

Taking a Fresh Look at Patent Preliminary Injunctions

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TAKING A FRESH LOOK AT PATENT PRELIMINARY INJUNCTIONS*

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I. Introduction

When patent owners dream, it must surely be of a silver bullet to stop an infringer in only a matter of weeks without the eighteen months time to trial and the legal expenses of over \$1 million of even a small patent case taken through trial. There is a silver bullet — a preliminary injunction — but it is rarely used. Many patent litigators go through a career without ever moving for a preliminary injunction, often because a clear-shot situation never presented itself, but sometimes because of over-caution in assessing the opportunity. In this article, I provide my views on how to recognize when a really promising opportunity opens up and how to take effective advantage of it when it comes, with a few references to instances in which I have used the procedure.

II. Benefits/Harms Assessment

Any analysis begins with weighing the benefits of winning a preliminary injunction against the harms of a denial. The evident major benefit is that infringement is stopped much earlier than by trial. An ancillary benefit, if a preliminary injunction is won, is that the winner will be in a very powerful position to negotiate a consent judgment making the injunction final or, if it is the patent owner's choice, to exact a more rewarding license than could have been obtained without the injunction. Sometimes, a

defendant will fold, after the motion is filed, without ever reaching the hearing. Unless the defendant who has been preliminarily enjoined fights on through trial, the lawsuit will have been ended at a lower total cost, plus savings in management time and earlier removal of uncertainty from the business situation.

Substantial potential harms must, however, be balanced against these benefits. If it is denied, the defendant may be stiffened in its resolve to fight even more vigorously than if the motion had not been brought. The judge who denied the motion may form a premature impression that the patent owner's case is weak. Two months or more of extra expense on the preliminary injunction motion will have been layered onto the case. There can be the further expense and delay of an interlocutory appeal to the Federal Circuit under 28 U.S.C. § 1292(a)(1). In rare cases, a plaintiff who wins a preliminary injunction may be unable to obtain or afford the level of bond set by the court required for the injunction to take effect.

The benefit/harm assessment interacts with another assessment that must be made, a success/failure assessment of the patent owner's chances of obtaining preliminary relief. There is an interaction between the two assessments when the time comes to decide whether to move for preliminary relief. The framework for the success/failure assessment is set by the Federal Circuit's four-factor test

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for preliminary injunction, which requires the patentee to establish the following four factors, *see, e.g., Oakley, Inc. v. Sunglass Hut Int'l*, 316 F.3d 1331, 1338-39 (Fed. Cir. 2003):

- (1) the patentee's likelihood of success on the merits;
- (2) irreparable harm;
- (3) whether the balance of hardships favors the plaintiff; and
- (4) whether the public's interest would be harmed if a preliminary injunction were not granted.

III. Likelihood of Success on the Merits

In a patent case, this factor requires separate showings on the issues of infringement and validity.

A. Infringement

The movant must show that it is likely to carry its burden of proof at trial of showing infringement by a preponderance of the evidence. A threshold concern is whether the patent owner can rely on literal infringement or must rely on the doctrine of equivalents because of some lack of literal correspondence between a claim limitation and its asserted counterpart element in the accused product.

For literal infringement, the perfect case would involve a clearly drafted claim, using ordinary English words with clear support in the specification, and an accused product falling literally within the ordinary English meanings of the words used. The likelihood-of-success factor on infringement should not be an obstacle for such a fortunate patent owner. Since perfection is rare, a literal infringement situation will more typically require attention to some claim construction issues. Almost inevitably, the defendant will contend that the patent specification, its prosecution history, or some special technical meaning narrows some limitation in the claim from its broadest literal scope to a narrower interpretation that, coincidentally, will enable the defendant's product or process to escape literal infringement. Claim construction sections in the preliminary injunction briefs will be a central part of the motion. This can be a particular problem where the defendant has designed its product to take advantage of a claim construction that could place its product literally outside the claims.

If the patent owner's own assessment concludes that it has little chance of showing literal infringement and must rely on the doctrine of equivalents, the prospects for a preliminary injunction motion will likely be low. The Federal Circuit's restrictions on the availability of equivalents, most notably in its most recent *Festo* ruling, have cut

almost to the bone a patent owner's chances of establishing infringement by equivalents. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359 (Fed. Cir. 2003) (*Festo IX*). Nonetheless, if a careful reading of the prosecution file of the patent shows that there is an absence of any of the *Festo IX* triggers that bar reliance on equivalents, preliminary relief may still be obtainable.

Because application of the doctrine of equivalents is an issue of fact, the court, in deciding a preliminary injunction motion, must make a finding of the fact of equivalency under Federal Rules of Civil Procedure, Rule 52(a). The equivalency showing in the moving memo and supporting documents must, therefore, provide the required level of factual support.

B. Validity

Under 35 U.S.C. § 282, an issued patent has a presumption of validity. In preliminary injunction motions, reliance on this presumption is only sufficient to satisfy the likelihood of success requirement on the validity issue in the rare case that when the opponent does not contest validity. When validity is contested, the preliminary injunction movant must make an affirmative showing that the attack lacks substantial merit. *See, e.g., New England Braiding Co. v. A.W. Chesterton Co.*, 970 F.2d 878, 882, 23 U.S.P.Q.2d (BNA) 1622, 1625 (Fed. Cir. 1992). Since the movant cannot forecast in advance the rare instance when the opponent will not contest validity, the movant should present evidence supportive of the presumption of validity.

Validity can be supported in numerous ways. One way is a showing that the patent previously has been adjudicated to be valid. That is a rare but powerful situation. *See, e.g., Hybritech v. Abbott Labs.*, 849 F.2d 1446, 1452, 7 U.S.P.Q.2d (BNA) 1191, 1197 (Fed. Cir. 1988). Supporting evidence can be the objective evidence used to rebut obviousness, *e.g.*, commercial success, copying, respect in the industry for the patent (also called "public acquiescence" to its validity).

As an example, I will describe an unreported preliminary injunction case in which I represented the inventor/manufacturer of a successful after-market accessory for racing dirt bikes. His patent had been issued about two weeks when the suit was filed. The infringer, a large national company distributing motorcycling accessories, was the former distributor of the inventor's patented product. It had recently begun making identical copies of the patented product and cut out the inventor. I expected the defendant's attack to focus on validity, since infringe-

ment was unchallengeable and the patent was so new. The inventor knew the star riders on the professional dirt bike racing circuit and they loved his product. I called each one asking for permission to tape-record our talk and turn it into a declaration. I asked each one the same questions about a long-standing serious problem with dirt bikes that the invention had solved and all the other reasons they used his invention. I turned their transcribed statements into declaration form, leaving them in the bikers' own words in English that was forceful and colorful but ungrammatical (I omitted the four-letter words). The declarations leapt off the page, sounding just like dirt bike riders, not dry lawyer-drafted words. These declarations provided compelling objective evidence supportive of validity. The defendant corporation, after being served with the preliminary injunction papers, immediately gave up and agreed to a permanent consent injunction.

IV. Irreparable Harm

A rich defendant will always argue that a preliminary injunction is unnecessary because the defendant is able to pay damages if the patentee wins at trial. To counter this argument, the patent owner needs to make a showing of harms which money damages cannot repair.

The Federal Circuit has ruled that, if a preliminary injunction movant in a patent case is found to have made a "strong showing" of likelihood of success on the merits, then irreparable harm will be presumed. *See PPG Indus. Inc. v. Guardian Indus.*, 75 F.3d 1558, 1566-67 (Fed. Cir. 1995). However, a patent owner should not gamble that, even if it passes the test on a showing of likelihood of success, the trial court will characterize the showing as "strong." The patent owner should provide independent evidence of irreparable harm. One type of irreparable harm is loss of market share. There is a prestige to being the market leader in sales of a particular product that generates further sales, which may be irreparably lost if the infringement causes the patent owner to lose its market leader position in the market for the patented product. Irreparable harm can be caused if the defendant's product, while infringing, is inferior in quality, so that its existence poisons the market for the patented product. Harm can be irreparable if the defendant would not have the resources to pay a damages judgment made at trial. Another, perhaps counterintuitive, form of irreparable harm involves a patent close to expiration of its term. The circumstance that trial, on a normal timetable, would come too late for the injunction remedy to be available is, itself, a form of irreparable harm.

Harm also can be irreparable if it threatens a unique, short-term market. I had such a case. I represented Teleflora, the owner and inventor of a valuable patent on a device used in the floral industry for bouquet kits, which is referred to as a lid pick assembly. Teleflora had launched a nationwide advertising promotion for a Mother's Day bouquet built around use of its patented lid pick assembly only to learn that its chief national rival was advertising what Teleflora considered an infringing product for the same Mother's Day. In this case, the irreparable nature of the harm was plain; it was a one-time, nationwide program, a unique event in which Teleflora's loss of market position, reputation, and goodwill would have been irreparable. Money could not provide adequate redress. We moved for a preliminary injunction, which the court granted at the hearing. If anyone wants a set of the moving papers, please e-mail me at lhpretty@hhlaw.com.

There are some negative factors that can undermine a showing of irreparable harm. Chief among them is unreasonable delay. If the plaintiff has knowingly tolerated the infringement for an unreasonably long period of time without acting to enforce its patent, the trial judge is likely to be unimpressed with arguments that the harm is so irreparable that the patent owner cannot wait until trial. *See, e.g., High Tech Med. Instrumentation v. New Image Indus.*, 49 F.3d 1551, 1557 (Fed. Cir. 1995). Another factor that can undermine showing irreparable harm is if the patent owner has a number of nonexclusive licensees under the patent because they imply that an award of money damages at trial would be enough to make the patent owner whole.

V. Balancing the Hardships

A patent owner who can make a sufficient showing on irreparable harm will normally be able to rely on the same factors to prevail on the balance of hardships. As another consideration, the patent owner has usually been the first in the market with the patented product and has established significant sales starting from this high base. Thus, the patentee's projected loss of sales, if infringement is allowed to proceed until trial, will usually outweigh the smaller projected loss of sales of the defendant who, as a recent entrant, is likely to be starting from a much smaller base.

VI. No Adverse Public Interest

A patent owner does not have to present affirmative evidence of no public harm in order to obtain preliminary relief. Also, there is a recognized public interest in the

enforcement of valid, infringed patents. However, in rare instances, there will be a case in which a segment of the public would suffer serious harm to health or safety if the preliminary injunction were granted. An example would be a group of patients reliant on medication necessary to their

health for which there is no other supplier (if the patentee is not a supplier) and no effective substitute. In these rare circumstances, the defendant may make a showing that shifts the burden of going forward with rebutting evidence to the patent owner.

VII. Checklist

From applying the four-factor list and considering cases applying it, I have prepared the following checklist for assessing whether a preliminary injunction has relatively more or less favorable chances of success.

MORE FAVORABLE	LESS FAVORABLE
Infringement is literal, preferably not using a “means” clause. Claim construction issues are slight or the patentee has a strong claim construction position.	No literal infringement or weak claim construction position creating serious likelihood of loss on literal infringement.
If reliance is needed on doctrine of equivalents: original nonamended claim, after-developed unforeseeable technology used by defendant and strong evidence on function-way-result factors.	Difficult prosecution history involves amendment to claims or arguments creating clear disregard of claim scope. Possible disclaimer argument based on disclosed but unclaimed species. Issue of foreseeability questionable. Other <i>Festo</i> issues.
Likely to overcome validity attack because defendant’s relied-on prior art is no better than the cited art; supporting objective evidence of nonobviousness; squeaky-clean prosecution; no factual declarations, submitted to overcome prior art, of questionable accuracy or completeness.	More relevant, uncited prior art; weak objective supporting evidence of nonobviousness; patent prosecution errors that are difficult to explain as innocent.
Strong irreparable harm evidence, e.g., significant decline in market share since infringement commenced; one-time short-lived market horizon, such as a seasonal novelty; inferior quality of infringing product poisoning the market; patent close to expiration; likely inability of defendant to pay damages.	Evidence undermining irreparable harm, e.g., unreasonable delay in enforcement since infringement was detected; existence of nonexclusive licensees; defendant has deep pockets.

The listing of a particular factor in the above table as “less favorable” is not a “kiss of death.” Any particular adverse factor above, in a particular case, can be susceptible to being overcome.

VIII. Making the Decision to Move for Preliminary Relief

These steps of analysis should be made as objectively as possible as they will provide the basis for the patent owner’s decision whether to move for a preliminary injunction. The process of evaluation usually takes place in parallel with the gathering and review of the documentary evidence that would be needed to support any such motion.

Bringing a preliminary injunction motion imposes a heavy burden on the defendant to resist it. If the motion should be denied, the defendant may later assert claims based on (i) unfair competition; (ii) a violation of Federal Rules of Civil Procedure, Rule 11; or (iii) recovery of attorneys’ fees as an exceptional case under 35 U.S.C. § 285. To protect the patent owner against this type of later

demand following a failed preliminary injunction motion, it is advisable before suit to provide a written recommendation to move for a preliminary injunction detailing the grounds for that recommendation.

In patent cases, there are often several venues where the requirements of personal jurisdiction and venue would be satisfied. When a preliminary injunction is being planned, two significant factors affecting the choice among available venues are (i) the ability to deter or defeat a motion to transfer; and (ii) the type of evidential presentation permitted as a preliminary injunction hearing by the court’s local rules.

Beginning with the transfer issue, I defended a Los Angeles aircraft fastener manufacturer against a patent preliminary injunction motion brought in Savannah,

Georgia, by a patent owner based in Chicago, Illinois. See *Aeroquip Corp. v. Deutsch Co.*, 887 F. Supp. 293 (S.D. Ga. 1995). The defendant's only contact with Savannah was a single visit to that city. Our first response was to move for transfer to Los Angeles, which took weeks and was granted, coupled with a stay of the preliminary injunction motion. We were able to use the weeks of delay to develop a very strong opposition to the preliminary injunction motion. It is not a good idea to choose a venue for an intended preliminary injunction motion where neither party resides.

The other important consideration is the type of hearing permitted in a preliminary injunction by the local rules of the available courts. Using California as an example, a full evidential hearing is permitted in the Eastern District (Fresno) under Local Rule 65-231(d)(3). In the Central District (Los Angeles), the motion is heard only on declarations, but a party may file a notice of request to cross-examine its opponent's declarants at the hearing under Local Rule 7-8. In the Northern District (San Francisco), no live testimony is permitted unless the judge orders it under Local Rule 7-6. In general, my strong preference when representing a preliminary relief movant is for no live testimony.

IX. Gathering the Evidence

The most important part of the movant's papers will be the factual evidence that supports the motion in the form of declarations and exhibits and sometimes deposition transcripts. Gathering the evidence should be an urgent and parallel task from the very beginning. Fortunately, the needed evidence can often be gathered from sources that are available to the patent owner without need of formal discovery.

On infringement issues, the patent owner will, in many cases, be able to obtain the infringer's product, *e.g.*, through a friendly mutual customer or by use of an investigator. Often, there will be available publications, advertisements, or downloaded information from the Internet. These sources can frequently provide enough information about the accused product for the patent owner's retained technical expert to prepare a claim chart showing correspondence between the potential defendant's product and each of the asserted claims of the patent owner's patent. If issues of equivalence are concerned, the infringer's own literature should be searched for favorable admissions that can be used to support a function-way-result analysis.

On the claim construction issue, the evidence required is also already available to the patent owner, namely, the patent itself and its prosecution history and the cited prior art. On the issue of patent validity, I favor having an updated patent search for the patent owner to see what likely prior art may emerge on which the defendant could rely. Armed with that knowledge, the supporting papers for the brief and the supporting declarations of any technical expert retained for the case can be drafted to establish a position that any uncited art is not more relevant than the cited art. Rechecking internally for absence of statutory bars or any potential inequitable factors is essential. Objective evidence to support the presumption of validity can be developed by contacting potentially supportive third-party witnesses, by providing commercial success evidence of the patent owner's own sales of the patented product, and by looking for evidence of such factors as failure by others in the art to be supported by declarations.

Evidence of irreparable harm should also be something that the patent owner is able to develop from its own sources. It will know its own sales figures. If the figures show an abrupt dip since the entry of the infringer to the market, that can be correlated with erosion of market share and other irreparable harm factors. If there is something inferior about the quality of the infringer's product that will harm the reputation for the patented product in the market, then that, too, is something on which the patent owner can provide evidence through its own sources and technical experts.

X. Procedural Issues

There is sometimes a question whether to file a complaint and then take discovery to gather evidence before preparing preliminary injunction papers. On all occasions when I have sought preliminary injunctions, I have avoided the taking of discovery for a variety of reasons. The most compelling reason is that taking discovery undermines the important elements of seizing the initiative and building momentum that work powerfully in the patent owner's favor. On the other hand, there will be some cases, for example, involving a process patent, where a complaint will have to be filed and expedited discovery taken to obtain the evidence necessary to make a showing of likelihood of success on the infringement issue.

An issue that is likely to present itself on a preliminary injunction motion, where the movant is relying on declarations and exhibits that did not require discovery,

is confidentiality of the information, *e.g.*, information on sales of the patent owner's product relied on for commercial success. The defendant will be in no hurry to stipulate to a protective order, and for the plaintiff to proceed on the motion for a protective order may create unacceptable delay. Sometimes, the plaintiff will face a "Hobson's choice": whether to reveal some of its own confidential information to strengthen its injunction papers, or retain the confidentiality of the information and not get preliminary relief.

In working on declarations to support a motion, it is essential to check that they comply with the Federal Rules of Evidence for admissibility. Statements that are hearsay, are made without adequate foundation, or constitute opinion testimony of a lay witness have no place in declarations relied on for a preliminary injunction. Every documentary or physical exhibit should be sponsored by a competent declarant. The declarations should be worded as persuasively as possible without being argumentative. Declarations in plain English should be used and, if it can be achieved, have the ring of the way of talking that the declarant uses.

Declarations of technical experts should be accompanied by clear, simple graphic aids to increase understandability of the information provided. A glossary of terms is helpful. The expert should avoid jargon and elevated technical terms in favor of common language and clarity of expression. Since the technical expert is virtually certain to be deposed on his or her declaration, the declaration should never be simply drafted by a lawyer and handed to the expert to review, edit, and sign.

The papers needed for a preliminary injunction are set by the Federal Rules of Civil Procedure and the court's local rules.

The proposed order requires special care. Under Federal Rules of Civil Procedure, Rule 65(d), the order from the judge must be specific in defining the acts to be enjoined. I favor including both a specific provision that enjoins the defendant from further making, using, selling, offering for sale, or importing the specific infringing products by model number or name, as well as a broader prohibition against making any product that infringes the patent-in-suit. I have also included, in proposed preliminary injunction orders, the following provisions:

- a requirement that the infringer send a notice of the

preliminary injunction, and a copy of it, to all its customers within five working days;

- a requirement for recall of all unsold infringing devices from the customers;
- a provision requiring surrender of the inventory of infringing devices in the custody of the defendant; and
- a provision requiring the defendant to report in a writing to the court and patent owner evidencing its compliance with all the provisions in the order, and to do so within thirty days of the date of the order.

Part of the order should include a blank space for the court to insert the amount of the security bond the patent owner must post under Federal Rules of Civil Procedure, Rule 65(c). An important issue at the preliminary injunction hearing will be the amount of security. The patent owner would like to set it as low as possible, but in arguing for too low a bond in its brief or at the hearing, the patent owner can weaken the credibility of its assertions of irreparable harm, or the balance of harms, if the security sought seems disproportionately low.

Obtaining a security bond can be time consuming if the groundwork has not been laid in advance. It is advisable, before the hearing, to have had the patent owner's financial officer confer with a bonding company so that all the paperwork can be completed and a bond issued very promptly if the court grants the preliminary injunction. Sometimes, the plaintiff can post a cash bond, if its resources permit, to bridge the time until a security bond can be posted.

XI. Acceleration of Trial

One possibility that can occur is that the court may invoke Federal Rules of Civil Procedure, Rule 65(a)(2), which permits the court, before or after the commencement of the hearing of an application for a preliminary injunction, to order the trial of the action on the merits to be advanced and consolidated with the hearing of the application. It is a procedure which both sides should be prepared for and ready to argue for or against.

XII. Conclusion

Where the necessary factors align to open a window for a preliminary injunction, do not miss the moment. It really can be the silver bullet. ■