

## The Continuing Vitality of the Presumption of Irreparable Harm in Copyright Cases

Andrew F. Spillane

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## The Continuing Vitality of the Presumption of Irreparable Harm in Copyright Cases

INTRODUCTION .....	258
I. REFINING SECTION 502(A)'S GRANT OF POWER INTO THE TRADITIONAL RULE.....	261
A. <i>Section 502(a) Creating the Ambiguity with Permissive Plain Language</i> .....	261
B. <i>Legislative History Deepening the Ambiguity with Conflicts between Entitlement and Discretion</i> .....	263
1. Suggesting Discretion by Rebutting Section 101's Entitlement Language with Court Practice .....	263
2. Pointing Toward Discretion in the Register's Report .....	265
3. Almost Confirming Discretion but Also Noting Entitlement in House Report 1476.....	265
C. <i>Caselaw Replacing the Legislative Ambiguity with the Traditional Rule</i> .....	267
II. REINTRODUCING AMBIGUITY FASHIONED AS DISCRETION: EBAY V. MERCExchange AND SUBSEQUENT DECISIONS .....	271
A. <i>eBay v. MercExchange's Series of Multi-Factor Tests</i> .....	271
1. The Battle of Presumptions on the Path to the Supreme Court.....	271
2. The Supreme Court's Oral Musings on Irreparable Harm .....	275
3. The Supreme Court's Decision in Favor of Discretion and Tradition.....	276
4. The District Court's Construing the <i>eBay</i> Holding as a Rejection of the Presumption of Irreparable Harm.....	278
B. <i>The Split of Authority Grappling with the Presumption after eBay v. MercExchange</i> .....	279
1. Cases Rejecting the Presumption of Irreparable Harm ...	279
2. Cases Retaining the Presumption of Irreparable Harm ...	281
III. USING THE TRADITIONAL RULE AS A BLUEPRINT: WHY THE COURTS SHOULD CONTINUE TO PRESUME IRREPARABLE HARM.....	282
A. <i>Protecting Copyright's Property Right to Exclude</i> .....	282
B. <i>Judicial Distrust of Defendant's Assertions of Voluntary Cessation</i> .....	285

C. <i>The Interdependent Relationship between Rights and Remedies</i> .....	287
D. <i>Conserving Judicial Resources by Recognizing Trends</i> .....	289
E. <i>Allowing General Rules while Prohibiting Categorical Rules</i> .....	289
F. <i>Following the History and Tradition of Equity Practice</i> .....	290
CONCLUSION.....	293

## INTRODUCTION

Permanent injunctions are powerful remedies. Compared to other forms of relief, they can even be called extraordinary.<sup>1</sup> When entered, they order defendants to cease the conduct that created their liability absolutely. Paired with the threat of contempt, parties who contravene them risk criminal condemnation. In a sense, a plaintiff requesting injunctive relief is effectively asking the court to draft a criminal statute for that single plaintiff's benefit and to that single defendant's detriment.<sup>2</sup> Given permanent injunctions' potency, it should come as no surprise that some believe that courts should reserve injunctions for only the most exceptional circumstances.<sup>3</sup>

Yet, judicial reluctance to grant permanent injunctions is not mandated by the Copyright Act. To the contrary, 17 U.S.C. § 502(a) confers upon the courts the authority to enjoin copyright infringement,<sup>4</sup> while largely failing to provide direction on how that authority should be exercised. More specifically, the statute's text lacks description of the scope of the power to order permanent injunctions and how frequently it should be invoked.<sup>5</sup> Absent further guidance from the statute's legislative history,<sup>6</sup> the only tools available to courts deciding

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1. THOMAS CARL SPELLING, *A TREATISE ON EXTRAORDINARY RELIEF IN EQUITY AND AT LAW* (1893) (covering injunctions in Part I).

2. STEVEN C. YEAZELL, *CIVIL PROCEDURE* 282 (7th ed. 2008) (citing OWEN M. FISS, *THE CIVIL RIGHTS INJUNCTION* 91–92 (1978)).

3. *E.g.*, *Bowen v. Massachusetts*, 487 U.S. 879, 925 (1988) (Scalia, J., dissenting) (“[T]hough a plaintiff may often prefer a judicial order enjoining a harmful act or omission before it occurs, damages after the fact are considered an ‘adequate remedy’ in all but the most extraordinary cases.”) (citing *Schoenthal v. Irving Trust Co.*, 287 U.S. 92, 94 (1932); *Gaines v. Miller*, 111 U.S. 395, 397–98 (1884)).

4. 17 U.S.C. § 502(a) (2006), *construed in Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 433–34 (1984).

5. *See* § 502(a).

6. H.R. REP. NO. 94-1476, at 160 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5969. For example, § 502(a)'s predecessor in the 1909 Copyright Act, § 101, contains even less detail than its contemporary. Section 101 only provides that infringers “shall” be subject “[t]o an

whether to permanently enjoin copyright infringement are § 502(a)'s ambiguous text<sup>7</sup> and the history and traditions of equity.<sup>8</sup>

The task of articulating the principles guiding judicial discretion to order permanent injunctions has thus fallen on the courts. Following the 1976 Act's enactment, the courts have roundly held that liability for infringement plus a threat of future infringement entitled copyright owners to permanent relief, without any burden on the copyright owner to demonstrate irreparable harm.<sup>9</sup> This rule has been a boon for plaintiffs, with courts routinely entering permanent injunctions after finding defendants liable for copyright infringement.<sup>10</sup>

The traditional rule, however, no longer enjoys nearly universal acceptance<sup>11</sup> as courts begin to apply the Supreme Court's majority opinion in *eBay v. MercExchange*.<sup>12</sup> In that case, the Supreme Court unanimously held that plaintiffs in patent infringement suits "must satisfy a four-factor test before a court may grant" a permanent injunction,<sup>13</sup> the first factor being "that [the plaintiff] has suffered an irreparable injury."<sup>14</sup> Though the lower federal courts have split on how this decision affects the presumption of irreparable harm in copyright infringement suits, their approaches have largely turned on whether to reject or retain the presumption in its entirety.<sup>15</sup> As evinced by this split of authority, *eBay* has led the courts back to the ambiguity and inconsistencies left by § 502(a) and its legislative history, leaving plaintiffs and defendants in danger of potentially ad hoc decision making masquerading as equitable discretion.

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injunction restraining such infringement[.]” Copyright Act of 1909, Pub. L. No. 60-349, § 25, 35 Stat. 1075, 1081 (1909), *amended by* Copyright Act of 1976, Pub. L. No. 94-553, § 502, 90 Stat. 2584 (codified at 17 U.S.C. § 502 (2006)).

7. See discussion *infra* Part I.A.

8. REGISTER OF COPYRIGHTS, REGISTER'S REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 108 (1961).

9. Elektra Entm't Group Inc. v. Brimley, No. CV205-134, 2006 U.S. Dist. LEXIS 56798, at \*9 (S.D. Ga. 2006). See also 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §14.06[B][1][a] (Rev. Ed. 2009).

10. M.L.E. Music v. Kimble, Inc., 109 F. Supp. 2d 469, 472-73 (S.D.W. Va. 2000); 4 NIMMER, *supra* note 9, §14.06[B][1][b][iv].

11. For a list of circuit and district courts that have applied the traditional rule, see the cases cited *infra* at footnote 65.

12. *eBay, Inc. v. MercExchange L.L.C.*, 547 U.S. 388, 390-94 (2006).

13. *Id.* at 391.

14. *Id.*

15. *Compare* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 518 F. Supp. 2d 1197, 1210 (C.D. Cal. 2007) (rejecting the presumption) *with* UMG Recordings, Inc. v. Blake, No. 5:06-CV-00120-BR, 2007 U.S. Dist. LEXIS 46414, at \*6-7 (E.D.N.C. Jun. 26, 2007) (upholding the presumption while acknowledging *eBay*).

To regain the traditional rule's clarity and predictability while faithfully adhering to the Supreme Court's ruling in *eBay*, the courts should graft a rebuttable presumption of irreparable harm onto the first *eBay* factor. Given copyright's nature as a property-esque right to exclude,<sup>16</sup> forcing a plaintiff to prove irreparable harm would carve out an exception to Anglo-American law's traditional stance that interference with property usually calls for injunctive relief.<sup>17</sup> Without an order imposing criminal sanctions, a mere damage award would effectively license the infringing behavior, allowing copyright defendants to infringe a copyright owner's exclusive rights as long as those defendants are willing and able to pay the consequential and statutory damages.<sup>18</sup> Such judicial licensing would shoulder owners with the constant burden of policing their copyrights, despite prior adjudication of infringement.<sup>19</sup> Moreover, if copyright plaintiffs bear the burden of proof, defendants would only need to rebut the plaintiff's case to prevail,<sup>20</sup> thereby failing to address the courts' general distrust that

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16. *eBay*, 547 U.S. at 392 (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)); Max Stul Oppenheimer, *The Time and Place for "Technology-Shifting" Rights*, 14 MARQ. INTELL. PROP. L. REV. 270, 273 (2010); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 211 (1998) (endorsing "the traditional view that intellectual property should be protected by means of a property rule (a presumptive entitlement to injunctive relief) rather than a liability rule") (citing Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1106–10 (1972)); Thomas W. Merrill, *Property and the Right to Exclude*, 77 NEB. L. REV. 730, 730 (1998) (treating the right to exclude as the "*sine qua non*" of property rights); *but see* 6 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 22:1.50 (2009) (suggesting that "copyright [could be] described as a limited regulatory privilege created for the sole purpose of promoting the progress of science, and not economically benefitting copyright holders").

17. Lemley & Volokh, *supra* note 16; *see* 1 DAN B. DOBBS, LAW OF REMEDIES § 2.9(3) (2nd ed. 1998) ("Injunctions are commonly sought and appropriately issued to prevent many kinds of threatened torts to property interests, as well as to restore property already tortuously harmed.")

18. During the oral argument for *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), Justice Scalia expressed concern that issuing only monetary compensation would allow an infringer to "go on and skip away and continue violating" a patent. Transcript of Oral Argument at 32, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130).

19. In Justice Story's words, "if no other remedy could be given in cases of patents and copyrights than an action at law for damages, the inventor or author might be ruined by the necessity of perpetual litigation, without ever being able to have a final establishment of his rights." 2 JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE AS ADMINISTERED IN ENGLAND AND THE UNITED STATES 931 (1836), *quoted in* 6 PATRY, *supra* note 17, § 22:2. *See also* 2 JAMES L. HIGH, HIGH ON INJUNCTIONS § 988 at 746 (3rd ed. 1890) (arguing that injunctions in copyright cases are justified by "the necessity of preventing . . . vexatious litigation").

20. In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 114 (2004), the Supreme Court decided not to impose on a trademark infringement defendant the burden to prove that his or her conduct will create a likelihood of confusion. Instead, "all the

defendants will follow through on their promises to stop infringing.<sup>21</sup> In addition to conserving judicial resources by presuming that the facts of any specific case are much like other run-of-the-mill copyright suits until proven otherwise,<sup>22</sup> this rule comports with the history and traditions of equity practice<sup>23</sup> that *eBay* pushes the courts to follow.<sup>24</sup>

This Comment will begin with Part I examining the legislative sources of the courts' power to issue permanent injunctions in copyright cases and will lay out the traditional rule on permanent injunctions predating *eBay*. Part II will trace *eBay v. MercExchange*'s progression through the federal courts, the rules adopted throughout the *eBay* litigation, and how the lower federal courts have split in applying the Supreme Court's holding in *eBay* to copyright infringement suits. Against this background, Part III will propose that courts adopt a rebuttable presumption of irreparable harm to copyright cases, after critiquing arguments against the presumption of irreparable harm and explaining the traditional rule's theoretical, prudential, and historical justifications.

## I. REFINING SECTION 502(A)'S GRANT OF POWER INTO THE TRADITIONAL RULE

### A. Section 502(a) Creating the Ambiguity with Permissive Plain Language

According to 17 U.S.C. § 502(a), “[a]ny court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a

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defendant needs to do is to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point.” *Id.* at 120.

21. 6 PATRY, *supra* note 17, § 22:74 (citing *Harolds Stores, Inc. v. Dillard Dept. Stores, Inc.*, 82 F.3d 1533, 1555–56 (10th Cir. 1996); *Reader’s Digest Ass’n, Inc. v. Conservative Digest, Inc.*, 821 F.2d 800, 807 (D.C. Cir. 1987)). Irreparable harm can also manifest in cases without threats of future infringement. For example, irreparable harm may occur where the copyrighted works have a time-sensitive existence, *MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW*, at 402–03 (1999) (citing *Novelty Textile Mills, Inc. v. Joanne Fabrics Corp.*, 558 F.3d 1090 (2d Cir. 1977)), or where reputational harm will result from infringing activity. *Metro-Goldwyn-Mayer Studios*, 518 F. Supp. 2d at 1215.

22. David McGowan, *Business Law Forum: Intellectual Property Remedies: Irreparable Harm*, 14 LEWIS & CLARK L. REV. 577, 582 (2010). As one of the presumption’s opponents has recognized, almost every copyright case after *eBay* where permanent relief is sought has ended with a permanent injunction granted. 6 PATRY, *supra* note 17, § 22:74.

23. H. Tomás Gómez-Arostegui, *What History Teaches Us About Copyright Injunctions and the Inadequate-Remedy-at-Law Requirement*, 81 S. CAL. L. REV. 1197 (2008).

24. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 392–93 (2006).

copyright.”<sup>25</sup>

The Supreme Court has treated this statute as the source of federal court power to issue injunctive relief.<sup>26</sup> The courts’ power to do so is demonstrated, from a textual reading, by the word “may.”<sup>27</sup> Not only does this word show that courts have the raw power to issue injunctions, but that same word also implies judicial discretion.<sup>28</sup> Conversely, the statute’s text does not mandate that courts issue injunctions after finding infringement. Ascribing that meaning to the statute would replace the first “may” with the word “shall.”<sup>29</sup> Language placed after this first “may” further confirms this discretion in that the words allow courts to issue injunctions on terms that they “may deem reasonable.”<sup>30</sup>

Though § 502(a) has left this discretion’s scope largely unspecified, the statute does outline two instances in which injunctive relief would be available: “to prevent or restrain infringement.”<sup>31</sup> The word “prevent” by necessity is limited to future infringement: One cannot “prevent” a past or a present act.<sup>32</sup> The word “restrain,” by contrast, has broader definitional range. To be sure, to “restrain” someone would incapacitate them from performing future acts,<sup>33</sup> but restraint also

25. 17 U.S.C. § 502(a) (2006). Summarily, the qualification described in 28 U.S.C. § 1498(b) involves copyright infringement suits brought against the United States. H.R. REP. NO. 94-1476, at 160 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5776. Under that statute, injunctive relief may not be issued against the United States in copyright infringement cases brought in the Court of Federal Claims. *Id.*

26. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 433–34 (1984) (“The Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work, including an injunction to restrain the infringer from violating his rights”). *See also* *Superhype Publ’g, Inc. v. Vasiliou*, 838 F. Supp. 1220, 1126 (S.D. Ohio 1993) (“The Copyright Act grants the Court broad powers to enjoin infringement.”).

27. § 502(a).

28. YULE KIM, CONG. RESEARCH SERV., 97-589, STATUTORY INTERPRETATION: GENERAL PRINCIPLES AND RECENT TRENDS 9 (2008) (quoting *Rastelli v. Warden, Metro. Corr. Ctr.*, 782 F.2d 17, 23 (2d Cir. 1986) (“The use of a permissive verb—‘may review’ instead of ‘shall review’—suggests a discretionary rather than mandatory review process.”)).

29. *Id.* (quoting *Lexecon, Inc. v. Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26, 35 (1998) (“The mandatory ‘shall’ . . . normally creates an obligation impervious to judicial discretion.”)).

30. § 502(a).

31. *Id.*

32. *See* AMERICAN HERITAGE DICTIONARY 1391 (4<sup>th</sup> ed. 2000) (providing such modern definitions to “prevent” as “[t]o keep from happening,” “[t]o keep (someone) from doing something; impede,” and a another definition that has fallen into disuse: “To come before; precede”). This word’s etymological roots further point to the word’s orientation towards the future, with the Middle English word “*preventen*” meaning “to anticipate” and the Latin word “*praevenire*” meaning “to come.” *Id.*

33. In fact, two dictionaries include the word “prevent” in their definitions for

results in a present inhibition—an inability to do something contemporaneous to the initial restraint itself.<sup>34</sup> In any event, one cannot restrain in the present a completed past act. Therefore, § 502(a)'s text appears to exclude past infringement with no threat of recurrence from this judicial remedial power's coverage.<sup>35</sup> Beyond this language, however, the statute does not define the courts' authority to order permanent relief any further.<sup>36</sup>

*B. Legislative History Deepening the Ambiguity with Conflicts between Entitlement and Discretion*

1. Suggesting Discretion by Rebutting Section 101's Entitlement Language with Court Practice

Where § 502(a)'s text leaves off, the 1976 Copyright Act's legislative history does more to cloud than to clarify how readily attainable injunctive relief ought to be. For example, § 101 of the Copyright Act of 1909 states that “[i]f any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable . . . [t]o an injunction restraining such infringement.”<sup>37</sup> This statute creates confusion with its use of the word “shall.” As noted above, the word “shall” typically signifies a legislative mandate; that is, the subject of the sentence containing “shall” must perform the action described by whatever that word precedes.<sup>38</sup> On this reading, a court would theoretically be bound by the 1909 Act to order permanent

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“restrain.” WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1936 (2002); AMERICAN HERITAGE DICTIONARY 1487 (4th ed. 2000).

34. See WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1936 (2002) (providing the following definitions for “restrain”: “to hold (as a person) back from some action, procedure, or course . . . prevent from doing something (as by physical or moral force or social pressure) . . . to limit or restrict to or in respect to a particular action or course . . . keep within bounds or under control . . . to moderate or limit the force, effect, development, or full exercise of . . . prevent or rule out excesses or extremes of . . . to keep from being manifested or performed”); AMERICAN HERITAGE DICTIONARY 1487 (4<sup>th</sup> ed. 2000) (providing other definitions for “restrain”: “To hold back or keep in check; control . . . To hold (a person) back; prevent . . . To deprive freedom or liberty . . . To limit or restrict”).

35. Explaining the scope of the power to issue injunctive relief under the 1909 Act, the Register's Report took this same position. REGISTER OF COPYRIGHTS, REGISTER'S REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 108 (1961). For a more in-depth treatment of the Register's Report, see Part I.B.2 *infra*.

36. See *id.*

37. Copyright Act of 1909, Pub. L. No. 60-349, § 25, 35 Stat. 1075, 1081 (1909), amended by Copyright Act of 1976, Pub. L. No. 94-553, § 502, 90 Stat. 2584 (codified at 17 U.S.C. § 502 (2006)).

38. YULE KIM, CONG. RESEARCH SERV., 97-589, STATUTORY INTERPRETATION: GENERAL PRINCIPLES AND RECENT TRENDS 9 (2008).



injunctions in every case where liability for infringement attaches.

Such a reading, though consistent with general canons of statutory construction,<sup>39</sup> does not comport with how the courts treated injunctions under the 1909 Act. A number of courts denied injunctive relief in the years the 1909 Act was effective, such as in cases where no threat of future infringement presented itself.

For example, in *Phillips v. Constitution Publishing Co.*, a poet sued a newspaper publishing company for reprinting one of his poems in an issue of the *Atlanta Constitution*.<sup>40</sup> During the case, the company claimed that it had no intent to infringe the poet's copyrights again.<sup>41</sup> The district court found this intention dispositive in denying injunctive relief.<sup>42</sup>

Another circuit court opinion directly addressed the argument that § 101 of the 1909 Act requires injunctive relief, and the court expressly ruled to the contrary.<sup>43</sup> In *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave.*, a music publisher sued a music store for selling a collection of songs owned by the publisher.<sup>44</sup> As to whether injunctive relief should issue, the plaintiff argued that "under § 101(a) the district court was required to grant a permanent injunction after he found appellee's sale infringed, despite his finding that there was no likelihood that appellee would again infringe."<sup>45</sup> Though the court recognized that future infringement need not be certain or even probable to occur to warrant a permanent injunction, § 101 does not require a court to issue such relief.<sup>46</sup> As such, the Ninth Circuit affirmed the district court's order refusing to enjoin the defendant from further infringement.<sup>47</sup>

Therefore, § 101 of the 1909 Act, though perhaps phrased in terms of entitlement to injunctive relief, simply allows courts to issue

39. *See id.*

40. *Phillips v. Const. Publ'g Co.*, 72 U.S.P.Q. (BNA) 69, 69-70 (N.D. Ga. 1947).

41. *Id.* at 70.

42. *Id.* This case may have been decided differently today, considering the distrust the courts have expressed regarding defendants' assertions that they will not infringe copyrights again. *See discussion infra* Part III.B.

43. *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave., Inc.*, 367 F.2d 236 (9th Cir. 1966).

44. *Id.* at 238.

45. *Id.* at 242.

46. *Id.* The case cites an edition of the Nimmer treatise, which states that "injunctive relief ordinarily will not be granted when there is no probability or threat of continuing or additional infringements." *Id.* The opinion further notes that "Nimmer cites *Sheldon v. Moredall Realty Corp.*, 95 F.2d 48 (2d Cir. 1938), and *Wihol v. Crow*, 309 F.2d 777 (8th Cir. 1962), both of which support his statement." *Shapiro*, 367 F.2d at 242.

47. *Id.*

permanent injunctions without forcing them to order that relief in every case. In any event, the courts appear to have acted as if the word “shall” in § 101 in reality meant “may.”

## 2. Pointing Toward Discretion in the Register’s Report

In its report recommending changes to the then-current federal copyright laws,<sup>48</sup> the Register of Copyrights indicated that judicial discretion rests at the heart of the power to issue injunctions granted by § 101. To be sure, the Register’s Report makes the existence of this discretion explicit, describing courts’ decisions whether “to issue or deny an injunction” as “the exercise of their discretion.”<sup>49</sup>

Further rebutting the argument that injunctions must issue in every case where infringement liability attaches, the report lists examples of cases where injunctive relief would not be appropriately entered, such as “where the only injury contemplated has already occurred”<sup>50</sup> and where “an injunction may be too harsh on the defendant.”<sup>51</sup>

Conversely, the report states that an injunction is “the most effective remedy” in cases where it would “prevent[] future injury to the plaintiff.”<sup>52</sup> In sifting through cases between those with threats of future infringement and those where no such threat exists, as well as considering other matters relevant to whether an injunction should issue such as “balanc[ing] the plaintiff’s need against the consequences the defendant would suffer,”<sup>53</sup> the report suggests that “[t]he general principles of equity followed by the courts in granting and denying injunctions are applicable to copyright infringement suits.”<sup>54</sup>

## 3. Almost Confirming Discretion but Also Noting Entitlement in House Report 1476

House Report 1476, in treating § 502(a) of the Copyright Act of 1976, generally confirms that this discretionary power rests with the courts.<sup>55</sup> Nothing in that section of the report even attempts to

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48. Emanuel Cellar, *Foreword to REGISTER OF COPYRIGHTS, REGISTER’S REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW* iii, iii (1961).

49. REGISTER OF COPYRIGHTS, REGISTER’S REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 108 (1961).

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.*

54. *Id.*

55. H.R. REP. NO. 94-1476, at 160 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5969, 5776 (“Section 502(a) reasserts the discretionary power of courts to grant injunctions and

demarcate the boundaries of a judge's discretion in this context, whether in terms of scope or substance.<sup>56</sup>

To further complicate matters, House Report 1476 in another section appears at first blush to replace discretion with a categorical rule mandating injunctive relief in all cases. While explaining 17 U.S.C. § 412, the report states that “[u]nder the general scheme of the bill, a copyright owner whose work has been infringed before registration would be entitled to the remedies ordinarily available in infringement cases [including] an injunction on terms the court considers fair.”<sup>57</sup> Speaking of being “entitled” to certain remedies may facially suggest congressional intent to abrogate judicial discretion and, in its place, to order the courts to issue injunctions upon finding infringement as a matter of right.<sup>58</sup>

That said, read against House Report 1476's entirety, that interpretation is not required. That passage treated a section of the Copyright Act limiting the remedies available for unregistered works.<sup>59</sup> The quoted material above, then, only refers to remedies unaffected by the limitations imposed by § 412, and, as such, does not alter the scope of the availability of permanent injunctions. House Report 1476 merely mentions these remedies to define the limitations on the availability of other forms of relief, namely statutory damages and attorney's fees.<sup>60</sup>

More fundamentally, the report's use of the word “entitled” could just as easily have acted as shorthand for a particular result—obtaining injunctive relief—once a plaintiff demonstrates that certain equitable factors counsel for permanently enjoining infringement. Put another way, court will deem injunctive relief appropriate in some cases, and in those cases, plaintiffs then become “entitled” to relief when the equities bear in their favor, though the decision to issue injunctive relief remains ultimately a matter of judicial discretion.

House Report 1476's wording creates interpretative possibilities that are many and varied, rebuking any attempt to harmonize its conflicting language on discretion and entitlement coherently from the text alone. This lack of clarity produces further ambiguity in the legislative sources

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restraining orders, whether ‘preliminary,’ ‘temporary,’ ‘interlocutory,’ ‘permanent,’ or ‘final,’ to prevent or stop infringements of copyright.”).

56. *See id.*

57. *Id.* at 158.

58. At least one court defined the word “entitled” as meaning that courts must in all cases issue injunctive relief after a finding of liability. *Christopher Phelps & Assocs., LLC v. Galloway*, 492 F.3d 532, 543 (4th Cir. 2007).

59. 17 U.S.C. § 412 (2006).

60. *See H.R. REP. NO. 94-1476*, at 158.

and thus confuses the equitable analysis courts must undertake when deciding motions for permanent injunctions.<sup>61</sup>

*C. Caselaw Replacing the Legislative Ambiguity with the Traditional Rule*

The ambiguities left by § 502(a)'s sparse language and the inconsistencies within § 502(a)'s legislative history encapsulate the theoretical tension in how easily a copyright plaintiff may obtain injunctive relief. With so little direction given by Congress as to when injunctions are appropriately entered, save for the aim to prevent infringement and the amorphous concept of discretion, the courts have stepped in to give this grant of authority some perceptible shape.<sup>62</sup>

The predominant rule that filled in § 502(a)'s gaps tries to obtain the best of both discretion and entitlement. Under this rule, irreparable harm is presumed,<sup>63</sup> and “a past infringement and a substantial likelihood of future infringements [will] normally entitle the copyright holder to a permanent injunction against the infringer.”<sup>64</sup>

This rule has been almost universally applied.<sup>65</sup> Arguments

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61. There is likewise absolutely no treatment of the presumption of irreparable harm in copyright infringement suits.

62. Some preliminary injunction cases decided before the Copyright Act of 1976, including § 502(a), became law required plaintiffs to show some irreparable harm, though that showing need only have been a “threshold” one. 4 NIMMER, *supra* note 9, §14.06[A][2][b], n.49 (citing *American Fabrics Co. v. Lace Art, Inc.*, 291 F. Supp. 589 (S.D.N.Y. 1968)). At least one case decided under the 1976 Act overlaid the elements of preliminary injunctive relief onto those for permanent injunctions. *Sony Music Entm't, Inc. v. Global Arts Prods.*, 45 F. Supp. 2d 1345, 1347 (S.D. Fla. 1999) (“The only difference in the elements needed for the granting of a permanent, as opposed to a preliminary, injunction is the need to show success on the merits, not merely likelihood of success.”). Thus, the rules operating when a plaintiff seeks a preliminary injunction may inform whether to grant a permanent injunction. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1212–14 (C.D. Cal. 2007). There are, however, concerns that arise with regard to preliminary relief that do not present themselves when permanent injunctions are granted, such as whether preliminary relief in copyright cases effectuates a prior restraint on speech unconstitutional under the First Amendment. Lemley & Volokh, *supra* note 16, at 149–51. Thus, preliminary relief analyses cannot serve as a complete proxy for determining whether permanent relief is proper.

63. *Twentieth Century Fox Film Corp. v. Streeter*, 438 F. Supp. 2d 1065, 1072–73 (D. Ariz. 2006); *Elektra Entm't Group, Inc. v. Bryant*, 2004 WL 783123, at \*4 (C.D. Cal. 2004); *Sony Music Entm't Inc. v. Global Arts Prods.*, 45 F. Supp. 2d 1345, 1347 (S.D. Fla. 1999); 6 PATRY, *supra* note 17, § 22:74 (citing *Micro Star v. Formgen Inc.*, 154 F.3d 1107, 1109 (9th Cir. 1998)); 2 DAN B. DOBBS, *LAW OF REMEDIES* § 6.3(5) (2d ed. 1998).

64. *Pac. & S. Co. v. Duncan*, 744 F.2d 1490, 1499 (11th Cir. 1984).

65. *Bridgeport Music, Inc. v. Justin Combs Publ'g*, 507 F.3d 470, 492 (6th Cir. 2007); *BMG Music v. Gonzalez*, 430 F.3d 888, 893 (7th Cir. 2005); *Nat'l Football League v. McBee & Bruno's, Inc.*, 792 F.2d 726, 732 (8th Cir. 1986); *MAI Sys. Corp. v. Peak Computer*, 991 F.2d 511, 520 (9th Cir. 1993); *Harold Stores, Inc. v. Dillard Dep't Stores, Inc.*, 82 F.3d 1533

supporting a threat of future infringement that have proven successful have included the defendant's ongoing infringing activity,<sup>66</sup> related litigation between the parties,<sup>67</sup> and failing to defend the infringement lawsuit under which an injunction would arise.<sup>68</sup> Even absent these specific reasons, the courts applying this rule have not been hesitant to order permanent relief; to be sure, permanent injunctions have become common and routine in copyright infringement suits.<sup>69</sup>

The ready, even eager, disposition to grant permanent injunctions in copyright cases is illustrated by the D.C. Circuit's decision in *Reader's Digest v. Conservative Digest*.<sup>70</sup> In that case, Reader's Digest sued the Conservative Digest for infringing its trade dress and copyright in the design of Conservative Digest's cover.<sup>71</sup> After holding Conservative Digest liable for both trade dress and copyright infringement,<sup>72</sup> the district court enjoined Conservative Digest from using the two covers that were the subject of the suit.<sup>73</sup>

The D.C. Circuit upheld this injunction, despite also noting that Conservative Digest had halted its infringing activities.<sup>74</sup> Recall that past infringement alone presented one instance that, according to some commentators, especially counseled against a permanent injunction.<sup>75</sup>

(10th Cir. 1996); *Walt Disney Co. v. Powell*, 897 F.2d 565, 567 (D.C. Cir. 1990); *Ford Motor Co. v. B & H Supply, Inc.*, 646 F. Supp. 975 (D. Minn. 1986); *Encyclopaedia Britannica Educ. Corp. v. Crooks*, 542 F. Supp. 1156, 1187 (W.D.N.Y. 1982); *Tempo Music, Inc. v. Christenson Food & Mercantile Co.*, 806 F. Supp. 816, 821 (D. Minn. 1992); *Sailor Music v. IML Corp.*, 867 F. Supp. 565, 569 (E.D. Mich. 1994); *Frank Music Corp. v. Sugg*, 393 F. Supp. 2d 1145 (W.D. Okla. 2005).

66. *Capitol Records v. Carmichael*, 508 F. Supp. 2d 1079 (S.D. Ala. 2007); *Encyclopaedia Britannica Educ. Corp.*, 542 F. Supp. 1156.

67. *Microsoft Corp. v. Big Boy Distrib. LLC*, 589 F. Supp. 2d 1308, 1321 (S.D. Fla. 2008).

68. *Broad. Music, Inc. v. Spring Mt. Area Bavarian Resort, Ltd.*, 555 F. Supp. 2d 537 (E.D. Pa. 2008); *Capital Records*, 508 F. Supp. 2d 1079; *Elektra Entm't Group, Inc. v. Crawford*, 226 F.R.D. 388 (C.D. Cal. 2005).

69. *Microsoft Corp. v. Maryland Micro.com, Inc.*, No. JFM- 01-3797, 2003 U.S. Dist. LEXIS 13735, at \*19 (D. Md. 2003) ("Prevailing plaintiffs in copyright and trademark infringement cases are normally entitled to injunctive relief."); *M.L.E. Music v. Kimble, Inc.*, 109 F. Supp. 2d 469, 472-73 (S.D.W. Va. 2000) ("Various district courts within this circuit have held that when a claim of copyright infringement has been proven, a permanent injunction prohibiting further infringements is appropriate and routinely entered."); 4 NIMMER, *supra* note 9, §14.06[B][1][b][iv].

70. *Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc.*, 821 F.2d 800 (D.C. Cir. 1987), *abrogated on other grounds by Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994).

71. *Id.* at 802-03.

72. *Id.* at 805-06.

73. *Id.* at 807.

74. *Id.*

75. REGISTER OF COPYRIGHTS, REGISTER'S REPORT ON THE GENERAL REVISION

Furthermore, the D.C. Circuit quoted and cited a rule that “[w]hen a defendant has ceased its infringing conduct and shows no inclination to repeat the offense, a court may not issue an injunction” covering more than Conservative’s Digest’s two covers.<sup>76</sup> Nevertheless, the D.C. Circuit still found an injunction appropriate to protect the two covers that already were infringed.<sup>77</sup>

Some opinions go a step further: they perfunctorily state the traditional rule while skirting any detailed treatment of how the rule bears on each case’s facts.<sup>78</sup> For example, in *Pacific & Southern Co. v. Duncan*, the district and circuit courts stated that a version of the rule noted above applied and then shifted their analysis from that rule to other ancillary reasons to deny permanent relief. In the copyright infringement suit in *Duncan*, the owner of WXIA, a television station, sued Duncan for videotaping and selling television programs without the television stations’ permission.<sup>79</sup>

After the district court determined that the defendant infringed the plaintiff’s news programs,<sup>80</sup> the district court denied the plaintiff’s request for a permanent injunction.<sup>81</sup> Though the district court recognized the general rule that “a plaintiff is entitled to a permanent injunction when copyright liability has been established and there is a threat of continuing infringement,”<sup>82</sup> the district court rested its decision on an exception to this rule: “the Court may omit injunctive relief where it would disserve the public interest.”<sup>83</sup> As summarized by the Eleventh Circuit, the district court ultimately denied a permanent injunction for three reasons:

First, the sales did not seriously threaten WXIA’s creativity, so an injunction would not significantly further the main objective of the

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OF THE U.S. COPYRIGHT LAW 108 (1961) (“[A]n injunction may be futile, as where the only injury contemplated has already occurred.”); 4 NIMMER, *supra* note 7, § 14.06[B][1][a] (“[I]njunctive relief ordinarily is not granted absent any threat of continuing or additional infringements.”).

76. *Reader’s Digest*, 821 F.2d at 807 (citing *Schutt Mfg. Co. v. Riddell, Inc.*, 673 F.2d 202, 207 (7th Cir. 1982); *Robert Stigwood Group, Ltd. v. Hurwitz*, 462 F.2d 910, 913 (2d Cir. 1972)).

77. *Id.* at 807.

78. *E.g. Pac. & S. Co. v. Duncan*, 744 F.2d 1490, 1499–1500 (11th Cir. 1984); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 686 (S.D.N.Y. 1979).

79. *Pac. & S. Co.*, 744 F.2d at 1493

80. *Pac. & S. Co. v. Duncan*, 572 F. Supp. 1186, 1195 (N.D. Ga. 1983).

81. *Id.* at 1196–97.

82. *Id.* at 1196 (citing *Universal City Studios v. Sony Corp. of Am.*, 659 F.2d 963, 976 (9th Cir. 1981), *rev’d*, 464 U.S. 417 (1984)).

83. *Id.*

copyright laws, fostering creativity. Second, the court feared that an injunction would threaten First Amendment values served by the increased public availability of the news made possible by TV News Clips. Finally, the court found that WXIA had abandoned its copyright on several portions of the newscasts; it declined to formulate a decree that would distinguish between the abandoned and unabandoned portions.<sup>84</sup>

While the Eleventh Circuit agreed with the district court on the liability question,<sup>85</sup> that court rejected all three of the district court's grounds for denying an injunction."<sup>86</sup>

Regarding the first factor outlined by the district court, the Eleventh Circuit argued that though the defendant's infringing activity would only have minute effects on the plaintiff's creativity, "[t]he disincentive to creativity caused by the infringement would be just as small if WXIA were to wait and bring infringement actions in the future."<sup>87</sup> Given that damage awards in subsequent copyright lawsuits and injunctive relief would have materially the same effect on the plaintiff's creativity, the first factor could not be dispositive.<sup>88</sup> That the plaintiff could bring subsequent suits for damages also defeated the district court's second factor: the free speech consideration. Though the Eleventh Circuit recognized that "[i]t is undoubtedly true that TV News Clips (like any copyright infringer) increases public access to the copyrighted work[,] the First Amendment issue of public access was duly considered when resolving the liability issue."<sup>89</sup> As to the third factor, the Eleventh Circuit, though deferring to the district court on the abandonment question,<sup>90</sup> held that the district court could have and should have issued an injunction covering the unerased material.<sup>91</sup> As such, the Eleventh Circuit reversed this portion of the district court's judgment and remanded.<sup>92</sup>

The Eleventh Circuit only mentioned the traditional rule on the threat of future infringement in passing,<sup>93</sup> noting that the plaintiff would

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84. *Pac. & S. Co.*, 744 F.2d at 1494.

85. *Id.* at 1499.

86. *Id.*

87. *Id.*

88. *Id.*

89. *Id.* at 1499–1500.

90. *Id.* at 1500.

91. *Id.*

92. *Id.*

93. *See id.*

be burdened with a multitude of copyright suits.<sup>94</sup> The court did believe that such enforcement problems presented “a classic case, then, of a past infringement and a substantial likelihood of future infringements.”<sup>95</sup> But nothing in its presentation of the facts suggested a tangible threat that the plaintiff’s copyrights would be infringed after this specific lawsuit concluded. Therefore, the traditional rule in this case posed little if any serious obstacles to the plaintiff’s request for permanent injunctions.

Even with varying degrees of how leniently the courts would apply the traditional rule, the rule’s unanimous adoption provided a sense of clarity and predictability: plaintiffs that filed lawsuits for copyright infringement could very well expect that one of the remedies they will receive upon a finding of liability would be a permanent injunction. Likewise, those defendants that chose to answer and oppose these lawsuits would likely be cognizant of the rule and its typically liberal application, all factors that would figure into whether and how a settlement could be reached and drafted.

Whatever the rule’s faults, the ambiguity left by § 502(a) and its predecessors was not among them.

## II. REINTRODUCING AMBIGUITY FASHIONED AS DISCRETION: EBAY V. MERCExchange AND SUBSEQUENT DECISIONS

The aforementioned rules on presuming irreparable harm and granting permanent injunctions when future infringement is a possibility may have run their course in some of the lower federal courts after the Supreme Court’s decision in *eBay v. MercExchange*.<sup>96</sup> That said, as this Part demonstrates, not every case coming down after *eBay* treats that decision as abrogating the traditional rule treated above in Part I.<sup>97</sup>

### A. *eBay v. MercExchange’s Series of Multi-Factor Tests*

#### 1. The Battle of Presumptions on the Path to the Supreme Court

In *eBay*, MercExchange sued eBay and Half.com for their alleged infringing use of a patented method.<sup>98</sup> MercExchange’s patents refer to “a network of consignment nodes and a low cost easy to use posting

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94. *Id.*

95. *Id.* at 1499.

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

97. See discussion *supra* Part I.C.

98. *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1325 (Fed. Cir. 2005).



terminal for the virtual presentment of goods to market.”<sup>99</sup> As the patents explain, “[a] consignment node is a computer database of used goods preferably operated by a used good, collectable shop keeper or a bailee.”<sup>100</sup>

These patents disclose two ways how the invention can be practiced. First, the invention “may be an electronic market maker for collectable and used goods, a means for electronic presentment of goods for sale, and an electronic agent to search the network for hard to find goods.”<sup>101</sup> Second, the invention may take the form of “a low cost posting terminal [that] allows the virtual presentment of goods to market and establishes a two tiered market of retail and wholesale sales.”<sup>102</sup>

MercExchange, however did not practice these patents.<sup>103</sup> As the U.S. District Court for the Eastern District of Virginia noted, MercExchange “merely exists to license its patented technology to others.”<sup>104</sup> In fact, MercExchange at one time “sought to license its patent to eBay and Half.com.”<sup>105</sup> MercExchange and eBay and Half.com could not reach an agreement,<sup>106</sup> but the latter two companies nonetheless decided to use MercExchange’s patented technology.

In response, “MercExchange . . . filed a patent infringement suit against eBay and Half.com,”<sup>107</sup> and ultimately, the jury found eBay and Half.com liable.<sup>108</sup> In addition to a damage judgment for \$35 million, MercExchange filed a motion to enjoin the defendants from infringing these patents again.<sup>109</sup> Before proceeding to whether an injunction should properly issue in that case, the district court stated, consistent with the practice in copyright cases, “the grant of injunctive relief is

99. U.S. Patent No. 6,202,051 (filed Feb. 19, 1999); U.S. Patent No. 6,085,176 (filed Mar. 8, 1999); U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

100. U.S. Patent No. 6,202,051 (filed Feb. 19, 1999); U.S. Patent No. 6,085,176 (filed Mar. 8, 1999); U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

101. U.S. Patent No. 6,202,051 (filed Feb. 19, 1999); U.S. Patent No. 6,085,176 (filed Mar. 8, 1999); U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

102. U.S. Patent No. 6,202,051 (filed Feb. 19, 1999); U.S. Patent No. 6,085,176 (filed Mar. 8, 1999); U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

103. Names for such companies include “non-practicing entities,” “patent enforcement and holding companies,” and, the more pejorative term, “patent trolls.” Jason Rantanen, *Slaying the Patent Troll: Litigation as an Effective Strategy Against Patent Threats*, 23 SANTA CLARA COMPUTER & HIGH TECH. L.J. 159, 165 (2006).

104. *MercExchange, L.L.C. v. eBay Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003).

105. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006).

106. *Id.* For a more detailed treatment of the facts, see *MercExchange, L.L.C. v. eBay, Inc.*, No. 2:01cv736 (E.D. Va. Oct 18, 2002) (*Markman* order).

107. *Id.*

108. *MercExchange, L.L.C. v. eBay Inc.*, 275 F. Supp. 2d 695, 698 (E.D. Va. 2003).

109. *Id.* at 710–11.

considered the norm.”<sup>110</sup> Though judges retain the final say in whether an injunction will issue, the district court noted that a presumption of irreparable harm attaches with a finding of infringement.<sup>111</sup> This presumption, according to the district court, “can be rebutted by factors such as whether the infringer has ceased infringing activity, whether the patentee has granted licenses in the past such that it can be compensated for the infringement, and whether the patentee delayed in bringing the lawsuit.”<sup>112</sup>

On the merits of MercExchange’s motion for a permanent injunction, the district court reproduced MercExchange’s arguments that irreparable harm would result, namely that the company fashioned its patents as property, that the company could not develop its inventions, and that it could not retain “the exclusive right to license its patented technology.”<sup>113</sup> The district court rejected these arguments, countering that

the evidence of the plaintiff’s willingness to license its patents, its lack of commercial activity in practicing the patents, and its comments to the media as to its intent with respect to enforcement of its patent rights, are sufficient to rebut the presumption that it will suffer irreparable harm if an injunction does not issue.<sup>114</sup>

The district court thus held that no irreparable harm would fall on the defendant<sup>115</sup> and denied MercExchange’s request for a permanent injunction.<sup>116</sup>

The Federal Circuit reversed the district court’s judgment.<sup>117</sup> After reaffirming “the general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged,”<sup>118</sup> the Federal Circuit further elaborated that the exercise of discretion to deny

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110. *Id.* (citing *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988); *Odetics, Inc. v. Storage Tech. Corp.*, 14 F. Supp. 2d 785, 788 (E.D.Va.1998), *aff’d*, 185 F.3d 1259 (Fed. Cir.1999)). Much like 17 U.S.C. § 502(a), the statute authorizing federal courts to issue injunctions in patent cases provides that judges “may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” 35 U.S.C. § 283 (2006).

111. *MercExchange*, 275 F. Supp. 2d at 711.

112. *Id.* at 712.

113. *Id.* at 711.

114. *Id.* at 712.

115. *Id.*

116. *Id.* at 715.

117. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005).

118. *Id.* at 1338.

injunctive relief is a rare and exceptional occurrence.<sup>119</sup> To be sure, the Federal Circuit stated that injunctions will only be denied when the public interest counsels against such orders.<sup>120</sup> With this rule in tow, the Federal Circuit proceeded to disagree with each argument the district court utilized.<sup>121</sup>

Though the Federal Circuit's opinion did not specifically refer to the irreparable harm factor, it did in two paragraphs treat the problem of continuing infringement and MercExchange's status as a non-practicing entity respectively.

As to continuing infringement, though the district court expressed concern over the possibility that the defendants may design their websites around the injunction with nearly *de minimis* modifications to avoid the claims in MercExchange's patents and that constantly litigating these rights would drain judicial resources,<sup>122</sup> the Federal Circuit understood this threat as "not a sufficient basis for denying a permanent injunction."<sup>123</sup> To be sure, subsequent litigation on continuing infringement would take the form of entire cases retrying infringement or more contained contempt hearings.<sup>124</sup> Neither the district court nor the Federal Circuit addressed how injunctive relief furnishes a potent remedy for addressing this problem.

As to MercExchange's licensing behavior, the Federal Circuit provided two views on whether a non-practicing entity should receive a permanent injunction. First, the Federal Circuit reaffirmed that "a court may decline to enter an injunction when 'a patentee's failure to practice the patented invention frustrates an important public need.'"<sup>125</sup> This rule, when read against the paragraph treating non-practicing entities on the next page, does not mean that non-practicing entities may never receive injunctive relief. To the contrary, as the Federal Circuit held, "[t]he statutory right to exclude is equally available to both groups, and the right to an adequate remedy to enforce that right should be equally available to both as well."<sup>126</sup>

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119. *Id.*

120. *Id.*

121. *Id.* at 1339.

122. *MercExchange*, 275 F. Supp. 2d at 714.

123. *MercExchange*, 401 F.3d at 1339.

124. *Id.*

125. *Id.* at 1338 (citing *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1997)).

126. *Id.* at 1339.

## 2. The Supreme Court's Oral Musings on Irreparable Harm

The Supreme Court subsequently granted certiorari to determine “[w]hether the Federal Circuit erred in setting forth a general rule in patent cases that a district court must, absent exceptional circumstances, issue a permanent injunction after a finding of infringement.”<sup>127</sup>

At oral argument, the presumption of irreparable harm did make several appearances. Cropping up in the opening moments, Justice Scalia pushed back from the petitioners’ argument that the Congressional grant of authority in 35 U.S.C. § 283 rejects a categorical rule in favor of injunctive relief in patent cases. Justice Scalia countered that irreparable harm will usually result from the deprivation of a property right.<sup>128</sup> In response to Justice Scalia’s question, Justice Breyer conceived a possible example where an injunction might not issue. Partially echoing the *eBay*’s facts, “a person who uses his property not at all himself, but licensed the public generally.”<sup>129</sup>

That being said, Justice Breyer later admitted that he does not “know how courts do normally act in other areas of property law.”<sup>130</sup> Chief Justice Roberts then returned to Justice Scalia’s statement: “[T]he exercise of discretion is channeled over time, as—as judges apply it in—in similar cases. You’re not suggesting that in a typical run-of-the-mill patent case, no special considerations, would it be wrong to say that in those cases you typically would grant an injunction?”<sup>131</sup> In the face of these questions, the petitioners stuck to their principal point that judges should be allowed to exercise discretion to grant or deny injunctive relief, rather than be bound by a conclusive presumption.<sup>132</sup>

The United States’ argued as amicus in support of the petitioners,<sup>133</sup> but the United States conceded that irreparable harm will “normally”

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127. Petition for Writ of Certiorari at i, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130), 2005 WL 1801263. The Supreme Court adopted this as the main issue for decision in its order granting certiorari. *eBay Inc. v. MercExchange, L.L.C.*, 546 U.S. 1029 (2005). Though the Supreme Court asked the parties to brief about the *Continental Paper Bag* case, discussed *infra* note 188, the Court cited the case with approval, and thus, that case presumptively remains good law. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

128. Transcript of Oral Argument at 6–7, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130) (“It seems to me very rare where—where someone takes your property, that the court wouldn’t—wouldn’t give you the property back.”).

129. *Id.* at 7.

130. *Id.* at 8.

131. *Id.* at 9.

132. *Id. passim.*

133. Transcript of Oral Argument at 27, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130).

result from patent infringement.<sup>134</sup> Justice Scalia reappeared, pointing to the threat of future violations.<sup>135</sup> Should a district court refuse to issue an injunction and issue damages for future violations, in Justice Scalia's view, the district court would effectively tell the patentee, "Here, take your money,"<sup>136</sup> and the infringer, "[Y]ou, God bless you, go continue to violate the patent."<sup>137</sup> The United States then backed off, stating instead that a district judge should then have the discretion to structure the injunction around the possibility that eBay or another infringer would design around the patent at issue, without directly addressing Justice Scalia's question aside from the summary response of "[a]bsolutely not."<sup>138</sup>

The only portion of MercExchange's argument that speaks to the general rule adopted by the Federal Circuit arose in the very beginning. There, MercExchange opened its argument with Justice Story's commentaries on equity, noting that "a final judgment of patent infringement yields an injunction in all but the very rare case."<sup>139</sup> This position, according to MercExchange, presents an "application" of "traditional equitable principles."<sup>140</sup> After these opening remarks, the only other reference to the four-factor test arose when Justice Breyer revisited MercExchange's licensing practice. In particular, Justice Breyer argued that damage could be easily calculable in some circumstances, such as where a patentee "licenses only to people who, by and large, will not take that product and develop it further."<sup>141</sup> Beyond that line of questioning, the Supreme Court notably did not closely examine or scrutinize MercExchange's introductory position.

### 3. The Supreme Court's Decision in Favor of Discretion and Tradition

Ultimately, the Supreme Court rejected the use of the "categorical rules" utilized by the Eastern District of Virginia and the Federal Circuit.<sup>142</sup> As to the district court's supposed rule that injunctions are improvidently granted to patentees that only contract out their patents to others without practicing them, the Supreme Court hypothesized an instance in which a non-practicing individual would prudently receive

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134. *Id.* at 31.

135. *Id.* at 32.

136. *Id.* at 33.

137. *Id.*

138. *Id.* at 33–34.

139. *Id.* at 37. Those commentaries are discussed *infra* in Part III.A.

140. *Id.*

141. *Id.* at 41.

142. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006).

injunctive relief: an inventor preferring to license the patented invention to others with the financial wherewithal to reduce the invention to practice.<sup>143</sup> With this example potentially warranting a permanent injunction should infringement occur, the district court's rule to the contrary did not pass muster.<sup>144</sup>

The Federal Circuit's rule, though explicitly including exceptions where courts should act apart from the rule,<sup>145</sup> was fashioned by the Supreme Court as a "categorical rule" contravening the traditional equitable discretion trial judges are charged with exercising in granting or denying permanent injunctions.<sup>146</sup> In particular, the Supreme Court took issue with the Federal Circuit's justification for its general rule to issue injunctive relief: protecting the right to exclude others from using the patentee's property.<sup>147</sup> In the Court's words, "the creation of a right is distinct from the provision of remedies for violation of that right."<sup>148</sup> The Court recognized that patents must be imbued with the attributes of personal property under 35 U.S.C. § 261, but those attributes are qualified by the Patent Act, including the judicial discretion to issue injunctive relief.<sup>149</sup>

Notwithstanding that both the district court and the Federal Circuit noted the discretion a trial judge has to issue a permanent injunction,<sup>150</sup> the Supreme Court framed its decision as reaffirming so-called "traditional equitable considerations" while rejecting rules that "injunction[s] automatically follow" infringement.<sup>151</sup> In its place, the Supreme Court held:

[A] plaintiff must satisfy a four-factor test before a court may grant [injunctive] relief. A plaintiff must demonstrate: (1) that it has suffered irreparable injury;

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143. *Id.*

144. *Id.*

145. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338–39 (Fed. Cir. 2005). The Supreme Court itself even noted these exceptions in its decision. *eBay*, 547 U.S. at 394.

146. *Id.* at 393–94.

147. *Id.* at 392.

148. *Id.*

149. *Id.*

150. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 711 (E.D. Va. 2003), noted that "[i]ssuance of injunctive relief against [defendants] is governed by traditional equitable principles, which require consideration of" substantially the same four factors the Supreme Court set forth in the *eBay*. 547 U.S. at 391. The Federal Circuit decision states that this discretion is rarely invoked, *MercExchange*, 401 F.3d at 1338 (quoting *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)), but its low frequency of use does not detract from the courts' raw power to deny injunctive relief with the exercise of such discretion.

151. *Id.* at 392–93.

(2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>152</sup>

The Supreme Court vacated the Federal Circuit's judgment and remanded the case to the district court to apply these four factors.<sup>153</sup>

#### 4. The District Court's Construing the *eBay* Holding as a Rejection of the Presumption of Irreparable Harm

*eBay*'s four-factor test unsurprisingly reappeared at the Eastern District of Virginia after the Supreme Court remanded the case.<sup>154</sup> In particular, the district court reconsidered whether the presumption of irreparable harm remained after the Supreme Court's decision.<sup>155</sup>

Though the district court recognized that "the Supreme Court's opinion does not squarely address" this issue, the district court then pointed to subsequent lower-court caselaw to hold that "such [a] presumption no longer exists."<sup>156</sup> Alongside these cases cited is a U.S. Supreme Court decision, *Amoco Product Co. v. Village of Gambell*, which stated that a presumption of irreparable harm for determining whether a preliminary injunction will issue "is contrary to traditional equitable principles and has no basis in" the Alaska Nation Interest Lands Conversation Act, 16 U.S.C. § 3120(a).<sup>157</sup> As to the U.S. Supreme Court's *eBay* decision, the district court did point to language contained therein that "require[s] the plaintiff to demonstrate that it has suffered irreparable injury."<sup>158</sup>

Pursuant to this precedent, the district court ultimately rejected the presumption of irreparable harm and placed the onus on the plaintiff to prove such injury.<sup>159</sup>

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152. *Id.* at 391.

153. *Id.* at 394.

154. *Id.*

155. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 568 (E.D. Va. 2007).

156. *Id.* at 568–69 (citing *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at \*4 (E.D. Tex. 2006); *Amoco Prod. Co. v. Vill. Of Gambell*, 480 U.S. 531, 545 (1987)).

157. *Amoco*, 480 U.S. at 544–45, cited in *MercExchange*, 500 F. Supp. 2d at 568–69.

158. *MercExchange*, 500 F. Supp. 2d at 569 (emphasis in the original).

159. *Id.*

*B. The Split of Authority Grappling with the Presumption after eBay v. MercExchange*

Facially, the Supreme Court's decision and the district court's rejection of the presumption of irreparable harm on remand deal principally with patent infringement, but the equitable principles articulated in *eBay* have been applied to copyright infringement cases as well. However, the Supreme Court in one paragraph of *eBay* noted that its decision is "consistent with [its] treatment of injunctions under the Copyright Act."<sup>160</sup> Though the Supreme Court recognized that "a copyright holder possesses 'the right to exclude others from using his property,'"<sup>161</sup> the Supreme Court also expressed that it has repeatedly "rejected invitations to replace traditional equitable considerations with a rule than injunction automatically follows a determination that a copyright has been infringed."<sup>162</sup> As such, the federal courts have by and large treated *eBay* as applying to copyright infringement cases.<sup>163</sup>

The lower courts, however, have split on the issue of whether *eBay* abrogates the presumption of irreparable harm in copyright cases.

1. Cases Rejecting the Presumption of Irreparable Harm

The most substantial opinion taking this position came down from the Central District of California in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*<sup>164</sup> Like the *MercExchange* district court's decision, the *MGM* court relied first upon the Supreme Court decision's language that "Plaintiffs 'must demonstrate' the presence of the traditional factors."<sup>165</sup> Parroting *MercExchange* even further is *MGM*'s reliance on the *Amoco* decision, noting additionally that the Supreme Court "in *eBay*[]" cited *Amoco* twice . . . first[] as support for the four factors that a

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160. *eBay*, 547 U.S. at 392.

161. *Id.* (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)).

162. *eBay*, 547 U.S. at 392–93 (citing *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2002); *Campbell v. Acuff-Rose Music, inc.*, 510 U.S. 569, 578 (1994); *Dun v. Lumbermen's Credit Ass'n*, 209 U.S. 20, 23–24 (1908)).

163. Thomas F. Cotter, *Fair Use and Copyright Overenforcement*, 93 IOWA L. REV. 1271, 1292 n.54 (2008) ("Following the Supreme Court's decision in *eBay*, courts have begun to apply the traditional four-factor test for determining whether to award injunctive relief in patent and copyright actions."); e.g., *Christopher Phelps & Assocs., LLC v. Galloway*, 492 F.3d 532 (4th Cir. 2007) ("The Supreme Court [in *eBay*] reaffirmed the traditional showing that a plaintiff must make to obtain a permanent injunction in any type of case, including a patent or copyright case."); *Propet USA, Inc. v. Shugart*, No. C06-0186-MAT, 2007 U.S. Dist. LEXIS 94979, at \*4–5 (E.D. Wash. 2007).

164. *Metro-Goldwyn-Mayers Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197 (C.D. Cal. 2007).

165. *Id.* at 1211 (quoting *eBay*, 547 U.S. at 391).



plaintiff must demonstrate before district courts can grant a permanent injunction[] and second[] to help justify the proposition that departure from traditional equity practice should not be “lightly implied.”<sup>166</sup> Given the lack of language in 17 U.S.C. § 502(a) purporting to revise these traditional principles, *MGM* ultimately placed the burden on plaintiffs to prove irreparable harm.<sup>167</sup>

*MGM* tried to ease its rejection of the presumption by stating that “[i]n run-of-the-mill copyright litigation, such proof should not be difficult to establish.”<sup>168</sup> That being said, the court still abrogated the rule that the threat of continuing infringement is sufficient to establish irreparable harm because “future copyright infringement can always be redressed via damages.”<sup>169</sup>

*Designer Skin v. S & L Vitamins*, though taking the same position as *MGM* on the burden of proof issue,<sup>170</sup> pointed to friction between *MGM*’s treatment of the future infringement and Chief Justice Roberts’ concurrence in *eBay*. Though *MGM*’s view was that future infringement cannot alone establish irreparable harm, Chief Justice Roberts, as the *Designer Skin* court reported, pointed to “the difficulty of protecting a right to exclude through monetary remedies that allow an infringer to use” the plaintiff’s property.<sup>171</sup> As a prudential matter, *Designer Skin* then stated in dicta that future infringement can satisfy the first factor of the *eBay* test.<sup>172</sup> Nonetheless, the *Designer Skin* court expressly declined to hold whether future infringement by itself could establish irreparable harm, because the case presented facts demonstrating irreparable harm in addition to possible future infringement.<sup>173</sup> As to future infringement, the court noted its lack of confidence in the defendant’s assertions that it will cease and desist its infringing activity,<sup>174</sup> citing *Broadcast Music v. Blueberry Hill Family Restaurants*, for the proposition that a court may “infer[] a threat of future infringement from the ‘thin excuses’ the defendant made when

166. *MGM*, 518 F. Supp. 2d at 1213–14 (quoting *eBay*, 547 U.S. at 391 (citing *Amoco Prod. Co. v. Vill. of Gambell*, 480 U.S. 531, 542 (1987))).

167. *MGM*, 518 F. Supp. 2d at 1214.

168. *Id.* at 1215 (quoting 6 PATRY, *supra* note 8, § 22:74).

169. *MGM*, 518 F. Supp. 2d at 1215.

170. *Designer Skin, LLC v. S & L Vitamins, Inc.*, 88 U.S.P.Q.2D (BNA) 1679, 1683 (D. Ariz. 2008).

171. *Id.* (quoting *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395 (2006) (Roberts, C.J., concurring)).

172. *Designer Skin*, 88 U.S.P.Q.2D at 1683 (quoting and citing *eBay*, 547 U.S. at 391–93) (citations omitted).

173. *Designer Skin*, 88 U.S.P.Q.2D at 1683.

174. *Id.* at 1684.

confronted with infringement allegations.”<sup>175</sup> Adding to the threat of irreparable harm was the difficulty of proving damages where there was no market for licenses for the copyrights.<sup>176</sup> Thus, the court determined that the first *eBay* factor was satisfied.<sup>177</sup>

Furthermore, the Northern District of California in *Apple v. Psystar* allied itself with *MGM* and *Designer Skin* in holding that “there is no presumption of irreparable harm with respect to permanent injunctions” in copyright cases.<sup>178</sup> This case also did not address the issue of future infringement treated above, and the court need not have decided it in any event. Apple demonstrated that it would suffer irreparable harm in the way of harm to its “brand, business reputation, . . . goodwill[,] . . . competitive position[,] and market share,” as well as harm stemming from the fact that “Psystar’s illegal acts have enabled and will continue to enable third parties to infringe Apple’s copyrights.”<sup>179</sup>

## 2. Cases Retaining the Presumption of Irreparable Harm

Other courts have generally treated the presumption in the permanent injunction context in a more summary manner, stating simply that the presumption continues to apply after *eBay*. One decision, *Microsoft v. McGee*, held that, “[w]ith regard to the first [*eBay*] factor, ‘copyright infringement is presumed to give rise to irreparable injury.’”<sup>180</sup> That one sentence completely covers that court’s treatment of that rule. Similarly, *UMG Recordings v. Blake* reaffirmed the rule predating *eBay* that “permanent injunctions are generally granted where liability has been established and there is a threat of continuing infringement.”<sup>181</sup> After reciting the *eBay* factors,<sup>182</sup> the court then held that “[i]rreparable injury is presumed when a plaintiff succeeds on the merits.”<sup>183</sup>

At the end of 2009, the District of Massachusetts in *Sony BMG*

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175. *Broad. Music, Inc. v. Blueberry Hill Family Rests.*, 899 F. Supp. 474, 483 (D. Nev. 1995).

176. *Designer Skin*, 88 U.S.P.Q.2D at 1684.

177. *Id.*

178. *Apple Inc. v. Psystar Corp.*, 673 F. Supp. 2d 943, 948 (N.D. Cal. 2009).

179. *Id.*

180. *Microsoft Corp. v. McGee*, 490 F. Supp. 2d 874, 882 (S.D. Ohio 2007) (quoting *Capitol Records, Inc. v. Zahn*, No. 3:06-0212, 2007 U.S. Dist. LEXIS 11426, at \*10 (M.D. Tenn. 2007)). The *Capital Records* case, though decided after *eBay*, made no mention of the four factors the Supreme Court set forth.

181. *UMG Recordings, Inc. v. Blake*, No. 5:06-CV-00120-BR, 2007 U.S. Dist. LEXIS 46414, \*6 (E.D. Va. 2007)

182. *Id.* at \*6–7.

183. *Id.* at \*7.

*Music Entertainment v. Tenenbaum*, likewise, named those four factors<sup>184</sup> and then held that “[o]nce copyright infringement is established, irreparable injury is generally presumed.”<sup>185</sup> The *Sony* court noted in passing, additionally, that an injunction would have the effect of “[r]equiring defendant to refrain from future copyright violations.”<sup>186</sup>

### III. USING THE TRADITIONAL RULE AS A BLUEPRINT: WHY THE COURTS SHOULD CONTINUE TO PRESUME IRREPARABLE HARM

The lack of reasoning buttressing the decisions upholding the presumption of irreparable harm does not invariably mean that their position is entirely without merit. As even the *MGM* court recognized, the Supreme Court did not address whether its *eBay* decision intended to abrogate the presumption of irreparable harm.<sup>187</sup> This much is true both explicitly and implicitly from the Court’s *eBay* opinions. Because *eBay*’s holding and analysis is broad enough to allow for a rebuttable presumption of irreparable harm, the courts should apply the presumption to avail themselves of its theoretical rationale, prudential benefits, and historical roots. The following sections treat these justifications in turn.

#### A. *Protecting Copyright’s Property Right to Exclude*

As one practice manual suggests, “[t]he presumption of irreparable harm in copyright cases arises because copyright infringement constitutes an invasion of the copyright holder’s right to exclusive use of his work.”<sup>188</sup> Injunctive relief thus ensures that rights granted by the

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184. *Sony BMG Music Entertainment v. Tenenbaum*, 93 U.S.P.Q.2D (BNA) 1867, 1868 (D. Mass. Dec. 7, 2009).

185. *Id.*

186. *Id.*

187. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1211 (C.D. Cal. 2007).

188. 5 LESTER HORWITZ & ETHAN HORWITZ EDS., *INTELLECTUAL PROPERTY COUNSELING AND LITIGATION* § 65.07[3] (2002) (citing *Dealer Advertising Dev., Inc. v. Barbara Allen Fin. Advertising, Inc.*, 197 U.S.P.Q. 611 (W.D. Mich. 1977)); *Thought Factory, Inc. v. Idea Factory, Inc.*, 203 U.S.P.Q. 331 (C.D. Cal. 1978); *Cynthia Designs, Inc. v. Robert Zentall, Inc.*, 416 F. Supp. 510 (S.D.N.Y. 1976)). This justification also finds support in patent cases predating *eBay Inc v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) and *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556 (E.D. Va. 2007). *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 425 (1908) (“[P]atents are property, and entitled to the same rights and sanctions as other property.”); *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246 (Fed. Cir. 1989) (“Infringement having been established, it is contrary to the laws of property, of which patent law partakes, to deny the patentee’s right to exclude others from use of his property.”); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983) (“A patent is a form of property right, and the right to exclude recognized in a patent is but

Copyright Act itself remain “exclusive.”<sup>189</sup>

How to characterize these rights’ exclusivity turns on two points. First is copyright’s nature as a monopoly. To be sure, copyrights are suggested to be such in the constitutional dispatch of authority to Congress to pass legislation on copyright matters: the Intellectual Property Clause of the U.S. Constitution.<sup>190</sup> This clause allows Congress to grant an “exclusive [r]ight” to authors of copyrightable works.<sup>191</sup> Furthermore, the Copyright Act in multiple headings refers to “exclusive rights,”<sup>192</sup> most explicitly in the section that creates the exclusive rights themselves, 17 U.S.C. § 106.

A monopoly on these rights ceases to be when parties other than copyright owners exercise them. The second point, then, is how these exclusive rights can be enforced. The Copyright Act predominantly counteracts this threat to the copyright monopoly with private rights of action created for the owners of potentially infringed copyrights.<sup>193</sup> Thus, aside from the limited criminal sanctions aimed at punishing limited categories of infringement,<sup>194</sup> copyright owners are charged with

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the essence of the concept of property.”). To be sure, the Patent Act of 1952 itself conceptualizes patent as “personal property.” 35 U.S.C. § 261. There is no analogous statute explicitly characterizing copyright as personal property, but that nature is readily implied from the Act’s creation of a right to exclude in 17 U.S.C. § 106. Adam Mossoff, *The Use and Abuse of IP at the Birth of the Administrative State*, 157 U. PA. L. REV. 2001 (2009); Thomas W. Merrill, *Property and the Right to Exclude*, 77 NEB. L. REV. 730, 730 (1998) (“[T]he right to exclude others is more than just ‘one of the most essential’ constituents of property—it is the *sine qua non*.” (emphasis in the original)).

189. 17 U.S.C. § 106 (2006).

190. U.S. CONST. art. I, § 8, cl. 8.

191. *Id.*

192. The Copyright Act sets forth limitations on this monopoly, including the fair use defense, 17 U.S.C. § 107, and the public’s right to cover sound recordings, 17 U.S.C. § 114. Those particular rules, however, do not operate as exceptions to the copyright monopoly; they merely demarcate the boundaries of the exclusive rights described in § 106. To be sure, the headings preceding these statutes speak of the “limitations on exclusive rights,” §§ 107–112, 117, 119, 121–122, or the “scope of [the] exclusive rights,” §§ 113–115, 118, 120. Thus, these rules merely define the monopoly itself, rather than providing exceptions to them. As for licenses, both compulsory and voluntary through contractual arrangement, these exceptions prove the general monopoly rule to the extent that, absent such licensing, the monopoly would operate as the default rule. Licensing behavior also mimics the nature of copyrights as rights to exclude, as one would enjoy with tangible property, discussed *infra*.

193. Section 501 creates the traditional copyright infringement cause of action when a defendant exercises and thus violates one of the exclusive rights that the owner enjoys. Title 17 of the U.S. Code also provides for civil liability when an individual circumvents an owner’s use of digital rights management, § 1203, when an Internet service provider does not adequately comply with a Digital Millennium Copyright Act takedown notice, *see* § 512(c)(1), and when a violation of an exclusive right provided in the Semiconductor Chip Protection Act occurs, § 910.

194. 17 U.S.C. § 506; *see* 18 U.S.C. § 2319 (2006).

enforcing their own copyrights.

Put another way, the burden falls on copyright owners to maintain their statutory monopolies by preventing others from exercising the rights granted to owners by § 106. As such, the Copyright Act treats exclusive rights as rights to exclude<sup>195</sup> others from reproducing, distributing, publicly displaying, publicly performing, or creating derivatives of a copyrighted work,<sup>196</sup> not unlike the conventional “sole and despotic dominion . . . in total exclusion of the right of any other individual”<sup>197</sup> tangible property owners enjoy.<sup>198</sup>

Similarly to tangible property owners, copyright owners face a potential policing problem when the threat of future violations arises. As noted above, when a defendant exercises one of the rights enumerated in 17 U.S.C. § 106, those rights cease to be exclusive in fact. Though damages may account for the losses resulting from the infringement<sup>199</sup> and profits that defendants may have garnered from their infringing activities<sup>200</sup> and may deter future infringement by making the cost of that activity prohibitive,<sup>201</sup> a mere damage award runs the risk of judicially licensing infringement where the Copyright Act otherwise has not provided for compulsory licenses. Even with orders issuing the maximum in statutory damage awards, defendants may in some cases find themselves better off infringing and paying for the resulting damage

195. Oppenheimer, *supra* note 15 (defining exclusive rights to be “rights to exclude,” as opposed to “all-inclusive rights”).

196. 17 U.S.C. § 106.

197. 2 WILLIAM BLACKSTONE, COMMENTARIES \*1, \*2.

198. William F. Patry suggests that copyright should not be treated as a property right but rather “as a limited regulatory privilege created for the sole purpose of promoting the progress of science, and not economically benefitting copyright holders.” 6 PATRY, *supra* note 15, § 22:1.50. Though copyright law’s overarching and constitutional purpose is “to promote the progress of science and the useful arts,” U.S. CONST. Art. I, § 8, cl. 8, Patry’s conception of copyright distends the plain language of both the Copyright Act and the Constitution’s Intellectual Property Clause. Both sources by their terms do not create privileges for authors of original works but rather grant “exclusive rights.” *Id.*; § 106. That exclusivity, enforceable by infringement suits, gives copyrights the property-esque nature that presents the same risks of perpetual policing, discussed *infra*. See Thomas W. Merrill, *Property and the Right to Exclude*, 77 NEB. L. REV. 730, 730 (1998) (“[T]he right to exclude others is more than just ‘one of the most essential’ constituents of property—it is the *sine qua non*.” (emphasis in the original)); but see Adam Mossoff, *The Use and Abuse of IP in the Birth of the Administrative State*, 157 U. PA. L. REV. 2001, 2015 (2009) (citing Felix S. Cohen, *Dialogue on Private Property*, 9 RUTGERS L. REV. 357, 374 (1954) (treating property as state-granted rights, implying that governments retain the authority to divest property owners of those rights)).

199. 17 U.S.C. § 504(a).

200. *Id.*

201. *Unicity Music, Inc. v. Omni Commc’ns, Inc.*, 844 F. Supp. 504, 510 (E.D. Ark. 1994) (explaining the deterrent effect of statutory damages under 17 U.S.C. § 504(c)(1)).

judgments, particularly if the defendant is a large corporation that can easily bear the costs of these judgments.

Facing such resilient defendants, copyright owners would find themselves constantly litigating the infringement of their exclusive rights. As Justice Story framed this issue, “if no other remedy could be given in cases of patents and copyrights than an action at law for damages, the inventor or author might be ruined by the necessity of perpetual litigation, without ever being able to have a final establishment of his rights.”<sup>202</sup>

Permanent relief addresses these concerns, providing the finality missing from inadequately deterrent damage judgments and retaining copyrights’ exclusivity.

#### *B. Judicial Distrust of Defendant’s Assertions of Voluntary Cessation*

With threats of future infringement impeding copyrights from being exclusive to their owners, the courts have shown their disinclination to give defendants’ claims that they have stopped their infringing activity the benefit of the doubt. For example, in *BMG Music v. Gonzales*, Judge Frank Easterbrook writing for the Seventh Circuit reaffirmed that injunctive relief is generally appropriate to address a threat of future copyright infringement.<sup>203</sup> Though the defendant in that case “downloaded more than 1,370 copyrighted songs during a few weeks and kept them on her computer until she was caught,”<sup>204</sup> she argued on appeal that “she ha[d] learned her lesson, ha[d] dropped her broadband access to the Internet, and [was] unlikely to download copyrighted material again.”<sup>205</sup> Judge Easterbrook did not buy it. Instead, Judge Easterbrook held that “[a] private party’s discontinuation of unlawful conduct does not make the dispute moot. An injunction remains appropriate to ensure that the misconduct does not recur as soon as the case ends.”<sup>206</sup>

On this point, Judge Easterbrook is not alone. The D.C. Circuit treated a defendant’s similar attempt to avoid the mandate of a permanent injunction in *Walt Disney Co. v. Powell*.<sup>207</sup> Mimicking the *BMG Music* defendant, the *Walt Disney* defendant “argue[d] that since he voluntarily ceased infringing Disney’s copyrights, there is no basis to

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202. 2 STORY, *supra* note 19, at 931.

203. *BMG Music v. Gonzalez*, 430 F.3d 888, 893 (7th Cir. 2005).

204. *Id.* at 889.

205. *Id.* at 893.

206. *Id.* (citing *United States v. W.T. Grant Co.*, 345 U.S. 629 (1953)).

207. *Walt Disney Co. v. Powell*, 897 F.2d 565 (D.C. Cir. 1990).

assume that he will infringe them again in the future.”<sup>208</sup> Like Judge Easterbrook, the district judge below did not believe the defendant:

The judge concluded that . . . Powell simply took the action that best suited him at the time; he was caught red-handed, thus as the illegality of his affairs faced increasing exposure, Powell suddenly reformed. Consequently, the judge found it not unlikely that Powell would attempt to infringe Disney’s copyrights in the future.<sup>209</sup>

On this evidence, the D.C. Circuit affirmed the permanent injunction entered by this district court.<sup>210</sup>

However, the *Walt Disney* court preceded this discussion with another case from the D.C. Circuit “stating the converse of this rule.”<sup>211</sup> This case, *Reader’s Digest v. Conservative Digest*, held, as noted above in Part I, “When a defendant has ceased its infringing conduct and shows no inclination to repeat the offense, a court may not issue a permanent injunction.”<sup>212</sup>

These dueling doctrines, however, further justify presuming irreparable harm. Under the *Reader’s Digest* rule, one could conceive of situations where a defendant convincingly demonstrates that they have reformed and will not infringe the plaintiff’s copyrights again. Aside from those theoretical possibilities, however, the traditional stance is to scrutinize these statements with skepticism.<sup>213</sup> With this distrust, it is no accident that the courts in *BMG Music* and *Powell* noted that the threat of future infringement in passing, then shifting their focus to closely examining the defendant’s claims of personal

208. *Id.* at 568.

209. *Id.* (citations and quotation marks omitted).

210. *Id.*

211. *Id.* at 568, n.2.

212. *Reader’s Digest Ass’n, Inc. v. Conservative Digest, Inc.*, 821 F.2d 800, 807 (D.C. Cir. 1987). That said, in another portion of the decision, as discussed *supra* Part I.C., the D.C. Circuit was willing to enjoin the defendant’s use of two infringing covers despite no demonstrated inclination to infringe *Reader’s Digest’s* copyrights any further. *Id.* at 807.

213. This skepticism also motivates the mootness doctrine. One case cited by Judge Easterbrook in *BMG Music*, 430 F.3d at 893, states, “[V]oluntary cessation of allegedly illegal conduct does not deprive the tribunal of power to hear and determine the case.” *W.T. Grant Co.*, 345 U.S. at 632. The Supreme Court justified this rule primarily for two reasons: “The defendant is free to return to his old ways. This, together with a public interest in having the legality of the practices settled, militates against a mootness conclusion.” *Id.* In line with the traditional rule in copyright cases, defendants bear a heavy burden to prove in detail that they will not restart the conduct they ceased. *W.T. Grant*, 345 U.S. at 632; *DeJohn v. Temple Univ.*, 537 F.3d 301, 309 (3d Cir. 2008); *Vencor, Inc. v. Webb*, 33 F.3d 840, 843–44 (7th Cir. 1994); 15 JAMES WM. MOORE, MOORE’S FEDERAL PRACTICE § 101.99[2] (3rd ed. 2010); 13C CHARLES ALAN WRIGHT, ARTHUR R. MILLER, EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3533.5 (3rd ed. 2008).

reform.

By placing the burden of proof on the defendant, a judge can more accurately scrutinize defendants' assertions that they will cease infringing a plaintiff's copyrights. Shouldering the plaintiffs with the burden means that the defendant could prevail only by rebutting the plaintiff's case.<sup>214</sup> Though affirmative statements that the defendant will not infringe may be relatively more persuasive, defendants could theoretically get a motion denied by stating that the plaintiff's predictions of irreparable harm are unsound.<sup>215</sup> By placing the burden of proof on defendants, courts then will only deny relief if defendants make a prima facie affirmative case that their infringing activities have permanently ceased and, therefore, will not violate a copyright owner's right to exclude.

### C. *The Interdependent Relationship between Rights and Remedies*

Though *eBay* tried to decouple “the creation of a right” from “the remedies for violations of that right”<sup>216</sup> and is correct to do so to the extent that one cannot equate a right with a remedy, the substance of rights asserted in court often define the nature and scope of remedies when the right is found to be violated.<sup>217</sup> This interrelationship between rights and remedies comes to the fore in a case like *Texaco v. Pennzoil*<sup>218</sup> where a plaintiff has the choice between suing in tort or contract. Should the plaintiff sue in contract, the damages recoverable would

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214. See, e.g., *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 114 (2004).

215. Returning to the mootness doctrine, courts have held that a plaintiff's failure to demonstrate that the defendants' voluntary cessation of illegal conduct is merely temporary is not enough for a defendant to have a case dismissed as nonjusticiable. 15 MOORE, *supra* note 213 (citing *FTC v. Affordable Media, LLC*, 179 F.3d 1228, 1237–38 (9th Cir. 1999)). The Supreme Court has also stated that, with regard to a judge's remedial discretion, such as whether injunctive relief is appropriate, the burden shifts to the plaintiff to demonstrate that such relief is needed beyond “the mere possibility which serves to keep the case alive.” *W.T. Grant*, 345 U.S. at 633; 13C WRIGHT ET AL., *supra* note 213. That said, presuming irreparable harm does not contradict this principle. A rebuttable presumption does not remove the plaintiff's burden to prove that injunctive relief generally is appropriate because the plaintiff still must sufficiently demonstrate that the three other *eBay* factors support permanent relief. The presumption only relieves plaintiffs of the burden of proving the first factor.

216. *Id.*

217. Douglas Laycock argued, using a trespass hypothetical, that “remedies law does not change Neighbor's underlying obligation to leave Owner's trees alone, so it is not easily thought of as substantive . . . . It is something in between; it is the means by which substantive rights are give effect.” DOUGLAS LAYCOCK, *MODERN AMERICAN REMEDIES: CASES AND MATERIALS* 1–2 (3d ed. 2002).

218. *Texaco, Inc. v. Pennzoil Co.*, 729 S.W.2d 768 (Tex. App. 1987).



generally be limited to those that would seek to replicate the position the plaintiff would have occupied had a breach not occurred.<sup>219</sup> If that same plaintiff were to sue in tort, under the same general operative facts, the opportunities for greater amounts in consequential damages and punitive damages otherwise not available under contract law would open up.<sup>220</sup>

This anomaly arises because each theory protects different interests: returning to the *Texaco* example, contract law generally ensures that promisees are protected from the pecuniary loss of their bargain,<sup>221</sup> whereas tort law seeks to shift the cost of injury resulting from sanctionable conduct from plaintiffs to the tortfeasor that caused the injury.<sup>222</sup> Lest these and other interests go partially unprotected or overprotected, courts must structure their remedies around each theory's substance.

This relationship between rights and remedies is a reciprocal one: though a court-ordered remedy often does not strictly speaking alter the substantive rights violated,<sup>223</sup> the proper remedy will ultimately determine how and sometimes whether the right is properly vindicated.<sup>224</sup> As noted above, copyright owners hold a bundle of exclusive rights under 17 U.S.C. § 106, and these rights may cease to be exclusive where the Copyright Act does not so provide when infringing behavior continues.<sup>225</sup> Absent such relief, a damage award may effectively license the behavior, telling defendants, as Justice Scalia mentioned twice during the United States' amicus argument in *eBay*, that they can feel free to infringe a plaintiff's property rights to the

219. See, e.g., U.C.C. § 2-708(2) (2010).

220. *Texaco*, 729 S.W.2d at 859. Sometimes, this disparity in the available damages is staggering. One extreme example lies in the astronomical judgment affirmed in *Texaco*. Under the contract, Pennzoil would have likely been awarded the market value of the stock in the merger agreement: about \$500 million. See LAYCOCK, *supra* note 147, at 72. The theory Pennzoil actually pursued, tortious interference with a contract, yielded the now-infamous \$10.53 billion dollar award. *Texaco*, 729 S.W.2d at 784.

221. RICHARD A. LORD, *WILLISTON ON CONTRACTS* § 64:1 (2010).

222. PROSSER AND KEETON ON THE LAW OF TORTS § 85 (Keeton et al. eds., 5th ed. 1984). There is some authority suggesting that the measure of damages in contract interference cases should be the same as those for a breach of contract, e.g., *McNutt Oil & Refining Co. v. D'Ascoli*, 79 Ariz. 28, 281 P.2d 966 (1955), but this is not the majority rule, see 2 DOBBS, *supra* note 63, § 6.6(2).

223. LAYCOCK, *supra* note 153.

224. 2 HIGH, *supra* note 19 (describing purpose of equity jurisdiction in copyright infringement suits as "making effectual the legal right, which can not [sic] be done by an action for damages"); 5 HORWITZ & HORWITZ, *supra* note 188.

225. 5 HORWITZ & HORWITZ, *supra* note 188.

extent that they are willing and able to do so,<sup>226</sup> impeding a plaintiff's copyrights from further reaching their theoretical exclusivity.

*D. Conserving Judicial Resources by Recognizing Trends*

The emphasis this Comment's prescriptive model places on copyright's nature as an exclusive right is not undercut by *eBay*'s language rejecting that the "statutory right to exclude alone justifies [a] general rule in favor of permanent injunctive relief."<sup>227</sup> Though the right to exclude is central to providing a normative basis for how permanent injunctions vindicate infringed copyrights' exclusivity, those rights are not the only justification for the presumption of irreparable harm or normally granting permanent relief in copyright cases.

The presumption also finds worth in its conservation of judicial resources. In cases where irreparable harm will normally flow from infringement, "presuming [irreparable harm] once [infringement] is shown saves everyone time and expense. Allowing the presumption to be rebutted increases accuracy in the presumably small set of cases" that deviate from the norm.<sup>228</sup>

*E. Allowing General Rules while Prohibiting Categorical Rules*

Though some decisions have latched onto the Supreme Court's apparent rejection of general rules to justify eliminating the presumption, the court cannot have adopted a wholesale rejection of all general rules. Throughout the decision, the Court took issue with the Federal Circuit's nearly "categorical" rule that permanent injunctions would issue absent a public interest reason to the contrary.<sup>229</sup> In other words, the Federal Circuit's test conclusively presumed irreparable harm; the test for permanent relief categorically treated all cases where infringement is established as giving rise to irreparable harm. A rebuttable presumption, conversely, accounts for the outlier cases where damages are appropriate to redress infringement. By giving defendants a chance to show that a copyright owner can be made whole through a damage recovery only, a rebuttable presumption thus cannot be properly termed an errant categorical rule.

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226. Transcript of Oral Argument at 33, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130).

227. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006).

228. David McGowan, *Business Law Forum: Intellectual Property Remedies: Irreparable Harm*, 14 LEWIS & CLARK L. REV. 577, 582 (2010).

229. *eBay*, 547 U.S. at 393-94; *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005).

Furthermore, merely general rules are practically inevitable.<sup>230</sup> To be sure, a central tenet of common law jurisprudence is to apply preexisting generalized rules to a specific set of circumstances, to apply the precedent created by the first application to the next case, and so on.<sup>231</sup> Also characteristic of common law development of legal rules is that cases will treat similar cases similarly. Chief Justice Roberts noted as much in oral argument,<sup>232</sup> and Justice Kennedy recognized in his concurrence that “[t]he lesson of the historical practice . . . is most helpful and instructive when the circumstances of a case bear substantial parallels to litigation the courts have confronted before.”<sup>233</sup>

*F. Following the History and Tradition of Equity Practice*

The history and tradition that *eBay* pushed the courts to consider generally is not characterized by courts laboriously marching through equitable factors in copyright infringement suits.

In fact, a late-nineteenth-century treatise claims that equitable remedies are “superior[.]” to actions at law to vindicate copyrights, without suggesting that there may be cases when the courts should deny injunctive relief.<sup>234</sup> In its words, “a court of equity is manifestly the better forum for the protection of a copyright, since a court of law cannot afford as ample redress . . . for the prevention of a threatened or anticipated violation in the future.”<sup>235</sup> Echoing Justice Story, the High treatise also argued that equity can “prevent a multiplicity of suits” and “vexatious litigation.”<sup>236</sup> Interposed with these justifications for injunctive relief is a facially unqualified statement that “the purpose of making effectual the legal right” of copyright “can not [sic] be done by

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230. H.L.A. HART, *THE CONCEPT OF LAW* 121 (1961) (arguing that the law’s “successful operation over vast areas of social life depends on a widely diffused capacity to recognize particular acts, things, and circumstances as instances of the general classifications which the law makes”). Though Hart suggests that “the law must predominantly, but by no means exclusively, refer to *classes* of . . . things,” these specialized rules may refer to rules described in one particular event, what Hart terms “precedent.” *Id.* (emphasis in the original). In fact, principled judicial decision-making depends on rules that can inform future cases, and Hart recognizes as much when he suggests a hypothetical where a child may ask “general questions” in trying to imitate one particular instance thought to convey a rule. *Id.* at 122. In order for those rules to retain relevance in future cases, they must have some room for generality. Otherwise, judicial decision-making becomes completely ad-hoc.

231. *Id.* at 121.

232. Transcript of Oral Argument at 9, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130).

233. *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

234. 2 HIGH, *supra*\_note 19.

235. *Id.*

236. *Id.*

an action for damages.”<sup>237</sup> Nothing in this section speaks to multi-factor tests applied on a case-by-case basis.<sup>238</sup>

Similar treatments appear in more recent scholarship examining English equity practice. In *What History Teaches Us About Copyright Injunctions and the Inadequate-Remedy-at-Law Requirement*, H. Tomás Gómez-Arostegui found that “the inadequate-remedy-at-law requirement played no active role in deciding whether to issue a copyright injunction” in the English courts around 1789.<sup>239</sup> Gómez-Arostegui’s research found court records completely devoid of this issue, whether as requirements, arguments, or bases for rejecting requests for injunctive relief.<sup>240</sup> Instead, “the historical record suggests that in copyright cases, legal remedies were deemed categorically inadequate.”<sup>241</sup> Of greater moment is the connection between the inadequacy of legal remedies and the irreparable-harm rule that Gómez-Arostegui drew in the article’s conclusion.<sup>242</sup>

These historical accounts appear to present three points of friction with current Supreme Court precedent. First, as noted above, the Supreme Court expressly rejected the use of categorical rules.<sup>243</sup> Second, the absence of any treatment of irreparable injury in English court records used in Gómez-Arostegui’s article does not comport with the requirement that “a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief.”<sup>244</sup> Third, the Supreme Court stated in *Amoco Product Co. v. Village of Gambell*, a case cited by the Supreme Court in *eBay*,<sup>245</sup> that a presumption of irreparable harm for the purpose of issuing preliminary injunctions “is contrary to traditional equitable principles and has no basis in ANILCA.”<sup>246</sup>

Each of these points, however, can be interpreted to harmonize the

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237. *Id.*

238. *Id.*

239. Gómez-Arostegui, *supra* note 23, at 1201.

240. *Id.*

241. *Id.*

242. *Id.* at 1280. In the introduction, Gómez-Arostegui interpreted this research as demonstrating that English practice around the time the Constitution was ratified is consistent with the rule that “if the injury complained of is copyright infringement, then the inadequacy of the legal remedies or ‘irreparable injury’ conclusively exists as a matter of law.” *Id.* at 1200.

243. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393–94 (2006).

244. *Id.* at 391.

245. *Id.* The *MGM* court also noted that *eBay* cited *Amoco* twice. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1213–14 (C.D. Cal. 2007).

246. *Amoco Prod. Co. v. Vill. of Gambell*, 480 U.S. 531, 544–45 (1987).

Supreme Court's decisions on injunctive relief with how courts sitting in equity traditionally operated. As to the first point, one court rightly noted that a presumption of irreparable harm does not create a categorical rule.<sup>247</sup> Later courts can follow the *MercExchange* 2003 district court decision and prescribe a rebuttable presumption of irreparable harm to avoid that result.<sup>248</sup>

As to the second point, though courts have latched onto that language to locate a burden of proof, that language does not inevitably prescribe that result. To be sure, the rule states that "a plaintiff . . . must satisfy a four-factor test,"<sup>249</sup> not that the plaintiff "must prove" each factor.<sup>250</sup> To be sure, a plaintiff aware of the *eBay* test will at the very least mention the issue in a motion for an injunction,<sup>251</sup> and should the defendant resist an injunction, the plaintiff still desiring such relief will advance arguments demonstrating the four factors. This is consistent with current practice: as the Nimmer treatise notes, "injunctive relief ordinarily is not granted absent any threat of continuing or additional infringements."<sup>252</sup>

As to the third point, though that sweeping language from *Amoco*'s seems to ring the death knell of any presumption of irreparable harm, and *eBay* seems to endorse some specific points of *Amoco*'s language,<sup>253</sup> *eBay* did not cite that phrase from *Amoco*. The *eBay* Court had occasion to reject a presumption of irreparable harm used by the Eastern District of Virginia before the case's life in the Federal Circuit and the Supreme Court. Considering further that the presumption's appearance in the oral argument before the Supreme Court, such an omission points toward the Supreme Court deciding not to resolve whether the presumption of irreparable harm survives its decision in

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247. *Lennon v. Premise Media Corp., L.P.*, 556 F. Supp. 2d 310, 320 (S.D.N.Y. 2008) ("The presumption of irreparable harm in copyright infringement actions, unlike the rule addressed in *eBay*, does not require courts to impose an injunction following a determination of infringement.").

248. *MercExchange, L.L.C. v. eBay Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003).

249. *eBay*, 547 U.S. at 391.

250. *Contra* 7 DONALD S. CHISUM, CHISUM ON PATENTS, § 20.04[2][c][ii] (Rev. Ed. 2005) (defining this language as "squarely placing the burden of proof on the patent owner"). Chisum's treatise recognizes a few sentences prior to this quotation, however, that the Supreme Court did not address the presumption of irreparable harm directly. *Id.*

251. ABA SECTION OF INTELLECTUAL PROPERTY, AMERICAN BAR ASSOCIATION, ANNUAL REVIEW OF INTELLECTUAL PROPERTY LAW DEVELOPMENTS: 2006–08 415, 417 (George W. Jordan III et al. eds. 2009) (counseling plaintiffs to "prepare[] to demonstrate the four *eBay* factors, including how irreparable harm will result absent the requested relief").

252. 4 NIMMER, *supra* note 9, §14.06[B][1][a].

253. *eBay*, 547 U.S. at 391.

*eBay*.<sup>254</sup>

#### CONCLUSION

This Comment began by pointing to permanent injunctions' potent nature. It is this nature that strongly counsels for the sound exercise of discretion by district judges in whether a permanent injunction should issue in a copyright infringement action. Congress expressed an intent to confer such discretion in 17 U.S.C. § 502(a), and the Supreme Court aimed to effectuate this same purpose through *eBay v. MercExchange*. It is therefore up to the courts to exercise the discretion left to them soundly. A presumption of irreparable harm provides one tool, tested by time and precedent, to determine when permanent injunctions are the most prudent remedy.

ANDREW F. SPILLANE\*

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254. Gómez-Arostegui, *supra* note 23, at 1208–09. (“Though the *Amoco* case is cited in *eBay*, it is not cited expressly for this proposition nor even implicitly by reference to the page in *Amoco* on which the proposition appears. The omission is especially striking given that *eBay* pressed this very argument.”).

\* 2011, J.D. Candidate, Marquette University Law School. This Comment is dedicated to my grandfather, Robert J. Makowski. I would like to thank Professors Bruce E. Boyden, Kali Murray, Michael Jassak, and John Duffy for their advice, guidance, and inspiration as I researched and wrote on this topic. I also would like to thank my family and friends for their constant and unwavering support as I have progressed through law school.