

SPARK Innovation Opposes the RESTORE Act without Amendment

SPARK Innovation is dedicated to advancing the future of critical emerging technology startups, entrepreneurs, and inventors through effective policy reform in the United States. We strive to create a policy environment where the conception, protection, and commercialization of technologies critical to American economic and national security prosper thereby enabling the United States to take back the global technological lead from China.

S.4840, the Realizing Engineering Science and Technology Opportunities by Restoring Exclusive Patent Rights Act of 2024 (RESTORE or the RESTORE Act) was introduced in the Senate by Senators Coons and Cotton. H.R.9221, an identical companion bill by the same name was introduced in the House by Representatives Nathaniel Moran, Deborah Ross, Hank Johnson, Chip Roy, Madeliene Dean and Scott Peters.

We believe RESTORE does not properly restore injunctions and will leave U.S. innovation handicapped in ways no other country handicaps their own innovation system. We therefore oppose RESTORE unless it is properly amended.

***eBay vs. MercExchange* Harmed U.S. Innovation**

The Supreme Court in *eBay v MercExchange (eBay)* inflicted harm on U.S. innovation by making it nearly impossible for critical emerging technology startups, entrepreneurs, and inventors to obtain injunctive relief to stop infringers.

In *eBay*, the Supreme Court ratified a novel four-factor test (*eBay Factors*) employed by the district court for determining whether to grant injunctive relief upon a finding of patent infringement, and it also placed the burden on the patent owner to show how it survives the *eBay Factors*. These two issues are distinct and must both be addressed in RESTORE.

In ratifying the *eBay Factors*, the Supreme Court eliminated the categorical rule established by the Federal Circuit with 200 years of historical precedent “that a permanent injunction will issue once infringement and validity have been adjudged.”

The *eBay Factors*:

“That test requires a plaintiff to demonstrate: (1) *that it has suffered an irreparable injury*; (2) that remedies available at law 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. The decision to grant or deny such relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion.”

eBay Factor (1) is the subject of several discussions below.

This significant rewrite of the law of injunctive relief has all but eliminated injunctions for most U.S. patent owners. With no reasonable threat of an injunction, the floodgates were opened to massive predatory infringement by huge multinational corporations, including those controlled by the Chinese Communist Party (CCP), of critical emerging technology patents owned by U.S. startups, entrepreneurs, and inventors.

Injunctions Prior to *eBay*

Prior to *eBay*, over 90% patent owners who won patent infringement and proved the patents were not invalid were awarded injunctive relief. After *eBay*, not only did the number of granted injunctions decrease significantly but the requests for injunctions did as well. This decrease in injunctions is perhaps the most significant component of the current unreliability of U.S. patents. Its harm is exacerbated by other attacks on innovation such as (i) the unconscionably high patent invalidation rate of 84% at the Patent Trial and Appeal Board (PTAB); (ii) judicial exceptions to patent-eligible subject matter including abstract ideas, laws of nature, and natural phenomena; (iii) the highly subjective judge-made test for obviousness; and (iv) the extralegal application of March-In rights.

Injunctive relief is not an extraordinary remedy for patent infringement. Injunctions predate the country and are codified in our founding documents. The Constitution constructs a patent as nothing but an “exclusive Right.” The key component of the associated bundle of private property rights is right to exclude. Following suit, Congress codified that a patent “shall have the attributes of personal property.” An injunction is the very essence of a personal property right. Prior to *eBay*, would-be infringers developed different ways to address the threat of injunctions. They acquired startups and patents, licensed patents, designed around patents, and created opportunities for co-development and partnerships with patent owners. Competition increased because injunctions spurred innovation across the entire ecosystem and enabled new competitors to enter markets saturated with huge incumbents.

Injunctions increased competition driving the United States to take the lead in virtually every technology revolution from potash processing to smartphones driving the United States to become the world’s only economic and military superpower.

Critical Emerging Technologies Startups Require Injunctions

eBay undermined the U.S. patent system, and thereby U.S. innovation, in ways that no other country restricts their own innovation engines. The *eBay Factors* effectively denies injunctive relief to patent owners without a product on the market. It is a monumental mistake to believe that the business model of licensing patents is bad for innovation.

Early-stage investment provides U.S. innovation its most important fuel. The spark of an invention coupled with the fuel of investment ignites the engine that brings new products to market. Denying injunctive relief to patent licensing business models upends the economic model that startups rely on to attract early-stage funding.

Licensing business models have been used since the very first U.S. patent on potash processing. Critical emerging technology startups, entrepreneurs, and inventors as well as universities and research institutions often license their inventions to others for commercialization.

This makes sense because many inventors are not equipped to commercialize their inventions, so they often rely on licensing patented inventions. Inventors may not be personally fit to lead an organization, they may prefer heads down research to evangelizing technology, they may require

the resources of a larger company to scale the invention, or others may be better financially and professionally positioned to license patents and litigate infringers.

This division of labor between researchers/inventors and those who commercialize inventions is a critical part of innovation and is only possible with licensing business models.

eBay created a damaging mismatch in perceived value between the startup's inventors and founders, and its potential investors. An injunctive threat allows a startup to hold competition at bay long enough to grab a toehold in the market that enables the company to survive in the market after the patent expires, which increases the value of its patents.

However, the *eBay Factors* encourage predatory infringement because big corporations know if they flood the market with infringing products and run the startup out of business, its investors take ownership of its patents and, lacking a product, are not eligible for an injunction, which decreases the value of the patents.

In other words, the *eBay Factors* significantly discounts the value of the patent to the investors as compared to the value placed on the patent by the startup's founders using traditional valuation methods. This mismatch often makes the startup uninvestible because the investor's valuation is often significantly lower than the startup's minimum funding requirements.

The viscous cycle caused by the *eBay Factors* is destructive to the startup ecosystem, particularly for those commercializing critical emerging technologies. Ultimately, U.S. innovation is harmed by a general slowing on innovation caused by decreased incentive to innovate, a reduction in breakthrough technologies, and less choice and higher prices for consumers. In the end, other countries, like China, take the global lead in critical emerging technologies.

RESTORE Abrogates *eBay's* Burden Shift

RESTORE puts in place a rebuttable presumption to a possibility "*that the court should grant a permanent injunction.*" This abrogates *eBay's* burden shifting problem; however, the *eBay Factors* are not addressed.

RESTORE's operative language:

"REBUTTABLE PRESUMPTION. — If, in a case under this title, the court enters a final judgment finding infringement of a right secured by patent, the patent owner shall be entitled to a rebuttable presumption that the court should grant a permanent injunction with respect to that infringing conduct."

RESTORE Does Not Abrogate the *eBay Factors*

Since *eBay* courts are mandated to evaluate injunctive relief under the *eBay Factors*.

Proponents of RESTORE assert that it "explicitly abrogates" the *eBay Factors*. However, the *eBay Factors* are not mentioned or described anywhere in RESTORE, thus they cannot be explicitly abrogated.

Regardless, RESTORE's proponents explain that RESTORE can effectively abrogate *eBay* without naming *eBay*. They reference the 1952 Patent Act's addition to Section 103 of the sentence "*Patentability shall not be negated by the manner in which the invention was made*".

This sentence effectively abrogated the flash of genius doctrine of *Cuno Engineering v. Automatic Devices (Cuno)* without naming the case. Because the flash of genius test was a "*manner in which the invention was made*", it could no longer be used to negate patentability.

Therefore, *Cuno's* flash of genius doctrine was effectively abrogated without explicitly naming

Cuno. RESTORE can only similarly abrogate *eBay* if its language prevents the use of the *eBay Factors*.

Unfortunately, the operative language of RESTORE merely shifts the burden of proving an injunction is warranted to the adjudged infringer. RESTORE's language does nothing to prevent the use of the *eBay Factors* and therefore the *eBay Factors* will continue to be used.

RESTORE Codifies the *eBay Factors*

RESTORE's proponents assert a second way that RESTORE abrogates the *eBay Factors*. They explain that if a court is confused about the meaning of the operative language, it will go to the Findings, which, they assert, abrogates the *eBay Factors*.

RESTORE's first four Findings are a banality of the patent system and have nothing to do with the *eBay Factors*.

According to scholarly research by Professor Mossoff, prior to *eBay* the courts granted an injunction if infringement was proven on a not invalid patent. Irreparable harm was never considered prior to the *eBay Factors*.

However, RESTORE Finding (5) brings *eBay Factor* (1), irreparable harm, into US Code for the first time:

“(5) Given the *irreparable harm* that is caused by multiple acts of infringement or willful infringement of a patent, courts historically presumed that an injunction should be granted to prevent such acts, with a burden on defendants to rebut such a presumption with *standard equitable defenses*.

(6) Recently, courts have ended the approach described in paragraph (5), which contradicts the traditional, historical practice governing the equitable remedy described in that paragraph.”

The *eBay Factors* are mandated *standard equitable defenses* in patent cases. Under *eBay*, when seeking an injunction, the patent owner has the burden to overcome the *eBay Factors* including *eBay Factor* (1), whether it has suffered an *irreparable harm*. The adjudged infringer then counters the patent owner's arguments using the *eBay Factors*.

RESTORE reverses the burden with its rebuttable presumption. That means the patent owner simply needs to ask for an injunction without any justification. However, the rebuttable presumption coupled with Findings (5) and (6) means the patent owner is presumed to have been irreparably harmed, which is *eBay Factor* (1), so the adjudged infringer must counter at least *eBay Factor* (1) to overcome the rebuttable presumption.

RESTORE is silent on the remaining *eBay Factors*, but nothing in RESTORE abrogates the *eBay Factors* or *eBay's* mandate that courts use the *eBay Factors* as *standard equitable defenses*. Further showing that the *eBay Factors* are codified, RESTORE's Findings (7) states the sole source of *eBay's* damage is burden shifting. It ignores the *eBay Factors*.

“(7) Eliminating the traditional, historical equitable practice of *applying a rebuttable presumption of injunctive relief* in the case of continuing acts of infringement or willful infringement of a patent has—

(A) substantially reduced the ability of patent owners to obtain injunctions to stop continuing or willful infringement of patents; and

(B) created incentives for large, multinational companies to commit predatory acts of infringement, especially with respect to patents owned by undercapitalized entities, such as individual inventors, institutions of higher education, startups, and small or medium-sized enterprises.”

The simple fact is that RESTORE’s Findings explicitly codifies *eBay Factor* (1), *irreparable harm*, and due to its silence on the remaining *eBay Factors* and *eBay’s* mandate that courts use them, the *eBay Factors* are intended to carry though and will continue to be the mandated *standard equitable defenses* to injunctions.

RESTORE Does Not Return the Law Injunctions to Pre-*eBay*

Adam Mossoff, Professor of Law at Antonin Scalia Law School, George Mason University, recently published a [paper](#) entitled “*Injunctions for Patent Infringement: Historical Equity Practice Between 1790 – 1882*” (Mossoff Paper). In it, Mossoff presents the law on injunctions prior to *eBay* on page 2: “*In the 899 opinions in Federal Cases by federal courts sitting in equity in lawsuits filed between 1790 and 1880, no judge applied a four-factor test for issuing an injunction, either for a permanent or a preliminary injunction. [...] Courts awarded permanent injunctions in 91% of the cases in which the defendant was found to infringe a patent that it failed to invalidate. Courts granted these injunctions by applying the same legal doctrines they applied when redressing continuing trespasses of real property, protecting patents as much as they protected real estate and other property interests.*”

The Supreme Court in *eBay* confirms the Federal Circuit 200 year historical precedent “that a permanent injunction *will* issue once infringement and validity have been adjudged.”¹

RESTORE cannot return the law of injunctive relief to its state prior to *eBay* because RESTORE codifies the *eBay Factors*, which did not exist prior to *eBay*.

RESTORE Must Be Amended

RESTORE is a product of the corporate lobby, who’s members benefit from stealing the inventions of inventors and startups, especially those in critical emerging technologies. They must preserve the *eBay Factors* to successfully execute their predatory business models. Many so-called experts, whose credibility has been purchased by the corporate lobby, are making misleading arguments for their paymasters to sell and pass RESTORE.

It is essential to restore injunctions to the pre-*eBay* state if the U.S. is going to retake China’s technological lead.

SPARK Innovation’s Recommended Amendment

The following language intended to replace RESTORE as written fully abrogates *eBay* setting the U.S. patent system on par with other countries as it was prior to *eBay*.

SECTION 1. SHORT TITLE

This Act may be cited as the “Realizing Engineering, Science, and Technology Opportunities by Restoring Exclusive Patent Rights to include Preliminary Injunctions and Exclusive Licensees, where Product Manufacture is Unnecessary and Innovation is Supported Act of 2024” or the “RESTORE Patent Rights PLUS Act of 2024”.

SECTION 2. FINDINGS.

Congress finds the following:

(1) The United States Government exists to secure certain unalienable rights such as life, liberty, and property, wherein property includes intellectual property.

¹ *eBay*, 547 U.S., 393-394 (citing *MercExchange v. eBay*, 401 F.3d 1323, 1338 (Fed.Cir.2005) (emphasis added).

(2) The Constitution of the United States empowers Congress to secure inventors' "exclusive Right" to their inventions in order to "promote the Progress of Science and the useful Arts".

(3) The right to prevent others from making, using, offering to sell, selling, or importing a patented invention, without authority from the inventor, is essential to ensure that an inventor enjoys, for a limited time, the exclusive right to the invention.

(4) Given the irreparable harm that is caused by multiple acts of infringement or willful infringement of a patent, Congress and the courts of the United States have historically secured the constitutionally protected patent right through the traditional equitable remedy of a permanent or preliminary injunction.

(5) The historical approach to injunctive relief was not to apply a four-factor test, but a two-step inquiry based on the plaintiff's ability to (i) prove infringement and (ii) rebut any patent validity challenges wherein said two-step inquiry resulted in an injunction being granted nearly 94% of the time.

(6) Recently, courts have ended the approach described in paragraph (5) and had been employed by the Federal Circuit, which contradicts the traditional, historical practice governing the equitable remedy described in that paragraph.

(7) Historically, courts did not distinguish between permanent and preliminary injunctions when it came to the substantive doctrines they employed or their analyses thereof pointing out that only that, since defendants could potentially be restrained before their rightful day in court, a preliminary injunction was discretionary.

(8) Eliminating the traditional, historical practice of granting injunctive relief upon finding a patent infringed and not invalid has created incentives for large, multinational companies to commit predatory acts of infringement, especially with respect to patents owned by undercapitalized entities, such as individual inventors, institutions of higher education, startups, and small or medium-sized enterprises.

(9) Securing effective and reliable patent protection for new technologies by, inter alia, returning to the approach described in paragraph (5) is critical to maintaining the United States as the leader in the global innovation economy.

SECTION 3. INJUNCTIVE RELIEF IS A PROPER REMEDY

Section 283 of title 35, United States Code, is replaced with the following—

(a) *PERMANENT INJUNCTION.* – *If, in a case under this title, a court finds a patent to be infringed and not invalid, the court shall issue a permanent injunction and may decline to do so only in exceptional circumstances.*

(1) *SENSE OF CONGRESS.* — *It is the sense of Congress that this subsection abrogates the Supreme Court’s ruling in and subsequent lower court interpretations of eBay v. MercExchange, 547 U.S. 388 (2006) and codifies the Federal Circuit’s general rule that constituted the law of prior to the Supreme Court’s eBay decision.*

(b) *PRELIMINARY INJUNCTION.* – *A plaintiff seeking a preliminary injunction or a temporary restraining order shall be entitled to a rebuttable presumption of irreparable harm upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order.*