

**John M. Golden**

***Patent-Infringement Injunctions' Scope***

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John M. Golden\*

**I. Introduction**

The United States Patent Act provides two basic forms of patent remedies: injunctions<sup>1</sup> and damages.<sup>2</sup> Much recent scholarly debate and judicial attention has focused on two questions: when injunctive relief should be available<sup>3</sup> and how the magnitude of patent damages should be determined.<sup>4</sup> This paper addresses different questions regarding the proper scope and strength of injunctive relief when it is granted.

Consistent with injunctions' conventional association with enforcement of a "property rule,"<sup>5</sup> a decision to issue a patent-infringement injunction has frequently been presumed to act like the pressing of a simple off button for a course of continuing infringement. Recent developments have highlighted, however, the commonly more complex and textured nature of injunctive relief. Denials of patent-infringement injunctions have raised questions of when and how a court should award an "ongoing royalty" to compensate for expected future violations that the court has decided not to enjoin.<sup>6</sup> Moreover, the pending case of *TiVo Inc. v. Echostar Corp.*<sup>7</sup>

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<sup>1</sup> 35 U.S.C. § 283 (providing that courts "may grant injunctions ... to prevent the violation of any right secured by patent, and on such terms as the court deems reasonable").

<sup>2</sup> *Id.* § 284 ("Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement ....").

<sup>3</sup> See John M. Golden, *Principles for Patent Remedies*, 88 TEX. L. REV. 505, 506-07 & n.5 (2010).

<sup>4</sup> See, e.g., *id.* at 582-86; Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 2017-35 (2007).

<sup>5</sup> Mark A. Lemley & Philip J. Weiser, *Should Property or Liability Rules Govern Information?*, 85 TEX. L. REV. 783, 783 (2007) (observing "that law and economics scholars call injunctive relief a 'property rule'").

<sup>6</sup> See *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007) ("Under some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate."); H. Tomás Gómez-Arostegui, *Prospective Compensation in Lieu of a Final Injunction in Patent and Copyright Cases*, 78 FORDHAM L. REV. 1661, 1664-65 (2010) (seeking

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suggests two questions that arise once a decision to issue an injunction occurs: (a) what is the proper scope of a patent-infringement injunction, and (b) to what extent should trial courts have discretion in crafting such injunctions and in using contempt proceedings to enforce them. The first of these questions involves concerns similar to those regarding the proper breadth and strength of patent rights in general.<sup>8</sup> The second forms part of a deepening debate about the proper assignment of responsibility for ensuring patent-dispute resolution in a way that best serves ends of justice and/or social-welfare enhancement.

This article addresses these questions by (1) discussing background law regarding injunctions' scope and enforcement in the United States, as well as positions with respect to patent-infringement injunctions that have been taken by courts in the common-law jurisdictions of Australia, Canada, and the United Kingdom; (2) comparing such background law to the actual practice of U.S. courts in the 2010 as revealed through a review of injunction orders in patent cases available via the Intellectual Property Litigation Clearinghouse hosted by Lex Machina; and (3) developing normative recommendations for injunction scope based on consideration of how uncertainties in the scope and enforcement of such injunctions can affect parties' rational economic behavior.

## **II. Existing U.S. Law Regulating Injunction Scope and Types of Issued Injunctions**

The U.S. Patent Act affirms that courts have power to “grant injunctions ... on such terms as [they] dee[m] reasonable.”<sup>9</sup> Once a court finds that a defendant's accused product or process infringes one or more claims of a plaintiff's patent, a court frequently grants a permanent

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“to demonstrate that federal courts have no authority to award compulsory prospective compensation ... for postjudgment copyright and patent infringements.”).

<sup>7</sup> 376 Fed. Appx. 21, 21 (Fed. Cir. 2010) (en banc) (granting petition for rehearing en banc).

<sup>8</sup> Cf. Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 COLUM. L. REV. 839, 916 (1990) (“[A] ‘strengthening’ of property rights will not always increase incentives to invent .... When a broad patent is granted or expanded via the doctrine of equivalents, its scope diminishes incentives for others to stay in the invention game ....”).

<sup>9</sup> 35 U.S.C. § 283.

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injunction against continued infringement.<sup>10</sup> Consistent with due-process concerns of notice, Federal Rule of Civil Procedure 65(d) demands that such an injunction “state its terms specifically” and “describe in reasonable detail . . . the act or acts restrained or required.”<sup>11</sup> Pursuant to this demand, the U.S. Court of Appeals for the Federal Circuit has repeatedly “rejected as overly broad . . . permanent injunction[s] that simply prohibi[t] future infringement of a patent.”<sup>12</sup> In so doing, the Federal Circuit has made clear that such an injunction needs to “limit its prohibition to the manufacture, use, or sale of the specific infringing device, or to infringing devices no more than colorably different from the infringing device.”<sup>13</sup> On the other hand, consistent with a common sense among federal courts of appeals that an injunction violating Rule 65(d) is not void,<sup>14</sup> the Federal Circuit has also indicated that, at least as a legal matter, such violations have limited significance. The Federal Circuit has instructed that, if an injunction broadly prohibiting infringement is not challenged on direct appeal, it should not later be treated as void but should instead be narrowly construed to apply only to products or processes “previously admitted or adjudged to infringe, and to other devices which are no more than colorably different therefrom and which clearly are infringements.”<sup>15</sup>

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<sup>10</sup> See, e.g., PETER S. MENELL ET AL., PATENT CASE MANAGEMENT JUDICIAL GUIDE 9-2 (2009) (“Courts will usually have little trouble . . . issuing an injunction in cases between direct competitors.”).

<sup>11</sup> Fed. R. Civ. Proc. 65(d)(1); see also 11A CHARLES ALAN WRIGHT, ARTHUR R. MILLER & MARY KAY KANE, FEDERAL PRACTICE AND PROCEDURE: CIVIL 2D §2955, at 308-09 (1995) (“The drafting standard established by Rule 65(d) is that an ordinary person reading the court’s order should be able to ascertain from the document itself exactly what conduct is proscribed.”).

<sup>12</sup> Int’l Rectifier Corp. v. IXYS Corp., 383 F.3d 1312, 1316 (Fed. Cir. 2004); cf. MENELL ET AL., *supra* note 10, at 3-25 (stating that an injunction “must . . . specifically describe the infringing actions enjoined, with reference to particular products”).

<sup>13</sup> Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc., 986 F.2d 476, 479-80 (Fed. Cir. 1993).

<sup>14</sup> 11A WRIGHT, MILLER & KANE, *supra* note 11, § 2955, at 311 (“A court’s failure to comply with the prerequisites of Rule 65(d) as to the proper scope or form of an injunction or restraining order does not deprive it of jurisdiction or render its order void.”).

<sup>15</sup> KSM Fastening Sys., Inc. v. H.A. Jones Co., 776 F.2d 1522, 1526 (Fed. Cir. 1985).

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Such post hoc “reformation” of Rule-65-violative injunctions is likely to be surprisingly common in situations where contempt proceedings occur. As Part III discusses and the Appendix lays out in detail, U.S. district courts regularly issue two dramatically different forms of injunctions against future acts of patent infringement, with both forms sometimes appearing in the same overall order. First there are “type I” injunctions whose language narrowly prohibits continued infringement that specifically involves either particular products or processes already adjudged to be infringing, or products or processes no more than “colorably different” from those adjudged to be infringing.<sup>16</sup> Second there are “type II” injunctions whose language more generally prohibits continued infringement of particular patent claims or entire patents.<sup>17</sup>

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<sup>16</sup> See, e.g., *Ariba, Inc. v. Emptoris, Inc.*, No. 9:07-CV-90, slip op. at 1-2 (E.D. Tex. Jan. 22, 2009) (prohibiting activities involving “1. the Emptoris software (versions 5.2, 6.0, 6.1 and 7.0) heretofore marketed by Emptoris; and 2. all other software not more than colorably different therefrom”); *Callaway Golf Co. v. Acushnet Co.*, No. 06-091-SLR, slip op. at 2 (D. Del. Nov. 10, 2008) (prohibiting activity involving “any of the Pro V1® line of golf balls ... or any variations thereof not more than colorably different”); *Power-One, Inc. v. Artesyn Techs., Inc.*, No. 2:05-CV-463, slip op. at 1-2 (E.D. Tex. Apr. 11, 2008) (prohibiting activities involving “(a) the DPL20C, (b) the DPL20C Demonstration Board, or (c) any products which are no more than colorably different from those accused products”); *Blackboard Inc. v. Desire2Learn Inc.*, No. 9:06CV155, slip op. at 2 (E.D. Tex. Mar. 11, 2008) (prohibiting activities involving “1. the method of providing online education implemented in accordance with Desire2Learn Learning Environment (version 8.2.2 and earlier versions) heretofore marketed by Defendant; and 2. all other methods for providing online education that are not more than colorably different therefrom”); *Int’l Rectifier Corp. v. IXYS Corp.*, No. CV-00-6756-R, slip op. at 3 (C.D. Cal. Sept. 13, 2006) (prohibiting activities involving “elongated rotated and nonrotated MOSFETs and IGBTs the jury found infringing, and devices no more than colorably different therefrom”); cf. *Connecticut Elec., Inc. v. Reliance Controls Corp.*, No. 1:08-CV-0360-LJM-DML, slip op. at 1 (S.D. Ind. June 17, 2009) (prohibiting activities involving “Connecticut Electric’s EmerGen residential transfer switch Model Nos. 6-5001HR, 6-7501HR and 10-7501HR and any non-automatic transfer switch product having a structure and wiring configuration that is substantially the same as any of the foregoing transfer switch products”).

<sup>17</sup> See, e.g., *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, No. 2:04-cv-00032-CE, slip op. at 1-2 (E.D. Tex. Sept. 27, 2010) (prohibiting activity involving “any inverter controllers or modules that infringe [specified claims] including but not limited to inverter controllers having model numbers BIT 3105 or BIT 3106 or belonging to those same families, or any colorable imitation of the inverter modules and/or inverter controllers that infringe Claims 1 or 15 of the ‘615 patent or Claim 16 of the ‘722 patent”); *Retractable Techs. Inc. v. Becton, Dickinson &*

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Remarkably, district courts appear regularly to issue type-II injunctions despite the Federal Circuit's longstanding conclusion that such injunctions violate Rule 65 and should be vacated when challenged on direct appeal.<sup>18</sup>

There are three additional types of anti-infringement orders, or potential orders, that appear worthy of note in the context of U.S. patent law. First are orders that I call "type 0" injunctions that are at least on their face even narrower than type-I orders because the type-0 orders only explicitly forbid infringing via specific products or processes that have already been adjudged to lie within the scope of asserted patent claims. Type-0 injunctions do not explicitly forbid infringement via no more than colorable variants of these adjudged infringing products or processes, although courts might understand such injunctions as likewise prohibiting

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Co., No. 2:07-CV-250, slip op. at 2 (E.D. Tex. May 19, 2010) (prohibiting activity involving products found specifically to infringe or products "only colorably different therefrom," and further prohibiting "otherwise infringing or inducing others to infringe the Infringed Claims"); David Austin Roses, Ltd. v. Jackson & Perkins Wholesale, Inc., No. 09-3027-PA, slip op. at 2 (D. Or. Nov. 30, 2009) (prohibiting "propagating, growing, offering for sale or selling any rose which infringes any of the patents-in-suit after June 30, 2010"); August Tech. Corp. v. Camtek Ltd., No. 05-1396 MJD/AJB, slip op. at 7 (D. Minn. Aug. 28, 2009) (prohibiting the defendant "from practicing the method of Claim 3 or inspection methods that are colorable imitations thereof"); Nomadix, Inc. v. Second Rule LLC, No. CV07-1946 DDP, slip op. at 2 (C.D. Cal. Mar. 31, 2009) (prohibiting "directly or indirectly infringing any of [five] U.S. Patents ... in any way"); Smith & Nephew, Inc. v. Arthrex, Inc., No. 3:04-CV-00029 MO, slip op. at 1-2 (D. Or. Nov. 19, 2008) (prohibiting activity involving specific named products and "any suture anchors not more than colorably different from" them); OmegaFlex, Inc. v. Parker Hannifin Corp., No. 02-30022-MAP, slip op. at 3 (D. Mass. June 26, 2008) (prohibiting activity involving "products that infringe upon the claims of either [of two patents], or both of them, including fittings sold under the trade name 'FastMate' that were the subject of this litigation, and/or any other colorable imitations thereof"); Diomed, Inc. v. Angiodynamics, Inc., Nos. 04-10019-NMG, 04-10444-NMG, slip op. at 2 (D. Mass. July 7, 2007) (prohibiting activity involving "endovenous laser therapy kits that infringe the '777 patent, including kits of the type set forth in Trial Exhibits 1008-1011 that were adjudged to infringe ..., or any other kits that are not more than a mere colorable variation of such kits"); Innogenetics, N.V. v. Abbott Labs., No. 05-C-0575-C, slip op. at 3 (W.D. Wis. Jan. 12, 2007) (prohibiting activity involving "the Accused Products, or another product used in a method that meets all the limitations of the asserted claims").

<sup>18</sup> See *supra* text accompanying notes 12-15. See generally DOUGLAS LAYCOCK, MODERN AMERICAN REMEDIES: CASES AND MATERIALS 245 (2002) (saying that "obey-the-law clauses are common" despite their general conflict with Federal Rule of Civil Procedure 65(d)).

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infringement via trivial variants that are identical to the specified products or processes for all relevant purposes.

The case of *TiVo Inc. v. Echostar Corp.*,<sup>19</sup> which the Federal Circuit is currently reviewing en banc, exhibits a third form of injunctive order. This “type III” injunction is a prophylactic order requiring action or cessation of action that tends to reach beyond what, at least in principle, is absolutely necessary to halt infringement.<sup>20</sup> Thus, for example, in *TiVo*, the district court issued an order for injunctive relief that required, in part, that the adjudged infringer “disable the DVR functionality (i.e., disable all storage to and playback from a hard disk drive of television data) in all but 192,708 units of the Infringing Products.”<sup>21</sup> Such an order tends to require more than the mere cessation of infringement because, for example, a device whose disablement or destruction is required might otherwise be rendered non-infringing through alteration in accordance with a “design-around” that avoids the relevant patent claims.

Significant prophylactic orders like that in *TiVo* appear relatively rare in U.S. patent practice.<sup>22</sup> This rarity might result in large part from the fact that, unlike U.S. trademark and copyright statutes, the U.S. Patent Act makes no explicit provision for impoundment or destruction of infringing material.<sup>23</sup> Nonetheless, prophylactic injunctions have a substantial foundation in courts’ traditional equitable powers and can reflect recognition that “sometimes the chancellor can assure plaintiffs their rights only by giving them more than they are entitled to.”<sup>24</sup>

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<sup>19</sup> 376 Fed. Appx. 21, 21 (Fed. Cir. 2010) (per curiam) (granting petition for rehearing en banc).

<sup>20</sup> See, e.g., *Proveris Corp. v. InnovaSystems Inc.*, No. 05-12424-WGY, slip op. at 3 (D. Mass. May 11, 2007) (requiring the defendant to “destroy all inventory of its OSA product”).

<sup>21</sup> *TiVo Inc. v. Dish Network Corp.*, No. 2:04-cv-000001, slip op. at 2 (E.D. Tex. June 2, 2009).

<sup>22</sup> See *infra* section III.A.

<sup>23</sup> 2 DAN B. DOBBS, *DOBBS LAW OF REMEDIES* §6.2(5), at 46-47 (2d ed. 1993).

<sup>24</sup> 1 DOBBS, *supra* note 23, §2.4(7), at 121; see also *Russian Media Group, LLC v. Cable Am., Inc.*, 598 F.3d 302, 307 (7th Cir. 2010) (“The district court may even enjoin certain otherwise lawful conduct when the defendant’s conduct has demonstrated that prohibiting only unlawful conduct would not effectively protect the plaintiff’s right against future encroachment.”); cf. 11A WRIGHT, MILLER & KANE, *supra* note 11, § 2955, at 327 (indicating that a “broad decree” might be justified as “the only way to prevent a statutory violation” or because “it can be drafted by the

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The Federal Circuit has upheld prophylactic orders in situations where an adjudged patent infringer was found in contempt of a prior order upon which the prophylactic order built.<sup>25</sup> But the Federal Circuit has also indicated that prophylactic orders so broad as to prohibit any activity involving an entire class of device “should be used only in exceptional cases.”<sup>26</sup> If the Federal Circuit upholds enforcement of the plain language of *TiVo*'s narrower prophylactic order despite no prior finding of contempt, patent owners' appreciation of difficulties in establishing contempt of Type-I injunctions could lead to substantial growth in requests for prophylactic injunctions of type III.<sup>27</sup>

A further type of injunction that a court could issue, at least theoretically, in a patent-infringement case is a “type IV” reparative injunction that orders activity designed to correct for

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court more easily than a narrow decree”). *See generally* Tracy A Thomas, *The Continued Vitality of Prophylactic Relief*, 27 REV. LITIG. 99, 111 (2007) (“Prophylaxis is part of this heritage of equity that empowers courts to enforce legal rights in a meaningful way.”).

<sup>25</sup> *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1356 (Fed. Cir. 1998) (upholding an injunction “prohibit[ing a party] and those found to have acted in active concert and participation with him from undertaking any activities with respect to positive displacement flowmeters without first obtaining leave of court”); *Spindelfabrik Suessen-Schurr v. Shubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1577 (Fed. Cir. 1990) (holding that “repeated and ‘flagrant’ violations of the district court’s earlier injunction fully justified these broad provisions” against “‘directly or indirectly engaging in any activity which in any way relates to the manufacture, sale, use, servicing, exhibition, demonstration, promotion or commercialization of any automated rotor spinning machines, either in the United States or for use in the United States’”); *id.* at 1577 (elaborating that, under the circumstances, “[t]he district court did not abuse its discretion in broadening the injunction to cover ‘any automated rotor spinning machine,’ without the qualifying word ‘infringing’”); *see also* KIMBERLY A. MOORE, PAUL R. MICHEL & TIMOTHY R. HOLBROOK, *PATENT LITIGATION AND STRATEGY* 715 (3d ed. 2008) (discussing these cases).

<sup>26</sup> *Additive Controls*, 154 F.3d at 1356.

<sup>27</sup> *See* Tom Adolph, *Post-Judgment Enforcement of Patent Injunctions: TiVo—What Will the Federal Circuit Do?* 12 (2010) (paper for the University of Texas School of Law’s 15th Annual Advanced Patent Law Institute) (indicating reason to request an injunction “[r]equir[ing] the adjudged infringer to disable infringing devices or features” (emphasis omitted)).

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harm caused by past infringement.<sup>28</sup> Such injunctions are commonly available in other areas of U.S. law.<sup>29</sup> But the Federal Circuit has held that they are not a possible form of relief under the U.S. Patent Act. The reason for this holding is the peculiar wording of § 283 of the Act. This section reads in full:

The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.<sup>30</sup>

The Federal Circuit has held that § 283's authorization of injunctions to "prevent the violation" of patent rights establishes an exclusive purpose that injunctions to enforce a determination of patent infringement must serve. In the Circuit's words, "[a]n injunction is only proper to prevent future infringement of a patent, not to remedy past infringement."<sup>31</sup>

The Federal Circuit has recently shown itself accommodating to the notion that "an order *permitting* use of a patented invention in exchange for a royalty is properly characterized as *preventing* the violation of rights secured by the patent."<sup>32</sup> But at least with respect to concerns of injunction scope, this "type V" injunction—one essentially ordering the patentee's licensing of rights at a royalty rate approved by a court—seems a substantially different kind of animal than the sort of type-0 through type-III injunctive orders that are this paper's primary concern.

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<sup>28</sup> LAYCOCK, *supra* note 18, at 298 ("The distinction between preventive and reparative injunctions is between preventing the wrongful act (transferring prisoners to a place where they will be tortured ...) and preventing some or all of the harmful consequences of that act (retrieving transferred prisoners ...).").

<sup>29</sup> 1 DOBBS, *supra* note 23, § 2.9, at 225 ("The reparative injunction goes when the evidence shows that an existing right has been violated but can be repaired or restored effectively.").

<sup>30</sup> 35 U.S.C. § 283.

<sup>31</sup> *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1320 (Fed. Cir. 2010); see also *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342, 1365 (Fed. Cir. 1998) ("In accordance with the clear wording of [§ 283], an injunction is only proper to the extent it is 'to prevent the violation of any right secured by patent.'" (some internal quotation marks omitted)).

<sup>32</sup> *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007).

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### **III. Practice of U.S. Courts in Issuing Patent-Infringement Injunctions in the Year 2010**

To assess current U.S. practice with respect to patent-infringement injunctions' scope, a review was performed of U.S. patent cases in the Lex Machina database for which the database records a court as having issued an injunction-related order in the calendar year 2010. Although the Lex Machina database of U.S. patent cases is reputedly comprehensive in terms of including at least some information for such cases pending in the year 2010, the database does not make available the text of all orders for injunctive relief that issue in these cases. For whatever reason, various such orders are not reproduced within the database either as part of a case docket or as separate files. Thus, although I found evidence for the issue of at least 105 different patent-infringement injunctions by U.S. courts in 2010, I could not review the text of all 105 orders. Eleven orders for injunctive relief in patent cases were unavailable within the Lex Machina database.<sup>33</sup> Three other orders were ultimately excluded from the ultimate dataset because their text leaves unclear whether they were motivated by concern with patent infringement, as opposed to infringement of other rights, such as those of trademark or trade dress.<sup>34</sup>

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<sup>33</sup> The eleven orders were issued in the following cases: (1) *Hunter Douglas, Inc. v. HV Apollo Indus. Corp.*, 3:10-CV-215 (N.D. Tex. Dec. 23, 2010); (2) *Morris & Assocs., Inc. v. Cooling & Applied Tech., Inc.*, No. 5:09-cv-00023 (E.D.N.C. Oct. 20, 2010); (3) *Kennametal Inc. v. Sandvik, Inc.*, No. 2:09-CV-00857 (W.D. Pa. June 16, 2010); (4) *Albany Molecular Research, Inc. v. Dr. Reddy's Labs., Ltd.*, No. 2:09-cv-04638 (D.N.J. June 14, 2010); (5) *Ocean Innovations, Inc. v. Quarterberth, Inc.*, No. 1:03-CV-00913 (N.D. Ohio May 14, 2010); (6) *I Flow Corp. v. Wolf Med. Supply Inc.*, No. 8:09-cv-00762 (C.D. Cal. May 11, 2010); (7) *Ocean Innovations, Inc. v. Quarterberth, Inc.*, No. 1:03-CV-00913 (N.D. Ohio Apr. 6, 2010); (8) *Metraflex Co. v. Flex-House Co.*, No. 1:10-cv-00302 (N.D. Ill. Feb. 16, 2010); (9) *Calypso Wireless, Inc. v. T-Mobile USA, Inc.*, No. 2:08-CV-441 (E.D. Tex. Jan. 25, 2010); (10) *Joe C Morrow v. Vertical Doors*, No. 2:09-cv-04685 (C.D. Cal. Jan. 5, 2010); (11) *Vertical Doors Inc. v. Howitt*, No. 8:06-cv-00984 (C.D. Cal. Jan. 5, 2010).

<sup>34</sup> *Bon-Aire Indus., Inc. v. Mitchell Prods.*, No. 3:10-1602 (D.N.J. Apr. 26, 2010) (permanently enjoining, in a case involving an assertion of design-patent infringement, various acts involving "any hose nozzle having a trade dress that is identical to, substantially similar to, or a colorable imitation of the appearance of the ULTIMATE® hose nozzle"); *Bon-Aire Indus., Inc. v. Mitchell Prods.*, No. 3:10-1602 (D.N.J. Apr. 13, 2010) (preliminary enjoining, in the same case, various acts involving "any hose nozzle having a trade dress that is identical to, substantially similar to, or a colorable imitation of the ULTIMATE® hose nozzle"); *ICON Health & Fitness, Inc. v. Solo Sports Group, Inc.*, No. 1:10-cv-00020 (D. Utah Mar. 4, 2010) (permanently enjoining, in a case

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The result, after the limitations and exclusions above, was a dataset of 91 orders enjoining patent infringement that U.S. district courts issued in the year 2010. Arguably, there is double-counting in this dataset because some of the orders were issued in the same case and even on the same day—albeit, at least for same-day orders, against different defendants. For example, in a single case, *Reah v. Resource, Inc.*, a district court issued nine different permanent injunctions directed at nine different defendants over the course of a little over two months.<sup>35</sup> For purposes here, I have counted such same-case orders as separate because, although many of these orders use substantially identical language, this is not true of all of them.<sup>36</sup> The observed differences suggest that the parties or judges involved might be understood to have considered separately questions of each injunctive order's appropriate scope, even though they might have settled on identical or nearly identical language in many instances. In any event, as same-case orders from a total of five different cases together accounted for only 18 orders total, the general impressionistic significance of the statistics gathered from this dataset and discussed in what follows appears unlikely to be substantially affected by how this counting problem is resolved.

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involving an assertion of utility-patent infringement, activities involving “the Elite Fitness Dual Action Upright Exercise Bike Model EB275, and any other product that incorporates the same or substantially the same features of ICON’s trade dress design contained in its Weslo Pursuit E28 bike”).

<sup>35</sup> *Reah v. Resource, Inc.*, No. 2:09-cv-00601 (D. Utah Mar. 25, 2010) (issuing three consent orders directed at three different defendants); *Reah v. Resource, Inc.*, No. 2:09-cv-00601 (D. Utah Feb. 23, 2010) (issuing a consent order directed at Datavision Computer Video, Inc.); *Reah v. Resource, Inc.*, No. 2:09-cv-00601 (D. Utah Jan. 20, 2010) (issuing five separate consent orders directed at five different defendants).

<sup>36</sup> *Compare, e.g., Reah v. Resource, Inc.*, No. 2:09-cv-00601 (D. Utah Mar. 25, 2010) (permanent injunction directed at LBM Corp.) (prohibiting "making, using, selling, offering for sale, or importing products that come within one or more claims of U.S. Patent No. 6,982,542, or otherwise infringing ... U.S. Patent No. 6,982,542, including without limitation the Power Station and Power Traveller"), *with Reah v. Resource, Inc.*, No. 2:09-cv-00601 (D. Utah Mar. 25, 2010) (permanent injunction directed at Electronicshowplace.com.) (prohibiting "making, using, offering for sale, and/or importing charging valets and/or charging stations that come within one or more claims of U.S. Patent No. 6,982,542, or otherwise infring[ing] ... U.S. Patent No. 6,982,542").

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The 91 orders in the dataset were coded for various characteristics, including (a) whether the injunction was a permanent injunction (“Perm”), a preliminary injunction (“Pre”), or a temporary restraining order (“TRO”); (b) whether the injunction was agreed to by the parties prior to its issue; (c) whether a patent that formed part of the basis for the injunction was a utility patent, as opposed to a design or plant patent; (d) whether the utility patent or patents in question focused on a biomedical substance or substances (“BMS”) or an otherwise functional form of subject matter (“OF”); and (e) whether at least a portion of the injunctive order involved (i) a type-0 injunction not to continue specific acts already adjudged to infringe or, in the preliminary-injunction context, believed to be potentially infringing; (ii) additional type-I language forbidding acts not more than colorably different from those forbidden by type-0 language; (iii) a type-II injunction against further infringement of specified or unspecified patent claims or of specified or unspecified patents; (iv) a type-III prophylactic injunction; and/or (v) a type-IV reparative injunction.

**A. Systematic Violation of Federal Rule of Civil Procedure 65(d)**

The most striking result from study of the text of these 91 orders is that a substantial majority features a type-II injunction and therefore appears to violate Federal Rule of Civil Procedure 65(d) as interpreted by the Federal Circuit.<sup>37</sup> Fifty-four injunctions or about 59% of the total exhibit this apparent error. Such a figure indicates that existing beliefs that “typical” injunctions feature type-0 and/or type-I orders<sup>38</sup> are substantially incomplete, if not misleading.

Moreover, the prevalence of such error is not simply a result of the large fraction of orders that courts issue to enforce consent judgments. One might posit that, although courts are supposed to be as attentive to the proper limits of injunctions whether the injunctions are

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<sup>37</sup> *Supra* text accompanying notes 10-15.

<sup>38</sup> MOORE, MICHEL & HOLBROOK, *supra* note 25, at 91 (“A typical permanent injunction in a patent case will recite the enjoined activity ‘making, using or selling’ by reference to the product found to infringe and will also generally include the language ‘and any other product that is no more than a colorable difference of the product found to infringe.’”).

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contested or uncontested,<sup>39</sup> courts might be less rigorous in enforcing rules like Rule 65(d) when the parties have agreed on a form of relief. At the very least, a trial judge might rightly suspect that it is substantially less likely to be subjected to appellate scrutiny regarding the scope of a stipulated-to injunction, as opposed to one issued over a party's opposition. Indeed, it is true that, in the 2010 dataset, the percentage of uncontested injunctions featuring type-II error was higher than the percentage of contested injunctions featuring type-II error. But both percentages were high: nearly 64% (35 out of 55) of uncontested injunctions featured type-II error, whereas nearly 53% of contested injunctions (19 out of 36) did the same.<sup>40</sup>

Another potential hypothesis is that judges or parties are more likely to be sensitive to type-II error in the preliminary-injunction context, when an injunction might be viewed as a significantly rarer and more salient event, than in the permanent-injunction context. In fact, a higher percentage of permanent injunctions in the dataset included type-II language than did preliminary injunctions or temporary restraining orders in the dataset. Just over 62% of permanent injunctions (50 out of 80) and only about 36% of preliminary injunctions or temporary restraining orders (4 out of 11) featured such a general prohibition. But the size of the sample of preliminary injunctions and temporary restraining orders, which consisted of eleven orders only, was notably small. Hence, for example, one additional type-II "positive" among the eleven would have increased the percentage to over 45%, and two additional positives would

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<sup>39</sup> *Harris v. City of Philadelphia*, 47 F.3d 1342, 1349 (3d Cir. 1995) (stating that Rule 65(d) is "also applicable to consent decrees"); *Converse Inc. v. Reebok Int'l Ltd.*, 328 F. Supp. 2d 166, 176 (D. Mass. 2004) ("[T]he Court must ensure that the consent decree conforms to the strictures of Federal Rule of Civil Procedure 65(d) . . ."); *see also* *Blue Cross & Blue Shield Ass'n v. Am. Express Co.*, 467 F.3d 634, 641 (7th Cir. 2006) (remanding for entry of "a consent decree that complies with Rule 65(d)"). *See generally* *Sys. Federation No. 91 v. Wright*, 364 U.S. 642, 651 (1961) ("The parties cannot, by giving each other consideration, purchase from a court of equity a continuing injunction."); LAYCOCK, *supra* note 18, at 345 (discussing cases that, like *Wright*, indicate that parties cannot contract for an injunction otherwise beyond a court's power to grant).

<sup>40</sup> Likewise, although five out of six of injunctions in design-patent cases suffered from this type-II error, the error rate after these design cases are excluded is still over 52% (40 out of 76), with the figure being 56% for uncontested injunctions (23 out of 41) and nearly 49% for contested injunctions (17 out of 35).

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have increased that percentage to nearly 55%. The statistical significance of the difference between the permanent-injunction and preliminary-injunction percentages is therefore doubtful.<sup>41</sup> In any event, even if we take seriously the lower rate of type-II error observed in this small sample of preliminary injunctions and temporary restraining orders, 36% still seems high given the apparent clarity of Federal Circuit precedent.

Only one seemingly substantial subset of cases leapt out as one in which type-II error was rare. Injunctions in cases focused on biomedical-substance (“BMS”) technology (e.g., pharmaceuticals) generally avoided type-II errors. Only one out of sixteen, or about 6%, of such BMS orders in the dataset used type-II language. Indeed, only two of these sixteen BMS orders (less than 13%) even bothered to include type-I language explicitly extending their coverage to material “no more than colorably different” than that described. The avoidance of such hazy language comports with notions that, whether because of the nature of its subject matter, its heavy regulation by entities such as the Food and Drug Administration, or other causes, BMS technology lends itself to a peculiar degree of precision in patent-rights definition and enforcement.<sup>42</sup>

In general, however, type-II injunctions appear rife. For utility-patent orders coded as not involving BMS technology, about 69% of injunctions (48 out of 70) contained type-II language. For orders involving design patents and no utility patents, type-II language was ubiquitous: all five of five such orders contained type-II language. Moreover, no district that issued more than one non-BMS injunction in 2010 avoided type-II error. Among such districts, the Southern District of California came closest to batting perfect: its five non-BMS injunctions featured only one that contained type-II language. The Districts of Delaware and New Jersey avoided type-II

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<sup>41</sup> According to a one-sample, two-tailed t-test applied to the sample of eleven preliminary injunctions, the difference between the 36% average rate of type-II error for that sample and a 65% average rate of error is not statistically significant at a 95% confidence level,  $t(10) = -1.88$ ,  $p = 0.09$ . The difference between the 36% average and a 60% average rate of error is not statistically significant even at a reduced, 90% confidence level,  $t(10) = -1.55$ ,  $p = 0.15$ .

<sup>42</sup> See generally JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK (2008).

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error in their four and six orders, respectively, but all of their orders involved biomedical-substance inventions. Thus, their success in complying with the Federal Circuit's understanding of Rule 65(d) might have been an incidental effect of the technologies with which their cases were concerned, not any special legal acumen.

What could explain such mass violation of Federal Circuit precedent? The relatively limited consequences of such a violation—(i) if challenged on direct appeal, vacatur followed presumably by reissue of a corrected order; or (ii) if left uncorrected through appeal or motion for modification, application of a limiting interpretation in contempt proceedings<sup>43</sup>—likely provide a substantial part of the explanation. This explanation might be viewed as particularly consistent with the fact that a type-II injunction is often combined, in the same overall order, with type-0 and/or type-I injunction. Such a combination occurred in about 72% (39 out of 54) of the instances in which a type-II injunction issued. Even if an attorney or trial judge worried that a type-II prohibitory language might be viewed as overbroad, the attorney or judge might trust that such language would be viewed as severable from a separately provided type-0 or type-I prohibition. Thus, inclusion of type-II language might commonly be viewed as no more than harmless error.

Further, the very prevalence of type-II injunctions likely generates a certain amount of non-corrective inertia. Their familiarity likely results in their being perceived by both parties and courts as routine and unsuspecting boilerplate. Such a perception is likely supported by the fact that type-II orders,<sup>44</sup> and even type-II orders in combination with type-0 orders,<sup>45</sup> have a pedigree in U.S. patent law that stretches well into the nineteenth century.<sup>46</sup>

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<sup>43</sup> See *supra* text accompanying notes 11-15.

<sup>44</sup> See *Cal. Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609, 613 (1885) (refusing to determine the scope of an injunction against “making, selling, or using, or in any manner disposing of, any artificial stone-block pavements embracing the invention and improvements described in the said reissued letters patent”); *Corning v. Troy Iron & Nail Factory*, 56 U.S. 451, 456 (1853) (reporting the trial court’s grant of an injunction against “making, using, or vending any machine containing the new and useful improvement for which letters-patent were granted to the said Henry Burden on the second day of September, 1840, and from in any manner infringing or violating any of the rights or privileges granted or secured by said patent”).

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Moreover, the fact that such type-II orders can be viewed as quite specific in substantial respects might foster a continued, albeit untutored sense that type-II orders comply with Rule 65(d). Such orders generally do not simply forbid future violations of 35 U.S.C. § 271: they do not indiscriminately enjoin infringement of any patents, and they are even more specific than orders generally enjoining infringement of any patents owned by the plaintiff. Instead, these type-II orders forbid only future infringement of the specific patents or patent claims that the enjoined party has already been adjudged to have infringed. At least if Federal Circuit precedent on the point is not consulted, there is some reason for sympathy with a view that such specificity might commonly be thought sufficient.

Indeed, courts in other common-law jurisdictions have indicated that such injunctions are, at least generally speaking, sufficiently narrow and instructive to provide proper notice of acts that might result in a finding of contempt. Canadian courts have indicated that an order prohibiting future infringement of a particular patent or specified claims is adequately instructive<sup>47</sup> even though, in applying such an injunction in contempt proceedings, they might

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<sup>45</sup> See *Barnard v. Gibson*, 48 U.S. 650, 653 (1849) (reporting the trial court's grant of an injunction against "any further constructing or using in any manner ... of the two planning machines mentioned in said bill ... and [against] infringing upon or violating the said patent in any way whatsoever").

<sup>46</sup> The practice of limiting the effective scope of injunctions to matter judged to be infringing and only colorable variants thereof appears to have comparable lineage. See, e.g., *Crown Cork & Seal Co. of Baltimore City v. Am. Cork Specialty Co.*, 211 F. 650, (2d Cir. 1914) ("It has been the practice of this circuit ... not to deal with modifications of a machine held to be an infringement, on motions to punish for contempt, unless the change was plainly a mere colorable equivalent ..."); *Onderdonk v. Fanning*, 2 F. 568, 568 (E.D.N.Y. 1880) (concluding that a difference from a device previously adjudged to infringe "was not so plainly colorable as to entitle the plaintiff to an attachment against him for contempt"); cf. ALBERT H. WALKER, *TEXT-BOOK OF THE PATENT LAWS OF THE UNITED STATES OF AMERICA* § 708, at 555 (4th ed. 1904) ("And an attachment will not issue where the character of the defendant's doings, after the injunction, is doubtful.").

<sup>47</sup> *Weatherford Canada Ltd. v. Corlac Inc.*, [2010] F.C. 667 (Fed. Ct.) (observing that an injunction against "infringing [patent] claims as interpreted whether [via] the named products or not" was "consistent with other orders of this Court, as affirmed by the Court of Appeal, restraining sale and distribution of infringing products generally"); see also *Merck & Co. v.*

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likewise restrict its effective scope to adjudged infringements and insubstantial variations on them.<sup>48</sup> Likewise, courts in the United Kingdom (U.K.) have viewed “the standard form of injunction” in patent cases as one that “restrain[s] the defendant from infringing the patent.”<sup>49</sup> To the extent the scope of such an injunction is not entirely clear, the U.K.’s Court of Appeal has indicated that “it is the infringer who should seek guidance from the court if he wishes to sail close to the wind.”<sup>50</sup> Courts in Australia have taken a similar position. The Federal Court of Australia has stated, “Particularly when the validity of the patent has been an issue, the patentee is entitled to an injunction restraining all infringement, and not just the particular form of infringement which was the subject of evidence at trial.”<sup>51</sup> Given that courts in these common-

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Apotex Inc., [1999] 293 N.R. 316 (Fed. Ct. App.) (rejecting request for narrowing of an injunction prohibiting infringement of a specified patent so that adjudged infringer might participate in “the market in using and selling ... newly developed compounds” not available at the time of the trial judgment).

<sup>48</sup> See *Industries Lumio (Canada) Inc. v. Produits Innovapas Inc.*, [2009] Q.C.C.S. 75 (Cour Supérieure du Québec 2009) (noting that, although an injunction included “a general prohibition of any further infringement of the patent,” “the Court cannot determine if other models infringe in these contempt proceedings; it can only sanction the particular acts that were proscribed by the injunction”—namely, “[t]he sale or manufacture of Tuxedo stairs and Fiesta stairs combos as distributed in 2003 and 2004 (or by reasonable extension, models under different names that are not substantially different”).

<sup>49</sup> *Coflexip S.A. v. Stolt Comex Seaway M.S. Ltd.*, [2001] R.P.C. 9 (Ct. App.) (Aldous, L.J.); see also *id.* (“The draft order contained an injunction in the usual form which restrained the defendants from ‘infringing European Patent (U.K.) No. 0478742.’”); *Nutrinova Nutrition Specialties & Food Ingredients GmbH v. Scanchem UK Ltd.*, [2001] F.S.R. 43 (Patents Ct.) (characterizing “a general injunction against infringing [an intellectual property] right” as the “hitherto customary” “wide form”). See generally *Microsoft Corp. v. Plato Tech. Ltd.*, [1999] Masons C.L.R. 370 (Ct. App.) (Nourse, L.J.) (agreeing that cited authorities “undoubtedly support ... as a general proposition” “that in the case of infringement of intellectual property rights ... it is well established ... that, once the claimant has established any infringements of his rights at all, he is entitled as of right to an injunction in the usual wide form to restrain all future infringements”).

<sup>50</sup> *Coflexip*, *supra* note 49.

<sup>51</sup> *Welcome Real-Time SA v. Catuity Inc.*, [2001] F.C.A. 785 (Fed. Ct. Australia), at ¶ 9; see also *id.* at ¶ 11 (“The invariable practice in the High Court has been to grant an injunction which simply restrained infringing the patent.”).

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law jurisdictions are, like U.S. courts, sensitive to the need for injunctions to have clear scope, their acceptance of type-II injunctions lends support to a notion that, at least as interpreted by the U.S. Court of Appeals for the Federal Circuit, Rule 65(d)'s restrictions on the scope of injunctions against patent infringement might be less than completely intuitive. Part IV will try to shed some light on the natural follow-up question of whether these restrictions nonetheless make good policy sense.

### **B. Prophylactic and Reparative Injunctions in U.S. Patent Practice**

In stark contrast to the mass violation of Federal Circuit precedent forbidding type-II injunctions, district courts appear generally to follow Federal Circuit precedent holding that injunctions to enforce patent rights must be designed to prevent future violations, and cannot be simply backward-looking or reparative.<sup>52</sup> In the sample of 91 orders studied, I identified only one portion of one order that I viewed as purely reparative. This was the district court's command as part of a consent judgment in *Batesville Services, Inc. v. Southern Rain Casket and Funeral Supply*<sup>53</sup> that the infringer, Southern Rain, "provide a written letter of apology to Batesville that recognizes Southern Rain's infringement of the patents-in-suit, and apologizes for it."<sup>54</sup> Thus, the only observed violation of Federal Circuit precedent forbidding type-IV reparative injunctions appears to have been a demand for an apology.

The situation with respect to what I characterize as prophylactic or "type III" injunctions is more complex, in part because district courts relatively frequently issue injunctions that extend beyond direct enforcement of patent rights in various minor ways. In a number of orders in the dataset, courts prohibited forms of action that overlap significantly with, but not entirely with, activities that, under the U.S. Patent Act, necessarily entail infringement. Thus, for example, one district court prohibited not only "directly or indirectly infring[ing]," but also "*causing, inducing*

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<sup>52</sup> *Supra* text accompanying notes 29-31.

<sup>53</sup> No. 2:09-CV-257 (N.D. Ind. July 15, 2010) (permanent injunction).

<sup>54</sup> *Id.*

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or contributing to ... infringement ... by others.”<sup>55</sup> As only specific forms of causation of others’ infringement, such as active inducement or contributory infringement, themselves constitute infringement under the U.S. Patent Act,<sup>56</sup> this prohibition can be viewed as at least somewhat prophylactic—possibly meant to protect against situations where required elements of indirect infringement might be too difficult to prove, but indirect infringement is nonetheless strongly suspected.

Sometimes the inclusion of a non-statutory activity among those prohibited might reflect bleed-over from other legal regimes. The U.S. Patent Act lists five basic kinds of acts that form bases for the most fundamental type of infringement claims: “mak[ing], us[ing], offer[ing] to sell, or sell[ing] ... within the United States,” or “import[ing] into the United States.”<sup>57</sup> District courts commonly list these five forms of action as enjoined. But in the dataset of 2010 orders, district courts also repeatedly forbade such activities such as “distributing” or “shipping” infringing items, or even merely “displaying” images of them.<sup>58</sup> Such language might be a carry-

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<sup>55</sup> *Seiko Epson Corp. v. Abacus 24-7 LLC*, No. 09-477 (D. Or. July 8, 2010) (permanent injunction) (emphasis added).

<sup>56</sup> *See* 35 U.S.C. § 271 (setting out different forms of infringement).

<sup>57</sup> *Id.* § 271(a).

<sup>58</sup> *E.g.*, *Miche Bag LLC v. Marshall Group Inc.*, No. 3:10-CV-129 (N.D. Ind. May 21, 2010) (temporary restraining order) (forbidding “manufacturing, distributing, selling, offering for sale, importing, or otherwise using in commerce handbags or interchangeable covers which infringe” U.S. Patent No. 6,186,201); *Marine Polymer Techs., Inc. v. HemCon, Inc.*, No. 06-cv-100 (D.N.H. Sept. 16, 2010) (permanent injunction) (enjoining “making, using, selling, offering to sell, distributing, or importing” specified products during “the life of United States Patent No. 6,864,245”); *Silverlit Toys Manufactory Ltd. v. JP Commerce, LLC*, No. 2:09-CV-08959 (C.D. Cal. Apr. 23, 2010) (permanent injunction) (enjoining, inter alia, “marketing, reproducing, distributing, receiving, forwarding, shipping, displaying (on their websites or otherwise), or in any way commercially exploiting ... any toy helicopters that infringe one or more claims of” two specified patents); *Batesville Servs., Inc. v. S. Rain Casket & Funeral Supply*, No. 2:09-CV-257 (N.D. Ind. July 15, 2010) (permanent injunction) (enjoining “manufacture, use, distribution, offer for sale, sale, purchase, and/or importation into the United States of any and all caskets that infringe the patents-in-suit”); *Innovation U.S.A., Inc. v. Ido Furniture (U.S.A.) Corp.*, No. 1:09-cv-01727 (E.D.N.Y. Mar. 31, 2010) (permanent injunction) (enjoining “referencing or depicting

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over from other forms of intellectual-property protection, like trademark or copyright, the latter of which explicitly gives copyright owners an “exclusive righ[t]” “to *distribute* copies or phonorecords of the copyrighted work.”<sup>59</sup> From the standpoint of prophylaxis, on the other hand, prohibition of such actions might be viewed as providing a patentee with more effective and easily enforceable protection by forbidding actions that, though not necessarily entailing infringement, seem likely to be part of a course of continued infringement. Likewise, an injunction that the U.S. Customs and Border Control prevent importation into the United States of “any Christmas tree stand imported by Defendant marked with” one or both of two numbers for patents owned by the plaintiff<sup>60</sup> might be viewed as a cost-saving prophylactic prohibition, releasing the patentee and customs officers from any need to prove or to confirm that tree stands so marked in fact incorporate the patented inventions indicated by their markings. An order that an adjudged infringer “label prominently its inverter controller or module products covered by the order and accompanying product literature ‘Not for Sale in, Use in, or Importation into the United States’”<sup>61</sup> might be understood to have a similar purpose and effect.

Another form of prophylactic order requires the destruction or delivery to the patentee of various kinds of material.<sup>62</sup> Again, repeated appearance of such injunctive relief, despite the

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on their website or in any future catalog, brochure, and any other form of marketing literature, a reclining sofa bed that infringes” either or both of two specified design patents).

<sup>59</sup> 17 U.S.C. § 106(3) (emphasis added).

<sup>60</sup> *Polytree (H.K.) Co. v. Forests Mfg., Ltd.*, No. 1:09-cv-03377 (N.D. Ga. Dec. 20, 2010) (permanent injunction).

<sup>61</sup> *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, No. 2:04-cv-00032 (E.D. Tex. Sept. 27, 2010) (permanent injunction).

<sup>62</sup> *E.g.*, *Caught Fish Enters., LLC v. Metal Roof Innovations, Ltd.*, No. 09-cv-02878 (D. Colo. Feb. 24, 2010) (permanent injunction) (requiring that the adjudged infringer “ship to Caught Fish at their own cost and for destruction ... all Accused Clamps in their possession, custody, or control”); *Batesville Servs., Inc. v. S. Rain Casket & Funeral Supply*, No. 2:09-CV-257 (N.D. Ind. July 15, 2010) (permanent injunction) (requiring Southern Rain to “destroy or remove from the Southern Rain Caskets in its possession or control any and all memorabilia drawers”); *I-Flow Corp. v. Apex Med. Techs., Inc.*, No. (S.D. Cal. Jan. 8, 2010) (permanent injunction) (ordering “remov[al] and recall [of] all Version I Solace pumps,” and the delivery of “all Version I Solace

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U.S. Patent Act's notable failure to provide for it explicitly,<sup>63</sup> might reflect the influence of legal regimes such as copyright and trademark, for which statutory law expressly provides remedies of impoundment, destruction, or other court-ordered disposition of preexisting goods.<sup>64</sup> Although the Federal Circuit has held that "ordering the repatriation and destruction of [already] exported" matter is, at least under certain circumstances, too remote from any aim of preventing infringement to be authorized by the U.S. Patent Act,<sup>65</sup> court-ordered destruction of goods located in the United States might well be understood to be a sort of prophylactic, rather than reparative or punitive, order that helps prevent further infringement as required under the Federal Circuit's reading of § 283.

Finally, only in a relatively limited number of cases in 2010 did courts order prophylactic relief via an injunction that defined its scope not in terms of adjudged infringing products or processes, a description or descriptions in an Abbreviated New Drug Application (ANDA) submitted to the Food and Drug Administration (FDA),<sup>66</sup> and/or the patents or patent claims

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pump products in their possession, custody or control to I-Flow"); *St.-Gobain Technical Fabrics Am., Inc. v. Checkmate Geosynthetics, Inc.*, No. 6:09-cv-557 (M.D. Fla. Oct. 26, 2010) (ordering defendant to "deliver, at its expense, to Saint-Gobain's counsel all of its infringing products and all literature, advertisements and other materials related to [the] infringing products").

<sup>63</sup> *Supra* n. 23 & accompanying text.

<sup>64</sup> 15 U.S.C. § 1118 (empowering courts in federal-trademark actions to "order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark ... or any reproduction, counterfeit, copy or colorable imitation thereof, and all plates, olds, matrices, and other means of making the same, shall be delivered up and destroyed"); 17 U.S.C. § 503(b) ("As part of a final judgment or decree [in a copyright-infringement case], the court may order the destruction or other reasonable disposition of all copies or phonorecords found to have been made or used in violation of the copyright owner's exclusive rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.").

<sup>65</sup> *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1366 (Fed. Cir. 1998).

<sup>66</sup> So-called ANDA litigation that tends to result in injunctions making such a reference is enabled by § 271(e) of the U.S. Patent Act, 35 U.S.C. § 271(e), and, roughly speaking, provides patentees with "the ability to sue [generic drug manufacturers] for merely filing an application (known as an Abbreviated New Drug Application, or ANDA) with the [Food and Drug

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themselves (as for injunctions of types I through III), but instead by providing the injunction's own independent formulation of the subject matter covered. Hence, for example, in *ExitExchange Corp. v. Casale Media Inc.*,<sup>67</sup> the district court issued a stipulated-to order forbidding "making, using, importing, selling, or offering to sell pop-under advertisements" without making clear that all systems or methods for producing such advertisements fall within the scope of the plaintiff's patent.<sup>68</sup> More dramatically, in *Stone Strong, LLC v. Del Zotto Products of Florida, Inc.*,<sup>69</sup> the district court gave an extensive description of the physical characteristics of the sorts of "precast concrete block" that the injunction encompassed, using patent claim-like language that appears not to have tracked precisely the language of any actual patent claim.<sup>70</sup>

#### **IV. Normative Analysis of Patent-Infringement Injunction Scope**

##### **A. Comparability to Concerns with Patent Scope**

The normative problem of determining appropriate injunction scope is substantially related to the problem of determining an appropriate scope for the underlying patent rights themselves. In both cases, there is concern about balancing the goal of using patents to provide incentives for innovation with the goal of ensuring that patent rights do not themselves become excessive impediments to follow-on innovation or, more specifically, to competition in innovation-related markets.<sup>71</sup>

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Administration].” Timothy R. Holbrook, *Possession in Patent Law*, 59 SMU L. Rev. 123, 142 (2006).

<sup>67</sup> No. 2:10-cv-297 (E.D. Tex. Nov. 2, 2010) (permanent injunction).

<sup>68</sup> *Id.* at 2.

<sup>69</sup> No. 5:08-cv-503 (M.D. Fla. Nov. 19, 2010) (permanent injunction).

<sup>70</sup> *Id.* (forbidding various activities involving “a precast concrete block with a front surface, first and second side surfaces, a top surface, a bottom surface, and a back surface that contains a lifting device protruding from the top surface and a recess or notch in the bottom surface ...”).

<sup>71</sup> *Merges & Nelson, supra* note 8, at 843 (arguing that, “[w]ithout extensively reducing the pioneer’s incentives, the law should attempt at the margin to favor a competitive environment for improvements”).

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Moreover, for a rational, profit-maximizing party who has just received an injunction against future acts of patent infringement, concerns with patent scope and with injunction scope are economically comparable. In addition to considering whether to pay for a license that will permit the infringer to continue business as before, the infringer will consider the desirability of implementing a redesign of its infringing product or process. Greater patent scope increases the range of redesigns that will have a substantial likelihood of infringing the patent. Likewise, greater injunction scope increases the range of redesigns that will put the infringer at risk of a holding of contempt. If the likelihood of a contempt holding and/or the penalty from being held in contempt is sufficiently small, a rational infringer might choose to implement a redesign that risks a holding of contempt, just as it might have originally chosen a product or process design that generated a substantial risk of being found to infringe.

To see how an adjudged infringer's calculus of choices might play out, consider a situation where a product has been found to infringe, and the infringing producer has two basic choices other than paying the patentee for a license: (1) implement an "ironclad" redesign of the product that will cost  $D_1$  to implement and that everyone will recognize with 100% certainty to be both outside the injunction and non-infringing; and (2) implement a more doubtful redesign that will cost a lower amount  $D_2$  to implement ( $D_2 < D_1$ ) but that carries a nonzero chance  $\theta_{\text{con}}$  of resulting in a holding of contempt and a further nonzero chance  $\theta_{\text{inf}}$  of resulting in a holding of infringement if there is no holding of contempt. For simplicity, loosely follow a model for stakes involved in decision-making relative to another's patent rights previously that Carl Shapiro previously developed with an eye to infringement concerns only.<sup>72</sup>

In particular, suppose that, in the absence of any litigation or finding of contempt or infringement, the product resulting from either redesign would be expected to generate a constant margin of  $M$  per unit sold, with  $N$  units expected to be sold, and  $MN \geq D_1$ . Further assume that, if the adjudged infringer implements the more doubtful redesign, the patentee will move for a

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<sup>72</sup> See Carl Shapiro, *Injunctions, Hold-Up, and Patent Royalties*, 12 AM. L. & ECON. REV. 280, 286-87 (2010) (developing a model to determine potential outcomes of royalty negotiations between a "downstream firm" and a "patent holder"); see also Lemley & Shapiro, *supra* note 4, at 1995-97 (using Shapiro's model).

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holding of contempt, with a probability of success  $\theta_{\text{con}}$ . If contempt is not found, the patentee will then file a new suit alleging patent infringement, with a probability of success  $\theta_{\text{inf}}$ . By the time contempt proceedings are concluded, the adjudged infringer will have made and sold  $n_{\text{con}}$  units of the redesigned product, and will have incurred  $L_{\text{con}}$  in litigation costs. If the infringer is held not to be in contempt, the infringer will then sell an additional  $n_{\text{lit}}$  units and incur an additional  $L_{\text{inf}}$  in litigation costs before the conclusion of infringement proceedings. If the infringer is found in contempt, it will receive the equivalent of a monetary penalty  $P$  and will have its post-contempt expected profits reduced by  $\delta_{\text{con}}$  from  $M(N - n_{\text{con}})$  to  $\pi_{\text{con}}$ . If the infringer prevails in the contempt proceeding but the redesigned product is later found to infringe, the infringer will pay a damages award  $A$  and have its post-judgment expected profits reduced by  $\delta_{\text{inf}}$  from  $M(N - n_{\text{con}} - n_{\text{inf}})$  to  $\pi_{\text{inf}}$ .

Under these circumstances, the infringer's expected gains from the two redesigns are, respectively, as follows:

(1) expected gain from pursuing the ironclad redesign:

$$G_1 = MN - D_1;$$

(2) expected gain from pursuing the more doubtful redesign:

$$G_2 = Mn_{\text{con}} - D_2 - L_{\text{con}} + \theta_{\text{con}}(\pi_{\text{con}} - P) \\ + (1 - \theta_{\text{con}})\{Mn_{\text{inf}} - L_{\text{inf}} + \theta_{\text{inf}}(\pi_{\text{inf}} - A) + (1 - \theta_{\text{inf}})M(N - n_{\text{con}} - n_{\text{inf}})\}.$$

The formula for  $G_2$  looks complicated but can be significantly simplified by rearranging terms, using the formulas  $\delta_{\text{con}} = M(N - n_{\text{con}}) - \pi_{\text{con}}$  and  $\delta_{\text{inf}} = M(N - n_{\text{con}} - n_{\text{inf}}) - \pi_{\text{inf}}$ , and employing new variables  $\Delta_{\text{con}} = P + \delta_{\text{con}}$  and  $\Delta_{\text{inf}} = A + \delta_{\text{inf}}$ . As sums of the cost of a court-imposed penalty or damages award and the decrease in future profits expected to result from a relevant adverse decision (whether via an expected injunction, imposition of an ongoing royalty, expectation of future damages, or otherwise), the new variables  $\Delta_{\text{con}}$  and  $\Delta_{\text{inf}}$  represent the total cost to post-judgment expectations of adverse judgments in contempt and infringement proceedings, respectively. With use of these variables, the following formula for  $G_2$  results:

$$G_2 = MN - D_2$$

where the total effective cost of the more questionable redesign  $D_2$  satisfies

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$$D_2 = D_2 + L_{\text{inf}} + \theta_{\text{inf}} \Delta_{\text{inf}} + L_{\text{con}} + \theta_{\text{con}} \Delta_{\text{con}}$$

and

$$\Delta_{\text{con}} = \Delta_{\text{con}} - L_{\text{inf}} - \theta_{\text{inf}} \Delta_{\text{inf}}.$$

The equations for  $G_2$  and  $D_2$  neatly illustrate the comparability of questions of patent scope and injunction scope in a rational economic calculus. A rational economic actor will favor the ironclad redesign over the questionable redesign only when  $G_1 \geq G_2$  or, equivalently,  $D_1 \leq D_2$ . Other than adding another source of foreseeable litigation costs, the prospect of contempt proceedings deters choice of the more questionable redesign via contribution of a quantity equaling the product of the likelihood of a contempt finding  $\theta_{\text{con}}$  and the total *effective* cost  $\Delta_{\text{con}}$  of a finding of contempt. Likewise, the prospect of an infringement suit deters choice of the more questionable redesign via contribution of a quantity equaling the product of the likelihood of an infringement finding  $\theta_{\text{inf}}$  and the total effective cost  $\Delta_{\text{inf}}$  of a finding of infringement.<sup>73</sup>

Consequently, to the extent  $\theta_{\text{con}}$  and  $\theta_{\text{inf}}$  are properly viewed as proxies for injunction scope and patent scope, respectively, the equation for  $D_2$  shows them to have fundamentally analogous roles relative to twin concerns of protecting patent value through deterrence (for  $\theta_{\text{inf}} >$

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<sup>73</sup> Facial lack of parallelism between  $\Delta_{\text{inf}}$  and  $\Delta_{\text{con}}$  can be resolved as follows. This relevant effective cost of a contempt holding equals the quantity  $\Delta_{\text{con}} = \Delta_{\text{con}} - L_{\text{inf}} - \theta_{\text{inf}} \Delta_{\text{inf}}$ , rather than  $\Delta_{\text{con}}$ , because, in the absence of a contempt finding, the infringer will face infringement proceedings having expected cost  $L_{\text{inf}} + \theta_{\text{inf}} \Delta_{\text{inf}}$ . Consequently, in this model, a judgment of contempt can be understood as only adding substantially to deterrence to the extent the cost of contempt  $\Delta_{\text{con}}$  exceeds the more quotidian cost of undergoing infringement proceedings in the absence of a finding of contempt. (This observation is generally in accord with the common intuition that, for contempt proceedings to enhance deterrence directly as well as to facilitate enforcement through the provision of summary proceedings, the contempt proceedings should enable the provision of remedies that, from the contemnor's perspective, are more severe than those generally awarded at the conclusion of ordinary infringement proceedings. On the other hand, in more realistic situations, the availability of summary contempt proceedings might make subsequent enforcement by the patentee more likely than in their absence, thereby potentially increasing deterrence even without enhanced remedies for contempt.) By contrast, the total effective cost of a finding of infringement is simply  $\Delta_{\text{inf}}$  because, at least within this simplified model, there is no further backstop means for the patentee to impose costs on the infringer once an infringement suit fails.

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0 and  $\theta_{inf} > 0$ ) and facilitating innovative alternatives by, with respect to *ex ante* choices, discounting costs of infringement or contempt (for  $\theta_{inf} < 1$  and  $\theta_{inf} < 1$ ). With the symmetry between concerns of patent and injunction scope thus illustrated, section IV.B discusses how, from a policy perspective, courts might best approach the problem of determining proper injunction scope.

### **B. Factors in Determining Optimal Injunction Scope**

How, from a policy standpoint, does one determine the optimal scope of a patent-infringement injunction? Concerns of injunction scope should include anticipation of likely effects of injunctions' on parties' behavior, as well as the limitations of the courts that issue and attempt to enforce the relevant orders.

If an injunction against further patent infringement covers no more than the exact product or process that a court has already held to infringe patent rights, an adjudged infringer will likely be able to avoid the scope of the order by making merely trivial changes to such a product or process. Roughly speaking, an infringer will have reason to choose this course of trivial avoidance if the added profits from continued infringement exceed the expected total cost of being subjected to a further infringement suit, including expected attorney fees and any damages, fees, or costs expected to be awarded in that suit, as well as potentially being subjected to contempt proceedings in which the patentee will not prevail, but whose defense will impose costs on the adjudged infringer. Indeed, it seems virtually axiomatic that a narrow injunction or a decision to enforce an injunction narrowly in contempt proceedings can leave a rational infringer with substantial reason to pursue a course of action that, though not constituting contempt, will ultimately be determined, in a successive infringement action, to constitute infringement.

The current push to more strictly limit reasonable-royalty damages, however justified on its own terms,<sup>74</sup> might exacerbate this potential problem. Other things equal, the smaller the percentage of infringer's profits that a patent holder can recover as regular damages, the smaller

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<sup>74</sup> See Golden, *supra* note 3, at 582-84 (discussing recent proposals to limit patent damages through better "apportionment" based on the fractional contribution of the patented invention to the overall value of an infringing product or process).

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the deterrent effect of a prospect of further reward of such damages or even of a threat of a trebling of those damages in light of continued infringement in the wake of a prior infringement holding.<sup>75</sup> If an adjudged infringer successfully limits reasonable-royalty damages to, say, 3% of profits, a threat of treble that amount—9% of profits—might still be inadequate to deter continued infringement.

Along similar lines, even lost-profit damages—or, for that matter, treble lost-profit damages—can be inadequate to deter continued infringement. If an infringer is using the patented innovation to win market share from a host of competitors other than the patentee, or if the infringer expects the future benefits from winning present market share to vastly exceed any provable lost profits, the threat of treble lost-profit damages in a second infringement suit could, like the threat of treble reasonable-royalty damages, fail to deter continued infringement.

Patent law could address this problem, as well as concerns about deterring infringement in general, by permitting patentees to recover—or at least to demand disgorgement of—the entirety of the profits that an adjudged infringer derives from its infringing acts. But by amending the Patent Act to eliminate disgorgement as a remedy in 1946,<sup>76</sup> U.S. policymakers effectively determined that, because of the difficulty and cost of determining the portion of an infringer's profits justly described as derived from infringement,<sup>77</sup> such a remedy would,

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<sup>75</sup> Such continued infringement might be thought particularly likely to trigger a finding of willful infringement of sufficient gravity to subject the infringer to up to treble damages under 35 U.S.C. § 284 (“[T]he court may increase the damages up to three times the amount found or assessed.”).

<sup>76</sup> Amy L. Landers, *Let the Games Begin: Incentives to Innovation in the New Economy of Intellectual Property Law*, 46 SANTA CLARA L. REV. 307, 322-23 (2006) (describing the 1946 legislation as causing a shift in the sense of patent-infringement damages' purpose, from one of seeking to correct for “the infringer's unjust enrichment toward the view that patent damages constituted compensation for the patentee”); see also John M. Golden, “*Patent Trolls*” and *Patent Remedies*, 85 TEX. L. REV. 2111, 2123-24 nn. 49, 52 (2007) (discussing historical developments with respect to damages awards).

<sup>77</sup> Roger D. Blair & Thomas F. Cotter, *An Economic Analysis of Damages Rules in Intellectual Property Law*, 39 WM. & MARY L. REV. 1585, 1648 (1998) (“In a report on the 1946 amendments to the Patent Act, for example, the House of Representatives Committee on Patents cited the difficulty of accurately determining the amount of profits attributable to an

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generally speaking, produce either too little assurance of adequate compensation for patentees or excessive deterrence of socially desirable innovative activity by infringers, particularly those whose activities involved much more creation of social value than was strictly traceable to the infringement of one or another individual patent. Analogous concern with calculating appropriately calibrated damages awards has continued with respect to the reasonable-royalty and lost-profit damages that remain available under the U.S. Patent Act.<sup>78</sup>

Indeed, concern with overdeterrence or “chilling” of socially desirable innovative activity appears to have become particularly sharp in information-technology (IT) industries. As major IT companies have stressed when fighting to limit present-day reasonable-royalty awards, a single infringing product can involve dozens, even perhaps hundreds or thousands, of innovations that separately contribute to the product’s ability to generate profits. Given the number of innovations involved and given the potentially large number and often imprecise scope of patents that might cover one or another of those innovations, an IT company might well be unable to implement reasonably priced procedures for patent clearance that provide substantial assurance that its products will avoid patent infringement. Under such circumstances, a threat that any successful infringement suit can disgorge all the profits associated with an infringing product or process might drive expected returns on investment below levels that would keep the IT company in the game. Deterrence would become overdeterrence, and patent rights would become a significant impediment to the continued delivery of new innovations to the market.<sup>79</sup>

One could argue, however, that, after an individual or entity has been adjudged to infringe a specific patent claim or set of patent claims, further concern with overdeterrence is, generally speaking, ill-founded. Even if there were questions about a patent claim’s validity or

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infringement, as well as the attendant cost and delay, as reasons for limiting the prevailing plaintiff to an award of compensatory damages.”).

<sup>78</sup> *Cf. supra* note 74.

<sup>79</sup> *See* Golden, *supra* note 76, at 2118 (observing that “[i]t has long been appreciated” that “a patent’s exclusive rights could discourage efforts by others to develop socially significant follow-on innovations”).

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scope before, the claim has now been deemed “not invalid” and enforceable despite whatever challenges to its validity and enforceability the adjudged infringer chose to make. Further, the claim’s scope has been clarified through judicial claim construction, comparison of the claim’s language to prior art, and application of that language to accused products or processes.

Moreover, the adjudged infringer cannot plausibly claim that it is unaware of the patent or unaware of its potential significance for the infringer’s activities. Through the litigation that has yielded a holding of infringement, various problems of notice, clarity, and uncertainty<sup>80</sup> have been addressed. Given that an adjudged infringer is indisputably on notice of the possibility of violating the specifically infringed patents or patent claims, and given that the infringer’s past conduct suggests a substantial possibility of such violation, why not issue a general injunction against further infringement of the specific patents or patent claims that were already at issue? If the adjudged infringer is in doubt about whether such an order encompasses later-contemplated activity, the infringer can petition for clarification or modification of the order to exclude that activity.<sup>81</sup> At least at a very general level, effectively requiring such a pre-clearance petition with respect to the discrete set of patents or patent claims adjudged to have been infringed might be argued to show due regard for concerns of notice, including the concern that “those who ignore it should be penalized rather than rewarded.”<sup>82</sup>

Perhaps the most obvious response to this argument is that, under current law and practice, mere notice of patent rights does not equate to clear notice of the scope of products and processes that those rights cover. Although a “do not further infringe this patent claim” order is certainly more specific than a general “do not further violate the plaintiff’s patent rights” order, it is, generally speaking, likely to be far less instructive than, for example, a “do not further trespass on plaintiff’s land” order. Even individual patent claims commonly encompass a great

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<sup>80</sup> Herbert Hovenkamp, *Notice and Patent Remedies*, 88 TEX. L. REV. *SEE ALSO* (forthcoming) (emphasizing the importance of notice concerns in patent law), *available at* <http://ssrn.com/abstract=1596789>; *see also* BESSEN & MEURER, *supra* note 42.

<sup>81</sup> *See, e.g.*, *Smith-Corona Corp. v. Pelikan, Inc.*, 784 F. Supp. 452, 486 (M.D. Tenn. 1992) (“Pelikan’s motion to clarify injunction is granted.”).

<sup>82</sup> Hovenkamp, *supra* note 80.

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variety of different potential embodiments of the claimed invention. Moreover, even if a particular instance of patent litigation has clarified—and perhaps even nailed down—the scope of patent claims along a number of dimensions, not all dimensions of a patent claim will necessarily have been addressed. The selection of claim terms submitted for construction by a court will reflect particular characteristics of the accused products or processes, or of the prior art on which a challenge of validity is based. Later development of a product or process that tests the boundaries of the patent claim in a new way can generate uncertainty about a patent claim's validity and scope comparable to that which existed before a prior infringement litigation. Consequently, to the extent patent-law policymakers generally wish to ensure that competitors, whether in markets for innovation or in markets for end products or services, feel free to develop and to help disseminate innovative goods and services that with substantial likelihood—but without certainty—do not infringe, the potentially severe sanctions available in contempt proceedings argue for substantial wariness about the dangers of permitting contempt proceedings to stray too far from matter already adjudged to infringe, matter for which relevant questions of patent-claim scope have already been addressed. Particularly in situations involving intricate, multi-component technologies, an adjudged infringer, even an adjudged infringer who diligently seeks to steer clear of future infringement, might otherwise have only limited capacity to ensure that later activities will not become a potential basis for being held in contempt.

Of course, the adjudged infringer might be able to contract for a blanket license for activities that might otherwise violate the patentee's previously infringed patents or patent claims. Given the high percentage of cases that settle without a court's issuing a consent order, one might reasonably suppose that such licenses or actual purchases of whole patents often occur. But whether because of information costs, including developed distrust between parties involved in contentious litigation, or for other reasons, settlements do not always occur. And post-judgment negotiations in a situation in which the adjudged infringer is threatened with contempt could lead to “holdout” or “holdup” problems<sup>83</sup> that make pre-judgment holdout or

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<sup>83</sup> Cf. Lemley & Shapiro, *supra* note 4, at 1993 (“Injunction threats often involve a strong element of *holdup* in the common circumstance in which the defendant has already invested

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holdup concerns appear pale by comparison. Staying an injunction's effective date might not satisfactorily mitigate these concerns as long as uncertainty about the injunction's scope remains, and the frequency with which parties might have to seek clarification of that scope before beginning or continuing a course of redesign activity might make the cost of such clarification too great for both resource-strapped courts and private parties alike.

So there seems good reason for generally limiting the effective scope of injunctions, whether facially or through limited enforcement, to something along the lines of a type-I order, an order that reaches close variants of products or processes already adjudged to infringe, but reaches no further. Moreover, there might be good reason for the Federal Circuit to suggest that, in accordance with Federal Rule of Civil Procedure 65(d), such limitation should be indicated in the injunction itself. Use of the general language of prohibition characteristic of a Type-II order might encourage some unsophisticated parties to believe that the effective scope of an injunction is broader than it in fact is. Likewise, broad Type-II language might invite error by a district court, encouraging it to believe that valid grounds for finding contempt extend substantially beyond activities explicitly prohibited by a Type-I order. Further, even assuming that a district court recognizes that there are Type-I limitations on valid grounds for finding contempt, Type-II injunctive language might subtly distort how a district court approaches determination of the scope of those Type-I limitations. Under a Type-II order, limitation of an order's effective scope might seem more a response to concerns with limiting "false positives" in summary contempt proceedings, than a response to Rule 65(d) concerns with proper notice to an enjoined party. A court that has persuaded itself that an enjoined party's new course of action is still infringing might be quicker to discount concerns about potential false positives than concerns about whether, at the beginning of the new course of action, the enjoined party had adequate notice about the likelihood of a holding of contempt. Finally, a fourth reason favoring the Federal

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heavily to design, manufacture, market, and sell the product with the allegedly infringing feature."'). *See generally* Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1107 (1972) (describing "moving from a property rule to a liability rule" as a potential solution to a "holdout problem").

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Circuit's position that Type-II injunctions are generally invalid is that the language of such injunctions might make it too easy for a court, in issuing such an order, to fail to consider the uncertainty that even Type-I "colorable differences" language leaves in place.

Indeed, Type-I "colorable differences" language seems unlikely ever to be properly viewed as a fully comfortable resting place. This is because this language explicitly incorporates a continuing reason for uncertainty: "What is a merely colorable, as opposed to a genuine, difference?" In general, the question of what is "colorable" has to be answered with reference to the language of the relevant patent claims. But as indicated above, the claims themselves are likely to contain latent ambiguity. Restriction to type-I language or type-I enforcement helps to contain the effects of such ambiguity. But because of type-I language's implicit reference to patent claims themselves, it generally cannot eliminate ambiguity altogether.

What alternatives does a court have to issuing a type-I order?

Of course, the court could decline to issue any injunction at all. A significant ground for a district court's initial refusal to grant a permanent injunction in *eBay Inc. v. MercExchange, L.L.C.*,<sup>84</sup> was its fear that such an injunction would simply be a prelude to "contempt hearing after contempt hearing."<sup>85</sup> On the other hand, it might seem odd, unwise, or even legally improper for a district court to decline to grant an injunction simply because an adjudged infringer's likely response would lead to need for proceedings to try to enforce the order.

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<sup>84</sup> 547 U.S. 388 (2006).

<sup>85</sup> *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 714 (E.D. Va. 2003), *aff'd in part, rev'd in part, vacated in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 547 U.S. 388 (2006). More fully, the district court judge in the *eBay* case stated:

If the court did enjoin the defendants here, the court would essentially be opening a Pandora's box of new problems. This case has been one of the more, if not the most, contentious cases that this court has ever presided over.... The court predicts that if it granted the plaintiff's request for a permanent injunction, the battle would continue to be as contentious as ever.... The court envisions contempt hearing after contempt hearing requiring the court to essentially conduct separate infringement trials to determine if the changes to the defendants' systems violat[e] the injunction. This will result in extraordinary costs to the parties, as well as considerable judicial resources.

*Id.*

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Alternatively, a court could issue a “true” Type-0 order instead of a Type-I order or a putatively Type-0 order that has Type-I effect when applied. The court would refuse to enforce the true Type-0 order even against variations of an accused product or process that are no more than colorably different from the original. The problem with this option is that, as already suggested, it seems likely to render the injunction essentially worthless: permitting the possibility of contempt to be averted by, for example, affixing a sticker on an infringing product that says, “New and Improved,” would seem likely to make the whole process of awarding the remedy an empty and wasteful gesture.

Another option that a court could pursue is that of issuing an injunction that avoids reference to the underlying patent claims or even perhaps to the specific nature of the infringer’s prior unlawful activities. Such a Type-III prophylactic order is likely, despite its name, to have both overprotective and underprotective aspects. For example, an order to destroy certain already-existing articles, or to label certain future articles as “Not to Be Sold in the United States,” can require more than patent rights themselves demand, but can also provide significantly less than complete protection of a patentee’s rights. Likewise, an injunction that provides a detailed description of forbidden products, such as a particular class of concrete blocks,<sup>86</sup> can, because of its deliberate and, one hopes, enlightening deviation from claim language, provide protection that is broader in some respects, but narrower in other respects, than the protection that is, at least in principle, demanded by the underlying patent rights.

Thus, on net, prophylactic injunctions need not be significantly more protective or less protective of patentee rights than standard Type-I orders. Further, to the extent courts might be thought tempted to overread the reach of Type-I orders because of fears that their injunctions might otherwise be too easily circumvented, judicious combination of Type-III prophylactic orders with basic Type-I orders might help defuse the court’s hypothesized concerns. Inclusion of type-III injunctive language could provide greater assurance that the patentee has gotten *some* advantage from prior successful litigation, even if the patentee does in fact ultimately have to launch a wholly new, successive infringement suit against the previously adjudged infringer. To

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<sup>86</sup> See *supra* text accompanying notes 69-70.

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the extent a court worries about the possibility that a prophylactic injunction will eventually prove to be overreaching, the court can impose a specific time limit on the injunction's effectiveness.<sup>87</sup> Of course, there will also be the possibility of modifying an injunction in light of changed circumstances.<sup>88</sup>

In other legal situations involving difficulties in compliance or enforcement, or lingering uncertainty that might chill socially desirable activities, courts have found prophylactic injunctions to be appropriate.<sup>89</sup> Of course, as the Federal Circuit has already ruled,<sup>90</sup> broad prophylactic injunctions can be appropriate as a means to ensure prompt termination of an egregious course of conduct by a recalcitrant infringer.<sup>91</sup> But prophylactic injunctions that seek to significantly decrease ambiguity by disentangling their language from that of the underlying patent claims might well be underused.

## **V. Conclusion**

The scope of patent-infringement injunctions and of their enforcement through contempt proceedings is a crucial aspect of the United States' system of patent remedies. Concerns of due process, effective rights enforcement, efficient legal administration, and avoidance of patent overreach combine to generate difficult legal and policy questions. District courts' frequent issuance of defectively drafted injunctions suggests that this area has nonetheless received

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<sup>87</sup> See LAYCOCK, *supra* note 18, at 287 (discussing a six-month limit on an injunction against a former employee's joining a competitor).

<sup>88</sup> See, e.g., Fed. R. Civ. Proc. 60(b) ("On motion and just terms, the court may relieve a party or its legal representative from a final judgment, order, or proceeding for the ... reason[ that] ... applying it prospectively is no longer equitable ..."). See generally DAVID I. LEVINE, DAVID J. JUNG & TRACY A. THOMAS, REMEDIES: PUBLIC AND PRIVATE 244 (5th ed. 2009) (discussing "[t]he uncertainty of when to apply [a] rigid standard ... to modifications of injunctions and consent decrees and when a more flexible standard is appropriate").

<sup>89</sup> See LAYCOCK, *supra* note 18, at 288-90 (discussing situations in which prophylactic injunctions have issued).

<sup>90</sup> *Supra* text accompanying notes 24-26.

<sup>91</sup> LAYCOCK, *supra* note 18, at 288 ("The more egregious the violation, the greater the fears of further defiance or evasion, and the greater the desire for prophylactic injunctions that give a margin of safety to plaintiffs and the court.").

**John M. Golden**

***Patent-Infringement Injunctions' Scope***

**DRAFT: Material herein is subject to revision and elaboration.**

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insufficient attention. Although a survey of patent-infringement injunctions issued by U.S. courts in 2010 suggests significant variability in the forms of injunctions used, it also suggests that courts—and the parties who submit draft orders to courts—might underutilize prophylactic language that seeks to improve notice and to ease enforcement by disentangling an injunction's language from that of underlying patent claims.