2014-1802

IN THE
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 *AMICUS CURIAE* ERICSSON INC. IN SUPPORT OF NEITHER PARTY

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October 20, 2014

CERTIFICATE OF INTEREST

Counsel for Amicus Curiae Ericsson Inc. certifies the following:

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

Ericsson Inc.

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:

Ericsson Inc. is wholly-owned by Ericsson Holding II Inc., which in turn is wholly-owned by Telefonaktiebolaget LM Ericsson. Telefonaktiebolaget LM Ericsson is publicly held and trades in the United States through American Depository Receipts under the name LM Ericsson Telephone Company.

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

MCKOOL SMITH P.C.: Mike McKool, Jr.; Theodore Stevenson III; John B. Campbell; Joel L. Thollander.

Date: October 20, 2014

/s/ Joel L. Thollander

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CORPORATE DISCLOSURE STATEMENT

Ericsson Inc. is wholly-owned by Ericsson Holding II Inc., which in turn is wholly-owned by Telefonaktiebolaget LM Ericsson. Telefonaktiebolaget LM Ericsson is publicly held and trades in the United States through American Depository Receipts under the name LM Ericsson Telephone Company.

STATEMENT REGARDING AUTHORSHIP AND FUNDING

No party or party's counsel authored this brief in whole or in part. No party, party's counsel, or other person (aside from *amicus curiae* Ericsson Inc.) contributed money intended to fund the preparation or submission of this brief.

I. INTEREST OF *AMICUS CURIAE*

Ericsson is a leading supplier of wireless network equipment, a leading developer of wireless technologies, and both a licensor and licensee of many substantial patents in the telecommunications industry. With more than 100,000 employees globally, Ericsson is a pioneer of the modern cellular network. Over 1,000 networks in more than 180 countries use Ericsson equipment, and a significant portion of the world's mobile traffic passes through these networks. Ericsson employs more than 10,000 people in the United States and supplies network equipment and/or services to every major U.S. telecommunications operator from offices in California, Colorado, Georgia, Illinois, Kansas, New Jersey, New York, Texas, and Washington, among others.

Looking to the future, Ericsson sees an ever more connected world—a networked society with over fifty billion connected devices, all of which will require more efficient connectivity with greater capacity and new functionality. To meet that need, Ericsson currently devotes more than 20,000 employees and more than five billion dollars a year, almost 15% of its net sales, to research and development. Ericsson's innovations have been rewarded with 35,000 issued patents worldwide. Many of these are standard-essential patents that Ericsson voluntarily commits to license on FRAND terms. Many of Ericsson's patents also cover particular features found in multi-feature wireless devices and products.

Ericsson has successfully licensed this patent portfolio, with more than 100 patent license agreements involving significant and standard-essential patents. The royalties associated with these licensing efforts assist Ericsson's continued contribution to the development of tomorrow's telecommunications technologies.

Ericsson is not only a licensor of patents; it is also a licensee to numerous patents held by others—patents that also typically cover particular features found in multi-feature wireless devices and products.

As both a licensor and licensee of patents in the telecommunications industry, Ericsson has substantial interest in the development of fair and balanced rules governing the enforcement of patents in this field. Ericsson files this amicus brief to address an important issue raised in this appeal regarding the scope and availability of injunctive relief for infringement of particular features found in multi-feature wireless devices and products.

All parties have consented to Ericsson's filing of this brief as *amicus curiae*.

II. INTRODUCTION AND ARGUMENT SUMMARY

This Court has identified a "causal nexus inquiry" that informs the "irreparable harm calculus" in any request for injunctive relief involving multi-feature products. *Apple Inc. v. Samsung Elecs. Co.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012) (*Apple II*). And the Court has further explained that, when the holder of a feature-based patent seeks a product-based injunction, the "causal nexus inquiry" is satisfied with proof that the infringing feature drives consumer demand for the product. *Id.* at 1374-75. The district court in this case has taken this rule a critical step further, and required such driver-of-demand proof even where the holder of feature-based patents sought only a feature-based injunction. Ericsson files this brief because it is concerned that such an approach places yet another burden on a patentee seeking to exercise its right to exclude and could effectively foreclose the availability of injunctive relief in most cases involving multi-feature products.

Injunctions are important; there may be no other means to prevent certain kinds of serious future harm. To be sure, an injunction is an extraordinary remedy that should only issue in certain circumstances. But when the traditional four-factor test has been satisfied, district courts should have equitable discretion to grant properly tailored injunctive relief without imposing additional hurdles. The Court has recognized as much, rejecting any "rigid standard" that might, "in practice, amount to a categorical rule barring injunctive relief in most cases involving multi-

function products." *Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1364 (Fed. Cir. 2013) (*Apple III*). A categorical and indiscriminate requirement for driver-of-demand proof, however, could have precisely that practical effect.

Consider two examples of patented features recently discussed by the Court: windshield wiper blades and car cup holders. Both of these items have value only as components of vastly more complex automobiles. And for both, the patentee would have no realistic chance of proving that desire for the patented feature was driving consumer demand for the multi-feature product: no one buys a car for its wiper blades or cup holders. *See id.* at 1368 ("consumers' willingness to pay an additional $10 for an infringing cup holder in a $20,000 car does not demonstrate that the cup holder drives demand for the car"). Nevertheless, there is no question that, in the right circumstances, the wiper-blade or cup-holder patentee should be entitled to a feature-based injunction preventing any continued feature-based infringement. Indeed, the Court held as much in *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1152-57 (Fed. Cir. 2011) (ordering the entry of an injunction against the sale of infringing wiper blades). A categorical requirement for driver-of-demand proof would thus foreclose injunctive relief in circumstances for which the Court has already held that such relief should be available.

But that is the approach that the district court appeared to take here. Following the line of *Apple* opinions, Apple changed course in this case. Rather

than seeking a broad product-based injunction, as it had before, Apple sought a more narrow feature-based injunction. The district court nevertheless continued to require proof that the infringing features drove consumer demand for the multi-feature products. And, not surprisingly, the court found such proof lacking.

Significantly, other district courts that have addressed the new causal nexus inquiry are taking inconsistent approaches to its attendant proof requirements. Many, like the court in this case, are simply applying a categorical requirement for driver-of-demand proof, and finding it lacking. Other courts, however—at least implicitly recognizing the potential problems associated with an indiscriminate and categorical requirement for driver-of-demand proof—have not asked for such a showing, "confess[ing] to doubt that the causal nexus as articulated in *Apple II* should be required for all irreparable harms offered in support of a request for a permanent injunction." *Brocade Communs. Sys. v. A10 Networks, Inc.*, 2013 U.S. Dist. LEXIS 4834, at *19 (N.D. Cal. Jan. 10, 2013). These decisions counsel clarification from this Court regarding the application of the causal nexus inquiry and its related driver-of-demand proof requirements.

Ericsson urges the Court to make clear that, while the causal nexus inquiry informs the irreparable harm calculus, proof that an infringing feature drives consumer demand for an entire multi-feature product is only required when the patentee seeks an injunction on the entire multi-feature product. On the other hand,

when the patentee seeks an injunction limited to the infringing features, then the patentee can show that the scope of the infringement is commensurate with the scope of the alleged harm (and the corresponding scope of the requested relief). Such a showing should satisfy the causal nexus inquiry—without any need for proof that the infringing feature drives demand for the multi-feature product.

This approach is consistent with the Court's line of *Apple* opinions, which were directed to product-based injunctions, *Apple III*, 735 F.3d at 1372, and which further recognized both that an injunction reaching "only infringing features rather than the sale of entire products" would be "more equitable" and "more justifiable," *id.* at 1363, and that "the causal nexus requirement" may be "more easily satisfied" depending on the circumstances, *id.* at 1362-63. It is also consistent with the related line of apportionment opinions—from which the Court's driver-of-demand proof requirement may have been drawn. Product-based driver-of-demand proof is only required to address apportionment concerns when the patentee seeks damages relief (in the form of a reasonable royalty) based on the entire multi-feature product. *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 66 (Fed. Cir. 2012). Just so here: product-based driver-of-demand proof should only be required to address causal nexus concerns when the patentee seeks equitable relief (in the form of an injunction) based on the entire multi-feature product.

Ericsson takes no position on the ultimate result that the Court might reach in this case; it simply encourages the Court to clarify that the proof requirements for the causal nexus inquiry are to be commensurate with the scope of the requested injunction. And where, as here, the patentee seeks a feature-based injunction, the causal nexus inquiry can be satisfied by showing that the scope of the requested injunction matches the scope of the infringement. When the patentee seeks a feature-based injunction, driver-of-demand proof is not necessary to show irreparable harm—requiring such proof in these circumstances thus imposes an additional and unwarranted burden on a patentee seeking to exercise its right to exclude. Furthermore, to the extent that the equities render it necessary, a court can enter a delayed injunction to allow time for the infringer to remove the infringing features from its products, or to design its products around them. *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 863-864 (Fed. Cir. 2010). This ensures that the principles advanced by the casual nexus inquiry remain protected—and that the injunction reaches only to those sales lost due to the infringer's incorporation of the infringing feature, and no further. *Apple II*, 695 F.3d at 1374-75.

At a high level, Ericsson further urges the Court to exercise extreme caution when developing and refining rules that might function as additional hurdles to be overcome by a patentee seeking injunctive relief. The right to exclude plays an important role in our jurisprudence, and traces its heritage in this country to

> the adoption of our constitution. Before then …, any man might instantly use what another had invented; so that the inventor had no special advantage from his own invention. The patent system changed this; secured to the inventor, for a limited time, the exclusive use of his invention; and thereby added the fuel of interest to the fire of genius, in the discovery and production of new and useful things.

COLLECTED WORKS OF ABRAHAM LINCOLN (Roy Basler et al. eds., 2006). Erosion of the right to exclude threatens to diminish the incentive for companies such as Ericsson to make their innovations public, which could in turn threaten to retard "the Progress of Science and useful Arts" in this country. U.S. CONST. art. I, § 8.

III. ARGUMENT

A. Injunctions Are Important, and No Equitable Rule Should Effectively Foreclose the Availability of Injunctive Relief in a Broad Swath of Cases.

Injunctive relief is an important tool in the district court's toolbox: only an injunction can prevent certain kinds of serious future harm. 13 James Wm. Moore, MOORE'S FEDERAL PRACTICE § 65.02[2] (3d ed. 2011). To be sure, an injunction is "a drastic and extraordinary remedy, which should not be granted" when a "less drastic remedy" will be "sufficient to redress [the plaintiff's] injury." *Monsanto Co. v. Geertson Seed Farms*, 561 U.S. 139, 165 (2010). But when less drastic remedies will not be sufficient—and the "traditional four-factor test" has been satisfied—then district courts must have "equitable discretion" to grant injunctive relief. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-93 (2006). Further, as Judge O'Malley noted in her separate opinion in *Apple I*:

> The availability of injunctive relief is particularly important in the patent context, where patent holders undoubtedly have the right to exclude others from using their intellectual property without permission. … Indeed, courts have an obligation to grant injunctive relief to protect against theft of property—including intellectual property—where the moving party has demonstrated that all of the predicates for that relief exist.

Apple, Inc. v. Samsung Elecs. Co., 678 F.3d 1314, 1334-35 (Fed. Cir. 2012) (*Apple I*) (O'Malley, J., concurring-in-part, dissenting-in-part); *see* 35 U.S.C. § 154(a)(1) ("Every patent shall contain … a grant to the patentee … of the right to exclude others from making, using, offering for sale, or selling the invention ….").

For that reason, as the Court recognized in *Apple III*, any "rigid standard" that might, "in practice, amount to a categorical rule barring injunctive relief in most cases involving multi-function products" would not only be ill-advised—it would be "in contravention of *eBay*," the patent statutes, and traditional rules of equity. 735 F.3d at 1364; *eBay*, 547 U.S. at 393 (rejecting "expansive principles suggesting that injunctive relief could not issue in a broad swath of cases").

B. An Indiscriminate Requirement of Proof That an Infringing Feature Drives Demand for a Multi-Feature Product Could Effectively Foreclose Injunctive Relief in Most Cases Involving Multi-Feature Products.

1. The causal nexus inquiry for equitable injunctions tracks the apportionment rule for legal royalties.

The first factor of the traditional four-factor test for injunctive relief requires proof of "irreparable harm," and in *Apple II* this Court laid out a "causal nexus inquiry" that informs the "irreparable harm calculus" in patent cases:

> to satisfy the irreparable harm factor in a patent infringement suit, 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.

695 F.3d at 1374. This new inquiry is most relevant "where the accused product includes many features of which only one (or a small minority) infringe," and it is designed to inform "whether the patentee's allegations of irreparable harm are pertinent to the injunctive relief analysis, or whether the patentee seeks to leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant." *Id.* at 1374-75. The Court further explained in *Apple III* that "the causal nexus requirement is simply a way of distinguishing between irreparable harm caused by patent infringement and irreparable harm caused by otherwise lawful competition." 735 F.3d at 1361.

The concerns driving the causal nexus inquiry for the equitable award of injunctions thus track those driving the apportionment requirement for the legal

award of royalties. In that context, as in this, the law accounts for "products [that] are made of many different components, one or more of which components may be covered by an asserted patent, while other components are not." *LaserDynamics*, 694 F.3d at 66. And the apportionment rules are likewise designed to ensure that a royalty award "does not overreach and encompass components not covered by the patent." *Id.* at 70; *VirnetX, Inc. v. Cisco Sys.*, 2014 U.S. App. LEXIS 17748, at *37 (Fed. Cir. Sept. 16, 2014). Those rules thus require a similar nexus tying the relevant "proof … to the claimed invention's footprint in the market place." *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010).

2. Driver-of-demand proof is relevant in both the equitable injunction and reasonable royalty contexts—when the relief sought is based on the entire product.

There is an exception to the general requirements of apportionment, however: under the "entire market value rule" (EMVR), if it "can be shown that the patented feature drives the demand for an entire multi-component product, a patentee may be awarded damages as a percentage of revenues or profits attributable to the entire product." *LaserDynamics*, 694 F.3d at 67. While permitted as an "exception," the EMVR is consistent with and directed toward the same goals as the background apportionment rules—it is likewise intended to ensure that, when a royalty is based on the entirety of a multi-feature product, that royalty

remains "reasonable," "not overreach[ing]," and "tie[d]" through relevant proof "to the claimed invention's footprint in the market place." *Id.* at 67, 70.

Apple II describes an apparently similar proof requirement for a patentee seeking an injunction on the entirety of a multi-feature product:

> It is not enough for the patentee to establish some insubstantial connection between the alleged harm and the infringement and check the causal nexus requirement off the list. The patentee must rather show that the infringing feature drives consumer demand for the accused product.

695 F.3d at 1375.[1] Such driver-of-demand proof protects against the threat of overreach by reducing the risk that a product-based injunction will cover "sales [that] would be lost even if the offending feature were absent from the accused product." *Apple I*, 678 F.3d at 1324; *Apple III*, 735 F.3d at 1361.

3. Requiring driver-of-demand proof regardless of the scope of the relief sought could effectively foreclose all relief.

But it is important to recognize that driver-of-demand proof is only necessary when the relief sought, whether legal or equitable in nature, is based on the entirety of a multi-feature product. When the relief sought is necessarily commensurate with the harm, on the other hand—that is, when the requested

[1] The Court's analysis of the driver-of-demand requirement in *Apple III* suggests that there may be some differences between the relevant proof requirements in this context and those in the apportionment context. Compare 735 F.3d at 1364-65 with *LaserDynamics*, 694 F.3d at 68. In both contexts, however, driver-of-demand proof should be relevant when the relief sought is based on the entirety of a multi-feature product. *Apple III*, 735 F.3d at 1364; *LaserDynamics*, 694 F.3d at 67.

royalty or injunction is based on the infringing feature, rather than the entire product—then there is no need for proof that the infringing feature drives demand for the entire product. Indeed, any other rule could effectively foreclose relief, whether legal or equitable in nature, that must be available under the statute.

This is clear enough in the apportionment context: an indiscriminate and categorical requirement for proof "that the patented feature drives the demand for an entire multi-component product" would foreclose the availability of reasonable royalty damages in the vast majority of patent cases involving multi-feature products. *See LaserDynamics*, 694 F.3d at 67-68. The same is true in the injunction context: an indiscriminate and categorical requirement of driver-of-demand proof could effectively (and improperly) foreclose relief in many, if not most, cases involving multi-feature products. *See Apple III*, 735 F.3d at 1364.

The potential problems with indiscriminately requiring driver-of-demand proof can be highlighted by reference to the decision in *Bosch*, 659 F.3d at 1152-57. *Bosch* concerned the availability of injunctive relief for patented "windshield wiper technology." *Id.* at 1145. Bosch, the "large industrial corporation," had been denied an injunction against the much smaller Pylon, maker of the infringing wiper blades, in part because the manufacture and sale of blades comprised only a small, "non-core" portion of Bosch's corporate business. *Id.* at 1152. This Court reversed that denial, noting that the availability of injunctive relief should not turn on

"incidental details" such as "corporate structure." *Id.* After reviewing the other traditionally relevant factors, the Court held that Bosch was entitled to an injunction against the manufacture and sale of the infringing blades. *Id.* at 1157.

But now imagine that, shortly before the case was filed, a large automobile manufacturer such as Ford had purchased Pylon and elected to manufacture and sell the infringing blades as a component of Ford's multi-component cars.

It might be surmised from *Bosch* that the new "corporate structure" should have no impact on the availability of injunctive relief. *Id.* at 1152. A categorical requirement for driver-of-demand proof, however, certainly would have an impact: Bosch would likely have no chance of proving that desire for the infringing wiper blades drove consumer demand for Ford automobiles. It appears, therefore, that Ford could unilaterally determine whether or not injunctive relief would be available simply by electing to bundle the infringing blades with the sale of its cars. But that cannot be right—indeed, the Court rejected a similar power to manipulate the availability of injunctive relief through "incidental details" in *Bosch*. *Id.* This highlights the need for a link between the proof requirements and the scope of the requested relief. Requiring driver-of-demand proof for the infringing blades could make sense if Bosch were seeking, on that basis, to enjoin the manufacture and sale of Ford cars in their entirety. But it would make no sense

if Bosch were simply seeking to enjoin the manufacture and sale of the infringing blades that Ford was adding as a component to its cars. *See id.* at 1152-57.

The Court itself discussed a similar example in *Apple III*, noting that "consumers' willingness to pay an additional $10 for an infringing cup holder in a $20,000 car does not demonstrate that the cup holder drives demand for the car." 735 F.3d at 1368. The Court's point is well taken—but it again confirms that an indiscriminate requirement for such proof would effectively foreclose injunctive relief in many cases. It is unreasonable to expect that the cup-holder patentee, like the wiper-blade patentee, could ever prove that its patented technology drove consumer demand for a car. But it is not unreasonable to expect that in some circumstances those patentees should be entitled to enjoin the manufacture and sale of the infringing cup holders or wiper blades added as components to the car. *See Bosch*, 659 F.3d at 1152-57. Put another way, the maker of a multi-feature product should not have the power to unilaterally immunize itself from the threat of injunctive relief with respect to "non-core features" simply by incorporating those features into its multi-feature products. *See id.*; *Apple III*, 735 F.3d at 1372-73.

But if the driver-of-demand proof requirement is applied categorically, that could be the effective result. Again, this proof requirement could make sense if, for example, the cup-holder patentee seeks a car-based injunction. But it makes little sense if that patentee instead seeks only a cup-holder-based injunction.

C. The District Courts, Implicitly Recognizing The Problem With a Categorical Requirement for Driver-of-Demand Proof, Are Taking Inconsistent Approaches to the Proof Requirements for the Causal Nexus Rule.

Given the close connection between the EMVR and the driver-of-demand requirement for the causal nexus rule, and given the potential problems associated with an indiscriminate and categorical requirement for driver-of-demand proof, Ericsson believes that the most natural reading of the requirement set forth in the *Apple* line of opinions is the one that it proposes here: the causal nexus proof requirements should be commensurate with the scope of the requested injunction. Nevertheless, this approach has yet to be expressly adopted by the Court—and in the meantime the lower courts are taking inconsistent approaches to the proof requirements for the causal nexus inquiry established in *Apple II*.

Many courts have simply demanded a categorical showing that the infringing feature drives demand for the multi-feature products at issue—and have found that proof lacking. *E.g.*, *Malibu Boats, LLC v. Nautique Boat Co.*, 997 F. Supp. 2d 866, 887 (E.D. Tenn. 2014) (finding, "given the fact that [Nautique Surf System] is one component of a boat with 'many features,'" insufficient evidence showing "that the [NSS] feature is what drives consumers to purchase defendant's boats"); *Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*, 2014 U.S. Dist. LEXIS 43042, at *107 (W.D. Pa. Mar. 31, 2014) (finding insufficient causal nexus proof where "CMU ha[d] presented evidence that the patented methods added

value to the read channel chips," but had not shown "how customers and/or the market valued the other numerous features in the read channel chips vis-à-vis the features of the patented methods"); *Marine Travelift, Inc. v. ASCOM SpA*, 2014 U.S. Dist. LEXIS 118202, at *30 (E.D. Wis. Aug. 25, 2014) (finding insufficient driver-of-demand proof where "[b]oat hoists are typically custom orders, and the buyer is motivated by a number of different features, as well as price"); *Briggs & Stratton Corp. v. Chongquing RATO Power Co.*, 2013 U.S. Dist. LEXIS 111766, at *76 (N.D.N.Y July 23, 2013) ("[a]bsent evidence demonstrating that [the 'central longitudinal beam' and 'pivotably coupled'] features 'drive[] consumer demand' for the RAVEN, Plaintiffs have not established the requisite 'causal nexus'"); *Heart Imaging Techs., LLC v. Merge Healthcare, Inc.*, 2013 U.S. Dist. LEXIS 114679, at *63 (M.D.N.C. Aug. 14, 2013) (finding an insufficient causal nexus for "zero-footprint feature" of digital imaging product); *Am. Bev. Corp. v. Diageo N. Am., Inc.*, 936 F. Supp. 2d 555, 616 (W.D. Pa. 2013) (finding insufficient proof "establishing a connection between the [patented] shape of the … pouch in issue and purchasing decisions").

As discussed further below, the district court in this case falls within this first camp: it applied a categorical and indiscriminate requirement for driver-of-demand proof, and found that proof lacking. *Apple, Inc. v. Samsung Elecs. Co.*, 2014 U.S. Dist. LEXIS 119963, at *139 (N.D. Cal. Aug. 27, 2014).

A very few courts have found the driver-of-demand proof requirement satisfied. *E.g.*, *Hydrodynamic Indus. Co v. Green Max Distribs.*, 2014 U.S. Dist. LEXIS 80336, at *5-6 (C.D. Cal. June 10, 2014) ("Hydrodynamic presented evidence at trial that these patented features redesigned the traditional industrial sea scooter into a device suitable for recreational consumer use—and, in turn, created a recreational-sea-scooter market. … Thus, the patented features propelled consumer demand for the Sea-Doo sea scooter in more than an anecdotal way.").

Other courts, however—at least implicitly recognizing the potential problems associated with an indiscriminate and categorical requirement for driver-of-demand proof—have refused to apply *Apple II* in this manner. These courts appear to acknowledge that driver-of-demand proof is not necessary in every case to prove irreparable harm. And in such cases, requiring driver-of-demand proof would improperly impose an additional burden (beyond *eBay*'s four-factor test) on a patentee seeking to exercise its right to exclude.

One court from the Northern District of California, for example, "confess[ed] to doubt that the causal nexus as articulated in *Apple II* should be required for all irreparable harms offered in support of a request for a permanent injunction." *Brocade*, 2013 U.S. Dist. LEXIS 4834, at *19. While declining to require driver-of-demand proof, the court "address[ed] these issues" by "narrow[ing] the injunction it enter[ed] against A10"—such that if, "as A10's

experts asserted at trial, A10 can design around the infringing features, A10 may continue to sell the AX series without the infringing software, and the public may continue to enjoy the non-infringing features of the product." *Id.* at *35-36. The court appeared to recognize, at least implicitly, that the causal nexus inquiry requirements should be linked with the scope of the injunction.

Other Northern District of California and Southern District of New York courts have similarly questioned the categorical applicability of *Apple II* and its causal nexus inquiry. *E.g.*, *Complex Sys. v. ABN Amro Bank N.V.*, 2014 U.S. Dist. LEXIS 64467, at *49 (S.D.N.Y. May 9, 2014) (refusing to engage in the causal nexus inquiry because "there are many more forms of irreparable harm at play here than discussed in *Apple*"); *BlackBerry Ltd. v. Typo Prods. LLC*, 2014 U.S. Dist. LEXIS 42702, at *38 n.17 (N.D. Cal. Mar. 28, 2014) (refusing to require driver-of-demand proof because there was "no need to show that the harm is sufficiently related to the infringement" where "BlackBerry has shown a likelihood of proving that the dominant portion of Typo's keyboard infringes").

Ericsson takes no position in this Court on the merits or propriety of the many district court decisions referenced above. But it submits that these various decisions counsel clarification from this Court regarding the application of the causal nexus inquiry and its related driver-of-demand proof requirements.

D. The Court Should Clarify That the Causal Nexus Inquiry Is Linked With the Scope of the Injunction Sought—And Proof That an Infringing Feature Drives Demand for a Product Is Required Only for a Product-Based Injunction.

In particular, the Court should take the opportunity presented in this appeal to make clear that, while the causal nexus inquiry informs the irreparable harm calculus, proof that an infringing feature drives consumer demand for the entirety of a multi-feature product is required only when the patentee seeks an injunction on the manufacture and sale of the entire multi-feature product. A contrary rule—requiring product-based driver-of-demand proof to justify a feature-based injunction—would shoot past the irreparable harm calculus and impose an additional and unwarranted burden beyond *eBay*'s traditional four-factor test.

The Court has explained that "the irreparable harm and the causal nexus inquiries … are inextricably related concepts." *Apple II*, 695 F.3d at 1374. The causal nexus inquiry ensures that the "alleged harm" is linked with the "alleged infringement," *id.*, and that the "irreparable harm allegations reflect a realistic sense of what the patentee has at stake," *id.* at 1375. Because these considerations will always be relevant, it comes as no surprise that the Court has confirmed that "the causal nexus requirement applies regardless of the complexity of the products" at issue. *Apple III*, 735 F.3d at 1362; *see also id.* at 1363 ("the causal nexus requirement is part of the irreparable harm factor").

On the other hand, the Court has also recognized that the causal nexus requirement "may be more easily satisfied (indeed, perhaps even conceded)" depending on the products at issue. *Id.* at 1362. And this makes sense: the nature of the proof required to satisfy the inquiry will depend on the nature and clarity of the linkages between the alleged harm and the alleged infringement, and the apparent risks in any given circumstances that "the patentee seeks to leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant." *Apple II*, 695 F.3d at 1374-75. When the alleged harm is the sale of the entire multi-feature product—and the patentee seeks a corresponding product-based injunction—then driver-of-demand proof will help to link the alleged product-based harm to the alleged feature-based infringement. But when the alleged harm is merely the incorporation of the infringing feature into the multi-feature product—and the patentee seeks a corresponding feature-based injunction—then no driver-of-demand proof should be necessary to link the alleged feature-based harm with the alleged feature-based infringement.

In other words, the causal nexus inquiry should be satisfied whenever the patentee can demonstrate that the scope of the infringement is commensurate with the scope of the requested injunction. When the scope of the requested injunction is far broader than the scope of the infringement, driver-of-demand proof may be necessary. But when the injunction sought reaches no further than the infringing

feature, then there is no risk that the "patentee seeks to leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant." *Id.* at 1375. And when the injunction sought reaches no further than the infringing feature, there is no reason to require the patentee to prove that the feature drives the demand for multi-feature products—the infringer will remain free to sell its products once the infringing feature is removed. Furthermore, to the extent that an infringer needs time to remove or design around the infringing feature, the court can enter a delayed injunction to ensure that the principles animating the causal nexus rule are protected. *Apple III*, 735 F.3d at 1363; *see also i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 863-864 (Fed. Cir. 2010).

The Court should thus make clear that, when the patentee can show that the alleged infringement is commensurate with the scope of the requested relief, the causal nexus inquiry may be satisfied without driver-of-demand proof.

E. Linking the Need for Driver-of-Demand Proof to the Scope of the Requested Injunction Is Consistent With Both the *Apple* Line of Opinions and the Related Apportionment Authorities.

Significantly, the approach urged by Ericsson is entirely consistent with the Court's line of *Apple* opinions: the relevant discussion in each of those cases made clear that the Court was addressing the proof requirements for a product-based injunction. *See Apple I*, 678 F.3d at 1324 (discussing "irreparable harm" allegedly caused by "[s]ales lost to an infringing product"); *Apple II*, 695 F.3d at 1375

(discussing "the harm resulting from selling the accused product"); *Apple III*, 735 F.3d at 1372 (discussing the "concern … that entire products would be enjoined"). The Court's pronouncements that, *e.g.*, the "patentee must … show that the infringing feature drives consumer demand for the accused product," were thus plainly directed to feature-based patentees seeking product-based injunctions. *Apple II*, 695 F.3d at 1375; *Apple III*, 735 F.3d at 1372; *see also*, *e.g.*, Hon. Kathleen O'Malley, *Interesting Times at the Federal Circuit*, 63 AM. U.L. REV. 949, 956 (2014) (discussing the need for proof connecting "an infringed feature in a product" with "consumer demand for that product before a permanent injunction *barring that product* can issue") (emphasis added).

Indeed, the Court explained that driver-of-demand proof was needed, in these circumstances, to distinguish between sales lost due to the infringement and "sales [that] would be lost even if the offending feature were absent from the accused product." *Apple III*, 735 F.3d at 1361; *Apple I*; 678 F.3d at 1324; *Apple II*, 695 F.3d at 1374-75. Again, this analysis is relevant only to a product-based injunction: a feature-based injunction will necessarily reach only those sales lost due to the presence of the infringing feature. Sales that would be lost if the infringing feature were absent from the accused product will remain lost, for the product (absent the infringing feature) will remain available in the marketplace.

When the patentee seeks a feature-based injunction, therefore, the need for driver-of-demand proof is abrogated under the analysis offered in the *Apple* cases.

In *Apple III* the Court further confirmed that an injunction reaching "only infringing features rather than the sale of entire products" would necessarily be "more equitable and, thus, more justifiable in any given case." 735 F.3d at 1363. The Court declined to hold that this observation rendered the causal nexus inquiry inapplicable in a given circumstance, but it nevertheless supports Ericsson's position. An injunction reaching "only infringing features rather than the sale of entire products" is "more equitable," "more justifiable," and thus should require a commensurate (and less stringent) level and type of proof to satisfy the causal nexus inquiry. Again, the Court recognized as much earlier in the same opinion when it reasoned that "the causal nexus requirement" may be "more easily satisfied (indeed, perhaps even conceded)" for "simple" products. *Id.* at 1362-63. The most "simple" product possible would be a one-feature product—and in that case a product-based injunction would mirror a feature-based injunction. The Court's analysis is thus entirely consistent with Ericsson's proposal that the causal nexus proof requirements should be "more easily satisfied" when the patentee seeks a feature-based injunction, rather than a product-based injunction. *Id.*

The approach urged by Ericsson is also consistent with the related apportionment authorities discussed above. Product-based driver-of-demand proof

is only required to address apportionment concerns when the patentee seeks damages relief (in the form of a reasonable royalty) based on the entire multi-feature product. *LaserDynamics*, 694 F.3d at 67, 70; *VirnetX, Inc. v. Cisco Sys.*, 2014 U.S. Dist. LEXIS 17748, at *37. Just so here: product-based driver-of-demand proof should only be required to address causal nexus concerns when the patentee seeks equitable relief (in the form of an injunction) based on the entire multi-feature product. When, on the other hand, the patentee with feature-based harm seeks a feature-based injunction, the requested relief is "tie[d] … to the claimed invention's footprint in the market place," *ResQNet.com*, 594 F.3d at 869, and there is no risk that "the patentee seeks to leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant," *Apple II*, 695 F.3d at 1375. And again, requiring driver-of-demand proof in these circumstances would impose an additional and unwarranted burden on the patentee, effectively eliminating the right to exclude.

F. The District Court Misapplied These Rules in This Case.

The district court appeared to misapply these rules in this case. In the earlier line of cases, Apple had sought product-based injunctions. *Apple III*, 735 F.3d at 1372. But in this case, Apple sought a feature-based injunction: Apple asked the district court merely to bar Samsung from utilizing the specific "data detection," "slide-to-unlock," and "autocorrect" features found to infringe. AppleBr.6-20. The

court nevertheless concluded that the line of *Apple* opinions established an indiscriminate and categorical requirement for driver-of-demand proof, and it found (not surprisingly) that Apple "fail[ed] to prove that 'the infringing feature[s] drive[] consumer demand for the accused product[s].'" *Apple*, 2014 U.S. Dist. LEXIS 119963, at *139 (citing *Apple II*, 695 F.3d at 1375). Again, such proof might have been necessary had Apple sought to enjoin the sale of Samsung's products in their entirety based on the "data detection," "slide-to-unlock," or "autocorrect" features. But such proof was not necessary given Apple's more narrow (and already "apportioned") request to enjoin only Samsung's incorporation of those infringing features into its products.

Ericsson takes no position on the ultimate result in this case. But Ericsson encourages the Court to make clear that the causal nexus inquiry's proof requirements are to be commensurate with the scope of the requested injunction—and proof that an infringing feature drives consumer demand for a multi-feature product should be required only when the patentee seeks an injunction on the entire product. Where, as here, the patentee seeks a feature-based injunction, the causal nexus inquiry can be satisfied simply by showing that the scope of the requested injunction matches the scope of the infringement. Furthermore, to the extent that the equities render it necessary, a district court can enter a delayed injunction to

allow time for the infringer to remove the infringing features from its products, or to design its products around them. *i4i*, 598 F.3d at 863-64.

IV. CONCLUSION

For all of these reasons, Ericsson respectfully requests that, in deciding this appeal, the Court clarify that the causal nexus inquiry only requires proof that an infringing feature drives consumer demand for a multi-feature product when the patentee seeks a product-based injunction as relief for its feature-based harm.

Date: October 20, 2014

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing BRIEF OF *AMICUS CURIAE* ERICSSON INC. IN SUPPORT OF NEITHER PARTY was served by operation of the Court's CM/ECF system per Fed. R. App. P. 25.

Date: October 20, 2014

/s/ Joel L. Thollander
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CERTIFICATE OF COMPLIANCE

I certify that the foregoing BRIEF OF *AMICUS CURIAE* ERICSSON INC. IN SUPPORT OF NEITHER PARTY:

1. complies with the type-volume limitation of FED. R. APP. P. 29(d) and 32(a)(7)(B). This brief contains 6,231 words, excluding the parts of the brief exempted by FED. R. APP. P. 32(a)(7)(B)(iii) and FED. CIR. R. 32(b). Microsoft Word 2010 was used to calculate the word count.

2. complies with the typeface requirements of FED. R. APP. P. 32(a)(5) and the type style requirements of FED. R. APP. P. 32(a)(6). This brief has been prepared in a proportionally-spaced typeface using Microsoft Word 2010 in 14-point Times New Roman type style.

Date: October 20, 2014

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