in the law."²⁵¹ The Supreme Court has analogized the infringement of a patent to a "trespass on lands."²⁵² Trespasses, as a rule, are not permissible, even when disallowance of the trespass would cause hardship for the trespassing party.²⁵³ Trespasses have been enjoined even when the property in question is in a state of non-use.²⁵⁴ Following Justice Kennedy's concurrence and making exceptions when the property is unused or when hardship would follow to the infringing party would be in direct contradiction to the aforementioned rules of law. The laws of patents and the laws of property should not be rewritten for fear of mythical "trolls." Unfortunately, *eBay*, and specifically Justice Kennedy's concurrence, has led some to believe that it is no longer meaningful to think of patents as "property."²⁵⁵ Such a view is out of alignment with the law as it is written in the Patent Act.²⁵⁶ Therefore, that path should not be followed by lower courts in post-*eBay* cases.

The path set by Justice Kennedy can be avoided altogether by heeding Chief Justice Roberts's observation that the difficulty in protecting a right to exclude while allowing others to use a patent often implicates the first two factors of the traditional four-factor test:

249. U.S. CONST. art. I, § 8, cl. 8; 35 U.S.C. § 154(a)(1) (2000).

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

251. Easterbrook, *supra* note 128, at 118.

252. *United States v. Palmer*, 128 U.S. 262, 269 (1888).

253. *See, e.g., Goulding v. Cook*, 661 N.E.2d 1322, 1323–25 (Mass. 1996) (holding that Cook was enjoined from trespassing upon Goulding's land and therefore had to remove his septic system from Goulding's property, even though the injunction would cause great hardship for Cook because that property was the only suitable place for him to enter a septic system to make his own property usable).

254. *Starks v. White*, 49 F. App'x. 798, 799 (10th Cir. 2002) (stating that the property in question was "wild and uninhabited").

255. Yixin H. Tang, Note, *The Future of Patent Enforcement after eBay v. MercExchange*, 20 HARV. J.L. & TECH. 235, 244 (2006).

256. 35 U.S.C. § 261 (2000) ("patents shall have the attributes of personal property").

the plaintiff has suffered an irreparable injury and remedies such as monetary damages are inadequate to compensate that injury.²⁵⁷ By practicing judicial discretion in light of historical tradition, courts can fully enforce *eBay* without acting upon mere “whim.”²⁵⁸ This outcome could be achieved by granting permanent injunctions allowing patentees the right to exclude. Such an outcome would be congruous with *eBay*, Chief Justice Roberts’s concurrence, and the history of patent law.

B. *The Right to Exclude Should Be Upheld but for in Cases of Public Health or Welfare, not merely Public or Corporate Convenience*

As this Note has examined,²⁵⁹ permanent injunctions have historically been denied only in cases of extreme public interest in the areas of health or public welfare.²⁶⁰ Public interests, however, should not be construed to include matters of public or corporate convenience.²⁶¹ In weighing the “public interest” prong of the four-factor test, the focus should be on potential injury to the public, not whether any public interest could be advanced.²⁶² Put another way, the focus should be on whether *granting* a permanent injunction will cause harm to the public, not whether the infringing party’s *infringement* may somehow benefit the public. Posing the question in this way accords with “the long tradition of equity practice.”²⁶³

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

258. *Id.*

259. See *supra* Part I.C.

260. See *Vitamin Technologists, Inc. v. Wisc. Alumni Research Found.*, 146 F.2d 941, 946 (9th Cir. 1945); *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934); MCJOHN, *supra* note 116, at 236.

261. See, e.g., *TiVo Inc. v. EchoStar Commc’ns Corp.*, 446 F. Supp. 2d 664, 670 (E.D. Tex. 2006) (“The infringing products are not related to any issue of public health or any other equally key interest; they are used for entertainment.”).

262. Klar, *supra* note 131, at 858; see, e.g., *MPT, Inc. v. Marathon Labels, Inc.*, No. 1:04-cv-2357, slip op. at 29 (N.D. Ohio Jan. 19, 2007). “There is a general public interest in favor of strong patent protection, except in cases where an obvious public interest such as public health and safety exists. Here, the method at issue is quite useful However, there is no *critical public need* for use of [the patent in question].” *Id.* (emphasis added).

263. *eBay*, 126 S. Ct. at 1841 (Roberts, C.J., concurring).

CONCLUSION

Patent law has seen many changes in recent time. Significantly, the patent field has seen an increasing explosion of activity. This has even led to a new market in which non-practicing patent holders create entire business plans around licensing patents they are not using. One aspect that has never changed, however, is the inescapable fact that patents have carried with them, from time immemorial, the right to exclude. This constitutional right to exclude is the very essence of personal property rights and this right should not be changed post-*eBay*.

The extent to which *eBay* “turns patent law on its head” is yet to be seen and will depend on the extent to which the historical right to exclude is upheld. This will depend on how lower courts use the *eBay* concurrences for guidance in following the unanimous holding. Courts will have to follow the equitable test laid out in *eBay* while still protecting the property rights of patentees. By following Chief Justice Roberts’s “page of history” test, courts will be able to satisfy the four-factor test and maintain the historical, constitutional, and statutory right to exclude. In so doing, courts will uphold the “very essence of private property,” while still promoting and incentivizing innovation.

