

No. 21-746

In The
Supreme Court of the United States

APPLE INC.,

Petitioner,

v.

QUALCOMM INCORPORATED,

Respondent.

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

**BRIEF OF *AMICUS CURIAE* THALES
IN SUPPORT OF PETITIONER**

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INTEREST OF *AMICUS CURIAE*¹

Thales DIS AIS Deutschland GmbH and Thales DIS AIS USA LLC (together, “Thales”) is an industry leader in the field of machine-to-machine (“M2M”) communications. M2M communication is crucial in a range of industries including healthcare, retail services, smart energy, transportation, logistics, and automotives.

Thales develops and makes wireless network access modules that enable devices and machines to communicate and exchange data with other devices and machines. Thales’ wireless modules are compatible with the 3G UMTS, 4G/LTE and 5G mobile communication standards promulgated by the European Telecommunications Standards Institute (“ETSI”). Adherence to these standards ensures the interoperability of all the devices on the networks and is thus a commercial necessity.

Patent owners have self-declared tens of thousands of patents as potentially “essential” to one or more of these standards, meaning that the standards could not be implemented without using technology covered by the patents. Although it is well-known that many of these self-declared “standard-essential patents” or “SEPs” are not in fact essential to

¹ Pursuant to Rule 37.6, *amicus* affirms that no counsel for a party authored this brief in whole or in part and that no person other than *amicus* or its counsel have made any monetary contributions intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2, counsel of record for all parties received notice of *amicus*’ intent to file this brief at least ten days before the due date. Counsel for the parties have provided written consent to the filing of this brief.

any standard or even valid, the large number of SEPs typically makes it impractical to analyze each individual patent during licensing negotiations. Companies implementing these standards in the telecommunication and the M2M communications industries will likely need to take, and often do take, entire portfolio licenses. The ability of licensees to challenge individual patents in licensed portfolios is, however, an important check on the otherwise unhampered proliferation of self-declared SEPs.

The Federal Circuit's recent limitation of *MedImmune's* holding could curtail the opportunity to challenge the validity of these self-declared SEPs and remove those that are invalid from the pool of patents that must be licensed by all implementers of the relevant standards. Thales accordingly supports the petition for certiorari in this case.

SUMMARY OF ARGUMENT

The petition should be granted because the Federal Circuit's decision deviates from this Court's holding in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). SEP owners are likely to seize on the Federal Circuit's decision to restrict the ability of Thales and other companies who have taken, or are likely to take, SEP portfolio licenses to challenge patents that should never have been issued or declared essential to a standard.

BACKGROUND

Standards are developed and promulgated by Standards Setting Organizations ("SSOs"), which bring together industry participants to create

technical blueprints for particular technologies. The SSOs' facilitation of standardization permits companies to rely on the interoperability of their devices with other companies' devices. Standardization thus ensures that mobile communication devices can communicate with each other regardless of brand. Standardization often overlaps with patented technologies, which can cause tension with the SSOs' goal of interoperability and access. Therefore, SSOs generally require members to declare patents that they believe are or may become essential to the standard—these are the SEPs. *See* Jorge L. Contreras, *Essentiality and Standards-Essential Patents*, in *Cambridge Handbook of Technical Standardization Law: Competition, Antitrust, and Patents*, 209, 209-10 (Jorge L. Contreras, ed., 2018).

In declaring SEPs, the patent owner receives the commercial and licensing benefits arising from the potential global adoption of its allegedly patented technology. In exchange, SSOs usually require the patent owner to commit to license the declared patents to all willing licensees on fair, reasonable, and non-discriminatory (“FRAND”) terms. *See supra* Contreras, *Essentiality and Standards-Essential Patents* at 209-10. This *quid pro quo* is necessary to prevent SEP owners from using the enormous leverage created by the established standard to extract royalties that far exceed the incremental value of the patented technology. *See, e.g.*, FTC, *Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, at 50 (Mar. 2011), <https://www.ftc.gov/reports/evolving-ip-marketplace-aligning-patent-notice-remedies-competition>.

Depending on the complexity of the standard at issue, thousands of declared SEPs may be implicated when the standard is practiced. Cellular technology is one of these particularly complex standards. *See* Justus Baron & Tim Pohlmann, *Mapping Standards to Patents Using Declarations of Standard-Essential Patents*, 27 J. Econ. & Mgmt. Strategy 504, 509-10 (2018), <https://onlinelibrary.wiley.com/doi/abs/10.1111/jems.12255>. The prevalence of so many SEPs in modern technology standards has been referred to as a “patent thicket.” *See* Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting*, 1 Innovation Pol’y & Econ. 119 (2000), <https://www.journals.uchicago.edu/doi/abs/10.1086/ipe.1.25056143>.

It is well-known that there is a rampant over-declaration of SEPs. Patent owners are incentivized to declare as many patents as possible to be essential because royalties are often commensurate with how large a share of the total number of SEPs they own. And because SEPs are self-declared, there is no check on over-declarations. One analysis found that “only 1 out of every 8 SEPs tested in court has, in fact, been valid and technically essential to practice the standard.” John (“Jay”) Jurata, Jr. & David B. Smith, *Turning the Page: The Next Chapter of Disputes Involving Standard-Essential Patents*, Competition Pol’y Int’l Antitrust Chron. 5 (Oct. 2013), <https://www.competitionpolicyinternational.com/assets/uploads/JurataSmithOct-131.pdf> (emphasis omitted); *see also* David J. Goodman & Robert A. Myers, *3G Cellular Standards and Patents*, IEEE 5 (June 13, 2005), <https://patentlyo.com/media/docs/2009/03/wirelesscom2005.pdf> (“[N]early 80% of

the patents declared essential are probably not essential for practicing the standards[.]”). Thus, 80–90% of litigated SEPs have been found by courts to not be SEPs, either because they are not actually essential or because they are invalid.

Despite the weakness of many SEPs, their sheer number—a company may own hundreds or thousands of SEPs—makes it prohibitively costly and time-consuming to evaluate more than a fraction of the SEPs at issue prior to entering into a portfolio license. Standards implementers therefore have little choice but to ultimately take licenses to SEP portfolios that are likely to contain many irrelevant and invalid patents. Barring the removal of invalid patents from licensed portfolios risks inflating the value of such portfolios. It is therefore crucial that SEP licensees retain the ability to challenge patents in such self-declared SEP portfolios, including on appeal from administrative decisions, even after a license is effected.

ARGUMENT

I. THE DECISION BELOW INCORRECTLY LIMITS THE APPLICATION OF *MEDIMMUNE*

Thales concurs with Apple that the Federal Circuit’s decision below deviates from the principles this Court established in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). There, this Court held that to satisfy Article III jurisdiction in a declaratory judgment action challenging the validity of a patent, a licensee is not required to break or terminate the license agreement. *See id.* at 123, 137.

The Federal Circuit has now cabined that holding to circumstances in which the resulting validity, or not, of the patents at issue affects the challenger's contractual rights under the license agreement. *Apple Inc. v. Qualcomm Inc.*, 992 F.3d 1378, 1383 (Fed. Cir. 2021). This is contrary to *MedImmune*, where this Court acknowledged that whether the dispute at issue was regarding a “freestanding claim of patent invalidity” or the royalties owed under the license agreement “probably makes no difference to the ultimate issue of subject-matter jurisdiction.” *MedImmune*, 549 U.S. at 123.

MedImmune rejected a formalistic view of injury in fact like the Federal Circuit's. The licensee there established Article III jurisdiction without taking the “final step” of halting royalty payments, which could have allowed the licensor to enjoin the licensee's sales. *Id.* at 128. Apple is correct to recognize that, if it had stopped making royalty payments it owed to Qualcomm under the license agreement because it believed certain patents to be invalid (the “final step”), there is no question that injury in fact would exist. And similarly, if Apple and Qualcomm had negotiated individual licenses for the two patents at issue, there would be no question regarding injury in fact. Under *MedImmune*, Apple has Article III standing.

The difference between the structure of the portfolio license agreement between Apple and Qualcomm and the license agreement in *MedImmune* is not material to the Article III injury in fact inquiry. In the decision below, the Federal Circuit highlighted that the license agreement between Apple and

Qualcomm involves tens of thousands of patents and that Apple thus had not demonstrated that the validity of the patents at issue would affect any royalty payments. *Apple*, 992 F.3d at 1383. But *MedImmune* did not in any way limit its holding to only those cases in which royalties would be affected by a validity determination. *See MedImmune*, 549 U.S. at 123. The decision below, if left in place, would improperly limit the application of *MedImmune* to single-patent licenses, where it is self-evident that a validity determination will affect a licensee's royalty payments. Thales therefore agrees with Apple that a licensee is not any less injured under Article III because it also has rights to other patents under a license agreement.

II. IF LEFT UNCORRECTED, THE FEDERAL CIRCUIT'S DECISION WILL FURTHER THE PROLIFERATION OF IRRELEVANT AND INVALID SEPS

Despite the fact that many SEPs are either not essential or invalid, the proliferation of SEPs has made portfolio licensing unavoidable. Implementing companies licensing large SEP portfolios must have the ability to examine the patents at issue to assign proper values to such portfolios either as part of a bilateral negotiation or by presenting evidence to the same effect before a tribunal setting the value for such portfolios. Thus, the Federal Circuit's incorrect cabining of *Medimmune* will likely encourage SEP owners to prevent licensees from challenging their patents in federal court, contrary to the public interest of facilitating judicial scrutiny of improperly issued patents. The Federal Circuit's portfolio licensing

loophole will lead to an increase in self-declared SEPs standing as barriers to the adoption and broad implementation of important standardized technologies.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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