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
Case No. 5:12-cv-00630, Judge Lucy H. Koh

MOTION TO STAY ISSUANCE OF MANDATE

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Pursuant to Rule 41(d)(2) of the Federal Rules of Appellate Procedure, Defendants-Appellees Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC[1] ("Samsung") respectfully move for an order staying issuance of the mandate in this appeal pending the filing and disposition of a petition for a writ of certiorari with the Supreme Court of the United States and, if the petition is granted, pending the Supreme Court's final disposition. This Court issued its opinion and judgment on September 17, 2015. *See Apple Inc. v. Samsung Elecs. Co.*, No. 2014-1802 (Fed. Cir. Sept. 17, 2015). Samsung filed a timely petition for rehearing *en banc* on October 19, 2015. On December 16, 2015, the panel issued amended opinions and denied the petition for rehearing *en banc*. In accordance with the order denying rehearing *en banc*, the mandate is currently scheduled to issue on December 23, 2015. Samsung intends to file a petition for a writ of certiorari, which, if filed from this interlocutory decision, is due on March 15, 2016.

ARGUMENT

A motion to stay the mandate pending the filing of a petition for a writ of certiorari should be granted if the movant "show[s] that the certiorari petition would present a substantial question and that there is good cause for a stay." FED.

[1] Effective January 1, 2015, Samsung Telecommunications America, LLC ("STA") merged with and into Samsung Electronics America, Inc., and therefore STA no longer exists as a separate corporate entity.

R. APP. P. 41(d)(2)(A). Here, there are substantial questions on issues of great importance concerning the standard for patent injunctions, which produced three very different approaches in three separate opinions from each member of the panel. This strong disagreement on issues affecting patent infringement suits throughout the country presents a compelling basis for Supreme Court review, and the status quo should remain in effect until the Supreme Court has the opportunity to decide a petition for certiorari.

Samsung's petition will include two substantial questions regarding the correct standard for issuance of an injunction for patent infringement. *First*, the petition will present the question whether the patented feature need only have "some connection" to the harm rather than cause the harm, contrary to the causation test used in every context outside of patent infringement when applying the irreparable harm factor. *Second*, the petition will present the question whether there is a general rule that the public interest factor favors injunctions in nearly every case. The panel majority's resolution of these questions conflicts with the Supreme Court's decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), which rejects special rules for patent injunctions, declines to treat a right to exclude as an automatic basis for a patent injunction, and cautions against categorical rules in this area.

These issues are of enormous importance to patent litigation and the promotion of innovation, especially in high-technology industries, as evident from the substantial *amicus* support for Samsung's petition for rehearing *en banc* (*see* ECF Nos. 136-40). The panel majority's decision could have a significant impact by making patent injunctions available even for minor features among thousands that a district court finds do not drive sales. More generally, the decision appears to lower the threshold for both the irreparable harm and public interest factors of the *eBay* test in a manner that will affect the analysis for injunctions in virtually every patent infringement suit where the plaintiff seeks an injunction.

These conflicts on significant issues of patent law fit squarely within the criteria that the Supreme Court considers in deciding whether to grant a petition for a writ of certiorari because they implicate "an important question of federal law that has not been, but should be, settled by the Court" and present "conflicts with relevant decisions" of the Supreme Court. *See* S. Ct. R. 10(c). There is thus a reasonable probability that the Supreme Court will grant certiorari to resolve the conflicts on these important issues.

Good cause exists for a stay because it will forestall remand proceedings in the district court concerning the form (if any) of an injunction in this case. And if any injunction issues, it could cause significant harm to Samsung and the public by creating marketplace uncertainty and satellite litigation. Further, there is good

cause because this Court will hear argument on the appeal of the merits of this case on January 5, 2016. It will potentially save judicial resources for this Court to have the opportunity to decide whether Apple's claims are meritorious before issuing the mandate as to the permanent injunction decision, especially given that there are only two weeks until this Court hears oral argument on the merits.

I. SAMSUNG'S PETITION FOR A WRIT OF CERTIORARI WILL PRESENT SUBSTANTIAL QUESTIONS

A stay of issuance of the mandate is warranted because Samsung's petition for a writ of certiorari will present substantial questions concerning the correct test for injunctions for patent infringement. In particular, as evident from the separate opinions of the panel and the strong dissent, there are substantial questions regarding whether there need only be "some connection" between the patented feature and the irreparable harm, and whether the public interest "nearly always" favors an injunction.

A. The Panel Majority's "Some Connection" Test For Irreparable Harm Conflicts With *eBay*.

The panel majority adopted a test whereby there must be only "some connection" between the patented feature and the harm to the plaintiff. Op. 9, 11-12, 17. This test conflicts with *eBay*, and at a minimum raises a substantial question about the existence of such a conflict. In *eBay*, the Supreme Court held that the test for injunctions in patent cases must be the same as for any other case,

and rejected any "categorical" rule requiring that injunctions issue for patent infringement. 547 U.S. at 391-94. In so holding, the Court rejected reliance on the patentee's supposed right to exclude as supporting automatic injunctive relief. *Id.* at 392 ("According to the Court of Appeals, this statutory right to exclude alone justifies its general rule in favor of permanent injunctive relief. But the creation of a right is distinct from the provision of remedies for violations of that right." (internal citation omitted)).

The panel majority nonetheless relies (Op. 6, 12) upon the need for injunctions to protect the patentee's "right to exclude." The concurrence goes even further, opining (Concurrence 3-9) that the violation of Apple's right to exclude itself constitutes irreparable harm warranting an injunction. The question whether the right to exclude can support or even constitute irreparable harm – notwithstanding *eBay*'s rejection of this right as a basis for injunctive relief – presents a compelling issue for a petition for certiorari.

In addition, the panel majority's "some connection" test appears to create a new, special rule for patent-infringement injunctions, notwithstanding *eBay*'s dictate that such injunctions follow the same rules as in any other area of law. The Supreme Court has held that the irreparable harm that matters is the harm *caused* by the legal violation. For example, in *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7 (2008), the district court entered a preliminary injunction

preventing the Navy from conducting certain training exercises unless it adopted six mitigation measures to protect the environment. The Navy had agreed to four of the measures, and the Supreme Court held that the district court erred in considering the "irreparable harm from sonar-training exercises generally," rather than the harm caused in light of the Navy's agreement. *Id.* at 22-23. Thus, the only harm that mattered was the harm caused by the specific conduct to be enjoined. *See also, e.g.*, *Parker v. Winnipiseogee Lake Cotton & Woollen Co.*, 67 U.S. 545, 551 (1862) ("A Court of Equity will interfere when the *injury by the wrongful act* of the adverse party will be irreparable ….") (emphasis added).[2] And under general principles of causation, where there are many contributing factors, liability exists only for a "substantial cause." *See, e.g.*, *Walther v. Secretary of Health & Human Servs.*, 485 F.3d 1146, 1151 n.4 (Fed. Cir. 2007).

The panel majority departs from those traditional requirements by holding that irreparable harm supports a patent injunction if it has "some connection" to (rather than is *caused* by) infringement. Neither this Court nor Apple has cited any other case in any other context holding that "some connection" between the legal violation and the harm is sufficient for an injunction. Rather, this appears to be a

[2] Indeed, if the injunction does not remedy the violation, then the plaintiff has no standing to seek it at all. *See, e.g.*, *Steel Co. v. Citizens for Better Environment*, 523 U.S. 83, 107 (1998) ("Relief that does not remedy the injury suffered cannot bootstrap a plaintiff into federal court ….").

special rule for patent infringement claims, precisely the approach rejected in *eBay*.

Furthermore, the panel majority's "some connection" test makes injunctive relief in patent cases virtually automatic again, contrary to *eBay*. As the dissent suggests (at 1-2), there could hardly be a weaker case for an injunction than this one: the patents covered very specific and limited ways of performing three features out of thousands on a smartphone, the district court found unequivocally that the patented features did not drive sales of smartphones, and Apple has previously licensed the patents-in-suit. Also, Apple does not even practice the '647 or '172 patents (Dissent 10 (citing A26-28)), which further belies the supposed link between these patents and sales of smartphones. The panel majority's original opinion conceded that the patented features were not a "significant driver of customer demand." Sept. 17, 2015 Op. 17. The panel majority's revised opinion deletes this statement, but still does not suggest that the patented features actually were a significant or substantial driver of demand for smartphones. Moreover, the statement in the revised opinion that "a patented feature is one of several features that cause consumers to make their purchasing decisions" (Op. 17 (quoting *Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1364 (Fed. Cir. 2013))), does not state that the patented features (as opposed to several *other* features) were a significant cause of the irreparable harm. But if any connection – regardless of whether it is or is not significant – suffices to create a

causal nexus to irreparable harm, the panel majority's approach would give rise to an injunction in virtually any case involving a competitor's infringement of a patented feature.

B. The Panel Majority's Holding That The Public Interest Factor "Nearly Always" Favors Injunctions Conflicts With *eBay*.

The fourth factor of the *eBay* test concerns the public interest, and the panel majority held that this factor will support an injunction in almost every case. In particular, the panel majority held that "the public interest nearly always weighs in favor of protecting property rights in the absence of countervailing factors, especially when the patentee practices his inventions." Op. 21. The panel majority's ruling conflicts with *eBay* in two critical respects.

First, it creates a general rule favoring injunctions, notwithstanding *eBay*'s rejection of any such presumption. The panel majority held that the public interest "generally" favors injunctions in "every case," and that it will "nearly always" favor injunctions. Op. 21. As the dissent noted, this approach will "categorically bias the public interest factor." Dissent 14. Moreover, the panel majority's language is almost exactly the same as the language that *eBay* rejected as insufficiently flexible for the equitable test for injunctions:

> The court articulated a 'general rule,' unique to patent disputes, 'that a permanent injunction will issue once infringement and validity have been adjudged.' The court further indicated that injunctions should be denied only in the 'unusual' case, under 'exceptional circumstances' and 'in rare instances … to protect the public interest.' Just as the

> District Court erred in its categorical denial of injunctive relief, the Court of Appeals erred in its categorical grant of such relief.

eBay, 547 U.S. at 393-94 (internal citations omitted).

In addition, the panel majority's presumption fails to account for the actual effect on the public interest of granting an injunction for the sale of a smartphone with thousands of patented features based on infringement of three features that do not significantly drive sales. As Justice Kennedy's concurrence recognized, "[w]hen the patented invention is but a small component of the product the companies seek to produce … an injunction may not serve the public interest." *Id.* at 396-97 (Kennedy, J., concurring). The panel majority's decision to disregard this consideration in favor of a categorical rule regarding the public interest conflicts with *eBay*.

Second, the panel majority's reliance on the right to exclude for its presumption likewise conflicts with *eBay*. In ruling that the public interest nearly always favors injunctions, the panel majority relied on the "patentee's investment-backed property right" and "the Patent Act's statutory right to exclude." Op. 21. But *eBay* clearly rejected this reliance on the right to exclude – which exists in every patent case – as the basis for an injunction: "According to the Court of Appeals, this statutory right to exclude alone justifies its general rule in favor of permanent injunctive relief. But the creation of a right is distinct from the provision of remedies for violations of that right." 547 U.S. at 392 (internal

citation omitted). The dissent recognized the tension between the panel majority's reasoning and *eBay*'s rejection of the right to exclude as a legitimate basis for a general rule in favor of injunctions. Dissent 13-14. At a minimum, this question about the role of the right to exclude in deciding whether an injunction is warranted provides a strong basis for a petition for certiorari.

C. These Issues Regarding The Correct Test For Patent Injunctions Are Of Great Importance.

The importance of the issues discussed above further supports the likelihood that the Supreme Court would review the issues on a petition for certiorari. The nationwide significance of these issues is demonstrated by the numerous and varied *amici* that supported Samsung's rehearing petition and their expressions of concern that this Court's decision will cause an increase in patent injunctions that threatens the innovation that the patent laws are intended to protect.[3] Indeed, the Supreme Court has effectively recognized the importance of clarifying the test for patent injunctions by granting the petition for certiorari in *eBay*.

[3] The following *amici* supported Samsung's rehearing petition: (1) ASUSTeK Computer Inc., eBay, Inc., Facebook, Inc., Google Inc., HTC America, Inc., HTC Corporation, Lenovo Inc., Newegg Inc., and Red Hat, Inc.; (2) The National Black Chamber of Commerce; (3) Public Knowledge and the Electronic Frontier Foundation; (4) Computer & Communications Industry Association; and (5) Charles Davidson & Michael Santorelli, Directors of the Advanced Communications Law & Policy Institute, New York Law School. *See* ECF Nos. 136-40.

In particular, the "some connection" test for irreparable harm would affect any patent infringement case concerning a patented feature that is only one of many features in a product. And the "nearly always" test for the public interest would affect every patent case where the plaintiff seeks an injunction, since it is based solely on the right to exclude. Moreover, both of these tests will be very difficult for district courts to apply. The panel majority provides no guidance as to how much of a connection between the patented feature and lost sales constitutes "some" connection, suggesting only (Op. 11 n.1) that the line falls "somewhere in the middle" between the example of a patented cup holder in a car and a patented feature that actually drives consumer decisions. The panel majority also provides no guidance as to when (if ever) the public interest would be against an injunction. Given the importance of these issues and the grave practical uncertainty created by the panel majority opinion, there is at least a reasonable probability that the Supreme Court will grant certiorari to clarify the proper test for patent injunctions.

II. GOOD CAUSE EXISTS BECAUSE A STAY WILL AVOID POTENTIALLY NEEDLESS REMAND PROCEEDINGS AND ALLOW THIS COURT TO CONSIDER THE MERITS APPEAL WITHOUT CAUSING ANY SIGNIFICANT HARM TO APPLE

There is good cause for the Court to stay issuance of the mandate. *First*, a stay will ensure that the district court and the parties do not needlessly expend resources on further injunction proceedings that could be upset by the Supreme Court. In light of this Court's decision, the district court now must determine on

remand what form, if any, an injunction should take. And if an injunction issues, it could cause significant harm to Samsung and the public by creating marketplace uncertainty and satellite litigation. Were the Supreme Court to grant certiorari and reverse this Court's decision, however, the proceedings on remand would have been for naught and these harms unnecessary. Practice Note to Federal Circuit Rule 41 indicates that a stay is warranted where, as here, it would "forestall action in the trial court or agency that would necessitate a remedial order of the Supreme Court if the writ of certiorari were granted."

Second, there is good cause for a stay of the mandate because Samsung's appeal of the merits in this case is scheduled for oral argument on January 5, 2016. *See Apple Inc. v. Samsung Electronics Co., Ltd., et al.*, Nos. 2015-1171, 2015-1195. This Court has not yet had the opportunity to rule on whether the district court was correct in its judgment of infringement and validity of the three Apple patents on which the injunction is based. Because of the disparate timing of the district court's permanent injunction decision and final judgment, the injunction and merits appeals have proceeded along separate tracks. But that happenstance of timing should not prevent this Court from having the opportunity to consider the merits before any permanent injunction is issued by the district court. That is especially true given that oral argument on the merits appeal is now only two weeks away. It would be unjust for Apple to have an injunction issue against

Samsung based on patents that may well be found invalid or not infringed, particularly given that this Court will evaluate those merits issues imminently.

Finally, any harm to Apple from a stay of the mandate would be minimal. This suit was filed in February 2012, nearly four years ago. Since that time, several new generations or iterations of products have replaced the products that Apple accused. There is little harm to Apple from waiting for a much shorter additional period so that a petition for certiorari may be filed and disposed of, and this Court may hear argument on the merits of the three Apple patents on which any injunction would be based and consider those merits before the mandate returns to the district court and any injunction proceedings ensue.

CONCLUSION

The Court should stay issuance of the mandate pending the filing and disposition of Samsung's petition for a writ of certiorari and, if the petition is granted, pending the Supreme Court's final disposition.

STATEMENT REGARDING CONSENT

Samsung's counsel contacted Apple's counsel to seek Apple's position on this motion. Apple's counsel stated that Apple opposes the motion and intends to file a response.

Dated: December 22, 2015

Respectfully submitted,

By: /s/ Kathleen M. Sullivan

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CERTIFICATE OF INTEREST

Counsel for Defendants-Appellees certifies the following:

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

Samsung Electronics Co., Ltd. and Samsung Electronics America, Inc. Effective January 1, 2015, Samsung Telecommunications America, LLC ("STA") merged with and into Samsung Electronics America, Inc., and therefore STA no longer exists as a separate corporate entity.

2. The name of the real party in interest (if the party named in the caption is not 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:

Samsung Electronics America, Inc. ("SEA") is a wholly-owned subsidiary of Samsung Electronics Co., Ltd. ("SEC"), a publicly held corporation organized under the laws of the Republic of Korea. SEC is not owned by any parent corporation and no other publicly held corporation owns 10% or more of its stock. No other publicly held corporation owns 10% or more of SEA's stock.

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

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PROOF OF SERVICE

The undersigned hereby certifies that on December 22, 2015, I electronically filed the foregoing MOTION TO STAY ISSUANCE OF MANDATE with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

/s/ Kathleen M. Sullivan