No. 21-746

IN THE

Supreme Court of the United States

APPLE INC.,

Petitioner,

v.

QUALCOMM INCORPORATED,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SUPPLEMENTAL BRIEF FOR PETITIONER

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INTRODUCTION

Petitioner Apple Inc. respectfully submits this supplemental brief in light of the invitation brief filed by the United States in this matter.

The government does not deny that this case presents an important issue of Article III standing that has already produced a dissent in the court of appeals in a follow-on case, *see* Pet., *Apple Inc.* v. *Qualcomm Inc.*, No. 21-1327 (U.S. Apr. 1, 2022), and that the question presented is only going to recur if this Court does not resolve it, *see* Leahy & Issa Br. 17; Engine Advocacy Br. 22. The government's recommendation that the Court nonetheless deny certiorari is based on a regrettable disregard of this Court's governing precedent—

indeed, the government does not even cite *Altvater* v. *Freeman*, 319 U.S. 359 (1943), or *Cardinal Chemical Co.* v. *Morton International, Inc.*, 508 U.S. 83 (1993), and confines *MedImmune, Inc.* v. *Genentech, Inc.*, 549 U.S. 118 (2007), so narrowly as to render it virtually meaningless in the portfolio licensing context. When those cases are properly applied, they show that Apple has standing to challenge the validity of patents that—but for the parties' license agreement—Qualcomm would unquestionably accuse Apple of infringing.

While the government ventures that Apple could have introduced certain hypothetical categories of evidence in support of standing, no such evidence is needed under this Court's precedent. In any event, the Federal Circuit was clear that what doomed Apple's standing was one thing and one thing only: "the validity of the challenged patents would not impact Apple's ongoing payment obligations" given other patents in the portfolio, Pet. App. 8a—a statement that would describe countless portfolio licensees. If nothing else, therefore, the government's brief demonstrates the sharp disagreement over an important issue with broad real-world impact. The Court should grant certiorari and resolve it.

ARGUMENT

I. THE GOVERNMENT IGNORES OR MISINTERPRETS THIS COURT'S PRECEDENT, WHICH DEMONSTRATES THAT APPLE HAS STANDING

A. No one disputes the predicament Apple faces: it must either continue to pay royalties even while believing the two patents at issue are invalid, or stop making payments and face an infringement suit, with its attendant risk of "'actual [and] treble damages.'"

MedImmune, 549 U.S. at 132 (brackets in original). In other words, if Apple were to repudiate the license agreement based on its conviction that the '037 and '362 patents are invalid, Qualcomm would sue and seek to impose the same "serious consequences" that this Court has held a licensee need not endure to satisfy Article III jurisdiction. *Id.* at 122. After all, Qualcomm has not denied that it would sue if Apple stopped making payments, and Qualcomm is highly likely to sue given that it has sued on these very patents before and refused to grant Apple an irrevocable license through the patents' expiration. That provides a "concrete and particularized injury" that satisfies Article III under *MedImmune* (U.S. Br. 10). Even Qualcomm has conceded that *MedImmune* recognized Article III injury based on "the near-certainty of an infringement action if [a licensee] repudiated the agreement." Opp. 9.

The only difference between the coercive circumstances that Apple faces and those at issue in *MedImmune* is that, in the words of the Federal Circuit, "the license agreement [here] involves tens of thousands of patents." Pet. App. 7a. But as Judge Newman explained in the follow-on decision involving the same parties, Apple's "concern is with the patents here on appeal, not a portfolio of patents for which no infringement charge has been made," and in that situation "extensive precedent" shows that "a patent licensee has standing to challenge validity of the patents to which it is licensed, including challenge in federal court on appeal from [IPR] decisions." *Apple Inc.* v. *Qualcomm Inc.*, 17 F.4th 1131, 1140-1141 (Fed. Cir. 2021) ("*Apple II*") (Newman, J., dissenting), *pet. for cert. filed*, No. 21-1327 (U.S. Apr. 1, 2022).

Insofar as the government focuses on the fact that the parties in *MedImmune* had a contractual dispute

over whether royalties were owing in light of patent invalidity (U.S. Br. 13-15), this Court explained that the contractual claim "probably makes no difference to the ultimate issue of subject-matter jurisdiction." 549 U.S. at 123. The "relevant coercion" supporting jurisdiction was "not compliance with the claimed contractual obligation, but rather the consequences of failure to do so," meaning the potential infringement suit and its remedies. *Id.* at 130 n.9 & 132. The government offers no response to the Court's emphasis on those consequences, even while speculating what the Court might have meant in disavowing the relevance of any contractual dispute (U.S. Br. 18).

For all its attempt to harmonize the decision below with *MedImmune*, moreover, the government is notably silent on *Altvater* and *Cardinal Chemical*, which, as Apple explained, reinforce its standing. *See* Pet. 16-17; Reply Br. 6. In *Altvater*, this Court upheld jurisdiction based on the "risk" that, if the licensees stopped making payments, they would face "not only actual but treble damages in infringement suits." 319 U.S. at 365. And in *Cardinal Chemical*, this Court explained that "[i]f, in addition to th[e] desire [to avoid patent enforcement], a party has actually been charged with infringement of the patent, there is, *necessarily*, a case or controversy adequate to support jurisdiction." 508 U.S. at 96. Apple faces the same risk as in *Altvater*, and its standing to challenge the '037 and '362 patents is further supported by *Cardinal Chemical* because Qualcomm has already sued Apple for infringement of those patents. That the government fails to address either case at all speaks volumes about the unsoundness of its doctrinal analysis.

B. The thrust of the government's argument is that Apple lacks standing because of the "evidentiary rec-

ord." U.S. Br. 10-11; *see also id.* 16, 18, 19-20. But the government's demand that Apple have proffered particular evidence only begs the question whether such evidence was required in the first place, which is precisely the issue this Court should grant certiorari to decide. The fact that the government disagrees with Apple on the answer to that question is not a reason to deny review of the important and recurring question itself. And in any event, the government is wrong that such evidence is needed.

First, to the extent the government, like the Federal Circuit, believes Article III requires proof that invalidating the patents-in-suit would change Apple's royalty payments (e.g., U.S. Br. 10), Apple has already explained above why that is incorrect. The injury-in-fact that *MedImmune*, *Altvater*, and *Cardinal Chemical* require is the coercion stemming from the near-certainty of an infringement suit and the serious consequences it could impose; they do not require a specific effect on royalty payment obligations.

Second, the government's insistence on evidence that, "but for the '037 and '362 patents, [Apple] would not have signed (or would now repudiate) its license agreement" (U.S. Br. 10) is baffling. That is simply not how portfolio licensing works in practice. Indeed, the whole point of portfolio licensing is to avoid the burdensome task of evaluating and negotiating over each individual patent and its claimed technology, to create efficiency and certainty for the licensee. Pet. 28-29. Moreover, the evidence the government demands is not required to show that the patents cause an injury-in-fact to Apple that would be redressed by their invalidation. That injury instead is shown by Qualcomm's demonstrated willingness to sue on the patents, but for the license agreement. If the government is doubting

whether Qualcomm would bring an infringement suit based on the '037 and '362 patents, as opposed to other patents in the portfolio, that doubt is dispelled by the fact that, out of all the patents in its portfolio, Qualcomm *chose* to assert these two patents in its previous suit against Apple before and has not denied that it would sue Apple on them again.

Contrary to the government's argument, moreover, Apple does not need to show that Qualcomm's "ownership of the '037 and '362 patents is coercing [Apple] to maintain a license agreement that it would otherwise decline" (U.S. Br. 10). In *MedImmune*, the Court inquired whether MedImmune's payment of royalties eliminated an otherwise live case or controversy, and answered no. 549 U.S. at 128. The same question arises here, only in the added context of portfolio licensing: given Qualcomm's prior suit, do Apple's ongoing payments under the license agreement *extinguish* Apple's standing to challenge the validity of the licensed patents merely because other patents are also licensed? The answer, as in *MedImmune*, is no.

Third, although the government argues (U.S. Br. 10) that there is "no evidence that the '037 and '362 patents are constraining [Apple's] manufacturing or sales choices," that is true of any licensee that has not repudiated the license agreement, including the licensee in *MedImmune*. Again, the "serious consequences" that supported Article III jurisdiction in *MedImmune* were consequences of failure to pay, not of continued payments. 549 U.S. at 122, 131-132.

C. As Apple explained, the Federal Circuit did not deny that, had the parties entered into two individual licenses with separate royalties for the two asserted patents, Apple would have had Article III standing to

maintain its appeals under *MedImmune*. The court's analysis thus effectively limits *MedImmune* to single-patent licenses. The government purports to disclaim that result (U.S. Br. 18-20), but its arguments lack merit and, if adopted, would discourage portfolio licenses.

At the outset, the government concedes that, under its approach, "standing generally will be obvious" in cases involving single-patent licenses but "less clear" where, as here, "a license agreement covers a large number of patents and royalties are not set on a patent-by-patent basis." U.S. Br. 19. Although the government asserts that portfolio licensees can overcome that hurdle by introducing "specific evidence" discussed above, such evidence is not necessary for the reasons just explained and, at any rate, undeniably burdens portfolio licensees, thereby disincentivizing the use of such licenses. *See also infra* Part II.

The government's acknowledged burden on portfolio licensees is particularly unjustified because, as this Court recognized in *Village of Arlington Heights* v. *Metropolitan Housing Development Corp.*, a party has standing to press a challenge that would remove one legal barrier to obtaining relief, notwithstanding other independent barriers, so long as there is a "'substantial probability'" of obtaining the relief with the removal of the barrier at issue. 429 U.S. 252, 264 (1977). Judge Newman recognized as much, explaining in the follow-on decision that "a licensee has standing to challenge validity even though other barriers to commercial activity remain in place." *Apple II*, 17 F.4th at 1141 (Newman, J., dissenting) (citing *Apotex, Inc.* v. *Daiichi Sankyo, Inc.*, 781 F.3d 1356, 1364-1365 (Fed. Cir. 2015)).

The government hardly engages with *Arlington Heights*, claiming only that Apple has not "even alleged a 'substantial probability'" of relief. U.S. Br. 18. To the contrary, Apple explained in its petition that the Federal Circuit's invalidation of the '037 and '362 patents would remove a significant barrier to eliminating Qualcomm's threat, since invalidation would reduce the magnitude of Apple's potential liability and the scope of any potential injunction. Pet. 21. Apple was not required to also establish, as the government contends (U.S. Br. 20), that its challenges to the patents at issue are "part of a broader effort to eliminate its need for the license agreement." The relevant question under *Arlington Heights* (as informed by *MedImmune*, *Altvater*, and *Cardinal Chemical*) is whether a licensee faces a threat of an infringement suit that can be eliminated one patent at a time. Apple unquestionably does, given that Qualcomm chose to enforce the '037 and '362 patents among the tens of thousands in the portfolio and does not deny that it will do so again if Apple stops making royalty payments.[1]

II. IF LEFT IN PLACE, THE FEDERAL CIRCUIT'S DECISION WILL BE INCREASINGLY DISRUPTIVE TO THE PATENT SYSTEM

As this Court has explained, "our competitive economy" depends on "keeping open the way for inter-

[1] The government's argument that invalidation of the '037 and '362 patents would not "redress any injury to" Apple (U.S. Br. 11) fails for the same reasons. Further, as the Federal Circuit has explained, where, as here, "Congress has accorded a procedural right to a litigant," "certain requirements of standing," including redressability, "may be relaxed." *Consumer Watchdog* v. *Wisconsin Alumni Rsch. Found.*, 753 F.3d 1258, 1261 (Fed. Cir. 2014) (citing *Massachusetts* v. *EPA*, 549 U.S. 497, 517-518 (2007)).

ested persons to challenge the validity of patents which might be shown to be invalid." *Edward Katzinger Co.* v. *Chicago Metallic Mfg. Co.*, 329 U.S. 394, 400-401 (1947). Yet based on a misapplication of this Court's precedent, the Federal Circuit's decision significantly restricts licensees' ability to challenge questionable patents. The Court should correct this mistake before it inflicts further harm. *See* Leahy & Issa Br. 17-18 (noting that the "Federal Circuit's errors in this case are not limited to Apple and Qualcomm or even the electronics industry" and that "[w]ithin months, the Federal Circuit applied the precedent of this case" in another context).

Patent owners such as Qualcomm often demand licensing of entire portfolios, rather than individual patents. While the government surmises (U.S. Br. 20) that, under the Federal Circuit's standard, "there are various ways in which licensees operating under multi-patent licenses can seek to establish standing to challenge particular patents covered by the license," not only are the government's purported "ways" unjustified, but the licensor-licensee dynamic could make such alternatives practically difficult, if not impossible, to achieve. For example, licensees presented with take-it-or-leave-it portfolio license agreements are not in a position to insist that royalty payments be calculated on a patent-by-patent basis. And even if a portfolio licensee could somehow structure a license agreement such that invalidation of one or more covered patents would alter royalty payments, Article III standing should not depend on the happenstance of how parties structure portfolio licenses. *See* Reply Br. 8-9. The government largely turns a blind eye to that reality, thereby allowing patent owners to negotiate themselves out of Arti-

cle III jurisdiction by licensing patents in bulk, rather than one-by-one.

Nor does the government engage with the broad impact this evasion of *MedImmune* would have. First, the Federal Circuit has exclusive jurisdiction over patent appeals, 28 U.S.C. § 1295(a)(1), (4), and therefore its narrow approach to standing has "special importance to the entire Nation," *Cardinal Chem.*, 508 U.S. at 89. Second, portfolio licensing is increasingly common. *See* Leahy & Issa Br. 17 ("Multi-patent and entire-portfolio licenses like Apple's and Qualcomm's are increasingly common."); Engine Advocacy Br. 22 ("Portfolio licensing has proliferated over the last two decades and is currently a very common practice."). And if this Court were to signal that *MedImmune* can be circumvented with multi-patent licenses by denying review in this case, licensors will only be more emboldened to insist on them in the future. This will unfairly undermine licensees' ability to rely on a valuable tool that produces efficiencies for everyone. Pet. 28-29. As the amici explain, the practical consequences of such an outcome are severe. *See* Engine Advocacy Br. 4 (explaining the "stark" "practical consequences"); Leahy & Issa Br. 2 (the Federal Circuit's approach to standing "threatens to undermine one of the major achievements of" the Leahy-Smith America Invents Act); Unified Patents Br. 4-10 (the question presented is a recurring issue); Thales Br. 2 (patent owners "are likely to seize on the Federal Circuit's decision" to "restrict the ability" of portfolio licensees to challenge questionable patents). And the impact will hit smaller companies particularly hard. *See* Engine Advocacy Br. 4 ("Startups, small businesses, and the broader public bear the burden of wrongly-granted patents which unjustly ob-

struct innovation, competition, and access to technology.").

The standing rule supported by the government here is also bad policy. It would mean that a portfolio licensee who settles a suit would effectively lose the right to appeal an unfavorable IPR decision, even though, as this Court explained, "[l]icensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery," *Lear, Inc.* v. *Adkins*, 395 U.S. 653, 670 (1969). And as Qualcomm has indicated it will argue, statutory estoppel might prevent the licensee from reasserting invalidity if the patent owner sues again after the license expires. *See* 35 U.S.C. § 315(e); Pet. 24-25. Under the Federal Circuit's approach, then, the only way for a portfolio licensee to be sure it can challenge patent validity is to repudiate the portfolio license agreement and face the consequences of an infringement suit—a result that this Court expressly rejected in *MedImmune*.

At bottom, the government's contention that the Federal Circuit's decision is only a "case-specific determination" based on "the particular terms of the license agreement between the parties" (U.S. Br. 8) rings hollow. Qualcomm and the government essentially concede that, under the Federal Circuit's rule, standing will be far more difficult to demonstrate under a portfolio license than under a single-patent license. *See* Opp. 18; U.S. Br. 19. This is contrary to *MedImmune* and the strong federal policy of allowing challenges to questionable patents in court. Given the widespread and growing use of portfolio licenses, this Court should grant review and decide the question presented now.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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