

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

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

Qualcomm does not deny that if Apple were to stop making payments under the parties’ license agreement, Qualcomm would sue Apple for infringing the two patents at issue—indeed, Qualcomm did exactly that in 2017, and dismissed the suit only as a result of the settlement and license agreements. Apple accordingly faces the same coercive circumstances that supported jurisdiction in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007): Apple must either pay royalties or stop making payments and face an infringement suit, with its attendant risk of “actual [and] treble damages” and an injunction against the covered products. *Id.* at 132 (brackets in original); *see also id.* at 122.

Qualcomm's efforts to distinguish this case from *MedImmune* lack merit. Although Qualcomm argues (at 1) that Apple lacks a "concrete consequence that would follow from [the patents'] invalidation," the consequence here is the same as in *MedImmune*: removing the threat of an infringement suit and the severe consequences it could impose. It does not matter that the license agreement includes other patents that Qualcomm might also assert against Apple; each potential infringement determination presents a risk of damages or an injunction of different scope and duration, and thus a distinct injury. This Court has affirmed Article III jurisdiction over a party's challenge to remove one barrier to relief at a time, so long as there is "substantial probability" of obtaining the relief with the removal of the barrier at issue. *Village of Arlington Heights v. Metropolitan Hous. Dev. Corp.*, 429 U.S. 252, 264 (1977) (quoting *Warth v. Seldin*, 422 U.S. 490, 504 (1975)); *see also* Pet. 21. Qualcomm does not even cite, much less address, that settled precedent.

Qualcomm's attempt to characterize the Federal Circuit's decision as "fact-bound" (Opp. 1, 6-7, 14, 20) likewise falls wide of the mark. Qualcomm faults Apple for providing "no evidence that its royalty payments under its portfolio license would decrease upon the invalidation of either or both of the two patents." Opp. 1. But whether such "evidence" is required is part of the legal issue this Court should grant certiorari to resolve. Apple's point is that no such evidence is needed because Apple has just as concrete a controversy to support Article III standing as in *MedImmune*. If anything, the dispute over the asserted patents' validity is even more "well defined" than in *MedImmune* because Qualcomm has already sued Apple and does not deny that it would do so again were Apple to repudiate the

license. 549 U.S. at 128. Qualcomm cannot dismiss that dispute as “abstract” or “academic” (Opp. 2) when it has already sued Apple and, even more, chose to enforce the two patents at issue among the tens of thousands in its portfolio. Further, the Federal Circuit’s repeated demand in a later case that a patent’s invalidity alter the licensee’s royalty payments only reinforces the need for this Court’s review. The Federal Circuit has demonstrated its willingness to continue to bar parties from challenging questionable patents on appeal, contrary to Congress’s intent and the public interest.

At bottom, Qualcomm does not deny that, had the parties entered into two individual licenses with separate royalties for the two patents, Apple would have Article III standing to challenge their validity. Nor does Qualcomm dispute that portfolio licenses are common and sometimes a practical necessity and that the question presented is therefore recurring and important. The Court should not allow patent owners to evade Article III jurisdiction through the commonplace reality of portfolio licensing, while leaving licensees who suffer the same injury-in-fact as under a single-patent license without judicial review. Article III standing exists here, just as it did in *MedImmune*. The Court should grant certiorari and reverse.

ARGUMENT

I. THE FEDERAL CIRCUIT’S DECISION CONFLICTS WITH THIS COURT’S PRECEDENTS

A. Qualcomm Mischaracterizes *MedImmune*, *Altvater*, And *Cardinal Chemical*

1. Qualcomm fundamentally misunderstands *MedImmune*. To be sure, *MedImmune* held that Article III jurisdiction exists where a patent licensee “can

link the patent’s invalidation to a concrete consequence.” Opp. 6. But Qualcomm is wrong that MedImmune (the licensee there) could show such consequence only because it “demonstrat[ed] that the patent’s invalidation would reduce its royalty payments under the license agreement.” *Id.*; *accord id.* at 9. This Court made clear that that “the relevant coercion” supporting jurisdiction was “not compliance with the claimed contractual obligation” (i.e., MedImmune’s payment of royalties under the license agreement), “but rather the consequences of failure to do so”—namely, a potential infringement suit and the risk of treble damages, attorney’s fees, and an injunction against sales. 549 U.S. at 122, 130 n.9. The Court even clarified that whether or not “royalties are owing under the license agreement” in light of the alleged patent invalidity “probably makes *no difference* to the ultimate issue of subject-matter jurisdiction.” *Id.* at 123 (emphasis added); *see also* Pet. 19-20 & n.6. No reasonable reading of *MedImmune* supports Qualcomm’s assertion that Article III standing turns on “a direct link” between patent invalidity and “the payments due under the license agreement.” Opp. 9.

Even Qualcomm is forced to admit parenthetically (at 9) that *MedImmune* recognized Article III injury based on “the near-certainty of an infringement action if [a licensee] repudiated the agreement.” That correctly describes *MedImmune*’s holding and that is exactly what Apple faces. Just as in *MedImmune*, had Apple “taken the final step” of repudiating the license agreement, 549 U.S. at 128, Apple would have standing to challenge the asserted patents because of the “near-certainty of an infringement action” by Qualcomm. Qualcomm nowhere denies that it would bring that

very suit if Apple stopped paying royalties under the license agreement.

Insofar as Qualcomm argues (at 15) that Apple seeks to “rewrite” this Court’s standing doctrine, that is incorrect. Apple is not arguing that “a portfolio licensee automatically has Article III standing to challenge every patent in the license merely because it continues to pay royalties under the agreement.” *Id.* The question in *MedImmune* was whether MedImmune’s continued payment of royalties caused a live dispute that otherwise existed “no longer to be a case or controversy.” 549 U.S. at 128. The question here is similar, except in the portfolio licensing context: given Qualcomm’s prior suit, whether 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. Qualcomm cannot credibly argue (at 15) that the parties’ dispute over the validity of the asserted patents is “merely ‘academic,’” given that it has already sued Apple under those patents and does not deny that it will sue again if Apple repudiates the license agreement.

Qualcomm is equally wrong in demanding (at 16) “evidence of coercion.” Since “the relevant coercion” supporting jurisdiction under *MedImmune* is the “consequences” of a potential infringement suit, 549 U.S. at 130 n.9, Apple has more than adequately showed such coercive circumstances by identifying Qualcomm’s prior suit and its refusal to grant Apple an irrevocable license or other permanent rights to the two patents. The fact that the license agreement will expire before the patents do, and Qualcomm’s history of aggressively enforcing its patents, are icing on the coercion cake. *See* Pet. 17-18. Apple does not need further evidence that “its royalty payments would decrease if the court

invalidated these two patents” (Opp. 11), and the Federal Circuit committed legal error in holding otherwise.

2. Qualcomm fares no better in trying to distinguish *Altvater v. Freeman*, 319 U.S. 359 (1943), and *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993). Qualcomm argues (at 16) that the “evidence in *Altvater* supported standing” because patent invalidity there would have “eliminat[ed] payment obligations.” But again, that was not the focus of the Court’s analysis. As this Court explained in *MedImmune*, *Altvater* upheld jurisdiction because of the “risk” that, if the licensees stopped making payments, they would face “not only actual but treble damages in infringement suits.” 549 U.S. at 131 (quoting *Altvater*, 319 U.S. at 365); *see also* Pet. 16, 20. Apple faces the same risk.

Similarly, Qualcomm misses the point in arguing (at 17) that its prior suit was dismissed with prejudice, whereas the noninfringement determination in *Cardinal Chemical* was still “subject to review by this Court.” As this Court noted in *MedImmune*, *Cardinal Chemical* affirmed Article III jurisdiction despite “appellate affirmance of a judgment of noninfringement,” which “eliminat[ed] any apprehension of suit.” 549 U.S. at 132 n.11. In the same way, dismissal of Qualcomm’s prior suit with prejudice, even if it eliminated apprehension of any imminent suit, does not defeat Apple’s Article III standing. That is particularly so because if Apple were to repudiate the license agreement, Qualcomm could presumably sue again based on sales of products after the dismissal or seek to vacate the order dismissing its prior suit (*see* Pet. 24 n.8)—neither of which Qualcomm denies. Both scenarios are “non-speculative” (Opp. 18), since Qualcomm has refused to grant an irrevocable license through the patents’ expi-

ration. *Cf. Already, LLC v. Nike, Inc.*, 568 U.S. 85, 93, 96 (2013) (“unconditional and irrevocable” covenant not to sue removed “any fear” of a legal claim).

B. Qualcomm’s Argument Regarding Purported “Non-*MedImmune* Theories” Highlights The Federal Circuit’s Error

Qualcomm calls (at 20-21) a subset of the factors that support Apple’s standing “non-*MedImmune* theories,” but that compounds its (and the Federal Circuit’s) errors. This Court has held that, in determining Article III jurisdiction, courts must evaluate “whether the facts alleged, under *all the circumstances*, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality.” *MedImmune*, 549 U.S. at 127 (quoting *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941) (emphasis added)). Qualcomm’s artificial distinction between *MedImmune* factors and purported “non-*MedImmune*” factors—which mirrors the Federal Circuit’s flawed approach—cannot be reconciled with this Court’s precedent because those factors are related and together support the coercive circumstances that Apple faces.

At any rate, Qualcomm is wrong that there is insufficient evidence of coercion. Regardless of whether “Apple will manufacture products that would potentially infringe the two patents in 2025 or 2027” (Opp. 21), Qualcomm’s refusal to grant an irrevocable license reinforces the threat of an infringement suit *now*, should Apple cease making the payments that it currently must make to avoid an infringement suit and the attendant risk of actual and treble damages. Pet. 24. Likewise, were Apple to stop making those payments *now*, Qualcomm would sue *now*, and—absent the ability

to appeal the Board’s erroneous decisions—Apple may well be estopped from asserting patent invalidity, further reinforcing the lingering controversy. *Id.* at 24-25. Qualcomm’s suggestion that the application of estoppel is uncertain is decidedly rich, given that Qualcomm’s counsel asserted in a related case that “the statute does say that estoppel is mandated.” Oral Arg. 20:20-22:36, *Apple Inc. v. Qualcomm Incorporated*, Nos. 20-1683, 20-1763, 20-1827 (Fed. Cir. Aug. 2, 2021).

II. QUALCOMM’S REMAINING ARGUMENTS ARE MERITLESS

As Apple explained, the Federal Circuit’s decision limiting jurisdiction under *MedImmune* to single-patent licenses, while requiring a different standard for portfolio licenses, undermines important public interests and will have broad impact given the common practice of portfolio licensing. Pet. 25-30. The amici explained those consequences in detail. *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).

Notably, Qualcomm does not appear to dispute the importance of the question presented. Qualcomm concedes (at 18) that, under the Federal Circuit’s rule, standing is more easily shown under a single-patent license where “the link between invalidation and royalty payments is apparent.” While Qualcomm argues (*id.*) that the same rule applies to portfolio licenses because a licensee “may potentially establish that same neces-

sary link” through “reduced or eliminated licensing payments,” Qualcomm does not explain how. Even if a portfolio licensee could somehow show such effects on royalty payments resulting from the invalidation of one or more covered patents, that only underscores the arbitrariness of the decision below: Article III standing should not depend on the happenstance of how parties structure portfolio licenses.

Nor can Qualcomm limit the impact of the Federal Circuit’s decision by adverting to purported “evidentiary shortcomings.” Opp. 24-25. The Federal Circuit’s error consisted precisely in demanding evidence that *MedImmune* made legally irrelevant. Of the four kinds of evidence that Qualcomm chronicles (at 13), the first two concern the effect of patent invalidity on royalty payments, which *MedImmune* did not require. As for evidence that “Apple would no longer need its portfolio license agreement” if the two patents were invalidated (*id.*), this Court has recognized that 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. *Village of Arlington Heights*, 429 U.S. at 264. The petition explained this (at 21), but Qualcomm does not respond to that precedent. And contrary to Qualcomm’s assertion (at 13), Apple *has* shown that invalidation of the patents at issue would have a “cognizable consequence”: it would remove the threat of Qualcomm’s infringement suit under these patents and the serious consequences it could impose on Apple.

Likewise, the Federal Circuit’s continued application of the same erroneous standing rule in subsequent decisions does not make this case fact-bound. *Contra*

Opp. 18-19, 24-25. As an initial matter, Qualcomm identifies no case in which the Federal Circuit has upheld a *licensee's* standing to challenge the validity of a patent covered by a portfolio license. In *Samsung Electronics Co. v. Infobridge Pte. Ltd.*, 929 F.3d 1363 (Fed. Cir. 2019), for instance, Samsung was not a licensee, but a licensor. Samsung owned some of the patents in a “pool” of licensed patents, and it stood to gain from the invalidation of another patent in the pool because, under the terms of the license, “if a pool patent is declared invalid, it is removed from the pool and the other members [including Samsung] thereafter receive a higher proportion of the fixed royalty.” *Id.* at 1368. Thus, *Samsung* does not stand for the proposition that Qualcomm advances (at 19)—i.e., the Federal Circuit recognizes that a *licensee* under a portfolio license has standing under *MedImmune* if “a finding of invalidity would alter the royalty payments ... or otherwise alter the rights and obligations of the licensee.”

The other case that Qualcomm cites (at 2, 18-19)—*ModernaTx, Inc. v. Arbutus Biopharma Corp.*, 18 F.4th 1352 (Fed. Cir. 2021)—is just another application of the rule challenged here. The Federal Circuit held that the patent licensee, ModernaTx, lacked standing in part because the invalidity of the patent at issue would not change its contractual obligations “while the remaining licensed patents continue to exist.” *Id.* at 1362. The Federal Circuit’s continued application of that incorrect rule underscores that it will not correct its error itself, and this Court’s intervention is urgently needed.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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