

PAICE YOURSELVES: A BASIC FRAMEWORK FOR ONGOING ROYALTY DETERMINATIONS IN PATENT LAW

By Stephen M. Ullmer

In the wake of the Supreme Court's landmark decision overturning the rule of automatic injunctions in patent cases, *eBay Inc. v. MercExchange, LLC*, district courts and the Federal Circuit must now consider how best to grant prospective damages.¹ Lower courts are still working out the details of this standard, and many post-*eBay* patent cases have denied the patentee a permanent injunction.² In *Amado v. Microsoft Corp.*³ and *Paice LLC v. Toyota Motor Corp.*,⁴ the Federal Circuit reviewed two separate ongoing royalties.⁵ Though the Federal Circuit generally approves of ongoing royalties as a form of remedy, it vacated and remanded both decisions

© 2009 Stephen M. Ullmer. The author hereby permits the reproduction of this Note subject to the Creative Commons Attribution 3.0 License, the full terms of which can be accessed at <http://creativecommons.org/licenses/by/3.0/legalcode>, and provided that the following notice be preserved: "Originally published in the Berkeley Technology Law Journal 24:1 (2009)."

1. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006); see also Jake Phillips, Note, *eBay's Effect on Copyright Injunctions: When Property Rules Give Way to Liability Rules*, 24 BERKELEY TECH. L. J. _ (2009).

2. As of January 7, 2009, 23 post-*eBay* cases have denied a permanent injunction. Injunction Rulings to 1-7-09, http://www.patstats.org/Injunction_rulings_post-ebay_to_1-7-09.xls (last visited Jan. 25, 2009). Prior to *eBay* injunctions issued automatically, as the Federal Circuit employed an automatic injunction rule for more than twenty years. See Jeremy Mulder, Note, *The Aftermath of eBay: Predicting When District Courts Will Grant Permanent Injunctions in Patent Cases*, 22 BERKELEY TECH. L.J. 67, 68 (2007); see also *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989); *W.L. Gore & Assocs. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988).

3. 517 F.3d 1353 (Fed. Cir. 2008).

4. 504 F.3d 1293 (Fed. Cir. 2007).

5. This Note focuses primarily on ongoing royalties as a form of future damages. See *infra* Part II. An ongoing royalty is different from a reasonable royalty, in the sense that a reasonable royalty is for *past* infringement while an ongoing royalty compensates a patent holder for *future* infringement. Because an ongoing royalty permits future infringement, it is similar to a compulsory license. Compare *Paice*, 504 F.3d at 1313 n.13 (distinguishing ongoing royalties from compulsory licenses because an ongoing royalty permits *only* a single infringer, rather than any future infringers, to continue its infringing conduct at a predetermined price), with *id.* at 1316 (Rader, J., concurring) ("[C]alling a compulsory license an 'ongoing royalty' does not make it any less a compulsory license.").