Appeal No. 2014-1802

United States Court of Appeals

for the

Federal Circuit

APPLE INC., a California corporation,

Plaintiff-Appellant,

– v. –

SAMSUNG ELECTRONICS CO., LTD., a Korean corporation, SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation, and SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendants-Appellees,

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA IN CASE NO. 5:12-CV-00630-LHK JUDGE LUCY H. KOH

BRIEF OF *AMICI CURIAE* ASUSTeK COMPUTER INC., eBAY, INC., FACEBOOK, INC., GOOGLE INC., HTC AMERICA, INC., HTC CORPORATION, LENOVO INC., NEWEGG INC., AND RED HAT, INC. IN SUPPORT OF DEFENDANTS-APPELLEES' PETITION FOR *EN BANC* REHEARING

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CERTIFICATE OF INTEREST

Counsel for *amici curiae* and non-parties ASUSTeK Computer Inc., eBay, Inc., Facebook, Inc., Google Inc., HTC America, Inc., HTC Corporation, Lenovo Inc., Newegg Inc., and Red Hat, Inc. certify the following:

1. The full name of every party or amicus represented by me is:

   ASUSTeK Computer Inc., eBay, Inc., Facebook, Inc., Google Inc., HTC America, Inc., HTC Corporation, Lenovo Inc., Newegg Inc., and Red Hat, Inc.

2. The name of the real party in interest represented by me is:

   N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

   - ASUSTeK Computer Inc. has no parent corporation, and no publicly held company owns 10 percent or more of ASUSTeK Computer Inc.'s stock.
   - eBay, Inc. has no parent corporation, and no publicly held company owns 10 percent or more of eBay, Inc.'s stock.
   - Facebook, Inc. has no parent corporation, and no publicly held corporation owns 10 percent or more of Facebook, Inc.'s stock.
   - Google Inc. is a wholly owned subsidiary of Alphabet Inc., a publicly held company.
   - HTC America, Inc. is a wholly owned subsidiary of HTC Corporation, a publicly held company.
   - Lenovo Inc. is a wholly-owned subsidiary of Lenovo Group Ltd., a publicly held company.
   - Newegg Inc. has no parent corporation, and no publicly held company owns 10 percent or more of Newegg Inc.'s stock.

- Red Hat, Inc. has no parent corporation, and the only publicly held company that own 10% or more of its stock is T. Rowe Price Associates, Inc.

4. The names of all law firms and partners or associates that appear for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

White & Case LLP: Kevin X. McGann, Warren S. Heit, Christopher J. Glancy, and John P. Padro.

Dated: November 2, 2015 By: /s/ John P. Padro
John P. Padro

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Amici curiae and non-parties ASUSTeK Computer Inc., eBay, Inc., Facebook, Inc., Google Inc., HTC Corporation, HTC America, Inc., Lenovo Inc., Newegg Inc., and Red Hat, Inc. (collectively "*Amici*") respectfully submit this brief in support of the petition of Defendants-Appellants Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC (collectively "Samsung") for rehearing *en banc* of the Federal Circuit panel's September 17, 2015 decision.

INTEREST OF *AMICI*[1]

Amici are all innovative technology companies that develop and provide a variety of products and services that, like the smartphones and tablets at issue in this appeal, incorporate a wide array of features. As such, the issue presented in Samsung's petition for *en banc* review – the proper standard for proving irreparable harm in the permanent injunction analysis under *eBay* where the patents-in-suit cover minor variations on existing features of an innovative and technologically complex product – is a matter of great concern to *Amici*.

[1] Pursuant to Rule 29(c) of the Federal Rules of Appellate Procedure, *Amici* state that no counsel for a party authored this brief, in whole or in part, and that no person or entity, other than *Amici* or counsel for *Amici*, made any monetary contribution to the preparation or submission of the brief.

ARGUMENT

I. THE PANEL MAJORITY'S NEW "SOME CONNECTION" STANDARD CONFLICTS WITH FEDERAL CIRCUIT PRECEDENT AND CREATES UNCERTAINTY FOR INDUSTRY

The panel majority in *Apple IV* substantially changed the standard for proving irreparable harm in patent cases, contravening settled Federal Circuit precedent that companies have relied upon for years and creating uncertainty as to how the ambiguous and undefined "some connection" standard will be applied in future cases.

A. In *Apple* I, II and III, This Court Articulated a Clear, Workable Rule for Proving Irreparable Harm

In a consistent, settled line of cases, this Court set forth the standard for proving irreparable harm post *e-Bay*: a patentee must establish both "1) that absent an injunction, it will suffer irreparable harm, and 2) that a ***sufficiently strong causal nexus*** relates the alleged harm to the alleged infringement." *Apple Inc. v. Samsung Electronics Co., Ltd.,* 735 F.3d 1352, 1359-60 (Fed. Cir. 2013) ("*Apple III*") (emphasis added) (quoting *Apple Inc. v. Samsung Electronics Co., Ltd.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012) ("*Apple II*")); *see also Apple Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1324 (Fed. Cir. 2012) ("*Apple I*"). The causal nexus inquiry is "part of the irreparable harm calculus," and the two concepts are "inextricably related." *Apple II,* 695 F.3d at 1374-75.

This Court provided meaningful guidance to courts and litigants on what qualifies as a "sufficiently strong causal nexus" between the patented feature and alleged lost sales, and what does not. "The patentee ***must*** . . . show that the infringing feature ***drives consumer demand*** for the accused product." *Id.* at 1375 (emphasis added). The Court made clear that a patented feature "drives consumer demand" only if the presence or absence of that feature has a "significant" effect on product sales. *Id.* at 1376.

The Court even provided helpful examples of how a patentee might prove a "sufficiently strong causal nexus." The patentee might present evidence that the patented feature "is one of several features that ***cause consumers to make their purchasing decisions***." *Apple III*, 735 F.3d at 1364 (emphasis added). A patentee might show that the patented feature makes the product "***significantly*** more desirable" to consumers or that its absence makes the product "***significantly*** less desirable." *Id.* A patentee might show that the patented feature "***significantly*** increases the price of a product." *Id.* at 1368. And in all cases, the analysis ***must*** account for available non-infringing alternatives. *Apple III*, 735 F.3d at 1364-65.

This Court also made clear what evidence is insufficient to meet the "sufficiently strong causal nexus" standard. For example, evidence of consumer preference for a generic product feature does not establish that a particular patented implementation of that feature drives product sales. *Apple II*, 695 F.3d at 1376

("To establish a sufficiently strong causal nexus, Apple must show that consumers buy the Galaxy Nexus because it is equipped with the apparatus claimed in the '604 patent—not because it can search in general, and not even because it has unified search.").

This Court's thoughtfully articulated guidance in *Apple I, II* and *III* gave a measure of predictability to providers of complex, multi-feature products and services like *Amici*. To prove that a patented feature "drives consumer demand," the patentee must make a "***strong***" showing that the patented invention has a "***significant***" effect on product sales.

B. In *Apple IV*, the Panel Majority Drastically Departed From the Standard Set Forth in *Apple I, II* and *III*, Creating Uncertainty for Industry

The panel majority's decision in *Apple IV* effectively casts aside the "sufficiently strong causal nexus" standard in favor of this nebulous standard: the patentee need only show "some connection" between the patented feature and demand for the accused infringer's products. *Apple Inc. v. Samsung Electronics Co., Ltd.*, 2015 WL 5449721, at *5 (Fed. Cir. Sept. 17, 2015) ("*Apple IV*"). The panel majority also dropped the requirement that the patented feature must "drive consumer demand" and replaced it with a lower, undefined bar: the patented feature need only "influence consumers' perceptions of and desire for these products." *Id.* at *6. As the panel majority stated, "it is enough that Apple has

shown that these features were related to infringement and were important to customers when they were examining their phone choices." *Id.* at *8.

The panel majority's analysis also fails to account for available non-infringing alternative ways to implement the same feature or functionality. As such, under the reasoning of *Apple IV*, it appears that irreparable harm could be established with evidence that consumers ***like*** a generic product feature – not the patented implementation of it – and that the feature is somehow – and the majority does not say how – "related to infringement." That standard is unmoored from any concept of a ***causal connection*** between the alleged infringement and the alleged lost sales, as required by *Apple I, II* and *III*. *See Apple IV*, 2015 WL 5449721, at *22 (Prost, J., dissenting) ("[T]he majority deviates from our precedent by repeating as a mantra the phrase 'some connection' . . . detached from the causal nexus standard explained in our prior cases.").

The panel majority's decision directly conflicts with this Court's prior precedent. *See Apple II*, 695 F.3d at 1376 (evidence that consumers "like" a product feature generally "does not sufficiently suggest . . . that consumers would buy [the product] because of its [patented] improve[ment]."); *Apple III*, 735 F.3d at 1363 ("[T]he purpose of the causal nexus requirement is to show that the patentee is irreparably harmed *by the infringement*. Without such a showing, it is reasonable to conclude that a patentee will suffer the same harm with or without an

injunction, thus undermining the need for injunctive relief in the first place." (emphasis in original)). That conflict alone warrants *en banc* review, as the panel majority's opinion departs sharply from this Court's rule that "prior decisions of a panel of the court are binding precedent on subsequent panels unless and until overturned *in banc*." *Newell Cos., Inc. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988). The majority's "some connection" standard simply cannot be reconciled with this Court's precedent.[2]

To be sure, the panel majority makes liberal use of buzzwords from *Apple I, II* and *III*, "causal nexus," "drive consumer demand," and so on. But the majority's application of the "some connection" standard belies the notion that it merely applied established Federal Circuit precedent. For example, the majority relied on evidence that users, carriers, and Samsung purportedly "valued the infringing features." *Apple IV*, 2015 WL 5449721, at *6-7. But, as the dissent addressed in detail, consumer preference for generic unpatented aspects of a feature provide no support for the conclusion that users, carriers, or Samsung showed a preference for what was actually ***claimed*** in Apple's patents or that these ***claimed*** features ***drove sales***. *Id.* at *23-25 (Prost, J., dissenting).

[2] The adherence to *stare decisis* "promotes the evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process." *State Oil Co. v. Khan*, 522 U.S. 3, 20 (1997) (quoting *Payne v. Tennessee*, 501 U.S. 808, 827 (1991)).

Perhaps recognizing that "influenc[ing] consumers' perceptions of and desire for these products" is vastly different from "driv[ing] consumer demand," the panel majority relies on the Hauser study. Again, as explained by the dissent, the district court carefully considered and then discounted the value of that study for numerous reasons, including that it overstated the claimed features, disregarded non-infringing alternatives, and reached the nonsensical conclusion that consumers would pay an extra $102 on a $149 phone solely for the specific approach to spelling-correction claimed in the '172 patent, a feature that Apple itself chose *not* to use it in its own phones. *Id*. at *4-5.

The panel majority even goes so far as to suggest that the loss of a patentee's right to exclude – by itself – is an irreparable harm, a view openly embraced by the concurrence and flatly rejected by the Supreme Court in *eBay*. *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393-94 (2006) (rejecting this Court's "general rule" that a permanent injunction will issue once infringement and validity have been adjudged).

Clear rules governing the application of equitable doctrines promote predictability and reduce uncertainty. Indeed, this Court has stressed the importance of having clear tests for determining whether a particular factual situation falls within the scope of an equitable doctrine.

> [C]ourts of equity must be governed by rules and precedents no less than the courts of law . . . [because] the alternative is to use

> each equity chancellor's conscience as a measure of equity, which alternative would be as arbitrary and uncertain as measuring distance by the length of each chancellor's foot. . . .
>
> After all, equitable rules that guide lower courts reduce uncertainty, avoid unfair surprise, minimize disparate treatment of similar cases, and thereby help all litigants. . . .

Therasense, Inc. v. Becton, Dickinson and Co., 649 F.3d 1276, 1293 (Fed. Cir. 2011) (quoting *Lonchar v. Thomas*, 517 U.S. 314, 323 (1996)). Clear rules also support the "central purpose" of this Court: "to reduce the widespread lack of uniformity and ***uncertainty of legal doctrine*** that exist in the administration of patent law." *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574 (Fed. Cir. 1984) (emphasis added).

After *Apple I, II* and *III*, litigants had a clear, workable test. After *Apple IV*, litigants are at sea. There is no way to predict how district courts will apply the "some connection" test in future cases. In contrast to *Apple I, II* and *III*, the panel majority provides no guidance on how "important" the patented feature must be to consumers, or how much the feature must "influence consumers' perceptions of and desire for these products" to warrant an injunction. It seems that whether a patentee has met the "some connection" standard may well depend on the subjective views of the presiding judge. The panel majority's decision creates, rather than reduces, uncertainty, and will inevitably lead to "unfair surprise . . . and disparate treatment of similar cases." *See Therasense*, 649 F.3d at 1293.

II. THE PANEL MAJORITY'S DECISION HAS SIGNIFICANT IMPLICATIONS, PARTICULARLY FOR HIGH-TECH COMPANIES

The panel majority's decision undermines one of the safeguards of the causal nexus requirement, preventing holdup litigations. Smartphones and tablets, such as the devices at issue here, and other high-tech products and services contain hundreds if not thousands of features. And particular variations on generic features are often covered by patents. In this environment, infringement may cause no lost sales and no irreparable harm, while an injunction would cause significant harm to innovators and the public.

The high tech industry has an efficient method of rewarding patentees commensurate with the scope of their inventions without stymying competition and innovation. For years, it has been common practice for high-tech companies to enter into broad licenses even with competitors, particularly for patents covering narrow differences or minor improvements. Indeed, as the dissent noted, Apple has licensed the patents at issue here. *Apple IV*, 2015 WL 5449721, at *19.

After *Apple IV*, creators of technologically complex products and services face the prospect of thousands of patent litigations, each with the potential to result in an injunction. *Apple IV* discourages settlement of patent disputes through licensing, prolonging litigation over narrow patents covering minor changes to

existing product features.[3] In addition, *Apple IV* would require manufacturers to expend an inordinate amount of time and effort to design around trivial patented features that do not drive consumer demand. This burden far outweighs the monetary compensation available to the patentee by means of an ongoing reasonable royalty. And these resources can be better invested in developing new products and improving existing ones, thus fostering innovation.

Injunctions also invite further litigation over whether any design-around complies with the injunction. As Justice Kennedy observed in *eBay*, "an injunction, ***and the potentially serious sanctions arising from its violation***" can be used as a coercive bargaining tool. *eBay*, 547 U.S. at 396 (Kennedy, J., concurring) (emphasis added). To borrow from this Court's analogy in *Apple III*, if a laptop computer maker was required to change the design of its battery, cooling fan or screws (and the list goes on and on) every time it was found to infringe one of the thousands of patents covering minor features of its product, and was then forced to litigate whether its design-around complies with the injunction, the laptop maker would face the constant threat of coercive patent litigation.

CONCLUSION

For the foregoing reasons, the Court should grant rehearing *en banc*.

[3] For ***each*** patent litigation, a defendant will spend, on average, about $2.1 million in attorney fees through trial for cases where the amount in controversy is between $1 million and $10 million. *AIPLA Report of the Economic Survey 2013* at I-130.

Respectfully submitted,

Dated: November 2, 2015

/s/ Kevin X. McGann

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CERTIFICATE OF COMPLIANCE

The undersigned individual hereby certifies that this **BRIEF OF *AMICI CURIAE* ASUSTeK COMPUTER INC., eBAY, INC., FACEBOOK, INC., GOOGLE INC., HTC AMERICA, INC., HTC CORPORATION, LENOVO INC., NEWEGG INC., AND RED HAT, INC. IN SUPPORT OF DEFENDANTS-APPELLEES' PETITION FOR REHEARING *EN BANC*** does not exceed 10 pages, as required by Rule 35(g) of the Federal Circuit Rules.

This brief also complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft Word, Office 2010, in Times New Roman, 14 point.

Dated: November 2, 2015

By: /s/ John P. Padro
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CERTIFICATE OF SERVICE

Pursuant to Federal Rule of Appellate Procedure 25(d), I hereby certify that, on November 2, 2015, I electronically filed the foregoing **BRIEF OF *AMICI CURIAE* ASUSTeK COMPUTER INC., eBAY, INC., FACEBOOK, INC., GOOGLE INC., HTC AMERICA, INC., HTC CORPORATION, LENOVO INC., NEWEGG INC., AND RED HAT, INC. IN SUPPORT OF DEFENDANTS-APPELLEES' PETITION FOR REHEARING *EN BANC*** with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit using the appellate CM/ECF system and that all counsel of record were served via CM/ECF.

Dated: November 2, 2015 By: /s/ John P. Padro
John P. Padro