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TWO-EDGED SWORD
 HOW ‘LIKELY’ WILL PRELIMINARY INJUNCTION
 CUT THE WRONG WAY?

While preliminary injunctions are powerful weapons in a patent suit, the blade cuts both ways. An early preliminary injunction puts the plaintiff patent owner in a commanding position, while an early loss may teeter the patent owner on the defensive cliff for the rest of the case.

Proving or disproving the patent owner’s “likelihood of success” on the merits is critical, if not determinative, when the trial court considers granting preliminary injunctive relief. Knowing the special issues involved in proving or disproving “likelihood of success” in obtaining or avoiding preliminary injunctive relief in a patent infringement case is a must for any litigant. This quick primer brings you up to date on the key issues.

The General Rules

Injunction Statute – By statute, district courts “may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”¹ Preliminary injunctions are designed to preserve the parties’ relative positions until a trial on the merits can be conducted,² maintain the *status quo* and prevent irreparable loss of rights before a judgment.³

eBay and Winter Standards – In *eBay v. MercExchange* the U.S. Supreme Court confirmed that a plaintiff seeking a *permanent* injunction must demonstrate four well-known factors as a prerequisite to obtaining injunctive relief.⁴ Rejecting a “general rule” that a permanent injunction would issue once infringement and validity had been established, the Court said that the four factors apply “in patent disputes no less than in other cases governed by such standards.”⁵

Before *eBay*, the Supreme Court described the preliminary injunction standard as “essentially the same” as for a permanent injunction, with the exception that a plaintiff must show a *likelihood* of success rather than *actual* success.⁶ Thus, it was not surprising when the Court set out an *eBay*-like standard for proof of preliminary injunctions: “A plaintiff seeking a preliminary injunction must establish [1] that he is *likely to succeed* on the merits, [2] that he is likely to suffer irreparable harm in the absence of preliminary relief, [3] the balance of equities tips in his favor, and [4] that an injunction is in the public interest.”⁷

Trial Court Procedures – District courts considering applications for preliminary injunctions have relatively clear rules to follow:

Prepared by:



PETER STRAND
 Washington, D.C.
 (202) 783-8400
 pstrand@shb.com

Peter is a partner in the Firm’s Intellectual Property & Technology Litigation Practice. He holds an LLM in intellectual property law from the University of Houston School of Law.

1 35 U.S.C. § 283 (2006).
 2 *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981).
 3 *QBAS Co., Ltd. v. Chapman-Walters Intercoastal Corp.*, SACV 10-406 AG, 2010 WL 7785955, at *4 (C.D. Cal. Dec. 16, 2010) (citing *Sierra On-Line, Inc. v. Phoenix Software, Inc.*, 739 F.2d 1415, 1422 (9th Cir. 1984)).
 4 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) ((1) irreparable injury; (2) inadequate remedies at law; (3) balance of hardships favoring plaintiff; and (4) public interest not disserved).
 5 *Id.* at 394-95; see, e.g., *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1380 n.8 (Fed. Cir. 2009).
 6 *Amoco Prod. Co. v. Vill. of Gambell Ark.*, 480 U.S. 531, 546 n.12 (1987).
 7 *Winter v. Natural Res. Def. Council*, 555 U.S. 7, 20 (2008) (emphasis added); see, e.g., *Titan Tire Corp.*, 566 F.3d at 1375-76 (adopting *Winter* standard in a patent infringement case).

... a patentee is not required to prove his case in full at a preliminary injunction hearing. The same is true for an accused infringer's response to a motion for preliminary injunction. For these reasons, a court's findings of fact and conclusions of law relating to a preliminary injunction are subject to change after a trial on the merits.

The first factor—whether the plaintiff “is likely to succeed on the merits”—presents unique issues in patent litigation. Specifically, how do issues of validity raised by an accused infringer affect the patent owner's likelihood of success on the merits? Recent case law allows litigants to steer a clear path through this issue.

Discretion – The grant or denial of a preliminary injunction is within the sound discretion of the trial court.⁸ The U.S. Supreme Court, however, has confirmed that “a preliminary injunction is an extraordinary remedy never awarded as of right.”⁹

Less Formal – Decisions on preliminary injunctions may be based on less than a complete record or on disputed facts whose eventual determination will require a trial.¹⁰ Therefore, a patentee is not required to prove his case in full at a preliminary injunction hearing.¹¹ The same is true for an accused infringer's response to a motion for preliminary injunction.¹² For these reasons, a court's findings of fact and conclusions of law relating to a preliminary injunction are subject to change after a trial on the merits.¹³

Balancing Factors – None of the four factors taken individually is necessarily dispositive.¹⁴ Rather, the trial court balances all four factors when reaching its decision.¹⁵ Federal Circuit precedent, however, continues to say that a patentee *must* establish the existence of the first two factors to be entitled to a preliminary injunction.¹⁶ In any event, a preliminary injunction will not be granted unless the moving party makes a “clear showing.”¹⁷

Hearing and Opinion – A trial court cannot issue a preliminary injunction that depends on the resolution of disputed issues of fact unless the court first holds an evidentiary hearing.¹⁸ After this hearing, the trial court is required to make findings of facts and state its conclusions of law.¹⁹

Appeals – Under 28 U.S.C. § 1292(c), the Federal Circuit has jurisdiction over interlocutory appeals of district court decisions relating to injunctions.²⁰

Determining “Likelihood of Success”

The first factor—whether the plaintiff “is likely to succeed on the merits”—presents unique issues in patent litigation. Specifically, how do issues of validity raised by an accused infringer affect the patent owner's likelihood of success on the merits? Recent case law allows litigants to steer a clear path through this issue.

In *Titan Tire Corp. v. Case New Holland, Inc.*, the Federal Circuit clarified precedent and set out a framework for analyzing the “likely to succeed” factor in a patent infringement case.²¹ Although the case involved preliminary injunction issues in a design patent case, it applies to all patent cases.

Titan Tire began when the owner of a design patent on a tractor tire sued construction equipment company Case, alleging infringement and seeking a preliminary injunction prohibiting sales of backhoes with infringing tires. The district court denied the motion. Although the other three factors weighed in favor of a preliminary injunction, the court ruled that the patent was unlikely

8 *Titan Tire Corp.*, 566 F.3d at 1375 (citing *Genentech, Inc. v. Novo Nordisk, A/S*, 108 F.3d 1361, 1364 (Fed. Cir.), cert. denied, 522 U.S. 963 (1997); see, e.g., *Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1334 (Fed. Cir. 2006).

9 *Winter*, 555 U.S. at 24.

10 *Titan Tire Corp.*, 566 F.3d at 1379 (citing *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981)).

11 *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981).

12 *New Eng. Braiding Co., Inc. v. A.W. Chesterton Co.*, 970 F.2d 878, 883 (Fed. Cir. 1992).

13 *Purdue Pharma L.P. v. Boehringer Ingelheim GMBH*, 237 F.3d 1359, 1363 (Fed. Cir. 2001); *Jack Guttman, Inc. v. Kopykake Enters., Inc.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002); *Apple, Inc. v. Samsung Elec. Co., Ltd.*, 11-CV-01846-LHK, 2011 WL 7036077, at *5 (N.D. Cal. Dec. 2, 2011).

14 *Apple, Inc. v. Samsung Elec. Co., Ltd.*, 12-CV-00630-LHK, 2012 WL 2572037, at *2 (N.D. Cal. July 1, 2012) (citing *Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.*, 908 F.2d 951, 953 (Fed. Cir. 1990)).

15 *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1451 (Fed. Cir. 1988); *Apple, Inc.*, 2012 WL 2572037, at *2.

16 *Altana Pharma AG v. Teva Pharms. USA, Inc.*, 566 F.3d 999, 1005 (Fed. Cir. 2009) (citing *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001)).

17 *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997); *Apple, Inc.*, 2012 WL 2572037, at *3.

18 *Warner Chilcott Labs. Ireland, Ltd. v. Mylan Pharma, Inc.*, 451 Fed. Appx. 935, 939 (Fed. Cir. 2011).

19 *Id.* at 940 (citing Rule 52(a), FED.R.CIV. P.).

20 28 U.S.C. § 1292(a)(1).

21 566 F.3d 1372, 1374 (Fed. Cir. 2009).

An issued patent is statutorily presumed valid. Given this presumption, an accused infringer raising an invalidity defense at trial has (1) the initial burden of going forward with the evidence, as well as (2) the ultimate burden of persuasion that the patent is invalid.

The ultimate question before the court at the preliminary injunction phase is different than at trial. ... It is the patentee, as the moving party, who must persuade the court that, notwithstanding the challenge to validity, it is likely to succeed on the issue at a trial. The issue is "vulnerability" not "validity."

to survive a validity challenge on obviousness grounds.²² On appeal, the Federal Circuit, while affirming the district court's denial of injunctive relief, sought to clarify precedent and establish a clear procedure for addressing the issue:

"Likelihood" Test – A patent holder seeking to establish a likelihood of success on the merits must show (1) it is likely to prove infringement, and (2) it will likely withstand challenges, if any, to the patent's validity.²³ Note that this analysis applies not only to validity defenses, but to enforceability defenses as well.²⁴

Trial Presumptions and Burdens of Proof – The burdens and presumptions at the preliminary injunction stage track the parties' burdens at trial.²⁵ An issued patent is statutorily presumed valid.²⁶ Given this presumption, an accused infringer raising an invalidity defense at trial has (1) the initial burden of going forward with the evidence, as well as (2) the ultimate burden of persuasion that the patent is invalid.²⁷ Once the defendant presents persuasive evidence of invalidity, the burden then shifts to the patentee to rebut that evidence.²⁸ Ultimately, the issue at trial is whether the accused infringer carried its burden of proving by clear and convincing evidence that the patent is invalid.²⁹

Validity Not Challenged – If a patentee moves for a preliminary injunction and the alleged infringer does not challenge the patent's validity, the statutory presumption of validity satisfies the patentee's burden of showing a likelihood of success on the validity issue.³⁰

Validity Challenged – If, however, the accused infringer attacks the patent's validity, the burden is on her to come forward with evidence of invalidity, just as at trial. Once that burden is met, the patentee must respond with evidence, analysis and argument to avoid an adverse conclusion on the likelihood of success.³¹

'Vulnerability,' Not 'Validity' – The ultimate question before the court at the preliminary injunction phase is different than at trial. The court does not resolve the issue of validity. The accused infringer need not persuade the court that the patent is invalid. It is the patentee, as the moving party, who must persuade the court that, notwithstanding the challenge to validity, it is likely to succeed on the issue at a trial.³² The issue is "vulnerability" not "validity."³³

Discussing how these burdens play out, the *New England Braiding* court described the accused infringer's burden as raising a *substantial question* of validity and that, "While it is not the patentee's burden to prove validity, the patentee must show that the alleged infringer's defense *lacks substantial merit*."³⁴

²² *Id.* at 1374-75.

²³ *Id.* at 1376 (citing *Genentech, Inc.*, 108 F.3d at 1364); *see, e.g., AstraZeneca LP v. Apotex, Inc.*, 633 F.3d 1042, 1049 (Fed. Cir. 2010)).

²⁴ *QBAS Co., Ltd. v. Chapman-Walters Intercoastal Corp.*, SACV 10-406 AG, 2010 WL 7785955, at *6 (C.D. Cal. Dec. 16, 2010) (citing *Altana Pharma AG v. Teva Pharms. USA, Inc.*, 566 F.3d 999, 1006 (Fed. Cir. 2009)).

²⁵ *Gonzales v. O Centro Espirita Beneficente Uniao Do Vegetal*, 546 U.S. 418, 429 (2006); *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1376 (Fed. Cir. 2009) (citing *Gonzales* and stating that burdens and presumptions are "tailored" for preliminary injunction context).

²⁶ 35 U.S.C. § 282.

²⁷ *Titan Tire Corp.*, 566 F.3d at 1376 (citing *Tech. Licensing Corp. v. Videotek*, 545 F.3d 1316, 1327 (Fed. Cir. 2008)).

²⁸ *Titan Tire Corp.*, 566 F.3d at 1376-77.

²⁹ *Id.* at 1377 (citing *Tech. Licensing Corp.*, 545 F.3d at 1328).

³⁰ *Titan Tire Corp.*, 566 F.3d at 1377 (citing *Purdue Pharma L.P. v. Boehringer Ingelheim GMBH*, 237 F.3d 1359, 1365 (Fed. Cir. 2001)); *Canon Comp. Sys., Inc. v. Nu-Kote Int'l, Inc.*, 134 F.3d 1085, 1088 (Fed. Cir. 1998)).

³¹ *Id.* at 1377.

³² *Id.*

³³ *Altana Pharma AG v. Teva Pharms. USA, Inc.*, 566 F.3d 999, 1006 (Fed. Cir. 2009) (citing *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1359 (Fed. Cir. 2001)).

³⁴ *New Eng. Braiding Co., Inc. v. A.W. Chesterton Co.*, 970 F.2d 878, 883 (Fed. Cir. 1992) (emphasis added); *See Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1378 (Fed. Cir. 2009).

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ABOUT SHB

Shook, Hardy & Bacon offers expert, efficient and innovative representation to our clients. We know that the successful resolution of intellectual property issues requires a comprehensive strategy developed in partnership with our clients.



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Ultimately, it is the trial court's task to examine *both* the alleged infringer's evidence of invalidity and rebuttal evidence from the patentee to determine whether the invalidity defense "raises a substantial question" or "lacks substantial merit."³⁵ The court must balance all evidence regarding invalidity to reach its conclusion whether a "substantial question of invalidity" is raised.³⁶ The phrase contemplates the "net of the evidence" considering all of the evidence on both sides of the issue.³⁷ If the accused infringer raises a "substantial question" of invalidity which the patentee cannot show "lacks substantial merit," the first factor is not met³⁸ and the patentee has not shown it is likely to succeed on the merits of the validity issue at trial.³⁹

Evidentiary Standard -- "Substantial question" should not be confused with the low evidentiary threshold of "substantial evidence."⁴⁰ Nor does raising a "substantial question" require "clear and convincing" proof.⁴¹ A "substantial question of invalidity" may be raised on evidence that would be insufficient to support a judgment of invalidity at trial.⁴²

Similarly, the patentee need not establish the validity of the patent beyond question. A clear case supporting validity may be based on a showing that the patent previously withstood validity challenges or enjoyed a long period of industry acquiescence.⁴³ In weighing the evidence before it, the court must consider "whether it is more likely than not that the challenger will be able to prove at trial, by clear and convincing evidence, that the patent is invalid."⁴⁴ This decision, requiring assessment of the potential of a "clear and convincing" showing at future trial, but in terms of what is "more likely than not" at the preliminary injunction stage, rests within the trial judge's discretion.⁴⁵

This lengthy analytical process does not alter the court's ultimate decision point. It merely answers the question posed by the first preliminary injunction fact—"Has the plaintiff established a likelihood of success on the merits?"⁴⁶ It remains for the trial court to balance that factor with the other three to determine whether a preliminary injunction should issue.⁴⁷

Conclusions

Keep three things in mind when pursuing or defending preliminary injunction:

- 1. Understand the Stakes** – In preliminary injunction battles, "likelihood of success" is the name of the game. Don't jump into the pool unless you can swim to the other side.
- 2. Keep the Burdens and Standard in Mind** – Do you think the accused infringer will be able to prove at trial, by clear and convincing evidence, that the patent is invalid? **This question is pivotal.** Take your very best shot at the preliminary injunction stage. Develop the fullest possible record.
- 3. Remember, Judges Are People, Too** – First impressions last. Evidence presented for preliminary injunction will likely color the judge's overall case view, regardless of facts subsequently developed in discovery.

³⁵ *Titan Tire Corp.*, 566 F.3d at 1378.

³⁶ *Id.* (citing *E.I. du Pont de Nemours & Co., v. MacDermid Printing Solutions, L.L.C.*, 525 F.3d 1353, 1358-63 (Fed. Cir. 2008)).

³⁷ *Id.*

³⁸ *Id.*; see, e.g., *AstraZeneca LP v. Apotex, Inc.*, 633 F.3d 1042, 1050 (Fed. Cir. 2010); *Genentech, Inc. v. Novo Nordisk, A/S*, 108 F.3d 1361, 1364 (Fed. Cir.), cert. denied, 522 U.S. 963 (1997).

³⁹ *Id.* at 1379 (citing *New Eng. Braiding Co.*, 970 F.2d at 883)).

⁴⁰ *Id.*

⁴¹ *Id.*; see *Altana Pharma AG v. Teva Pharms. USA, Inc.*, 566 F.3d 999, 1005 (Fed. Cir. 2009).

⁴² *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1358 (Fed. Cir. 2001).

⁴³ *Id.* at 1359.

⁴⁴ *Titan Tire Corp.*, 566 F.3d at 1379.

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*