Keywords: **Standing (locus standi); licensing; estoppel; *MedImmune v. Genentech*; portfolio licensing**

General: **If the injury is speculative or the outcome of a validity/infringement suit would otherwise have no effect on contract rights (e.g., royalty payments), no standing exists.**

Apple Inc. v. Qualcomm Inc.
U.S. Court of Appeals for the Federal Circuit
No. 2020-1561
Decided: April 7, 2021

I. Background

Qualcomm Inc. ("Qualcomm") owns U.S. Patent No. 7,844,037 ("the '037 patent") and U.S. Patent No. 8,683,362 ("the '362 patent"), which were granted in 2010 and 2014, respectively. In 2017, Qualcomm sued Apple Inc. ("Apple") for infringement of both the '037 and '362 patents in the District Court for the Southern District of California. In response, Apple sought *inter partes* review of claims 1-14, 16-18, and 19-25 of the '037 patent and claims 1-6 and 8-20 of the '362 patent arguing that the claims would be obvious in view of the prior art. Claims 19-25 of the '037 patent were disclaimed by Qualcomm, but the PTAB held that Apple had not proven that the remaining claims would be obvious. The PTAB's decisions on the patents were made in January 2020, and Apple appealed to the Federal Circuit maintaining that the claims of the '037 and '362 patents were obvious.

However, in April 2019, *before* the appeal to the Federal Circuit, Qualcomm and Apple entered a global settlement that licensed tens of thousands of Qualcomm's patents (including the '037 and '362 patents) to Apple and the license included a covenant-not-to-sue with respect to the patents at issue. The District Court infringement case was jointly dismissed with prejudice. However, Apple continued with the present appeal of the Board's final written decisions and Qualcomm challenged Apple's standing to bring forth the suit.

II. Issue

Did Apple have standing to bring forth suit in the Federal Circuit?

III. Discussion

No. The Federal Circuit dismissed Apple's Appeal on the grounds that Apple did not have standing to bring the Appeal under Article III of the U.S. Constitution.

At the outset, the Court set forth the conditions for standing required by Article III of the U.S. Constitution. An appellant "must have (1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the [appellee], and (3) that is likely to be redressed by a favorable judicial decision." *Spokeo*, 136 S. Ct. at 1547 (citations omitted). Further, the Court stated that to establish injury in fact, the alleged harm must be "'concrete and particularized' and 'actual or imminent, not conjectural or hypothetical.'" *Id.* at 1548 (quoting *Lujan*, 504 U.S. at 560).

Apple argued that it had standing based on (1) its ongoing payment obligations to Qualcomm, which are conditions of the license agreement; (2) the threat that Apple will be sued for infringing the ’037 and ’362 patents after the expiration of the license agreement; and (3) the estoppel effects of 35 U.S.C. § 315 on future challenges to the validity of the ’037 and ’362 patents will inhibit Apple from arguing that the patents are obvious in the future. The Court addressed each of Apple’s arguments separately.

Apple’s first argument that its ongoing payment obligations under the license agreement provides standing was based on *MedImmune, Inc. v. Genentech, Inc.*, 529 U.S. 118, 120 (2007). *MedImmune* was found to have standing to challenge infringement even though it was paying royalties to license a patent in question. Indeed, *Medimmune* was not required to cease its royalty payments (opening itself to a patent suit) in order to dispute that it owed the royalties. However, the Court noted that Apple had not alleged that the validity of the ‘037 and ‘362 patents would have any effect on Apple’s ongoing payments to Qualcomm under the licensing agreement, which was “fatal to establishing standing under the reasoning of *MedImmune*.” Further, the Court noted that Apple did not identify any contractual dispute involving its ongoing royalty obligations (e.g., a disagreement over whether certain Apple product sales trigger additional royalty payments) that would be resolved through a validity determination of the ‘037 and ‘362 patents. As such, the Court held that since Apple did not argue that the validity of any single patent from the tens of thousands of patents in the licensed portfolio would affect the ongoing payments, Apple did not establish standing based on its ongoing payment obligations with respect to *MedImmune*.

Apple’s second argument hinged on the threat that Qualcomm would sue Apple for infringement of the ‘037 and ‘362 patents when the license agreement expires (as Qualcomm had done many times before when licenses expire). However, the Court found that the speculative nature of potential future suits does not constitute an actual or imminent injury to establish standing. Further, the Court noted that Apple did not submit any evidence that it intends to engage in activities that may lead to infringement of the ‘037 or ‘362 patents once the license agreement expires. The Federal Circuit was then left to speculate about activity that Apple may engage in after the license agreement expires and to further speculate that Qualcomm would bring suit against Apple for infringement, and such speculation was insufficient to show injury in fact.

In an attempt to rectify Apple’s lack of evidence to support future infringement suits, Apple asked that the Court take judicial notice that Apple sells and will continue to sell its smart phone products. However, the Court stated that what products and features Apple may be selling at the expiration of the license agreement is not an undisputed fact, and, therefore, judicial notice could not be taken. Moreover, the Court stated that the previous District Court infringement suit could not be relied upon for standing, as it was dismissed *with prejudice* as opposed to without prejudice citing *Grit Energy Sols., LLC v. Oren Techs., LLC*, 957 F.3d 1309, 1320 (Fed. Cir. 2020). Apple also argued that since Qualcomm refused to give permanent license to the ‘037 and ‘362 patents, that Qualcomm was likely to sue Apple in the future, but the Court, again, stated that conjecture about what might happen in the future did not equate to injury in fact.

Apple's final argument rested on the likelihood that estoppel of 35 U.S.C. § 315(e) would prevent it from arguing the validity of the '037 and '362 patents in future disputes. However, the Court reiterated that it has "already rejected invocation of the estoppel provision as a sufficient basis for standing." *AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357, 1362–63 (Fed. Cir. 2019) (citing *Phigenix*, 845 F.3d at 1175–76). Thus, the harm Apple faces from estoppel is insufficient to prove injury in fact and, thus, does not provide standing.

IV. Conclusion

The Federal Circuit holds that standing requires actual or imminent injury not conjectural or hypothetical injury in the future. Moreover, while *MedImmune* allows for standing even when the patent in question is already licensed, if the outcome of a validity or infringement suit would otherwise have no effect on contract rights (e.g., royalty payments), no standing exists. Because Apple could not establish standing, the Federal Circuit dismissed the Appeal.