

AMS: THE END OF A PRESUMPTION OF IRREPARABLE HARM IN PRELIMINARY INJUNCTIONS



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The recent decision in *Automated Merchandising Systems, Inc. v. Crane Co.*, No. 2009–1158 (Fed. Cir. December 16, 2009) marked the Federal Circuit's third opportunity to finally resolve the implications of the Supreme Court's decision *eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006) on the presumption of irreparable harm in patents cases where a patent owner seeks a preliminary injunction.

In *eBay*, the Supreme Court did away with a general rule that a permanent injunction should issue following a finding of patent infringement. *eBay*, however, provided little guidance on whether, or how a district court should apply its holding to patent cases involving preliminary injunctions.

In *AMS*, the Federal Circuit held that the presumption of irreparable harm in preliminary injunction cases was "no longer the law" following *eBay*, but did so in a non-precedential opinion.

eBay has caused confusion in the district courts as to its applicability in patent cases where a patent owner seeks a preliminary injunction. Under Federal Circuit precedent pre-*eBay*, a strong showing of likelihood of success on the merits resulted in a presumption of irreparable harm. See e.g., *Smith Intl.'s v. Hughes Tool Co.*, 718 F2d 1573, 1580–81 (Fed. Cir. 1983); *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 429 F.3d 1364, 1381 (Fed. Cir. 2005).

District courts have split on whether it was proper post-*eBay* to invoke the presumption of irreparable harm following a strong showing of a likelihood of success on the merits. Compare *Bushnell, Inc. v. Brunton Co.*, 2009 WL 4251633, *19 (D. Kan. Nov. 25, 2009) (holding that a presumption of irreparable harm may not be invoked post-*eBay*); *Tiber Labs., LLC v. Hawthorn Pharm., Inc.*, 527 F.Supp.2d 1373, 1380 (N.D. Ga. 2007) (same); with e.g., *Eisai Co. v. Teva Pharms. USA, Inc.*, No. 05–5727, 2008 WL 1722098, at *10 (D.N.J. Mar. 28, 2008) (finding that the presumption of irreparable harm for preliminary injunctions in patent infringement actions survived *eBay*); *Powell v. Home Depot U.S.A., Inc.*, 2009 WL 3855174, *12–13 (S.D. Fla. Nov. 17, 2009) (same).

Some district courts construed *eBay* narrowly in holding that the presumption of irreparable harm in the context of a preliminary injunction survived *eBay*. Those district courts noted that the *eBay* decision focused on addressing the Federal Circuit's then "general rule" that an injunction should issue upon a finding of infringement, and not specifically on a presumption of irreparable harm. See *Eisai*, 2008 WL 1722098, at 10; *Powell*, 2009 WL 3855174, at *13; *Christiana Indus.*, 443 F.Supp.2d at 884.

District courts finding that *eBay* rejected the Federal Circuit's presumption of irreparable harm in the preliminary injunction context interpreted *eBay* as rejecting any special injunction rules or presumptions applicable in patent cases. See e.g. *Tiber Labs.*, [MORE▶](#)

LLC v. Hawthorn Pharm., Inc., 527 F.Supp.23 1373, 1380 (N.D. Ga. 2007).

The Federal Circuit Court of Appeals has had at least two earlier opportunities to address whether a presumption of irreparable harm could be invoked in a preliminary injunction context post-*eBay*. In *Abbott Labs. v. Andrx Pharms*, 452 F.3d 1331 (Fed. Cir. 2006), the court suggested that the presumption of irreparable harm still applied: “Abbott has not established a likelihood of success on the merits. As a result, Abbott is no longer entitled to a presumption of irreparable harm.” *Id.* at 1347 (emphasis added).

In *Sanofi-Syntelabo v. Apotex, Inc.*, 470 F.3d 1368 (Fed. Cir. 2006), the district court entered a preliminary injunction and relied on a presumption of irreparable harm. The Federal Circuit affirmed the entry of a preliminary injunction, but declined to address the argument that *eBay* eliminated the presumption of irreparable harm because the Federal Circuit found sufficient evidence supporting a finding of irreparable harm. *Id.* at 1383 n.9

The *AMS* case marks the first time the Federal Circuit has directly addressed the implications of *eBay* on preliminary injunctions in patent cases. In *AMS*, the district court entered a preliminary injunction finding the patentee’s evidence of lost revenue and market share established irreparable harm. The district court also relied on several Federal Circuit cases that established a presumption of irreparable harm to find that the defendant needed to prove that any harm from denying an injunction was calculable and finite.

The Federal Circuit reversed, finding that the evidence of *AMS*’s lost revenue and market share was insufficient to establish

irreparable harm. In doing so, the Federal Circuit characterized its precedent relied upon by the district court as setting forth the “old presumption” and stated that “this is no longer the law” following *eBay*.

The Federal Circuit also wrote that *eBay* “discarded” the “presumption of irreparable harm based just on proof of infringement.”

Although *AMS* contains the clearest guidance as to the fate of the presumption of irreparable harm in a preliminary injunction context post-*eBay*, the decision is “non-precedential.” Moreover, the portion of *AMS* addressing *eBay* is arguably dicta because the district court did not rely on a presumption of irreparable harm and because the Federal Circuit also reversed the finding of likelihood of success on the merits, a decision that could have disposed of the appeal. See *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001) (“Our case law and logic both require that a movant cannot be granted a preliminary injunction unless it establishes... likelihood of success on the merits.”)

Thus, *AMS* marks the third time that the Federal Circuit has not provided clear and binding precedent on the implications of *eBay* on the presumption of irreparable harm in preliminary injunction contexts. While “non-precedential,” the *AMS* decision will undoubtedly influence district courts faced with deciding whether the presumption of irreparable harm remains available post-*eBay*. ■



Preliminary injunction contexts