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PERMANENT INJUNCTION AFFIRMED IN US PATENT CASE

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Acumed LLC v Stryker Corp., 551 F.3d 1323, US Court of Appeals for the Federal Circuit, 30 December 2008

A US District Court was entitled to find irreparable harm even though the patentee had previously granted licences to other competitors.

Legal context

In 2006, the US Supreme Court rewrote the law on permanent injunctions in *eBay Inc. v MercExchange LLC*, 547 US 388 (2006). As part of that decision, the Court rejected the previous law of the US Court of Appeals for the Federal Circuit which presumed that an injunction should issue in a patent infringement action unless some exceptional circumstances justified denial of injunctive relief. The *eBay* court rejected the notion that irreparable harm should be so presumed, and offered the situation where the patentee is merely in the business of obtaining licence fees as an example of when an injunction may not be appropriate: *eBay*, 547 US at 395-97 (J. Kennedy, concurring).

eBay (at 391) instructed that a patentee must satisfy the well-established four-factor test for injunctive relief before a court may grant a permanent injunction:

1. that [the plaintiff] has suffered an irreparable injury;
2. that remedies available at law, such as monetary damages, are inadequate to compensate for that injury;
3. that considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted and
4. that the public interest would not be disserved by a permanent injunction.

Acumed presented the Federal Circuit with an opportunity post-*eBay* to consider how the four factors set forth by the Supreme Court should be applied by an appellate court in reviewing an order granting a permanent injunction.

Facts

Acumed LLC ('*Acumed*'), the plaintiff, is the owner of US Patent 5,472,444 which is directed to an orthopaedic nail used for treatments of fractures of an upper arm bone. *Acumed* sells an orthopaedic nail called '*Polarus*'. The defendants, collectively '*Stryker*', sell a competing nail product called '*T2*'.

In April 2004, Acumed brought a patent infringement lawsuit against Stryker alleging Stryker's T2 nail infringed the '444 Patent. In September 2005, a jury found that Stryker willfully infringed the '444 Patent, and awarded damages based on Acumed's lost profits and a reasonable royalty. In February 2006, the District Court granted Acumed's motion for a permanent injunction applying 'the general rule [in patent cases] that an injunction will issue, once infringement and validity have been adjudged ... unless there are some exceptional circumstances that justify denying injunctive relief'. Transcript of Record at 53, *Acumed LLC v Stryker Corp.*, No. CV-04-513 (D. Or. 22 February 2006) (quoted in *Acumed LLC v Stryker Corp.*, 483 F.3d 800, 811 (Fed. Cir. 2007)).

While Stryker's appeal to the Federal Circuit was pending, the Supreme Court decided *eBay*, which rejected the type of analysis applied by the District Court at the February 2006 Hearing. The Federal Circuit, in turn, after affirming the finding of willful infringement, vacated the permanent injunction (which had been stayed) and remanded the case for further consideration in light of *eBay*'s four-factor test (483 F.3d at 811-12).

On remand, the District Court reconsidered Acumed's request for a permanent injunction, applied the four-factor test for injunctive relief from *eBay*, and again granted Acumed's motion for permanent injunction. *Acumed LLC v Stryker Corp.*, No. 04-CV-513-BR, 2007 US Dist. LEXIS 86866 (D. Or. 20 November 2007). In the second hearing, the District Court accepted additional evidence from both sides. This order entering a permanent injunction is the subject of the present appeal.

Analysis

The Federal Circuit in *Acumed* reviewed the District Court's grant of a permanent injunction under an 'abuse of discretion' standard. In other words, the Federal Circuit examined whether the District Court 'made a clear error of judgment in weighing relevant factors or exercised its discretion based upon an error of law or clearly erroneous factual findings' (551 F.3d at 1327) (quoting *Innogenetics, N.V. v Abbott Labs.*, 512 F.3d 1363, 1379 (Fed. Cir. 2008)). Applying this standard of review, the Federal Circuit found that the District Court did not abuse its discretion in how it applied *eBay*'s four-factor test.

1 and 2. Irreparable harm and lack of adequate remedy at law

Both the District Court and the Federal Circuit applied the first two *eBay* factors in connection with each other. Stryker argued that the District Court erred in finding these two factors in favour of Acumed, since Acumed had previously granted two large competitors, Smith & Nephew and Zimmer, licences to the '444 Patent (551 F.3d at 1327-28). In rejecting this argument, the Federal Circuit returned to the fundamental principle that '[t]he essential attribute of a patent grant is that it provides a right to exclude competitors from infringing the patent. 35 USC 154(a)(1) (2000). In view of that right, 'infringement may cause a patentee irreparable harm not remediable by a reasonable royalty' (551 F.3d at 1328).

With respect to the grant of prior licences, the Federal Circuit explained that '[w]hile the fact that a patentee has previously chosen to license the patent *may* indicate that a reasonable royalty does compensate for an infringement, *that is but one factor for the district court to consider*', *id.* (emphasis added). Factors a court are entitled to consider include:

- the grant of previous licences;
- the identity of the past licensees;
- the experience in the market since the licences were granted; and
- the identity of the new infringer.

In considering these factors, the District Court explained:

In addition, Acumed points out it licensed the '444 Patent to Smith & Nephew as part of the settlement of an action against Smith & Nephew. Also, when Acumed licensed the '444 Patent to Zimmer, it was not a direct competitor of Acumed.

2007 US Dist. LEXIS 86866, at *14–*15. The Federal Circuit found this analysis was not an abuse of the District Court's discretion. Thus, the District Court weighing these factors did not abuse its discretion when it determined 'that money damages constituted adequate compensation only for Stryker's past infringement and no adequate remedy at law existed for Stryker's future infringement' (551 F.3d at 1328).

Significantly, the Federal Circuit held as a rule of law, '[a] plaintiff's past willingness to license its patent is not sufficient per se to establish lack of irreparable harm if a new infringer were licensed' (551 F.3d at 1328-29 (citing *eBay*, 547 US at 393; *Smith & Nephew, Inc. v Synthes (USA)*, 466 F. Supp. 2d 978, 983 (W.D. Tenn. 2006) (quoting *eBay*)). However, the Federal Circuit did note that it was declining to consider 'whether it would be appropriate under other circumstances to deny injunctive relief because the patentee had licensed the patented technology to other competitors' (551 F.3d at 1329 n.).

3. Balance of hardships

In discussing this prong of the test for injunctive relief, the Federal Circuit rejected various factors that Stryker contended should be considered.

First, the Federal Circuit rejected Stryker's arguments regarding alleged harm to its customers and patients should an injunction be granted. In this regard, the Federal Circuit confirmed that the inquiry of balance of hardships 'is only between a plaintiff and a defendant, and thus the effect on customers and patients ... is irrelevant under this prong of the injunction test' (551 F.3d at 1330 (citing *eBay*, 547 US at 391)).

Next, the Federal Circuit rejected Stryker's argument that its expenses in designing and marketing the T2 product should be considered, 'since those expenses related to an infringing product' (Id.). In support of this point, the Federal Circuit quoted *Windsurfing Int'l v AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986) for the proposition: 'One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected'.

Finally, the Federal Circuit rejected Stryker's argument that the District Court allegedly abused its discretion by finding that a straight nail depicted in a Stryker patent application was an acceptable and available alternative to the T2 nail. In this regard, the Federal Circuit noted the District Court acknowledged that the straight nail was not presently offered in the USA, but characterized Stryker's decision that it was not 'feasible to offer a straight-nail design in the United States' as a 'business decision' that did not 'tip the balance of hardships in Defendants' favour' (551 F.3d at 1330 (citing and quoting 2007 US Dist. LEXIS 86866, at *17)).

With respect to each of these arguments, the Federal Circuit emphasized that its decision rested on its conclusion that the District Court did not abuse its discretion in finding in favour of Acumed.

4. Public interest

Finally, the Federal Circuit rejected Stryker's arguments that the District Court abused its discretion in finding against it on the public interest element because Stryker's T2 nail was allegedly demonstrably safer and superior to Acumed's Polarus nail (551 F.3d at 1330-31).

In this regard, the Federal Circuit deferred to the District Court's considerable discretion in finding that 'there is not sufficient objective evidence of any public-health issue in the form of screw back-out problems with the Polarus product to find the public interest would be disserved by a permanent injunction' (2007 US Dist. LEXIS 86866, at *19-*20).

Although the Federal Circuit gave the District Court considerable deference on its weighing of the public interest factors, the Federal Circuit nonetheless went on to acknowledge that 'in another case, the public interest factor may so strongly weigh against enjoining the infringer that an injunction would be inappropriate. However, this is not such a case' (551 F.3d at 1331).

Practical significance

Acumed is a significant case in several respects.

First, *Acumed* provides a glimpse at how the Federal Circuit applies the four-factor test.

Second, *Acumed* confirms that injunctive relief may still be available in US patent litigations against competitors even if the patentee previously granted licences to the patents in suit.

Finally, and perhaps most significantly, *Acumed* also demonstrates the considerable deference the Federal Circuit gives the District Court in its weighing of the four-factor test mandated by *eBay* to be applied in determining whether to grant a permanent injunction in a patent infringement action.

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