

No. 16-1102

IN THE

Supreme Court of the United States

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

Petitioners,

v.

APPLE INC.,

Respondent.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

PETITIONERS' REPLY BRIEF

JOHN B. QUINN
MICHAEL T. ZELLER
SCOTT L. WATSON
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
865 S. Figueroa Street
10th Floor
Los Angeles, CA 90017
(213) 443-3000

BRIAN C. CANNON
KEVIN P.B. JOHNSON
VICTORIA F. MAROULIS
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
555 Twin Dolphin Drive
5th Floor
Redwood Shores, CA 94065
(650) 801-5000

KATHLEEN M. SULLIVAN
Counsel of Record
WILLIAM B. ADAMS
DAVID M. COOPER
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
51 Madison Avenue
22nd Floor
New York, NY 10010
(212) 849-7000
kathleensullivan@
quinnemanuel.com

Counsel for Petitioners

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INTRODUCTION

Apple’s brief in opposition portrays the Federal Circuit’s *en banc* and injunction decisions as the normal application of settled law. But as the extensive dissents by Chief Judge Prost, Judge Dyk, and Judge Reyna from the *en banc* decision and the dissent by Chief Judge Prost from the injunction decision make clear, the decisions are nothing of the sort. To the contrary, as explained by the dissents, commentators, and the four *amicus* briefs in support of Petitioners, the decisions below dramatically change patent law in a manner that conflicts with this Court’s precedents and that will harm competition and innovation. The Court should grant certiorari.

First, ignoring the central teaching of *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), the Federal Circuit *en banc* decision treats the obviousness of patent claims as entirely a factual rather than a legal question, allowing even the most trivial patents to escape judicial invalidation. As *amici* associations of the nation’s leading technology companies point out, “the Federal Circuit has now manufactured a new test that is, if anything, narrower and more formalistic than its pre-*KSR* doctrine.”¹

Second, ignoring this Court’s direction in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), the Federal Circuit has again created unique rules for patent injunctions. In place of the usual requirement to show causation of irreparable harm, the Federal Circuit holds that an injunction must issue if a patented feature has “some connection” to consumer demand—a minimal showing that, as *amici* law professors point out, “will

¹ Brief *Amici Curiae* of the Software & Information Industry Association *et al.* (“SIIA Br.”) at 17.

be present in virtually every case.”² And instead of weighing the effect of an injunction on innovation and competition, the Federal Circuit insists that the public interest “nearly always” favors injunctions in patent cases.

Third, by upholding an infringement finding resulting in nearly \$100 million in damages plus potential ongoing royalties without so much as considering two out of three elements of a patent claim, the Federal Circuit defies the all-elements rule of *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997), and related precedents. This ruling invites short-cut infringement proceedings that enlarge old patents (here, a 1996 desktop patent) to block new, distinct technologies (here, smartphones using Android technology introduced after 2007).

This case thus presents questions of great importance to patent law and the perfect vehicle to take the next step in developing the holdings of *KSR*, *eBay*, and *Warner-Jenkinson*. And the unprecedented procedural irregularity of the *en banc* decision (Pet. 2-3 & nn.1, 2; Pet. 19) further underscores the need for this Court’s review.

ARGUMENT

I. APPLE FAILS TO REFUTE THE GREAT IMPORTANCE OF THE QUESTIONS PRESENTED

1. Apple does not dispute that obviousness is the most frequently litigated patent-law issue, and one that serves as a crucial check on weak patents that stifle innovation and competition. Nor does Apple

² Brief *Amicus Curiae* of Intellectual Property Professors (“Law Profs. Br.”) at 4.

claim that it invented “slide to unlock” or “auto-correction” technologies; it claims only that it added such minor improvements as moving an image across a screen and having text appear as someone types. Apple has no answer to the argument that, by raising the bar to showing such trivial claims obvious, the *en banc* decision “will encourage a glut of patents for ‘inventions’ that result from nothing more than cobbling together bits from other patents and other widely known information”³—a problem that is especially acute “in industries of very fast moving technology where the nonobviousness requirement is especially important.”⁴

2. In defending the Federal Circuit’s new “some connection” test and presumption that the public interest “nearly always” favors patent injunctions, Apple ignores the panel dissent, commentary, and *amicus* briefs⁵ warning that these deviations from *eBay* invite a return to a pre-*eBay* regime of virtually automatic patent injunctions. Apple also ignores the many district court cases (*see* Pet. 17 n.8) already advancing that trend; two more recently followed suit.⁶ Contrary to Apple’s suggestion (BIO 27), the grant of an injunction against infringement of a minor feature of a multicomponent product like a smartphone has a grave practical effect, for it casts a cloud of uncertainty over every future product with features that might be

³ Brief of *Amici Curiae* the Hispanic Leadership Fund, *et al.* (“HLF Br.”) at 3.

⁴ SIIA Br. at 5; *see* Brief of *Amici Curiae* Public Knowledge, *et al.* (“PK Br.”) at 7-15.

⁵ Law Profs. Br. at 6-7; HLF Br. at 20-24; PK Br. at 21-22.

⁶ *Whirlpool Corp. v. Glob. Purification, LLC*, 2017 WL 2099771, at *4 (E.D. Tex. May 15, 2017); *H2O, Inc. v. Meras Eng’g, Inc.*, 2017 WL 1700844, at *4 (C.D. Cal. May 2, 2017).

found “not colorably different” in future contempt proceedings.

3. Contrary to Apple’s suggestion (BIO 32-33), the *en banc* majority’s infringement decision has importance well beyond this case, for it invites short-cut infringement proceedings that, by disregarding claim elements, enlarge old patents to cover distinct, new technologies.

4. Apple’s half-hearted defense of the secret *en banc* proceedings makes no attempt to reconcile those proceedings with Rule 35. Nor does Apple explain the *en banc* majority’s refusal (Pet. App. 81a (Dyk, J., dissenting)) to allow the panel to modify its opinion to obviate any conflict its use of dictionary definitions supposedly created with *Teva Pharmaceuticals, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015).

II. APPLE FAILS TO DEFEND THE FEDERAL CIRCUIT’S DEPARTURE FROM THIS COURT’S PRECEDENT ON OBVIOUSNESS, INJUNCTIONS, AND INFRINGEMENT

A. Apple Fails to Dispel The *En Banc* Obviousness Decision’s Conflict With *KSR* And *Graham*

1. Apple notes (BIO 16) that the Federal Circuit’s *en banc* decision professes that “[o]bviousness is a question of law,” but fails to show how the Federal Circuit actually followed that rule. To the contrary, the decision treats obviousness as consisting entirely of subsidiary factual issues, leaving no role for legal analysis or meaningful appellate review. Contrary to Apple’s suggestion (BIO 2), all three *en banc* dissents

protested this approach as making “profound changes in the law of obviousness.”⁷

For example, motivation to combine elements of the prior art is properly understood as a question of law under *Graham* and *KSR*, despite the Federal Circuit’s treatment of the issue as a question of fact under its own precedents, Pet. App. 29a-30a. While this Court has identified as questions of fact “the scope and content of the prior art,” “differences between the prior art and the claims at issue,” and “the level of ordinary skill in the pertinent art,” *Graham*, 383 U.S. at 17; see *KSR*, 550 U.S. at 427, it has never held that motivation to combine is a factual issue. To the contrary, in rejecting the Federal Circuit’s rigid formulation for obviousness, *KSR* explained that motivation to combine is not a requirement but merely a “helpful insight” that can be considered as part of a *legal* obviousness analysis. 550 U.S. at 418, 426-27. Moreover, *KSR* held that obviousness could be decided at summary judgment even though (*contra* BIO 17) the patent-holder’s expert there disputed the existence of any motivation to combine, see *id.* at 425-26. Here, where Apple’s and Samsung’s experts agreed on the relevant field of art (“user interfaces” or “interactive touchscreens,” A10631, A11971-72) and the level of skill in the art, it should have been a question of law whether a hypothetical person of skill in the art would have objective motivation to combine the various elements of the prior art.

2. Contrary to Apple’s suggestion (BIO 18-19), the *en banc* decision also defied *Graham* and *KSR* by

⁷ Pet. App. 82a (Dyk, J., dissenting); see Pet. App. 56a-57a (Prost, C.J., dissenting); Pet. App. 110a-111a (Reyna, J., dissenting).

embracing a formalistic rule that prior art is irrelevant if embodied in a different device (Pet. 24; Pet. App. 87a-91a (Dyk, J., dissenting)). In holding (Pet. App. 30a-32a) that Plaisant does not solve the “pocket dialing” problem for smartphones because it concerns a wall-mounted device, the ’721 ruling conflicts with *KSR*, which held that it is “error” to “look only to the problem the patentee was trying to solve” or to “assum[e] that a person of ordinary skill attempting to solve a problem will be led only to those elements of prior art designed to solve the same problem.” 550 U.S. at 420. In addition, Apple does not respond at all to the point (Pet. 25) that the Federal Circuit erroneously applied its different-device rule to the ’172 patent claim by holding that the jury could disregard the prior art in *Xrgomics* because it concerns “auto-completion,” not “autocorrection.”

3. Apple likewise errs in suggesting (BIO 20) that this Court has treated the weight to be given secondary considerations as a question of fact that can override a showing that a combination of prior art elements is obvious. To the contrary, this Court’s precedents preclude elevating secondary considerations to such a primary role. See *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 278 (1976) (“[E]ven if the combination filled a long-felt want and has enjoyed commercial success, those matters, without invention, will not make patentability.”) (quotation marks and ellipses omitted); *Jungersen v. Ostby & Barton Co.*, 335 U.S. 560, 567 (1949) (“Commercial success is really a makeweight where the patentability question is close.”); *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 153 (1950). And Apple ignores that *KSR* and *Graham* decided obviousness as a matter of law

with minimal inquiry into secondary considerations. *KSR*, 550 U.S. at 426; *Graham*, 383 U.S. at 35-36.⁸

Apple responds to the argument (Pet. 26-27) that the Federal Circuit erroneously treated the weight of secondary considerations as a factual issue with the *non sequitur* (BIO 22-23) that “[t]he court never suggested that secondary considerations, standing alone, could establish nonobviousness.” But this in no way diminishes the point that the *en banc* decision accords secondary considerations great weight based solely on implicit jury fact-finding, and that it makes no sense to treat such weight as a “fact,” rather than as part of the legal determination of obviousness.

Apple likewise errs in suggesting (BIO 22) that there was any nexus shown between secondary considerations and the specific patented improvement over the prior art. To the contrary, the evidence Apple cites and the Federal Circuit relied upon concerns only the features generally. *See* Pet. 27-28. But Apple did not invent the idea of sliding to unlock a device (which was already known in Neonode) or autocorrecting text (which was already known in Robinson). There was no showing that anyone clapped for the moving image as opposed to the moving finger in Steve Jobs’ “slide to unlock” demonstration, or that industry praise for “autocorrect” pertained to where the text appeared.

Apple is additionally mistaken in suggesting (BIO 24-25) that substantial evidence supports the jury’s

⁸ Contrary to Apple’s erroneous suggestion (BIO 20), Samsung plainly argued below that secondary considerations should be given little weight on the record here. *See* Samsung Opening Br., *Apple Inc. v. Samsung Elec. Co.*, Nos. 2015-1171, 2015-1195, 2015-1994 (Fed. Cir.), Dkt. 40 at 37.

verdict on the '721 and '172 patents. Apple ignores virtually all of the evidence discussed in Samsung's petition establishing nonobviousness. In any event, as discussed, there must be a legal analysis of obviousness, which was wholly absent from the *en banc* majority opinion.

B. Apple Fails To Reconcile The Federal Circuit's "Some Connection" Test With *eBay's* Causation Requirement

Apple repeatedly suggests (BIO 10, 28-29) that the Federal Circuit's injunction decision in fact required causation of or causal nexus to irreparable harm, but that is incorrect. The statement Apple cites (BIO 29) suggesting that Apple lost sales "because" of the features at issue was immediately followed by the Federal Circuit's explanation that this meant only "some connection" and that "it is enough that Apple has shown that these features were related to infringement and were important to customers." Pet. App. 176a. Apple makes no attempt to reconcile the "some connection" test with this Court's precedent.

Apple mentions (BIO 30 n.6) that a few prior Federal Circuit cases used the phrase "some connection," but in those cases, the phrase was not the test, but rather just a statement that there could be no causation without some connection between the infringement and the harm. *See Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1368 (Fed. Cir. 2013); *Apple Inc. v. Samsung Elecs. Co.*, 678 F.3d 1314, 1324 (Fed. Cir. 2012); Law Profs. Br. at 3-4. Indeed, the most recent of the decisions (before the instant one) explained that in each case actual causation under "general tort principles of causation" was required. 735 F.3d at 1361. And contrary to Apple's suggestion (BIO 29), Chief Judge Prost's dissent expressly criticizes (Pet. App.

207a-208a) this aspect of the panel majority’s “deviat[ion] from [Federal Circuit] precedent.”

Moreover, the lower “some connection” test was plainly case-dispositive here. The district court found that Apple’s weak survey and anecdotal evidence failed to show that the infringement of the patents caused lost sales. Pet. App. 320a-336a. The Federal Circuit reversed only by holding (Pet. App. 170a & n.1, 176a) that the district court had committed legal error by requiring causation, ruling instead that only “some connection” was required. Indeed, it is absurd on its face to suppose that customers purchased a smartphone because (for instance) Apple’s slide-to-unlock feature had an image moving along with the swipe—rather than because of a strong marketing campaign or features like large screens and the Android operating system, which were widely seen as key factors in Samsung’s success in the smartphone market.

Nor does Apple defend the Federal Circuit’s untenable holding that the public interest “nearly always” favors injunctions in patent cases except to suggest (BIO 31-32) that the Federal Circuit also mentioned (Pet. App. 181a-182a) the nature of the technology and breadth of the injunction. But that does not change the fact that the court started with a nearly conclusive presumption in favor of patentees, contrary to *eBay*.

Finally, Apple argues (BIO 25-27) that the petition is untimely as to the injunction decision, but this Court has repeatedly held that any interlocutory decision can be brought to the Court after final judgment.⁹ Apple cites no exception to this rule and no

⁹ See, e.g., *Major League Baseball Players Ass’n v. Garvey*, 532 U.S. 504, 508 n.1 (2001) (“[W]e have authority to consider questions determined in earlier stages of the litigation where

support for its novel assertion that an interlocutory decision must create further proceedings on remand to be brought up again on certiorari. Moreover, this case exemplifies why such an exception would be improper. Samsung’s prior petition sought only a possible grant, vacate, and remand because the injunction issue appeared to be mooted by the merits panel decision (though unbeknownst to Samsung or anyone else, the Federal Circuit had secretly granted *en banc* review). This Court therefore had no opportunity until now to consider whether the injunction issue was worthy of certiorari.

C. Apple Fails To Defend The *En Banc* Infringement Decision’s Violation Of Warner-Jenkinson’s All-Elements Rule

Apple argues (BIO 34-35) that the Federal Circuit’s *en banc* decision reinstating the infringement judgment on the ’647 patent must have satisfied the *Warner-Jenkinson* all-elements rule because the panel majority recited the “analyzer server” claim construction. But that recitation should have been the beginning, not the end, of the analysis. The all-elements rule would be meaningless if a court may simply ignore selected elements of a claim in deciding infringement so long as it recites the entire claim.

certiorari is sought from the most recent of the judgments of the Court of Appeals.”); *Washington v. Washington State Commercial Passenger Fishing Vessel Ass’n*, 443 U.S. 658, 672 n.19 (1979) (“Despite our earlier denial of certiorari on the treaty interpretation issue, ... [o]ur earlier denial came at an interlocutory stage in the proceedings ... so that we certainly are not required to treat the earlier disposition as final for our purposes.”); *Mercer v. Theriot*, 377 U.S. 152, 153 (1964) (“[I]t is settled that we may consider questions raised on the first appeal, as well as ‘those that were before the court of appeals upon the second appeal.’”).

Apple adds a conclusory citation to a portion of the Federal Circuit’s *en banc* infringement ruling (BIO 34 (citing Pet. App. 9a-17a)) to suggest the issues were decided. But those pages provide no evidence, analysis, or even a conclusory statement that Samsung’s products infringed two elements of the ’647 patent (the “server” and “receiving data” elements). And Apple offers no reason why on the merits those two elements should be found infringed. For example, it does not dispute that its *only* evidence on the “server” element would render that term meaningless by equating it with all software, and that its *only* evidence that the supposed analyzer server “receives data ... from the client” is its expert’s three-word conclusory statement “Yes, they do.” Pet. 33.

Moreover, Apple does not dispute that the Federal Circuit has engaged in a troubling trend of disregarding the Patent Act’s requirements for infringement, arguing only (BIO 32) that Court should disregard the violation of the all-elements rule here as “factbound.” That is incorrect, for the Federal Circuit’s *en banc* decision endorses subversion of the all-elements rule more broadly, inviting short-cut infringement proceedings that ignore elements as to which there is a clear lack of evidence of infringement, and effectively allowing obsolete patents (like Apple’s 1996 ’647 patent for desktop software architecture) to be expanded to block new technologies (like the use of the Android operating system on smartphones). Such a result is especially troubling where it is the product of an *en banc* procedure that precluded briefing and argument on the two elements the panel had not considered because it found noninfringement based solely on the “separateness” element of the claim.

CONCLUSION

The petition should be granted in full. Alternatively, the petition should be granted as to Question 3 and the judgment affirming infringement of the '647 patent should be summarily vacated or reversed.

Respectfully submitted,

JOHN B. QUINN
MICHAEL T. ZELLER
SCOTT L. WATSON
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
865 S. Figueroa Street
10th Floor
Los Angeles, CA 90017
(213) 443-3000

BRIAN C. CANNON
KEVIN P.B. JOHNSON
VICTORIA F. MAROULIS
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
555 Twin Dolphin Drive
5th Floor
Redwood Shores, CA 94065
(650) 801-5000

KATHLEEN M. SULLIVAN
Counsel of Record
WILLIAM B. ADAMS
DAVID M. COOPER
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
51 Madison Avenue
22nd Floor
New York, NY 10010
(212) 849-7000
kathleensullivan@
quinnemanuel.com

Counsel for Petitioners

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