

Apple, Inc. v. Samsung Electronics Co., Ltd.: Appellate Court Decision Sets Stage for Next Skirmish in the Smart Phone Wars

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A unanimous panel of the U.S. Court of Appeals for the Federal Circuit has concluded that the district court was within its discretion to deny Apple permanent injunctive relief in connection with its assertion of design patents against Samsung's smartphone but, with regard to Apple's utility patent, remanded the matter to the district court to determine if Apple presented sufficient evidence to establish a causal nexus between the claimed (infringing) features and consumer demand for the phones. ***Apple, Inc. v. Samsung Electronics Co., Ltd., Case No. 13-1129*** (Fed. Cir. Nov. 18, 2013) (Prost, J.).

After a July 2012 jury trial, 26 Samsung smartphones were found to infringe on one or more of Apple's six asserted patents. Six of those smartphones were also found to dilute Apple's iPhone trade dress. Apple then requested, but was denied, relief in the form of a permanent injunction. This appeal followed

In terms of the utility patents, the issue was whether there was a “**sufficiently strong causal nexus**” between the alleged irreparable harm (*i.e.*, lost market share, lost future sales and injury to the Apple “ecosystem”) and the alleged infringement.

Apple argued that in the context of a permanent injunction (as opposed to a preliminary injunction) there should be no “causal nexus” requirement. The Federal Circuit disagreed, explaining that the causal requirement is part of the irreparable harm analysis and simply a way of distinguishing between irreparable harm caused by patent infringement and irreparable harm caused by otherwise lawful competition. The panel, quoting its earlier decision in this case (*IP Update*, Vol. 15, No. 11) further explained “that the causal nexus requirement ‘informs whether the patentee’s allegations of irreparable harm are pertinent to the injunctive relief analysis, *or whether the patentee seeks to leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant.*’” (emphasis in original)

The Court did, however, remand the matter for the district court to reconsider the request for injunctive relief, as the district court's decision contained several errors in the irreparable harm part of the injunction analysis. First, the analysis appeared to be predicated on requiring the causal nexus be a “sole” or “exclusive” reason (for consumer demand), rather than simply be proven to have a

nexus or a connection to consumer demand. The Federal Circuit also explained that on remand, depending on the circumstances presented, the district court could consider the causal nexus requirement viewing the patents in the aggregate (not necessarily on a patent-by-patent basis).

In addition, the Federal Circuit found error in the district court's equating Samsung's ability to pay monetary damages with an absence of irreparable harm. The Court explained that while an inability to pay damages is indicative that money damages are inadequate, the ability to pay damages does not make money damages adequate. Rather, a court must consider all relevant considerations "to determine whether a damages award will adequately compensate the patentee for the harm caused by continuing infringement."

Insofar as the trade dress dilution based claims were concerned, the Federal Circuit agreed with the district court that the "undisputed evidence" was that the products in issue are no longer sold and there was no evidence that Samsung might resume selling them so that the district court was within its discretion to deny an injunction based on all allegations of trade dress dilution.

Practice Note: The Federal Circuit found the district court was well within its discretion in terms of its "balance of hardships" and "public interest" analysis, and declined to "reweigh" the evidence on those issues. As to the public interest factor, the Federal Circuit did note that the injunction sought by Apple was very broad, while the asserted utility patents covered narrow smartphone features and cited with approval the district court's observation that "[t]he public interest does not support removing phones from the market when the infringing components constitute such limited parts of complex, multi-featured products." Similar observations have been raised in terms of U.S. International Trade Commission § 337 actions where patent holders will often seek an order attempting to exclude large, complex and multi-functional downstream products (such as digital TVs) based on an allegation that a specific included component (e.g., a \$5 integrated circuit) infringes its patent. In ITC parlance, this is oftentimes referred to as an *EPROMs* analysis.

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