

The Standard for Preliminary Injunctions Should Be Abandoned

By Joseph F. Shea, Timothy D. Johnston, and Heather B. Repicky

On February 23, 2009, the Federal Circuit rejected the petition for rehearing en banc in *Abbott Laboratories v. Sandoz, Inc.*¹ and so declined the opportunity to clarify its confusing standard for granting preliminary injunctions. The court has apparently fore-sworn the maxim “If it ain’t broke, don’t fix it” and replaced it with its own aphorism—“If it’s broke, don’t fix it.”

In *Sandoz*, Judge Newman and Judge Gajarsa squared off on the meaning of the Federal Circuit’s pet phrase “substantial question of invalidity” and its relation to the “likelihood of success on the merits” prong of the traditional preliminary injunction test. Judge Newman stated baldly that the “substantial question” standard is incompatible with the Supreme Court’s holding in *eBay, Inc. v. MercExchange, L.L.C.*² and the Federal Circuit’s own early jurisprudence. Judge Gajarsa, on the other hand, denied any incompatibility and chided Judge Newman for pursuing a nonissue. Having set out contradictory views concerning the utility of the court’s unique standard, the *Sandoz* panel mustered only a plurality opinion with no consensus on how the standard should be applied or whether it should be retained. The practical result is that the Federal Circuit remains wedded to its woolly “substantial question” standard, creating even greater uncertainty both for district courts faced with motions for preliminary injunctions and for litigants deciding whether to seek early equitable relief. This confusion, evident long before the Federal Circuit’s decision in *Sandoz*, will only be exacerbated by the court’s refusal to resolve the issue en banc. Because the grant or denial of a preliminary injunction following *In re Seagate Technology LLC*,³ may also have significant consequences for the recovery of multiple damages and attorney fees, the Federal Circuit should abandon a formulation that divides even its own bench.

A “Substantial Question of Invalidity”

Congress has expressly authorized district courts to grant injunctions in patent cases “in accordance with the principles of equity,” 35 U.S.C. § 283, and, nominally, the

Federal Circuit applies the familiar four-part test for injunctive relief.⁴ Indeed, the Federal Circuit has long included in its opinions the refrain that the preliminary injunction standard in patent cases is no different than that applied in all other cases.⁵ The Supreme Court’s holding in *eBay* would seem to have erased any doubt that a standard other than the traditional test controls.

In practice, however, the Federal Circuit has altered the “likelihood of success on the merits” prong of the traditional test. Whenever a defendant raises what the court vaguely terms a “substantial question” of invalidity, the burden shifts to the patentee to demonstrate that the invalidity defense “lacks substantial merit.”⁶ This approach has had the practical consequence of allowing an alleged infringer to avoid a preliminary injunction by showing something *less than* a likelihood of success on the issue of invalidity. A recent example can be found in *PrintGuard, Inc. v. Anti-Marking Systems, Inc.*⁷

PrintGuard, Inc. v. Anti-Marking Systems, Inc. In *PrintGuard*, the district court denied the patentee’s motion for preliminary injunction, finding a “tension” between the Federal Circuit’s “substantial question” standard and the Supreme Court’s emphasis in *eBay* on the traditional four-part test.⁸ It relied on a numerical example to illustrate the problem:

Under *Genentech*, a preliminary injunction should not issue if the defendant raises a “substantial question” concerning validity of the patent—even if the Court were to conclude that the moving party is more likely to succeed on that issue. Consider, for example, a defendant who raises a validity defense that has a 49 percent likelihood of success on the merits; such a defense is plainly “substantial,” yet it is not “likely to succeed.” Under *Genentech*, preliminary injunctive relief should not issue in such a case, even though the plaintiff is likely to succeed on the merits.⁹

The district court went on to note that the Federal Circuit reaffirmed the principle of *Genentech* despite the Supreme Court’s holding in *eBay* and ultimately concluded that “[w]hatever analytical tension may exist between *eBay* and *Genentech*, this Court is not free to disregard binding circuit precedent. Accordingly, the Court will apply the *Genentech* standard. . . .”¹⁰

The court did not explain the basis on which it resolved the “tension” between *eBay* and *Genentech* in favor of *Genentech*. One would have thought that the Supreme Court’s holdings trump those of the Federal Circuit. In any event, the district court concluded that, under the “substantial question” standard, an alleged infringer can defeat a preliminary injunction even where the patentee has established a likelihood of showing that the patent-in-suit is valid.

One appreciates the district court’s unease in applying the “substantial question” standard as it understood it. There was no dispute concerning infringement, and the court characterized the alleged infringer’s underlying evidence of an anticipating prior sale as “ambiguous and incomplete.”¹¹ Yet, the court felt constrained to conclude that a “substantial question” of invalidity had been raised: “A factfinder *could*, if he or she chose to credit all of defendant’s evidence, *potentially* find the patents-in-suit invalid as anticipated and/or obvious.”¹² For this court, the Federal Circuit had so altered the traditional equitable test for a preliminary injunction that the mere “potential” to find invalidity was sufficient to bar the patentee from establishing a likelihood of success on the merits.

Erico International Corp. v. Doc’s Marketing, Inc. Shortly after the denial of *PrintGuard, Inc.*’s motion for preliminary injunction, the Federal Circuit had occasion to address the “substantial question” standard in *Erico International Corp. v. Vutec Corp.*¹³ The court below here, too, expressed confusion as to how to square the Federal Circuit’s standard with the traditional four-part test. As in *PrintGuard*,

the unenforceability and invalidity challenges were weak. Unlike in *PrintGuard*, however, the lower court entered a preliminary injunction in favor of patentee *Erico International Corp.*, enjoining defendant *Doc's Marketing, Inc.*, from advertising, marketing, selling, or offering for sale its allegedly infringing products. *Doc's Marketing* moved for reconsideration.

In its decision on *Doc's Marketing's* motion, *Erico International Corp. v.*

demands that such a test be improper. The court stated that *Doc's Marketing* interpreted *Amazon.com* "too broadly" and read too much into the Federal Circuit's "vulnerability" language. It concluded that *Amazon.com* addressed the specific issues that "arise from the interplay between claims of infringement (by a plaintiff) and invalidity (by a defendant), both of which touch upon the plaintiff's ability to demonstrate a 'likelihood of success

defeat a request for a preliminary injunction."¹⁷ The district court also reported that, at the 2006 annual meeting of the Federal Circuit Bar Association, the consensus was that "it is futile to ever seek a preliminary injunction . . ." ¹⁸ Nevertheless, the court believed that the Federal Circuit could not have intended the "mere assertion of a claim of invalidity" to be sufficient to raise a "substantial question."¹⁹ Such a lenient standard would effectively deprive patent holders of an ancient equitable remedy whose availability is guaranteed by statute.

On appeal, the Federal Circuit reversed and vacated the preliminary injunction, finding that *Doc's Marketing* had raised a "substantial question of invalidity" for the patent-in-suit.²⁰ It ducked altogether the problem of reconciling *eBay* with its own standard. The panel's majority blandly acknowledged that the district court had "applied the correct four factor test" (albeit, incorrectly), but made no reference to the district court's thoughtful summary of the tensions created by the "substantial question of invalidity" standard itself.²¹

Instead, the Federal Circuit reaffirmed the "substantial question" standard and its earlier vulnerability language: "[A] defendant must put forth a substantial question of invalidity to show that the claims at issue are vulnerable."²² Far from being chastened by lower courts' and practitioners' concerns about conflicting standards, the Federal Circuit articulated what may be yet another standard, according to which the alleged infringer need only "cast doubt" on the validity of the patent to defeat a preliminary injunction. The court did not explain whether it views "casting doubt" as synonymous with "vulnerability" or as a further tweaking of the likelihood of success standard that increases the patentee's burden and correspondingly decreases the alleged infringer's burden at the preliminary injunction stage. Like much of the vague language in the Federal Circuit's preliminary injunction jurisprudence, *Erico's* "casting doubt" confuses rather than clarifies.

Abbott Laboratories v. Sandoz

In *Sandoz*, Judge Newman—a long-time critic of the "substantial question" standard—found herself now writing for the majority but could not garner the support of Judge Archer to eliminate the court's odd burden-shifting test.²³ Her

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Doc's Marketing, Inc.,¹⁴ the district court faced head-on the question of whether the Federal Circuit has created a different preliminary injunction standard in patent cases. *Doc's Marketing* argued that the district court had applied the wrong legal standard and, in so doing, had imposed too high a burden on *Doc's Marketing*. The argument put forward by *Doc's Marketing*, as framed by the district court, was that the Federal Circuit had used the phrase "substantial question" of invalidity to create a different preliminary injunction standard for patent cases, one more "lenient" from the alleged infringer's perspective. *Doc's Marketing* argued that by "simply asserting a good faith invalidity defense and convincing the PTO to grant a reexamination" of the patent-in-suit, it had shown the patent to be sufficiently "vulnerable" under the Federal Circuit's holding in *Amazon.com, Inc. v. barnesandnoble.com, inc.*¹⁵

In a thoughtful opinion, the district court struggled to reconcile *Amazon.com* with *eBay*. Its opinion noted that if, in fact, the Federal Circuit did create a unique preliminary injunction standard for patent cases in *Amazon.com*, then *eBay*

on the merits."¹⁶ For the district court, however, *Amazon.com* was a nonevent in this regard; the Federal Circuit simply pointed out two unremarkable principles about application of the burden of proof at the preliminary injunction stage. These principles "are not unique to patent cases; they apply in any case where a defendant has affirmative defenses available to it which are distinct from its mere denial of a plaintiff's claims."

Notwithstanding its efforts at harmonization, the district court pointed out troubling trends that suggest that the Federal Circuit has gone off the rails in its preliminary injunction jurisprudence. The court noted that *Doc's Marketing* was not alone in its view that the Federal Circuit had created a different preliminary injunction standard. Based on the "substantial question" and "vulnerability" language, "a belief apparently has emerged that only the most minimal showing of invalidity is sufficient to withstand a patentee's request for a preliminary injunction" and that parties were arguing, "with some success, that the mere assertion of an invalidity claim is sufficient to suggest that a patent is 'vulnerable' to such a finding and, thus, is sufficient to

scathing critique of the “substantial question of invalidity” analysis was thus dicta, highlighting the panel split, and creating a case seemingly ripe for en banc review.

Judge Newman first stressed that the Federal Circuit’s analysis is unlike the standard otherwise uniformly²⁴ applied in the federal courts and is inconsistent with traditional equitable factors. She concluded: “No circuit has held that it suffices to simply raise a ‘substantial question.’ Raising a substantial question achieves the threshold requirement of a well-pleaded complaint; it does not demonstrate a likelihood of prevailing.” Second, Judge Newman emphasized that the Federal Circuit has strayed not only from its sister circuits but also from the Supreme Court’s ruling in *eBay*. She found the “substantial question” standard to be precisely the kind of “unique” test that *eBay* proscribes.²⁵

As *eBay* held, as the Federal Circuit’s own history demonstrates, and as Judge Newman plainly stated, there is no need for a special preliminary injunction analysis in patent cases. The Federal Circuit’s early preliminary injunction cases emphasized the traditional four equitable factors, including the need to show a “reasonable likelihood of success on the merits.”²⁶ In 1992, the court introduced the “substantial question” standard merely as a gloss on the patentee’s burden to show a “likelihood of success.”²⁷ When the Federal Circuit found itself called upon to explain what its explanations meant, however, rather than abandon the “substantial question” formulation as a confusing mistake, it chose instead to elaborate increasingly rococo variations, culminating in “clarifications” such as the “vulnerability” language in *Amazon.com* and the “casting doubt” phrase in *Erico*.

Use of such phrases masks the reality that the “likelihood of success” inquiry on validity is a single issue; either the patentee establishes a likelihood of success on validity or the alleged infringer establishes a likelihood of success on invalidity. Both parties cannot simultaneously be likely to succeed on this one issue. Consequently, the alleged infringer should not be able to avoid an injunction by establishing something less than a likelihood of success on invalidity. Yet, in practice, this is precisely what the “substantial question” standard allows an alleged infringer to do.

The Federal Circuit should abandon the “substantial question” standard. The

court’s tinkering with the long-standing preliminary injunction test has created confusion among lower courts trying to measure the quantum of evidence of invalidity necessary to defeat a motion for preliminary injunction, especially where the patentee has otherwise established a likelihood of success on the merits.

Unforeseen Implications

The denial of en banc review in *Sandoz* suggests, however, that the Federal Circuit has no interest in rectifying its mistake and unambiguously embracing the traditional four-part test for preliminary injunctions in patent cases. As a result, the regimen described by the district court in *Erico* and given effect in *PrintGuard*, according to which the mere potential of invalidity or “the most minimal showing of invalidity” is sufficient to defeat a motion for a preliminary injunction, has gained credence in district courts.

Even as the Federal Circuit makes it more difficult for a patentee to receive a preliminary injunction, it increases the consequences of not receiving one. In *In re Seagate Technology, LLC*, the Federal Circuit observed that a patentee’s failed attempt to obtain, or merely its decision to forgo, preliminary injunctive relief will likely demonstrate that the alleged infringement does not meet the requisite recklessness showing under 35 U.S.C. § 284: “A substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct.”²⁸

By linking the “substantial question” standard to the ability to obtain multiple damages, the Federal Circuit has ensured that speculation over the scope and meaning of the standard will assume even greater significance. Since the “substantial question/vulnerability” formulation can be construed to allow an alleged infringer to defeat a preliminary injunction (even where infringement is clear) by demonstrating less than a 50 percent chance of invalidating the patent, it effectively also excuses the infringer from an ultimate finding of willfulness.²⁹ Such a result constitutes a wholesale rewriting of 35 U.S.C. § 284.

Conclusion

The “substantial question” of invalidity standard (as well as the more recent “casting of doubt” formulation) is either

redundant of the traditional preliminary injunction test or flatly at odds with it. In the former case, the “substantial question” standard serves only to confuse and should therefore be abandoned. In the latter case, compliance with the Supreme Court’s holding in *eBay* mandates abandoning it. There is only one likelihood of success as to validity. If a patentee establishes that it has a greater than 50 percent likelihood of success on the merits as to validity, no question (“substantial” or otherwise) raised by the alleged infringer can overcome the patentee’s likelihood of success showing. Accordingly, the Federal Circuit should jettison the “substantial question” standard and reintroduce predictability and consistency into preliminary injunction analysis. ●

Joseph F. Shea and Timothy D. Johnston are partners and Heather B. Repicky is an associate with Nutter, McClennen & Fish LLP in Boston, Massachusetts. They can be reached at jshea@nutter.com, tjohnston@nutter.com, and hrepicky@nutter.com.

Endnotes

1. *Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341 (Fed. Cir. 2008).
2. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).
3. *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).
4. *See Oakley, Inc. v. Sunglass Hut Int’l*, 316 F.3d 1331, 1339–40 (Fed. Cir. 2003).
5. *See, e.g., H.H. Robertson Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 387 (Fed. Cir. 1987), *overruled on other grounds by Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 977 (Fed. Cir. 1995).
6. *See Genentech, Inc. v. Novo Nordisk A/S*, 108 F.3d 1361, 1364 (Fed. Cir. 1997).
7. *PrintGuard, Inc. v. Anti-Marking Sys., Inc.*, 535 F. Supp. 2d 189 (D. Mass. 2008) (in which the authors represented the patentee).
8. *See id.* at 195–97, 204; *see also eBay*, 547 U.S. at 388, 391.
9. *PrintGuard*, 535 F. Supp. 2d at 196.
10. *Id.* at 197 (internal citations omitted).
11. *Id.* at 200.
12. *Id.* at 204 (emphasis added).
13. *Erico Int’l Corp. v. Vutec Corp.*, 516 F.3d 1350 (Fed. Cir. 2008).
14. *Erico Int’l Corp. v. Doc’s Marketing, Inc.*, No. 1:05-cv-2924, 2007 U.S. Dist. LEXIS 1367 (N.D. Ohio Jan. 9, 2007).
15. *Amazon.com, Inc. v. Barnesandnoble.com, inc.*, 239 F.3d 1343 (Fed. Cir. 2007). *See*

Continued on page 22

Labs., 512 F.3d 1363 (Fed. Cir. 2008).

3. *Praxair, Inc.*, 479 F. Supp. 2d 440, 443–44 (D. Del. 2007).

4. *Id.* (citing *Novozymes A/S v. Genencor Int'l, Inc.*, 474 F. Supp. 2d 592 (D. Del. 2007) and *Transocean Offshore Deepwater Drilling, Inc. v. Globalsantafe Corp.*, No. Civ. A. 03-2910, 2006 U.S. Dist. LEXIS 93408 (S.D. Tex. Dec. 27, 2006)).

5. *Praxair, Inc.*, 543 F.3d 1306, 1328 n.18 (Fed. Cir. 2008).

6. *Id.*

7. *Advanced Cardiovascular Sys., Inc. v. Medtronic Vascular, Inc.*, Civ. No. 98-80-SLR, 579 F. Supp. 2d 554, 560 (D. Del. Sept. 26, 2008).

8. *Id.* at 561 (citing *Cordis Corp. v. Boston Scientific Corp.*, 99 Fed. App'x 928 (Fed. Cir. 2004); *Cordis Corp. v. Boston Scientific Corp.*, No. Civ. A. 03-027, 2003 U.S. Dist. LEXIS 21338 (D. Del. Nov. 21, 2003)).

9. *See Transocean Offshore Deepwater Drilling, Inc. v. Globalsantafe Corp.*, No. Civ. A. 03-2910, 2006 U.S. Dist. LEXIS 93408 at

*13 (S.D. Tex. Dec. 27, 2006) (The patentee successfully demonstrated that the accused infringer was competing for the same small customer base.).

10. *Commonwealth Scientific and Indus. Research Organisation v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 605 (E.D. Tex. 2007).

11. *Id.* at 605–06 (citing *eBay v. MercExchange*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring)).

12. *Hynix v. Rambus*, 2009 U.S. Dist. LEXIS 13530 (N.D. Cal. 2009).

The Standard for Preliminary Injunctions

Continued from page 5

Doc's Marketing at *8.

16. *Id.* at *21–22.

17. *Id.* at *25 (emphasis added).

18. *Id.* at *25 n.6 (emphasis in original).

19. *See id.*

20. *See Erico Int'l Corp. v. Vutec Corp.*, 516 F.3d 1350, 1352 (Fed. Cir. 2008).

21. *See id.* at 1354.

22. *Id.* at 1356.

23. Judge Archer joined Judge Newman in the holding but not in Part I on validity or

Part VI addressing the “substantial question” standard. Judge Gajarsa found Judge Newman’s critique of the “substantial question” standard in Part IV wholly irrelevant. *Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1373 (Fed. Cir. 2008). Citing *Genentech* and its progeny, Judge Gajarsa invoked the vulnerability language from *Amazon.com* to argue that the preliminary injunction should be lifted. *Id.* at 1372–73.

24. *Id.* at 1364.

25. *Id.* at 1365.

26. *See id.* at 1368 (“Federal Circuit precedent developed to match the rest of the nation”) (collecting cases).

27. *See New England Braiding Co. v. A.W. Chesterton Co.*, 970 F.2d 878, 883 (Fed. Cir. 1992).

28. *In re Seagate Tech., LLC*, 497 F.3d at 1374.

29. *Post-Seagate*, at least one district court has granted partial summary judgment of no willful infringement based on this court’s language concerning the role of “substantial question” as evidence of a lack of recklessness. *Lucent Techs., Inc. v. Gateway, Inc.*, 07-CV-2000-H, 2007 U.S. Dist. LEXIS 95934, at *17–19 (S.D. Cal. Oct. 30, 2007). In that case, the court found dispositive the Patent and Trademark Office’s finding of a “substantial new question of patentability” in granting a request for reexamination.

Remedies for the Infringer?

Continued from page 12

Law Federal Rights, State Law Claims, and Contract to Shift Liability for Infringement of Patents, Copyrights, and Trademarks, 28 TEX. TECH. L. REV. 1026 (1997), available at <http://ssrn.com>. To be technically precise, this article addresses *claims* in favor of the infringer, not *remedies*, as such.

2. *See Jack Frost Labs., Inc. v. Physicians & Nurses Mfg. Corp.*, 35 U.S.P.Q. 2d 1631, 1634 (S.D.N.Y. 1995) (trademark case); *Polygram Int'l Pub., Inc. v. Nevada/TIG, Inc.*, 855 F. Supp. 1314, 1334 (D. Mass. 1994) (copyright case); *Santana Prods., Inc. v. Bobrick Washroom Equip., Inc.*, 69 F. Supp. 2d 678 (M.D. Pa. 1999) (trademark

case holding no claim for contribution under Lanham Act).

3. *See Dolori Fabrics, Inc. v. Limited, Inc.*, 662 F. Supp. 1347, 1358 (S.D.N.Y. 1987) (copyright case); *Pure Country Weavers, Inc. v. Bristar, Inc.*, 410 F. Supp. 2d 439 (W.D.N.C. 2006) (copyright case holding that the UCC claim was not preempted by the Copyright Act); *Acushnet Co. v. G.I. Joe's, Inc.*, 2006 WL 2729555 (D. Or. Sept. 22, 2006) (trademark case).

4. *Phoenix Solutions, Inc. v. Sony Elec., Inc.*, No. C 07-02112 MHP, 2008 WL 552475 (N.D. Cal. Feb. 27, 2008).

5. *Id.* at *3.

6. *SunCoast Merchandise Corp. v. Myron Corp.*, 393 N.J. Super. 55; 922 A.2d 782, 795 (App. Div. 2007).

7. *84 Lumber Co. v. MRK Tech., Ltd.*, 145 F. Supp. 2d 675, 680 (W.D. Pa. 2001). *See*

generally Linear Corp. v. Applied Materials, Inc., 152 Cal. App. 4th 115 (Cal. Ct. App. 2007) (collecting other cases discussing “rightful claim”).

8. *84 Lumber Co.*, 145 F. Supp. 2d 675, 680 (W.D. Pa. 2001).

9. *Pacific Sunwear of Cal., Inc. v. Olaes Enters., Inc.*, 167 Cal. App. 4th 466, 481 (Cal. Ct. App. 2008).

10. *See, e.g., Motorola, Inc. v. Varo, Inc.*, 656 F. Supp. 716, 718–19 (N.D. Tex. 1986); *Chemtron, Inc. v. Aqua Prods., Inc.*, 830 F. Supp. 314, 315 (E.D. Va. 1993).

11. *See 84 Lumber Co.*, 145 F. Supp. at 680 (W.D. Pa. 2001) (holding there was a substantial federal question on facts presented). *But see Linear Corp. v. Applied Materials, Inc.*, 152 Cal. App. 4th 115 (Cal. Ct. App. 2007) (holding there was no substantial federal question under facts presented).