
**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.

BRIEF FOR PLAINTIFF-APPELLANT APPLE INC.

MICHAEL A. JACOBS
RACHEL KREVANS
ERIK J. OLSON
RICHARD S.J. HUNG
GRANT L. KIM
MORRISON & FOERSTER LLP
425 Market Street
San Francisco, CA 94105
(415) 268-7000

WILLIAM F. LEE
MARK C. FLEMING
JOSEPH J. MUELLER
LAUREN B. FLETCHER
WILMER CUTLER PICKERING
HALE AND DORR LLP
60 State Street
Boston, MA 02109
(617) 526-6000

JONATHAN G. CEDARBAUM
WILMER CUTLER PICKERING
HALE AND DORR LLP
1875 Pennsylvania Avenue NW
Washington, DC 20006
(202) 663-6000

February 12, 2013

Counsel for Plaintiff-Appellant Apple Inc.

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:

Morrison & Foerster LLP:

Deok K.M. Ahn	Harold J. McElhinny
Jason R. Bartlett	Andrew E. Monach
Charles S. Barquist	Erik J. Olson
Francis Chung-Hoi Ho	Taryn Spelliscy Rawson
Richard S.J. Hung	Christopher Leonard Robinson
Michael A. Jacobs	Jennifer L. Taylor
Esther Kim	Alison M. Tucher
Grant L. Kim	Patrick J. Zhang
Rachel Krevans	Nathan Brian Sabri
Marc J. Pernick	Ruchika Agrawal

Wilmer Cutler Pickering Hale and Dorr LLP:

David B. Bassett	William F. Lee
James C. Burling	Andrew L. Liao
Jonathan G. Cedarbaum	Leah Litman
Robert D. Cultice	Joseph J. Mueller
Andrew J. Danford	Michael Saji
Michael A. Diener	Brian Seeve
Christine E. Duh	Mark D. Selwyn
Mark D. Flanagan	Ali H. Shah
Mark C. Fleming	Victor F. Souto
Lauren B. Fletcher	James L. Quarles III
Richard Goldenberg	Timothy D. Syrett
Robert J. Gunther, Jr.	Robert Tannenbaum
Liv L. Herriot	Louis W. Tompros
Michael R. Heyison	Samuel Calvin Walden
Peter J. Kolovos	Rachel L. Weiner
Derek Lam	Emily R. Whelan
Brian Larivee	Jeremy Winer

Taylor & Company Law Offices LLP:

Joshua Ryan Benson	Stephen E. Taylor
Stephen M. Bundy	

Cooley LLP:

Benjamin George Damstedt	Timothy S. Teter
Jesse L. Dyer	

Bridges & Mavrakakis LLP:

Kenneth H. Bridges

Michael T. Pieja

Dated: February 12, 2013

Respectfully submitted,

/s/ William F. Lee

WILLIAM F. LEE

WILMER CUTLER PICKERING

HALE AND DORR LLP

60 State Street

Boston, MA 02109

(617) 526-6000

Attorney for Plaintiff-Appellant Apple Inc.

TABLE OF CONTENTS

	Page
CERTIFICATE OF INTEREST	i
TABLE OF AUTHORITIES	vii
STATEMENT OF RELATED CASES	1
JURISDICTIONAL STATEMENT	2
STATEMENT OF ISSUE.....	2
INTRODUCTION	2
STATEMENT OF CASE	4
STATEMENT OF FACTS	5
A. Apple’s iPhone And iPad Are Revolutionary Products Whose Success Is Built On Their Unique Design And User Experience	5
1. Apple’s design patents and iPhone trade dress	7
2. Apple’s utility patents	10
B. Samsung Deliberately Copied Apple’s iPhone And iPad To Compete Directly With Apple.....	12
C. Through Its Infringement And Dilution, Samsung Took Significant Market Share From Apple	17
D. Apple Lost Substantial Downstream Sales Due To Samsung’s Infringement And Dilution.....	19
E. Design And Ease Of Use Are Important To Smartphone Purchasers.....	20
F. The District Court’s Decision	23

SUMMARY OF ARGUMENT	27
STANDARD OF REVIEW	29
ARGUMENT	29
I. THE EQUITIES STRONGLY FAVOR GRANTING INJUNCTIVE RELIEF TO BAR FURTHER PATENT INFRINGEMENT BY A DIRECT COMPETITOR.....	30
A. Apple Is Being Irreparably Harmed By The Threat Of Its Direct Competitor's Continued Infringement	32
1. Apple and Samsung compete directly for first-time smartphone buyers	32
2. Apple has lost market share due to its direct competitor's adjudicated infringement	33
3. Apple has lost downstream sales due to its direct competitor's adjudicated infringement	34
B. Money Damages Are Inadequate To Remedy Apple's Loss Of Market Share And Downstream Sales To Its Direct Competitor	36
C. The Balance Of Hardships Strongly Favors Enjoining Further Infringement From Apple's Direct Competitor	41
D. An Injunction Would Promote The Public Interest In Patent Enforcement Against A Direct Competitor.....	44
II. THE DISTRICT COURT ERRONEOUSLY DENIED APPLE A PERMANENT INJUNCTION DUE TO AN ALLEGED LACK OF A CAUSAL NEXUS	47
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	48
B. Importing A Causal Nexus Requirement For Preliminary Injunctions Into The Permanent Injunction Context Is Unjustified And Unnecessary.....	51

C.	The District Court’s Rigid Application Of The Causal Nexus Requirement Is Contrary To Principles Of Equity.....	59
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	61
1.	The patented designs drive consumer demand	62
2.	The patented user interface features are important drivers of consumer demand	64
E.	If The Panel Believes That <i>Apple I</i> And <i>Apple II</i> Prevent Reversal, Hearing En Banc Is Appropriate	66
III.	THE DISTRICT COURT ERRONEOUSLY DENIED APPLE AN INJUNCTION AGAINST SAMSUNG’S TRADE DRESS DILUTION.....	68
	CONCLUSION	71
	CERTIFICATE OF SERVICE	
	CERTIFICATE OF COMPLIANCE	

TABLE OF AUTHORITIES

Page(s)

CASES

<i>Abbott Laboratories v. Sandoz, Inc.</i> , 544 F.3d 1341 (Fed. Cir. 2008)	44
<i>ActiveVideo Networks, Inc. v. Verizon Communications, Inc.</i> , 694 F.3d 1312 (Fed. Cir. 2012)	37, 48, 52
<i>Acumed LLC v. Stryker Corp.</i> , 551 F.3d 1323 (Fed. Cir. 2008)	31, 34, 36, 37, 40, 45, 50
<i>Allee v. Medrano</i> , 416 U.S. 802 (1974)	69
<i>Apple, Inc. v. Samsung Electronics Co.</i> , 678 F.3d 1314 (Fed. Cir. 2012)	1, 26, 27, 31, 37, 60, 61
<i>Apple Inc. v. Samsung Electronics Co.</i> , 695 F.3d 1370 (Fed. Cir. 2012)	<i>passim</i>
<i>Broadcom Corp. v. Qualcomm Inc.</i> , 543 F.3d 683 (Fed. Cir. 2008)	35, 36, 37, 40, 49, 50, 51, 57
<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006)	<i>passim</i>
<i>Edwards Lifesciences AG v. CoreValve, Inc.</i> , 699 F.3d 1305 (Fed. Cir. 2012)	52, 67
<i>Garretson v. Clark</i> , 111 U.S. 120 (1884)	58
<i>Grupo Mexicano de Desarrollo S.A. v. Alliance Bond Fund, Inc.</i> , 527 U.S. 308 (1999)	51
<i>Gucci America, Inc. v. Guess?, Inc.</i> , 868 F. Supp. 2d 207 (S.D.N.Y. 2012)	69

<i>i4i Ltd. Partnership v. Microsoft Corp.</i> , 598 F.3d 831 (Fed. Cir. 2010)	36, 44, 48, 53
<i>International Rectifier Corp. v. IXYS Corp.</i> , 383 F.3d 1312 (Fed. Cir. 2004)	46
<i>Jeneric/Pentron, Inc. v. Dillon Co.</i> , 205 F.3d 1377 (Fed. Cir. 2000)	53
<i>Kewanee Oil Co. v. Bicron Corp.</i> , 415 U.S. 470 (1974)	44
<i>LaserDynamics, Inc. v. Quanta Computer, Inc.</i> , 694 F.3d 51 (Fed. Cir. 2012)	40, 58, 59
<i>Lucent Technologies, Inc. v. Gateway, Inc.</i> , 580 F.3d 1301 (Fed. Cir. 2009)	58
<i>Merial Ltd. v. Cipla Ltd.</i> , 681 F.3d 1283 (Fed. Cir. 2012)	34
<i>Momenta Pharmaceuticals, Inc. v. Amphastar Pharmaceuticals, Inc.</i> , 686 F.3d 1348 (Fed. Cir. 2012)	52
<i>O2 Micro International Ltd. v. Beyond Innovation Technology Co.</i> , No. 2011-1054, 2011 WL 5601460 (Fed. Cir. Nov. 18, 2011) (nonprecedential)	39, 40
<i>OBH, Inc. v. Spotlight Magazine, Inc.</i> , 86 F. Supp. 2d 176 (W.D.N.Y. 2000)	69
<i>Polo Fashions, Inc. v. Dick Bruhn, Inc.</i> , 793 F.2d 1132 (9th Cir. 1986)	69
<i>Presidio Components, Inc. v. American Technical Ceramics Corp.</i> , 702 F.3d 1351 (Fed. Cir. 2012)	31, 34, 48, 59
<i>Robert Bosch LLC v. Pylon Manufacturing Corp.</i> , 659 F.3d 1142 (Fed. Cir. 2011)	<i>passim</i>

<i>Sanofi-Synthelabo v. Apotex, Inc.</i> , 470 F.3d 1368 (Fed. Cir. 2006)	25, 31, 44
<i>TiVo Inc. v. EchoStar Corp.</i> , 646 F.3d 869 (Fed. Cir. 2011) (en banc)	46
<i>Uniloc USA, Inc. v. Microsoft Corp.</i> , 632 F.3d 1292 (Fed. Cir. 2011)	58
<i>Verizon Services Corp. v. Vonage Holding Corp.</i> , 503 F.3d 1295 (Fed. Cir. 2007)	31, 35, 57
<i>Voda v. Cordis Corp.</i> , 536 F.3d 1311 (Fed. Cir. 2008)	37
<i>Warner Chilcott Labs Ireland Ltd. v. Mylan Pharmaceuticals Inc.</i> , 451 F. App'x 935 (Fed. Cir. 2011)	51
<i>Whitserve, LLC v. Computer Packages, Inc.</i> , 694 F.3d 10 (Fed. Cir. 2012)	53
<i>Winter v. Natural Resources Defense Council, Inc.</i> , 555 U.S. 7 (2008)	51

STATUTES

15 U.S.C.	
§ 1121	2
§ 1125	68, 69, 70
28 U.S.C.	
§ 1292	2, 5
§ 1331	2
§ 1338	2
§ 1367	2
35 U.S.C.	
§ 154	52
§ 283	48

OTHER AUTHORITIES

Shaver, *Illuminating Innovation*, 69 Wash. & Lee L. Rev. 1891 (1943).....56

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:

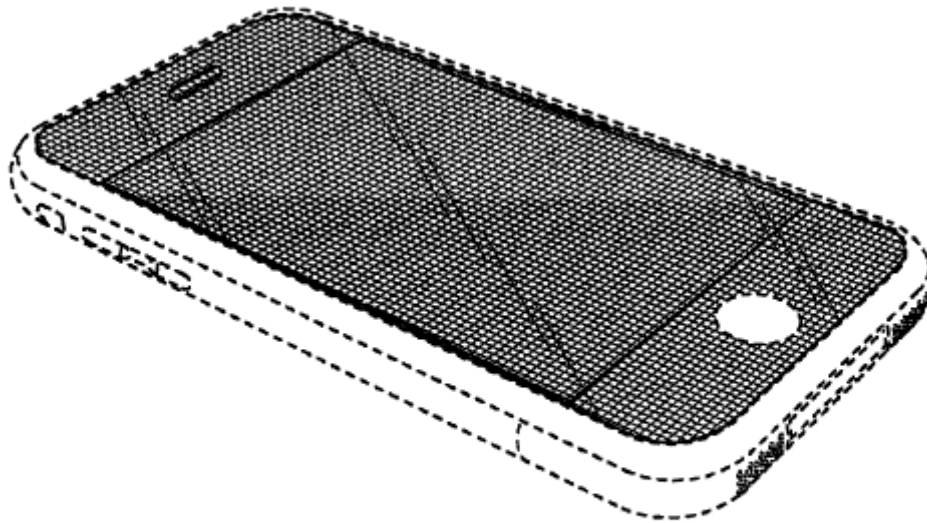
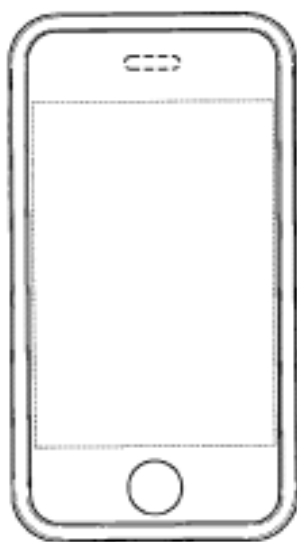


FIG. 1

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

Issue 51 _ Browser



Serious

TRANSLATION


CONFIDENTIAL

■ 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.

- 58 / 132 -

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

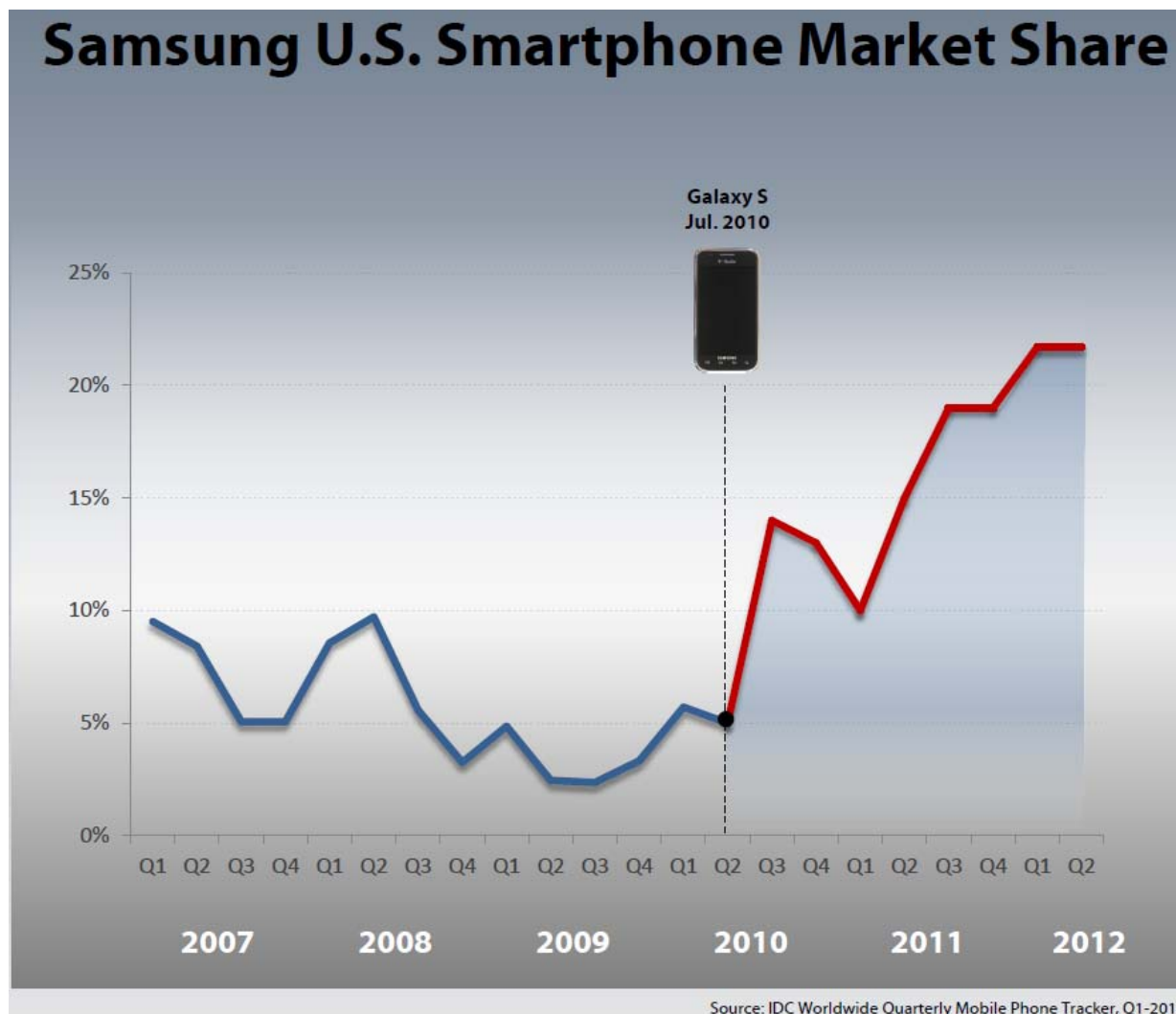
Samsung similarly implemented Apple’s “pinch-to-zoom” feature after its consultants reported that the iPhone’s use of that feature allows “more intuitive and easier browsing” (A4493) and that consumers complained that “the zoom on web pages and ability to scroll around is very bad and hard to do” on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

Respectfully submitted,

MICHAEL A. JACOBS
RACHEL KREVANS
ERIK J. OLSON
RICHARD S.J. HUNG
GRANT L. KIM
MORRISON & FOERSTER LLP
425 Market Street
San Francisco, CA 94105
(415) 268-7000

/s/ William F. Lee

WILLIAM F. LEE
MARK C. FLEMING
JOSEPH J. MUELLER
LAUREN B. FLETCHER
WILMER CUTLER PICKERING
HALE AND DORR LLP
60 State Street
Boston, MA 02109
(617) 526-6000

JONATHAN G. CEDARBAUM
WILMER CUTLER PICKERING
HALE AND DORR LLP
1875 Pennsylvania Avenue NW
Washington, DC 20006
(202) 663-6000

February 12, 2013

Counsel for Plaintiff-Appellant Apple Inc.

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.

Derek L. Shaffer
Quinn Emanuel Urquhart
& Sullivan, LLP
1299 Pennsylvania Avenue NW,
Suite 825
Washington, DC 20004
202-538-8000
derekshaffer@quinnemanuel.com

Kevin A. Smith
Quinn Emanuel Urquhart
& Sullivan LLP
50 California Street, 22nd Floor
San Francisco, CA 94111
(415) 875-6600
kevinsmith@quinnemanuel.com

Kathleen M. Sullivan
William B. Adams
Quinn Emanuel Urquhart
& Sullivan, LLP
335 Madison Avenue, 22nd Floor
New York, NY 10017
(212) 849-7000
kathleensullivan@quinnemanuel.com
williamadams@quinnemanuel.com

Dated: February 12, 2013

/s/ William F. Lee
William F. Lee
Attorney for Plaintiff-Appellant Apple Inc.

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.

Dated: February 12, 2013

/s/ William F. Lee

William F. Lee

Attorney for Plaintiff-Appellant Apple Inc.

ADDENDUM

ADDENDUM

TABLE OF CONTENTS

Order Denying Motion for Permanent Injunction.....	TAB A
--	-------

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28

APPLE, INC., a California corporation,) Case No.: 11-CV-01846-LHK
)
Plaintiff,)
v.) ORDER DENYING MOTION FOR
) PERMANENT INJUNCTION
)
SAMSUNG ELECTRONICS CO., LTD., A)
Korean corporation; SAMSUNG)
ELECTRONICS AMERICA, INC., a New York)
corporation; SAMSUNG)
TELECOMMUNICATIONS AMERICA, LLC,)
a Delaware limited liability company,)
)
Defendants.)
)
)

1

1 sell, selling within the United States, or importing into the United States any of the Infringing
2 Products or any other product not more than colorably different from an Infringing Product as to a
3 feature or design found to infringe.” Proposed Order Granting Apple’s Motion for a Preliminary
4 Injunction and Damages Enhancement, ECF No. 2133. Apple also seeks to enjoin Samsung from
5 diluting Apple’s registered iPhone trade dress and Apple’s unregistered iPhone 3G trade dress,
6 including by selling or offering to sell in the United States any of six products the jury found to
7 dilute Apple’s trade dresses.¹ *Id.* After hearing oral argument on the matter and reviewing the
8 briefing by the parties, the evidence offered in support of the briefing, and the relevant law, the
9 Court DENIES Apple’s Motion for a Permanent Injunction.

10 The Patent Act provides that in cases of patent infringement a court “may grant injunctions
11 in accordance with the principles of equity to prevent the violation of any right secured by patent,
12 on such terms as the court deems reasonable.” 35 U.S.C. § 283. Though injunctions were once
13 issued in patent cases as a matter of course, the Supreme Court ruled in 2006 that “broad
14 classifications” and “categorical rule[s]” were inappropriate in analyzing whether to grant a
15 permanent injunction. *eBay v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006). Instead, a
16 patentee seeking a permanent injunction must make a four-part showing:

17 (1) That it has suffered an irreparable injury; (2) that remedies available at law, such
18 as monetary damages, are inadequate to compensate for that injury; (3) that,
19 considering the balance of hardships between the plaintiff and defendant, a remedy
20 in equity is warranted; and (4) that the public interest would not be disserved by a
21 permanent injunction.

22 *Id.* at 391. In considering Apple’s motion, the Court will consider each of these four factors
23 in turn, and will then consider whether, on balance, the principles of equity support the
24 issuance of a permanent injunction in this case.

25 **A. Irreparable Harm**

26 Historically, once a plaintiff in a patent case succeeded on the merits or established a
27 likelihood of success, irreparable harm in the absence of an injunction was presumed. As the

28 ¹ In the same motion, Apple also requested an enhancement of \$535 million to the jury’s damages
award under both the Patent Act and the Lanham act. Because this request is intertwined with the
other damages issues in this case, the Court will address Apple’s enhancement request in a separate
Order.

Federal Circuit has recently made clear, however, there is no longer any presumption of irreparable harm, even if a patentee is able to prove that a patent is valid and infringed. *Robert Bosch LLC v. Pylon Manufacturing Corp.*, 659 F.3d 1142, 1149 (Fed. Cir. 2011). While the presumption of irreparable harm no longer applies, the Federal Circuit noted that “it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude.” *Id.* Thus, the patentee’s right to exclude must be considered by a district court in determining whether an injunction is an appropriate remedy, but does not alone satisfy the irreparable harm requirement.

Further, a showing that the patentee has suffered harm is insufficient. Rather, “to satisfy the irreparable harm factor in a patent infringement suit, a patentee must establish both of the following requirements: 1) that absent an injunction, it will suffer irreparable harm, and 2) that a sufficiently strong causal nexus relates the alleged harm to the alleged infringement.” *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012) (“Apple II”).² This test requires a showing that consumers buy the infringing product “because it is equipped with the apparatus claimed in the . . . patent,” and not merely because it includes a feature of the type covered by the patent. *Id.* at 1376.

This Court has already performed significant irreparable harm analysis in this case. Specifically, in considering Apple’s motion for a preliminary injunction, this Court found, and the Federal Circuit agreed, that Apple had not demonstrated irreparable harm from the likely infringement of the D’677 or D’087 patents. *See* ECF No. 452 at 27-38; *Apple I*, 678 F.3d at 1324-26. The Court considered Apple’s arguments that it had suffered irreparable harm in the form of erosion of design distinctiveness and irreversible loss of market share and loss of customers. The Court concluded that Apple had not explained how erosion of design distinctiveness actually caused any irreparable harm, and rejected Apple’s theory that infringement diminished the value of

² The Federal Circuit’s *Apple II* opinion addresses a preliminary injunction. However, the irreparable harm requirement applies to both preliminary and permanent injunctions, and there is nothing in the *Apple II* opinion suggesting that its discussion of irreparable harm should be limited to the preliminary injunction context. Indeed, Courts regularly cite cases from the two contexts interchangeably. *See, e.g., Apple v. Samsung Electronics Co.*, 678 F.3d 1314, 1323 (Fed. Cir. 2012) (“Apple I”) (preliminary injunction opinion citing *Voda v. Codis Corp.*, 536 F.3d 1311 (Fed. Cir. 2008) (permanent injunction opinion)).

Apple's brand, which could not be separated from its products. ECF No. 452 at 29-30. The Court further found that though there was some evidence of loss of market share, Apple had not established that Samsung's infringement of Apple's design patents *caused* that loss. *Id.* at 33-34. The Court noted that the evidence regarding how consumers chose smartphones was ambiguous, and given that the D'677 and D'087 patents cover only part of the phone design, limited to the front face, even what evidence there was that *design* was important to choice did not create a strong link to infringement of these design patents.

The Court also found, at the preliminary injunction stage, that there was no irreparable harm from infringement of the '381 patent. Specifically, the Court noted that Apple had presented no evidence of any causal relationship between the features covered by the '381 patent and any loss of market share, customers, or goodwill, and had not established that that feature was "necessary to, or a core functionality of" Samsung's products. *Id.* at 63.

These decisions at the preliminary injunction stage are not necessarily determinative now, after all the evidence is in and the Court has the benefit of a more complete factual record. Apple has presented some additional arguments and new evidence in support of its irreparable harm argument. Further, there are two additional utility patents (the '915 and '163 patents) and one additional design patent (the D'305 patent), in addition to a finding of trade dress dilution, on which Apple did not previously seek a preliminary injunction and upon which this Court has not previously ruled. The Court's earlier analysis does, however, provide a starting point for the present inquiry. The Court will thus analyze Apple's claims of irreparable harm in light of its prior findings. The Court will first consider the harms Apple claims to have suffered, and will then consider whether Apple has demonstrated that Samsung's infringement caused those harms.

Apple's Alleged Harms

Apple alleges that it has suffered three types of irreparable harm as a result of Samsung's patent infringement: (1) loss of market share; (2) loss of downstream and future sales; and (3) injury to Apple's ecosystem.³

³ Apple has also alleged harm stemming from Samsung's dilution of its trade dress. This harm raises different issues, and is addressed separately below.

As an initial matter, the Court considers the relationship between the parties, which bears generally on the likelihood that Apple will suffer harm from Samsung's infringement. At the preliminary injunction phase, Apple argued, and this Court found, that Apple and Samsung are direct competitors, based largely on evidence that the two companies compete for first-time smartphone buyers. ECF No. 452 at 32 (citing testimony from Samsung's expert Michael Wagner). Apple has presented further evidence of this relationship, including Samsung's own documents revealing Samsung's view of Apple as its primary competitor. *See* PX60 (Samsung presentation describing the US market as a "two horse race between Apple and Samsung"); PX184 (Samsung business plan emphasizing competition with Apple). Samsung has presented no new evidence to refute that finding. Thus, the Court finds that Apple and Samsung continue to compete directly in the same market. This finding increases the likelihood of harm from continued infringement. *See, e.g., Robert Bosch*, 659 F.3d at 1153.

Regarding market share, Apple introduced evidence at the preliminary injunction phase that it had already lost some market share to Samsung during the span of 2010, and the Court considered evidence from both parties' experts regarding further lost customers and market share. ECF No. 452 at 32-33. The Court found that the evidence could support a finding of irreparable harm. *Id.* At trial and in the permanent injunction briefing, Apple presented additional evidence that Samsung's market share grew substantially from June of 2010 through the second quarter of 2012, Musika Decl. ¶ 30 & Exh. 4.1, and that Samsung had an explicit strategy to increase its market share at Apple's expense. PX62.11-15. Samsung does not refute this evidence in its opposition. 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. As this Court explained at the preliminary injunction phase, loss of market share or the permanent loss of customers as a result of infringing conduct can support a finding of irreparable harm. *See Robert Bosch*, 659 F.3d at 1153-54; *Polymer Techs. v. Bridwell*, 103 F.3d 970, 976 (Fed. Cir. 1996).

Regarding downstream sales, this Court found at the preliminary injunction stage that given network compatibility issues (Apple phones and Samsung phones use different operating systems) and brand loyalty, there were potentially long-term implications of an initial purchase, in the form

of lost future sales of both future phone models and tag-along products like apps, desktop computers, laptops, and iPods. ECF No. 452 at 32. The Court also found that such damages would be difficult to calculate, rendering them potentially irreparable. *Id.* Since then, Apple has submitted further evidence to bolster its claim that both Apple and Samsung rely on customers being locked in to one platform. *See* PX60.18 (internal Samsung document discussing Apple’s “very sticky/loyal subscribers”); Musika Decl. ¶ 24 (discussing testimony of Apple’s Vice President Phil Schiller); Musika Decl. ¶¶ 25-26 (discussing testimony of Samsung’s Justin Denison and Corey Kerstetter); Musika Decl. ¶ 28 (discussing Apple’s internal study of iPhone owners). In its opposition, Samsung has made no attempt to refute this evidence that its conduct has cost Apple potential downstream sales. Thus, the evidence this Court found sufficient to justify a finding of irreparable harm at the preliminary injunction stage remains undisturbed, and has in fact been strengthened by the additional evidence. Accordingly, as at the preliminary injunction stage, the Court finds that Apple has suffered some irreparable harm in the form of loss of downstream sales.

Finally, Apple has argued that it has suffered irreparable injury to its “ecosystem.” It is not clear how this alleged harm differs from the loss of downstream sales discussed above. Apple asserts harm from “network effects” and the fact that “customer demand increases as the number of other uses on the platform increases.” Mot. at 5. But how this will harm Apple in a way distinct from the loss of downstream sales (of future iPhones and of other related products), Apple does not say. Thus, the Court considers any harms to Apple’s so-called ecosystem to be included in the harm the Court has already found in loss of downstream sales.

Changes to products

Samsung argues that changes to Samsung’s products preclude a finding of irreparable harm. Specifically, Samsung argues that since 23 of its 26 infringing products have already been discontinued and that the remaining three have been altered by design-arounds so as to no longer infringe, Apple cannot be irreparably harmed by Samsung’s conduct going forward. But the law on this point is clear: a defendant’s voluntary cessation of illegal behavior does not moot a request for an injunction. *See Allee v. Medrano*, 416 U.S. 802, 810-11 (1974). The fact that Samsung may

1 have stopped selling infringing products⁴ for now says nothing about what Samsung may choose to
2 do in the future. Absent an injunction, Samsung could begin again to sell infringing products,
3 further exposing Apple to the harms identified above. Thus, Samsung's decision to cease selling
4 its infringing phones does not alter the Court's irreparable harm analysis.

5 Causal Nexus

6 The Federal Circuit has been quite clear that a showing of harm is not enough; Apple must
7 link any harm it suffers directly to Samsung's infringement. This Court and the Federal Circuit
8 have analyzed this "causal nexus" issue on a patent-by-patent basis. *See Apple I*, 678 F.3d at 1323-
9 33 (analyzing appropriateness of injunction for each of four patents separately). Apple has not
10 analyzed its alleged harm on a patent-by-patent basis, but rather has argued for harm from each
11 *group* of intellectual property rights: design patents, utility patents, and trade dress. Apple has also
12 argued that the combined harm from the patents and trade dress combined justifies an injunction.
13 However, Apple has identified no law supporting its position that an injunction could issue on a
14 finding of harm caused by Samsung in the aggregate. Rather, injunctions are authorized by statute
15 for specific acts of infringement and dilution. Moreover, the jury found that different products
16 infringed or diluted different patents or trade dress rights. Thus, even if there was such a combined
17 effect, it would not apply to all of the products Apple seeks to enjoin. Yet Apple has made no
18 attempt to identify which products it believes would benefit from a hypothetical aggregate harm
19 theory. Instead, consistent with the practice of this and other courts, including the Federal Circuit,
20 the Court will consider whether Apple has established a causal nexus for each of its patents and
21 trade dresses individually.

22 First, Apple argues that Samsung's infringement of Apple's design patents caused
23 irreparable harm because Apple's designs drive demand for the infringing products. Mot. at 7;
24 Reply at 2. At the preliminary injunction stage, this Court found that Apple had not established a
25 causal nexus between the D'677 and D'087 patents and the harms Apple had experienced.
26 However, Apple now provides evidence, much of which was not presented at the preliminary
27

28 ⁴ The Court takes no position on whether or not Samsung's design-arounds infringe any of Apple's patents.

injunction stage, that customers choose smartphones based on appearance and design. *See* Mot. at 7-8. Thus, the Court’s finding that Apple had not established a causal nexus at that time does not determine the result here.

However, Apple’s evidence does not establish that any of Apple’s three design patents covers a particular feature that actually drives consumer demand. Apple has presented significant evidence that design, as a general matter, is important in consumer choice. *See* PX185.11 (Samsung study finding exterior design to be an important factor in phone choice); Bartlett Decl. Exh. 4 at 395 (third-party survey identifying “design/style” as important factor). At the same time, Samsung has come forward with a fair amount of countervailing evidence, suggesting that design is considerably less important than Apple claims. *See* DX 592.023 (results of Apple internal survey revealing “design/color” as the reason for choice in a very small percentage of cases); Pierce Decl. Exh. 5 (results of Apple survey ranking design eighth on a list of important features and attributes for iPhone buyers); DX572.26 (Apple’s assessment of features important to smartphone buyers, not including design). Thus, the evidence remains mixed concerning the weight smartphone buyers place on the design of the phone.

But even if design was clearly a driving factor, it would not establish the required nexus. The design of the phones includes elements of all three design patents, as well as a whole host of unprotectable, unpatented features. Apple makes no attempt to prove that any more specific element of the iPhone’s design, let alone one covered by one of Apple’s design patents, actually drives consumer demand. The Federal Circuit made clear in *Apple II* that customer demand for a *general* feature of the type covered by a patent was not sufficient; Apple must instead show that consumers buy the infringing product specifically because it is equipped with the *patented* feature. 695 F.3d at 1376.

Instead, Apple argues that its patents “cover the iPhone’s most prominent design elements,” Reply at 3, and therefore, if design drives demand, so do the patents. 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. The only evidence Apple provides that any particular designs are important to consumers take the form of a

few quotations from Samsung’s consumer surveys and one quotation from industry review praising various elements of both Apple’s and Samsung’s phone designs. *See* Reply at 3. These quotations are insufficient for two reasons. First, though more specific than the general “design” allegations, they are still not specific enough to clearly identify actual patented designs. Instead, they refer to such isolated characteristics as glossiness, reinforced glass, black color, metal edges, and reflective screen. *Id.* Apple does not have a patent on, for example, glossiness, or on black color. Though the patented designs incorporate some of these features, *see* Order Regarding Design Patent Claim Construction, ECF No. 1425, at 9, the patent is for the entire design – not for any isolated characteristic. Each of the consumer quotations on which Apple relies refers only to a single characteristic. None of the consumer quotations considers more than one characteristic or discusses the way the characteristics are combined into a complete, patentable design. Apple cannot establish a causal nexus by showing an individual consumer’s demand for glossiness, or for black color, as these qualities are not themselves patentable. Second, even if these quotations did specifically reference the precise designs covered by Apple’s patents, they do not begin to prove that those particular features drive consumer demand in any more than an anecdotal way. One consumer mentioning a feature in a survey says very little about what drives consumer demand generally, and one journalist’s description of features proves nothing beyond that individual’s preferences. Thus, while Apple has presented evidence that design, as a general matter, is important to consumers more broadly, Apple simply has not established a sufficient causal nexus between infringement of its design patents and irreparable harm.

Apple has also attempted to make a showing, which it failed to make at the preliminary injunction stage, that Samsung’s infringement of Apple’s utility patents caused Apple’s harm. This Court previously found that Apple had not established that the ’381 patent was “necessary for the product to function, or a core technology of the product.” ECF No. 452 at 64. Apple now attempts to prove that Samsung’s infringement of Apple’s utility patents caused Apple harm with three types of evidence: (1) documents and testimony showing the importance of ease of use as a factor in phone choice; (2) evidence that Samsung deliberately copied the patented features; and (3) a conjoint survey performed by Apple’s expert, Dr. Hauser. Mot. at 9; Reply at 4-6.

Apple's evidence of the importance of ease of use suffers from the same problems this Court identified with Apple's design patent nexus evidence. First, the showing is simply too general. Many factors go into making a product easy to use, but the features for which Apple is asserting patent protection are very specific. A consumer may want a phone that is easy to use, but this does not establish that a tap-to-zoom feature, for example, or any given type of gesture, is a driver of consumer demand. Thus, Apple's evidence of a survey showing the importance of ease of use as a general matter, PX 146.6, 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. *See Apple II*, 695 F.3d at 1376. This, Apple has not done.

Second, to the extent that Apple's evidence of consumer preference discusses more specific ease-of-use-related features, it is insufficient to establish anything other than a single consumer's experience. For instance, Apple has offered a report from a consulting firm hired by Samsung identifying features that Apple customers like about their phones, including individual consumers' observations that you "can enlarge pictures and move them around" and use "[g]estures like a two finger pinch and flick." Mot. at 8, citing PX36. But these quotations do not identify features at a level of specificity sufficient to determine whether they are actually covered by Apple's patents. Apple does not have a patent on enlarging pictures and moving them around, but rather on a specific way of enlarging pictures. Nor does Apple have a patent on the general concept of a two-finger pinch or flick. The Federal Circuit has been quite clear that demand driven by a feature does not establish a causal nexus unless it is more specifically driven by "the apparatus claimed in the . . . patent." *Apple II*, 695 F.3d at 1376. Moreover, evidence of what Apple customers like about their phones does not establish that any consumers bought Samsung phones because of these same features. Further, the language on which Apple relies consists of quotations that Samsung's consultant gathered from individual iPhone users; the quotations do not make any broader claims about the market and the factors that influence consumer choice generally. Apple's only evidence of the market more broadly is limited to the general category of "ease of use," which, as explained above, is insufficient to establish a causal nexus under *Apple II*. Accordingly, as with the design

1 patents, the Court finds that Apple's evidence that consumers value a general category of features
2 related to Apple's utility patents cannot, under the Federal Circuit's guidance, establish the
3 requisite causal nexus.

4 Next, Apple attempts to prove a causal nexus by pointing to evidence that Samsung
5 intentionally copied some of Apple's patented features. At the preliminary injunction phase, this
6 Court considered evidence that Samsung employees believed that Samsung needed the bounce-
7 back feature from the '381 patent to compete with Apple. This Court and the Federal Circuit found
8 that such evidence was not sufficient to establish the required causal nexus. *See Apple I*, 678 F.3d
9 at 1327-28. Evidence of copying, like the evidence of Samsung employees' beliefs that this Court
10 previously considered, also proves what Samsung *thought* would attract purchasers, not what
11 *actually* attracted purchasers. Here, as at the preliminary injunction phase, Samsung's impressions
12 of what might lure customers, while relevant, are not dispositive. Accordingly, though evidence
13 that Samsung attempted to copy certain Apple features may offer some limited support for Apple's
14 theory, it does not establish that those features actually drove consumer demand.

15 Finally, Apple has presented evidence from a choice-based conjoint survey conducted by
16 Apple's expert Dr. John Hauser. The survey purports to establish the prices that Samsung
17 consumers would pay for particular patented features, including the '915 patent alone, and all three
18 utility patents together. *See* PX30. Samsung disputes the validity of the study based on
19 methodology. Opp'n at 13.

20 Even if the survey is taken at face value, it does not establish a causal nexus under the
21 standard articulated by the Federal Circuit in *Apple II*. The parties have submitted competing
22 declarations concerning the applicability of Dr. Hauser's study to the question at hand. *See* Wind.
23 Decl. in support of Samsung's opposition; Sukumar Decl. in support of Samsung's opposition;
24 Hauser Decl. in support of Apple's reply. The Court agrees with Samsung that evidence of "the
25 price premium over the base price Samsung consumers are willing to pay for the patented
26 features," PX30, is not the same as evidence that consumers will buy a Samsung phone instead of
27 an Apple phone because it contains that feature. *See* Sukumar Decl. at ¶ 4 (distinguishing between
28 willingness to pay for a feature and consumer demand for a complete product). Apple's only

1 response to this argument is to point to Dr. Hauser’s assertion that demand for a *product* is often
2 defined as consumers’ willingness to pay for that product, and thus the concepts of willingness to
3 pay and demand are interchangeable. Hauser Reply Decl. at ¶ 8. However, the survey does not
4 measure willingness to pay for *products*; it measures willingness to pay for *features* within a
5 particular product amongst consumers who have already purchased the particular product – in this
6 case, a Samsung phone. It does not address the relationship between demand for a feature and
7 demand for a complex product incorporating that feature and many other features. To establish a
8 causal nexus, Apple would need to show not just that there is demand for the patented features, but
9 that the patented features are important drivers of consumer demand for the infringing products.
10 Apple’s survey evidence does not establish that any patented feature drives consumer demand for
11 the entire product.

12 In sum, to establish irreparable harm, Apple must show that “the infringing feature drives
13 consumer demand for the accused product.” *Apple II*, 695 F.3d at 1375. Apple did not establish at
14 the preliminary injunction stage that the ’381 patent was central enough to Samsung’s products to
15 drive sales, and has not established that fact here either. Nor has Apple established that either the
16 ’915 or the ’163 patents actually drive sales of any Samsung products. Neither statements about
17 broad categories, nor evidence of copying, nor the conjoint survey provides sufficiently strong
18 evidence of causation. Without a causal nexus, this Court cannot conclude that the irreparable
19 harm supports entry of an injunction. *See Apple II*, 695 F.3d at 1377.

20 Trade Dress Dilution

21 Apple argues that once trade dress dilution has been established, no additional showing of
22 harm need be made for the Court to issue an injunction for the six Samsung products the jury found
23 to dilute Apple’s trade dress. Apple argues that the dilution itself – the lessening of the capacity of
24 the trade dress to identify Apple’s brand – is the harm, as Congress acknowledged in drafting the
25 dilution statute.⁵ The Federal Trademark Dilution Act (FTDA)⁶ provides, in relevant part, that a
26 trademark owner who establishes dilution:

27 ⁵ This argument is distinct from Apple’s argument at the preliminary injunction stage, which this
28 Court rejected, that the erosion of design distinctiveness could constitute irreparable harm suffered
in connection with design patent infringement. There, Apple had no authority for its argument that

shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

15 U.S.C. § 1125(c)(1). Apple argues that the choice of the word “shall,” along with the fact that the injunction shall issue “regardless of the presence or absence of . . . actual economic injury” demonstrates Congress’s intention that injunctions issue where dilution is found, without a further showing of harm.

Samsung argues that Apple must still show irreparable harm that would occur if Samsung continued to use the diluting designs, and that Apple cannot possibly make this showing because Apple no longer makes or sells the phones that embody the protected trade dresses. In support of its argument that Apple must make a specific showing of harm, Samsung points to language in the FTDA that a dilution injunction issue “subject to the principles of equity,” 15 U.S.C. § 1125(c)(1), and to three out-of-district cases applying the four *eBay* factors to trademark *infringement* cases. But the trademark infringement statute, unlike the dilution statute, does not contain the mandatory “shall” language, and says nothing about an injunction issuing without a showing of harm. 15 U.S.C. § 1116(a). Thus, cases applying the trademark infringement statute do not bear on the proper analysis of the dilution statute.

Though the Court is aware of no cases specifically discussing the irreparable harm requirement in the trade dress dilution context, the Court agrees with Apple that the language of the FTDA makes clear that Congress contemplated the issuance of an injunction upon a showing of dilution, without an additional showing of irreparable harm. The fact that the statute specifically states that no economic harm is necessary defeats Samsung’s claim that Apple must make some additional showing of harm, beyond the harm of the dilution itself, in order to be entitled to an injunction. Since the statute contemplates both that an injunction issue “subject to the principles of equity” and that an injunction issue without a showing of economic harm, the Court cannot

the erosion of distinctiveness was a cognizable harm for a patentee. Because the FTDA explicitly addresses the requirements for an injunction, Apple’s present argument is quite different, and draws on different authority and reasoning.

⁶ The FTDA applies to trade dress as well as trademark. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

1 conclude that, even after *eBay*, equity requires an additional showing of harm for an injunction to
2 issue. *eBay* was not interpreting the FTDA; it dealt with the Patent Act, which says that courts
3 “may” grant injunctions, and says nothing to authorize relief in the absence of economic harm. 35
4 U.S.C. § 283. Thus, even if *eBay*’s message to consider the principles of equity in granting
5 injunctions may apply beyond the Patent Act, it does not override the specific language of the
6 FTDA authorizing injunctions even without a showing of economic harm. Instead, Courts have
7 treated dilution itself as the harm. *See, e.g., Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433
8 (2003) (the fact that actual dilution must be proved “does not mean that the consequences of
9 dilution, such as an actual loss of sales or profits, must also be proved.”).

10 Further, other parts of the FTDA also appear to envision an injunction as the primary
11 remedy upon a finding of dilution. In particular, the statutory factors for determining whether a
12 mark is famous include “the degree of recognition of the mark in the trading areas and channels of
13 trade used by the marks’ owner and the person *against whom the injunction is sought*.” 15 U.S.C.
14 § 1125 (emphasis added). This language confirms that Congress envisioned a dilution action,
15 unlike a patent or trademark infringement action, to be an action for an injunction, such that a
16 finding of dilution would normally result in an injunction.

17 Here, the jury found that Apple’s registered iPhone and unregistered iPhone 3G trade
18 dresses were diluted by several Samsung products. Accordingly, Apple has shown the necessary
19 harm. The fact that Apple no longer sells products embodying these particular trade dresses may,
20 as Samsung points out, make it difficult for Apple to show continuing economic harm, but as such
21 harm is not necessary for an injunction to issue, Apple’s discontinuation of those products is of no
22 moment. The only case that either of the parties or the Court has found discussing dilution for a
23 product no longer on the market found that harm *could* continue even though the Plaintiff had
24 ceased to make or sell products using the protected design. *See Ferrari S.p.A. Esercizio Fabbriche*
25 *Automobili e Corse v. McBurnie*, No. 86-1812, 1989 U.S. Dist. LEXIS 13442 (S.D. Cal. May 26,
26 1989) (issuing an injunction on a finding of dilution of dress, though the car embodying that trade
27 dress had been discontinued). Thus, Apple’s cessation of use of these trade dresses does not
28 prevent the Court from considering injunctive relief.

1 Regarding causal nexus for the trade dress claim, the jury found not just that Apple's trade
2 dresses had been diluted, but that it was the Samsung entities that diluted Apple's trade dress. *See*
3 Amended Jury Verdict, ECF No. 1931, at 11-12. This finding satisfies the requirement that the
4 defendant's conduct cause the harm. Accordingly, Apple has established irreparable harm with
5 regard to its trade dress dilution claims.

6 However, Samsung has represented, and Apple has not disputed, that none of the Samsung
7 products found to dilute trade dress are still on the market in any form. *See* Opp'n at 13-14; Decl.
8 of Hee-chan Choi at ¶¶2-9; Decl. of Corey Kerstetter at ¶¶2-13. The Court is aware of no cases
9 discussing the propriety of an injunction under the FTDA where there is no allegation of
10 continuing dilution. The cases in which the Ninth Circuit has upheld the issuance of an injunction
11 for trademark dilution under federal law have involved ongoing diluting conduct. *See, e.g.,*
12 *Perfumebay.com Inc. v. eBay, Inc.*, 506 F.3d 1165, 1177 (9th Cir. 2007). The parties have cited,
13 and the Court is aware of, no case issuing a permanent injunction under the FTDA for products that
14 are no longer available.

15 Further, the Ninth Circuit frequently identifies the appropriate test as whether "(1) its mark
16 is famous; (2) the defendant is making commercial use of the mark in commerce; (3) the
17 defendant's use began after the plaintiff's mark became famous," *Avery Dennison Corp. v.*
18 *Sumpton*, 189 F.3d 868, 874 (9th Cir. 1999), and whether there has been a showing of actual
19 dilution, *Moseley v. v. Secret Catalogue, Inc.*, 537 U.S. 418, 433-34 (2003); *see also Nissan*
20 *Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1010 (9th Cir. 2004); *Perfumebay.com*, 506
21 F.3d at 1180. This statement that an injunction is appropriate when the defendant "is making
22 commercial use" confirms the Ninth Circuit's interpretation that the injunction remedy is intended
23 to allow courts to put a stop to ongoing diluting behavior. Here, there is no ongoing diluting
24 behavior to enjoin, and Apple cannot credibly claim to suffer any significant hardship in the
25 absence of a trade dress injunction.

26 The parties have cited, and the Court is aware of, no cases applying the *eBay* factors to
27 trade dress or trademark dilution injunctions. However, Apple appears to believe that, though there
28 is no harm requirement for a trade dress injunction, the other three *eBay* factors – inadequacy of

1 money damages, balance of the hardships, and public interest – still bear on the appropriateness of
2 an injunction in this context. *See* Reply at 6. The law is clear that trade dress dilution injunctions
3 issue “subject to the principles of equity.” 15 U.S.C. § 1125(c)(1). Moreover, the Supreme Court’s
4 ruling in *eBay* held that patent cases are subject to the same four-part injunction analysis as other
5 civil cases. This ruling would indicate that the same four-part analysis would apply to other
6 intellectual property cases, such as those involving trade dress dilution. Accordingly, the Court
7 will consider each of the three remaining *eBay* factors in turn.

8 **B. Inadequacy of Money Damages**

9 Apple has argued that money cannot compensate Apple for the harm it has suffered and
10 will continue to suffer. Mot. at 9-10. Specifically, Apple argues that its lost downstream sales
11 cannot be calculated to a reasonable certainty, and thus cannot be compensated with a monetary
12 award. “Difficulty in estimating monetary damages is evidence that remedies at law are
13 inadequate.” *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 703-04 (Fed. Cir. 2008).

14 As noted above, the Court agrees that Apple has likely suffered, and will continue to suffer,
15 the loss of some downstream sales. The Federal Circuit has confirmed that “the loss of customers
16 and the loss of future downstream purchases are difficult to quantify, [and] these considerations
17 support a finding that monetary damages would be insufficient to compensate Apple.” *Apple I*,
18 678 F.3d at 1337.

19 Samsung argues that the fact that Apple sought – and was awarded – significant damages
20 demonstrates that damages can indeed compensate Apple. However, Apple has alleged multiple
21 forms of harm. The fact that the jury was able to put a number on the harm Apple has suffered in
22 terms of sales already lost directly to Samsung does not necessarily mean that those damages
23 captured the full extent of Apple’s harm. Indeed, if this were the case, no Court would ever award
24 both damages and an injunction for the same infringement, but Courts do so routinely. *See, e.g.,*
25 *i4i Limited Partnership v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010). Thus, Apple’s evidence
26 of lost downstream sales does provide some evidence that Apple may not be fully compensated by
27 the damages award.
28

1 However, Apple's licensing activity suggests that Apple does not believe that these patents
2 are priceless, such that there can be no fair price set for Samsung's practice of the claimed
3 inventions or designs. Both parties discuss the evidence of Apple's previous licenses and offers for
4 these and other patents. Apple claims that it "would not willingly license the infringed patents and
5 designs for use in iPhone knockoffs," Mot. At 10. Apple attempts to draw a distinction between
6 the current injunction request and the licenses to which Apple has agreed in the past. But Apple's
7 past licensing behavior does not demonstrate that it treats either these specific patents, or Samsung
8 as a licensing partner, as somehow off limits. Specifically, Apple offered Samsung a license to
9 some of Apple's patents. *See* DX 586 (Apple presentation describing license offer to Samsung).
10 Apple has also licensed the precise utility patents at issue here, in agreements with Nokia ('381
11 patent), IBM ('915 patent; '163 patent), and HTC ('381 patent; '915 patent; '163 patent). *See*
12 Pierce Decl., Ex. 12-1, 12-2; Beecher Decl., ECF No. 2194, at Exh. 1. Further, when asked if
13 Apple ever licenses its "unique user experience IP," Apple's top licensing executive, Boris Teksler,
14 said, "Certainly over time we have." Tr. at 1955:23-1956:1, 1957:5. The fact that Apple is now
15 expressing an unwillingness to license these properties does not change the fact that Apple has, in
16 the past, felt that money was a fair trade for the right to practice its patents, and that Apple has in
17 the past been willing to extend license offers to Samsung.

18 Moreover, although trade dress is not generally a form of intellectual property that is
19 licensed to competitors, Mr. Teksler did testify that the "unique user experience IP" that Apple has
20 previously licensed includes trade dress, along with design patents, and some utility patents. *Id.* at
21 1956:9-12. Thus, there is some evidence that Apple has not always insisted on exclusive use of its
22 trade dress, but rather has found money to be an acceptable form of compensation.

23 In sum, the license evidence cuts in Samsung's favor. Apple does not seek "to retain
24 exclusive use of its invention," as did the plaintiff in *i4i*. 598 F.3d at 862. Rather, Apple does
25 appear willing, at times, to use its patents, including several of the patents at issue here, and even
26 its trade dress, as tools in forging relationships and generating income. Further, Apple has agreed
27 to licenses with companies with whom it competes, including Samsung. Though after *eBay* this
28

fact alone could not justify an injunction, *see eBay*, 547 U.S. at 393, it certainly weighs in Samsung's favor.

Finally, courts have considered the defendant's ability to pay in considering the adequacy of damages. *See, e.g., Robert Bosch*, 659 F.3d at 1155. Here, there is no suggestion that Samsung will have any difficulty paying the damages it owes. This fact serves to further reinforce the fact that Apple will be substantially compensated for its injuries without an injunction.

In sum, the 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, but Apple's licensing activity makes clear that these patents and trade dresses are not priceless, and there is no suggestion that Samsung will be unable to pay the monetary judgment against it. Accordingly, the Court finds that this factor favors Samsung.

C. Balance of Hardships

This factor "assesses the relative effect of granting or denying an injunction on the parties." *i4i*, 598 F.3d 831, 862. Here, neither party would be greatly harmed by either outcome. Apple has not identified any hardship it would face in the absence of an injunction. Apple's only argument that the balance of hardships weighs in its favor seems to be its claim that Samsung's conduct was willful.⁷ *See* Mot. at 10-11. An injunction, however, may not be used as a punishment. *See Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951, 969 (N.D. Cal. 2009) ("[A]n injunction may deter future harm, but it may not punish."). A finding of willfulness would not change the effect the injunction will have on Apple. Apple's argument that willfulness tips the balance of hardships in Apple's favor thus appears to depend on an impermissible use of an injunction as punishment. Apple has not identified any other hardship.

If an injunction were granted, Samsung would not be able to sell any of the twenty-six products found to infringe Apple's patents. But as Samsung has made clear in its briefing, it no longer sells 23 of these products in any form, Opp'n at 13-14, and has already begun to implement

⁷ Apple's briefs argue that the balance of *equities* tips in its favor – not the balance of hardships. Though historically the factor has been denominated using both terms, recent Supreme Court and Federal Circuit cases have consistently referred to the balance of *hardships*. *See eBay*, 547 U.S. at 391; *i4i*, 598 F.3d at 862; *Robert Bosch*, 659 F.3d at 1156;

1 design-arounds for the three products it does still make.⁸ *Id.* What is more, Samsung has entirely
2 stopped selling the six trade dress diluting products. Having made this argument in the hopes of
3 establishing that Apple cannot be harmed, Samsung cannot now turn around and claim that
4 Samsung will be burdened by an injunction that prevents sale of these same products.

5 Samsung has further argued that an injunction would “disrupt[] its relationships with
6 carriers who may be selling pre-existing stock and with consumers who may still be using the
7 accused products.” *Id.* at 18. But Samsung has not explained *how* an injunction would cause the
8 asserted disruptions, or what hardship they would actually present for Samsung, as opposed to
9 hardship for the carriers and consumers. Further, carriers who sold the infringing products have
10 assumed the risk of this type of disruption. Courts have found that “one who elects to build a
11 business on a product found to infringe cannot be heard to complain if an injunction against a
12 continuing infringement destroys the business so elected.” *Telebrands Direct Response Corp. v.*
13 *Ocation Commc’ns, Inc.*, 802 F. Supp. 1169, 1179 (D.N.J. 1992). Harm to consumers is more
14 appropriately considered under the fourth factor, addressed below. As neither party will suffer any
15 particularly great hardship based on either outcome, the Court finds that this factor is neutral.

16 **D. Public Interest**

17 Courts have recognized that “the touchstone of the public interest factor is whether an
18 injunction, both in scope and effect, strikes a workable balance between protecting the patentee’s
19 rights and protecting the public from the injunction’s adverse effects.” *i4i*, 598 F.3d at 863.
20 Courts consider “the harm that an injunction might cause to consumers who can no longer buy
21 preferred products because their sales have been enjoined, and the cost to the judiciary as well as to
22 the parties of administering an injunction.” *Motorola*, 2012 WL 2376664 at *20.

23
24
25 ⁸ The Federal Circuit’s recent decision in *Edwards Lifesciences v. Corevale*, 699 F.3d 1305 (Fed.
26 Cir. 2012), does not render this fact any less relevant. The court in *Edwards* did reverse the denial
27 of an injunction that had been granted in part in reliance on the defendant’s statement that it was
28 going to stop manufacturing in the United States, depriving the injunction of its practical effect,
and thus largely stripping the balance of hardships and public interest factors of their power. Slip
Op. at 18-19. The Federal Circuit reversed the denial, noting that the defendant had not, in fact,
ceased manufacture in the United States, making that basis for denying an injunction erroneous.
Id. at 19. It did not suggest that district courts should not consider the practical effect, or lack
thereof, of an injunction.

Here, the injunction Apple has sought is extremely broad, and would prevent the sale of 26 specific products, as well as other potential future products incorporating the protected features. Relief of this breadth is significantly less likely to be in the public interest than a very narrowly tailored injunction. *See i4i*, 598 F.3d at 863 (finding that a very narrow injunction has less of an impact on the public than would a broad injunction).

Apple has articulated just one argument that an injunction would be in the public interest: the public's interest in preserving the rights of patentholders. Mot. At 11. 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." *See Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 1985).

On the other hand, Samsung has identified some potential consequences of the requested injunction that would not be in the public interest. Specifically, Samsung has argued that an injunction would be disruptive to suppliers, retailers, carriers, and customers. Opp'n at 19. The Federal Circuit has agreed that disruption to carriers and other third parties can weigh against an injunction. *See Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 704 (Fed. Cir. 2008). However, if Samsung is to be believed that it is no longer manufacturing or selling any infringing phones, then this disruption will be limited to existing stock, and would surely be brief.⁹ Further, third-party retailers should not be protected from the disruption when they have been benefitting from Samsung's infringement. As explained above, Courts have recognized that "one who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against a continuing infringement destroys the business so elected." *Telebrands*, 802 F. Supp. at 1179.

Samsung has also argued that an injunction would cause great harm to the public because it would reduce competition in the phone market, leaving customers beholden to Apple, who cannot meet the demand for phones. Samsung overstates the danger. Consumers will have substantial choice of products, even if an injunction were to issue. Apple and Samsung, despite being direct competitors, are not the only suppliers of mobile phones in the market, nor are Samsung's

⁹ At the December 6, 2012 hearing, Samsung represented that there were approximately 77,000 infringing units currently with retailers that could be subject to Apple's requested injunction.

1 infringing phones the only phones Samsung offers. Even if Samsung were able to establish that
2 Apple will not be able to supply as many iPhones as the market would like to buy – and the news
3 reports of such rumors Samsung cites, *see opp’n* at 19, are clearly insufficient to establish any such
4 thing – it does not follow that an injunction removing three of Samsung’s products from the market
5 would leave customers with no other smartphone options.

6 However, the injunction would make certain phones unavailable to consumers. It would
7 not be equitable to deprive consumers of Samsung’s infringing phones when, as explained above,
8 only limited features of the phones have been found to infringe any of Apple’s intellectual
9 property. Though the phones do contain infringing features, they contain a far greater number of
10 non-infringing features to which consumers would no longer have access if this Court were to issue
11 an injunction. The public interest does not support removing phones from the market when the
12 infringing components constitute such limited parts of complex, multi-featured products.

13 In addition, Samsung argues that an injunction would create an administrative burden on
14 the Court, as it would require the Court’s continuing supervision to enforce. This is likely true,
15 though on its own, it does not carry significant weight.

16 Finally, regarding trade dress, the Court finds that, in the absence of case law authorizing a
17 trade dress dilution injunction where there are no diluting products still on the market, an
18 injunction cannot be in the public interest. The potential for future disruption to consumers would
19 be significantly greater if this Court were to issue an injunction, and such disruption cannot be
20 justified in the absence of clear authority.

21 In sum, while the public interest does favor the protection of patent rights, it would not be
22 in the public interest to deprive consumers of phones that infringe limited non-core features, or to
23 risk disruption to consumers without clear legal authority.

24 **E. Summary**

25 Weighing all of the factors, the Court concludes that the principles of equity do not support
26 the issuance of an injunction here. First and most importantly, Apple has not been able to link the
27 harms it has suffered to Samsung’s infringement of any of Apple’s six utility and design patents
28 that the jury found infringed by Samsung products in this case. The fact that Apple may have lost

1 customers and downstream sales to Samsung is not enough to justify an injunction. Apple must
2 have lost these sales *because* Samsung infringed Apple's patents. Apple has simply not been able
3 to make this showing. Though this is a case where the "plaintiff practices its invention and is a
4 direct market competitor," *Edwards Lifesciences*, 699 F.3d at 1315, it is not a case where the
5 patented inventions are central to the infringing product. Without the required causal nexus, the
6 parties' status as direct competitors simply does not justify an injunction.

7 Further, the Court has found that neither the inadequacy of money damages nor the public
8 interest favors an injunction here, for either patent infringement or trade dress dilution. Regarding
9 trade dress dilution specifically, as explained above, the case for an injunction is especially weak,
10 because there are no diluting products still available, even without an injunction.

11 Finally, this Court has previously noted the relevance to the present situation of Justice
12 Kennedy's observation in *eBay*:

13 "When the patented invention is but a small component of the product the
14 companies seek to produce and the threat of an injunction is employed simply for
15 undue leverage in negotiations, legal damages may well be sufficient to compensate
16 for the infringement and an injunction may not serve the public interest."

17 547 U.S. at 396-97. The phones at issue in this case contain a broad range of features, only a small
18 fraction of which are covered by Apple's patents. Though Apple does have some interest in
19 retaining certain features as exclusive to Apple, it does not follow that entire products must be
20 forever banned from the market because they incorporate, among their myriad features, a few
21 narrow protected functions. Especially given the lack of causal nexus, the fact that none of the
22 patented features is core to the functionality of the accused products makes an injunction
23 particularly inappropriate here.

24 This case is simply not comparable to *i4i* or to *Edwards*, the Federal Circuit's most recent
25 case discussing permanent injunctions in the patent context. In *i4i*, the plaintiff was a very small
26 company whose business depended on its patented product, and the defendant was a large company
27 of whose business, the infringing product was but a small part. Thus, the defendant's infringing
28 product "significantly change[d] the relevant market. . . forcing i4i to change its business strategy."
598 F.3d at 862. Without an injunction, there was simply no way for the plaintiff to continue to

1 compete. Here, Samsung may have cut into Apple's customer base somewhat, but there is no
2 suggestion that Samsung will *wipe out* Apple's customer base, or force Apple out of the business
3 of making smartphones. The present case involves lost sales – not a lost ability to be a viable
4 market participant. *Edwards* involved a patent that was much more central to the infringing
5 product than the patents at issue here; there was no doubt that the patented technology in that case
6 was a central force driving sales of the infringing product. 699 F.3d at 1308 (describing a
7 prosthetic heart valve implanted by use of a collapsible stent, and a patent for the necessary
8 collapsible stent). If the patents at issue here were similarly essential to the core of Samsung's
9 products, the Court might see things differently.

10 In sum, to the limited extent that Apple has been able to show that any of its harms were
11 caused by Samsung's illegal conduct (in this case, only trade dress dilution), Apple has not
12 established that the equities support an injunction. Accordingly, Apple's motion for a permanent
13 injunction is DENIED.

14 **IT IS SO ORDERED.**

15 Dated: December 17, 2012


LUCY H. KOH
United States District Judge