

No. 2019-1050

IN THE
United States Court of Appeals
FOR THE FEDERAL CIRCUIT

VIRNETX INC., LEIDOS, INC., FKA SCIENCE
APPLICATIONS INTERNATIONAL CORPORATION,
Plaintiffs-Appellees,

v.

APPLE INC.,
Defendant-Appellant.

VIRNETX INC.,
Plaintiff-Appellee,

v.

APPLE INC.,
Defendant-Appellant.

On Appeal from the United States District Court for the Eastern District of Texas
Case Nos. 6:12-cv-855-RWS, 6:11-cv-563-RWS, Judge Robert Schroeder, III

**CORRECTED SUPPLEMENTAL BRIEF FOR APPELLEES
VIRNETX INC. AND LEIDOS, INC.**

Bradley Wayne Caldwell
Jason Dodd Cassady
John Austin Curry
CALDWELL CASSADY & CURRY
2101 Cedar Springs Road
Dallas, TX 75201
(214) 888-4848 (telephone)
(214) 888-4849 (fax)

Jeffrey A. Lamken
Counsel of Record
MOLOLAMKEN LLP
600 New Hampshire Avenue, N.W.
Washington, D.C. 20037
(202) 556-2000 (telephone)
(202) 556-2001 (fax)
jlamken@mololamken.com

Counsel for VirnetX Inc.
(Additional Counsel Listed on Inside Cover)

Michael G. Pattillo, Jr.
Lucas M. Walker
Rayiner I. Hashem
James A. Barta
MOLOLAMKEN LLP
The Watergate, Suite 660
600 New Hampshire Ave., N.W.
Washington, D.C. 20037
(202) 556-2000 (telephone)
(202) 556-2001 (fax)

Lauren F. Dayton
Jennifer E. Fischell
MOLOLAMKEN LLP
430 Park Avenue
New York, NY 10022
(212) 607-8160 (telephone)
(646) 710-4945 (fax)

Allison M. Gorsuch
MOLOLAMKEN LLP
300 North LaSalle Street
Chicago, IL 60654
(312) 450-6700
(312) 450-6701

Counsel for VirnetX Inc.

Donald Urrabazo
URRABAZO LAW, P.C.
2029 Century Park East
Suite 1400
Los Angeles, CA 90067
(310) 388-9099 (telephone)
(310) 388-9088 (fax)

Counsel for Leidos, Inc.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

VirnetX Inc. v. Apple Inc.

Case No. 19-1050

CERTIFICATE OF INTEREST

Counsel for the:

(petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

VirnetX Inc.

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
VirnetX Inc.	VirnetX Inc.	VirnetX Holding Corp.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (**and who have not or will not enter an appearance in this case**) are:

Ahmad Zavitsanos Anaipakos Alavi & Mensing PC: Jason Scott McManis
 Caldwell Cassady & Curry, PC: Bradley W. Caldwell, Christopher S. Stewart, Daniel R. Pearson, Hamad M. Hamad, Jason Dodd Cassady, John Austin Curry, John Franklin Summers, Justin Thomas Nemunaitis, Warren Joseph McCarty, III
 McKool Smith: Douglas A. Cawley, Mitchell Reed Sibley, Ryan Abbott Hargrave, Samuel Franklin Baxter, Stacie Greskowiak McNulty
 Parker Bunt & Ainsworth, P.C.: Charles Ainsworth, Robert Christopher Bunt, Robert M. Parker, Thomas John Ward, Jr.
 Ward, Smith & Hill, PLLC: Claire Abernathy Henry
 MoloLamken LLP: Jeffrey A. Lamken; Michael G. Pattillo, Jr.; Lucas M. Walker; Rayiner I. Hashem; James A. Barta; Allison M. Gorsuch; Jennifer E. Fischell, Lauren F. Dayton

FORM 9. Certificate of Interest

Form 9
Rev. 10/17

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).

VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd., Nos. 17-1368, -1383 (Fed. Cir.);
VirnetX Inc. v. Apple Inc., Nos. 17-1591, -1592, -1593 (Fed. Cir.);
VirnetX Inc. v. Black Swamp IP, LLC, Nos. 17-2593, -2594 (Fed. Cir.);
VirnetX Inc. v. Cisco Sys., Inc., No. 18-1197 (Fed. Cir.);
VirnetX Inc. v. Cisco Sys., Inc., No. 18-1751 (Fed. Cir.);
Inter Partes Reexamination Control No. 95/001,679 (USPTO); Inter Partes Reexamination Control No. 95/001,682 (USPTO);
Inter Partes Reexamination Control No. 95/001,714 (USPTO); Inter Partes Reexamination Control No. 95/001,697 (USPTO).

9/20/2019

Date

/s/ Jeffrey A. Lamken

Signature of counsel

Jeffrey A. Lamken

Printed name of counsel

Please Note: All questions must be answered

cc: All counsel of record.

Reset Fields

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

VirnetX Inc. v. Apple Inc.

Case No. 19-1050

CERTIFICATE OF INTEREST

Counsel for the:

(petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

Leidos, Inc.

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
Leidos, Inc.	Leidos, Inc.	Leidos Holdings, Inc.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (**and who have not or will not enter an appearance in this case**) are:

Urrabazo Law, P.C.: Donald Urrabazo, Joon Song, Ronald Wielkopolski, Art Padilla
MT2 Law Group: Andy Tindel

FORM 9. Certificate of Interest

Form 9
Rev. 10/17

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).

VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd., Nos. 17-1368, -1383 (Fed. Cir.);
VirnetX Inc. v. Apple Inc., Nos. 17-1591, -1592, -1593 (Fed. Cir.);
VirnetX Inc. v. Black Swamp IP, LLC, Nos. 17-2593, -2594 (Fed. Cir.);
VirnetX Inc. v. Cisco Sys., Inc., No. 18-1197 (Fed. Cir.);
VirnetX Inc. v. Cisco Sys., Inc., No. 18-1751 (Fed. Cir.);
Inter Partes Reexamination Control No. 95/001,679 (USPTO); Inter Partes Reexamination Control No. 95/001,682 (USPTO);
Inter Partes Reexamination Control No. 95/001,714 (USPTO); Inter Partes Reexamination Control No. 95/001,697 (USPTO).

9/20/2019

Date

/s/ Donald Urrabazo

Signature of counsel

Please Note: All questions must be answered

Donald Urrabazo

Printed name of counsel

cc: All counsel of record

Reset Fields

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
ARGUMENT.....	3
I. Apple’s Latest Attempt To Relitigate Validity Is Foreclosed	3
A. Apple Is Estopped from Relitigating the Asserted Claims’ Validity	3
B. Apple Cannot Satisfy the Requirements for Collateral Estoppel	4
C. Apple’s Reliance on <i>Fresenius</i> Is Misplaced.....	6
D. This Court Has Already Rejected Apple’s Collateral Estoppel Arguments	10
II. Apple’s Speculation About the Outcomes of Other Cases Does Not Warrant Vacatur or Delay	12
CONCLUSION	15

TABLE OF AUTHORITIES

	<u>Page(s)</u>
CASES	
<i>B&B Hardware, Inc. v. Hargis Indus., Inc.</i> , 135 S. Ct. 1293 (2015).....	4, 5, 8, 10
<i>Beacon Oil Co. v. O’Leary</i> , 71 F.3d 391 (Fed. Cir. 1995).....	8
<i>Catalina Lighting, Inc. v. Lamps Plus, Inc.</i> , 295 F.3d 1277 (Fed. Cir. 2002).....	13
<i>Copeland v. Merrill Lynch & Co.</i> , 47 F.3d 1415 (5th Cir. 1995).....	4
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , 721 F.3d 1330 (Fed. Cir. 2013).....	<i>passim</i>
<i>Grogan v. Garner</i> , 498 U.S. 279 (1991).....	5, 8
<i>Johnston v. IVAC Corp.</i> , 885 F.2d 1574 (Fed. Cir. 1989).....	8
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 564 U.S. 91 (2011).....	5
<i>Papst Licensing GmbH & Co. v. Samsung Elecs. Co.</i> , No. 6:18-CV-00388-RWS, 2019 WL 4140821 (E.D. Tex. Aug. 30, 2019).....	10
<i>Parklane Hosiery Co. v. Shore</i> , 439 U.S. 322 (1979).....	1
<i>Rambus Inc v. Rea</i> , 731 F.3d 1248 (Fed. Cir. 2013).....	4
<i>Smartflash LLC v. Apple Inc.</i> , 621 F. App’x 995 (Fed. Cir. 2015).....	15

United States v. Lee,
358 F.3d 315 (5th Cir. 2004).....3

VirnetX Inc. v. Apple Inc.,
931 F.3d 1363 (Fed. Cir. 2019).....*passim*

VirnetX Inc. v. Cisco Sys., Inc.,
2019 WL 2714615 (Fed. Cir. June 28, 2019)2, 7

VirnetX, Inc. v. Cisco Sys., Inc.,
767 F.3d 1308 (Fed. Cir. 2014).....*passim*

Wang Labs, Inc. v. Mitsubishi Elecs. Am., Inc.,
103 F.3d 1571 (Fed. Cir. 1997).....13

WesternGeco L.L.C. v. ION Geophysical Corp.,
913 F.3d 1067 (Fed. Cir. 2019).....15

XY, LLC v. Trans Ova Genetics, LC,
890 F.3d 1282 (Fed. Cir. 2018).....7, 8, 9, 10

STATUTES AND REGULATIONS

35 U.S.C. §316(a).....7

35 U.S.C. §317(b)14

37 C.F.R. §1.997(a).....7

OTHER AUTHORITIES

18 C. Wright & A. Miller, *Federal Practice and Procedure* (3d ed.).....5

MPEP §26877

Restatement (Second) of Judgments5

INTRODUCTION

Collateral estoppel prevents a party from “relitigating” an issue previously resolved against it in another case. *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329 (1979). Here, that principle bars Apple—not VirnetX—from litigating the validity of the ’504 and ’211 patent claims that FaceTime infringes. Seven years ago, in a prior action (the -417 case), a jury rejected Apple’s challenge to the validity of those claims. Appx25525-25526. This Court upheld that determination. *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1323-24 (Fed. Cir. 2014) (“*VirnetX I*”). As the district court correctly held below, this Court’s judgment against Apple in *VirnetX I* collaterally estops Apple from relitigating the validity of the same patent claims in *this* action (the -855 case). Appx9; VirnetX Br. 53-61.¹

In its supplemental brief, however, Apple seeks to relitigate the issue of validity already resolved against it—and does so, incredibly, under the banner of “collateral estoppel.” Apple Supp. Br. 2-7. But Apple’s position defies fundamental principles of preclusion law, which foreclose *Apple* from attempting to relitigate validity here. The Patent and Trademark Office proceedings Apple now says should be given collateral estoppel effect were subject to a lower standard of proof than applies in district court actions like this case. It is hornbook law that

¹ This supplemental brief, like Apple’s, addresses collateral estoppel with respect to the patent claims infringed by FaceTime. Apple is likewise barred from relitigating the validity of claims infringed by VPN on Demand. And its remaining arguments on appeal fail for the reasons stated in VirnetX’s main response brief.

collateral estoppel does not apply in such circumstances. And while this Court has held that the PTO's *cancellation* of a patent claim can extinguish a cause of action based on that claim, *see Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013), none of the claims asserted here has been cancelled. To the contrary, in the very decisions Apple invokes, this Court *overturned* PTO decisions declaring claim 5 of the '504 patent unpatentable. *See VirnetX Inc. v. Apple Inc.*, 931 F.3d 1363, 1369-78 (Fed. Cir. 2019) ("17-1591 Decision"); *VirnetX Inc. v. Cisco Sys., Inc.*, 2019 WL 2714615, at *3 (Fed. Cir. June 28, 2019) ("18-1751 Decision"). The Court also specifically rejected Apple's argument that claims *not* found unpatentable should nonetheless be invalidated under collateral estoppel. Apple improperly seeks to relitigate *that* issue as well.

Apple does not—and cannot—dispute that claim 5 of the '504 patent fully supports the damages judgment as to FaceTime in this case. So Apple resorts to speculation about how other panels will rule on the validity of that claim in other cases. But speculation is not an appropriate basis for vacating a judgment—or for holding the case indefinitely, as Apple yet again requests. That request is just the latest in Apple's pattern of dilatory tactics: Apple has made *three* prior requests for an indefinite stay in this case, and *eight* in the -417 case. Not one of those requests has been granted. And Apple does not even try to satisfy the traditional stay factors. Apple's latest plea for delay should be rejected.

ARGUMENT

I. APPLE’S LATEST ATTEMPT TO RELITIGATE VALIDITY IS FORECLOSED

A. Apple Is Estopped from Relitigating the Asserted Claims’ Validity

Apple seeks to avoid liability for FaceTime’s infringement of the ’211 and ’504 patents by asserting that the asserted claims “are unpatentable.” Apple Supp. Br. 1. But Apple ignores that it is *precluded* from raising validity in this case.

In the -417 case, Apple challenged the validity of the ’504 and ’211 patent claims infringed by FaceTime. *See* VirnetX Br. 11-13. Apple’s invalidity theories were tried to a jury in fall 2012. *See id.* at 12, 59-61. The jury rejected those arguments. Appx25525-25526. This Court affirmed that finding, *VirnetX I*, 767 F.3d at 1323-24, conclusively resolving the issue of validity against Apple.

When Apple made superficial changes to FaceTime, VirnetX brought this action (the -855 action) alleging infringement of the same claims of the ’504 and ’211 patents. Apple tried to relitigate validity. But the district court properly rejected that effort, holding that Apple is collaterally estopped from “asserting invalidity in this litigation against the patent claims that were tried before a jury” in the earlier action and upheld on appeal—a category that includes all of the claims asserted against FaceTime here. Appx9. It is thus *Apple* that is improperly attempting to “relitigat[e] . . . issues expressly . . . decided by the appellate court.” *United States v. Lee*, 358 F.3d 315, 321 (5th Cir. 2004). Apple cannot invoke collateral estoppel with respect to issues it is barred from litigating altogether.

Apple never mentions the district court's collateral estoppel holding. It instead cryptically asserts that the "judgment of no-invalidity" in this case should be swept aside because "[t]his Court 'must apply intervening legal developments affecting the asserted patent's validity.'" Apple Supp. Br. 6. But Apple cites no case in which the party asserting estoppel was *itself collaterally estopped by a prior Article III judgment* from litigating the relevant issue. Allowing Apple to use collateral estoppel as a tool for *reopening* the issue of validity this Court conclusively resolved years ago would turn preclusion principles on their head.

B. Apple Cannot Satisfy the Requirements for Collateral Estoppel

Apple cannot establish the elements of collateral estoppel regardless. Collateral estoppel requires that the "legal standard used to assess" the relevant issue be "the same in both proceedings." *Copeland v. Merrill Lynch & Co.*, 47 F.3d 1415, 1422 (5th Cir. 1995). Collateral estoppel is *not* available "'if the second action involves application of a *different* legal standard.'" *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1306 (2015) (emphasis added).

That rule forecloses Apple's attempt to give the 17-1591 and 18-1751 Decisions collateral estoppel effect here. Those decisions involved inter partes reexaminations before the PTO, where a challenger need prove unpatentability only by "'a preponderance of the evidence.'" 17-1591 Decision, 931 F.3d at 1379 (quoting *Rambus Inc. v. Rea*, 731 F.3d 1248, 1255 (Fed. Cir. 2013)). In a district

court infringement action like this case, however, a defendant must establish invalidity by “clear and convincing evidence.” *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011). Thus, the cases involve “‘different legal standard[s]’” and collateral estoppel cannot apply. *B&B Hardware*, 135 S. Ct. at 1306.²

It is black-letter law that “a party who has carried the burden of establishing an issue by a preponderance of the evidence is *not* entitled to assert preclusion in a later action that requires proof of the same issue by a higher standard.” 18 C. Wright & A. Miller, *Federal Practice and Procedure* §4422 (3d ed.) (emphasis added); *see* Restatement (Second) of Judgments §28(4) (issue preclusion unavailable to party who “has a significantly heavier burden than he had in the first action”). As the Supreme Court has explained, where “the clear-and-convincing standard applies” in a later action (as in this case), a “prior judgment” based on “a preponderance of the evidence” standard (as in the reexamination appeals) “c[an] not be given collateral estoppel effect.” *Grogan v. Garner*, 498 U.S. 279, 284-85 (1991). Apple does not attempt to reconcile its position with that authority. It does not even mention the different standards applicable in PTO and district court proceedings.

² Conversely, this Court’s judgment in *VirnetX I* has collateral estoppel effect because it upheld the patents under the same “clear and convincing evidence” standard that would apply here (if validity were at issue). 767 F.3d at 1323.

C. Apple's Reliance on *Fresenius* Is Misplaced

Apple asserts that its collateral estoppel argument is supported by this Court's decision in *Fresenius*. Apple Supp. Br. 1, 6, 13. In fact, *Fresenius* refutes Apple's argument. There, the Court held that "a final, affirmed PTO decision determining invalidity" of a patent claim can require dismissal of an infringement action based on the same claim. *Fresenius*, 721 F.3d at 1344. But the Court took pains to explain that an affirmed PTO decision has that effect "**not** because of collateral estoppel," which would not apply "because different standards apply in a PTO reexamination and a validity proceeding before the district court." *Id.* (emphasis added). Instead, the Court explained, it is the PTO's subsequent "**cancellation**" of the patent that "extinguishes the underlying basis for suits based on the patent." *Id.* (emphasis added); *see id.* at 1340 ("when a claim is cancelled, the patentee loses any cause of action based on that claim").

Here, however, none of the asserted claims has been cancelled by the PTO. Apple does not suggest otherwise. *Fresenius* thus does not apply. With respect to claim 5 of the '504 patent in particular, **both** of the decisions Apple invokes here **overturned** PTO decisions declaring that claim unpatentable. The 17-1591 Decision held that, because Apple had unsuccessfully challenged claim 5 of the '504 patent (among others) in the -417 case years ago, a statutory estoppel provision barred Apple from challenging that claim (and others) through

reexamination. 17-1591 Decision, 931 F.3d at 1369-78. The Court accordingly vacated the Board’s decision and directed the PTO to “terminate” the reexamination. *Id.* at 1378. The 18-1751 Decision held that the Board had failed to consider an argument VirnetX had raised regarding claim 5, and thus vacated and remanded the Board’s decision for consideration of that argument. 18-1751 Decision, 2019 WL 2714615, at *3. Because claim 5 of the ’504 patent has not been cancelled—nor is it slated for cancellation—VirnetX’s cause of action on that claim has not been extinguished.³

Apple also overreads dicta in *XY, LLC v. Trans Ova Genetics, LC*, 890 F.3d 1282 (Fed. Cir. 2018). The panel in that case suggested that “affirmance of [a PTO] invalidity finding” has “an immediate issue-preclusive effect on any pending or co-pending actions involving the patent.” *Id.* at 1294. That statement, however, was dicta: As the panel explained, “both parties assumed that an affirmance of the Board’s decision would result in estoppel,” and disputed only whether the agreed-upon estoppel required a remand. *Id.* at 1295. “There [wa]s no indication that either party thought estoppel would not apply.” *Id.* Given the parties’ agreement

³ Even as to claims for which this Court has affirmed PTO unpatentability determinations, cancellation has not occurred—and may never occur. VirnetX may still seek further review that produces a different result. And no cancellation may take place in a reexamination until *all* proceedings—including all appeals, remands, and subsequent appeals—have concluded as to all claims at issue in that reexamination. *See* 35 U.S.C. § 316(a) (2006); 37 C.F.R. § 1.997(a); MPEP § 2687. Apple provides no reason to think cancellation of those claims is remotely imminent.

that estoppel should apply, the court had no reason to address—and did not resolve—whether collateral estoppel would properly apply despite the different legal standards applicable in PTO proceedings and district court actions. That question was neither briefed nor disputed. *Id.* at 1294. *XY* thus is not precedent on that question. *See Beacon Oil Co. v. O’Leary*, 71 F.3d 391, 395 (Fed. Cir. 1995) (holding that “[s]tare decisis applies only to legal issues that were actually decided in a prior action” and that an issue was “not litigated or resolved in” an earlier case where the parties had “stipulated” to a particular conclusion).⁴

Certainly, the *XY* panel did not—and could not—purport to overrule *Fresenius’s* holding that affirmance of a PTO unpatentability decision does *not* have collateral estoppel effect on district court litigation. *Fresenius*, 721 F.3d at 1344; *see Johnston v. IVAC Corp.*, 885 F.2d 1574, 1579 (Fed. Cir. 1989). Nor did—or could—the *XY* panel reject the Supreme Court’s teaching that collateral estoppel is unavailable where different legal standards apply in each case. *See Grogan*, 498 U.S. at 285; *B&B Hardware*, 135 S. Ct. at 1306. And it did not consider a situation where, as here, a prior judgment of this Court—an Article III judgment governed by the *same* legal standard—precludes the infringement defendant from relitigating validity altogether.

⁴ Judge Newman’s separate opinion mentioned the different standards, *see XY*, 890 F.3d at 1300 & n.1 (Newman, J., concurring-in-part, dissenting-in-part), but the panel majority did not respond to—much less refute—that argument in light of “the parties’ positions” that estoppel should apply, *id.* at 1294 (majority opinion).

XY is best read as resting on the specific parties' agreement to have estoppel apply in their case. There is no reason to speculate whether the case could be read more broadly to stand for the notion that, where this Court affirms a PTO determination that particular claims are unpatentable, the Court need not wait for formal cancellation of those claims before dismissing an infringement action based on "th[e] same claims." XY, 890 F.3d at 1294. Such a rule would be doubtful: Under *Fresenius*, only cancellation of a claim extinguishes a cause of action, and so dismissal *before* cancellation is premature. But even if such an approach were permissible, it would not help Apple. As already discussed, claim 5 of the '504 patent *is not slated for cancellation*. See pp. 6-7, *supra*. To the contrary, this Court has *rejected* the PTO's attempts to cancel it. There is thus no basis for vacating the judgment as to FaceTime, which claim 5 fully supports.

Ultimately, Apple asks for unprecedented relief. Claim 5 of the '504 patent has not been invalidated. Apple thus asks this Court to grant it an invalidity defense against that claim—a defense Apple is precluded from asserting and would have to prove by clear and convincing evidence in any event—based on a decision finding a *different* claim unpatentable under a *lower* standard of proof. See Apple Supp. Br. 3-4. Apple cites no "binding precedent"—and other courts have found none—for the notion that "a finding of invalidity under the preponderance of the evidence standard in [a PTO proceeding] collaterally estops invalidity arguments

for *separate, unadjudicated claims* under the clear and convincing standard in a district court” action. *Papst Licensing GmbH & Co. v. Samsung Elecs. Co.*, No. 6:18-CV-00388-RWS, 2019 WL 4140821, at *21 (E.D. Tex. Aug. 30, 2019) (emphasis added). Nor could Apple scrounge up authority for that proposition, which defies fundamental principles of collateral estoppel law. The Supreme Court has cautioned, in the specific context of PTO proceedings, that those principles must be “‘carefully observed.’” *B&B Hardware*, 135 S. Ct. at 1306. This Court should decline Apple’s invitation to cast them aside.⁵

D. This Court Has Already Rejected Apple’s Collateral Estoppel Arguments

On July 1, 2019, Apple filed a supplemental brief captioned for both the 17-1591 appeal and the 18-1179 appeal (in the -417 case). There, Apple argued (as it does here) that “collateral estoppel” precluded VirnetX from asserting that the ’504 and ’211 patents were valid. No. 17-1591 Apple Supp. Br. 1-2 (ECF #95). Apple argued (as it does here) that all claims asserted against FaceTime were “indistin[guishable]” from claims the Court had held unpatentable in No. 18-1751 or that Apple predicted the Court would eventually hold unpatentable in No. 17-1591. *Id.* at 1-12. Apple also argued (as it does here) that, under *Fresenius* and *XY*, the

⁵ Apple’s suggestion that the ’504 and ’211 patents are identical, Apple Supp. Br. 5, is likewise incorrect. As VirnetX has explained, No. 17-1591 VirnetX Supp. Br. 12-14 (ECF #105), there is a meaningful difference between a DNS providing “an indication” that it supports a secure communication link, Appx262, and providing an “indicat[ion] *in response to* the query,” Appx401 (emphasis added).

Court was compelled to give any decisions in those appeals collateral estoppel effect in “any pending or co-pending actions.” *Id.* at 2; *see id.* at 13.

The Court rejected Apple’s arguments as “unpersuasive.” 17-1591 Decision, 931 F.3d at 1378 n.15. “Apple,” it held, “has failed to show why collateral estoppel is appropriate under these circumstances.” *Id.* The same panel likewise rejected Apple’s collateral estoppel arguments in the 18-1197 appeal, denying its rehearing petition about an hour after releasing the 17-1591 Decision. *See* No. 18-1197 Order Denying Rehearing (ECF #97). Here, the Court should (as it did there) reject Apple’s unfounded estoppel arguments.

Seeking to avoid that result, Apple urges that the 17-1591 Decision did not address “the combined effect of the 18-1751 and 17-1591 Decisions.” Apple Supp. Br. 11. But Apple never explains how the decisions’ “combined” effect is different from their individual effects. Apple’s earlier supplemental brief argued (as it does here) that a decision finding a claim of one patent unpatentable should have collateral estoppel effect with respect to an allegedly corresponding claim of the other patent where the “difference between the patents’ respective independent claims is that the ’504 patent recites that the claimed system ‘comprise[s] an indication . . . ,’ while the ’211 patent recites that the code ‘indicate[s] in response to the query’” No. 17-1591 Apple Supp. Br. 7 (ECF #95); *see* Apple Supp. Br. 5 (same argument). But the panel rejected that argument in both cases, denying

Apple's rehearing petition moments after declaring its estoppel argument "unpersuasive." 17-1591 Decision, 931 F.3d at 1378 n.15; *see* No. 18-1197 Order Denying Rehearing (ECF #97). The argument is no more persuasive this time.

Apple argues that the "circumstances" in the 17-1591 appeal were different. Apple Supp. Br. 12. But two of the three circumstances that Apple cites had no bearing on claim 5 of the '504 patent. *See* No. 17-1591 VirnetX Supp. Br. 10-18 (ECF #105). With respect to *that* claim, VirnetX had argued that Apple was estopped from challenging the same claims it unsuccessfully challenged in the -417 district court action (claims this Court upheld in *VirnetX I*). *See id.* at 5-9. That "circumstance" applies here too: Apple is again estopped from challenging claims it unsuccessfully challenged, and this Court upheld, in the -417 action. Appx9; pp. 3-4, *supra*. The only difference is that one estoppel is based on a statute and the other on common law preclusion. But Apple does not explain why that should matter. In both cases, estoppel serves to conserve resources by preventing Apple from reopening issues that have already been resolved by this Court.

II. APPLE'S SPECULATION ABOUT THE OUTCOMES OF OTHER CASES DOES NOT WARRANT VACATUR OR DELAY

Apple does not dispute that claim 5 of the '504 patent is itself sufficient to support the damages judgment with respect to FaceTime. In its second appeal in the -417 case (No. 18-1197), Apple conceded that damages would have to be "recalculat[ed]" only if "*all* claims of the '504 and '211 patents asserted against

Apple in the district court litigation (*including claim 5 of the '504 patent*)” were cancelled. No. 18-1197 Apple Supp. Br. 14-15 (ECF #86) (emphasis added).⁶ And Apple has conceded that this case involves the same damages model as the -417 case. Apple Br. 63; *see* Appx91. Thus, as the panel recognized in the 18-1197 appeal, cancellation of fewer than all asserted claims “[would]n’t affect [damages] at all.” No. 18-1197, Oral Arg. 41:00-41:11 (Moore, J.). Vacatur could only result in entry of an identical judgment that would “neither expand[] nor contract[]” Apple’s liability. *Wang Labs., Inc. v. Mitsubishi Elecs. Am., Inc.*, 103 F.3d 1571, 1581 (Fed. Cir. 1997). Vacatur is thus unwarranted.

Faced with that problem, Apple resorts to speculation that claim 5 of the ’504 patent will *someday* be cancelled as a result of other proceedings. Apple Supp. Br. 8-9. Apple’s conjecture is unfounded. Apple makes the unlikely prediction that the Court will grant rehearing to *another* party (Cisco) asserting a similar collateral estoppel theory. Apple Supp. Br. 8. VirnetX has explained the problems with Cisco’s petition in its response thereto. Suffice it to say that the barriers Apple dismisses as “procedural,” *id.*, include the fact that Cisco’s requested relief would contravene both Article III standing requirements and statutory limits on the

⁶ Consistent with established principles, *see Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291-92 (Fed. Cir. 2002), both sides agreed that damages should be awarded at the “same [per-unit] rate,” on an agreed number of units, regardless of which patents or how many claims were infringed, -417 D. Ct. Dkt. 1036, at 70 (Apple’s closing); *see id.* at 42-43; -417 D. Ct. Dkt. 1033, at 73.

PTO's reexamination authority. No. 18-1751 VirnetX Rehr'g Opp. 9-17 (ECF #71). Apple's confidence that the Court will grant Cisco rehearing is unfounded.

Apple also forecasts that *it* will win rehearing en banc in the 17-1591 appeal. In that case, the panel held that pre-America Invents Act § 317(b) estopped Apple from challenging claim 5 of the '504 patent through inter partes reexamination. Apple Supp. Br. 9. The panel correctly held that “controlling case law, the statutory text, and Congress’s intent” foreclose Apple’s theory. 17-1591 Decision, 931 F.3d at 1369. Even if there were room for disagreement, Apple offers no reason why the Court would go en banc to interpret a statute Congress repealed years ago.

Finally, Apple tries to prejudge the outcome in another appeal to which *Apple is not a party* and that *has not been briefed*. Apple Supp. Br. 8-9. The Court should reject Apple’s claims to clairvoyance.

Apple’s true goal must be delay. It urges that the Court “should at least await disposition of the other proceedings implicating the patentability of the asserted claims,” including both the as-yet-unbriefed appeal and the PTO proceedings on remand in No. 18-1751. Apple Supp. Br. 13. That is, in essence, a request for a post-trial, post-judgment, post-appellate-briefing stay that seeks to give absolute priority to ongoing PTO proceedings over Article III proceedings—no matter how advanced the Article III proceedings, no matter how long they have been pending, and no matter how long the PTO proceedings will take. But the law

does not give PTO proceedings such preference. *See Smartflash LLC v. Apple Inc.*, 621 F. App'x 995, 1000-04 (Fed. Cir. 2015).

Apple, moreover, does not explain how the traditional stay factors warrant an indefinite stay. A stay would not save judicial resources. *VirnetX I* already resolved validity for purposes of this district court action. A stay would merely allow Apple to prolong this action in hopes that the PTO will eventually cancel all asserted claims before direct review is finally completed. *See WesternGeco L.L.C. v. ION Geophysical Corp.*, 913 F.3d 1067, 1071 (Fed. Cir. 2019) (“*Fresenius* only applies where a judgment is not final.”). But that desire is not grounds for a stay, as this Court explained in rejecting Apple’s earlier request for delay. *See In re Apple Inc.*, No. 18-123, Order 5-7 (Fed. Cir. Feb. 22, 2018).

Granting Apple further delay would reward a pattern of dilatory tactics. In the -417 case, Apple has sought a stay *eight* times. Not one request has been granted. Rather, Apple’s repeated, unwarranted stay requests resulted in enhanced damages for “gamesmanship.” Appx22453. Yet Apple has persisted in seeking delay. This Court and the district court have already rejected *three* requests in this case. *See In re Apple*, No. 18-123, Order 1-3. Apple’s latest plea for delay should be denied as well.

CONCLUSION

The Court should affirm the judgment below.

September 20, 2019

Respectfully submitted,

Donald Urrabazo
URRABAZO LAW, P.C.
2029 Century Park East
Suite 1400
Los Angeles, CA 90067
(310) 388-9099 (telephone)
(310) 388-9088 (fax)
Counsel for Leidos, Inc.

/s/ Jeffrey A. Lamken
Jeffrey A. Lamken
Counsel of Record
Michael G. Pattillo, Jr.
Lucas M. Walker
Rayiner I. Hashem
James A. Barta
MOLOLAMKEN LLP
600 New Hampshire Avenue, N.W.
Washington, D.C. 20037
(202) 556-2000 (telephone)
(202) 556-2001 (fax)
jlamken@mololamken.com

Lauren F. Dayton
Jennifer E. Fischell
MOLOLAMKEN LLP
430 Park Avenue
New York, NY 10022
(212) 607-8160 (telephone)
(646) 710-4945 (fax)

Allison M. Gorsuch
MOLOLAMKEN LLP
300 North LaSalle Street
Chicago, IL 60654
(312) 450-6700 (telephone)
(312) 450-6701 (fax)

Bradley Wayne Caldwell
Jason Dodd Cassady
John Austin Curry
CALDWELL CASSADY & CURRY
2101 Cedar Springs Road
Dallas, TX 75201
(214) 888-4848 (telephone)
(214) 888-4849 (fax)

Counsel for VirnetX Inc.

CERTIFICATE OF SERVICE

I certify that today, September 20, 2019, I electronically filed the foregoing document with the Clerk of the Court for the U.S. Court of Appeals for the Federal Circuit using the appellate CM/ECF system. Participants in the case who are registered CM/ECF users will be served by the appellate CM/ECF system.

September 20, 2019

/s/ Jeffrey A. Lamken

CERTIFICATE OF COMPLIANCE

1. This supplemental brief contains 3,833 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii) and Fed. Cir. R. 32(b). This supplemental brief complies with the 15-page limit set forth in this Court's order directing filing of this brief (ECF #68).
2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type-style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word in Times New Roman 14-point font.

September 20, 2019

/s/ Jeffrey A. Lamken