

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

APPLE INC.,

Plaintiff-Appellant,

v.

SAMSUNG ELECTRONICS CO., LTD.,
SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Defendants-Appellees.

Appeal from the United States District Court for the
Northern District of California in case no. 11-CV-1846, Judge Lucy H. Koh.

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CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, counsel of record for Plaintiff-Appellant Apple Inc. certifies as follows:

1. The full name of every party represented by us is:

Apple Inc.
2. The names of the real parties in interest represented by us are:

Not applicable
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the parties represented by us are:

None.
4. The names of all law firms and the partners or associates that appeared for the parties represented by us in the trial court, or are expected to appear in this Court, are:

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STATEMENT OF RELATED CASES

This appeal arises from the district court's order denying Apple a permanent injunction following a jury's verdict that Samsung infringed six Apple patents and diluted Apple's iPhone trade dress. A1-23. Most post-verdict motions have been resolved, but Samsung's motion for a new trial on damages remains pending before the district court. Final judgment has not yet been entered.

This Court previously resolved an appeal in this case arising from the district court's denial of Apple's motion for a preliminary injunction. *Apple, Inc. v. Samsung Elecs. Co.*, No. 2012-1105, 678 F.3d 1314 (Fed. Cir. May 14, 2012) (Bryson, J., joined by Prost, J.; opinion concurring in part and dissenting in part by O'Malley, J.), *pet. for reh'g denied* (June 19, 2012). On remand from that appeal, the district court entered a preliminary injunction from which Samsung appealed (No. 12-1506). That appeal was voluntarily dismissed after the jury's verdict.

This Court previously resolved an appeal in a separate case involving the same parties and some of the same accused products arising from the district court's grant of Apple's motion for a preliminary injunction. *Apple Inc. v. Samsung Elecs. Co.*, No. 2012-1507, 695 F.3d 1370 (Fed. Cir. Oct. 11, 2012) (Prost, J., joined by Moore & Reyna, JJ.), *pet. for reh'g denied* (Jan. 31, 2013).

Apple and Samsung have also appealed from several collateral orders in this case in which the district court denied Apple's and Samsung's requests to seal

certain confidential record material. *Apple Inc. v. Samsung Elecs. Co.*, Nos. 2012-1600, 2012-1606, 2013-1146 (Fed. Cir.). This Court has scheduled argument in those appeals for March 26, 2013.

On January 16, 2013, Apple filed a petition for initial hearing *en banc* in this appeal, which was denied on February 4, 2013.

JURISDICTIONAL STATEMENT

The district court had jurisdiction under 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1338, and 1367. The district court denied Apple's motion for a permanent injunction on December 17, 2012, and Apple timely appealed. A4923. This Court has jurisdiction under 28 U.S.C. § 1292(c)(1).

STATEMENT OF ISSUE

Whether the district court abused its discretion in denying Apple's motion for a permanent injunction.

INTRODUCTION

Apple brought this lawsuit to halt Samsung's deliberate copying of Apple's innovative iPhone and iPad products. After a jury found that Samsung infringed numerous Apple patents and diluted Apple's protected trade dress, Apple sought a permanent injunction. Apple proved to the district court's satisfaction that: (1) "Apple has continued to lose market share to Samsung," which "can support a finding of irreparable harm" (A5); (2) Samsung's actions took market share from

Apple with respect to not only smartphones and tablets, but also substantial downstream sales of other products, such that Apple “may not be fully compensated by the damages award” (A16); (3) Samsung’s arguments concerning the balance of hardships were unavailing because Samsung claimed to have stopped selling or to have developed design-arounds for the infringing products and “cannot now turn around and claim that [it] will be burdened by an injunction that prevents sale of these same products” (A18-19); and (4) “the public interest does favor the enforcement of patent rights” (A20).

Under *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), these findings should have led to a permanent injunction against Apple’s adjudicated infringing competitor. Nevertheless, the district court denied relief because it believed that Apple was required to show “not just that there is demand for the patented features” connecting Apple’s irreparable harm to Samsung’s infringement, “but that the patented features are important drivers of consumer demand for the infringing products.” A12. The district court stated that, “[w]ithout a causal nexus, [the court] cannot conclude that the irreparable harm supports entry of an injunction.” *Id.*

This additional “causal nexus” requirement—particularly when applied as rigidly as the district court did here—is contrary to the Supreme Court’s and this Court’s permanent injunction precedents. Unless corrected, the district court’s

ruling that a strong showing on the four *eBay* factors is defeated by a supposed lack of “causal nexus” will create a bright-line rule that precludes injunctive relief even “in traditional cases, such as this, where the patentee and adjudged infringer both practice the patented technology.” *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1150 (Fed. Cir. 2011). This Court should correct that course by reversing the district court’s order.

STATEMENT OF CASE

After a three-week trial, a jury found that twenty-six Samsung smartphone and tablet computer products infringed one or more of six Apple patents (A4186-4192), that Samsung infringed five of the patents willfully (A4193), and that none of Apple’s asserted patents is invalid (*id.*). The jury also found that Samsung willfully diluted Apple’s iPhone trade dress through sales of six Samsung smartphones. A4195-4196; A4198. The jury rejected all of Samsung’s infringement counterclaims (A4201-4204) and awarded Apple more than \$1 billion in damages (A4199).

Following the verdict, Apple moved for a permanent injunction prohibiting Samsung from continuing to infringe Apple’s patents and dilute Apple’s trade dress—whether through the twenty-six adjudicated infringing products or products not more than colorably different from them. A4218-4219; A4251-4252. On December 17, 2012, the district court denied Apple’s motion for a permanent

injunction. A1-23. On December 20, 2012, Apple timely appealed from that order pursuant to 28 U.S.C. § 1292. A4923.

On January 29, 2013, the district court decided several of the parties' post-trial motions. The court did not disturb the jury's finding that Samsung's infringement satisfied the subjective prong of willful infringement, but concluded that the objective prong was not satisfied and granted judgment as a matter of law ("JMOL") that Samsung's infringement was not willful on that basis. A116-122. The district court otherwise denied Samsung's motion for JMOL, concluding that the jury reasonably found that Apple's patents were infringed and not invalid and that Apple's iPhone trade dress was protectable and willfully diluted. A92-116.¹ Samsung's motion for a new trial on damages remains pending. Final judgment has not yet entered.

STATEMENT OF FACTS

A. Apple's iPhone And iPad Are Revolutionary Products Whose Success Is Built On Their Unique Design And User Experience

When Apple unveiled the iPhone on January 9, 2007, it was unlike any other smartphone on the market. The iPhone's unique design and user interface were the result of years of research and development within Apple. A20484-20485(484:24-485:4); A20750-20751(750:25-751:11). Those attributes of the iPhone received

¹ The court granted Samsung's motion for JMOL that the asserted claims of Samsung's U.S. Patent No. 7,447,516 were not exhausted, but upheld the jury's finding that Apple did not infringe those claims. A124-126.

immediate critical acclaim. *E.g.*, A32717-32718 (*New York Times* describing the iPhone as “gorgeous” with a “shiny black [front face], rimmed by mirror-finish stainless steel” and a “spectacular and practical” user interface); A32721 (*Wall Street Journal* describing the iPhone as “a beautiful and breakthrough handheld computer,” featuring a “clever finger-touch interface”); A32726-32727 (*Time Magazine* naming the iPhone “Invention of the Year” and listing the iPhone’s “pretty” design and “whole new kind of [user] interface” as the top two reasons for the award). The iPhone’s unique design and user interface brought Apple huge success in the smartphone market. A20625-20626(625:1-626:4).

Three years later, Apple’s release of the iPad was equally revolutionary—creating an entire market for tablet computers that others had previously abandoned as “a dead category and not likely to succeed.” A20620-20621(620:12-621:10). As with the iPhone, the iPad was immediately praised for its groundbreaking user interface. A32734-32735 (*USA Today* describing the iPad as “fun” and “simple” with a touch-controlled user interface that allows users to “pinch to zoom in or out”); A32737 (*Wall Street Journal* describing the iPad as a “beautiful new touch-screen device” with a “finger-driven multitouch user interface” that could displace “the mouse-driven interface that has prevailed for decades”). Again, the iPad’s easy-to-use interface was critical to its instant commercial success. A20626(626:7-19).

1. Apple's design patents and iPhone trade dress

Apple sought and obtained numerous patents to protect its investment in the innovative designs and functionalities of the iPhone and iPad. The iPhone design is protected by, among others, U.S. Design Patent Nos. 618,677 ("D'677 patent"), 593,087 ("D'087 patent"), and 604,305 ("D'305 patent").

The D'677 patent claims the distinctive front face of the iPhone, including its shape, rounded corners, black color, and reflective surface:

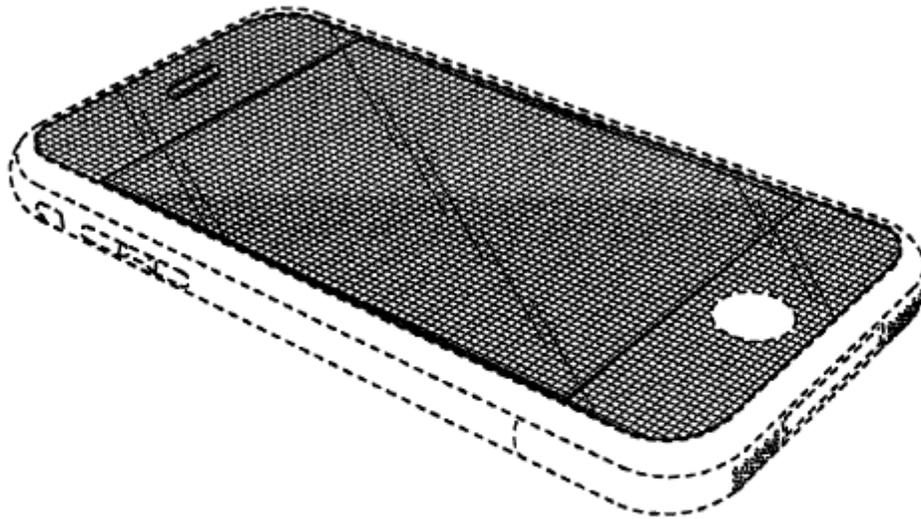


FIG. 1

A36406.

The D'087 patent claims the iPhone's overall distinctive appearance, including the bezel from the front of the phone to the sides and flat contour of the front face:

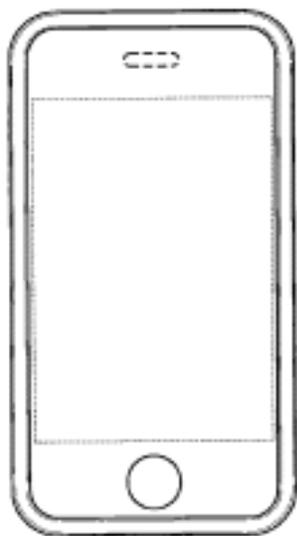


FIG. 3



FIG. 4



FIG. 7



FIG. 8



FIG. 5



FIG. 6

A36330.

The D'305 patent claims the ornamental design of the iPhone's unique graphical user interface, including the arrangement of rows of colorful square icons with rounded corners:



FIGURE 4

A36352.

The distinctive design of the front face of the iPhone is further protected by Apple's registered and unregistered iPhone trade dress. Apple's iPhone trade dress protects the overall visual impression of the non-functional elements of the iPhone's front face, including: (i) a rectangular product with four evenly rounded corners; (ii) a flat, clear surface covering the front of the product; (iii) a display screen under the clear surface; (iv) substantial black borders above and below the

display screen and narrower black borders on either side of the screen; (v) when the device is on, a row of small dots on the display screen; (vi) when the device is on, a matrix of colorful square icons with evenly rounded corners within the display screen; and (vii) when the device is on, a bottom dock of colorful square icons with evenly rounded corners set off from the other icons on the display, which does not change as other pages of the user interface are viewed. A20339-20340(339:21-340:12); A21091-21092(1091:11-1092:23); *see also* A50104.

2. Apple's utility patents

Along with those protections for the iPhone's design, Apple has numerous utility patents covering various functions of the unique user experience for the iPhone and iPad. Among those patents are U.S. Patent Nos. 7,469,381 ("381 patent"), 7,844,915 ("915 patent"), and 7,864,163 ("163 patent").

The '381 patent claims the "bounce-back" feature used by the iPhone and iPad: when a user of a touchscreen device scrolls beyond the edge of an electronic document, the device causes the electronic document to bounce back so that no space beyond the edge of the document is displayed. A36502-36505; A36519-36520; *see also* A21736-21739(1736:16-1739:21).

The '915 patent claims the multi-touch display functionality of the iPhone and iPad, which allows those products to distinguish between single-touch commands for scrolling through documents and multi-touch gestures to manipulate

a document (*e.g.*, a two-fingered “pinch-to-zoom” gesture). A36448; A36459; *see also* A21817-21818(1817:8-1818:22).

The '163 patent claims the “double-tap-to-zoom” capability of the iPhone and iPad, which allows a touchscreen device to enlarge and center the text of an electronic document when a user taps twice on a portion of that document and, in response to a second user gesture on another portion of the document, recenters the screen over that portion of the document. A36564; A36568; A36570; *see also* A21831-21832(1831:9-1832:21).

Because they protect key designs and functionalities that have fueled the iPhone's and iPad's overwhelming success, the D'677, D'087, D'305, '381, '915, and '163 patents as well as Apple's iPhone trade dress are crown jewels of Apple's “unique user experience” IP portfolio. A21954-21957(1954:19-1957:9); A21963-21964(1963:23-1964:8); A22010(2010:3-17); A22012(2012:6-16). Apple has only rarely agreed to license its utility patents falling within this category to other companies, has agreed to license its design patents even more rarely, and has never licensed its trade dress. The few instances in which Apple has licensed its patents covering Apple's unique user experience have occurred under circumstances that would not “enabl[e] somebody to build a clone product” of the iPhone or iPad. A21956-21957(1956:21-1957:9); *see also* A22010-22012(2010:6-2012:16)

(describing Apple’s use of “anti-cloning” provisions in licenses to its unique user experience patents); A4075-4076(¶¶3-7) (describing unique circumstances of and restrictions contained in Apple’s licenses to IBM and Nokia).

B. Samsung Deliberately Copied Apple’s iPhone And iPad To Compete Directly With Apple

Samsung and Apple compete fiercely for U.S. smartphone customers. But Samsung has chosen to compete not through innovation, but through calculated and meticulous copying of Apple’s popular iPhone and iPad. After the iPhone took the market by storm in 2007, Samsung faced, as its executives lamented, “a crisis of design.” A30874. The explosive success of the iPhone re-shaped consumer expectations and convinced Samsung’s executives that “when our [user interface] is compared to the unexpected competitor Apple’s iPhone, the difference is truly that of Heaven and Earth.” *Id.* As the president of Samsung’s mobile division explained, Samsung resolved to “make something like the iPhone” to remain competitive in the smartphone market. A30871.

The transformation in Samsung's products after the iPhone's introduction shows the results of those efforts. Before the iPhone's introduction, Samsung's phones and the iPhone differed markedly in their shape, button configuration, and role of the screen in the overall front of the phone:



A30001.

After the iPhone's success, Samsung's phones became iPhone clones:



A30003.

Samsung's copying was not limited to the iPhone's external appearance. Samsung also copied Apple's innovative user interface, including the "bounce-back," "pinch-to-zoom," and "double-tap-to-zoom" features covered by Apple's '381, '915, and '163 patents. Samsung's documents show that this copying was no accident. Rather, Samsung carefully compared its smartphones and tablets to the iPhone and iPad so that it could identify and copy the features that Samsung's products lacked. For example, Samsung concluded from its side-by-side

comparison that the absence of Apple’s “bounce” feature was a “serious” defect that needed to be added to Samsung’s smartphones and tablets:

Plaintiff’s Exhibit No. 57.73

TRANSLATION
CONFIDENTIAL

Issue 51 _ Browser


Serious

- During topmost/bottom-most, diagonal movements there is no springing Bounce effect

P5

[GA Lab Review Content]
Bounce Effect scheduled for review.

ad2/ Proposed Improvement



During the topmost/bottom-most, diagonal movements, there is no Bounce effect in the header's menu section



In the case of iPad2, there is a fun element from a natural Bounce effect that follows hand gestures

A31603 (Samsung internal comparison of its Galaxy tablet computer with the iPad 2); A31549 (identifying Samsung’s lack of a “bounce effect” in its products as a “critical” defect); *see also* A21763-21764(1763:16-1767:6).

Likewise, Samsung chose to “[a]dopt [d]ouble-[t]ap as a supplementary zooming method,” using the iPhone as a “design benchmark.” A30868. Again, Samsung’s implementation of that feature was based on a side-by-side comparison

with the iPhone with suggested “[i]mprovement[s]” for making Samsung’s products function more like Apple’s:

Translation
Confidential

53. Browsing _ Web Browser

- ❑ Double Tap only supports zoom in/out that fast movement to zoomed in screen is impossible
 - i-Phone: When another point is double tapped after zooming in, moves to the different portion and zooms in
 - S1: When another point is double tapped after zooming in, zooms out to the original screen

i-Phone	S1
 <p>When another point is Double Tapped after zooming in, the zoomed-in screen is displayed in the new location that was tapped.</p> <p>It is possible to zoom into just a portion.</p>	 <p>Once zoomed in, Double Tapping another point makes it zoom out.</p> <p>Only full screen zoom in/out possible.</p>
Improvement	Double Tap zoom in/out function needs to be supplemented.

A30948 (Samsung internal comparison of its Galaxy S1 smartphone with the iPhone); *see also* A20827-20828(827:3-828:17).

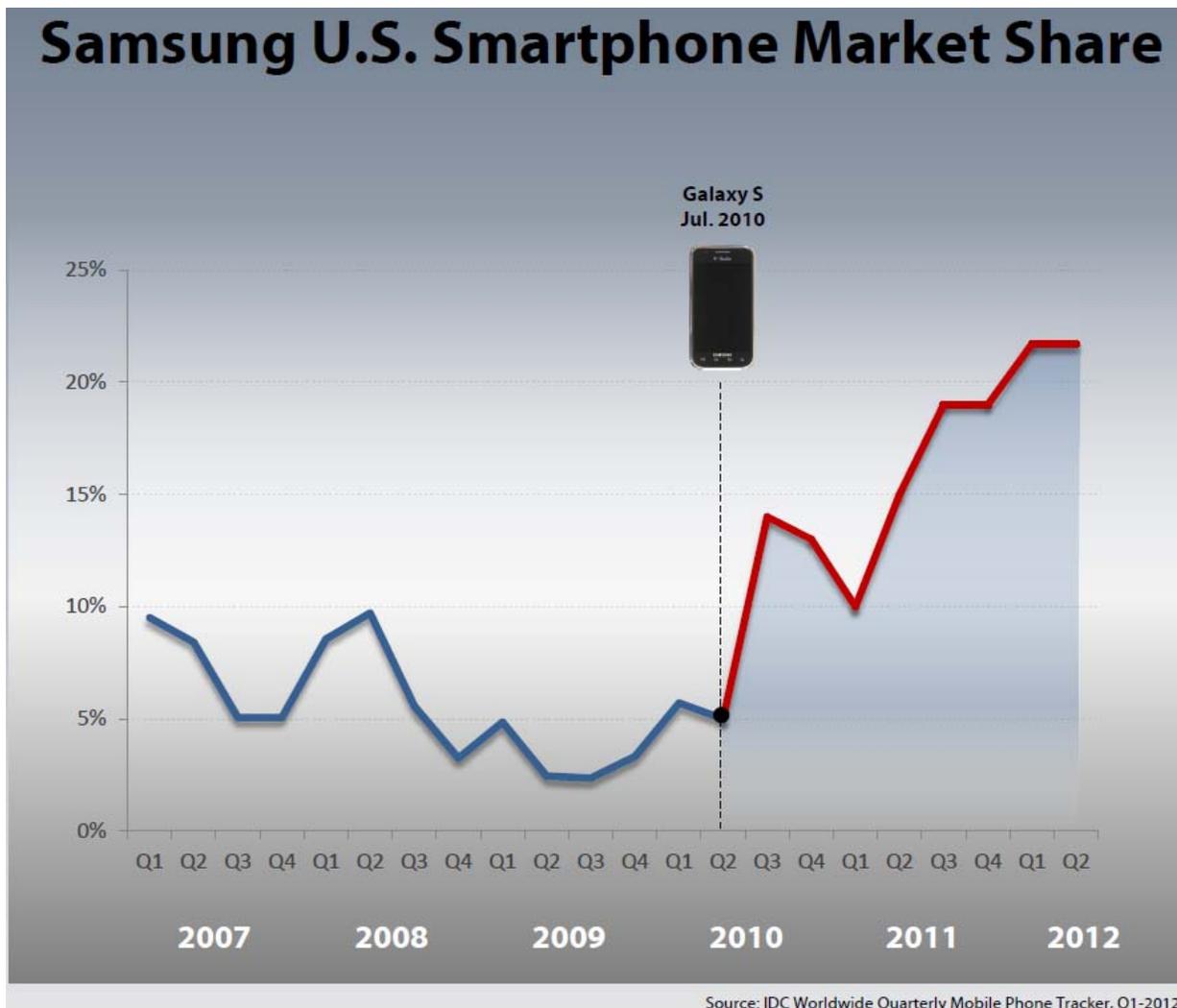
Samsung similarly implemented Apple’s “pinch-to-zoom” feature after its consultants reported that the iPhone’s use of that feature allows “more intuitive and easier browsing” (A4493) and that consumers complained that “the zoom on web pages and ability to scroll around is very bad and hard to do” on Samsung’s prior phones (A4489).

C. Through Its Infringement And Dilution, Samsung Took Significant Market Share From Apple

Samsung's strategy was highly successful. By copying Apple's protected designs and patented features, Samsung undercut Apple's pricing to "directly go after ... potential iPhone purchasers." A31976.²

Samsung captured market share from Apple that Samsung's older, non-cloned products were never able to achieve. Before launching its initial infringing and diluting Galaxy S product line in July 2010, Samsung was *losing* market share. A22043-22044(2043:18-2044:23). After launching its infringing and diluting products, however, Samsung's market share jumped. A22044(2044:20-23) ("Samsung's market share took an abrupt upward swing and has continued today to advance dramatically in increases in market share."). Indeed, Samsung's launch of its infringing and diluting products marked a key inflection point in Samsung's share of the smartphone market, the beginning of a jump from 5% to 20% of the market in just two years:

² A31977 ("Samsung Seine [Galaxy S II (AT&T)] and Celox [Galaxy S II (Skyrocket)] to 'surround' iPhone with \$329 an[d] \$249 R/P."); A31978 ("Samsung Celox [Galaxy S II (Skyrocket)] to undercut iPhone with \$249 R/P."); A31979 ("Samsung Stealth LTE [Droid Charge] at \$249 to undercut \$299 iPhone5 (no LTE)."); A31980 ("VZW Recommendation: Samsung 4G products to undercut iPhone across tiers."); A31983 ("Gaudi [Galaxy S II (Epic 4G Touch)] to undercut iPhone5 (4G) by \$50."); A31985 ("Hercules [Galaxy S II (T-Mobile)] to undercut iPhone5 (4G) by \$50.").



A50105; *see also* A22043(2043:18-2045:10). By the second quarter of 2012, Samsung's U.S. smartphone market share had increased further still to over 30%. A4984(¶25); A4993.

Samsung's significant market growth through its infringing and diluting products came directly at Apple's expense, as the district court found (A5) and Samsung's own documents confirm (*e.g.*, A31903 (graph showing Apple's market share decrease in late 2011 while Samsung's market share grew)). Samsung's

success in capturing market share from Apple led Samsung to conclude that the U.S. smartphone market is becoming a “two horse race between Apple and Samsung.” A31903.

In addition to increasing Samsung’s market share, Samsung’s infringement and dilution yielded enormous profits for Samsung. Trading on the success of the iPhone and iPad, sales of Samsung’s infringing and diluting smartphones generated over \$7.2 billion in revenue and \$2 billion in gross profits. *See* A40944 (revenues for accused products); A30475 (profits for accused products); A4186-4196 (verdict identifying infringing and diluting products).

D. Apple Lost Substantial Downstream Sales Due To Samsung’s Infringement And Dilution

While Samsung’s infringing and diluting products caused Apple to lose smartphone and tablet sales, that is only the beginning of the harm to Apple, as the district court correctly concluded. A5-6. Customers who purchase an iPhone or iPad are likely to buy other Apple products and services, including related products, applications, accessories, and future smartphones and tablets. A20615-20617(615:14-617:6). Those lost downstream sales extend even beyond the individual purchaser: the smartphone market is influenced by “network effects,” meaning that individuals are more likely to buy a particular smartphone if many others have bought it as well. A20617(617:3-6) (describing how one’s smartphone

purchases directly influence purchases made by “the other people around you, who you work with or in your family”).

Samsung itself has recognized the loyalty (or “stickiness”) of smartphone buyers, such that an initial purchase promotes future sales, and tailored its marketing strategies to capture those downstream sales. A31913 (Samsung strategy document describing Apple customers as “very sticky/loyal subscribers”). As Samsung’s head of sales and marketing for its mobile division confirmed, Samsung tries “to get first-time smartphone users before they’re locked into the [Apple] IOS so that Samsung can lock them into the Android [operating system].” A4070-4071(71:22-72:19).

E. Design And Ease Of Use Are Important To Smartphone Purchasers

The motivation behind Samsung’s decision to copy the iPhone was clear: Samsung recognized the undeniable importance of design and user interface to smartphone purchasers. Samsung’s and its consultants’ market research—based on interviews of thousands of consumers and dozens of industry experts—identified those factors as the two key reasons for the iPhone’s extraordinary success. A30528 (identifying “[e]asy and intuitive user interface” and “[b]eautiful design” as the top two “Factors that Could Make iPhone a Success”); A30680 (identifying “[e]ase of use” as “the major driver” of consumer interest in touchscreen devices); A30698 (iPhone’s “strong, screen-centric design has come to

equal what's on trend and cool for many consumers"); A4969 (recognizing that U.S. consumers "have been greatly influenced by the iPhone design," which is considered "premium"); A4280 ("the iPhone is a delight to the eye" and "the most inspired mobile handset on the market"). Not surprisingly, Samsung's own surveys showed that those same factors drove demand for Samsung's infringing smartphones. Indeed, as the district court observed, Apple presented "significant evidence" that design is "important in consumer choice," including a "Samsung study finding exterior design to be an important factor in phone choice." A8; *see also* A32004 (March 2011 J.D. Power survey concluding that "[n]early half (45%) of smartphone owners indicate they chose their model because they liked its overall design and style Simple operation is important, as 36% of owners report having chosen their handset because it is 'generally easy to use.'"); A32050 (same).

For its part, Apple also recognized the importance of design and user interface to smartphone purchasers, and specifically to Apple's customers. *E.g.*, A32770 (Apple customer survey showing that 95% of U.S. respondents considered "easy to use" to be "very important" or "somewhat important" to their decision to purchase an iPhone); A50102 (summary of Apple customer survey data showing that over 80% of respondents considered "attractive appearance and design" to be

“very important” or “somewhat important” in their decision to purchase an iPhone).

The touchscreen features claimed by Apple’s asserted utility patents are likewise important to driving consumer demand. Testimony, surveys, and other documents referred to Apple’s “multi-touch experience that makes the iPhone easy to use” as “a key driver of demand for the iPhone.” A4503-4511(509:7-517:8); *see also* A4500-4502(487:6-489:15) (describing how Apple’s multi-touch user interface “is probably among the most important of all the elements of how customers perceive ease of use on an iPhone”); A30677-30683 (Samsung survey evidence concerning importance of touchscreen capabilities to consumer purchasing decisions); A32719 (*New York Times* review praising multi-touch features of the iPhone); A32723 (*Wall Street Journal* describing the iPhone’s multi-touch features as “effective, practical and fun”); A32727 (*Time Magazine* listing the iPhone’s multi-touch features among the top reasons for naming the iPhone “Invention of the Year”). Moreover, consumer survey evidence specifically targeted to the three asserted utility patents showed that Samsung consumers were willing to pay statistically significant price premiums for the features protected by Apple’s patents. A30488 (survey results showing that consumers are willing to pay \$39 more for a smartphone and \$45 more for a tablet computer that includes Apple’s patented “pinch-to-zoom” feature and \$100 more

for a smartphone and \$90 for a tablet computer that includes all three features claimed by Apple's asserted utility patents); *see also* A21915-21916(1915:7-1916:13).

Samsung's copying altered consumer perceptions of Samsung's products. Consumers previously considered Samsung's design and user interface to be inferior to Apple's (A4958-4959), found Internet browsing on Samsung's phones to be "so painful as to be not worth it" (A4488), and did not view Samsung as a "credible" smartphone manufacturer (A4487). But after Samsung implemented Apple's protected designs and patented features, consumers ranked Samsung's infringing smartphones (such as the Galaxy S "Vibrant") as comparable to the iPhone. *E.g.*, A32077 (collecting consumer satisfaction survey results).

F. The District Court's Decision

After the jury confirmed Samsung's infringement and dilution, Apple sought a permanent injunction because (among other reasons) Samsung's actions were irreparably harming Apple in a way that money damages could not cure.

The district court made numerous findings that support entry of an injunction. The court found "that Apple and Samsung are direct competitors ... for first-time smartphone buyers" and "that Apple and Samsung continue to compete directly in the same market," which "increases the likelihood of harm from continued infringement." A5. The court noted that it was undisputed that

“Samsung’s market share grew substantially from June 2010 through the second quarter of 2012” and “that Samsung had an explicit strategy to increase its market share at Apple’s expense.” *Id.* Based on that evidence, the district court determined that “Apple has continued to lose market share to Samsung,” which “can support a finding of irreparable harm.” *Id.*

The district court also concluded that initial lost sales to Samsung could result in “lost future sales of both future phone models and tag-along products like apps, desktop computers, laptops, and iPods,” which “Samsung ... made no attempt to refute.” A6. As a result, the court found “that Apple has suffered some irreparable harm in the form of loss of downstream sales.” *Id.*; *see also* A16 (“[T]he Court agrees that Apple has likely suffered, and will continue to suffer, the loss of some downstream sales.”). The court also recognized that the difficulty in calculating Apple’s lost downstream sales suggested the inadequacy of money damages. A16 (“Apple’s evidence of lost downstream sales does provide some evidence that Apple may not be fully compensated by the damages award.”).

Nevertheless, the district court concluded that money damages were adequate compensation because Apple had not demonstrated that its patents are “priceless” or “off limits” to licensing. A17. The court relied heavily on Apple’s past offer to license some *unasserted* patents to Samsung and licenses to the

asserted *utility* patents to other companies (IBM, Nokia, and HTC) made in the context of broad cross-licensing agreements or litigation settlements. A17-18.

The district court rejected Samsung's argument concerning the balance of hardships because Samsung claimed to have stopped making twenty-three of the infringing products and to have developed design-arounds for the other infringing products. A18-19. As the court explained, Samsung "cannot now turn around and claim that [it] will be burdened by an injunction that prevents sale of these same products." A19. The court nonetheless determined that "neither party would be greatly harmed by either outcome" and considered the balance of hardships a "neutral" factor. A18-19.

Regarding the public interest, the district court recognized that "the public interest does favor the enforcement of patent rights to promote the 'encouragement of investment-based risk.'" A20 (quoting *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006)). Ultimately, however, the court determined that the patented designs and features were small components of the infringing products such that "it would not be in the public interest to deprive consumers of phones that infringe limited non-core features." A21.

Despite Apple's strong showing of irreparable harm (and, indeed, the district court's own finding that Apple had already suffered irreparable harm), the court denied Apple's request for an injunction. The court's "first and most important[]"

reason (A21) for reaching that result was its view that Apple had not satisfied the “causal nexus” requirement this Court established for *preliminary* injunctions in *Apple, Inc. v. Samsung Electronics Co.*, 678 F.3d 1314 (Fed. Cir. 2012) (“*Apple I*”), and *Apple Inc. v. Samsung Electronics Co.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012) (“*Apple II*”). With little analysis, the district court held that the same causal nexus requirement applies with equal force to *permanent* injunctions. A3 n.2. The court then ruled that, to support a permanent injunction, Apple was required to show that each of the infringing *features* “drives consumer demand” for the infringing devices or, in other words, that “consumers buy the infringing product *specifically because* it is equipped with the *patented* feature.” A8 (first emphasis added).

With respect to Samsung’s continued dilution of Apple’s trade dress, the district court found that Apple would not be irreparably harmed absent an injunction because “none of the [diluting] Samsung products ... are still on the market” (A15), even though the court had earlier recognized that “Samsung’s decision to cease selling its infringing phones does not alter the Court’s irreparable harm analysis.” A7; *see also id.* (“Absent an injunction, Samsung could begin again to sell infringing products, further exposing Apple to the harms identified above.”).

SUMMARY OF ARGUMENT

The four traditional equitable factors for injunctive relief overwhelmingly favor entry of a permanent injunction against Samsung's continued infringement. Based largely on undisputed evidence, the district court concluded that: (1) Apple and Samsung are direct competitors, which "increases the likelihood of harm from continued infringement" (A5); (2) Samsung continues to cause irreparable harm to Apple through lost market share and lost downstream sales (A5-6), which "support[s] a finding that monetary damages would be insufficient to compensate Apple" (A16 (quoting *Apple I*, 678 F.3d at 1337)); (3) the balance of hardships is at worst a "neutral" factor (A19); and (4) "the public interest does favor the enforcement of patent rights" (A20). The court's ruling that monetary damages would sufficiently compensate Apple was based on the belief that Apple did not view its patents as "priceless" or "off limits" (A17)—a legally erroneous standard that this Court has never required—and a misunderstanding of the licensing evidence, which makes clear that Apple would never license the patents protecting Apple's unique user experience to its primary competitor. Accordingly, under the governing *eBay* test, an injunction should have issued.

The district court further erred by also requiring Apple to prove that each of the patented features independently drives consumer demand for the infringing products. A7-12. Neither the Supreme Court nor this Court has ever required a

patentee to satisfy this additional “causal nexus” requirement at the permanent injunction stage—*after* the defendant’s infringement has already been adjudicated. Moreover, the district court’s rigid application of the causal nexus requirement—requiring evidence “not just that there is demand for the patented features, but that the patented features are important drivers of consumer demand for the infringing products” (A12)—will all but foreclose the possibility of injunctive relief in cases that, like this one, involve infringement by complex, multi-featured products. The district court’s reliance on the causal nexus requirement to defeat a strong showing on the *eBay* factors conflicts with principles of equity, which traditionally reject bright-line rules “suggesting that injunctive relief could not issue in a broad swath of cases.” *eBay*, 547 U.S. at 393. To the extent that any causal nexus requirement applies at the permanent injunction stage, Apple presented more than sufficient evidence that its patented designs and features influence consumer demand such that Apple’s irreparable harm can be attributed to Samsung’s infringement.

The district court also abused its discretion in denying Apple an injunction against Samsung’s trade dress dilution. The court committed legal error in concluding that Samsung’s statements that it had voluntarily ceased its diluting activities defeated Apple’s right to injunctive relief. A15. Similarly, the court’s conclusion that monetary damages would be adequate compensation for any future dilution rested on clearly erroneous factual findings. A17.

Because it would be an abuse of discretion *not* to enter a permanent injunction on this record, Apple respectfully requests that this Court reverse the district court's denial of Apple's motion for a permanent injunction against Samsung's continued infringement and dilution. At the very least, vacatur and remand is warranted so that the district court may consider the matter under the proper legal standard and with a correct understanding of the record.

STANDARD OF REVIEW

This Court reviews the denial of a permanent injunction for abuse of discretion. *Bosch*, 659 F.3d at 1147. "A district court abuses its discretion when it acts 'based upon an error of law or clearly erroneous factual findings' or commits 'a clear error of judgment.'" *Id.* (quoting *Ecolab, Inc. v. FMC Corp.*, 569 F.3d 1335, 1352 (Fed. Cir. 2009)).

ARGUMENT

As the district court's own findings confirm, Apple presented a classic case for injunctive relief, involving direct competitors and undisputed evidence of irreparable harm, including lost market share and lost downstream sales that money damages cannot fully compensate. The district court nevertheless applied a rigid causal nexus requirement to defeat Apple's strong showing on the four *eBay* factors. As explained below, that was error because neither the Supreme Court nor this Court has ever required evidence of a causal nexus at the permanent injunction

stage *after* a finding of infringement, let alone the highly particularized showing that the district court demanded here.

The inconsistency between *eBay* and this Court’s permanent injunction cases on the one hand and the causal nexus requirement applied by the district court on the other becomes most salient in view of the findings the district court actually made. Those findings—mostly based on undisputed evidence—strongly support entry of a permanent injunction against a direct competitor’s adjudicated infringement. The district court’s application of the causal nexus requirement to bar permanent injunctive relief—regardless of the strength of the patentee’s showing under the traditional *eBay* factors—is unprecedented and legally erroneous. This Court should therefore reverse the district court’s order denying Apple’s motion for a permanent injunction.

I. THE EQUITIES STRONGLY FAVOR GRANTING INJUNCTIVE RELIEF TO BAR FURTHER PATENT INFRINGEMENT BY A DIRECT COMPETITOR

The evidence presented at trial and through post-trial briefing overwhelmingly favors entry of a permanent injunction to protect Apple from further irreparable harm caused by Samsung’s deliberate and successful strategy of acquiring customers by copying Apple’s products. The district court made a series of findings suggesting—or even outright concluding—that each equitable factor under *eBay* favors entry of a permanent injunction. *E.g.*, A6 (“[T]he Court finds that Apple has suffered some irreparable harm in the form of loss of downstream

sales.”); A16 (“The Federal Circuit has confirmed that ‘the loss of customers and the loss of future downstream purchases are difficult to quantify, [and] these considerations support a finding that monetary damages would be insufficient to compensate Apple.’” (quoting *Apple I*, 678 F.3d at 1337)); A19 (rejecting Samsung’s argument concerning balance of hardships because Samsung claims to have ceased selling infringing and diluting products and “cannot now turn around and claim that [it] will be burdened by an injunction that prevents sale of these same products”); A20 (“As this Court found at the preliminary injunction stage, the public interest does favor the enforcement of patent rights to promote the ‘encouragement of investment-based risk.’” (quoting *Sanofi-Synthelabo*, 470 F.3d at 1383)).

In light of those findings, the district court’s decision to deny an injunction cannot be reconciled with this Court’s post-*eBay* permanent injunction cases, which confirm that permanent injunctive relief should be granted in cases of head-to-head competition involving lost market share. *E.g.*, *Bosch*, 659 F.3d at 1150-1151 (concluding that permanent injunction should issue against direct competitor whose continued infringement caused plaintiff-patentee to lose significant market share); *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1327-1329 (Fed. Cir. 2008) (same); *Verizon Servs. Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295, 1310-1311 (Fed. Cir. 2007) (same); *see also Presidio Components, Inc. v. Am. Technical*

Ceramics Corp., 702 F.3d 1351, 1363 (Fed. Cir. 2012) (vacating denial of permanent injunction due to evidence of “direct and substantial competition between the parties” and lost sales). Had the district court properly applied *eBay*, it would have reached the same conclusion in this case.

A. Apple Is Being Irreparably Harmed By The Threat Of Its Direct Competitor’s Continued Infringement

1. Apple and Samsung compete directly for first-time smartphone buyers

The district court correctly found that Apple and Samsung are direct competitors in the market for first-time smartphone buyers. A5 (“[T]he Court finds that Apple and Samsung continue to compete directly in the same market.”). The court made that finding earlier in the case when considering Apple’s motion for a preliminary injunction (A4114-4115), and “Samsung ... presented no new evidence to refute that finding” (A5). In fact, this very case arose because of Samsung’s desire to compete (unfairly) with Apple by copying Apple’s patented product designs and features. *See supra* pp. 12-16.

The direct competition between Apple and Samsung is strong evidence of irreparable harm to Apple, as the district court recognized. A5 (citing *Bosch*, 659 F.3d at 1153). If the U.S. smartphone market is truly becoming a “two horse race between Apple and Samsung,” as Samsung admits (A31903), then the harm to Apple from Samsung’s continued infringement is particularly severe, because sales

lost to Samsung presumably would have otherwise gone to Apple. *See Bosch*, 659 F.3d at 1151. That is just what Samsung intended, and Samsung should not be allowed to continue with its strategy after having been adjudicated to infringe Apple's patents.

2. Apple has lost market share due to its direct competitor's adjudicated infringement

As the district court concluded and Samsung did not dispute, "Samsung had an explicit strategy to increase its market share at Apple's expense" through its deliberate copying of Apple's patented designs and product features. A5. That strategy was wildly successful and irreparably harmed Apple's competitive standing. Samsung was *losing* market share before it started selling its infringing products in the United States in June 2010. A22043-22044(2043:18-2044:23). But after launching those products, Samsung's market share grew—and grew rapidly—increasing from 5% in June 2010 to over 30% by the second quarter of 2012. A4984(¶25); A4993; *see also supra* p. 18 (reproducing graph showing Samsung's growth in market share since launching its infringing smartphones (A50105)).

Samsung's rapid growth in market share undeniably came at Apple's expense, as the district court correctly found. A5 ("Thus, the cumulative evidence shows that, consistent with the Court's finding at the preliminary injunction phase, Apple has continued to lose market share to Samsung."). Indeed, Samsung's own

documents confirm that Samsung has been taking market share from Apple. A31903.

Although the overall effect of Apple's lost market share is difficult to quantify with precision, it is undoubtedly substantial. Sales of Samsung's infringing and diluting products generated over \$7.2 billion in revenue and \$2 billion in gross profits. *See* A40944; A30475; A4186-4196. Apple is unlikely to recoup much of that market share because, as Samsung's own witnesses confirmed, consumers are reluctant to switch between competing smartphone platforms once they have been "locked into" their initial purchase. A4070-4071(71:22-72:19) (describing Samsung's strategy "to get first-time smartphone users before they're locked into the [Apple] IOS so that Samsung can lock them into the Android [operating system]").

Such evidence of lost market share "squarely supports a finding of irreparable harm." *Presidio*, 702 F.3d at 1363; *see also Merial Ltd. v. Cipla Ltd.*, 681 F.3d 1283, 1307 (Fed. Cir. 2012); *Bosch*, 659 F.3d at 1151; *Acumed*, 551 F.3d at 1329. Indeed, the district court itself recognized that lost market share is evidence of irreparable harm. A5.

3. Apple has lost downstream sales due to its direct competitor's adjudicated infringement

As the district court found, Apple's initial lost sales due to Samsung's infringement cause further downstream lost sales for related products, apps,

accessories, and future smartphone purchases. A5-6. Apple's lost downstream sales extend even beyond the individual customer who decides initially to buy a Samsung product instead of an iPhone or iPad. As the district court acknowledged when ruling on Apple's motion for a preliminary injunction in *Apple II*, "network effects help shape the smartphone market," such that "customer demand for a given smartphone platform increases as the number of other users on the platform increases." A50076; *see also* A20617(617:3-6) (trial testimony that smartphone sales can influence the purchasing decisions of "the other people around you, who you work with or in your family").

Given the particular difficulty in ascertaining the full extent of the harm from lost downstream sales, this Court has consistently recognized that lost downstream sales demonstrate irreparable harm. *See Verizon*, 503 F.3d at 1310 (recognizing "lost opportunities to sell other services to the lost customers" as a form of irreparable harm); *see also Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 702-703 (Fed. Cir. 2008) (competition for "design wins" that influence future product development supports a finding of irreparable harm, even where the patentee and adjudged infringer did not compete for sales on a unit-by-unit basis). The district court thus correctly found that "Apple has suffered some irreparable harm in the form of loss of downstream sales." A6.

B. Money Damages Are Inadequate To Remedy Apple's Loss Of Market Share And Downstream Sales To Its Direct Competitor

Apple's loss of market share and downstream sales are precisely the type of damages that cannot be calculated to a reasonable certainty and cannot be fully compensated with a monetary award, as the district court itself recognized. A18 (“[T]he difficulty in calculating the cost of lost downstream sales does suggest that money damages may not provide a full compensation for every element of Apple’s loss.”); *see also Broadcom*, 543 F.3d at 703-704 (“[D]ifficulty in estimating monetary damages reinforces the inadequacy of a remedy at law.”); *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 862 (Fed. Cir. 2010) (concluding that money damages could not remedy “loss of market share, brand recognition, and customer goodwill” because “[s]uch losses may frequently defy attempts at valuation”); *Acumed*, 551 F.3d at 1328 (affirming grant of permanent injunction where patentee had shown lost market share causing irreparable injury).

Nevertheless, the district court concluded that Apple’s past licenses of certain utility patents and Samsung’s ability to pay a judgment showed the adequacy of money damages. A17-18. That conclusion was erroneous in several respects.

First, the district court set an impossibly stringent—and legally incorrect—standard with respect to Apple’s past licensing practices, requiring Apple to show that its patents are “priceless” or wholly “off limits” such that “no fair price” could

be set for a license in order to demonstrate the inadequacy of money damages.

A17. But regardless of whether Apple's patents are deemed "priceless" or "off limits," money damages are inadequate due to the difficulty of quantifying damages attributable to Apple's lost market share and downstream sales. *See Apple I*, 678 F.3d at 1337. Indeed, after *eBay*, this Court has found money damages adequate *only* where the patentee—unlike Apple—failed to prove that damages would be difficult to calculate. *See ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1340 (Fed. Cir. 2012); *Voda v. Cordis Corp.*, 536 F.3d 1311, 1329 (Fed. Cir. 2008).

Second, the district court's analysis is contrary to *eBay*, where the Supreme Court explicitly rejected a rule that a patentee's willingness to license its patents suffices by itself to demonstrate a lack of irreparable harm. 547 U.S. at 393 (explaining that patentees that license, but do not practice, their patents can nonetheless prove irreparable harm under certain circumstances); *see also Acumed*, 551 F.3d at 1328 ("A plaintiff's past willingness to license its patent is not sufficient per se to establish lack of irreparable harm if a new infringer were licensed."); *Broadcom*, 543 F.3d at 703 (rejecting argument that prior license demonstrated adequacy of money damages). Yet in concluding that money damages were adequate, the district court identified only a single factor aside from Apple's supposed willingness to license: Samsung's ability to pay a money

damages award. A18. But unlike a defendant's *inability* to pay money damages—which may demonstrate the inadequacy of money damages—the ability to pay damages has little significance. Indeed, with a steady stream of income from its continued infringement, a defendant's ability to pay is readily demonstrated in most cases.

Third, the district court clearly erred in finding that Apple's past licensing practices suggest Apple's willingness to license the patents-in-suit *to Samsung*. Boris Teksler, Apple's director of patents and licensing, testified that Apple never offered to license the patents-in-suit to Samsung and that Apple was "very clear" that any license would exclude those patents as "untouchables" that are part of Apple's "unique user experience." A22013-22014(2013:9-2014:6); A22022(2022:22-24). The district court cited no contrary evidence, finding only that Apple had offered to license "some ... patents," not any of the patents-in-suit, to Samsung. A17. The district court likewise misinterpreted Mr. Teksler's testimony that Apple had "over time" licensed patents covering its unique user experience as suggesting Apple's willingness to license those rights more generally to its competitors. A17. What Mr. Teksler actually said when asked whether Apple had "ever licensed any of the patents within this category" is:

Certainly over time we have, but I can count those instances on one hand quite easily. And we do so with rare exception and we do it consciously knowing that we're not enabling somebody to build a clone product.

A21957(1957:3-9). The unrestricted compulsory license to Apple's patents that Samsung would enjoy absent an injunction is entirely inconsistent with Apple's "rare" and limited licensing practice for patents covering its unique user experience.

Nor was the district court correct to conclude that licenses of certain Apple utility patents to IBM, Nokia, and HTC suggested Apple's willingness to license its asserted patents to Samsung for use in competing products. Those agreements provide no basis for concluding that Apple would ever be willing to license its *design* patents to Samsung. Indeed, Apple's licenses to IBM, Nokia, and HTC do not even include any such design patents. A4308(¶1.10) (Nokia license limiting "Licensed Apple Patents" to certain specific utility patents and patents essential to comply with industry standards); A4443 (IBM license excluding all Apple design patents except for fonts); A4783(¶1.11) (HTC license excluding Apple's design patents from "Covered Patents").

The IBM, Nokia, and HTC licenses also do not suggest any willingness on Apple's part to license its asserted utility patents—without restriction—to a direct competitor like Samsung. In concluding otherwise, the district court failed to consider the unique context of the prior agreements, as it was required to do. *See O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, No. 2011-1054, 2011 WL 5601460, at *9 (Fed. Cir. Nov. 18, 2011) (nonprecedential) (explaining that "the

identity of the past licensees, the experience in the market since the licenses were granted, and the identity of the new infringer” are all relevant to determining adequacy of money damages).

For example, the IBM license—which was signed five years before Apple launched the iPhone—was part of a broad cross-license with a company that does not sell smartphones. A4442 (“Patent Cross License Agreement” dated October 25, 2002); *see also* A4075-4076(¶5) (describing IBM license as a “general cross-license” and noting that “IBM does not compete with Apple in the smartphone and tablet computer markets”). These are critical differences that the district court failed to consider. *See O2 Micro*, 2011 WL 5601460, at *9 (concluding that patentee’s license agreement was irrelevant where licensee, unlike the accused infringer, was not a direct competitor); *Acumed*, 551 F.3d at 1328 (similar); *Broadcom*, 543 F.3d at 703 (explaining that patentee’s prior license to non-competitor “has little bearing on the effect of a compulsory license to a direct competitor”).

Likewise, the Nokia and HTC agreements were litigation settlements, which do not imply that monetary damages would be adequate to compensate for another party’s infringement. *See Acumed*, 551 F.3d at 1328-1329 (holding that district court properly found money damages inadequate and distinguished a prior license to the patent-in-suit as a litigation settlement); *cf. LaserDynamics, Inc. v. Quanta*

Computer, Inc., 694 F.3d 51, 77-78 (Fed. Cir. 2012) (recognizing the unique litigation pressures that distort the terms of licensing agreements made for settlement purposes). And in any event, the Nokia and HTC licenses are quite limited. The Nokia agreement was merely a “provisional license” for a limited “standstill” period (A4076(¶6)), and the HTC license barred HTC from making “clones” of Apple’s products (A4792(¶ 5.1); A4803-4804 (¶¶12.1, 12.3, 12.4); A4811). These limited terms are consistent with Apple’s desire to prevent others from using its unique user experience patents without restriction. A21956-21957(1956:21-1957:2) (“Q And to be clear, what is Apple’s position on licensing this portion of its portfolio? A We strongly desire not to license it. It’s not an area that we license, and our goal in licensing is to enable people to design their own products, not the ability to just copy our products.”); *see also* A22010-22012(2010:9-2012:16) (describing Apple’s use of “anti-cloning” provisions in licenses to Apple’s unique user experience IP). Apple therefore faces no serious threat of erosion of its unique property right from any of the few entities it has licensed, and the district court clearly erred in finding any willingness on Apple’s part to license the patents-in-suit to its direct competitors.

C. The Balance Of Hardships Strongly Favors Enjoining Further Infringement From Apple’s Direct Competitor

Although the district court considered the balance of hardships a “neutral” factor (A19), Samsung’s own arguments below confirm that the balance of

hardships favors granting a permanent injunction. Samsung claimed that it had discontinued marketing its infringing products and had developed design-arounds to Apple's patents (A4044-4045 & n.10), and if Samsung's own expert is to be believed, Samsung was able to implement those design-arounds with minimal burden and expense (A23036-23038(3036:5-23038:19)). As the district court correctly recognized, Samsung "cannot now turn around and claim that [it] will be burdened by an injunction that prevents sale of these same products." A19.

At the same time, Samsung's claim that it has discontinued sales of its infringing products or designed around Apple's patents in no way diminishes Apple's need for injunctive relief. Because Samsung frequently brings new products to market (A20880-20881(880:13-881:7); A23037(3037:2-4)), an injunction is essential to providing Apple the swift relief needed to combat any future infringement by Samsung through products not more than colorably different from those already found to infringe. Apple should not have to bear the risk that Samsung's supposed design-arounds are insufficient or that Samsung will not again resume its infringement.

Absent a permanent injunction, Apple would be significantly harmed by the risk of Samsung's continued infringement. *First*, the parties have product lines of vastly different scope. Unlike Apple, which launches only a small number of new products each year and sells only two or three smartphone products at any given

time, Samsung launches 50 new smartphones each year and has over 100 products available in the United States at any given time. A20880-20881(880:13-881:7); A23037(3037:2-4) (“Samsung currently has 103 models in the United States. They come out with more than one a week.”). Even if the infringing products at issue here were enjoined, Samsung would still have numerous products on the market. By contrast, Apple’s much narrower product line must compete with any ongoing infringement by Samsung, which as explained above (pp. 17-19) has already cost Apple significant market share.

Second, Samsung argued (A4036-4037)—and the district court found (A7-12)—that the infringing features in Samsung’s products do not drive market demand. Although Apple disagrees—and it was error for the district court to deny Apple’s request for an injunction based on such a consideration (*see* A21; *infra* Part II)—that argument concedes that Samsung faces a minimal burden in removing those features from its products. If Samsung and the district court are correct, Samsung will suffer no meaningful loss in market share through an injunction against future infringement. Apple, however, has already suffered significant loss in market share due to Samsung’s sale of infringing and diluting products. Apple should not have to bear the risk of any further loss in market share by leaving the door open for Samsung to continue to compete unfairly with Apple using products that infringe Apple’s patents.

D. An Injunction Would Promote The Public Interest In Patent Enforcement Against A Direct Competitor

A permanent injunction is the only way to vindicate the property rights that Congress and the Patent Office conferred on Apple against the adjudicated trespass by its direct competitor. The public has a strong interest in preserving and promoting those property rights, as the district court recognized. A20 (“[T]he public interest ... favor[s] the enforcement of patent rights to promote the ‘encouragement of investment-based risk.’” (quoting *Sanofi-Synthelabo*, 470 F.3d at 1383)); *see also i4i*, 598 F.3d at 863 (concluding that public interest was served by grant of permanent injunction because the “public’s general interest in upholding patent rights favor[s] injunctive relief”); *Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1363 (Fed. Cir. 2008) (“The patent laws promote ... progress by offering a right of exclusion for a limited period as an incentive to inventors to risk the often enormous costs in terms of time, research, and development.” (quoting *Kewanee Oil Co. v. Bicron Corp.*, 415 U.S. 470, 480 (1974))).

The public interest in patent enforcement is particularly strong where, as here, an injunction will not implicate public safety issues, but will only prevent Samsung from unfairly competing with Apple by selling products that use Apple’s patented designs and features. As the district court correctly recognized, an injunction will have a minimal effect on the public, because Samsung claims to have already ceased manufacturing infringing products and only a small stock of

residual infringing product remains with retailers. A18-20 & n.9. Moreover, numerous other smartphones are available that will satisfy the public's need for smartphone technology. A20 ("Consumers will have substantial choice of products, even if an injunction were to issue."); *see also Acumed*, 551 F.3d at 1331 (no public interest bar to injunction because non-infringing alternatives exist). Even Samsung could continue to sell numerous other smartphones, assuming they are more than colorably different from those found to infringe in this case. If anything, the public would benefit from the diversity of product offerings that would result from enjoining further infringement by a direct competitor.

The district court nonetheless believed that the public interest would be disserved by Apple's purportedly "extremely broad" request for injunctive relief. A20. But Apple properly requested an injunction limited to the infringing products and those products "not more than colorably different." A4218-4219; A4251-4252. Samsung cannot avoid an injunction simply because its infringement involved many products. To the contrary, the public's interest would be served by ending such broad-ranging infringement.

Nor was the district court correct to conclude that Apple's requested injunction was overbroad because it included products that are "not more than colorably different" from those found to infringe. This Court has endorsed injunctions against "infringement of the patent by the adjudicated devices and

infringement by devices not more than colorably different from the adjudicated devices,” *Int’l Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312, 1316 (Fed. Cir. 2004), which incorporates the substantive requirement for proving contempt for violations of injunctions. *See TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 882 (Fed. Cir. 2011) (en banc). If injunctions reaching beyond the exact products already on the market are deemed overly broad, infringing competitors could easily subvert narrower injunctions by introducing new products containing the same infringing features. As the electronics industry rapidly introduces new products—including fifty new phones each year from Samsung alone (A20880-20881(880:13-881:7))—such a rule would effectively convert permanent injunctions into temporary injunctions.³

Taken together, the four *eBay* factors overwhelmingly favor enjoining Samsung’s future infringement. It was an abuse of discretion for the district court to deny Apple an injunction after the undisputed evidence showed that Apple had already suffered irreparable harm in the form of lost market share and incalculable downstream sales from its direct competitor’s adjudicated infringement.

³ Even if the district court believed that Apple’s requested injunction was overbroad, that is not a basis for denying injunctive relief entirely. The district court has discretion to fashion an injunction tailored to the unique needs of the case. *E.g.*, *TiVo*, 646 F.3d at 890 n.9 (recognizing that “district courts are in the best position to fashion an injunction tailored to prevent or remedy infringement”).

II. THE DISTRICT COURT ERRONEOUSLY DENIED APPLE A PERMANENT INJUNCTION DUE TO AN ALLEGED LACK OF A CAUSAL NEXUS

Even though the four *eBay* factors decisively favored a permanent injunction, the district court refused to enjoin Samsung's continued infringement because Apple supposedly had not shown that *each* "infringing feature drives consumer demand for the accused product." A12 (quoting *Apple II*, 695 F.3d at 1375); *see also id.* (requiring that Apple show "not just that there is demand for the patented features, but that the patented features are important drivers of consumer demand for the infringing products"). The district court improperly imported this additional, independent "causal nexus" requirement from this Court's *preliminary* injunction analysis in *Apple I* and *Apple II*. Neither the Supreme Court nor this Court has ever required a patentee to make the additional showing of a sufficient causal nexus to obtain a *permanent* injunction, much less required a highly-particularized showing of consumer demand driven by each of the patented features *individually* as the district court demanded here. The district court's heavy reliance on the supposed causal nexus requirement, which the court cited as the "first and most important[]" reason for denying Apple permanent injunctive relief (A21), was legal error.

A. The District Court’s Adoption Of A Causal Nexus Requirement In The Permanent Injunction Context Is Contrary To The Patent Act And The Decisions Of The Supreme Court And This Court

Congress has provided that courts may “grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent.” 35 U.S.C. § 283. “[F]amiliar principles” of equity “apply with equal force to disputes arising under the Patent Act. As [the Supreme Court] has long recognized, ‘a major departure from the long tradition of equity practice should not be lightly implied.’” *eBay*, 547 U.S. at 391.

Courts sitting in equity have traditionally considered only the four factors discussed in Part I in determining whether to issue a permanent injunction. *eBay*, 547 U.S. at 391-392. Indeed, those are the *only* factors the Supreme Court and this Court have ever required for a patentee to satisfy in order to obtain a permanent injunction. *See, e.g., eBay*, 547 U.S. at 391; *Presidio*, 702 F.3d at 1362 (“Equity sets forth the four-factor test for removal of a trespasser from property infringement.”); *ActiveVideo*, 694 F.3d at 1337 (reciting four factors); *i4i*, 598 F.3d at 861 (same). The Supreme Court made clear in *eBay* that application of the four-factor test would continue to result in permanent injunctions in most traditional patent suits between direct competitors. *eBay*, 547 U.S. at 396 (Kennedy, J., concurring) (“To the extent earlier cases establish a pattern of granting an injunction against patent infringers almost as a matter of course, this pattern simply

illustrates the result of the four-factor test in the contexts then prevalent.”); *see also id.* at 395 (Roberts, C.J., concurring) (noting that “a page of history is worth a volume of logic” in reference to the historical practice of “grant[ing] injunctive relief upon a finding of infringement in the vast majority of patent cases”).

The district court added an entirely separate requirement that “consumers buy the infringing product specifically because” it practices the patented features, including proof that each infringing *feature* independently “drives consumer demand” for the infringing devices. A8; A10. The district court drew this unprecedented fifth requirement from this Court’s *Apple II* decision, which stated that “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.” A3 (emphasis added) (quoting *Apple II*, 695 F.3d at 1374); *see also Apple II*, 695 F.3d at 1374 (“[I]n cases such as this ... a finding that the patentee will be at risk of *irreparable harm does not alone justify injunctive relief*. Rather, the patentee must *also* establish that the harm is sufficiently related to the infringement.” (emphasis added)).

The district court’s ruling cannot be reconciled with this Court’s post-*eBay* rulings upholding permanent injunctions without mentioning a causal nexus requirement or even inquiring into the reasons *why* consumers may buy products

covered by the patent, let alone whether the patented feature drove demand for the infringing product. *See, e.g., Bosch*, 659 F.3d at 1152-1155 (reversing denial of permanent injunction where both patentee and infringer sold “beam-type” windshield wiper blades, without discussing what the patent claimed or whether the claimed invention drove consumer demand); *Broadcom*, 543 F.3d at 701-703 (affirming permanent injunction where both parties sold third-generation baseband processor chips without discussing whether patented features drove demand for infringing products); *Acumed*, 551 F.3d at 1329 (affirming permanent injunction where both patentee and infringer made orthopedic nails used in treatment of upper arm bones without discussing whether the claimed curvature of those products drove demand).

Nor can the causal nexus requirement be reconciled with this Court’s affirmance of permanent injunctions covering multiple patented features of the same product. The district court applied the causal nexus requirement on a “patent-by-patent basis,” demanding proof that each patented feature individually drove demand. A7. Such proof would be difficult—if not impossible—to show for products embodying multiple patented features, where it is unlikely that a patentee could offer proof that each patented feature independently drove demand. In other cases upholding permanent injunctions based on multiple patents claiming distinct components of the same accused product, this Court has never even

discussed whether any of the patented features drove demand for those products, much less required a particularized showing of that overall demand was driven by each patented feature. *See, e.g., Bosch*, 659 F.3d at 1152-1155 (affirming permanent injunction based on two windshield wiper patents, one of which covered blade end caps and the other claimed the blade spoiler); *Broadcom*, 543 F.3d at 687, 701-703 (upholding permanent injunction as to two baseband processor patents covering two distinct networking features).

B. Importing A Causal Nexus Requirement For Preliminary Injunctions Into The Permanent Injunction Context Is Unjustified And Unnecessary

The district court’s extension of the causal nexus requirement from the preliminary injunction context to the permanent injunction context was not only contrary to the statute and controlling case law, but also failed to account for the significant differences between the two forms of relief, which dictate a more flexible approach to permanent injunctions. A preliminary injunction is an “extraordinary remedy never awarded as of right”; it alters the status quo even before the defendant has been found to have engaged in wrongful conduct. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 22, 24 (2008); *see also Warner Chilcott Labs. Ireland Ltd. v. Mylan Pharms. Inc.*, 451 F. App’x 935, 938-939 (Fed. Cir. 2011) (nonprecedential). Permanent injunctions, by contrast, issue only *after* the defendant has been found to have acted unlawfully. *See Grupo Mexicano*

de Desarrollo S.A. v. Alliance Bond Fund, Inc., 527 U.S. 308, 315 (1999) (“The final injunction establishes that the defendant *should not have been engaging in the conduct.*”). In a patent case, the liability determination—provided in this case by a jury verdict that Samsung infringed numerous valid Apple patents—is a finding that the plaintiff has a “property right[] granting the [plaintiff] the right to exclude” the defendant from practicing the patent. *Bosch*, 549 F.3d at 1149; *see also eBay*, 547 U.S. at 395 (Roberts, C.J., concurring) (noting how remedies in patent cases should “protect[] a right to exclude” (first emphasis added); *ActiveVideo*, 694 F.3d at 1341 (“The heart of the patent grant is the *right to exclude.*” (emphasis added)); *Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1314 (Fed. Cir. 2012) (“A patentee’s right to exclude is a fundamental tenet of patent law.”); *Momenta Pharms., Inc. v. Amphastar Pharms., Inc.*, 686 F.3d 1348, 1361-1362 (Fed. Cir. 2012) (Rader, C.J., dissenting) (“By definition a patent defines a right to exclude. Consistent with property principles ... [t]he remedy for trespassing, in this area of property law as well as others, is removal of the trespasser. Indeed even the Constitution acknowledges the patent owner’s right to exclude trespassers.”); 35 U.S.C. § 154(a)(1) (conferring “right to exclude”).

A finding of liability thus alters the legal relationship between the parties and, most importantly, increases a patentee’s entitlement to remedies that may not have been justified prior to the infringement determination. A court denying a

preliminary injunction has not *definitively* refused an equitable remedy; it has simply refused to enjoin conduct that might or might not ultimately prove unlawful. But once that conduct has been adjudicated as infringing, a permanent injunction is the plaintiff's only opportunity to stop the infringement, instead of being forced to tolerate it for a price that (as Apple proved here) is inadequate to compensate for the full harm.

Thus, this Court has been particularly swayed at the permanent injunction stage by evidence that the parties compete with each other. While direct competition between patentee and infringer may not justify a preliminary injunction when infringement is uncertain, it is a significant factor favoring a permanent injunction once infringement has been adjudicated. *Compare Jeneric/Pentron, Inc. v. Dillon Co.*, 205 F.3d 1377, 1379-1380, 1384 (Fed. Cir. 2000) (affirming denial of preliminary injunction against plaintiff's direct competitor because the issue of infringement required further factual development), *with Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 35 (Fed. Cir. 2012) (remanding permanent injunction determination where "trial court did not address [patentee's] contention that it was a direct competitor"), *and Bosch*, 659 F.3d at 1150-1151 ("[T]he [district] court committed a clear error of judgment when it concluded that Bosch failed to demonstrate irreparable harm ... in light of ... evidence of ... the parties' direct competition."), *and i4i*, 598 F.3d at 861

(noting approvingly the district court’s finding that “Microsoft and i4i were direct competitors” in awarding a permanent injunction).

The district court’s application of the causal nexus requirement makes it exceedingly difficult for patentees to obtain a permanent injunction against direct competitors in the increasingly common situation that a single patent does not cover an entire product, but only an innovative design or feature within a larger product. Consumer preferences are often not discretely discernible, and the causal nexus requirement prevents injunctions in cases where a patent covers technology that unquestionably enhances the value or improves the product even though it does not form the sole basis for consumer demand. For instance, a patentee who developed an innovative safety device for cars that dramatically reduces accident fatalities would be unable to prevent others from copying it, since several other more prominent features of a car drive consumer demand.

Indeed, the district court required Apple to show not only that a particular *feature* drives consumer demand, but insisted that Apple’s evidence precisely match the *patented elements* of a particular feature. A8 (“[C]ustomer demand for a *general* feature of the type covered by a patent [is] not sufficient; Apple must instead show that consumers buy the infringing product specifically because it is equipped with the *patented* feature.” (citing *Apple II*, 695 F.3d at 1376)); A10 (concluding that customer surveys did “not identify features at a level of specificity

sufficient to determine whether they are actually covered by Apple’s patents”); *id.* (“Apple’s evidence ... showing the importance of ease of use ... does not establish that infringement of any of Apple’s *patents* caused any harm that Apple has experienced. To establish the required nexus, Apple must make a showing specific to each patented feature.” (citing *Apple II*, 695 F.3d at 1376)). But no consumer survey can readily ask consumers about particular patent claims or claim limitations at that level of specificity. The causal nexus requirement would thus all but eliminate permanent injunctions to protect patent rights in domains where complex products employ multiple technologies—even in cases between direct competitors.

As just one example, the causal nexus requirement as interpreted by the district court would have severe effects in the electronics industry. Electronic devices contain many features—many of which are patented—that are not apparent to consumers and yet unquestionably enhance the utility and value of the product. A patentee claiming an innovative feature used in a smartphone, computer, or game system may never be able to satisfy the causal nexus requirement as articulated by the district court because purchasers usually buy those products for multiple functions—making phone calls, sending e-mail, browsing the Internet, playing games—rather than any one particular feature or device that is part of the larger product. While generally important, individual features in complex products

will almost never drive consumer demand by themselves. *See Shaver, Illuminating Innovation*, 69 Wash. & Lee L. Rev. 1891, 1943 (“Articulated in [*Apple II*]’s way, the Federal Circuit’s ‘causal nexus’ standard seems extremely difficult to satisfy.... This ruling may signal the end of the injunction ... in the smartphone patent war.”). Two of Samsung’s experts, when deposed, admitted as much. A4721-4722(26:8-27:2); A4760-4761(21:22-22:3); A4764(26:7-14). To require proof that sale of the infringing products is “driven” by the patented elements of specific features would thus represent “a major departure from the long tradition of equity practice” that rejected “expansive principles suggesting that injunctive relief could not issue in a broad swath of cases.” *eBay*, 547 U.S. at 391, 393.

The consequences of applying the causal nexus requirement in the permanent injunction context as the district court did here are not only dire and unprecedented, but also entirely avoidable. In fact, the very concern that gave rise to the causal nexus requirement for preliminary injunctions can be eliminated in the more flexible permanent injunction context without the addition of a new stringent causation requirement. As this Court explained in *Apple II*, the causal nexus requirement serves to prevent a patentee from unfairly leveraging a patent for a single feature in a multi-faceted product by seeking an injunction requiring the defendant to remove the entire product from the market immediately. *Apple II*, 695 F.3d at 1375 (explaining the causal nexus requirement informs “whether the

patentee seeks to leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant”). Of course, an injunction based on a patent claiming less than the full device would not have this coercive effect if the defendant could implement design-arounds for the accused feature. Such design-arounds, however, cannot always be implemented instantly, but since the extraordinary remedy of a preliminary injunction by its very nature must be executed swiftly, enjoined defendants may have to withdraw products well before they can implement measures to avoid infringement.

By contrast, in the permanent injunction context, courts can exercise their considerable discretion to delay enforcement until the defendant has time to effectuate the requisite design-arounds in situations where it would be inequitable to require immediate compliance. *E.g.*, *Broadcom*, 543 F.3d at 704 (approving the “carefully constructed” sunset provision in permanent injunction, which would allow defendant to implement design-arounds for the limited infringing functionalities in the accused baseband processors); *Verizon*, 503 F.3d at 1311 n.12 (noting that the defendant could have requested a “workaround period” to ameliorate any hardship from a permanent injunction). A court may therefore rely on the flexibility of permanent injunctive relief to strike the proper balance between the patentee’s right to exclude others from implementing and profiting from the infringing features and the public’s interest in the overall device. In this

case, that balance tips decidedly in favor of an immediate injunction because Samsung's claim that it has already designed around Apple's patents eliminates any argument from Samsung that an injunction at this point would allow Apple to exclude more than its inventive contribution.

This flexible approach to permanent injunctions is entirely consistent with the closely-related relationship between the entire market value rule and reasonable royalty damages. To recover a reasonable royalty based on the entire value of an accused product, the patentee must show—as with the causal nexus requirement—that the patent either claims the entire product or else a smaller feature that drives demand for the entire product. *See Garretson v. Clark*, 111 U.S. 120, 121 (1884); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011); *see also LaserDynamics*, 694 F.3d at 67 (“[T]he entire market value rule allows ... damages based on the value of an entire apparatus containing several features, when the patented feature *constitutes the basis for customer demand.*” (emphasis added) (quoting *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336 (Fed. Cir. 2009))). But the failure to prove that the patented feature “drives demand” does not mean that the patentee gets *no* damages at all; it simply means that the patentee must apportion part of the entire product's value to the patented feature, so that the patentee does not recover more than the value of what has been invented. Indeed, a patentee still can obtain a reasonable royalty without satisfying

the entire market value rule, which after all “is a narrow exception” to the general damages rule. *LaserDynamics*, 694 F.3d at 67. The same should apply for a permanent injunction, which neither this Court nor the Supreme Court has suggested should be a “narrow exception” in a patent case—especially not when the traditional four-factor test is satisfied. *See eBay*, 547 U.S. at 395 (Roberts, C.J., concurring) (noting the “long traditions of equity practice” in which permanent injunctions were granted upon a finding of patent infringement); *Presidio*, 702 F.3d at 1362 (same). Rather, the much simpler solution is to allow courts to exercise their considerable discretion to sculpt injunctions so as to permit defendants to implement design-arounds, which would—like the entire market value rule—prevent the patentee from reaping a windfall without denying relief entirely.

C. The District Court’s Rigid Application Of The Causal Nexus Requirement Is Contrary To Principles Of Equity

Even if there is a causal nexus requirement to obtain permanent injunctive relief, it cannot operate as rigidly as the district court applied it here. The district court treated the causal nexus requirement as a necessary prerequisite to demonstrating irreparable harm. *E.g.*, A12 (“Without a causal nexus, this Court cannot conclude that the irreparable harm supports entry of an injunction.”); A22 (“Without the required causal nexus, the parties’ status as direct competitors simply does not justify an injunction.”). *eBay*, however, expressly rejected such

categorical rules for obtaining injunctive relief. 547 U.S. at 393 (“To the extent that the District Court adopted such a categorical rule, then, its analysis cannot be squared with the principles of equity adopted by Congress.”); *id.* at 394 (“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.”). It was inconsistent with principles of equity for the district court in this case to adopt a similar bright-line rule that forecloses injunctive relief entirely in the absence of a sufficient causal nexus. *Id.* at 393 (holding that “traditional equitable principles do not permit such broad classifications” such that “injunctive relief could not issue in a broad swath of cases”).

Because no single equitable factor is dispositive, the causal nexus requirement can, at most, be one of the many considerations that determine the strength of the patentee’s evidence of irreparable harm. A strong showing of irreparable harm should offset comparatively weak evidence of causal nexus, and vice-versa. It was error for the district court to give dispositive weight to the causal nexus requirement, particularly in a case like this where the court made findings for each of the four traditional equitable factors that otherwise strongly supported entry of a permanent injunction.

D. In The Alternative, Any Reasonable Causal Nexus Requirement Is Satisfied By Apple’s Evidence That Product Design And User Interface Are Important To Consumers

Even if this Court concludes that a patentee must show a causal nexus in order to obtain a permanent injunction—though Apple maintains it should not—Apple has demonstrated the requisite causal connection between Samsung’s infringement and the irreparable harm to Apple under any reasonable understanding of the causal nexus requirement. In *Apple I*, this Court held that the district court “was correct to require a showing of *some causal nexus* between *Samsung’s infringement* and the alleged harm to Apple” before granting a preliminary injunction. 678 F.3d at 1324 (emphasis added). The Court explained that this standard was satisfied by survey evidence showing “that design *mattered* ... to customers.” *Id.* at 1328 (emphasis added). That survey evidence spoke only to the importance of “design” to consumer demand generally, not to the importance of the specific patented design features.

The district court here, however, concluded that this Court in *Apple II* set a more stringent standard, such that Apple’s evidence that consumers view design and user interface as highly important when selecting smartphones is no longer sufficient to establish a causal nexus, even where the patents-in-suit claim the most prominent design features and user interface functions of Samsung’s infringing smartphones. A8 (“Even if the Court accepted as true Apple’s contention that the

patents cover the most central design features, it would not establish that any specific patented design is an important driver of consumer demand.”). This Court set no such rule in *Apple II*. Rather, the Court merely concluded that evidence of the popularity of a *feature* of the iPhone, the Siri voice-activated personal assistant application, did not in those circumstances demonstrate that consumers similarly valued one of the many different *elements* comprising that feature—the patented unified search functionality by itself, which Samsung implemented *without* Siri’s voice-activated interface. *See Apple II*, 695 F.3d at 1376-1377. Here, by contrast, Apple’s patented designs and features are such large components of the overall design and ease-of-use of Samsung’s infringing smartphones that Apple’s undisputed evidence of the importance of those features to consumers should have been more than sufficient to demonstrate a causal nexus between Samsung’s infringement and the irreparable harm Apple has suffered.

1. The patented designs drive consumer demand

Samsung copied Apple’s patented designs, which are broad in scope and include the most important elements of the iPhone’s design, including the black reflective front (D’677 patent), the front shape, large screen, and distinctive bezel (D’087 patent), and the look of the home screen (D’305 patent). The district court found that “Apple has presented significant evidence that design, as a general matter, is important in consumer choice,” citing a Samsung survey “finding

exterior design to be an important factor in phone choice” and a J.D. Power study concluding that “overall design and style” was the most important reason for buying a smartphone. A8; A32004; A32050; *see also* A4208 (appearance and design are important to Apple consumers); A50102 (same). Moreover, Apple presented undisputed evidence that Samsung, its customers, and industry reviewers praised specific elements of Apple’s patented designs as used in both the iPhone and Samsung’s infringing smartphones. *E.g.*, A32717 (*New York Times* review praising the iPhone’s “shiny black face,” “rimmed by mirror-finish stainless steel”); A4974 (consumer praise for the “cool,” “reflective screen” of Samsung’s infringing smartphones); A4183 (“The menu [of Samsung’s infringing Galaxy S smartphone] looks just like the iPhone. But I like it cause it looks familiar to me.”); A4497 (Samsung’s infringing Galaxy S smartphone “[l]ooks exactly like an iPhone. Looks really nice. Very sleek looking. Rounded – good.”). That evidence was reinforced by Apple’s consumer research, which showed that design is important to Apple’s brand image and consumer demand. A20634-20637(634:4-637:15); A32749; A32758; A32764; A32771; *see also* A50102 (summarizing Apple’s survey evidence); A20625-20629(625:1-629:9) (describing the reasons for the iPhone’s success, including first and foremost that “people find the iPhone designs beautiful”). This undisputed evidence of the importance of the overall design and the specific patented design features to consumers should have

been more than sufficient to show a causal nexus between Samsung's infringement and Apple's irreparable harm.

2. The patented user interface features are important drivers of consumer demand

Apple likewise presented overwhelming evidence that its innovative user interface in general, and its patented “double-tap-to-zoom,” “pinch-to-zoom,” and “bounce-back” features in particular, are major drivers of consumer demand. Consumer survey studies—including surveys commissioned by Samsung—repeatedly identify Apple's easy-to-use user interface as critical to the success of Apple's products. A30528 (“Easy and intuitive [user interface]” is an iPhone “success factor”); A30680 (“Ease of use is the major driver of [consumer] interest in touch”); A50103 (“Ease of Use” is very important or somewhat important to 95% of iPhone buyers). Indeed, Samsung and its consultants praised Apple's patented “pinch-to-zoom,” “double-tap-to-zoom,” and “bounce-back” features, and recommended that Samsung copy them in order to compete with Apple. A30703 (iPhone's “two finger pinch” and “bounce” are “fun” and “add a game-like quality to interactions”); A4493 (iPhone's “Pinch to zoom” allows “more intuitive and easier browsing”); A30863, A30868 (iPhone's “Double Tap” zooming is the “most preferred method” and should be adopted by Samsung); A31219 (iPhone “[g]enerates fun for the user with a visual element that seems to bounce,” which

Samsung recommended implementing in its own products); A31549 (Samsung's lack of "bounce" deprives its product of the iPad's "Fun, Wow Effect").

Samsung was not alone in recognizing the importance of those features to consumers. Consumer reviews immediately praised Apple's patented multi-touch user interface as "real magic" and "wicked cool" (A32719) because it creates "a whole new kind of interface" with the illusion of "stretching and shrinking photographs with [your] fingers" (A32727). And unrebutted testimony at trial confirmed the importance of those patented features to consumers. A20625-20626(625:4-626:19) (describing the reasons for the success of the iPhone and iPad, including Apple's software inventions that make those devices "intuitive and simple").

Consistent with the importance of Apple's patented multi-touch user interface feature, Apple presented survey evidence at trial showing that consumers are willing to pay more for smartphones and tablet computers that incorporate Apple's specific patented features. A30488 (consumers willing to pay \$39 more for a smartphone and \$45 more for a tablet computer that includes Apple's patented "pinch-to-zoom" feature and \$100 more for a smartphone and \$90 for a tablet computer that includes all three features claimed by Apple's asserted utility patents); *see also* A21929(1929:5-18) (explaining survey results); A21945-

21947(1945:18-1947:10) (explaining survey methodology); A4514-4519(¶¶1-18); A4533-4587.

The district court nevertheless rejected Apple's causal nexus evidence based on an unreasonably high standard of proof. As with the design patents, the district court erroneously concluded that Apple's evidence of the importance of ease-of-use to consumers was "simply too general" to show a causal nexus to the patented features. A10. But the court again incorrectly ignored the centrality of the patented features to the unique Apple user experience, such that evidence of ease-of-use strongly correlates with the patented features themselves. Moreover, the court erroneously disregarded Apple's evidence that consumers, industry analysts, and the parties themselves widely praised the specific patented features of the iPhone and iPad's user interface. Had the court properly considered that evidence, it would have concluded that a causal nexus exists between Samsung's infringement and Apple's irreparable harm under any reasonable articulation of such a requirement.

E. If The Panel Believes That *Apple I* And *Apple II* Prevent Reversal, Hearing *En Banc* Is Appropriate

As demonstrated above (pp. 48-60), the district court's application of a causal nexus requirement to Apple's request for a permanent injunction cannot be reconciled with the Supreme Court's and this Court's precedents. Not only did the district court wrongly import the causal nexus requirement from this Court's

preliminary injunction cases to the permanent injunction context, but the court also applied the causal nexus requirement so rigidly that, without strong proof that each patented element drives consumer demand, patentees cannot obtain permanent injunctive relief, regardless of the strength of their showing on the four *eBay* factors. Those errors warrant reversal on their own, regardless of the correctness of the preliminary injunction rulings of *Apple I* and *Apple II*.

Nevertheless, to the extent the Panel disagrees and considers this appeal to be governed by *Apple I* and *Apple II*, it should call for an *en banc* poll so that the full Court may reconsider *Apple I* and *Apple II*. See ECF No. 33, Order (Feb. 4, 2013) (denying initial hearing *en banc* without prejudice to urging such a procedure to the Panel). As explained above (pp. 48-59), the causal nexus requirement of *Apple I* and *Apple II* cannot be reconciled with *eBay* or this Court's permanent injunction cases, which have consistently awarded permanent injunctive relief without ever considering the existence of a sufficient causal nexus, let alone requiring particularized proof that "the infringing feature drives consumer demand for the accused product." *Apple II*, 695 F.3d at 1375. Clear guidance on this issue is particularly important because the availability of permanent injunctive relief "should not be" an "area of law in which [this Court's] guidance is mixed or muddled." *Edwards*, 699 F.3d at 1316 (Prost, J., concurring).

III. THE DISTRICT COURT ERRONEOUSLY DENIED APPLE AN INJUNCTION AGAINST SAMSUNG'S TRADE DRESS DILUTION

Traditional principles of equity also favor enjoining Samsung's dilution of Apple's iPhone trade dress. As with Samsung's patent infringement, Samsung's trade dress dilution has caused Apple irreparable harm that cannot be fully compensated with money damages.⁴ Samsung's launch of the Galaxy S smartphone in June 2010—one of the six smartphones that the jury found to be dilutive—began a period of substantial market growth for Samsung at Apple's expense. *See supra* pp. 17-19. The balance of hardships again tips in Apple's favor because Samsung cannot claim to be burdened by an injunction having also claimed to cease selling its diluting smartphones. A15. And the public interest favors an injunction to avoid the consumer confusion that would result if Samsung were allowed to continue to diminish the distinctiveness of Apple's trade dress. A21695-21696(1695:2-1696:2) (recounting results of study showing “that it is likely that consumers will associate the look and design of the Samsung [accused smartphone products] with Apple or with the iPhone.”).

⁴ Apple, however, need not have even made that showing to obtain an injunction for trade dress dilution because, unlike under the Patent Act, the Federal Trademark Dilution Act presumes harm from the dilution itself and provides that a plaintiff that proves dilution “*shall* be entitled to an injunction ... regardless of the presence of absence of actual or likely confusion, of competition, or of actual economic injury.” 15 U.S.C. § 1125(c) (emphasis added); *see also* A14 (“Congress envisioned a dilution action, unlike a patent or trademark infringement action, to be an action for an injunction, such that a finding of dilution would normally result in an injunction.”).

Nevertheless, the district court departed from its statutory obligation to grant an injunction consistent with the traditional principles of equity (*see* 15 U.S.C. § 1125(c)) because Samsung claimed to have voluntarily ceased its diluting activities. A15. The court cited no authority for the proposition that an injunction should not issue in the absence of ongoing diluting conduct. Nor could it, as the traditional principles of equity clearly recognize that voluntary cessation alone does not defeat a party's right to injunctive relief. *See Allee v. Medrano*, 416 U.S. 802, 810-811 (1974) ("It is settled that an action for an injunction does not become moot merely because the conduct complained of has terminated, if there is a possibility of recurrence, since otherwise the defendants would be free to return to [their] old ways." (internal quotation marks omitted)). Courts faced with this very situation have issued injunctions despite the other party's voluntary cessation of the diluting conduct. *See, e.g., Gucci Am., Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 223-224 (S.D.N.Y. 2012) (granting trademark dilution injunction for GRG Stripe trademark even though it appears to have been pulled off the market before suit was filed); *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 186 (W.D.N.Y. 2000) (granting trademark dilution injunction even though defendant voluntarily ceased operating a diluting website as a commercial enterprise); *see also Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1135-1136 (9th Cir.

1986) (recognizing that there is no requirement to prove ongoing trademark infringement to obtain an injunction).

Moreover, the district court clearly erred in finding that “there is some evidence that Apple has not always insisted on the exclusive use of its trade dress,” such that monetary damages would be an adequate remedy for any future dilution.

A17. Contrary to the district’s court finding, Apple has *never* licensed its trade dress; indeed, such a license would be inconsistent with the source-identifying function of trade dress. *See* 15 U.S.C. § 1125(c)(2)(A) (defining protections against dilution to extend only to trade dress that is “widely recognized by the general consuming public of the United States as a designation of source of the goods”). The only evidence that the district court cited in support of that finding was trial testimony identifying Apple’s trade dress as part of Apple’s “unique user experience IP.” A17 (citing A21956(1956:9-12)). But there was no evidence at trial that Apple had licensed the *trade dress* component of its unique user experience IP; rather, the only licensing of those IP rights discussed was Apple’s handful of *patent* licenses. *E.g.*, A21957(1957:3-9).

This Court should reverse the district court’s denial of an injunction for trade dress dilution because that denial rested on the court’s legally erroneous view that ongoing dilution is a prerequisite for obtaining injunctive relief and its clearly erroneous factual finding that Apple had previously licensed its trade dress to other

companies. At the very least, vacatur and remand is required to allow the district court to consider Apple's request for an injunction under the correct legal standard and with a proper understanding of the record.

CONCLUSION

For the foregoing reasons, the district court's order denying a permanent injunction should be reversed or, in the alternative, vacated and remanded for further consideration. To the extent that the Panel determines that the causal nexus requirement articulated in *Apple I* and *Apple II* forecloses reversal or vacatur here, it should call for a vote for *en banc* review to reconsider *Apple I* and *Apple II*.

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CERTIFICATE OF SERVICE

I hereby certify that I filed the foregoing Brief for Plaintiff-Appellant Apple Inc. with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system and served a copy on counsel of record, this 12th day of February, 2013, by the CM/ECF system and by electronic mail to the parties on service list below.

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CERTIFICATE OF COMPLIANCE

Counsel for Plaintiff-Appellant hereby certifies that:

1. The brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B)(i) because exclusive of the exempted portions it contains 13,954 words as counted by the word processing program used to prepare the brief; and

2. The brief 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) because it has been prepared using Microsoft Office Word 2010 in a proportionally spaced typeface: Times New Roman, font size 14.

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