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## Business Method Patent Decision Addresses Inducement and Permanent Injunctions

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In *MercExchange, L.L.C., v. eBay, Inc. and Half.Com, Inc.*—an opinion touching on a variety of current patent law topics—the US Court of Appeals for the Federal Circuit provided further support for the validity of business-method patents, and addressed issues relating to inducement of infringement and permanent injunctions. Business-method patents have been controversial since the Federal Circuit's ruling, in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, that business methods are as patentable as any other process or method. In *MercExchange*, the Federal Circuit implicitly upheld the patentability of business methods, and provided additional guidance on the requirements for finding inducement and on the propriety of issuing a permanent injunction.

### Business-Method Patents

In *MercExchange*, the plaintiff, MercExchange, asserted three patents covering methods for creating and searching online marketplaces and auctions. While the Federal Circuit discussed, at length, issues relating to the validity of the patents, the *patentability* of business methods, per se, was not questioned. The trial court had denied MercExchange's request for a permanent injunction in part because of a general concern about the validity of business-method patents. The Federal Circuit expressly rejected any special consideration of these patents because of their subject matter, noting that a "general concern regarding business-method patents ... is not the type of important public need that justifies the unusual step of denying injunctive relief."

However, even if patentable, business methods continue to receive extra scrutiny at the US Patent Office. Notably, after a request by eBay, the Patent Office is reviewing the three patents asserted by MercExchange in a reexamination proceeding.

### Inducement of Infringement

In *MercExchange*, the Federal Circuit acknowledged that its prior decisions regarding inducement of infringement left a "lack of clarity concerning whether the required intent must be merely to induce the specific acts [of infringement] or additionally to cause an infringement." Providing some clarification, the court required that "a patentee must be able to demonstrate at least that the alleged

inducer had knowledge of the infringing acts in order to demonstrate either level of intent." Further, the alleged inducer must "intend to induce" the direct infringer to incorporate all the limitations of the asserted claims. If an alleged inducer does not know what its customers are doing with its products and, moreover, does not know (and intend) that its customers will engage in acts that would satisfy all of the limitations of a patent claim, then there can be no inducement of infringement of the claim.

Addressing the facts of the case, the court noted that because there was no evidence that eBay (the alleged inducer) intended to induce the use of a "digital camera" and "bar code scanner"—which were required features of the claims—there was no inducement.

### **Permanent Injunctions**

The court reversed the district court's denial of MercExchange's request for a permanent injunction upon a finding of infringement and validity, rejecting each of the district court's reasons for that denial. The court stated that the public concern over business-method patents, the possibility of continuing disputes in contempt proceedings over whether "design arounds" would infringe, the fact that MercExchange had announced its willingness to license the patent, and MercExchange's "failure" to move for a preliminary injunction, did not justify departing from the general rule that requests for permanent injunctions against infringement will be granted, absent exceptional circumstances. Illustrating the type of situation in which denial of an injunction might be justified, the court explained that "a court may decline to enter an injunction when 'a patentee's failure to practice the patented invention frustrates an important public need for the invention,' such as the need to use an invention to protect public health." Those circumstances did not exist in this case.

### **Conclusion**

The Federal Court's decision in *MercExchange*, affirming a finding of infringement and validity, demonstrates the court's continued approval of business-method patents. However, the contemporaneous actions of the US Patent Office—in the patent reexamination proceedings involving the very same business-method patents that MercExchange asserted against eBay—show that these patents continue to face close scrutiny.

The court's discussion of inducement shows that proving inducement requires more than merely showing knowledge of some of the acts required by the patent claims. A showing of inducement requires evidence that the inducer intended to induce the direct infringer to satisfy all of the limitations of a claim. Finally, the court reaffirmed that, in most cases, a permanent injunction will issue if a patent is found to be valid and infringed.

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