

Keywords: Preliminary injunction; permanent injunction; interlocutory orders; interlocutory appeals

General: An interlocutory appeal of a summary judgment that denies an injunction is not allowed unless the moving party can show that serious or irreparable harm will occur before final judgment.

Woodard v. Sage Products Inc.
2 U.S.P.Q.2d 1649 (Fed. Cir. 1987)
Decided May 4, 1987

I. Facts

Alice Nye was the owner of the '638 patent, which relates to a commode pan. She, along with her licensee, Kendall Co., sued three companies, Sage Products, Inc., Plastipan Industries, and BHC, Inc., for infringing on the patent. The lawsuit was brought in September 1981, in the Southern District of Texas. Subsequently, the three defendants brought individual actions for declaratory judgment in the Northern District of Illinois. By agreement of the parties, all of the actions were dismissed in favor of one suit in the Northern District of Illinois.

Sage cited three prior art references against the patent, and Alice Nye filed for reexamination, so that these references could be considered by the USPTO. The court later dismissed the suit, without prejudice and with leave to reinstate, pending the outcome of the reexamination. The USPTO issued a certificate of reexamination, confirming the patentability of the original four claims, and allowing six new claims. During this period, Alice Nye died, and ownership of the patent passed to her children, Elizabeth Nye Woodard, and Miles Cogley Nye, Jr.

The new owners of the '638 patent, along with Kendall, (hereinafter Woodard) motioned for the action to be reinstated. This motion was granted in June 1985. They also amended their complaint, with leave of the court, to include a request for preliminary and permanent injunctions against continued infringement by the three companies.

In September 1985, Sage filed a motion for summary judgment, claiming that its commode pan did not infringe the '638 patent. This motion was granted, and Woodard informed the court that it intended to immediately appeal the decision under 28 U.S.C. § 1292(a)(1), which gives appellate courts jurisdiction over appeals of orders denying injunctions. Woodard claimed that the summary judgment effectively denied its motion for an injunction.

Sage claimed that Woodard did not have the right to an interlocutory appeal unless it could show that serious or irreparable harm would occur that could not be effectively appealed after the final judgment.

II. Issues

Does 28 U.S.C. § 1292(a)(1) *automatically* allow for an interlocutory appeal of an order denying an injunction?

III. Discussion

A. No. The purpose of the finality rule, in which a civil suit can only be appealed after final judgment, is to "save the expense and delays of repeated appeals in the same suit, and to have the whole case and every matter in controversy decided in a single appeal." *McLish v. Roth*, 141 U.S. 661,

665-66 (1891). Exceptions have been recognized when serious or irreparable harm would occur if the intermediate order could not be reviewed before final judgment, i.e., cannot be effectively challenged. This is the purpose behind 28 U.S.C. § 1292(a)(1) (2004), which gives the Courts of Appeals jurisdiction to review orders “granting, continuing, modifying, refusing or dissolving injunctions.”

The Supreme Court interpreted the predecessor to this statute, 28 U.S.C.A. 227, in *General Electric v. Marvel Rare Metals Co.*, 287 U.S. 430 (1932). In this opinion, the Court said that even orders which have the effect of denying an injunction were subject to interlocutory appeal. Because of this opinion, the statute has been given an expansive interpretation in some courts, leading to a split in the circuits. Several of the circuit courts were of the opinion that the consequence of allowing automatic appeals would be to give the parties nearly unlimited control over interlocutory appeals, since any motion could include a demand for further compulsory relief, making the motion immediately appealable if denied. Other courts followed a literal reading of the statute, which made appeals automatic.

The Supreme Court has since taken this issue up in a number of cases to resolve the split among the circuits. In *Baltimore Contractors v. Bodinger*, 348 U.S. 176 (1955), the Court limited the scope of the statute, by deciding that if the purpose of an order is only to control the course of a trial, it is not injunctive in nature. In *Switzerland Cheese Ass’n, Inc. v. E. Horne’s Market Inc.*, 385 U.S. 23 (1966), the Court further limited the application of the statute, deciding it applied only when issues concerning the merits of the claims were being decided, and not to those issues which concerned factual or other matters. In *Gardner v. Westinghouse Broadcasting Co.*, 437 U.S. 478 (1978), the Court continued the trend of limiting the application of the statute, by explicitly denying that it automatically applied in every case in which an injunction was denied. Finally, the Court defined a test for allowing challenges to interlocutory orders concerning injunctions in *Carson v. American Brands*, 450 U.S. 79 (1981). In this test, to be permitted to make an interlocutory appeal of a denial of an injunction under § 1292(a)(1), a party must show that (a) the order is injunctive in nature, (b) that it causes serious or irreparable harm, and (c) that the order must be challenged immediately to prevent the harm.

Although the factors are clear, the use of the factors in different types of cases has still been the subject of interpretation by various courts. In the instant case, Sage argued that the *Carson* factors must be applied in all cases where an interlocutory appeal of an order concerning an injunction is requested under § 1292(a)(1), which is consistent with the majority interpretation of *Carson*. Woodard argued that the broad interpretation of *Carson* should not apply to situations where the order would entirely dispose of a claim for permanent injunctive relief, which is a minority approach. The CAFC found that the majority approach was more consistent with the structure of the *Carson* decision. The applicability of the first of the *Carson* factors was not explicitly discussed, but since the requested relief did go to the merits, satisfaction of this factor would be consistent with *Switzerland Cheese*.

Woodard argued that it satisfied the second *Carson* factor, i.e., that it would suffer serious or irreparable harm, since the remaining patent term was only three years, and after that, it would not be able to obtain an injunction to prevent Sage from infringing. In response, Sage argued that Woodard would still be able to obtain monetary damages, and did not need immediate relief. While recognizing Woodard’s argument that patent rights do not become weaker at the end of the patent term, the court found the most significant factor was the failure of Woodard to seek a preliminary injunction in the first action. This, the Court felt, was objective evidence that Woodard itself felt it would not suffer irreparable harm without an injunction.

For the final factor, i.e., the need for an immediate challenge of the order to prevent harm, Woodard argued that they should not be forced to undergo the expense and delay of a second trial. The Court dismissed this argument, stating that it is solely directed to Woodard’s convenience and ignored the final *Carson* factor entirely. The court also stated it is “Congress’s view that the prospect of a second trial is preferable to the disruption of an orderly trial proceedings and attendant delay by interlocutory review unless clearly necessary.”