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TiVo v. EchoStar*: Trying to Gauge the Impact of *eBay v. MercExchange

by Robert N. Cook

In May 2006, the Supreme Court held in *eBay v. MercExchange* that injunctions may issue in patent cases only upon a balancing of the traditional four factors weighed by courts when considering injunctions in non-patent cases. The traditional four factors are (1) irreparable injury, (2) inadequate remedy at law, (3) an appropriate balancing of the hardships, and (4) a determination that public interest considerations do not mitigate against an injunction. Prior to *eBay v. MercExchange*, injunctions in patent infringement cases had been treated as more-or-less automatic upon a showing of infringement. Commentary on the *eBay* decision has tended to focus on whether application of the traditional four injunction factors is likely to have a practical impact on remedies in patent infringement cases. In addition, while *eBay v. MercExchange* is not an antitrust case, it is recognized that the decision may have an impact on cases at the intersection of patent law and antitrust law.

In one type of antitrust case, for example, a patent owner is alleged to have perpetrated a "patent holdup" by wrongfully withholding disclosure of a patent needed to implement a proposed technology standard and then waiting to enforce the patent until after products incorporating the standard become widely adopted by end users. The availability of injunctive relief to the perpetrator of an alleged patent holdup may be vital to the success, or probability of success, of a scheme to obtain monopoly power by subverting a standards-setting process.

Where injunctions were previously viewed as automatic upon a finding of patent infringement, the Supreme Court's *eBay* decision opens the door to a ruling that injunctive relief is not available in a particular patent-holdup case because one or more of the four traditional injunction factors does not permit it. If, for example, products incorporating a standard have been widely adopted by end users, there may be an evidentiary basis for customer-focused public interest arguments similar to those made against injunctive relief in the recent BlackBerry patent case. In the BlackBerry case, the United States government and several private entities opposed issuance of an injunction on the basis that use of BlackBerry wireless email devices was essential to the efficient functioning of their organizations. (The BlackBerry case predated *eBay* and, in any event, was settled while the trial court was still considering the injunction.)

If injunctions came to be predictably denied in patent-holdup cases, under *eBay,* on the basis of public interest considerations or other applications of the traditional four factors, then the holdup value of patents not disclosed in technology standards-setting processes would be

significantly reduced. In addition, damage awards may be affected by the fact that, when technology standards are promulgated, patent pools are typically formed to license the intellectual property necessary to implement the standard at a reasonable and nondiscriminatory royalty rate. A jury assessing damages in a patent-holdup case may determine that it is enough to put the plaintiff on an equal footing with the intellectual property owners that appropriately disclosed their patents and participated in the patent pool. If such an outcome became the norm in patent-holdup cases, the result might be to moot antitrust concerns by reducing incentives to engage in the allegedly anticompetitive conduct.

In August 2006, the U.S. District Court for the Eastern District of Texas issued its decision and order in *TiVo v. EchoStar*, requiring that TiVo's digital video recorder (DVR) patent should be enforced against EchoStar by an award aggregating $89 million in damages and by a permanent injunction. Regardless of whether the dispute between TiVo and EchoStar presents novel issues of patent law, the case is noteworthy in light of the Supreme Court's *eBay* decision, because the Court enjoined EchoStar without assessing arguments for or against the injunction in terms of the traditional four factors.

TiVo v. EchoStar is not an antitrust case. It may nonetheless provide insight into how much of a practical effect the *eBay* decision is going to have on cases at the intersection of antitrust and intellectual property. In *TiVo*, the injunction gives EchoStar 30 days to disable the DVR functionality of an undetermined number of non-TiVo DVR units in use by EchoStar customers. It is not clear whether there are facts that would have supported a colorable public interest argument against the *TiVo* injunction, but it is conceivable that customer-focused public interest arguments similar to the arguments made against the BlackBerry injunction might have been relevant to the *TiVo* case. One wrinkle is that the *TiVo* injunction exempts 192,708 DVR units from its scope and provides that these units may continue in use without modification. This may (or may not) be a substantial enough portion of the total number of extant infringing DVR units to impact customer-focused public interest arguments against an injunction. The fact that these questions are left unaddressed is what makes the *TiVo* case interesting from an antitrust perspective.

The *TiVo* injunction was appealed the day it was issued. If the injunction is affirmed, then the reasoning of the affirming opinion may provide insight into how realistic it is to expect the *eBay* decision to have a significant impact on cases at the intersection of antitrust and intellectual property law. If the *TiVo* injunction is remanded for application of the traditional four injunction factors, there will be significant interest in how the application of these factors to patent cases develops over time, not only in *TiVo* but in subsequent cases as well.

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