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UNENJOINED INFRINGEMENT AND COMPULSORY LICENSING

Jorge L. Contreras* and Jessica Maupin†

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ABSTRACT

The United States has traditionally held a dim view of compulsory patent licensing, which occurs when a government mandates the licensing of privately held patents to a third party in order to advance a public goal. Yet following the U.S. Supreme Court's 2006 decision in eBay v. MercExchange, federal courts have denied a substantial number of requests for permanent injunctions following a finding of patent infringement. Without an injunction, an infringing party may continue to practice the infringed patent subject, in most cases, to the payment of a court-approved ongoing royalty. In the years following eBay, courts and scholars have debated whether unenjoined infringement and the payment of an ongoing royalty therewith constitutes a judicial compulsory license or something else.

In order to assess the manner in which courts view unenjoined infringement, we identified seventy-seven post-eBay cases in which patent infringement was found but a permanent injunction was denied. In each case we analyzed the language used by the court in establishing the right of the infringer to continue to operate under the infringed patent(s) and its obligation to compensate the patent holder. This language, as well as the surrounding transactional and litigation context, suggests that at least some federal district courts have, both tacitly and expressly, been granting compulsory patent licenses upon the denial of permanent injunctions, and that the Federal Circuit, in some cases, agrees with this characterization.

In order to remove any lingering uncertainty, we recommend that the Federal Circuit acknowledge that a district court that declines to enjoin the infringement of a valid and enforceable patent, and concurrently orders the infringer to compensate the patent holder for acts of future unenjoined infringement, has authorized a compulsory license of the patent. Such an acknowledgement would encourage courts to focus greater attention on the non-royalty aspects of such licenses, which are currently missing key terms such as license scope, field of use, duration and termination, and inform U.S. foreign policy regarding compulsory licensing by other countries.

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INTRODUCTION

Compulsory patent licensing occurs when a governmental entity requires a patent holder, against its will, to permit others to practice a patent, often to advance public health or other societal goals.¹ Compulsory patent licenses have been granted by a number of countries over the past few decades, typically to provide their residents with low-cost access to medicines.² Yet proposals to enact a general compulsory licensing power in the U.S. have been unsuccessful for more than a century.³ Beyond Congress and the courts, the United States government has frequently applied diplomatic and trade pressure to countries that have sought to issue compulsory licenses of drugs patented by U.S. firms.⁴ The Office of the U.S. Trade Representative, in its annual *Special 301 Report*, has regularly criticized compulsory licensing by other countries as undermining intellectual property rights, reducing incentives to invest in research and development and impeding new biomedical discoveries.⁵ And while compulsory licensing is expressly permitted under the principal international agreement pertaining to patent rights,⁶ the U.S. government has urged other nations to issue compulsory licenses only in extremely limited circumstances and only after making every effort to obtain authorization from the patent owner.⁷

¹ See Part I.A, *infra*.

² See Sapna Kumar, *Compulsory Licensing of Patents During Pandemics*, 54 CONN. L. REV. 57, 73-75 (2022), David Shore, *Divergence and Convergence of Royalty Determinations between Compulsory Licensing under the TRIPS Agreement and Ongoing Royalties as an Equitable Remedy*, 46 AM. J. L. & MED. 55, 66-72 (2020), John R. Thomas, Cong. Rsch. Serv., R43266, *Compulsory Licensing of Patented Inventions* 9–13 (2013) (cataloging and summarizing non-U.S. compulsory licenses).

³ *Hartford-Empire Co. v. United States*, 323 U.S. 386, 417 (1945) (“to issue compulsory he Supreme Court observed in 1945 that “Congress was asked as early as 1877, and frequently since, to adopt a system of compulsory licensing of patents. It has failed to enact these proposals into law.”). See also *Dawson Chem. Co. v. Rohm and Haas Co.*, 448 U.S. 176, 215 n. 21 (1980) (“Compulsory licensing of patents often has been proposed, but it has never been enacted on a broad scale.”)

⁴ See Kumar, *supra* note 2, at 73-75.

⁵ Exec. Off. Pres., 2020 Special 301 Report 14 (2020) [hereinafter Special 301 Report].

⁶ Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, annex 1C, art. 31 [hereinafter TRIPS Agreement]; World Trade Organization, Ministerial Declaration of 14 November 2001, WTO Doc. WT/MIN(01)/DEC/2, 41 ILM 746 (2001).

⁷ Special 301 Report, *supra* note 5, at 14. See also Makan Delrahim, Deputy Assistant Attorney Gen., Forcing Firms to Share the Sandbox: Compulsory Licensing of Intellectual Property Rights and Antitrust 17 (May 10, 2004) (“compulsory licensing presents many policy and practical issues. I believe, however, that the remedy is appropriate so long as antitrust authorities carefully consider the potential harm to innovation, and draft the license as narrowly as they reasonably can.”) This position appears to have softened somewhat during the Covid-19 pandemic, given the U.S. Trade Representative’s support for a proposed waiver of trade sanctions at the World Trade Organization with respect to countries that permit the use of Covid-19 technologies without authorization of the holders of relevant intellectual property.

Against this backdrop, following the U.S. Supreme Court’s 2006 decision in *eBay v. MercExchange*,⁸ federal courts have denied a substantial number of requests for permanent injunctive relief after a finding of patent infringement. Without an injunction in place, an infringing party may continue to practice a patent, subject, in most cases, to the payment of a court-approved royalty. Advocates,⁹ scholars,¹⁰ and even some judges,¹¹ have assumed that this court-sanctioned ability to practice a patent after a finding of infringement – what has been termed “unenjoined” infringement – is, in effect, a court-imposed compulsory license. If this characterization is accurate, the federal courts could be viewed as among the most prolific issuers of compulsory patent licenses in the world, a result that would be starkly at odds with the public positions taken by the U.S. government.

The traditional test for granting permanent injunctive relief under the common law requires a finding that the plaintiff would be irreparably harmed if such relief were not granted.¹² Some injuries, such as encroachments on property, depletion of natural resources and violations of civil rights, have traditionally given rise to a presumption of irreparable harm.¹³ The same presumption existed under patent law for many years. The presumption of irreparable harm in patent cases was largely based on the property-like character of patents. A patent confers on its owner “the right to exclude others from making, using, offering for sale, or selling the invention,”¹⁴ a set of rights that evokes the traditional right to exclude that is held by property owners. Likewise, Section 261 of the Patent Act states that “patents shall have the attributes of personal property.”¹⁵ These considerations led courts,

⁸ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

⁹ See Knowledge Ecology Intl., *Compulsory licensing in the context of U.S. injunction cases involving medical technologies* (revised Mar. 21, 2019), <https://www.keionline.org/us-injunction-medical>.

¹⁰ See Shore, *supra* note 2, at 58 (“[t]ypically referred to as “ongoing royalties,” these court-mandated compulsory licenses are a modern alternative to injunctions against adjudged infringers”), Daniel A. Crane, *Intellectual Liability*, 88 TEX. L. REV. 253, 263 (2009) (“In effect, the combination of declining to issue a permanent injunction and awarding the patentee a reasonable royalty is a compulsory license”), Christopher A. Cotropia, *Compulsory Licensing Under TRIPS and the Supreme Court of the United States’ Decision in eBay v. MercExchange*, in PATENT LAW: AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH 557, 574 (Toshiko Takenaka & Rainer Moufang eds., 2009) (“the *de facto* effect of an injunction denial is, by definition, a government allowed compulsory license”); Bernard H. Chao, *After eBay, Inc. v. MercExchange: The Changing Landscape for Patent Remedies*, 9 MINN. J. L. SCI. & TECH. 543, 572 (2008) (“Some courts have replaced the permanent injunction with an ongoing royalty, a compulsory license that is only available to the losing defendant”); DANIEL GERVAIS, THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS 450 (3d ed., 2008) (“the systematic impossibility to obtain an injunction and to obtain only actual damages could amount to a compulsory license”).

¹¹ *Paice II*, (Rader, J., dissenting). See Part II.x, *infra*.

¹² See DAN B. DOBBS, DOBBS LAW OF REMEDIES VOL. 1 at 58 (2nd ed., West Publ. 1993).

¹³ See Mark P. Gergen, John M. Golden & Henry E. Smith, *The Supreme Court’s Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L. REV. 203, 220–24 and 231–32 (2012); KIRSTEN STOLL-DEBELL, NANCY L. DEMPSEY & BRADFORD E. DEMPSEY, INJUNCTIVE RELIEF – TEMPORARY RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS 3 (2009).

¹⁴ 35 USC § 154(a)(1).

¹⁵ 35 USC § 261.

particularly the Court of Appeals for the Federal Circuit, to treat patents as unique assets, such as real estate, that should automatically be entitled to protection from unauthorized exploitation through the issuance of permanent injunctions.¹⁶ Accordingly, the Federal Circuit adopted a general presumption that a permanent injunction will automatically issue once a patent has been adjudged infringed and valid, absent exceptional circumstances.¹⁷ As a result of this rule, injunctions were more likely to issue in patent cases than most other types of litigation.¹⁸

The availability of injunctive relief in patent cases was revisited by the U.S. Supreme Court in 2006 in *eBay, Inc. v. MercExchange LLC*.¹⁹ Justice Thomas, writing for the Court, held that the decision to grant or deny an injunction is an act of judicial discretion that must be exercised in accordance with “well-established principles of equity”.²⁰ He articulated a four-factor equitable test to be applied by courts considering the grant of injunctive relief in patent cases. This test requires the plaintiff to demonstrate:

- (1) that it has suffered an irreparable injury;
- (2) that remedies available at law [i.e., monetary damages] are inadequate to compensate it 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 the award of an injunction.

Though the Court’s decision in *eBay* was unanimous, several justices wrote separately to express views that were not addressed by the majority opinion. Chief

¹⁶ See, e.g., *H.H. Robertson, Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390 (Fed. Cir. 1987) (“In matters involving patent rights, irreparable harm has been presumed when a clear showing has been made of patent validity and infringement. This presumption derives in part from the finite term of the patent grant, for patent expiration is not suspended during litigation, and the passage of time can work irremediable harm... The nature of the patent grant thus weighs against holding that monetary damages will always suffice to make the patentee whole, for the principal value of a patent is its statutory right to exclude”) (citing other sources); *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246–47 (Fed. Cir. 1989) (“Infringement having been established, it is contrary to the laws of property, of which the patent law partakes, to deny the patentee’s right to exclude others from use of his property.”).

¹⁷ See *MercExchange LLC v. eBay, Inc.*, 401 F.3d 1323 (Fed. Cir. 2005), *rev’d* 547 U.S. 388 (2006).

¹⁸ *STOLL-DEBELL ET AL.*, *supra* note 13, at 115–16. Though strong, the presumption of irreparable harm in patent cases was not absolute. The presumption could be rebutted under various circumstances, including the defendant’s showing that future infringement was unlikely (due, for example, to advancement of technology), the patentee was willing to license the patent for monetary consideration, the patentee unduly delayed in bringing suit, or the patentee’s market share was large in comparison to the infringer’s. See, e.g., *Reebok Int’l, Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1558 (Fed. Cir. 1994) (denying injunction on the basis of no reputational harm and monetarily compensable actual damages); *High Tech Med. Instrumentation, Inc. v. New Image Indus.*, 49 F.3d 1551, 1557 (Fed. Cir. 1995) (denying injunction on the basis of patentee’s willingness to license its patents).

¹⁹ 547 U.S. 388 (2006).

²⁰ *eBay*, 547 U.S. at 391.

Justice Roberts, joined by Justices Scalia and Ginsburg, wrote a brief concurring opinion noting the long history of permanent injunctions in patent cases and observing that the Court did not write on “an entirely clean slate” in applying traditional equitable principles to patent injunction cases.²¹ This opinion seemingly urged lower courts to favor injunctive relief in patent cases given long historical practice. Taking a different tack, Justice Kennedy, joined by Justices Stevens, Souter and Breyer, noted with some concern that in recent years “[a]n industry has developed in which firms use patents not as a basis for producing or selling goods but, instead, primarily for obtaining licensing fees.”²² These justices feared that such entities – referred to variously as non-practicing entities (NPEs) and patent assertion entities (PAEs) – could use injunctive relief as “a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent”.²³ Accordingly, these justices appear to encourage lower courts to view requests for injunctive relief by such entities with skepticism.

Numerous scholars have studied the impact of *eBay* on the availability of injunctive relief in U.S. patent cases. These studies have uniformly found that, following *eBay*, district courts have issued fewer permanent injunctions in patent cases, with significantly fewer injunctions issued when the patent holder is an NPE.²⁴ These findings appear to resonate with Justice Kennedy’s caution regarding the threat of injunctions by NPEs. Researchers have also observed that the number of cases in which the plaintiff has sought an injunction fell substantially after *eBay*, despite an overall increase in the number of patent suits,²⁵ suggesting that patent

²¹ 547 U.S. at 395.

²² 547 U.S. at 396.

²³ *Id.*

²⁴ See Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 9-10 (2012) (“Based on our review of district court decisions since *eBay*, courts have granted about 75% of requests for injunctions, down from an estimated 95% pre-*eBay*”), THOMAS F. COTTER, *COMPARATIVE PATENT REMEDIES* 103 (2013) (from 2007 to 2011, courts granted permanent injunctions in approximately 75% of all patent cases, with a substantially lower success rate for cases brought by non-practicing entities), Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1983 and 1988 (2016) (after *eBay*, permanent injunctions were issued in 72.5% of infringement cases, and in only 16% of cases in which the patentee was a non-practicing entity), Christopher J. Clugston & Woonjoon Kim, *The Unintended Consequences of the Injunction Law after eBay v. MercExchange*, 99 J. PAT. TRADEMARK OFF. SOC’Y 249, 260 (2017) (“Since *eBay*, injunction denials have increased to more than one-quarter (29.8%) of all patent cases”). See also Ryan T. Holte & Christopher B. Seaman, *Patent Injunctions on Appeal: An Empirical Study of the Federal Circuit’s Application of eBay*, 92 WASH. L. REV. 145 (2017) (finding that between 2006 and 2013, the Federal Circuit affirmed district court grants of permanent injunctions 88% of the time and denials of permanent injunctions 53% of the time), Ryan Davis, *Patent Injunctions Drop Sharply In 2018*, LAW360, Jan. 3, 2019 (reporting results of a study conducted by LexMachina).

²⁵ Kirti Gupta & Jay P. Kesan, *Studying the Impact of eBay on Injunctive Relief in Patent Cases*, Hoover Inst. Working Group on Intell. Prop., Innovation & Prosperity, Working Paper No. 17004 (Jan. 10, 2017), <https://www.hoover.org/research/studying-impact-ebay-injunctive-relief-patent-cases> (finding that in the six years prior to *eBay*, 459 motions for permanent injunctions resulted in the issuance of 381 permanent injunctions, while in the six years following *eBay*, 384 motions for permanent injunctions resulted in the issuance of 308 permanent injunctions).

holders, aware of the higher burdens required to obtain injunctive relief, find it less economically attractive to seek this form of relief.

These studies confirm that, in a meaningful number of cases, U.S. district courts, applying the four-factor *eBay* test, permit unenjoined infringement of patents. The impact of this trend on innovation, markets and the patent system has been vigorously debated in the literature.²⁶ This article does not wade into that long-running debate. Rather, it acknowledges that, for better or worse, unenjoined infringement has been permitted throughout the United States for the past fifteen years; it now seeks to elucidate the legal character of such unenjoined infringement. The question, put simply, is whether unenjoined infringement is continued patent infringement that remains subject to further remedial action by the patent holder, or whether it is effectively a compulsory patent license imposed by the court? If the latter, it explores the terms and conditions of that compulsory license, how it comports with U.S. treaty obligations, and its implications for U.S. attitudes toward compulsory licenses granted by other countries.

The remainder of this article proceeds as follows. Part I.A describes the different legal interpretations that have been given to unenjoined infringement, and whether it is a continuing wrong that subjects the infringer to successive suits for damages, or whether it is infringement as to which a court has determined damages in advance, either through a lump sum payment or ongoing royalties. Part I.B then turns to the question whether unenjoined infringement accompanied by court-determined compensation is in effect a compulsory license. We conclude, as a matter of law, that it is. In Part II, we describe a novel empirical assessment of judicial decisions in which injunctions were denied in patent cases. We describe the methodology that we used to collect and code these decisions in Part II.A. We then report the aggregate trends identified as well as specific uses of language relating to ongoing royalties and compulsory licensing in Parts II.B and II.C, respectively. We discuss the conclusions that we draw from these findings in Part II.D, namely

²⁶ Compare Chien & Lemley, *supra* note 24, at 2 (“By requiring federal courts to consider the equities of a particular case before granting an injunction, *eBay* solved much of the patent system’s holdup problem”) and Third Party United States Federal Trade Commission’s Statement on the Public Interest filed on June 6, 2012 in *In re Certain Wireless Communication Devices, Portable Music & Data Processing Devices, Computers and Components Thereof*, Inv. No. 337-TA-745, (“where infringement is based on implementation of standardized technology, [the threat of injunctive relief] has the potential to cause substantial harm to U.S. competition, consumers and innovation”) with Adam Mossoff, *The Injunction Function: How and Why Courts Secure Property Rights in Patents*, 96 NOTRE DAME L. REV. 1581, 1584 (2021) (the reduction in injunctions under *eBay* “undermines the function of [patent] property rights in spurring economic activities in the U.S. innovation economy”), Paul R. Michel & John T. Battaglia, *eBay, the Right to Exclude, and the Two Classes of Patent Owners*, 2020 PATENTLY-O PATENT L.J. 1, 9 (2020) (“The probabilities on injunctive relief for NPEs should increase ... [a]nd that itself is critical if courts are serious about properly valuing U.S. patents and restoring the U.S patent system to its innovation- and economic-driving goals”), Tim Carlton, *Note: The Ongoing Royalty: What Remedy Should a Patent Holder Receive When a Permanent Injunction is Denied*, 43 GA. L. REV. 543 (2009) (“The emerging practice of the district courts of imposing an ongoing royalty rate on patent holders is not the best solution and is unfair to the patent holder.”)

that a number of courts and judges, including judges on the Federal Circuit, have characterized unenjoined infringement as compulsory licensing. In Part III we address implications that flow from considering unenjoined infringement as compulsory licensing, including its effect on patent exhaustion, the transfer of patents, and international treaty obligations. We then address the need for specification of additional terms of the compulsory license grant. We conclude by recommending that courts, and the Federal Circuit in particular, acknowledge that unenjoined infringement accompanied by court-determined compensation is in effect compulsory licensing.

I. THE DEBATE OVER UNENJOINED INFRINGEMENT

While the Supreme Court's decision in *eBay* opened the door to unenjoined infringement, it says nothing about the status and obligations of the infringer after the denial of an injunction. Moreover, the case settled before the lower court on remand could fully adjudicate these issues.²⁷ This vacuum left lower courts and commentators without guidance regarding the conditions, if any, under which an infringer could continue to infringe patents after the denial of an injunction. As one patent holder observed a few months after the *eBay* decision, “[t]he landscape of the remedy that should follow the denial of a patentee's request for permanent injunction post-*eBay* is uncharted territory.”²⁸

Two interrelated questions concerning unenjoined infringement attracted significant debate in the wake of *eBay*. First, should a court's decision to deny a permanent injunction be viewed as conferring on the infringer an ongoing right to practice the infringed patent, or should the unenjoined infringer be viewed as committing continuing infringement of the asserted patent? Second, if unenjoined infringement is somehow permissible, what, if anything, should the infringer pay the patent holder to exploit the infringed patent?

²⁷ After the Supreme Court rendered its decision in *eBay*, the case was remanded to the district court for further proceedings in accordance with the Supreme Court's ruling. On remand, the district court, applying the Supreme Court's four-factor test, upheld its prior denial of injunctive relief, allowing the defendants to continue to infringe the asserted patent. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556 (E.D. Va. 2007) [*eBay IV*]. The district court also confirmed an earlier jury award of \$25 million in “reasonable royalty” damages with respect to infringement of the relevant patent. *Id.* at 563. However, the case settled in February 2008, before further issues regarding the compensation payable by eBay to MercExchange could be adjudicated. See Paul M. Janicke, *Implementing the “Adequate Remedy at Law” for Ongoing Patent Infringement after eBay v. MercExchange*, 51 IDEA - INTELL. PROP. L. REV. 163, 174 (2011).

²⁸ *Paice LLC v. Toyota Motors Corp.*, Corrected Brief of Plaintiff-Cross Appellant Paice LLC, 2006 U.S. Fed. Cir. Briefs LEXIS 393 at *75 (Fed. Cir. Dec. 18, 2006) [hereinafter *Paice CAFC Brief*].

A. Compensation for Unenjoined Infringement

Once it is determined that no injunction will be issued to prevent an infringer from continuing to practice a valid and enforceable patent without the owner's authorization, one must ask where that leaves the infringer. There are two competing schools of thought in this regard. One holds that an infringer that continues to infringe a patent following the denial of an injunction is an infringer nonetheless, and that infringer is subject to subsequent suits by the patent holder for money damages and even further attempts to obtain an injunction (the "ongoing infringement" school). As Professor Bernard Chao succinctly puts it, "[a]fter losing a first lawsuit, a defendant continues to infringe at its own peril."²⁹ The competing school of thought holds that the court denying an injunction thereby authorizes the infringer to continue to practice the infringed patent, thus necessitating the infringer's compensation of the patent holder (the "compensation" school).³⁰ In this Part I.A, we consider the dueling theoretical perspectives that motivate the ongoing infringement and compensation theories.

1. Ongoing Infringement and Successive Damages Suits

Standing alone, the denial of an injunction does not necessarily exonerate an infringer from liability for continuing to infringe the asserted patent. Even if the patent holder is unlikely to obtain an injunction in a future action against the infringer, it is certainly entitled to monetary damages to compensate it for the infringement, and could bring successive actions to recover those damages.

The need to initiate successive suits to recover damages against an unenjoined, ongoing tortfeasor arises in various areas of law. In nuisance cases, for example, when the harm is temporary or continuing, absent an injunction, the injured party's remedy is "to bring from time to time separate suit for the recurring injuries sustained."³¹

²⁹ Chao, *supra* note 10, at 571. *See also* Janicke, *supra* note 27, at 165 ("[o]ngoing unenjoined infringement remains unlawful, and it cannot be made otherwise by the waving of a judicial magic wand.").

³⁰ *See* Paice LLC v. Toyota Motors Corp., 609 F. Supp. 2d 620, 630 (E.D. Tx. 2009) [*Paice III*] ("the law must ensure that an adjudged infringer who voluntarily chooses to continue his infringing behavior must adequately compensate the patent holder for using the patent holder's property. Anything less would be manifestly unjust and violate the spirit, if not the letter, of the U.S. Constitution and the Patent Act.")

³¹ *Burleyson v. W. & Atl. R. Co.*, 87 S.E.2d 166, 171 (Ga. App. 1955). *See also* *St. Louis, I. M. & S. R. Co. v. Biggs*, 12 SW 331 (1889) ("the injury to be compensated in a suit is only the damage which has happened; and there may be as many successive recoveries as there are successive injuries"), *Naylor v. Eagle*, 303 S.W.2d 239 (Ark. 1957) ("If it is known merely that damage is probable, or, that even though some damage is certain, nature and extent of that damage cannot be reasonably known and fairly estimated, but would be only speculative and conjectural, then statute is not set in motion until injury occurs, and there may be as many successive recoveries as there are injuries"), 5 A.L.R.2d 302 *4 n.45 (collecting cases).

The district court in *eBay* appears to have contemplated the possibility of successive damages suits for unenjoined infringement when it initially denied MercExchange's request for an injunction. Specifically, the court noted that if it denied the injunction and "if the defendants continue to infringe the plaintiff's patents, the court will be more inclined to award enhanced damages for any post-verdict infringement."³² Likewise, in *z4 Techs., Inc. v. Microsoft Corp.*,³³ a patent infringement case decided one month after the Supreme Court's decision in *eBay*, the district court denied z4's request for an injunction against Microsoft under the *eBay* framework.³⁴ Then, to provide z4 with "an efficient method for ... recovery of future monetary damages post-verdict," the court issued an order "severing z4's continuing causes of action for monetary damages due to Microsoft's continuing post-verdict infringement of z4's patents."³⁵

Other courts, however, have rejected the successive suit theory. In *Paice LLC v. Toyota Motor Corp.*,³⁶ a patent infringement case considered by the Federal Circuit shortly after *eBay*, Toyota's hybrid vehicle drivetrain was found to infringe patents held by Paice. The district court, applying the four *eBay* factors, denied the permanent injunction that Paice sought.³⁷ It then ordered Toyota to pay Paice an ongoing royalty of \$25 per vehicle to continue to practice the infringed patent.³⁸ On appeal, Paice argued, among other things, that the lack of an injunction against Toyota's continuing infringement should not be viewed as granting Toyota an affirmative right to practice Paice's patent (which it referred to as a "compulsory license").³⁹ Rather, Toyota's continuing practice of the patent should be viewed as continuing infringement – possibly willful – as to which Paice should be entitled "to come back to court periodically to seek past damages..."⁴⁰ The Federal Circuit rejected Paice's argument, and instead affirmed the district court's ongoing royalty as the method to compensate Paice for Toyota's unenjoined infringement (see Part I.A.3, below).⁴¹

³² MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695, 714-15 (E.D. Va. 2003).

³³ 434 F. Supp. 2d 437 (E.D. Tex. 2006), *aff'd* 507 F.3d 1340 (Fed. Cir. 2007), *cert. denied* 553 U.S. 1028 (2008).

³⁴ 434 F.3d at 439-44.

³⁵ 434 F.3d at 444. *Cf.* Saffran v. Boston Sci. Corp., 2008 U.S. Dist. LEXIS 106711 *2 (E.D. Tex. 2008) (in case in which plaintiff did not seek an injunction, "court *sua sponte* severs plaintiff's continuing causes of action for future royalties.")

³⁶ Paice LLC v. Toyota Motors Corp., 504 F.3d 1293 (Fed. Cir. 2007) [*Paice II*].

³⁷ Paice LLC v. Toyota Motors Corp., No. 2:04-CV-211, 2006 U.S. Dist. LEXIS 61598 (E.D. Tex. Aug. 16, 2006) [*Paice I*].

³⁸ *See Paice III*, 609 F. Supp. 2d at 622 (summarizing the holding in *Paice I* as follows: "[t]he Court awarded damages for past infringement in the amount found by the jury and established, dividing the jury's lump-sum damages award for past infringement by the number infringing vehicles sold, an ongoing royalty rate of \$ 25 per infringing vehicle for the remaining life of the '970 Patent.")

³⁹ Paice CAFC Brief, *supra* note 28, at *75–81.

⁴⁰ Paice CAFC Brief, *supra* note 28, at *81.

⁴¹ *Paice II*, 504 F.3d at 1314 (citing, e.g., Shatterproof Glass Corp. v. Libbey-Owens Ford Co., 758 F.2d 613, 628 (Fed. Cir. 1985), in which the Federal Circuit upheld a 5% court-ordered royalty, based on sales, "for continuing operations."). Other plaintiffs have also argued in favor of the successive suit theory. *See Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS

One advantage of the successive action approach is that it gives the patent holder a potential claim for enhanced damages for “willful infringement” under Section 284 of the Patent Act.⁴² That is, whatever uncertainty may have existed prior to an adjudication, once a court rules in a final and unappealable decision that a patent is valid, enforceable and infringed, there is little doubt that continuing to practice the patent constitutes infringement.⁴³ Accordingly, unenjoined infringement could, in many cases, be found by a fact finder in a subsequent proceeding to constitute “willful” infringement, thereby leading the court to award the patent holder enhanced damages.⁴⁴

From a historical standpoint, Professor Tomás Gómez-Arostegui has argued that successive suits are the only legally permissible way to compensate a patent holder for unenjoined infringement.⁴⁵ Specifically, he points out that the historical English courts sitting in equity did not grant prospective financial rewards, and current federal courts issuing remedies in equity may not exceed those available historically.⁴⁶

Despite these considerations, as discussed in Part II below, most courts that have denied injunctions against continuing tortious conduct, whether patent infringement or nuisance, have *not* required injured parties to bring successive claims to recover for future harm. Doing so can be viewed as unduly burdensome to the injured parties, who must engage in, and pay for, protracted litigation, and inefficient for courts that must hear such repeated cases. As noted by one district court, the result is likely to be “an endless succession of lawsuits presenting the same issue.”⁴⁷ As a result, most courts have determined the compensation to be paid

63623, at *20-21 (W.D. Okla. Sep. 5, 2006) (“Plaintiff suggests severing his action for monetary damages for post-verdict infringement ... The court sees no reason for severance of a cause of action for the post-verdict damages ... The court therefore denies plaintiff’s motion for severance”).

⁴² Once infringement has been established, a district court may “increase the damages up to three times the amount found or assessed.” 35 U.S.C. § 284. Courts have interpreted this provision as giving rise to the possibility of enhanced damages when infringement has been “willful”. See *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 579 U.S. 93 (2016).

⁴³ Janicke, *supra* note 27, at 186-87 (infringements after judgment are “almost certainly willful”).

⁴⁴ Janicke, *supra* note 27, at 186-87, Chao, *supra* note 10, at 569 (“If the defendant continues to infringe after losing a first lawsuit, a subsequent lawsuit carries the very real risk of a finding of willful infringement that would result in enhanced damages and attorneys fees.”)

⁴⁵ H. Tomás Gómez-Arostegui, *Prospective Compensation in Lieu of a Final Injunction in Patent and Copyright Cases*, 78 *FORDHAM L. REV.* 1661 (2010). *But see* Mark A. Lemley, *The Ongoing Confusion Over Ongoing Royalties*, 76 *MO. L. REV.* 695, 697-99 (2011) (challenging Janicke’s and Gómez-Arostegui’s interpretations).

⁴⁶ Gómez-Arostegui, *supra* note 45, at x.

⁴⁷ Ord. Granting in Part Apple’s Motion for Ongoing Royalties at 15, *Apple, Inc. v. Samsung Elecs. Co.*, No. 12-CV-00630-LHK, 2013 U.S. Dist. LEXIS 38682 (N.D. Cal. Mar. 19, 2013) (No. 2047) (quoting Lemley, *supra* note 45, at 697). *See also* Janicke, *supra* note 27, at 181 (“Few patent owners, having been put through the rigors, delays, and costs of patent litigation, will want to choose the successive suits option”), Lemley, *supra* note 45, at 697 (“it seems odd to say that the only possible solution is to doom the parties, Zeno-like, to an endless succession of lawsuits presenting the same issue and leading (hopefully, at least) to the same outcome”). Indeed, the prospect of

to the injured party for future harm in the same set of proceedings in which the injunction was denied rather than forcing the parties to return to court for future proceedings at a later date.⁴⁸ The forms that such compensation takes is discussed in Parts I.A.2 and I.A.3, below.

2. *Unenjoined Infringement Authorized by a Lump Sum Payment*

If tortious conduct, such as patent infringement, is not enjoined by a court, then the court may award compensation for future harm to the injured party at the time the injunction is denied. This compensation may take one of two forms: a lump sum payment, or an ongoing payment. This Part I.A.2 briefly discusses compensation for unenjoined infringement in the form of a lump sum payment, while Part I.A.3, below, turns to the more common remedy of ongoing royalties.

One well-known tort case in which a court awarded the plaintiffs a lump sum for a continuing nuisance that the court did not enjoin is *Boomer v. Atlantic Cement Co.*⁴⁹ In *Boomer*, a cement plant was permitted to continue to emit dirt, smoke and vibrations that constituted a nuisance to neighboring land owners, provided that it paid those land owners “permanent damages” to compensate them for the ongoing “servitude” that the nuisance imposed on their land.⁵⁰ The court in *Boomer* relied on a long line of earlier nuisance cases awarding permanent damages when the abatement of a nuisance was not practical or possible.⁵¹

Lump sum payments are also routinely awarded to compensate patent holders for past infringement.⁵² Likewise, lump sum awards may be made to compensate patent holders for future infringement, including in cases of unenjoined infringement.⁵³ As explained by one district court,

imposing on plaintiffs the burden of bringing successive lawsuits to recover for ongoing injuries is often raised as an argument for issuing injunctions in the first place. *See, e.g.*, Paice CAFC Brief, *supra* note 28, at *81; Michigan Law Review, *Equity and the Eco-System: Can Injunctions Clear the Air?*, 68 MICH. L. REV. 1254, 1280 (1970) (“if the injury is continuous, any remedy other than an injunction may lead to the undesirable result of necessitating periodic suits by the plaintiff”). *But see* Janicke, *supra* note 27, at 181 (“In all events, successive actions may not be as burdensome to the courts as might at first appear. The issues of validity, enforceability, and scope will have already been adjudicated and hence will be precluded by the first judgment. Infringement may be a new issue if the product configuration has changed in some significant way, but all the other major issues in a typical patent case will be foreclosed”).

⁴⁸ *See* Part II.B, *infra*.

⁴⁹ *See* *Boomer v. Atlantic Cement Co.* 257 N.E.2d 870 (N.Y. App. 1970).

⁵⁰ *Id.* at 875.

⁵¹ *Id.* at 874.

⁵² cite

⁵³ *See* *BASF Plant Sci., LP v. Commonwealth Sci. & Indus. Research Organization*, No. 2:17-CV-503-HCM, 2019 U.S. Dist. LEXIS 228305 (E.D. Va. Dec. 20, 2019). *See also* Christopher B. Seaman, *Ongoing Royalties in Patent Cases After eBay: An Empirical Assessment and Proposed Framework*, 23 TEX. INTELL. PROP. L.J. 203, 222 (2017) (“a jury may decide prospective compensation as part of a paid-in-full, ‘lump sum’ award for the life of the patent, which covers both past and future uses of the patented technology ... If a jury awards a lump sum without

A second way to calculate a royalty is to determine a one-time lump sum payment that the infringer would have paid at the time of the hypothetical negotiation for a license covering all sales of the licensed product both past and future. This differs from payment of an ongoing royalty because, with an ongoing royalty, the licensee pays based on the revenue of actual licensed products it sells. When a one-time lump sum is paid, the infringer pays a single price for a license covering both past and future infringing sales.⁵⁴

Lump sum payments have several advantages over ongoing royalties, including simplicity, avoidance of future disputes and immediate compensation of the patent holder.⁵⁵ Nevertheless, calculating the lump sum requires that important assumptions be made about the scope and extent of future infringement -- assumptions that, if not borne out, could result in a lump sum that is higher or lower than needed to compensate the patent holder appropriately.⁵⁶

Professor Paul Janicke points out that, in the context of unenjoined patent infringement, Section 284 of the Patent Act requires a court to award a successful patent holder “damages adequate to compensate for the infringement.”⁵⁷ And because damages awarded by federal courts must generally be rendered in the form of lump-sum payments, absent statutory provisions to the contrary,⁵⁸ Janicke contends that a patent holder subjected to unenjoined infringement should be given the option to receive compensation in the form of a lump sum payment for future infringement, and not forced to accept “judicially preset periodic payments for future infringements.”⁵⁹ Professor Mark Lemley disagrees with Janicke’s interpretation of Section 284, arguing that “damages adequate to compensate for the infringement” may include ongoing royalties.⁶⁰ Moreover, as discussed in Part II below, most courts that compensate patent holders for unenjoined infringement have chosen to award ongoing royalties.

specifying whether it was limited solely to past infringement, the district court may treat the lump sum as also encompassing all future uses”) (citing *Regents of Univ. Cal. v. Monsanto Co.*, No. C 04–0634 PJH, 2005 WL 3454107, at *26–28 (N.D. Cal. Dec. 16, 2005) and *Personal Audio, LLC v. Apple, Inc.*, No. 9:09CV111, 2011 WL 3269330, at *13 (E.D. Tex. July 29, 2011)).

⁵⁴ Jury Instructions at 52, *Apple, Inc. v. Samsung Elecs. Co.*, No. 12-CV-00630-LHK, 2013 U.S. Dist. LEXIS 38682 (N.D. Cal. Mar. 19, 2013) (No. 1837); see also Jury Instructions at 34, *Apple Inc. v. Samsung Elecs. Co., Ltd.*, 881 F. Supp. 2d 1132 (N.D. Cal. 2012) (No. 3785)

⁵⁵ See Seaman, *Ongoing Royalties*, *supra* note 53, at 224.

⁵⁶ See Seaman, *Ongoing Royalties*, *supra* note 53, at 225, Lemley, *supra* note 45, at 701, Gómez-Arostegui, *supra* note 45, at 1675.

⁵⁷ Janicke, *supra* note 27, at 174-75.

⁵⁸ Janicke, *supra* note 27, at 166 (citing cases outside of patent law), 174-75 (citing Federal Circuit cases), and 177-81 (drawing analogies to the Restatement (Second) of Torts).

⁵⁹ Janicke, *supra* note 27, at 165.

⁶⁰ See Lemley, *supra* note 45, at 697-98.

3. Unenjoined Infringement Authorized by an Ongoing Royalty

As an alternative to awarding a lump sum payment, district courts that have denied injunctions in patent infringement cases often establish ongoing royalty obligations on infringers to compensate patent holders for unenjoined infringement.⁶¹ Though patent damages are usually decided by a jury as required by the Seventh Amendment to the U.S. Constitution, the level of ongoing royalties for unenjoined infringement is generally determined by a district court as a matter of equity.⁶² This being said, some courts have charged juries to determine such royalty rates in an advisory capacity.⁶³

The amount of ongoing royalties can be either a per-unit fixed amount or a percentage of the infringer's net sales revenue from infringing products during the term of the infringed patent(s).⁶⁴ Ongoing royalties are often based on, if not identical to, the jury-determined royalty for past infringement of the same patents, though numerous courts have varied these rates.⁶⁵ Significant scholarly and judicial attention has been devoted to the appropriate analytical framework for determining ongoing royalties,⁶⁶ including whether such ongoing royalties should be higher than royalties awarded for past infringement due to the infringer's post-action willfulness.⁶⁷ These issues, while important, are beyond the scope of this article.

B. Is Unenjoined Infringement Compulsory Licensing?

As noted in the Introduction, some commentators have characterized a court's authorization of unenjoined infringement conditioned on the infringer's payment of compensation to the patent holder as the judicial issuance of a compulsory license.⁶⁸ Yet the Federal Circuit, in its first decision to consider the issue, generated considerable confusion by expressly denying that unenjoined infringement accompanied by an "ongoing royalty" is a compulsory license.⁶⁹ In

⁶¹ See Part II.B, *infra*. See also Lisa M. Tittlemore, *The Controversy Over "Ongoing Royalty" Awards in the Evolving Landscape of Remedies for Patent Infringement*, Nov/Dec FED. LAWYER 29, 30 (2009) ("since *eBay*, ongoing royalties have become far more prevalent").

⁶² *Paice II*, 504 F.3d at 1316 ("the fact that monetary relief is at issue in this case does not, standing alone, warrant a jury trial."). See Seaman, *Ongoing Royalties*, *supra* note 53, at 220-21, Lemley, *supra* note 45, at 700. But see Ronald J. Schutz & Patrick M. Arenz, *Uncharted Waters: Determining Ongoing Royalties for Victorious Patent Holders Denied an Injunction*, 11 SEDONA CONF. J. 75, 78-80 (2010) (arguing that an ongoing royalty should be determined by a jury).

⁶³ Seaman, *Ongoing Royalties*, *supra* note 53, at 221-22, Lemley, *supra* note 45, at 700.

⁶⁴ See Seaman, *Ongoing Royalties*, *supra* note 53, at 226-28, Lemley, *supra* note 45, at 700-07.

⁶⁵ See Seaman, *Ongoing Royalties*, *supra* note 53, at 226-28, Lemley, *supra* note 45, at 700-07.

⁶⁶ See Seaman, *Ongoing Royalties*, *supra* note 53, at 226-28, Lemley, *supra* note 45, at 700-07, Schutz & Arenz, *supra* note 62, at 82-83.

⁶⁷ See Norman V. Siebrasse et al., *Injunctive Relief*, in PATENT REMEDIES AND COMPLEX PRODUCTS: TOWARD A GLOBAL CONSENSUS 115, 157-58 (C. Bradford Biddle et al. eds., 2019), Seaman, *Ongoing Royalties*, *supra* note 53, at 229, Lemley, *supra* note 45, at 702-03.

⁶⁸ See notes 9-10, *supra*, and accompanying discussion.

⁶⁹ *Paice II*.

this Part I.B, we consider the arguments that have been made with respect to the characterization of unenjoined infringement as judicially-ordered compulsory licensing.

1. *Defining Compulsory Licensing*

In order to analyze whether unenjoined infringement is, in fact, compulsory licensing, it is first useful to understand precisely what constitutes compulsory licensing.

a. *What is a License?*

As provided by the Patent Act, “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”⁷⁰ The “authority” referenced in the Act is typically referred to as a “license” to practice the patent.⁷¹ A license “[i]n its simplest form . . . means only leave to do a thing which the licensor otherwise would have a right to prevent.”⁷² As described by the Federal Circuit, “[a] patent license agreement is in essence nothing more than a promise by the licensor not to sue the licensee.”⁷³

Agreements conferring patent licenses may take a variety of forms and, like other contracts, may be written, oral or electronic.⁷⁴ Likewise, patent licenses may be granted by implication, without the formal contractual mechanisms of offer and acceptance. As the Supreme Court observed nearly a century ago,

No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent, or any conduct on his part exhibited to another from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license...⁷⁵

The term “license” is thus fairly broad and encompasses a range of modalities. We discuss some of these in the next sections.

⁷⁰ 35 U.S.C. § 271(a).

⁷¹ See JORGE L. CONTRERAS, INTELLECTUAL PROPERTY LICENSING AND TRANSACTIONS: THEORY AND PRACTICE x (2022) [hereinafter CONTRERAS, IP TRANSACTIONS].

⁷² *Western Elec. Co., Inc. v. Patent Reproducer Corp.* 42 F.2d 116, 118 (2d Cir. 1930).

⁷³ *Spindelfabrik v. Schubert & Salzer*, 829 F.2d 1075, 1081 (Fed. Cir. 1987). See also Jim Arnold Corp. v. Hydrotech Sys., 109 F.3d 1567, 1577 (Fed. Cir. 1997), Raymond C. Nordhaus, *Patent License Agreements*, 21 BUS. L. 643, 644 (1966) (“A nonexclusive license constitutes merely a waiver of infringement suit or covenant not to sue under the licensed patent”).

⁷⁴ CONTRERAS, IP TRANSACTIONS, *supra* note 71, at [41].

⁷⁵ *De Forest Radio Telephone Co. v. United States*, 273 U.S. 236, 367 (1927).

b. *What is a Compulsory License?*

If a license is a promise by a patent holder not to assert its rights against the licensee's practice of a patent, then a *compulsory* license is such a promise when it is required of the patent holder by a governmental body. As explained by the World Trade Organization (WTO), "[c]ompulsory licensing is when a government allows someone else to produce a patented product or process without the consent of the patent owner ..."⁷⁶ Similarly, a recent report by the Congressional Research Service explains,

The term 'compulsory license' refers to the grant of permission for an enterprise seeking to use another's intellectual property to do so without the consent of its proprietor. The grant of a compulsory patent license typically requires the sanction of a governmental entity and provides for compensation to the patent owner.⁷⁷

The involuntary compensatory nature of a compulsory license is highlighted by Dr. Rosa Castro Bernieri, who notes that "Under a compulsory license, the IP right, which is traditionally conceived as a right to exclude, is transformed in a right to receive compensation."⁷⁸ As these definitions demonstrate, a compulsory license is simply a license that a patent holder is compelled, usually by a governmental body, to grant to another, generally with compensation.

Compulsory intellectual property licenses are authorized under two prominent multilateral international agreements. The Paris Convention for the Protection of Industrial Property,⁷⁹ originally adopted in 1883, has been adopted by 225 member states including the United States.⁸⁰ Provisions introduced to the Convention in 1925 provide that that its members "have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work."⁸¹ The Agreement on Trade-Related Aspects of Intellectual Property Rights (the "TRIPS Agreement")⁸² was negotiated as part of the World Trade Organization (WTO) Uruguay round. Article 31 of the TRIPS Agreement

⁷⁶ WTO, FAQ: Compulsory Licensing of Pharmaceuticals and TRIPS, https://www.wto.org/english/tratop_e/trips_e/public_health_faq_e.htm

⁷⁷ Thomas, *supra* note 2, at 1. See also Kumar, *supra* note 2, at 6 ("A compulsory license allows the government or a government authorized third party to use or manufacture a patented good, or practice a patented process, without the patent owner's consent."), Cotropia, *supra* note 10, at 559 ("Compulsory licenses are an abrogation of a patentee's right, where the government allows itself or a third party to practice the patented invention without the patentee's consent.").

⁷⁸ ROSA CASTRO BERNIERI, EX-POST LIABILITY RULES IN MODERN PATENT LAW 37 (2010).

⁷⁹ Paris Convention for the Protection of Industrial Property, 13 I.S.T. 25 (1962) (hereinafter Paris Convention).

⁸⁰ See World Intell. Prop. Org., Paris Convention for the Protection of Industrial Property <https://www.wipo.int/treaties/en/ip/paris/> (visited Jan. 25, 2022).

⁸¹ Paris Convention, *supra* note 79, Art. 5(A)(2) (Hague Revision of 1925).

⁸² TRIPS Agreement, *supra* note 6.

permits WTO members to enact national laws that authorize the issuance of compulsory patent licenses to promote the public interest, counter anticompetitive conduct or engage in noncommercial governmental use.⁸³

Since its adoption, more than a dozen countries have reportedly invoked the compulsory licensing provisions of the TRIPS Agreement, primarily in the areas of pharmaceutical and agricultural products,⁸⁴ and as of 2014, eighty-seven countries, including the United States, have enacted national legislation authorizing compulsory patent licensing in some form.⁸⁵

As noted in the Introduction,⁸⁶ the issuance of compulsory patent licenses, particularly in the area of pharmaceutical products, has given rise to international sanction from countries including the United States. For example, when in 2012 the Indian Patent Office issued a compulsory license to local drug manufacturer Natco Pharma Ltd. to produce Bayer's patented anticancer therapy Nexavar,⁸⁷ U.S. government officials and legislators strenuously objected.⁸⁸ The non-profit group *Medicins sans Frontieres* has cataloged numerous official and unofficial U.S. objections to compulsory patent licensing, particularly in India.⁸⁹

c. Compulsory Patent Licensing in the U.S.

Despite U.S. opposition to compulsory licenses granted by foreign governments, numerous statutory provisions exist in the U.S. under which patent holders may legally be compelled to grant licenses to others.⁹⁰ For example, the Atomic Energy Act authorizes the Atomic Energy Commission to grant patent licenses to parties in the nuclear power and fuel industries "if the invention or discovery covered by the patent is of primary importance in the production or utilization of special nuclear material or atomic energy."⁹¹ And under the Bayh-Dole Act of 1980, federal agencies may "march in" and require the holders of patents claiming inventions developed with federal funding to license those patents to others when necessary to achieve practical application of the invention, to satisfy

⁸³ TRIPS Agreement, *supra* note 6, Art. 31. *See also* Cotropia, *supra* note 10, at 562-64.

⁸⁴ *See* Thomas, *supra* note 2, at 9-10.

⁸⁵ *See* World Intell. Prop. Org. Standing Committee on the Law of Patents, Exceptions and Limitations to Patent Rights: Compulsory Licenses and/or Government Use (Part I), Nov. 2, 2014, at 2.

⁸⁶ *See* notes x, *supra*, and accompanying text.

⁸⁷ *See* Jorge L. Contreras, Rohini Lakshané & Paxton M. Lewis, *Patent Working Requirements and Complex Products*, 7 NYU J. INTEL. PROP. & ENT. L. 1, 14-16 (2017).

⁸⁸ *See* Knowledge Ecology Intl., USPTO and Congress bash India over the Nexavar compulsory license, Jun. 30, 2012, <https://www.keionline.org/21883>.

⁸⁹ *Medicins sans Frontieres*, A Timeline of U.S. Attacks on India's Patent Law & Generic Competition, Jan. 2015, https://msfaccess.org/sites/default/files/2018-10/IP_Timeline_US%20pressure%20on%20India_Sep%202014_0.pdf

⁹⁰ For a comprehensive catalog of these statutory provisions see Jonathan Barnett, *The Great Patent Grab* in *THE BATTLE OVER PATENTS: HISTORY AND THE POLITICS OF INNOVATION* (Stephen H. Haber and Naomi R. Lamoreaux, eds., 2021).

⁹¹ 42 U.S.C. § 2183(c)-(e).

health and safety needs, or to meet requirements for public use specified by federal regulation.⁹²

The imposition of compulsory patent licenses in the U.S. is not limited to actions by federal agencies. Under the Clean Air Act, a district court, upon application of the Attorney General, may require a patent holder “to license [a patent] on such reasonable terms and conditions as the court, after hearing, may determine” when necessary to enable others to comply with federal requirements relating to stationary sources of air pollutants or motor vehicle emissions.⁹³

While it is not clear how many, if any, compulsory licenses have been granted by courts under the Clean Air Act,⁹⁴ there are abundant examples of federal courts that have ordered the compulsory licensing of patents to remedy anticompetitive conduct. More than one hundred such judicial orders were issued in antitrust cases from the 1940s to the 1970s.⁹⁵ As noted by the Supreme Court in *United States v. National Lead Co.*, “assurance against continued illegal restraints upon interstate and foreign commerce through misuse of these patent rights is provided through the compulsory granting to any applicant therefor of licenses at uniform, reasonable royalties under any or all patents defined in the decree.”⁹⁶

Even in patent infringement cases prior to *eBay*, a number of courts, including the Federal Circuit, have recognized the combination of the denial of an injunction with an ongoing royalty payment as giving rise to a compulsory license that authorizes the infringer to practice the infringed patent without threat of a future infringement claim. For example, in *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, the Federal Circuit upheld a district court’s order that “denied Shatterproof’s request for injunction and granted Libbey-Owens Ford a compulsory license to permit future practice under the ... patents at a royalty rate of 5%”.⁹⁷ In the same year, the Federal Circuit in *Atlas Powder Co. v. Ireco Chems.*, expressed concern that “If monetary relief were the sole relief afforded by the patent statute then injunctions would be unnecessary and infringers could become compulsory licensees ...”.⁹⁸ Likewise, in *Monsanto Co. v. Ralph*, the Federal Circuit held that

⁹² 35 U.S.C. § 203(a).

⁹³ 42 U.S.C. § 7608.

⁹⁴ See Thomas, *supra* note 2, at 7 (indicating the author’s unawareness of any invocation of such compulsory licensing regulations).

⁹⁵ See Barnett, *supra* note 90, at x, Jorge L. Contreras, *A Brief History of FRAND: Analyzing Current Debates in Standard-Setting and Antitrust through a Historical Lens*, 80 ANTITRUST L.J. 39, 74 (2015) (identifying and discussing such orders); F.M. Scherer, *The Political Economy of Patent Policy Reform in the United States*, 7 J. TELECOM. & HIGH TECH. L. 168, 170 (2009) (“Between 1941 and the late 1950s, compulsory licensing decrees had been issued in settlement of more than 100 antitrust complaints”), Delrahim, *supra* note 7, at 1 (“[f]rom the U.S. Supreme Court’s decision in *Besser Manufacturing*, to the district court’s decision fifty years later in *United States v. Microsoft Corporation*, courts have recognized that compulsory licensing can be a necessary remedy in some [antitrust] cases”).

⁹⁶ *United States v. National Lead Co.*, 332 U.S. 319, 348 (1947).

⁹⁷ *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 616 (Fed. Cir. 1985).

⁹⁸ *Atlas Powder Co. v. Ireco Chems.*, 773 F.2d 1230, 1233 (Fed. Cir. 1985).

“the imposition on a patent owner who would not have licensed his invention for [a given] royalty is a form of compulsory license, against the will and interest of the person wronged, in favor of the wrongdoer”.⁹⁹ And in *Foster v. American Mach. & Foundry Co.*, a pre-Federal Circuit case, the Second Circuit affirmed a district court's denial of permanent injunction where, after balancing the equities between the parties, the court concluded that the patentee would benefit from a “compulsory royalty”.¹⁰⁰

d. A Compulsory License Need Not be a Public License

A *public* license is an intellectual property license that is made available to the public at large, often without charge.¹⁰¹ Public licenses exist in numerous contexts and are probably best known in the areas of open source code software¹⁰² and online content licensed under the Creative Commons suite of licenses.¹⁰³ While both of these licensing regimes largely concern copyrights, public licenses also exist with respect to patents, as illustrated by the large number of patents licensed to all takers under the Open COVID Pledge.¹⁰⁴ In each of these cases, the intellectual property holder offers a standardized set of licensing terms that may be accepted by any party that wishes to utilize the licensed rights.

Though most public licenses, like the ones noted above, are offered willingly by the holders of the licensed intellectual property, public licenses can also be compulsory. For example, under the U.S. Copyright Act, copyright holders are required to grant licenses of certain musical compositions to any party that pays a statutorily determined licensing fee (better known as the right to “cover” a previously recorded song).¹⁰⁵ Thus, under this provision of the Copyright Act, a compulsory licensing regime requiring the granting of public licenses is established. Likewise, when patent holders were found to violate the antitrust laws

⁹⁹ *Monsanto Co. v. Ralph*, 382 F.3d 1374, 1384 (Fed. Cir. 2004) (quoting *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1328 (Fed. Cir. 1987) (internal quotation marks omitted)).

¹⁰⁰ *Foster v. American Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974).

¹⁰¹ See CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 592; Christina Mulligan, *A Numerus Clausus Principle for Intellectual Property*, 80 TENN. L. REV. 235, 271 (2013) (“With a public license, a copyright owner creates or chooses a blanket license for a work, allowing anyone to use the work according to the terms.”)

¹⁰² See, e.g., *Jacobsen v. Katzer*, 535 F.3d 1373, 1375 (licensor makes software source code “available for public download from a website without a financial fee pursuant to the Artistic License, an ‘open source’ or public license.”), Mulligan, *supra* note 101, at 272.

¹⁰³ See CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 594-95 (“The CC licenses are “public” licenses. That is, they are not specifically negotiated between copyright owners and users, but are publicly posted and can be “accepted” by anyone who wishes to use the licensed content.”), Mulligan, *supra* note 101, at 271-72.

¹⁰⁴ Jorge L. Contreras, *The Open COVID Pledge: Design, Implementation and Preliminary Assessment of an Intellectual Property Commons*, 2021 UTAH L. REV. 833 (2021).

¹⁰⁵ See 17 U.S.C. § 115. For other compulsory licensing regimes established under the Copyright Act, see 17 U.S.C. §§ 111(c) (cable retransmission of broadcast television programming), 116(a) (performance of musical works by coin-operated jukeboxes), 118(d) (performance of copyrighted works by public broadcasters).

in a number of historical cases, courts ordered them to make licenses available to “all applicants”, either on a royalty-bearing or royalty-free basis.¹⁰⁶

However, the fact that some compulsory licenses, such as those authorized under the Copyright Act and in antitrust cases, are public licenses does not mean that *all* compulsory licenses are public licenses.¹⁰⁷ In fact, many of the most prominent compulsory licenses in the world – those granted with respect to patented pharmaceutical and agricultural products – have typically been granted to a single local manufacturer.¹⁰⁸ Likewise, as described in Part I.B.1.c, above, most statutory regimes authorizing compulsory licensing in the United States are directed toward the granting of a license to one or more selected licensees, not the public at large. Thus, it can confidently be stated that there is no general requirement that a compulsory license must be structured as a public license.¹⁰⁹

2. *The Federal Circuit’s Mistaken Distinction Between Ongoing Royalty and Compulsory License in Paice*

As noted in Part I.A.1, above, the Federal Circuit in *Paice v. Toyota (Paice II)* affirmed the district court’s award of an ongoing royalty to compensate the patent holder for future infringement following the denial of an injunction. Judge Prost, writing for the majority, confirmed the district court’s authority to “step in to assess a reasonable royalty in light of the ongoing infringement” when the parties themselves are unable to “negotiate a license amongst themselves regarding future use of a patented invention.”¹¹⁰ Yet Judge Prost is careful not to refer to Toyota’s

¹⁰⁶ See, e.g., *United States v. National Lead Co.*, 332 U.S. 319, 348 (1947) (“Further assurance against continued illegal restraints upon interstate and foreign commerce through misuse of these patent rights is provided through the compulsory granting to any applicant therefor of licenses at uniform, reasonable royalties under any or all patents defined in the decree” (emphasis added)). See also note 95, *supra*, and sources cited therein.

¹⁰⁷ Castro Bernieri distinguishes compulsory licenses based on whether they are authorized “ex ante” and thus apply uniformly in all cases, or ex post, applying “on a case-by-case basis”. CASTRO BERNIERI, *supra* note 78, at 40.

¹⁰⁸ See Thomas, *supra* note 2, at 10-13 (discussing compulsory patent licenses granted in Brazil, India, South Africa and Thailand).

¹⁰⁹ But see Brief Amici Curiae of 52 Intellectual Property Professors in Support of Petitioners at 8–9, *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006) [hereinafter Amicus Brief of Professors] (“A compulsory license is a blanket rule that permits all others to use a patent upon payment of a specified royalty, giving certainty to those who would infringe the patent that they can do so upon payment of a royalty.”). Amici cite no authority for this proposition. Interestingly, the counsel of record (and presumably the principal author) of this brief, Professor Lemley, does not repeat this argument in his 2011 article addressing the issue of unenjoined infringement. Lemley, *supra* n note 45.

¹¹⁰ *Paice II*, 504 F.2d at 1315. Though the Federal Circuit in *Paice* affirmed the district court’s authority to set an ongoing royalty for unenjoined infringement, it criticized the district court’s failure to explain adequately its rationale for setting the ongoing royalty at \$25 per vehicle and remanded the case for reconsideration of the royalty rate. *Id.*

continuing ability to practice Paice’s patent as a “compulsory license”.¹¹¹ Rather, she introduces a key distinction to avoid this term, explaining that “[w]e use the term *ongoing royalty* to distinguish this equitable remedy from a compulsory license.”¹¹²

Unfortunately, Judge Prost’s distinction in *Paice II* between an “ongoing royalty” and a “compulsory license” is both incoherent and mistaken. From a purely technical standpoint, the distinction is based on a category error. An ongoing royalty is a form of compensation, typically distinguished, in patent cases, from an up-front or lump sum payment. A compulsory license is a grant of legal rights -- a license -- akin to a property interest. Judge Prost’s substitution of a form of compensation for a grant of rights is incoherent. It is as if one wished to avoid recognizing that a real property lease had been granted by instead declaring that the tenant must make a “monthly rental payment”. A payment is not a grant of rights and does not connote any permission or authority for the ongoing infringer to continue to practice the patented invention. Judge Prost suggests that some ongoing authorization for unenjoined infringement is granted when she suggests that the parties first be given an opportunity to negotiate a *license* amongst themselves.¹¹³ If they cannot, then the court may step in to determine the applicable ongoing royalty. Yet if the ongoing infringer is somehow insulated from future damages suits by virtue of the payment of an ongoing royalty, which appears to be the court’s intent, merely calling the payment an ongoing royalty does not convey that implication. Moreover, the term “ongoing royalty” does not encompass judicially authorized unenjoined infringement that is coupled with a lump sum payment (see Part I.A.2 above). Thus, in addition to being grammatically unsound, the term “ongoing royalty” is overly narrow.

More importantly, Judge Prost’s justification for distinguishing between a compulsory license and an ongoing royalty is based on a misunderstanding of the term “compulsory license”. She writes “The term ‘compulsory license’ implies that *anyone* who meets certain criteria has congressional authority to use that which is

¹¹¹ *Paice*, in its briefing to the Federal Circuit, unequivocally referred to the unenjoined infringement authorized by the district court as a “compulsory license”. *Paice* CAFC Brief, *supra* note 28, at *40 (“The district court erred in setting, *sua sponte*, a prospective royalty for the remaining life of the '970 patent. In setting this prospective royalty based on the jury's past damages calculation, the district court imposed a compulsory license on the parties. This action was without statutory or precedential basis.”)

¹¹² *Paice II*, 504 F.2d at 1314 n.13 (emphasis added). Though the Federal Circuit in *Paice II* affirmed the district court’s authority to set an ongoing royalty for unenjoined infringement, it criticized the district court’s failure to explain adequately its rationale for setting the ongoing royalty at \$25 per vehicle and remanded the case for reconsideration of the royalty rate. *Id.*

¹¹³ *Paice II*, 504 F.3d at 1315; *see also* *Soverain Software LLC v. Newegg Inc.*, 836 F. Supp. 2d 462, 483 (E.D. Tex. 2010) (“[T]he Federal Circuit has encouraged parties to negotiate a license amongst themselves regarding the future use of a patented technology before imposing an ongoing royalty.” (citing *Paice II* and *Paice III*)); *Orion IP, LLC v. Mercedes-Benz USA, LLC*, No. 6:05 CV 322, 2008 U.S. Dist. LEXIS 108683, at *12 (E.D. Tex. Mar. 28, 2008) (articulating the same standard).

licensed.” To support this assertion, she cites Section 115 of the Copyright Act,¹¹⁴ which pertains to “cover” recordings of musical compositions (see Part I.B.1.c above).¹¹⁵ She then concludes that because the ongoing patent royalty awarded by the district court in *Paice I* applies only to Toyota, “there is no implied authority in the court's order for any other auto manufacturer to follow in Toyota's footsteps and use the patented invention with the court's imprimatur.”¹¹⁶ In short, Judge Prost reasons that because Toyota is the *only* infringer authorized by the court to continue to practice Paice’s patent, this authorization cannot be a compulsory license. Rather, it is something else: an ongoing royalty.

This reasoning is unconvincing. As explained in Part I.B.1.c, a *compulsory* license need not be a *public* license. While some compulsory licensing schemes, such as that established under the Copyright Act, do give rise to public licenses, public use is not a requirement for a license to be compulsory. In fact, many compulsory licenses are not public licenses. Rather, they authorize a single company – often a generic drug manufacturer – to produce a patented product that the patent holder cannot or will not distribute in the issuing country. Even in the U.S., most statutory compulsory licensing regimes, and all such regimes pertaining to patents, allow the authorization of one or a selected group of entities to practice a patented invention and do not open the patented technology to all comers. Judge Prost’s conflation of a compulsory license with a public license, and the resulting removal of unenjoined infringement from the ambit of compulsory licensing, is thus based on a faulty premise without support under U.S. law.

This error in reasoning is pointed out by Judge Rader in his concurring opinion in *Paice II*. He recognizes the sleight of hand performed by the court, observing that “calling a compulsory license an ‘ongoing royalty’ does not make it any less a compulsory license.”¹¹⁷ For this reason, Judge Rader encourages district courts to permit the parties to negotiate the terms of a license for unenjoined infringement. If the parties do so, he reasons, then the ongoing royalty they negotiate would be just that, and not a compulsory license.¹¹⁸ Yet if the court steps in and determines the ongoing royalty, then it has established the compensation for unenjoined infringement, removing any further ability of the patent holder to sue the infringer for damages (e.g., in successive suits). It has effectively granted a compulsory license.

Academic commentators have recognized the effective equivalence of an ongoing royalty coupled with unenjoined infringement with a compulsory license. Professor Bernard Chao notes that the Federal Circuit has approved “granting a

¹¹⁴ 17 U.S.C. § 115

¹¹⁵ *Paice II*, 504 F.3d at 1315 n.13.

¹¹⁶ *Paice II*, 504 F.3d at 1315 n.13.

¹¹⁷ *Paice II*, 504 F.3d at 1316 (Rader, J., concurring). *See also* Hynix Semiconductor Inc. v. Rambus Inc., 609 F. Supp. 2d 951, 983 (N.D. Cal. 2009) (it is a “faulty assumption [to assume] that because one infringer received a compulsory license, others would be free to infringe and entitled to a similar compulsory license.”)

¹¹⁸ *Paice II*, 504 F.3d at 1316 (Rader, J., concurring).

compulsory license to the losing defendant which the courts now call an ‘ongoing royalty’.”¹¹⁹ Professor Daniel Crane acknowledges then embraces this move toward compulsory licensing as a desirable systemic shift toward a liability-based regime for intellectual property.¹²⁰

Nevertheless, some courts have followed Judge Prost’s reasoning in *Paice II* and denied that their establishment of ongoing royalties for unenjoined infringement is tantamount to a compulsory license.¹²¹ Commentators, too, have echoed this argument. Professor Janicke, for example, argues that an ongoing royalty coupled with unenjoined infringement “is neither compulsory nor a license.”¹²² Yet he fails to follow-through on this assertion, arguing, instead, that courts are simply not authorized to exonerate unenjoined infringement from successive lawsuits for damages.¹²³ He then seeks to distinguish the rationales underlying existing forms of compulsory licensing (i.e., compulsory licenses granted as remedies in antitrust cases) from the justifications for unenjoined infringement.¹²⁴ However, he does not advance any argument to refute the notion that a court that has established an ongoing royalty for unenjoined infringement has, in fact, granted a compulsory license. Thus, while Professor Janicke does not think that courts *should* grant such compulsory licenses (a conclusion as to which we remain neutral), he does not actually deny that courts are, in fact, doing so.

Professor Christopher Seaman likewise rejects the proposition that courts awarding ongoing royalties following the denial of an injunction are effectively granting compulsory patent licenses. He offers three reasons in support of this position. First, he repeats Judge Prost’s assertion that a compulsory license must be a public license.¹²⁵ Second, he argues that a patentee that is denied an injunction need not seek an ongoing royalty and may instead bring successive actions for monetary damages for unenjoined infringement.¹²⁶ As such, he reasons, an ongoing royalty is not “compulsory”. Nevertheless, various courts, including the Federal Circuit in *Paice II*, have held that courts *do* have the authority, upon request of the

¹¹⁹ Chao, *supra* note 10, at 545.

¹²⁰ Crane, *supra* note 10, at 254 (“Intellectual property is incrementally moving away from the conventional right of the landowner to fence out trespassers and toward a right to collect royalties from constructive licensees. As a categorical matter, this trend away from a right to exclude toward a right to collect royalties represents a shift from a property regime to a liability regime.”)

¹²¹ See, e.g., *Creative Internet Adver. Corp. v. Yahoo! Inc.*, 674 F. Supp. 2d 847, 852 n.6 (E.D. Tex. 2009) (“As discussed by the Federal Circuit in *Paice II*, the Court rejects any suggestion that it is imposing a “compulsory license” under 17 U.S.C. § 115. The term “compulsory license” implies that anyone who meets certain criteria has congressional authority to use that which is licensed. The ongoing royalty contemplated in this case is limited to the Defendant Yahoo that was found to infringe the ‘432 patent.”) (citations omitted). The court adjudicating this case is clearly confused, given its reference to 17 U.S.C. § 115, the compulsory licensing provision for cover recordings under the Copyright Act, which has no bearing on the case.

¹²² Janicke, *supra* note 27, at 165.

¹²³ Janicke, *supra* note 27, at 174-75.

¹²⁴ Janicke, *supra* note 27, at 175-77.

¹²⁵ Seaman, *Ongoing Royalties*, *supra* note 53, at 216.

¹²⁶ Seaman, *Ongoing Royalties*, *supra* note 53, at 216.

infringer (and over the objection of the patent holder), to establish an ongoing royalty for unenjoined infringement.¹²⁷ It is thus compulsory. Finally, Professor Seaman asserts that a court-imposed ongoing royalty differs from a “traditional” licensing agreement in that the remedy for breach of the royalty obligation would arise through the court’s contempt power rather than an action in breach of contract.¹²⁸ While this observation may be correct, the nature of the remedy available for breach does not make a judicially authorized compulsory license any less a compulsory license. Certainly, many well-known compulsory licenses established by judicial order, and even by statute,¹²⁹ would be redressed through remedies other than breach of contract, yet this does not disqualify them as compulsory licenses.

As the above discussion demonstrates, there is considerable uncertainty and disagreement regarding the nature of the legal authority of an unenjoined infringer to practice an infringed patent. To shed further light on the manner in which courts themselves are interpreting this authority, we conducted an empirical assessment of judicial opinions described in the following Part.

II. JUDICIAL CHARACTERIZATION OF UNENJOINED INFRINGEMENT AS COMPULSORY LICENSING IN POST-*EBAY* CASES

In order to gain a better understanding of the manner in which U.S. courts view the legal nature of unenjoined infringement, we reviewed post-*eBay* district court decisions (and Federal Circuit appeals) in patent infringement cases in which a permanent injunction was denied. We describe the methodology that we used to collect and code these decisions in Part II.A below. We then report the aggregate trends identified as well as specific uses of language relating to ongoing royalties and compulsory licensing in Parts II.B and II.C, respectively. We discuss the conclusions that we draw from these findings in Part II.D.

A. Methodology

We identified U.S. district court cases decided between May 15, 2006 (the date of the Supreme Court’s decision in *eBay*) and July 5, 2021 (the date of our first search) in which (1) a finding of patent infringement was made and (2) a permanent injunction was denied. To do so, we queried the LexMachina database for patent infringement cases decided during that date range in which an injunctive remedy was sought. We excluded cases in which allegations of patent infringement were combined with other causes of action, such as trademark, copyright, trade secret, contract and antitrust claims, as we wished to analyze judicial language relating exclusively to the treatment of unenjoined patent infringement and to avoid entanglement with other causes of action. We also excluded cases involving claims

¹²⁷ See *Paice II*,

¹²⁸ Seaman, *Ongoing Royalties*, *supra* note 53, at 216.

¹²⁹ See Part x, *supra*.

of patent infringement based on 35 U.S.C. § 271(e)(2) with respect to the filing of an Abbreviated New Drug Application (ANDA), as these cases appeared, as a class, to raise different issues than other patent infringement suits.¹³⁰ Finally, because we wished to assess judicial reasoning in the context of denied injunctions, we excluded cases in which a court awarded an ongoing royalty for unenjoined infringement but the patent holder did not seek a permanent injunction.¹³¹

After these exclusions, our search yielded 263 cases, in sixty-eight of which a permanent injunction was denied and in 195 of which a permanent injunction was granted (including by default judgment). We supplemented these results with additional cases meeting these criteria that we identified through a Lexis search¹³² or that were mentioned in the literature and online sources (8 cases), and one case in which a district court's grant of an injunction was reversed by the Federal Circuit, yielding a total of 77 cases involving unenjoined infringement ("Reviewed Cases").¹³³

We manually reviewed relevant documents from the dockets in each Reviewed Case, including judicial orders, written opinions, jury instructions and party pleadings, as well as the case's subsequent history and decisions on appeal. In each case we determined the type of past and future damages awarded (e.g., lump-sum or ongoing royalty payments), if any. We then reviewed the text of each judicial decision and identified the language used by the district court, as well as any appellate court reviewing the decision below, relating to unenjoined infringement.

¹³⁰ Under 35 U.S.C. § 271(e)(2), the filing of an ANDA for a generic drug infringing the patent on an already marketed drug is deemed to constitute patent infringement, as to which an injunction ordinarily issues.

¹³¹ *E.g.*, *Optis Wireless Tech. v. Apple Inc.*, No. 2:19-CV-00066-JRG, 2021 U.S. Dist. LEXIS 110317 (E.D. Tex. Apr. 14, 2021), *SRI Int'l, Inc. v. Cisco Sys.*, 254 F. Supp. 3d 680, 724 (D. Del. 2017), *Prism Techs., LLC v. Sprint Spectrum L.P.*, No. 8:12CV123, 2015 U.S. Dist. LEXIS 169398 (D. Neb. Dec. 18, 2015), *Arctic Cat Inc. v. Bombardier Rec. Prods.*, No. 14-cv-62369-BLOOM/Valle, 2016 U.S. Dist. LEXIS 107654 (S.D. Fla. Aug. 12, 2016), *Saffran v. Bos. Sci. Corp.*, No. 2-05-CV-547 (TJW), 2008 U.S. Dist. LEXIS 106711 (E.D. Tex. Feb. 14, 2008).

¹³² The search query used was: "ebay" and ("ongoing" or "running" or "future royalt*" or "compulsory license") and "patent."

¹³³ Our goal was not to identify every district court patent infringement case in which an injunction was denied, but only a meaningful sample of such cases. In an earlier study, Professor Seaman analyzed 218 patent infringement cases between 2006 and 2014 in which an injunction was sought and found that injunctions were denied in 27.5% of those cases (59 cases). Seaman, *Permanent Injunctions*, *supra* note 24, at 1976, 1982. In subsequent work, Professor Seaman identified 57 cases from the same data set in which both a permanent injunction was denied and an ongoing royalty was awarded. Seaman, *Ongoing Royalties*, *supra* note 53, at 231. Because these studies have different aims, Seaman's exclusion criteria are less restrictive than ours, perhaps explaining the greater number of cases that he identified (e.g., several cases included in *Ongoing Royalties* include trade secret claims, which we excluded from our data set).

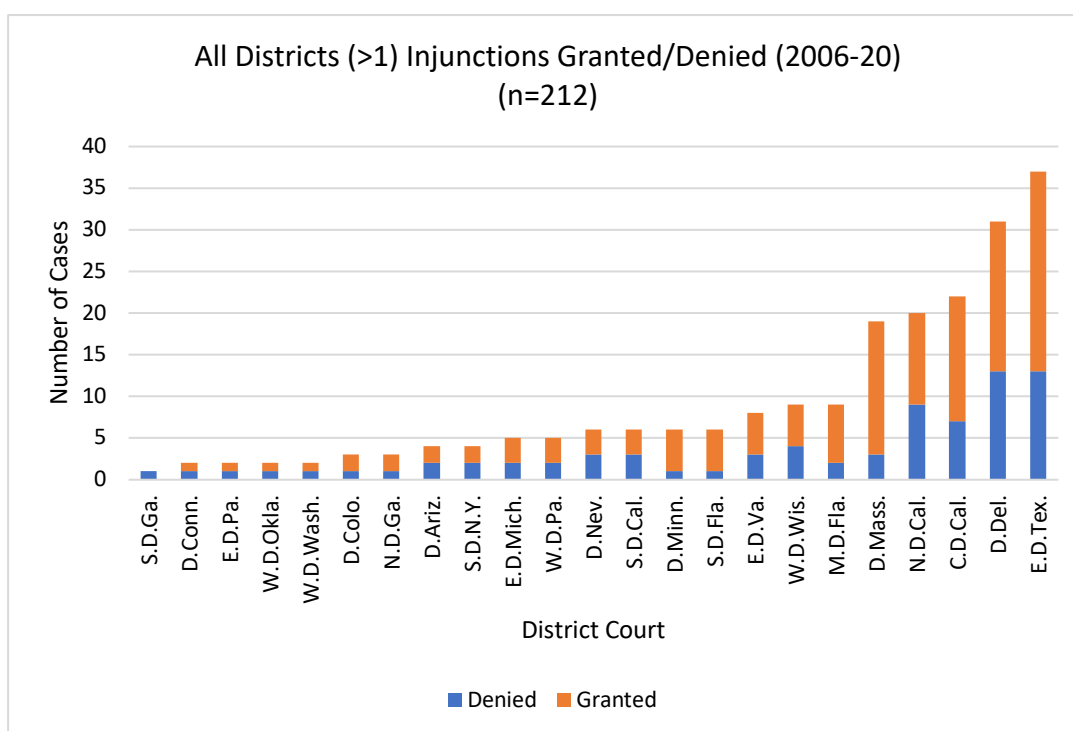
B. Findings

1. Injunction Grants versus Denials

As noted in Part II.A, above, we identified a total of 272 post-*eBay* patent infringement cases in which a permanent injunction was sought. An injunction was issued in 195 of these cases (72%) and denied in 77 of these cases (28%).¹³⁴

Because we wished to determine whether particular judges or courts adopted distinct interpretations of the legal nature of unenjoined infringement, we analyzed our results by federal judicial district. *Figure 1* below illustrates the distribution of these cases among U.S. district courts in each judicial district that denied at least one permanent injunction (a total of 212 cases).¹³⁵

Figure 1



As shown in *Figure 1*, during the period studied, the Eastern District of Texas denied permanent injunctions in 13 out of 37 cases (35%). It is followed in total

¹³⁴ These results are consistent with post-*eBay* injunction grant rates found in prior empirical studies. See note 24, *supra*.

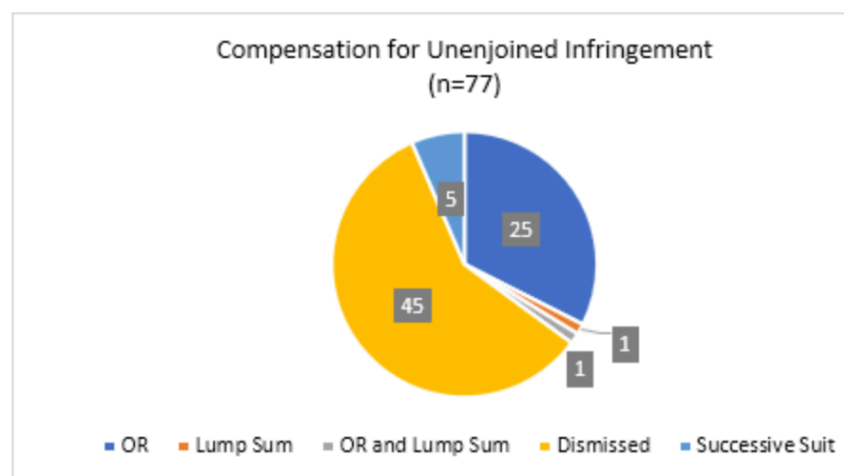
¹³⁵ Includes all 77 patent cases in which a permanent injunction was denied, and 135 of the 195 patent cases in which a permanent injunction was issued. It is interesting to note that some judicial districts with relatively high numbers of patent cases, such as the Northern District of Illinois (9 cases), the District of New Jersey (4 cases), the District of Utah (4 cases) and the Northern District of Texas (4 cases), denied no injunctions during the period studied.

case volume by the District of Delaware (13 out of 31 cases, 42%), the Central District of California (7 out of 22 cases, 32%), and the Northern District of California (9 out of 20 cases, 45%). Among the fourteen district courts that decided five or more patent injunction cases during the period studied, the rate of denial ranged from 50% (Southern District of California) to 16% (District of Massachusetts), with an average denial rate of 35%. These findings suggest that there is not a strong bias for or against the issuance of patent injunctions in any particular judicial district.

2. Compensation for Unenjoined Infringement

For each of the seventy-seven Reviewed Cases, we determined whether the court: (1) awarded an ongoing royalty for future infringement (25 cases, 32%),¹³⁶ (2) awarded a lump sum payment for future infringement (1 case, 1%), (3) awarded both an ongoing royalty and a lump sum payment for future infringement (1 case, 1%), (4) expressly acknowledged the patent holder's ability to bring successive suits for damages with respect to unenjoined infringement (5 cases, 10%), or (5) specified no compensation as a result of the termination of the litigation via settlement, dismissal or default or the mootness of the question through patent expiration, invalidity or noninfringement (45 cases, 58%). *Figure 2* below illustrates the breakdown of different remedies awarded by these courts following the denial of an injunction.

Figure 2



¹³⁶ In addition to the term “ongoing royalty” when referring to compensation for unenjoined infringement, some courts have used the terms “running royalty” and “future damages.” *See, e.g.,* *Tex. Advanced Optoelectronic Sols., Inc. v. Intersil Corp.*, No. 4:08-CV-451, 2016 U.S. Dist. LEXIS 53948 (E.D. Tex. Apr. 22, 2016); *Centripetal Networks, Inc. v. Cisco Sys.*, 492 F. Supp. 3d 495 (E.D. Va. 2020). We have included these terms in the category for ongoing royalties (“OR”).

3. District Court Characterization of Unenjoined Infringement as Compulsory Licensing

District courts awarded ongoing royalties for unenjoined infringement in twenty-six of the Reviewed Cases (one of which also included a lump sum payment as partial compensation for future unenjoined infringement). We analyzed the language used by each court when discussing these ongoing royalties.

a. District Court Descriptions of Ongoing Royalties

Most district courts awarding ongoing royalties for unenjoined infringement instructed juries on the meaning of the term “royalty”. This instruction read, in nearly identical language in ten different cases, “[a] royalty is a payment made to a patent holder in exchange for the *right* to make, use, or sell the claimed invention.”¹³⁷ These courts thus equate the payment of an ongoing royalty with the granting of a “right” to practice the infringed patent – a license.

Several other district courts make clear the connection between the ongoing royalty awarded by the court and the unenjoined infringer’s right to “use” the patented invention – again describing what amounts to a license. For example, the district court in *BASF Plant Sci., LP v. Commonwealth Sci. & Indus. Research Organization* explained that a court may “impose an ongoing royalty for the adjudged infringer to pay *in order to use* the infringing products.”¹³⁸ And in *Apple, Inc. v. Samsung Elecs. Co.*, the district court stated that “[a]n ongoing royalty permits an adjudged infringer to *continue using* a patented invention for a price.”¹³⁹

b. District Court References to Compulsory Licensing

In a number of cases in which an ongoing royalty was established, the district court expressly referred to the granting of a compulsory license. *Figure 3* below breaks down the twenty-six ongoing royalty cases according to whether the court (1) referred only to an ongoing royalty without reference to compulsory licensing (or expressly disavowed compulsory licensing, as in *Paice*) (16 cases, 62%), (2) referred both to an ongoing royalty and compulsory licensing (9 cases, 35%), or (3)

¹³⁷ Jury Instructions at 34, *Tex. Advanced Optoelectronic Sols., Inc. v. Intersil Corp.*, No. 4:08-CV-451, 2016 U.S. Dist. LEXIS 53948 (E.D. Tex. Apr. 22, 2016) (No. 506) (emphasis added).

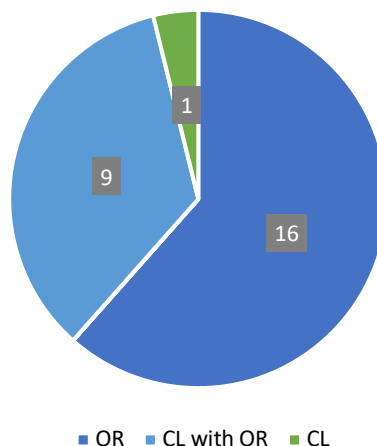
¹³⁸ No. 2:17-CV-503-HCM, 2019 U.S. Dist. LEXIS 228305, at *63 (E.D. Va. Dec. 20, 2019).

¹³⁹ No. 12-CV-00630-LHK, 2013 U.S. Dist. LEXIS 38682 (N.D. Cal. Mar. 19, 2013) (No. 2047). See also *Humanscale Corp. v. CompX Int'l Inc.*, No. 3:09-CV-86, 2010 U.S. Dist. LEXIS 42083, at *12-13 (E.D. Va. Apr. 29, 2010) (“CompX sought and was awarded by the jury future royalties to compensate it for Humanscale’s *use* of the McConnell patents until they expire”) (emphasis added); *Tex. Advanced Optoelectronic Sols., Inc. v. Intersil Corp.*, No. 4:08-CV-451, 2016 U.S. Dist. LEXIS 53948, at *17 (E.D. Tex. Apr. 22, 2016) (“Since the Defendant has admitted to the *ongoing sale* of at least one Infringing Product, a running royalty is appropriate”) (emphasis added).

referred only to compulsory licensing without mentioning an ongoing royalty (1 case, 4%).

Figure 3

Judicial Characterization of Ongoing Royalty following Unenjoined Infringement
(n=26)



When discussing compulsory licenses, the language used by courts was unambiguous. For example, the district court in *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.* stated that:

[T]o compensate Plaintiffs for future harm, the Court can impose a *compulsory license* on the continued sales of [Defendant’s] infringing products for the remainder of the life of the [Plaintiff’s] patent. The Court is satisfied that a fair and full amount of compensatory money damages, when combined with a progressive *compulsory license*, will adequately compensate Plaintiffs’ injuries, such that the harsh and extraordinary remedy of injunction -- with its potentially devastating public health consequences -- can be avoided.¹⁴⁰

In some instances, courts referred both to an ongoing royalty and a compulsory license, essentially equating the two terms. For example, in *BASF Plant Sci., LP v. Commonwealth Sci. & Indus. Research Org.*, the court held that, “[a]n ongoing

¹⁴⁰ *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, No. CV-03-0597-PHX-MHM, 2009 U.S. Dist. LEXIS 31328, at *19–20 (D. Ariz. Mar. 31, 2009). *See also* *Finisar Corp. v. DirecTV Grp., Inc.*, Civil Action No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 101529, at *5 (E.D. Tex. Sep. 26, 2006) (“future damages for unenjoined infringement were awarded by means of a compulsory license”).

royalty is essentially a compulsory license for future use of the patented technology during the life of the patents.”¹⁴¹ In *Hynix Semiconductor Inc. v. Rambus Inc.*, the court, echoing Judge Rader’s concurrence in *Paice II*, confirmed that, “‘ongoing royalty’ is merely a nice way of saying ‘compulsory license.’”¹⁴²

In at least six cases, the district court expressly ordered the parties to negotiate a license for continued unenjoined infringement. For example, the court in *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.* ordered the parties to “meet and confer to prepare a draft joint licensing agreement for ongoing royalties” following the denial of an injunction.¹⁴³ These orders are likely the result of the recommendation articulated by the Federal Circuit in *Paice II*:

In most cases, where the district court determines that a permanent injunction is not warranted, the district court may wish to allow the parties to negotiate a license amongst themselves regarding future use of a patented invention before imposing an ongoing royalty.¹⁴⁴

¹⁴¹ *BASF Plant Sci., LP v. Commonwealth Sci. & Indus. Research Organisation*, No. 2:17-CV-503-HCM, 2019 U.S. Dist. LEXIS 228305, at *64 (E.D. Va. Dec. 20, 2019); *see also Centripetal Networks, Inc. v. Cisco Sys.*, 492 F. Supp. 3d 495, 606 (E.D. Va. 2020) (repeating same language), *ResQNet.com, Inc. v. Lansa, Inc.*, 828 F. Supp. 2d 688, 692 (S.D.N.Y. 2011) (“The court . . . imposed a license at the same rate for future activity covered by the . . . patent”).

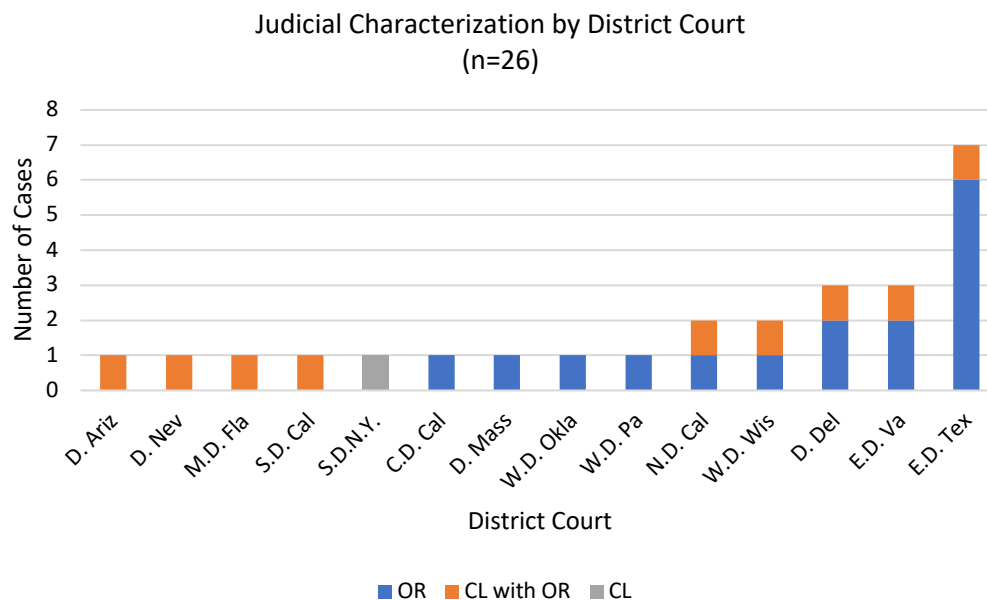
¹⁴² *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951, 986-87 (N.D. Cal. 2009) (citing *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1316 (Fed. Cir. 2007)).

¹⁴³ Order at 1, *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, Civil Action No. 09-290, 2013 U.S. Dist. LEXIS 58331 (W.D. Pa. Apr. 24, 2013); *see also Server Tech., Inc. v. Am. Power Conversion Corp.*, No. 3:06-CV-00698-LRH-VPC, 2015 U.S. Dist. LEXIS 41987, at *43-44 (D. Nev. Mar. 31, 2015) (“The parties shall have thirty (30) days from entry of this order to prepare an appropriate compulsory license with an ongoing 15% royalty rate on sales of the AP7900 and AP8900 products from the date of judgment and submit the same for approval and signature of the court.”); *Fractus, S.A. v. Samsung Elecs. Co.*, No. 6:09-CV-203 PATENT, 2013 U.S. Dist. LEXIS 37275, at *13 (E.D. Tex. Mar. 15, 2013) (“The Court denied Fractus’ request for a permanent injunction; however, the Court gave the parties an opportunity to negotiate a license before setting an ongoing royalty rate.” (citing *Fractus I*, Cause No. 6:09-cv-203 Docket No. 1113)); *Douglas Dynamics, LLC v. Buyers Prods. Co.*, No. 09-cv-261-wmc, 2011 U.S. Dist. LEXIS 157349, at *16-17 (W.D. Wis. Feb. 25, 2011) (“The parties have until March 28, 2011, in which to reach a licensing agreement for defendant Buyers Products’ use of plaintiff’s U.S. Patents Nos. 5,353,530 and 6,944,978 or to file their separate positions for the court to use in assessing the appropriate reasonable ongoing royalty.”); Order at 1, *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951 (N.D. Cal. 2009) (No. 3901) (“[T]he court held a conference call with Rambus and Hynix to set guidelines with respect to negotiating a compulsory license for the use of Rambus’s patents . . . The parties intend to meet on March 4 in Seoul, Korea to negotiate the terms of the compulsory license.”).

¹⁴⁴ *Paice II*, 504 F.3d at 1315; *see also Sovereign Software LLC v. Newegg Inc.*, 836 F. Supp. 2d 462, 483 (E.D. Tex. 2010) (“[T]he Federal Circuit has encouraged parties to negotiate a license amongst themselves regarding the future use of a patented technology before imposing an ongoing royalty.” (citing *Paice II* and *Paice III*)); *Orion IP, LLC v. Mercedes-Benz USA, LLC*, No. 6:05 CV 322, 2008 U.S. Dist. LEXIS 108683, at *12 (E.D. Tex. Mar. 28, 2008) (articulating the same standard).

Figure 4 below breaks down judicial characterizations of compensation for unenjoined infringement by judicial district.

Figure 4



As shown in Figure 4, among the five district courts that have denied two or more patent injunctions during the period studied, all five have referred, in different cases, to the authorization of a compulsory license in connection with the award of ongoing royalties for unenjoined infringement. This finding suggests that there is not a consistent view, even within federal judicial districts, whether or not a compulsory license is granted when an ongoing royalty is awarded for unenjoined infringement.

4. Federal Circuit Statements Regarding Compulsory Licensing

Of seventy-seven Reviewed Cases, fifty-three (69%) were appealed to the Federal Circuit.¹⁴⁵ In twenty of those appealed cases, the Federal Circuit ruled on grounds other than injunctive relief (e.g., validity, infringement, etc.). Six cases were dismissed by the district court before the Federal Circuit ruled (e.g., due to settlement by the parties). Of the remaining twenty-seven cases in which the Federal Circuit ruled on the district court’s denial of a permanent injunction, the Federal Circuit affirmed the district court’s ruling in twenty cases (74%) (five of

¹⁴⁵ The 69% appeal rate that we found is substantially lower than the 98% appeal rate found by Professors Holte and Seaman when reviewing Federal Circuit appeals of district court denials of patent injunctions between 2006 and 2013. Holte & Seaman, *supra* note 24, at 179. It may be that parties have over time become less optimistic about overturning injunction denials at the Federal Circuit, leading to fewer appeals.

which were decided by summary affirmance under Federal Circuit Rule 36¹⁴⁶) and reversed the district court's ruling in seven cases (26%).¹⁴⁷

The Federal Circuit equated an ongoing royalty to a compulsory license in three cases, *Whitserve, LLC v. Comput. Packages, Inc.* and *Innogenetics, N.V. v. Abbott Labs.* Despite Judge Prost's early attempt in *Paice II* to disavow the granting of a compulsory license when an ongoing royalty is established,¹⁴⁸ other Federal Circuit judges seem less convinced. For example, in *Whitserve*, Judge O'Malley, joined, interestingly, by Judge Prost in the majority, stated that, "[w]hile a trial court is not required to grant a compulsory license even when an injunction is denied, the court must adequately explain why it chooses to deny this alternative relief when it does so."¹⁴⁹ In *Innogenetics*, Judge Moore (joined by Judges Bryson and Clevenger) wrote that "future sales would be subject to the running royalty, a compulsory license. We remand to the district court to delineate the terms of the compulsory license..."¹⁵⁰ Finally, in *SRI Int'l, Inc. v. Cisco Sys.*, in which the Federal Circuit affirmed the district court's award of an ongoing royalty in the absence of a request for an injunction by the patent holder, Judge Stoll (joined by Judges O'Malley and Lourie) explained that the district court "did not abuse its discretion in awarding a 3.5% compulsory license for all post-verdict sales" (emphasis added).¹⁵¹

These results demonstrate that a number of Federal Circuit judges (Bryson, Clevenger, Lourie, Moore, O'Malley, Prost, Rader and Stoll), including three former and current Chief Judges (Moore, Prost and Rader) have either written or joined opinions referring to the granting of compulsory licenses upon the authorization of an ongoing royalty for unenjoined infringement.

It is also informative to compare the cases in which the Federal Circuit used compulsory licensing language with those in which district courts did so. One might predict that the Federal Circuit considered the question of compulsory licensing primarily when it was raised at the district court below. However, this was not the case. In our sample, there are twelve Federal Circuit cases in which future damages were awarded for unenjoined infringement. In five of these, the district court awarded an ongoing royalty *without* discussion of compulsory

¹⁴⁶ U.S. Ct. App. Fed. Cir., Rules of Practice, Rule 36 (2021), <https://cafc.uscourts.gov/home/rules-procedures-forms/federal-local-rules-of-appellate-procedure/>

¹⁴⁷ The 74% affirmance rate that we found differs substantially from the 53% affirmance rate found by Holte and Seaman for cases appealed between 2006 and 2013. Holte & Seaman, *supra* note 24, at 187-88. It is possible that the lower rate of appeal during the period that we studied, see note 145, *supra*, and accompanying text, resulted in a higher rate of affirmance among cases that were appealed (i.e., if parties tended to appeal cases with a lower likelihood of reversal).

¹⁴⁸ At least one other Federal Circuit Judge has followed Judge Prost's lead. Judge Gajarsa, citing *Paice*, disavowed the use of the term "compulsory license." *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, 670 F.3d 1171, 1179 n.2 (Fed. Cir. 2012) ("As in *Paice LLC v. Toyota Motor Corp.*, [w]e use the term ongoing royalty to distinguish this equitable remedy from a compulsory license." (internal quotations marks omitted)).

¹⁴⁹ *Whitserve, LLC v. Comput. Packages, Inc.*, 694 F.3d 10, 36 (Fed. Cir. 2012).

¹⁵⁰ *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1381 (Fed. Cir. 2008).

¹⁵¹ *SRI Int'l, Inc. v. Cisco Sys.*, 930 F.3d 1295, 1311 (Fed. Cir. 2019) (emphasis added).

licensing, and in four, the district court awarded an ongoing royalty that it characterizes as compulsory licensing. The Federal Circuit took a different approach in each of these four cases, either (1) confirming that an ongoing royalty is compulsory licensing,¹⁵² (2) referring only to an ongoing royalty,¹⁵³ (3) referring to neither an ongoing royalty or compulsory licensing,¹⁵⁴ and (4) specifically indicating that an ongoing royalty is not a compulsory license.¹⁵⁵ What's more, in *Whitserve*, the Federal Circuit referred to compulsory licensing when the district discussed neither an ongoing royalty or compulsory licensing.¹⁵⁶

These somewhat confusing results suggest, at best, that the Federal Circuit lacks a clear view on whether or not a compulsory license is being granted when an ongoing royalty is awarded for unenjoined infringement.

C. Discussion

The above findings indicate that U.S. district court judges across judicial districts interpret the award of ongoing royalties accompanying unenjoined infringement as conferring a compulsory license on the infringer. This view has been confirmed by the Federal Circuit in various cases, notwithstanding Judge Prost's attempt in *Paice II* to distinguish an ongoing royalty from a compulsory license.

As a simple matter of logic, there is little doubt that a court's imposition of an ongoing royalty obligation on an unenjoined infringer can be anything other than a compulsory license of the infringed patents. As defined by the authorities cited in Part I.A.1, a license is a commitment not to sue a party for practicing a licensed right. And a "compulsory license" (notwithstanding the erroneous definition advanced in *Paice II*) is such a commitment that is imposed involuntarily by a governmental body, including a court. While a small number of district courts that have declined to issue injunctions in patent cases have left open the door for the patent holder to bring successive damages suits against an unenjoined infringer,¹⁵⁷ courts that have awarded the patent holder an ongoing royalty as compensation for that infringement have effectively closed this door. For all practical purposes, there is no way that a patent holder that has been awarded judicially determined compensation for unenjoined infringement can subsequently sue the infringer for infringement of the same patents by the same infringing products.

While some academic commentators have questioned the authority of district courts to authorize compulsory licenses, and even to award ongoing royalties (see

¹⁵² *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363 (Fed. Cir. 2008).

¹⁵³ *Telcordia Techs., Inc. v. Cisco Sys.*, 592 F. Supp. 2d 727 (D. Del. 2009).

¹⁵⁴ *Apple, Inc. v. Samsung Elecs. Co.*, No. 12-CV-00630-LHK, 2013 U.S. Dist. LEXIS 38682 (N.D. Cal. Mar. 19, 2013).

¹⁵⁵ *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, No. CV-03-0597-PHX-MHM, 2009 U.S. Dist. LEXIS 31328, at *19-20 (D. Ariz. Mar. 31, 2009).

¹⁵⁶ *Whitserve, LLC v. Comput. Packages, Inc.*, 694 F.3d 10 (Fed. Cir. 2012).

¹⁵⁷ We identified five such cases. See note x, *supra*, and accompanying discussion.

Part I.B, above), those objections have clearly not swayed judicial practice in the nearly two decades since the Supreme Court's *eBay* decision. Moreover, even before *eBay*, the Federal Circuit recognized that district courts denying injunctive relief for patent infringement effectively granted compulsory licenses to the infringers.¹⁵⁸

For all of these reasons, it is time to recognize that district courts awarding compensation for unenjoined infringement, whether in the form of ongoing royalties or lump sum payments, effectively grant compulsory licenses to the parties practicing the infringed patents, no matter what terminology these courts use to describe this practice.¹⁵⁹ In Part III that follows, we discuss some of the implications of this form of compulsory licensing.

III. COMING TO TERMS WITH UNENJOINED INFRINGEMENT AS COMPULSORY LICENSING

Despite the fact that district courts appear to be granting compulsory licenses to unenjoined infringers, little has been written about the terms or other commercial effects of those licenses. In this Part III, we explore in greater depth some of the ramifications arising from the recognition of unenjoined infringement as compulsory licensing.

A. *Unenjoined Infringement and Patent Exhaustion*

It is well-established that the sale of a patented article by an authorized licensee exhausts the patents embodied in that article, so that the patent holder cannot pursue infringement claims or seek royalties from any downstream purchaser or user of that article.¹⁶⁰ The sale of a patented article by the holder of a compulsory license also exhausts the relevant patents and, by the same token, a sale by an unenjoined infringer must also exhaust those patents.

Any result to the contrary would be both inimical to the intent of *eBay* and to the patent exhaustion doctrine. For example, consider what would happen if unenjoined infringement did *not* constitute a license that exhausted the relevant patent rights. The unenjoined infringer could manufacture a product covered by the patent and then sell it to a customer. The infringer would pay the patent holder the amount of the court-determined ongoing royalty with respect to that sale (usually denominated as a percentage of the product's net selling price). Yet if the

¹⁵⁸ See notes 97-99, *supra*, and accompanying discussion.

¹⁵⁹ Professor Janicke appears to agree, writing that "courts have drifted into thinking a suitable remedy can be a judicially issued compulsory license that converts unlawful activities into licensed ones." Janicke, *supra* note 27, at 187.

¹⁶⁰ See *Quanta Computer, Inc. v. LG Elecs.*, 553 U.S. 617, x (2008) ("The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.")

manufacture and sale of the product by the unenjoined infringer were *not* deemed to be under “license”, then the sale to the customer would not be authorized, and the customer would infringe the patent upon using the product that it purchased. And even though the unenjoined infringer paid the patent holder the court-determined royalty for that very sale, the patent holder could turn around and sue the customer for monetary damages and even seek an injunction against it. If so, the patent holder could recover twice for the sale of the same patented product – once from the unenjoined infringer and once from its customer.¹⁶¹

Such a result is, of course, absurd, and would both eviscerate the purpose of the ongoing royalty and unfairly reward the patent holder twice for the same infringing product – the very situation that the patent exhaustion doctrine seeks to eliminate.¹⁶² Exhaustion considerations thus offer yet another reason that unenjoined infringement, at least when it is accompanied by an ongoing royalty,¹⁶³ should be deemed to represent a compulsory patent license.

B. License and Patent Transfers

A patent license is generally viewed as an encumbrance on the patent which, like a servitude on land, travels with the patent when it is transferred to a new owner, investing the new owner with both the benefit and the burden of that encumbrance.¹⁶⁴ Thus, when a patent is transferred, its new owner may not sue parties that were previously granted licenses to practice the patent, assuming that their licenses have not otherwise been terminated. By the same token, upon a transfer of the patent, licensees must pay royalties to the patent’s new owner, and the prior owner loses its entitlement to those royalties.

The same must hold true in the case of unenjoined infringement. When the infringed patent is transferred to a new owner, the new owner must remain bound by the prior owner’s commitment not to sue the unenjoined infringer, and the unenjoined infringer must pay the ongoing royalty to the new owner.

If, on the other hand, an ongoing royalty awarded for unenjoined infringement did *not* give rise to a license, and simply represented a monetary damages award, it

¹⁶¹ In many cases, a product manufacturer is contractually obligated to indemnify its customer against infringement claims. *See* CONTRERAS, IP TRANSACTIONS, *supra* note 71, at x. As a result, the patent holder’s claim against the unenjoined infringer’s customer would likely be covered by the unenjoined infringer itself, subjecting it to double payment for the same product, another unjust and illogical result.

¹⁶² Professor Janicke, recognizing the effect of the patent exhaustion doctrine, argues, somewhat circularly, that customers of an unenjoined infringer would not be insulated from suit by the patent holder, which proves that a compulsory license is not being granted by courts that authorize unenjoined infringement. Janicke, *supra* note 27, at 188.

¹⁶³ The status of sales by an unenjoined infringer that does not compensate the patent holder for future infringement is less clear.

¹⁶⁴ *See* Sanofi, S.A. v. Med-Tech Veterinarian Prods., 565 F. Supp. 931, 939 (D.N.J. 1983) (“the purchaser of a patent takes subject to outstanding licenses”).

would accrue to the original patent holder whether or not it retained the underlying patent. Accordingly, a transferee of the infringed patent would be able to sue the unenjoined infringer upon completion of the transfer, seeking monetary damages and an injunction. In the meantime, the infringer would still be obligated to pay the ongoing royalty to the original patent holder. Clearly, this would be an anomalous and unjustified result, further demonstrating that an ongoing royalty awarded for unenjoined infringement can only indicate the issuance of a compulsory license.

C. U.S. Treaty Compliance

In its amicus brief submitted to the Supreme Court in *eBay*, the United States government cautioned the Court against “awarding monetary damages as a substitute for prospective injunctive relief” out of concern, in part, for U.S. treaty obligations “that preserve the patentee’s right to exclude and that limit compulsory licensing.”¹⁶⁵ The Supreme Court did not directly address this concern in its opinion in *eBay*, but the Federal Circuit’s peculiar aversion to the term “compulsory licensing” in *Paice* may, at least in part, be responsive to treaty compliance considerations.

The concern, however, is misplaced, as previously noted by a number of commentators.¹⁶⁶ First, Article 44(1) of the TRIPS Agreement provides that “the judicial authorities [of a member state] shall have the authority to order a party to desist from an infringement,” but it does not mandate that injunctions be issued whenever patent infringement is found. Moreover, Article 44(2) acknowledges the general right of governments (and authorized third parties) to practice a patent upon the payment of “adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization”¹⁶⁷ – effectively a compulsory license. And, as noted in Part I.A, above, Articles 30 and 31 of the TRIPS Agreement explicitly permit compulsory licensing of patents under particular circumstances.¹⁶⁸ For all of these reasons, it does not appear that the authorization by U.S. courts of compulsory licenses when injunctions are denied would violate U.S. treaty obligations under TRIPS.

¹⁶⁵ Brief for the United States as Amicus Curiae Supporting the Respondent at 18, *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006) [hereinafter Government Amicus Brief] (citing the TRIPS Agreement, *supra* note 6, arts. 28, 31, 33, and the U.S.-Australia Free Trade Agreement, May 18, 2004, art. 17.9, ¶ 7).

¹⁶⁶ See, e.g., Amicus Brief of Professors, *supra* note 109, at 10-11; Cotropia, *supra* note 10, at 576-81, Graeme B. Dinwoodie & Rochelle C. Dreyfuss, *Injunctive Relief in Patent Law under TRIPS*, in *INJUNCTIONS IN PATENT LAW: TRANSATLANTIC DIALOGUES ON FLEXIBILITY AND TAILORING X* (Jorge L. Contreras & Martin Husovec eds., 2022).

¹⁶⁷ TRIPS Agreement, *supra* note 6, art. 44(2). See Amicus Brief of Professors, *supra* note 109, at 10-11.

¹⁶⁸ See Cotropia, *supra* note 10, at *17-22.

D. *Effect on Exclusive Licensees*

In *Paice*, the patent holder argued that the court should not grant a compulsory license to Toyota, the infringer, because doing so would impair its ability to grant an exclusive license under the infringed patent to another party in the future.¹⁶⁹ That is, if a compulsory license has been granted, then while it remains in effect, it is impossible for the patent holder to grant another party a truly exclusive license. And because exclusive patent licenses often command higher royalties than nonexclusive licenses,¹⁷⁰ the victorious patent holder is unfairly injured by the grant of a compulsory license to the infringer. Conversely, Professor Janicke argues that a patent holder that has *previously* granted an exclusive license under the infringed patent may be contractually barred from granting a conflicting license to the unenjoined infringer, even if ordered to do so by a court.¹⁷¹

Both of these implications of compulsory licenses – their interference with *future* exclusive licenses and their derogation from *prior* exclusive licenses – highlight the power of the compulsory license. These effects are not newly discovered in the context of unenjoined infringement. Rather, they are longstanding objections to the issuance of compulsory licenses of every kind. The owner of a pharmaceutical patent may be required to license it to a local generic manufacturer, notwithstanding its prior exclusive license to a multinational drug company.¹⁷² The owner of a patented semiconductor technology developed with federal funding may be required to license it to a second manufacturer if its exclusive licensee is unable to meet the demand for products in the United States.¹⁷³ In all of these cases, the patent owner would prefer not to grant the compulsory license, which is the very reason that it is compulsory in the first place – an overriding governmental policy or concern dictates that the patent be made available in a manner beyond that desired by the patent holder.

Compulsory licenses granted for unenjoined infringement are no different. Courts may deny injunctive relief in patent cases only after assessing the four factors laid out in the Supreme Court’s *eBay* decision. Courts should not take this decision lightly, and the relatively low number of such compulsory licenses granted in the two decades since *eBay* suggest that they do not.

¹⁶⁹ *Paice* CAFC Brief, *supra* note 28, at *80 (“Toyota now has won the privilege of being licensed under the '970 patent simply by losing a lawsuit and, as a result, Paice can never offer an exclusive license to this patent to other interested parties.”)

¹⁷⁰ CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 176 (discussing premium payable for exclusive license rights).

¹⁷¹ Janicke, *supra* note 27, at 188 (“[i]f an exclusive license is already outstanding, the patent owner may not issue a conflicting nonexclusive license to someone else.”)

¹⁷² See notes x, *supra*, and accompanying text (discussing compulsory licensing of essential medicines).

¹⁷³ See notes x, *supra*, and accompanying text (discussing march-in rights under the Bayh-Dole Act).

E. Terms of the Compulsory License

The granting of a compulsory license following the denial of a permanent injunction begs the question: what are the terms of that compulsory license? A license is an authorization to take certain actions under an intellectual property right. But which actions, for how long, and under what conditions?

Perhaps due to the Federal Circuit's reluctance in *Paice II* to call this grant of authority a "license", courts and commentators have largely focused on only one admittedly important feature of the license: the royalty rate.¹⁷⁴ Indeed, by referring to the license merely as an "ongoing royalty", the Federal Circuit virtually guaranteed that the license would be viewed in these myopic terms. Given the extensive existing commentary on the royalty rate determination in unenjoined infringement cases, we do not focus on this issue.

Yet intellectual property licenses have numerous other terms that must be specified in addition to the royalty rate. Licenses have a scope, a duration, a field of use, and other provisions that define the ongoing relationship between the licensor and the licensee. Moreover, they often specify procedures for payment, audit, challenge and dispute resolution should one party fail to live up to its obligations.

U.S. courts that granted compulsory patent licenses in the context of historical antitrust disputes took care to specify at least some terms of those licenses beyond the royalty rate.¹⁷⁵ Courts authorizing unenjoined infringement under a compulsory license can and should do the same.¹⁷⁶ If nothing else, specifying the scope of the compulsory license gives the court some control over its effective implementation. As observed by the Federal Circuit in *Innogenetics, N.V. v. Abbott Labs.*, "[a]n injunction delineating the terms of the compulsory license would permit the court to retain jurisdiction to ensure the terms of the compulsory license are complied with."¹⁷⁷

In this Part, we discuss some of the legal terms beyond the royalty rate that should be defined in any compulsory patent license and urge courts granting such

¹⁷⁴ Determining the ongoing royalty rate has attracted significant attention in the academic literature. See Shore, *supra* note 2; Lemley, *supra* note 45, at x; Seaman, *Ongoing Royalty*, *supra* note 53, at x; Carlton, *supra* note 26.

¹⁷⁵ See Contreras, *Brief History*, *supra* note 95 (discussing terms on which licenses were granted), Delrahim, *supra* note 7, at 12-15 (discussing licensing terms).

¹⁷⁶ The patent holder in *Paice* complained that "the remedy fashioned in this case is impermissibly incomplete. The district court imposed a license that leaves substantial terms open to future dispute and litigation." Paice CAFC Brief, *supra* note 28, at *79. Professor Janicke argues that the failure of courts authorizing unenjoined infringement to specify these additional terms indicates that they are not actually granting compulsory licenses. Janicke, *supra* note 27, at 187-88. We disagree, finding instead that these courts are simply granting compulsory licenses that suffer from a lack of detail. This lack, however, does not make them into something less than licenses.

¹⁷⁷ *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1381 n.9 (Fed. Cir. 2008).

licenses to consider including such terms in their orders imposing compulsory licenses for unenjoined infringement.¹⁷⁸

1. *Allowing Parties to Negotiate*

As noted in Part I,¹⁷⁹ the Federal Circuit in *Paice II*, encourages district courts to permit parties to negotiate the terms of their own licenses for unenjoined infringement before determining an ongoing royalty. As a result, several district courts have ordered the parties to negotiate a licensing agreement for the period of unenjoined infringement after an injunction was denied.¹⁸⁰ In these cases, a written license agreement would presumably emerge from the parties' negotiation, specifying the licensing details normally associated with a license of intellectual property. This is the ideal scenario, in which all relevant licensing terms are specified by the parties after being requested by the court to do so. However, if the parties are unable to reach such an agreement, the court itself may need to step in with licensing terms in addition to the ongoing royalty.

2. *Licensed Rights*

In commercial licensing agreements, significant negotiation occurs over the precise intellectual property rights that will be licensed, whether a single patent, a patent "family" deriving from the same root application, or a portfolio of patents relating to a particular product or technology.¹⁸¹ In licensing agreements that are entered into when settling litigation, the licensed rights are often confined to the patents at suit, but parties may be well-advised to include other members of the same patent family and additional patents that cover the same product to avoid

¹⁷⁸ For example, the district court supplied a form of license agreement for use by the parties in Amended Final Judgment and Injunction, *TCL Communication Technology Holdings, Ltd v. Telefonaktiebolaget LM Ericsson*, Case No. 8:14-CV-00341 JVS-DFMx (C.D. Cal., Dec. 22, 2017).

¹⁷⁹ See note 144, *supra*, and accompanying discussion.

¹⁸⁰ See, e.g., Order at 1, *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, Civil Action No. 09-290, 2013 U.S. Dist. LEXIS 58331 (W.D. Pa. Apr. 24, 2013) (No. 865) ("IT IS HEREBY ORDERED that the parties, through counsel, shall meet and confer to prepare a draft joint licensing agreement for ongoing royalties"); *Douglas Dynamics, LLC v. Buyers Prods. Co.*, No. 09-cv-261-wmc, 2011 U.S. Dist. LEXIS 157349, at *17 (W.D. Wis. Feb. 25, 2011) ("The parties have until March 28, 2011, in which to reach a licensing agreement for defendant Buyers Products' use of plaintiff's U.S. Patents Nos. 5,353,530 and 6,944,978 or to file their separate positions for the court to use in assessing the appropriate reasonable ongoing royalty"); *Telcordia Techs., Inc. v. Cisco Sys.*, 612 F.3d 1365, 1379 (Fed. Cir. 2010) ("This court also remands to allow the parties to negotiate the terms of the royalty"); *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951, 986 (N.D. Cal. 2009) ("the best practice is to order the parties to negotiate the terms of an ongoing royalty for the court to impose").

¹⁸¹ CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 129-36. Note that in settlement agreements, the licensed rights seldom include trade secrets or know-how that are not yet known by the infringer, as the patent holder is seldom willing to assist the infringer in improving its products.

further litigation.¹⁸² The rights licensed under a compulsory license for unenjoined infringement should thus be carefully delineated.¹⁸³

3. Duration of License

Licensing agreements can have durations of any length up to the full legal term of the licensed rights. In many cases, patent license agreements run concurrently with the term of the licensed patents and terminate upon the expiration of the last-to-expire patent.¹⁸⁴ This is also the case when a licensing agreement states no defined term.¹⁸⁵ In most of the Reviewed Cases in which the district court specified the term of the compulsory license or ongoing royalty, the term ended upon expiration of the last licensed patent.¹⁸⁶ Nevertheless, at least one court specified a license term of less than the full duration of the licensed patents based on an analysis of comparable licensing agreements in the industry.¹⁸⁷

4. License Scope and Field of Use

A license often specifies the types of products and services that the licensee is permitted to produce and offer under the licensed rights. Often this “field of use” is carefully delimited and heavily negotiated.¹⁸⁸ The scope of the licensee’s rights under a compulsory license must also be carefully considered. For example, the agreement must answer the questions whether the licensee may practice the licensed patents only in connection with the manufacture and sale of the types of products that it made at the time a claim for infringement was made, at the time the license was granted, or at points in the future? To what degree may the licensee introduce routine, or even extraordinary, product improvements and still retain its license?

Only a few cases involving unenjoined infringement have addressed this important issue, mostly to clarify the scope of products as to which the unenjoined infringer must pay an ongoing royalty. For example, in *Fractus, S.A. v. Samsung*

¹⁸² CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 360 (discussing cases in which rights licensed under settlement agreement were too narrow).

¹⁸³ Professor Janicke notes that “[a]s far as we know from the court decisions to date, this subject has been wholly unexplored.” Janicke, *supra* note 27, at 188.

¹⁸⁴ See CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 364-65.

¹⁸⁵ See CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 364.

¹⁸⁶ See *XY, LLC v. Trans Ova Genetics, LC*, Civil Action No. 13-cv-0876-WJM-NYW, 2020 U.S. Dist. LEXIS 78716, at *37 (D. Colo. May 5, 2020) (“all ongoing royalty obligations end with the expiration of the . . . patent.”), *Tex. Advanced Optoelectronic Sols., Inc. v. Intersil Corp.*, No. 4:08-CV-451, 2016 U.S. Dist. LEXIS 53948, at *17 (E.D. Tex. Apr. 22, 2016) (“ORDERED to negotiate a royalty rate to address any future harm to the Plaintiff for the remaining life of the ’981 patent. Such supplemental damages shall be for sales in the United States of products found to infringe the Plaintiff’s patent from March 2014 until the expiration of the patent.”).

¹⁸⁷ *Centripetal Networks, Inc. v. Cisco Sys.*, 492 F. Supp. 3d 495, 607 (E.D. Va. 2020) (setting six-year term for license, notwithstanding three-year term found in one comparable license).

¹⁸⁸ See CONTRERAS, IP TRANSACTIONS, *supra* note 71, at 143-46 (licensed products and field of use)].

Elecs. Co., the district court states that ongoing royalties must be paid with respect to any products that are not ‘colorably different’ that the products accused of infringement.¹⁸⁹ Likewise, another court makes it clear that the licensee’s mere alternation of the “nomenclature” of its infringing products (i.e., changing product or model names) will not relieve it of the obligation to pay ongoing royalties.¹⁹⁰ These judicial statements are important because they establish the scope of the licensee’s field of use, and all courts issuing compulsory licenses for unenjoined infringement should more clearly identify the scope of the license granted.¹⁹¹

Geographic or territorial reach is also relevant in defining the scope of a license. In some industries, commercial licenses are worldwide in scope.¹⁹² This expansive reach, however, can be problematic in licenses granted in settlement of litigation. As one district court explains, “the dominant practice in the industry is to license on the basis of worldwide sales, in part to avoid the need to determine which products enter which countries . . . however, the court may not impose a royalty on such a basis because the court’s powers do not extend beyond the United States.”¹⁹³

5. *Payment Terms*

Given the importance of the ongoing royalty to the authorization of unenjoined infringement, some courts have included express payment and other financial terms in their orders establishing an ongoing royalty or compulsory license. For example, in *Finisar Corp. v. DirecTV Grp., Inc.*, the court establishes that royalties must be paid on a quarterly basis and accompanied by a statement of accounting, payments not made within fourteen days of the due date will accrue interest at a rate of 10% compounded monthly, and the patent holder has the right to conduct an audit of the licensee’s books to verify compliance.¹⁹⁴ Few other judicial royalty orders are this detailed, leaving many of these procedural elements to further agreement (or disagreement) of the parties.

¹⁸⁹ *Fractus, S.A. v. Samsung Elecs. Co.*, No. 6:09-CV-203 PATENT, 2013 U.S. Dist. LEXIS 37275, at *15 (E.D. Tex. Mar. 15, 2013). The language of “colorable difference” is not infrequently found in orders for injunctive relief in patent cases. See John Golden, *Injunctions as More (or Less) than “Off Switches”*: *Patent-Infringement Injunctions’ Scope*, 90 TEX. L. REV. 1399, 1404 (2012) (describing “Colorable-differences do-not-infringe injunctions”).

¹⁹⁰ *Centripetal Networks, Inc. v. Cisco Sys.*, 492 F. Supp. 3d 495, 607 (E.D. Va. 2020).

¹⁹¹ Professor Janicke observes that “[i]n a real license, the scope of permission is invariably set out in the agreement, whether it is for all products covered by the patent’s claims or only certain configurations, characteristics, or markets. In court-ordered situations to date, little address has been given to this important subject” Janicke, *supra* note 27, at 188.

¹⁹² See *CONTRERAS, IP TRANSACTIONS*, *supra* note 71, at 147-48.

¹⁹³ *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951, 987, n.30 (N.D. Cal. 2009). See also *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283 (Fed. Cir. 2015) (the scope of a compulsory license should only apply to the patented products that are sold within the United States).

¹⁹⁴ *Finisar Corp. v. DirecTV Grp., Inc.*, Civil Action No. 1:05-CV-264, 2006 U.S. Dist. LEXIS 76380, at *5 (E.D. Tex. July 7, 2006).

6. Other Terms

A multiplicity of other commercial terms are generally included in patent licensing agreements, and many of these would be useful to specify in compulsory licenses accompanying unenjoined infringement. For example:

- Can the license be terminated by the patent holder for the licensee's non-payment or other breach, or is it effectively irrevocable during its term?
- Is the license transferable, e.g., in the event of a sale or merger of the licensee?
- May the licensee grant sublicenses?
- Is the royalty adjusted, for example, if one or more licensed patents is invalidated or expires?
- Is the licensee permitted to challenge the validity of the licensed patents?¹⁹⁵
- Must the licensee mark its products with the licensed patent number(s)?¹⁹⁶
- Must the licensee grant any rights to the licensor in improvements to the licensed technology?

We suggest that courts imposing compulsory licenses in the context of unenjoined infringement address each of these issues in the relevant judicial order. Failing to do so can lead to ambiguity and disagreements as a multi-year licensing relationship proceeds.

CONCLUSIONS

The United States has traditionally opposed the granting of compulsory licenses of patents. Yet a U.S. court that declines to enjoin the infringement of a valid and enforceable patent, and concurrently orders the infringer to compensate the patent holder for acts of unenjoined infringement, can only be interpreted as authorizing a compulsory license of the patent. U.S. district courts have granted such compulsory licenses explicitly and implicitly both before and after the Supreme Court's decision in *eBay v. MercExchange*. Notwithstanding judicial reluctance to admit that compulsory licenses are thus being granted, there is no other way to interpret this combination of authorized infringement and compensation. Failing to recognize that a license has been granted not only defies logic and the longstanding

¹⁹⁵ Though patent licensees generally retain the right to challenge licensed patents under the Supreme Court's decision in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), prohibitions on challenge have been upheld in the context of settlement agreements. See *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362 (Fed. Cir. 2001) ("while the federal patent laws favor full and free competition in the use of ideas in the public domain over the technical requirements of contract doctrine, settlement of litigation is more strongly favored by the law").

¹⁹⁶ This question was raised by the patent holder in *Paice*. Paice CAFC Brief, *supra* note 28, at *79 ("the compulsory license is wholly silent as to patent marking. Will Paice now suffer loss of pre-suit damages against other auto makers as the result of Toyota's unmarked and yet "licensed" sales?")

definition of the term, but also introduces intractable issues under the doctrines of patent exhaustion and transfer.¹⁹⁷ Moreover, scholars including Professor Mark Lemley have shown that district courts possess ample statutory authority under Sections 283 and 284 of the Patent Act, as well as general principles of equity, to order ongoing royalties after denying an injunction, thus removing any doctrinal barrier to this approach.¹⁹⁸ Indeed, as demonstrated by the results of this study, numerous district courts, as well as some judges on the Federal Circuit, have expressly acknowledged that they are indeed granting compulsory licenses when authorizing unenjoined infringement combined with ongoing royalties.

Nevertheless, this recognition is not universal, and some district courts, relying on selected Federal Circuit statements, continue to insist that ordering an “ongoing royalty” is somehow different than granting a “compulsory license”. It is not; and the time has come for courts, and the Federal Circuit in particular, to acknowledge this fact explicitly. Specifically, we call on the Federal Circuit to acknowledge that a district court that declines to enjoin the infringement of a valid and enforceable patent, and concurrently orders the infringer to compensate the patent holder for acts of future unenjoined infringement, has thus authorized a compulsory license of the patent. The Federal Circuit should also expressly overrule the false distinction between ongoing royalties and compulsory licensing that was established in *Paice II*.¹⁹⁹

Taking these steps would have several benefits. First, it would eliminate the courts’ embarrassing reliance on a definition of compulsory licensing that erroneously equates it with public licensing as authorized under the Copyright Act.²⁰⁰ If nothing else, such an acknowledgement would improve the doctrinal integrity of a key principle underlying judicial orders that have significant commercial and market impact.

Second, expressly recognizing the judicial authorization of compulsory licenses could encourage courts to focus greater attention on the non-royalty terms of such licenses. As discussed in Part III.E, above, key terms such as license scope, field of use and duration are typically omitted from judicial orders pertaining to unenjoined infringement, as courts focus largely on the determination of an “ongoing royalty” to the exclusion of other licensing terms. The recognition that a court is granting a compulsory license, rather than merely setting an ongoing royalty rate, would place the determination of these terms squarely within the scope of the court’s order.

Finally, an acknowledgement that U.S. district courts are issuing compulsory patent licenses in significant numbers would, and should, inform U.S. foreign policy regarding compulsory licensing by other countries. As noted in the

¹⁹⁷ See Parts III.A and B, *supra*.

¹⁹⁸ See Lemley, *supra* note 45, at 697-99.

¹⁹⁹ See notes x, *supra*, and accompanying text.

²⁰⁰ See notes x, *supra*, and accompanying text.

Introduction, the U.S. has consistently adopted an aggressive stance toward countries that have proposed to grant, or actually granted, compulsory licenses of patents held by U.S. entities. Greater self-awareness by U.S. government agencies of the prevalence of compulsory licensing within the United States could result in a more nuanced approach to such proposals by other countries.²⁰¹

²⁰¹ See Cotropia, *supra* note 10, at 582-83 (“[t]he United States’ objections to other government allowances of unauthorized [patent] use are more likely to look hypocritical and hold less force before the WTO after *eBay*”).