

# Chicago Daily Law Bulletin®

Volume 159, No. 24

## 'Causal nexus' trips up Apple in patent case

BY ROY STROM

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A decision by a U.S. appeals court last week that denied Apple Inc. another shot at banning sales of a competitor's phone also highlighted the increasing difficulty some patent owners face trying to block technology products or other electronics from store shelves.

The U.S. Court of Appeals for the Federal Circuit on Thursday refused Apple's request for a nine-judge rehearing of its own three-judge panel's decision in October that shot down a preliminary ban on the Samsung Galaxy Nexus phone.

A patent infringement trial over the Nexus' search function is scheduled for March 2014.

The October decision, which will not be reviewed, also led to Apple failing to permanently ban sales of Samsung's products in a jury trial decided in August. That trial awarded the iPhone-maker \$1 billion for Samsung's infringement.

The problem thwarting Apple rests in proving the patents at issue — features such as the search function — result in the bulk of its competitor's sales.

That relatively new requirement is especially difficult to prove in the smartphone world and it could make patents less valuable to technology companies, said Christopher V. Carani, a partner at McAndrews, Held & Malloy Ltd. who

practices patent law.

"If you can't show that the customer purchases the product because of that particular feature, you're not going to be able to get an injunction," Carani said.

"If you can't get an injunction, I think a lot of companies won't endeavor to secure patent rights and, moreover, enforce them."

Courts now require a "causal nexus" — evidence that a specific, infringing patent drove a product's sales — as part of the irreparable harm calculus required to grant an injunction.

Apple failed to prove that in both cases. In their decisions, the judges pointed out the difficulty in tracing a consumer's decision to buy a smartphone back to one specific feature.

"Regardless of the extent to which Apple may be injured by the sales of the Galaxy Nexus, there is not a sufficient showing that the harm flows from Samsung's alleged infringement," the three-judge appeals panel wrote in overturning a temporary sales ban on the Nexus.

In a December ruling in the \$1 billion *Apple v. Samsung* case, U.S. District Judge Lucy Koh pointed to that decision as reason against permanently banning the sale of the products a jury found to infringe on Apple's patents.

Daryl Lim, an assistant professor at The John Marshall Law School, said these cases represent a significant shift in



Christopher V. Carani

the Federal Circuit that could create a chilling effect for patent owners seeking injunctions.

"The Federal Circuit's stance (is shifting) from routinely granting injunctions to compensating patentees for infringement of products with multiple components with damages," Lim said.

Compared to the market share boost a sales ban could provide, damages awards are much less desirable for technology companies in patent disputes, Lim said.

Apple's \$1 billion patent infringement award grabbed headlines last year, but that victory meant little, considering the \$137 billion in cash Apple listed in its latest quarterly report. Apple will again challenge the causal nexus



Daryl Lim

requirement for an injunction when it appeals Koh's ruling against a permanent ban of some of Samsung's products, Lim said. He does not expect a different result in the upcoming appeal.

"Thursday's ruling supports that view and is also a strong signal that sales bans will not be easily tolerated," Lim said. "This development will help push warring parties closer to the inevitable settlement."

On a broader scale, Carani said the chance of obtaining a sales ban plays a large role in any company's decision to pursue a patent infringement case.

"I've got to think this has been on the front of everybody else's mind," he said. "It's like stripping away one of the two potential remedies for patent infringement."