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No. 2021-2275

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**United States Court of Appeals for the Federal Circuit**

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PERSONALIZED MEDIA COMMUNICATIONS, LLC,  
*Appellant,*

v.

APPLE INC.,  
*Appellee.*

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Appeal from the United States District Court for the Eastern District  
of Texas, No. 2:15-cv-01366-JRG-RSP, Chief Judge Rodney Gilstrap

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**APPELLEE'S CORRECTED RESPONSE BRIEF**

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March 8, 2022

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**U.S. Patent No. 8,191,091 (Appx45-244)**

13. A method of decrypting programming at a receiver station, said method comprising the steps of:

receiving an encrypted digital information transmission including encrypted information;

detecting in said encrypted digital information transmission the presence of an instruct-to-enable signal;

passing said instruct-to-enable signal to a processor;

determining a fashion in which said receiver station locates a first decryption key by processing said instruct-to-enable signal;

locating said first decryption key based on said step of determining;

decrypting said encrypted information using said first decryption key; and

outputting said programming based on said step of decrypting.

**CERTIFICATE OF INTEREST**

1. Full Name of Party Represented by me:	2. Name of Real Party in interest represented by me:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party:
Apple Inc.	None	None

**4. The names of all law firms and the partners or associates who appeared for the party now represented by us 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:**

Kirkland & Ellis LLP: Robert A. Appleby, Jonathan D. Brit, Edward C. Donovan, Sean M. McEldowney, Joel R. Merkin\*, Gregory M. Polins, Alan M. Rabinowitz, Jacob Rambeau, Meredith Zinanni

Gillam & Smith LLP: Allen F. Gardner\*, Harry L. Gillam, Andrew T. Gorham, Melissa R. Smith, James Travis Underwood

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**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, per Fed. Cir. R. 47.4(a) and 47.5(b):**

None

**6. Required information under Fed. Cir. R. 47(a)(6), Fed. R. App. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy debtors and trustees):**

None/Not Applicable.

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**Note: All emphasis added unless otherwise indicated.**

## STATEMENT OF RELATED CASES

No appeal has been previously taken from the proceedings below.

*Personalized Media Communications, LLC v. Apple Inc.*, 952 F.3d 1336 (Fed. Cir. 2020) (“*PMC*”), (Stoll, J., joined by Reyna and Taranto, JJ) was an appeal from IPR2016-00755, which concerned the same patent at issue in this appeal, U.S. No. 8,191,091.

This Court designated Appeal Nos. 20-1197, 20-1198, as companion cases. Both are appeals from the Patent Trial and Appeal Board concerning a different patent, U.S. No. 8,559,635.

*Personalized Media Communications, LLC v. Google LLC*, Fed. Cir. Nos. 21-1788,-1835 is also related.



## INTRODUCTION

Nearly 30 years ago, PMC explained its patent prosecution strategy to potential investors: prosecute applications in a manner so the “duration of coverage is prolonged as long as possible.” Appx37731. PMC’s goal was to obtain patents “to exercise far-reaching market control for as long as 30 to 50 years”—“considerably longer than the seventeen year term of the first patent to issue.” Appx39220; Appx37730. To maximize revenue from those patents, PMC would keep its purported inventions hidden, monitor industry activity, and then “roll out the patents ... in the future, after the [PMC] technology has been widely adopted.” Appx37818. In PMC’s words, its strategy was what “was classically called [a] submarine.” Appx9427(63:16-19). Apple was identified as a future target.

This case is the culmination of PMC’s strategy. From 1981 through 1994, PMC prosecuted a “daisy chain” of seven serially-filed applications, to take advantage of the way patent terms were calculated. When Congress announced in 1994 that it would change patent terms to run 20 years from filing, rather than 17 years from issuance, PMC responded by

dumping 328 new continuation applications on the Patent and Trademark Office (“PTO”). Each application spanned more than 550 pages, and asserted priority to PMC’s applications from 1981 and 1987. Each was only a placeholder: PMC would later amend the claims to execute its “submarine” strategy while still taking advantage of the 17-year fixed term.

The sheer volume of interrelated applications was guaranteed to benefit PMC by delaying prosecution. PMC further ensured delay with other tactics. It inundated the PTO with numerous “prior art” references including admittedly irrelevant material: “a cover sheet with only the word ‘ZING’, a computer printout from a library search ..., and a page of business cards....” Appx40177. And PMC obfuscated when examiners asked what (if any) patentable differences existed among the purported inventions.

One of the 328 applications was No. 08/485,507, which was filed in 1995, the day before the change in patent terms went into effect, but did not issue until 2012 as U.S. Patent 8,191,091. Following the strategy announced decades earlier, PMC asserted the ’091 patent against Apple in 2015 for technology Apple developed independently in the early 2000s.

As a result of PMC's tactics, the '091 patent claims priority to 1981 and 1987, but will not expire *until 2027*.

As the district court found after a bench trial, “[d]elays of this magnitude do not occur by accident and do not occur when an applicant reasonably pursues prosecution.” Appx36. The court heard testimony from PMC's witnesses, saw PMC's internal documents, and considered tens of thousands of pages of prosecution history. The court concluded the “totality of circumstances” showed PMC had engaged in “unreasonable and unexplained delay.” Appx37. In view of “compelling facts” regarding PMC's delay, the court had “a duty to apply the equitable doctrine of prosecution laches.” Appx41.

PMC challenges that exercise of discretion by attacking the court's findings piecemeal. This approach loses the forest for the trees. Prosecution laches arises from the *totality* of the circumstances and cannot be explained away by atomistic dissection of individual acts. “The ‘totality of circumstances’ requires courts to consider the ‘whole picture,’” and “the whole is often greater than the sum of its parts—especially when the parts are viewed in isolation.” *District of Columbia v. Wesby*, 138 S. Ct. 577, 588 (2018); see *Hyatt v. Hirshfeld*, 998 F.3d 1347, 1363-64 (Fed. Cir.

2021).

PMC not only loses the forest, but mischaracterizes individual trees—often omitting context or contending individual actions were technically permitted. But the permissibility of continuation applications does not excuse PMC’s deliberate daisy-chain strategy to extend its patent term. The GATT transition rule for applications filed by June 8, 1995, does not excuse PMC’s bulk-filing of 328 placeholder applications. Procedures for amending claims do not excuse PMC’s amendments to add more than *10,000* claims. Disclosure requirements do not excuse PMC’s burying the PTO in the thousands of references (including obvious junk) listed on the first 33 pages of the ’091 patent. Appx46-78. Even PMC’s feeble explanations omit much of its conduct, such as failing to respond to PTO requests to identify patentable differences among claims, “misle[ading]” statements about priority, examiner-shopping, and taking claims that were narrowed in one application and re-advancing a broader earlier iteration in “corresponding” applications while telling the examiner it had done the opposite. Appx48029; Appx40209-40213; Appx40267-40270.

Prosecution laches advances the principle that courts of equity need

not acquiesce in clear abuses of the prosecution process. If ever there were a case for prosecution laches, this is it. The sheer scale of PMC's scheme is unparalleled except by the *Hyatt* and *Lemelson* cases where this Court also found prosecution laches appropriate—neither of which had the evidence of premeditation present here. Holding Apple to a clear-and-convincing standard of proof, the district court concluded both elements of prosecution laches were met. The record showed that PMC abused the patent system on a massive scale, over decades, through a premeditated strategy to delay prosecution and extend its patent coverage. The district court permissibly found that PMC's abuse unreasonably delayed the '091 patent's issuance until after Apple developed and invested in its accused technology; Apple "was therefore prejudiced by PMC's dilatory prosecution." Appx41.

### **STATEMENT OF THE ISSUE**

Whether the judgment should be affirmed because PMC fails to demonstrate that the court made clearly erroneous factual findings or abused its discretion in holding the '091 patent unenforceable due to prosecution laches, where the totality of the circumstances showed PMC engaged in an unreasonable and unexplained delay that prejudiced Apple.

## STATEMENT OF THE CASE

### A. Prosecution of PMC's Patent Applications (1981-2012)

#### 1. PMC's 1981 and 1987 Applications

In 1981, PMC founder John Harvey and James Cuddihy filed U.S. Patent Application No. 06/317,510 ("510 application"). Appx37664. The '510 application noted that "growth of the so-called cable television industry" and "widespread and growing ownership of computers" suggested potential "for a significant increase in the scope and scale of multi-media and multi-channel presentations." Appx37679(1:23-35). The application thus discussed "means and methods which permit programming to communicate with equipment that is external to television and radio receivers, particularly computers and computer peripherals such as printers." Appx37679(1:36-41). The '510 application issued as U.S. Patent No. 4,694,490 in September 1987 and expired in September 2004.

On September 11, 1987, shortly before the '490 patent issued, Harvey and Cuddihy filed U.S. Patent Application No. 07/096,096 ("096 application") as a continuation-in-part of the '510 application. Appx4; Appx101; Appx7956(¶10).

The '510 and '096 applications are the entirety of PMC's disclosures,

and all of PMC's patents claim priority to their 1981 or 1987 dates, respectively. Appx4; Appx5615(352:4-353:14); Appx9385-9387(21:24-23:1).

## 2. PMC's "Submarine" Patent Strategy

In 1987, Harvey also founded PMC as a holding company for his patents. Appx5; Appx5582(221:17-24). Thereafter, PMC pursued a "patenting strategy to track [its] patents back to the original filing date of November 3, 1981 to maintain longevity." Appx37662. In 1992, a PMC executive explained PMC's ongoing "daisy chain" strategy where "a new patent filing is made prior to the issuance of a pending patent." Appx37662; Appx8577. Harvey testified PMC deliberately waited to file applications "so that the 17-year period would start as late as possible." Appx8851(439:18-21).

A 1990 PMC memorandum outlined PMC's "Strategy for Prosecuting Pending Patents in the United States." Appx37730. It explained that engaging in "serial prosecution ... can result in a portfolio of patent coverage that provides protection for considerably longer than the seventeen year term of the first patent to issue." *Id.* PMC would "prosecut[e] coverage on its technologies deliberately over time in such a way that broad coverage is in effect at any given time *while the duration of coverage is*

*prolonged as long as possible.*” Appx37731.

Around the same time, PMC told investors in an “Introduction” memorandum that it “believes that its intellectual property position will enable it to *exercise far-reaching market control for as long as 30 to 50 years.*” Appx39216; Appx39220.

PMC’s strategy included avoiding publicizing its inventions, in hopes that future targets would independently develop technology PMC could later accuse of infringement. In June 1990, Harvey explained in a letter to a Harvard Business School professor, “[b]eing in your words ‘a submarine,’ we have made no attempt to publicize our technology.” Appx37724. Another PMC executive explained that, “[i]n some cases markets had yet not matured to benefit from applications of the Company’s technologies.” Appx37865. “[T]herefore, the Company had deliberately chosen not to publicize widely its technologies or plans.” Appx37865. That communication identified Apple as a potential future target. Appx37870; Appx8610-8611. PMC’s director of licensing testified he “consider[ed] the PMC patents” to be what are “classically called” “submarine patents.” Appx9427(63:16-19).



PMC was advised to maximize revenue by waiting until the industry had made significant technological investments before making licensing demands or filing lawsuits. In 1992, PMC’s consultants advised waiting until “*after* widespread infringement of the subject patents has been established,” “quietly monitor[],” and “then roll out the patents to the industry at an appropriate time in the future, after the PPMC technology has been widely adopted.” Appx37817-37818. Premature licensing could “alert the industry to the existence of the PPMC patents at a stage when design around or outright avoidance is still feasible.” Appx37817.

### **3. PMC’s “Daisy-Chain” Prosecution (1987-1994) and 328 Bulk-Filed Placeholder Applications at the 1995 GATT Deadline**

From 1987 to 1994, PMC filed a “daisy chain” of serial continuation applications—each claiming priority to the one before. Appx9388(24:6-14). In 1995, however, to implement the General Agreement on Tariffs and Trade (“GATT”), Congress amended 35 U.S.C. §154 so patent terms end 20 years from the *filing date* of the earliest application to which priority is claimed—rather than 17 years from *issuance*. Pub.L. 103-465, 108 Stat. 4809 (Dec. 8, 1994); 35 U.S.C. §154(a)(2). Importantly, the new

rule applied only to applications filed after June 8, 1995 (“GATT deadline”). 35 U.S.C. §154(c)(1). After the GATT deadline, PMC could no longer file new applications that both claimed priority to earlier applications and resulted in patents remaining in force for 17 years after issuance.

PMC’s counsel advised Harvey of the forthcoming change. Appx8871(296:16-22). In the three months before the deadline, PMC filed 328 patent applications—326 in the final weeks. Appx8077-8078(¶¶29-30); Appx9388(24:18-21). Harvey testified this was to get “the benefit of the old rule” for patent terms. Appx8871-8872(296:23-297:9). Each application was nearly 600 pages. Appx10; Appx8075(¶11); Appx8077-8078(¶29). Each had the same single claim to a “method of controlling the communication of television programming at a television transmission.” Appx8077-8078(¶29).

PMC asserts it made its first amendment to those 328 applications the same day they were filed. PMCBr.29, 47, 55. The record does not support that assertion as to *all* applications. Appx8077-8078(¶29). Regardless, as the district court found, the applications served as placeholders for thousands of overlapping claims PMC would add later. Appx10;

Appx35 (“shoot first, aim later strategy of filing ... placeholder claims” only demarcated years later, “after pushback from the PTO”).

By filing before the GATT deadline, PMC gained a stockpile of 328 malleable applications. *So long as PMC could keep those applications pending*, PMC could later amend to add whatever claims it thought it could tie to the original applications. Any resulting patents would have the benefit of a pre-GATT patent term.

#### **4. PMC’s Post-GATT Prosecution Conduct**

After filing its 328 placeholder applications, PMC amended them. Appx8077-8078(¶29). PMC’s prosecution counsel Scott estimated at one point 6,000 claims were pending. Appx9582(218:6-22). In 1996, an examiner estimated “between *10,000 and 20,000 claims.*” Appx40069-40070.

Scott admitted some of those claims were themselves “placeholder claims being used by PMC to put certain applications on hold while [PMC] focused on other applications.” Appx9588(224:13-19). Some amendments resulted in “word-for-word” identical claims in different applications. *Compare Appx41341-41342 with Appx44470-44471; Appx11.*

Throughout prosecution, PTO examiners observed that PMC's tactics hindered their ability to examine PMC's applications. Double-patenting was a pervasive problem. A 1998 office action noted "clear evidence that ... conflicting claims exist between the 329 related co-pending applications," and that PMC's filings imposed an "extreme burden on the Office requiring millions of claim comparisons."<sup>1</sup> Appx40167; Appx40175-40176; Appx8624-8625.

For application No. 08/485,507 ("507 application"), which ultimately became the '091 patent, the examiner concluded "the claims ... were not patentably distinct from claims in other co-pending applications."<sup>2</sup> The examiner "reminded" PMC of its "duty to maintain a line of patentable demarcation between related applications," and admonished PMC to ensure "substantially duplicate claims do not appear in different cases." Appx40069-40070.

Examiners handling other applications similarly observed the

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<sup>1</sup> "329" includes an earlier application. Appx46(Cover).

<sup>2</sup> Appx9583-9584(219:16-220:25); Appx40069-40070(double-patenting rejections based on priority applications); Appx40083(double-patenting rejections based on co-pending applications).

“claims in the related copending applications ... do not appear independent and distinct from the claims in this application.” Appx41457; Appx20306; Appx27082.

By 1997, the PTO rejected PMC’s applications for double patenting based on *In re Schneller*, 397 F.2d 350 (CCPA 1968). Appx8078(¶32). The ’507 application’s examiner explained “there is *no apparent reason* why applicants were prevented from presenting claims corresponding to those of the instant application during the prosecution of the parent applications.” Appx40071. Although PMC overcame the *Schneller*-based rejections, systemic double-patenting problems persisted. Appx40170-40176; Appx8624-8626. PMC’s responses to examiner inquiries further burdened the PTO.<sup>3</sup>

PMC used its applications to “*shop among the USPTO examiners* for conflicting interpretations of [its] claims,” by submitting overlapping claims in different applications. Appx40212-40213. An examiner described the “*unnecessary drain on already limited PTO resources*,” among other choice descriptions. Appx48039-48040; Appx15. PMC “declined” a

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<sup>3</sup> Appx47858; Appx47864; Appx41552; Appx41559; Appx44642; Appx44649; Appx20404; Appx20410; Appx27191; Appx27198.

request for clarification of “*precisely what it is that applicant claims.*” Appx48056 (original emphasis). That examiner compared PMC’s submissions to “directions to a treasure hunt. There’s a piece here, there’s a piece there, it’s in there somewhere.” Appx48058. The examiner also concluded “the examiner/Office was unquestionably misled.” Appx15; Appx48029. Even by 2002, the PTO continued to “struggl[e]” to identify support “for the 10,000 or so pending amended claims.” Appx48056.

PMC’s submission of thousands of prior art references also burdened examiners. One noted the “unusually large number of references” and PMC’s “failure ... to point out why such a large number of references is warranted.” Appx40177. PMC submitted foreign-language references with “no statement of relevance or no translation.” Appx40177. Some references post-dated the 1987 effective-filing date. Appx40177. Examiners observed that PMC’s disclosures included “numerous references that are apparently unrelated to the subject matter of the instant invention such as: US Patent #33,189 *directed toward a beehive*, GB 1565319 *directed toward a chemical compound*, a cover sheet with only the word ‘ZING’, a computer printout from a library search with the words ‘LST’ on it[,] and a page of business cards ... among others.” Appx40177;

Appx47865; Appx41560-41561; Appx44650. The '091 patent lists thousands of submitted references on its first 33 pages. Appx46-78; *see* Appx60 (“Zing,” “Numerous Group W business cards”).

In 1998, the PTO imposed Administrative Requirements to try to induce PMC to prosecute its applications in good faith. Appx40176; Appx40251. PMC was directed to choose among: filing terminal disclaimers; providing an affidavit that no conflicting claims exist between applications; or specifically identifying how all the claims in the applications were distinct and separate. Appx8080(¶45); *see* Appx40176; Appx40251. The PTO explained the Requirements “merely asked [PMC] for something [they] have been and are required to do anyway.” Appx40210-40211.

PMC did not comply. Appx8081(¶49); Appx40209-40214; Appx9438-9439(74:11-75:4). Instead, it objected, Appx32194; Appx40210, then withdrew its objection and eventually agreed in 2002 to a modified Requirement, Appx40250-40252.

##### **5. The Consolidation Plan for PMC’s Applications (1999)**

Nearly four years into prosecuting PMC’s 328 applications, amid PMC’s resistance to the Administrative Requirements, the PTO and

PMC outlined a process to try to organize and examine PMC's applications. Appx8081-8082(¶50); Appx27725. The approach was not a contract or formal agreement. It was a framework, summarized in a flowchart in the prosecution files. Appx27725. It came at a time, pre-*Bogese*, when the PTO was generally not thought to have authority to reject claims for laches.

PMC agreed to consolidate its applications into 56 subject-matter categories. Appx8081-8082(¶50); Appx27637-27639. All claims in a category were added to an application designated as an "A" application. Appx8081-8082(¶50); Appx27725. A so-called "B" application would remain pending corresponding to each "A" application, and the remaining applications were then abandoned.<sup>4</sup> Appx27725.

As illustrated in the flowchart below, the "A"-track applications would then be prosecuted to finality, while the PTO held the "B" applications pending "*final action* in the corresponding 'A' applications." Appx40220; Appx8081-8082(¶50); Appx27725. PMC and the PTO agreed that to "expedite allowance of patentable claims," any claims that had

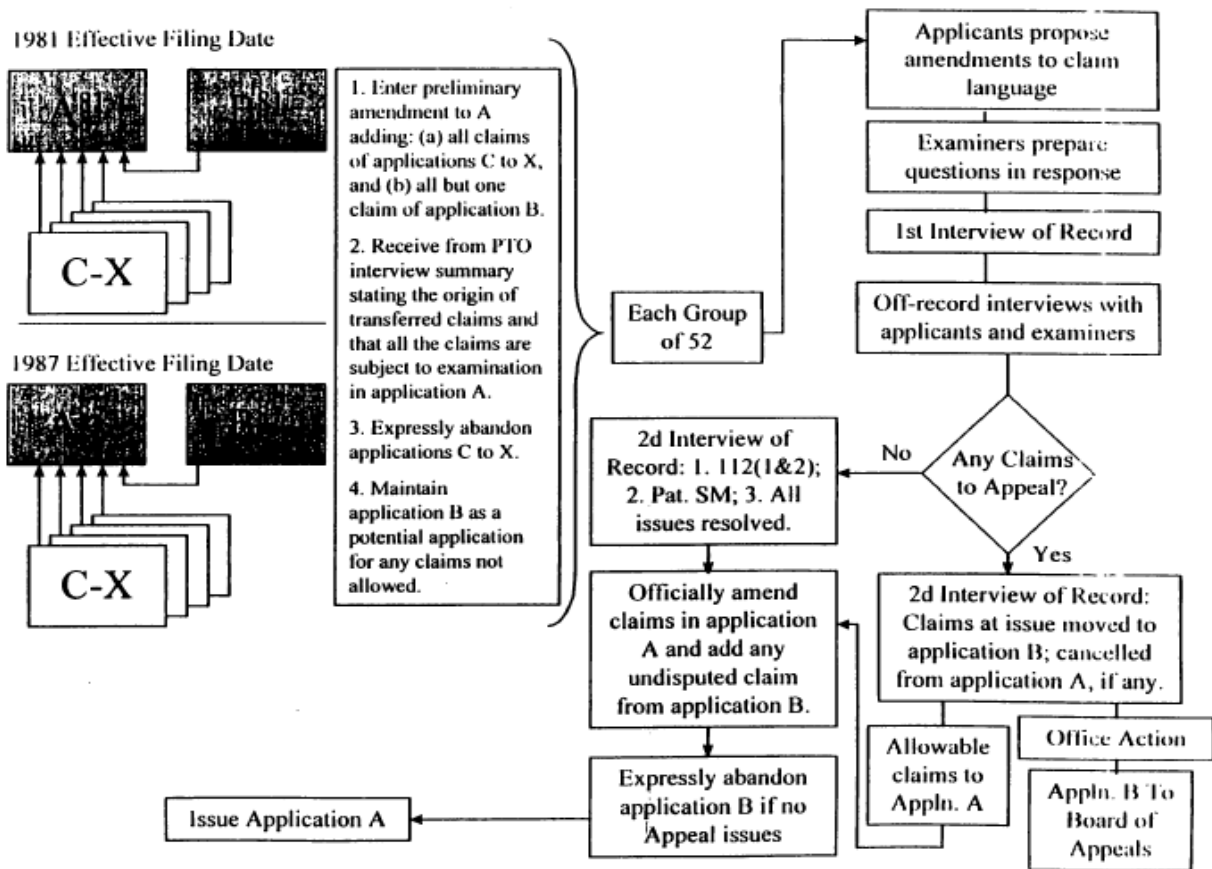
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<sup>4</sup> For some categories, there were two sets of "A" and "B" applications, depending on whether priority was claimed to 1981 or 1987. Appx25673.



been “*finally rejected*” from an “A” application could be “moved to the [corresponding] ‘B’ [a]pplication for further action, and the ‘A’ [a]pplication would be allowed to issue.” Appx40220; Appx8081-8082(¶50); Appx27725. This was a means of *bifurcating* allowable claims from finally-rejected claims, such that allowable claims could issue more quickly in the “A” applications, without awaiting appeal of finally rejected claims.

*Id.*



Appx27725.

PMC was to exhaust the prosecution of a claim in the “A”-track before moving it to the “B”-track. The “B” applications (containing the finally rejected claims) could then be promptly appealed to the PTO’s Board of Appeals, without holding up issuance of allowable claims. If no claims were finally rejected in an “A” application, the corresponding “B” application would be abandoned—not serve as an opportunity for a do-over or to add yet additional claims. Appx27725.

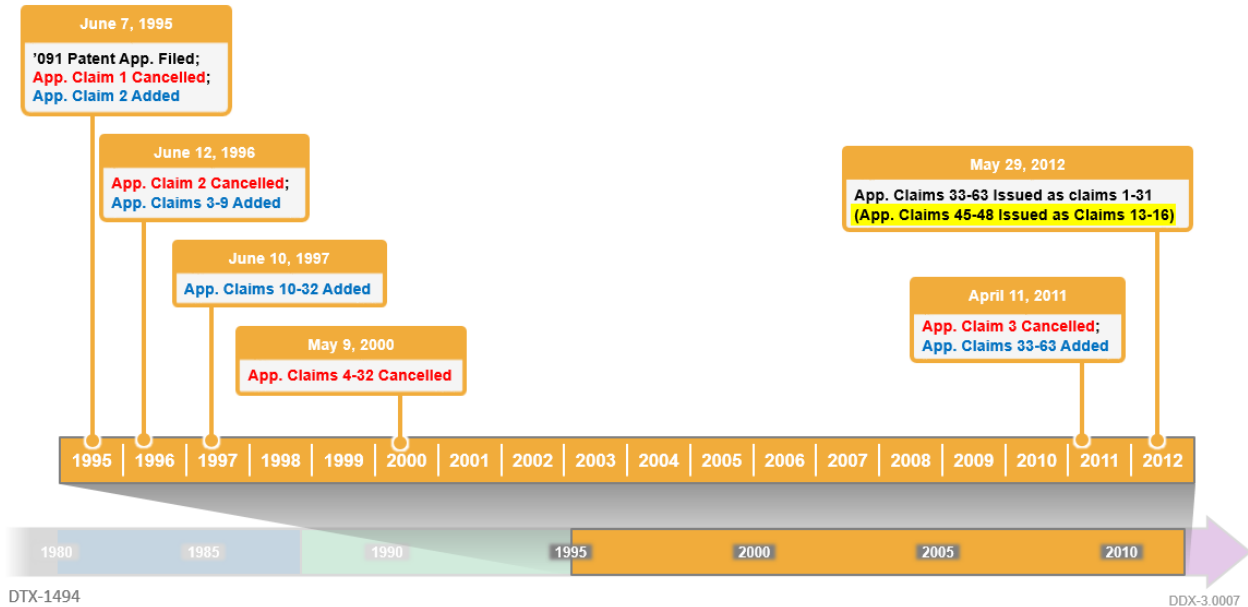
Notwithstanding PMC’s apparent agreement to the consolidation framework, the PTO was still forced to raise Administrative Requirements, and PMC continued to fight them. Appx27647-27649. And in the application that became the ’091 patent, PMC’s abuse continued under the consolidation plan, as it used the “A” and “B”-track applications to examiner shop and recycle claims.

## **6. Prosecution of the ’091 Patent (1995-2012)**

The ’507 application, which became the ’091 patent, was filed one day before the GATT deadline. Appx46. It was eventually designated the “B” application corresponding to Application 08/475,145 (“145 application”), an “A” application. Appx25673.

The ’507 application’s prosecution history is illustrated below and

reflects many challenges the PTO faced with other applications. Appx8079-8080(¶¶38-46); Appx8084-8085(¶¶61-69); Appx8085(¶¶71-72).



Appx8679.

Over its first 5 years, PMC cyclically cancelled, amended, and added claims. Appx8655-8660; Appx39881-39882; Appx40056-40060; Appx40125-40133; Appx40203. PMC also requested extensions of time after each office action. Appx40162; Appx40193-40197. By 1999, all claims of the '507 application stood finally rejected and (following an extension, Appx40193) PMC filed a notice of appeal with the PTO's Board of Appeals. Appx40192. PMC then used the consolidation plan as a basis to cancel all but one claim in the '507 application and pursue the "A"-

track '145 application. Appx40203.

In March 2001, PMC requested that the '507 application be held in abeyance as a “B” application while PMC prosecuted other applications. Appx40243. The PTO suspended prosecution for 6 months, but requested that PMC inquire after 6 months. Appx40252. PMC never made that inquiry. Instead, the prosecution history shows three additional 6-month suspensions without PMC saying a word. Appx40253-40254; Appx40262-40263; Appx40265-40266.

Meanwhile, in the “A”-track '145 application, in 2003—8 *years* into prosecution—PMC amended application claim 22 to recite encryption, decryption, and a decryption key. Appx22; Appx48137-48141. That was the first time *any* claim later-associated with the '507 application was expressly directed to encryption and decryption. Appx22; Appx40271-40277.

In 2010, claim 22 of the “A”-track '145 application was amended to put it in condition for allowance. Appx48300-48305. After that application received a Notice of Allowability, Appx48297-48299, PMC used the '507 “B” application as an opportunity to recapture broader claim scope it had to narrow in the '145 application. Appx20-23.

In 2011, PMC filed its first substantive paper in the '507 "B" application in 10 years. It cancelled the only pending claim and *added 30 new claims* (33 to 63). Appx40271-40277. These new claims included ones *identical* to an earlier iteration of claims that had been prosecuted in the "A"-track '145 application *and allowed*—but only after narrowing amendments. Specifically, PMC added the *2003 version* (not the 2011 allowed version) of claim 22 from the '145 application as claim 45 in the '507 application. Appx8669. PMC did not notify Examiner Groody or Moore (the new examiners) that Examiner Nguyen (the '145 examiner) had previously examined the very same claim, finding it unpatentable as presented but accepting amendments to make it allowable.<sup>5</sup>

Instead, PMC represented, inaccurately, that its new claims had "*additional amendments* that Applicants believe place the claims *in condition for allowance*." Appx23; Appx40270. PMC attached an appendix purporting to "indicat[e] the differences between the 'A' Claims and the amended form submitted herein as claims 33-63," even though the "A"

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<sup>5</sup> Appx40273 (claim 45); Appx48137-48141 (claim 22); Appx48265 (rejecting claim 22); Appx48272 (amending claim 22); Appx48281 (same); Appx48287 (same); Appx48305 (amending claim 22).

version of claim 45 (claim 22) had already been amended extensively before Examiner Nguyen. Appx40270; Appx40280; Appx48305; Appx8670.

After additional rejections, Appx40287-40288, minor amendments, Appx25; Appx8671; Appx40442; Appx40468, additional disclosures, and a terminal disclaimer, Appx40528; Appx40533, the '091 patent issued in 2012, Appx40608. It expires in 2027. Appx9370(6:20-25).<sup>6</sup>

### **B. Apple Develops FairPlay Technology**

When Apple launched iTunes and the iPod in 2001, customers could not purchase compatible music online. Appx4706-4707(677:22-678:3). Apple wanted to make music available for purchase online through the iTunes Music Store, but music labels were concerned about unauthorized copying. Appx4707-4709(678:13-680:11). Apple thus began developing its own digital rights management software, called FairPlay. Appx8085(¶73); Appx4712(683:15-25); Appx4713(684:1-4). The Apple employee then responsible had never heard of PMC. Appx4712(683:6-14).

Apple launched FairPlay with the Apple Music Store in 2003.

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<sup>6</sup> The asserted claims are similar to ones held ineligible under 35 U.S.C. §101 in *PMC v. Amazon.com, Inc.*, 161 F.Supp.3d 325 (D. Del. 2015), *aff'd*, 671 F. App'x. 777 (Fed. Cir. 2016).

Appx4713(684:21-23); Appx8085(¶76). Apple thereafter continued to add features, address new security threats, and expand coverage. Appx4715(686:11-16), Appx4717(688:5-14), Appx4719-4720(690:22-691:11); Appx8086(¶77). By 2005 and 2007, FairPlay was fully integrated with Apple's iTunes and App Stores, respectively. Appx8085-8086(¶¶74-78).

Encryption of decryption keys is critical to FairPlay's operation. FairPlay prevents a user from copying or making unauthorized use of downloaded content. Appx4746(717:5-17). Content is encrypted, and access to the content is controlled by controlling access to the decryption key. This is achieved by encrypting the decryption key itself. Appx4757(728:23-729:5).

Consistent with the strategy PMC outlined decades earlier—including identifying Apple as a target—PMC did not contact Apple until FairPlay was incorporated into Apple's services. Appx9411-9412(47:4-48:3); Appx8769-8770(254:21-255:4); Appx37820-37822; Appx8086(¶80). In July 2011, PMC sent Apple claim charts mapping five PMC patents (not the '091 patent, which had not yet issued) to Apple products and services; PMC identified one patent as relevant to FairPlay. Appx37831-

37833. In November 2011, Apple responded with a substantive explanation of why it did not infringe. Appx5595(272:2-12). None of those five patents were asserted against Apple. Appx37831-37833.

PMC never disclosed the pending '507 application or the issued '091 patent in discussions with Apple between 2008 and 2014. Appx8090(¶97). Instead, in April 2011, PMC added claim 45 to the '507 application, relating to encryption, decryption keys, and an instruct-to-enable signal. Appx40273. And PMC amended that claim after Apple had explained (in November 2011) why it did not infringe PMC's earlier five patents. Appx40468; Appx40482. That claim issued as independent claim 13 in the '091 patent. Appx40689; Appx8679.

### **C. District Court Proceedings and Trial**

In 2015, PMC sued Apple, alleging infringement of the '091 patent based on Apple's FairPlay technology. Following a stay for *inter partes* review proceedings, PMC's claims for infringement of claims 13-16 of the '091 patent were tried to a jury, which found that Apple infringed at least one of them and awarded \$308,488,108.00 in damages. Appx3694-3700.

Chief Judge Gilstrap then held a bench trial on Apple's prosecution laches counterclaim, and obviousness-type double-patenting and unclean



hands defenses. Appx2-3; Appx3484-3487; Appx7521. PMC’s general counsel and lead patent prosecutor (Scott) testified about PMC’s prosecution tactics and patent strategy. Appx5-6; Appx9383-9384(19:18-20:9); Appx9572-9591(208:24-227:22). Apple presented video deposition testimony from a PMC executive responsible for licensing (Lemna), as well as deposition and jury testimony of other witnesses. Appx8762-8764.

Harvey—PMC’s founder and a named inventor—declined to appear at the bench trial, even though he had testified voluntarily for PMC at the jury trial. Appx5606(314:12-15); Appx9610-9611(246:12-247:18); Appx9622(258:11-24). Apple presented excerpts of his jury-trial testimony (which the court had seen live), and deposition testimony. Appx8763.

#### **D. The District Court’s Decision Finding Prosecution Laches**

After the bench trial, the district court issued a 42-page opinion reviewing the evidence and explaining why the facts warranted application of prosecution laches to the ’091 patent. Appx1-44.

Among other things, the court described the factual similarities between this case and *Hyatt*. Appx32. Like *Hyatt*, PMC bulk-filed over 300 “atypically long and complex” applications during the “GATT bubble.”

Appx32-33 (quoting *Hyatt*, 998 F.3d at 1353). Like *Hyatt*, PMC used its pre-GATT-deadline filings as placeholders, thereafter adding thousands of claims through amendments. Appx33-34. As in *Hyatt*, the complexity, number, and size of PMC's overlapping applications overwhelmed examiners. Appx34; Appx37. That difficulty was "exacerbated by the scope and content of PMC's prior art disclosure[s]," of "thousands of references, many of which the examiners noted bore questionable relevance to the claimed inventions, and several of which were abjectly irrelevant." Appx34; Appx37.

The district court considered and rejected PMC's arguments defending its conduct, including that the consolidation plan should excuse it from prosecution laches. Appx34. The court observed that "prosecution laches considers the *applicant's* conduct" and that the PTO's participation in a plan for sorting through PMC's mass of applications "does not automatically vindicate the *public* interest that prosecution laches protects." Appx34-35. Further, the court found that "PMC's after-the-fact development of a plan to demarcate its inventions ... does not excuse its absence of a plan at the time of its voluminous filings," and "[i]f PMC had any understanding of the scope of its inventions prior to June 8, 1995, it

could have filed its applications with *bona fide* claim sets directed to its “separate and distinct” inventions. Appx35. In other words, the plan was only necessary in the first place because of PMC’s bulk-filing and years of recalcitrance, “pursu[ing] a shoot first, aim later strategy of filing.” Appx35. Finally, the court found PMC’s use of “[t]he consolidation agreement itself also contributed to delays” because it “permitted PMC to realize its initial strategy of serialized prosecution, notwithstanding the GATT amendments and the URAA.” Appx36.

The court reasoned that “[a]ll of these events must be viewed in the context of PMC’s original plans: to prosecute its patents serially over time and keep them hidden until infringement was engrained and widespread.” Appx40. “PMC sought *30 to 50 years* of patent protection, and it obtained exactly that,” with the ’091 patent issuing 17 years after its filing date with claims that will expire 40 years after the 1987 priority application. Appx36. “Delays of this magnitude do not occur by accident and do not occur when an applicant reasonably pursues prosecution.” Appx36. “Having considered the totality of the circumstances,” the court was “persuaded that Apple has presented clear and convincing evidence of an unreasonable and unexplained delay, similar in length to delays

previously held to constitute laches.” Appx37.

The court also found PMC’s delay “prejudiced Apple, which had already begun investing in FairPlay’s development and continued to do so” by the time PMC first presented an instruct-to-enable-signal-based decryption method to the PTO in 2003. Appx39. “[A]s Apple was developing FairPlay, PMC was prosecuting the claims it would later assert.” Appx39. The “prejudice” “is underscored” by the jury’s finding that the asserted claims of the ’091 patent cover Apple’s FairPlay technology. Appx39. The court concluded Apple had presented “clear and convincing evidence that it worked on, invested in, and used the claimed technology during the period of delay” and that “Apple developed intervening rights, and was therefore prejudiced by PMC’s dilatory prosecution.” Appx41.<sup>7</sup>

## **SUMMARY OF THE ARGUMENT**

**A.** The district court properly found that PMC’s delay prosecuting the ’091 patent was unreasonable and inexcusable under the totality of the circumstances. These circumstances included PMC’s premeditated, explicit plan of delay for strategic advantage.

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<sup>7</sup> The court did not reach Apple’s obviousness-type double patenting or unclean hands defenses. Appx2 n.2.

The district court considered PMC's prosecution strategy—first stringing out its patent applications through serial filings, then bulk-filing 328 applications near the GATT deadline—and found PMC unreasonably delayed prosecution to obtain patent protection far exceeding any statutory term. PMC did not just wait 8 years to file the continuation application that issued as the '091 patent, it waited another eight before seeking claims like the ones asserted, and yet another eight before adding those to the application that became the '091 patent. Such delay is facially unreasonable.

The court found that the delay was further exacerbated by PMC's prosecution conduct. The court made factual findings detailing numerous instances where PMC's conduct hampered examination, resulting in further delay. For the '507 application (which became the '091 patent), examiners were forced to issue multiple double-patenting rejections, address a deluge of prior art references (many irrelevant), and address PMC's failure to comply with "Administrative Requirements." Although PMC asserts it was diligent, the district court found otherwise.

The court also considered how PMC's amendment tactics and abuse of a consolidation plan furthered PMC's goal of delay. There is no support

for PMC’s assertion that its so-called “agreement” with the PTO precludes laches as a matter of law: *Equity* required that PMC prosecute its applications in a manner that avoided delay and prejudice to others. PMC’s conduct shows it misused the consolidation plan (and misrepresented what it had done) when it added older versions of draft claims into the “B”-track application that became the ’091 patent to take another shot at obtaining the claim later asserted against Apple—despite having agreed to narrow the precursor claim in its corresponding “A” track application. Even if PMC technically complied with the consolidation framework (or any other requirement), that does not immunize dilatory conduct. *Hyatt*, 998 F.3d at 1369.

If the delay were merely “unexplained,” that would warrant laches. *Id.* at 1360. But in weighing the facts the district court found “the *only rational explanation*” for delay of this magnitude was PMC’s strategic behavior for monetization purposes—just as PMC’s internal documents, investor guidance, and consultants all advocated decades before. Appx38. Were that not enough, the court observed that PMC’s conduct was “remarkably similar” to that in *Hyatt*. Appx32.

**B.** Based on its findings that Apple had invested in the FairPlay

technology during PMC's dilatory prosecution, the district court found Apple had been prejudiced. PMC is legally and factually wrong to suggest that only its misconduct after 2003 matters. The district court properly found that Apple's work on FairPlay overlapped with the improper delays PMC engineered through its conduct.

PMC fails to show clear error or an abuse of discretion. The judgment should be affirmed.

## ARGUMENT

### I. STANDARD OF REVIEW

A district court's determination that a patent is unenforceable under the doctrine of prosecution laches is reviewed for an abuse of discretion. *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found., LP*, 422 F.3d 1378, 1384-85 (Fed. Cir. 2005) ("*Symbol II*"). "To meet the abuse-of-discretion standard, the appellant must show that the district court made "a clear error of judgment in weighing relevant factors or in basing its decision on an error of law or on clearly erroneous factual findings." *Energy Heating, LLC v. Heat On-The-Fly, LLC*, 15 F.4th 1378, 1382 (Fed. Cir. 2021).

Following a bench trial, a district court's factual findings are reviewed for clear error. *Inwood Lab'ys, Inc. v. Ives Lab'ys, Inc.*, 456 U.S.

844, 855 (1982). That standard is deferential: “If the district court’s account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently.” *Anderson v. Bessemer City*, 470 U.S. 564, 573-74 (1985); see *Vanda Pharms. Inc. v. West-Ward Pharms. Int’l Ltd.*, 887 F.3d 1117, 1131-32 (Fed. Cir. 2018). “Where there are two permissible views of the evidence, the factfinder’s choice between them cannot be clearly erroneous.” *Anderson*, 470 U.S. at 573-74.

## **II. THE DISTRICT COURT REASONABLY EXERCISED ITS DISCRETION IN FINDING THAT THE ’091 PATENT IS UNENFORCEABLE DUE TO PROSECUTION LACHES.**

Prosecution laches is an equitable doctrine that prevents patentees from enforcing patents they obtained after unreasonable delays in presenting and prosecuting claims before the PTO. *Hyatt*, 998 F.3d at 1359-61. Unreasonable delay tactics such as PMC’s unjustly extend patent terms, deprive the public of timely disclosure, and hinder the examination process. *Id.* at 1350-51.

The prosecution laches doctrine originates from the Supreme Court’s decisions in *Woodbridge v. United States*, 263 U.S. 50 (1923), and



*Webster Elec. Co. v. Splitdorf Elec. Co.*, 264 U.S. 463 (1924). *Woodbridge* observed that “[a]ny practice by the inventor and applicant for a patent through which he deliberately and without excuse postpones beyond the date of the actual invention, the beginning of the term of his monopoly, and thus puts off the free public enjoyment of the useful invention, is an evasion of the statute and defeats its benevolent aim.” 263 U.S. at 56-57. *Woodbridge* found the applicant was not entitled to a patent that could have been issued in 1852 but the applicant strategically delayed until 1861. *Id.* at 56-57. *Webster* found a patent unenforceable in an infringement case because of the applicant’s strategic 8-year delay, which included the introduction of different claims more than 8 years into prosecution. 264 U.S. at 466-71 (discussing *Miller v. Brass Co.*, 104 U.S. 350 (1881); *Wollensak v. Reiher*, 115 U.S. 96 (1885)).

This Court has held the 1952 Patent Act ratified the Supreme Court’s prosecution laches doctrine, and that prosecution laches remains a defense to patent infringement. *Hyatt*, 998 F.3d at 1360-61; *Symbol Techs., Inc. v. Lemelson Med. Found.*, 277 F.3d 1361, 1365-66 (Fed. Cir. 2002) (“*Symbol I*”); 35 U.S.C. §282(b)(1) (“unenforceability”). The defense

has “two elements: (a) that the patentee’s delay in prosecution was unreasonable and inexcusable under the totality of circumstances, and (b) that the accused infringer suffered prejudice attributable to the delay.” *Hyatt*, 998 F.3d at 1362.<sup>8</sup>

For the first element, the relevant “examination of the totality of the circumstances” includes the “prosecution history of all of a series of related patents and overall delay in issuing claims.” *Symbol II*, 422 F.3d at 1386. Importantly, the question is not whether the applicant technically complied with applicable statutes and regulations, “because the doctrine of prosecution laches places an additional, equitable restriction on patent prosecution conduct.” *Hyatt*, 998 F.3d at 1366. Likewise, any PTO delay “may be considered,” but “cannot excuse the applicant’s own delay in prosecution.” *Id.* (internal quotations omitted). The district court “considered the totality of circumstances” based on evidence presented in both a jury and bench trial and concluded “Apple ha[d] presented clear

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<sup>8</sup> PMC refers repeatedly to *SCA Hygiene Prods. v. First Quality Baby Prods.*, 137 S.Ct. 954, 960 (2017). That case is inapposite, for reasons the PTO explained in *Hyatt*. See Response/Reply Br., No. 18-2390, *Hyatt v. Iancu*, 2019 WL 2462737 at \*32-33 (June 6, 2019). *SCA* involved the intersection of statutes of limitations with enforcement delay—not laches from prosecution conduct.

and convincing evidence of an unreasonable and unexplained delay, similar in length to delays previously held to constitute laches.” Appx37. The court found PMC’s “course of conduct ... constitute[d] an unreasonable delay and an abuse of the statutory patent system.” Appx41.<sup>9</sup>

As to the second element, the court considered the totality of the circumstances as shown by the trial record, and concluded Apple was prejudiced by PMC’s dilatory prosecution because “Apple ha[d] presented clear and convincing evidence that it worked on, invested in, and used the claimed technology during the period of delay.” Appx41.

The district court was correct on both elements.

**A. The District Court Properly Found That PMC’s Delay In Prosecution Was Unreasonable and Inexcusable Under the Totality of the Circumstances.**

PMC attacks the district court’s finding of unreasonable and inexcusable delay by dissecting it piecemeal and arguing specific facts or activities viewed *in isolation* were not sufficiently egregious to support laches. PMCBBr.42-51. PMC ignores context—including the strategy it

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<sup>9</sup> PMC’s amicus acknowledges it was funded by PMC, *see* Fair Inventing Fund Brief (“FundBr.”) at 1 n.1. That brief addresses only aspects of conduct *before 1995*—not the “totality of the circumstances.” FundBr.5-6; *see Hyatt*, 998 F.3d 1363-64.

laid out for investors—and disregards the inferences the court was entitled to draw. Along the way, PMC disregards the standard of review by treating this appeal as a second trial.

Every step in PMC’s argument is flawed. Prosecution laches must be determined based on “the totality of the circumstances,” not attempts to explain away individual actions. *Hyatt*, 998 F.3d at 1363; *see Symbol II*, 422 F.3d at 1385-86. The circumstances show PMC’s delay was “unreasonable and unexplained.” *Hyatt*, 998 F.3d at 1360. PMC’s conduct was *facially unreasonable*: The ’091 patent’s application was filed 8 years after the priority application was filed, and the asserted claim was only added *an additional 16 years* later. It issued 25 years after that priority application was filed—“17 years after the filing date” of the ’507 application. Appx36; *see* Appx4; Appx25; Appx8678. And, as the district court concluded “the *only rational explanation*” for that was that PMC intentionally pursued a strategy of delay for purposes of monetization. Appx38. In so finding, the court explained “[t]he events that transpired during PMC’s prosecution of its applications cannot be viewed separately in a vacuum, but must be viewed in their totality.” Appx36.

PMC fails to meet its burden to show “clearly erroneous factual

findings” or “a clear error of judgment in weighing relevant factors.” *Energy Heating*, 5 F.4th at 1382.

**1. PMC Achieved Delay Through Its Application Filing Strategy.**

As the district court found, PMC’s plan to monetize its purported inventions turned on delay in filing and prosecuting its applications. When the law changed to thwart PMC’s initial “daisy chain” approach of serial continuations, PMC resorted to bulk-filing *hundreds* of placeholder applications it could slow-walk through prosecution while retaining pre-GATT patent terms. The district court reasonably weighed PMC’s conduct in the context of PMC’s avowed strategy of using delay to extend its patent rights. Appx40.

“PMC’s stated plan in the early 1990s was to prosecute applications serially and obtain patent protection far in excess of the statutory term.” Appx36. PMC was advised to wait until the “patented technology becomes so deeply embedded in commercial products that design around is not an option to infringers.” Appx7; Appx37817-37818. Its internal memoranda and investor communications confirmed that plan. Appx37730-37731; Appx39220; Appx37865; Appx37724.

From 1981 to 1994, PMC executed its strategy by prosecuting seven

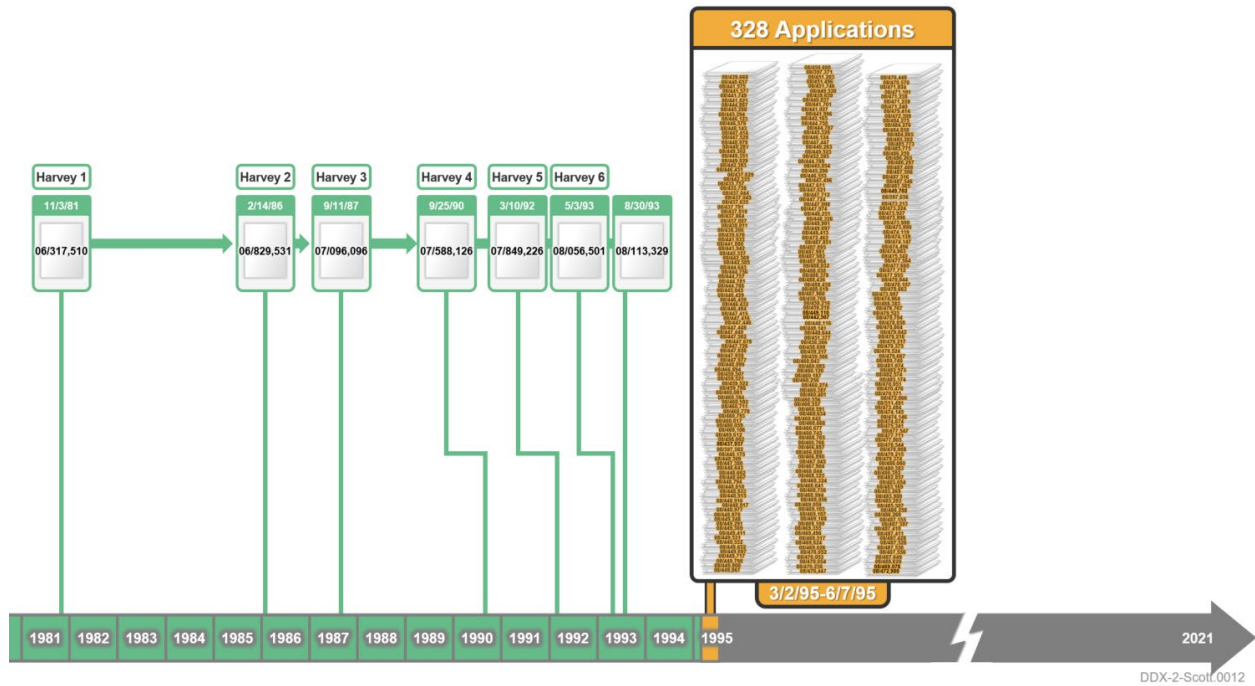
applications serially. Appx5. Harvey admitted the strategy was to file continuations “as late as the law allowed,” at least in part “so that the 17-year period would start as late as possible.” Appx5-6; Appx9424(60:14-21); Appx8851(439:18-21). From 1995 onward, PMC took advantage of the 328 placeholder applications it filed just before the GATT deadline. *Supra* pp.11-15, 18-21.

PMC and its amicus contend PMC should not be faulted for its daisy-chain strategy because the Patent Act permits continuation applications, and preserved pre-GATT patent term calculations for applications filed before the June 1995 deadline. PMCBBr.50-51; FundBr.5-6. The question is not whether the law technically permitted serial continuations, but whether a court of equity must acquiesce in PMC’s abuse of that mechanism to extend its patent term unreasonably. The answer is no. *Woodbridge*, 263 U.S. at 57-58; *Hyatt*, 998 F.3d at 1369 (“clear abuse of the patent system, even if it did not literally violate regulations”).

PMC defends its conduct by referring to itself repeatedly as a “small company” with “limited resources.” Appx8; PMCBBr. 8, 28, 33, 50. PMC’s *brief cites no evidence* on that score and the record refutes any notion PMC’s finances explained its delay tactics. When asked whether a lack

of funds was the reason PMC delayed filing its applications, Harvey testified “I don’t think [lack of funds] was controlling.” Appx9423(59:17-22). When Scott was asked whether PMC had “ever filed an application later than it might have filed because of a lack or shortage of funds,” he responded “no.” Appx9591(227:13-20).

PMC’s “small company” refrain is also in obvious tension with its filing *hundreds* of patent applications shortly before the GATT deadline and overwhelming the PTO afterwards with thousands of claims. The district court appropriately concluded the best explanation for PMC’s delays was the one it gave investors at the outset: to extend the terms of its patents for economic advantage. Appx8-9. “Critical to this plan was the pre-GATT patent term, which began at the date of issuance.” Appx36. Before the GATT deadline, PMC pursued delay and extended terms through daisy-chaining continuations. After the change in the law “threatened to derail PMC’s plan,” Appx9, PMC shifted course by filing 328 placeholder applications it would later manipulate through amendments and further delays.



Appx8587. As the court noted, “[i]f PMC cared only about obtaining patent protection on all of its inventions independently (as it contended at trial), it could have filed its applications after the GATT deadline (after proper diligence) with minimal difference.” Appx36.

Because “pre-GATT patents provide no advantage over post-GATT patents unless the issue dates are correspondingly later,” Appx36, PMC would get no strategic benefit from diligently prosecuting its 328 applications in parallel. So PMC—similar to *Hyatt*—used its deluge of applications to delay prosecution, as documented by the court and numerous examiners, Appx10-17, and to continue to advance its original strategy, notwithstanding GATT.



PMC cites *Symbol II* to assert the district court erred by “invoking ‘[t]he number of applications’ as a factor supporting the imposition of laches.” PMCBBr.45. But *Symbol II* states only that “[f]iling a divisional application *in response to a requirement for restriction*” is a legitimate reason for refiling a patent application and “it cannot, *without more*, be an abuse of the system to file divisional applications on various aspects that *the PTO has considered to be separate and distinct from each other.*” 422 F.3d at 1385. PMC’s 328 placeholder applications were not divisionals, and certainly not filed in response to a restriction requirement. PMC readily admits the applications were filed because of the approaching change in the law. Appx8872(297:2-9); Appx38487-38488.

The sheer number of GATT-Bubble applications is significant in its own right. This Court remarked in *Hyatt* that “Hyatt filed *381 applications during the GATT Bubble—the most of any filer.*” 998 F.3d at 1367. PMC was close behind with 328, and it was not error for the district court to recognize that. Appx32. The PTO remarked that the scale of PMC’s filings required “special attention”: “that applicant chose to file 329 related applications with identical disclosure requires special prosecution

review procedures that would not otherwise be required in a ‘normal’ application. The interrelationship between so many applications with identical disclosure requires special attention particularly when considering potential double patenting issues.” Appx19042.

But the district court did not focus on the number alone. It considered the context: PMC’s announced strategy; the *content* of its applications; PMC’s prior and subsequent conduct; and the burden PMC imposed on the PTO. Appx34; Appx17; Appx40086; *see Symbol II*, 422 F.3d at 1385. The court explained “[t]he number of applications and order of prosecution *are not the only factors* that caused delay” and relied on detailed factual findings showing “[t]he size of the specification, the deluge of references disclosed (including many irrelevant or unexplained references), and PMC’s shifting positions all contributed.” Appx37; *see* Appx10-20, Appx25.

PMC’s 328 GATT-Bubble applications all contained hundreds of pages of text, with identical placeholder claims, Appx9-10, reflecting an unreasonable “shoot first, aim later strategy of filing” with no plan to demarcate separate inventions. Appx35. For years after, the PTO strug-

gled with PMC's *failure* to demarcate inventions—leading to Administrative Requirements and a consolidation plan that PMC continued to resist and exploit. *Supra* pp.15-18. By 2009, 227 of PMC's 328 applications stood abandoned. All of this evidence showed PMC's 328 applications were part of a large-scale scheme to abuse the patent system and extend patent-term duration—refuting any notion PMC had 328 distinct inventions in mind as the GATT-deadline approached.

**2. PMC Achieved Delay Through Its Prosecution Conduct.**

The district court reasonably considered how PMC's conduct during prosecution prolonged issuance of the '091 patent. Appx36-37. PMC's challenges to the district court's factual findings ask this Court to “reweigh the evidence” (in contravention of *Anderson*, 470 U.S. at 573-74), by criticizing the weight the court placed on various pieces of evidence and complaining the court did not credit PMC's explanations for delay.

**a. The District Court Properly Found the Issuance of Patents Did Not Excuse or Explain PMC's Delays.**

PMC's argument that it received “almost 100 patents,” is beside the point. PMCBBr.52. In *Symbol II*, this Court affirmed a finding of prosecution laches where the patentee had received 185 patents. 422 F.3d at

1380. In *Webster*, the Supreme Court found prosecution laches rendered an issued patent unenforceable. *Every* case where prosecution laches arises as an affirmative defense to infringement necessarily involves an issued patent. Even in *Hyatt*, a case against the PTO, the PTO had allowed claims. 998 F.3d at 1355. PMC cannot excuse its strategy to abuse the prosecution process to obtain strategically-timed patents merely because it worked. Appx32-37.

The district court's factual findings also refute PMC's suggestion that issued patents means the PTO blessed PMC's delay tactics. The record shows the opposite, including numerous criticisms of PMC's conduct by examiners. Appx14-16. PMC dismisses these as one-off statements or individual, personal views. But the district court was entitled to weigh them differently and draw inferences from the pattern of criticism, particularly where PMC's applications and the prosecution history tend to confirm the criticism. Examiners were forced to issue double-patenting rejections (multiple times), while identifying difficulties related to the size of the applications, the unwieldy number of references, and PMC's failure to follow Administrative Requirements. Appx16-18.

The district court also properly did not credit PMC's assertions that

it was diligent, purportedly pressing the PTO to move forward, PMCBBr.12-23. As the court noted, among other things, PMC's year-plus failure to follow up on the status of the '507 application, as the PTO had directed it to do, Appx19, unreasonably contributed to delay. The district court was entitled to infer that PMC sat on its hands when it suited PMC's interests, much like the patentee in *Woodbridge*. 263 U.S. at 55; *see Hyatt*, 998 F.3d at 1366 (“The applicant is in the driver’s seat and must take care to avail itself of the PTO’s beneficial patent examination process at it stands and in a way that avoids undue delay leading to prejudice imposed on others.”).<sup>10</sup>

**b. The District Court Properly Considered Examiners’ Comments in Office Actions.**

PMC’s challenges to the district court’s consideration of examiner comments are meritless. PMC contends it was error to consider “colorful language” from a July 2002 office action. PMCBBr.53. The court properly considered that document, in which the examiner expressed concern that “many of the same issues have been raised in different ones of the many

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<sup>10</sup> PMC points to a petition it filed to “expedite examination”—after causing the backlog leading to the consolidation plan. PMCBBr.17 (citing Appx32193). But PMC subsequently *withdrew its petition* for expedition. Appx32234-32237; Appx40251.

copending applications” ... and that “these issues appear to have been handled and addressed inconsistently between applications.” Appx48029. The examiner added the “examiner/Office was unquestionably misled by many statements made by applicant” regarding whether the claims were entitled to a priority date of 1981 or 1987. Appx48029-48030. The examiner characterized various PMC arguments as an “unnecessary drain on already limited PTO resources,” Appx48040, and as “absurd and wholly unsupportable.” Appx48044.

PMC disagrees with those statements, PMCBBr.53-54, but fails to show they were wrong or that the district court erred in considering them. As the court noted, PMC does not show *the PTO* “withdr[ew], vacated, or otherwise repudiated” the July 2002 office action or its description of PMC’s conduct. Appx16. PMC instead shows only that prosecution of the ’145 application (the “A”-track application corresponding to the “B”-track application that would become ’091 patent) ultimately continued. The district court did not misunderstand the context, and the fact the examiner’s remarks did not terminate the application does not make them irrelevant.

PMC also fails to show error in the district court’s discussion of “Examiner Luther’s ... 2001 notice of abandonment.” PMCB<sub>r</sub>.55. The examiner issued a notice of abandonment based on PMC causing “unjustifiable and prejudicial delay.” Appx20523; *see* Appx20512-20545 (detailing conduct). The PTO subsequently withdrew this notice of abandonment—*not* because the examiner was factually wrong and *not* because of the consolidation plan, but because the supervisory examiner believed that misconduct was not a *legally* proper ground to reject claims. Appx21282; *see* Manual for Patent Examining Policy, §2010 (8th ed. 2001) (PTO “does not investigate” and “will not comment” on duty of disclosure issues). Subsequently, in *In re Bogese*, 303 F.3d 1362 (Fed. Cir. 2002), this Court confirmed that laches can serve as a basis for rejection.

As PMC admits, PMCB<sub>r</sub>.55, the district court was aware of this context. The court specifically “considered [the office action] only to state the personal opinions of Examiner Luther rather than the positions of the PTO, *and weighs this fact accordingly.*” Appx14 n.6. PMC contends even that was erroneous because “the agency’s vacatur and apology” meant the court should not have considered the notice at all. PMCB<sub>r</sub>.55. PMC cites no authority for that proposition, and its repeated invocation

of a so-called “apology” overstates the record. PMCBBr.3, 18, 29, 37, 39, 44, 45. The supervisory examiner’s statement that “[a]ny inconvenience to applicants is regretted,” Appx21282, flowed from the erroneous view that examiners could not reject applications for laches—not an expression of approval of PMC’s conduct. The examiner’s view of the law, moreover, was ultimately vindicated in *Bogese* and the MPEP was amended. Manual for Patent Examining Procedure, §2190 (8th ed. rev. 1 Feb. 2003). PMC points to nothing suggesting the PTO believed the rejection was *factually* wrong. Indeed, PMC’s internal documents acknowledge the action was vacated only because it was considered “outside the authority of the examiner to consider” laches. Appx38489-38490. The district court did not err in considering this evidence.

**c. The District Court Did Not Clearly Err in Assessing PMC’s Conduct.**

PMC asserts the district court erred by finding PMC only provided subject-matter demarcation to the PTO after “pushback.” PMCBBr.56. That argument, however, relies solely on testimony from PMC’s prosecution counsel Scott, who stated he provided the PTO with subject matter demarcation earlier. PMCBBr.56. The district court was not required to credit that self-serving testimony, particularly when evidence showed the



PTO's years of struggle to identify any such demarcation. *Supra* pp.11-15.

PMC faults the district court for finding delay from PMC's "thousands of prior art references," many bearing "questionable reference to the claimed inventions." PMCB.56-57. PMC admits it filed irrelevant references, but asserts "only about a half dozen" references were "*facially* irrelevant" and were removed after several months. *Id.* That admission does not help PMC. Citations to a beehive, a chemical compound, a paper with only the word "ZING," a computer printout with the words "LST," and a page of business cards, are evidence that PMC dumped references into the files for the PTO to examine, with no regard for even *facial relevance*. See Appx12. Harvey admitted PMC disclosed many irrelevant references to the PTO, Appx12, and the references undisputedly numbered in the *thousands*. That the most frivolous ones may have only burdened PTO examiners for a few months does not mean that the district court erred in considering this conduct. Nor can PMC show error in the court's finding "[t]hese issues were not unique to the '091 patent's application, but were indeed systemic issues throughout the prosecution of the whole patent family." Appx12.

PMC likewise fails to show clear error in the district court's discussion of PMC's pre-1995 activity. PMCB.57-59. The court reviewed documentary evidence and heard testimony regarding PMC's desire to extend its "intellectual property position ... for as long as 30 to 50 years," Appx39220, and was entitled to weigh that while assessing PMC's subsequent actions. The district court considered and permissibly rejected PMC's argument that PMC's document referred solely to PMC's copyright interests, not patents. Although PMC cites to a 1991 business plan referencing its copyright-holding subsidiary, PMCB.58 (citing Appx37755-37757), the district court found PMC made explicit its intention to extend its intellectual property position for 30 to 50 years in a later business plan that did not even reference that copyright-holding subsidiary. Appx39220; Appx8573. PMC's disagreement does not establish clear error.

PMC's attempt to explain away its consultants' advice fares no better. PMC contends that advice concerned only *issued patents*, but provides no evidence for that assertion, and no reason to doubt the district court's evidence-weighting. PMCB.58; Appx37818. PMC's documents

state its “intellectual property portfolio will include: [c]urrent and pending patents; [and] *[f]uture patents covering new technologies as they emerge.*” Appx37758. In any event, the district court acknowledged PMC’s testimony “that PMC did not adopt the proposals in the St. Clair letter,” but concluded “the record in this case indicates otherwise.” Appx7.

PMC similarly points to alleged efforts to license patents starting in 1992, to suggest its documents did not really mean what they said about hiding inventions. But the existence of some licensing entreaties does not mean PMC was not also lying in wait for others, nor did it reveal the scope of the alleged inventions. The evidence showed PMC continued to keep the scope of its claimed inventions “hidden while industry infringement [was] quietly monitored.” Appx7. That is exactly what it did with Apple—presenting claim charts for five patents it never asserted, while surreptitiously amending other applications (about which PMC was undisputedly *silent*) so it could sue Apple on later-issued patents. Appx40464-40471.

PMC’s view of the evidence does not make the court’s factual findings clearly erroneous.

**d. The District Court Was Not Required To Blame the PTO For Delay.**

PMC faults the district court for giving “no weight” to PMC’s “explanations” that some delay was the PTO’s fault. PMCBBr.42-44. In *Hyatt*, this Court reversed the district court for placing “[u]ndue [e]mphasis on the PTO’s [c]onduct.” 998 F.3d at 1364-66. The Court admonished that “the PTO’s conduct may be considered in the totality of circumstances, but its delay ‘cannot excuse the [applicant’s] own delay.’” *Hyatt*, 998 F.3d at 1366 (quoting *Bogese*, 303 F.3d at 1362). PMC’s arguments repeat the error this Court identified in *Hyatt*. The district court considered PMC’s arguments and evidence, considered the PTO’s actions in context, and reasonably concluded the delays were attributable to PMC’s conduct.

*First*, PMC alleges “prosecution was suspended by the PTO from 1996 to 1998” only due to the PTO’s *Schneller*-based rejections. PMCBBr.42. That is factually incorrect for at least the ’507 application that resulted in the ’091 patent. Prosecution of that application was suspended for less than a year—from August 22, 1997, to July 7, 1998.<sup>11</sup>

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<sup>11</sup> Appx40163; Appx40167; Appx40061 (December 1996 office action); Appx40125 (June 1997 response).

Further, although PMC notes it overcame the *Schneller*-based rejections (PMCBBr.42, 44), it ignores the broader point that its mass of overlapping applications was plagued with double-patenting problems that persisted—regardless of whether *Schneller* was the proper label for those concerns. During the very first interview between the PTO and PMC in 1995, the PTO informed PMC “that the issue of double patenting was expected to be a major issue,” and subsequently raised the issue again. Appx40093-40096. In an initial office action for the ’507 application, the PTO said PMC “should insure that substantially duplicate claims do not appear in different cases.” Appx40069. In the July 7, 1998 office action, although the PTO did not assert a *Schneller*-based rejection as such, it maintained double-patenting rejections. Appx13; Appx40168-40169. The PTO found “clear evidence that [] conflicting claims exist between the 329 related co-pending applications,” but “an analysis of all claims in the 329 related co-pending applications would be an *extreme burden* on the Office requiring *millions* of claim comparisons.” Appx40175-40176; Appx8625; Appx12-13.

The district court did not clearly err by finding “PMC’s prosecution

conduct made it virtually impossible for the PTO to conduct double patenting ... analyses.” Appx37. The court was not required to blame the PTO for suspending prosecution while it resolved certain double-patenting rejections.

*Second*, PMC alleges “prosecution was delayed by the PTO from 2001 to 2002” while PMC addressed a notice of abandonment in a related application. PMCBr.42. That notice concerned *a different application* and *did not halt* prosecution of the ’507 application. The notice of abandonment was issued January 18, 2001, Appx14; Appx20512, but shortly after on March 21, 2001, the PTO issued a new office action in the ’507 application, in which it continued to ask PMC to comply with the Administrative Requirement. Appx40209-40212. PMC’s response *did* cause delay: Rather than comply, PMC fought the requirement. Appx40218; Appx13; Appx40223-40224. PMC then caused further delay by asking that the ’507 application be held in abeyance as a “B” application. Appx40243. Any delay between 2001 and 2002 was due to *PMC’s* actions—not the PTO’s. The district court could not have erred by giving PMC’s erroneous “explanation[] no weight.” PMCBr.42.

Similarly, PMC asserts it deserves credit for what it describes as

the PTO's recognition of "PMC's 'bona fide attempt to advance' the '507 application to final action." PMCBBr.37; *see id.* 19, 39. But that statement related only to PMC's *withdrawal of objections to the Administrative Requirement*. Appx40251. The district court was not required to credit PMC for finally abandoning opposition to PTO requests.

*Third*, PMC alleges that "prosecution was suspended by the PTO from 2003 to 2009" while PMC addressed reexamination of its previously-issued patents. PMCBBr.42. But prosecution of the '507 application had been suspended because it was designated a "B" application, not due to the reexaminations. Appx40250-40252. Then, "[b]eginning on January 6, 2005, the PTO suspended prosecution of both the '145 application and the '507 application, initially for six months, pending reexamination." Appx22.

The PTO found it was "appropriate to suspend prosecution" because the reexamination decisions were "likely to affect the outcome" of the '507 application. Appx40263. After all, the applications had *identical* specifications, so that "[t]he issues present in the reexamination proceedings are related to the issues" in the '507 application. *Id.*

The district court reasonably concluded this suspension was “directly attributable to the manner in which PMC prosecuted its applications in the first place.” Appx35. Indeed, “by the time [the] PTO began suspending PMC’s applications pending reexamination,” “*PMC’s applications had already been pending for ten years.*” Appx22; Appx35. The PTO was overwhelmed by the number of applications PMC had filed; continuing to examine pending applications with the knowledge that the results of the reexamination were likely to affect them, including the ’507 application, could have “rendered meaningless” the time the PTO spent examining those applications. *See Hyatt*, 998 F.3d at 1365 (period when prosecution suspended pending challenges to PTO procedures attributable to Hyatt because outcome of challenges could render PTO time meaningless). It was PMC’s actions burdening the system that led to suspension pending reexamination in the first place.

The district court did not clearly err in how it weighed PMC’s explanations under the totality of the circumstances.

### **3. PMC Achieved Delay Through Its Approach to Consolidation.**

PMC points to a consolidation plan, contending its “compliance with the consolidation agreement precludes a finding of laches as a matter of



law.” PMCBBr.39-42. PMC misapprehends the so-called “consolidation agreement,” and overstates its supposed “compliance.” The PMC-funded amicus repeats the same errors. FundBr.20.

As described above, *supra* pp.15-18, what PMC calls the “consolidation agreement” was the PTO’s attempt to mitigate the mess PMC created. Through amendments, PMC converted its glut of 328 placeholder applications into a mass of 10,000-20,000 overlapping claims that overwhelmed the PTO. And PMC further buried examiners in thousands of prior-art disclosures (many irrelevant). At that time, the PTO was processing applications as paper files, Appx9576(212:22-24), and many examiners also did not believe they had authority to enforce prosecution laches (prior to *Bogese*). In 1999—5 years into trying to examine PMC’s applications, with few options available—the PTO suggested a consolidated approach to PMC’s applications to permit more efficient triage. *Supra* pp.15-18.

Although the consolidation approach was supposed to bring order to the chaos of PMC’s applications, PMC continued to game the system for advantage. As the district court explained, “[t]he consolidation agreement itself contributed to delays” because it “permitted PMC to realize

its initial strategy of serialized prosecution, notwithstanding the GATT amendments and the URAA.” Appx36. Among other things, PMC abused the consolidation framework to present the same claims to different examiners, years apart and in different applications.

Asserted claim 13 of the '091 patent, for example, issued in 2012 from the '507 “B” application even though it was presented *9 years earlier* in the '145 “A” application, but not pursued to either allowance or final rejection in that form. PMC did not tell the '507 examiner that, as added to the '507 application, the claim was *identical* to one that had been previously rejected. *Id.*; Appx40273 (claim 45); Appx48137-48141 (claim 22); Appx48265 (rejecting claim 22); Appx48272 (amending claim 22); Appx48281 (same); Appx48287 (same); Appx48305 (same). In fact, PMC represented the opposite—that it made “*additional amendments* [to] place the claims in condition for allowance.” Appx23; Appx40270. Through manipulation and misrepresentation, PMC was permitted “in 2011 to present to the PTO a claim initially presented in 2003, and to have it issued (with minor amendments) in 2012.” Appx36.

Incredibly, PMC contends all of this is to PMC’s *credit*. PMC contends the district court “committed legal error by giving PMC no credit

for entering an agreement with the PTO,” PMCBBr.1, that the PTO’s consolidation framework “was an *approval* by the PTO of PMC’s moving forward with its reorganized application on the sequenced A/B basis,” PMCBBr.40 (original emphasis), and that PMC’s purported “compliance” precludes laches “as a matter of law.” PMCBBr.39. PMC cites no authority for that argument, and for good reason.

No legal principle required the district court to view PMC’s conduct favorably. Even accepting PMC’s framing of “compliance” with an “agreement,” prosecution laches is concerned with an applicant’s “abuse of the patent system,” even where individual actions “did not literally violate regulations or statutory provisions.” *Hyatt*, 998 F.3d at 1369. PMC still had an obligation to “prosecute its applications in an equitable way that avoids unreasonable, unexplained delay that prejudices others.” *Id.* at 1366. Patentees cannot avoid prosecution laches by contending the PTO permitted the delay. Appx34; *Hyatt*, 998 F.3d at 1366; *Woodbridge*, 263 U.S. at 57-58 (rejecting argument based on PTO’s alleged “permission and acquiescence”). And PMC’s “matter of law” framing ignores the abuse-of-discretion standard. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 550, 563-64 (2014).

More fundamentally, the district court did not fault PMC for conduct the PTO “*approved.*” PMC *created the problem* “consolidation” was meant to address. The plan for which PMC wants “credit” arose only after years of the PTO trying to examine PMC’s hundreds of applications. In 1999, the PTO drew up a plan to manage the thicket of pending PMC claims. Appx27725(flowchart). It did not condone the decisions that led to the need for the consolidation plan in the first place. Nor did the PTO immunize PMC from any consequences for its abuse. At most, the PTO acquiesced in a framework designed to reduce the number of claims PMC had dumped on its doorstep and to prevent serial re-hashing of claims: Claims would be prosecuted once, either to allowance or final rejection, and then bifurcated into separate applications that could either issue promptly or be appealed to the Board. Appx27725. PMC’s demand for “credit” under those circumstances surely “qualifies for one of [this Court’s] ‘chutzpah’ awards.” *Dainippon Screen Mfg. Co. v. CFMT, Inc.*, 142 F.3d 1266 (Fed. Cir. 1998) (collecting cases).

PMC is also wrong to frame its conduct as “compliance.” As the district court explained—and PMC does not refute—PMC abused the consolidation plan by presenting the same claims repeatedly, and not just

after a *final* decision (including claims of the '091 patent), to different examiners, to give itself multiple tries at allowance. Appx36. That is not what the consolidation framework contemplated. Appx27725.

When PMC amended the '507 application in 2011 to recycle previously rejected claims, it both failed to adhere to the approach outlined in the consolidation plan and misrepresented to the examiner what it was doing. The “B” track was not intended to permit a do-over for claims that were narrowed during “A” track prosecution; it was to provide a vehicle for prosecuting claims that had been *finally rejected*, subject only to appeal from the examiner. Appx27725. The relevant claim of the '145 “A” application was *allowed* after narrowing, but PMC went back to an earlier version and used the '507 “B” application as a do-over. The district court illustrated this vividly in a comparative chart. Appx23(chart). If PMC wanted that broader claim, it should have pursued it to finality in the earlier, '145 application, which issued as the U.S. Patent No. 7,992,169 (“169 patent”) in 2011, not abuse the consolidation plan to “realize its initial strategy of serialized prosecution, notwithstanding the GATT amendments and the URAA.” Appx36.

Worse, as noted above, PMC told the examiner in its 2011 amendment that the claims added from the “A” application to the “B” application had “*additional amendments* that Applicants believe place the claims in condition for allowance.” Appx23; Appx40270. That was not correct. New application claim 45 in the ’507 application was *identical* to the earlier, un-amended February 4, 2003, version of ’145 application claim 22, which had been rejected. Appx23; Appx40273; Appx48141. Application claim 22 in the ’145 application was “amended significantly” after February 4, 2003, and issued—as narrowed—as claim 17 of the ’169 patent. Appx23; Appx48259-48288; Appx48535. PMC did not inform the ’507 application’s examiner that it had presented a claim that had previously been rejected and lacked the subsequent amendments that rendered it allowable.

In addition, PMC’s continued abuse after 1999 led the PTO to impose Administrative Requirements and led to additional “lengthy delay.” Appx35. Although PMC asserts it provided “definitive priority dates for each application,” PMCBr.37, the PTO was still struggling in 2002 to sort out which priority application provided written description support for each application. In the related ’145 “A” application, the PTO described

the confusion PMC created across multiple pending applications. Appx15-16; Appx48029-48033; Appx48052-48056; Appx48069-48075.

If more is needed, it bears noting that the consolidation plan only commenced years after PMC filed its 328 continuation applications, and does not address much of PMC's continued conduct. "PMC's after-the-fact development of a plan to demarcate its inventions ... does not excuse its absence of a plan at the time of its voluminous filings." Appx35. "Only in the intervening three years—after pushback from the PTO—did PMC engage in any demarcation." *Id.* Whatever its significance, the consolidation plan cannot broadly "preclude[] a finding of laches." PMCBBr.39. The district court properly considered that the PTO's "hands-on approach," Appx34, was not approval of PMC's prior or subsequent conduct or a prospective grant of immunity for prosecution laches. And even if it somehow were, prosecution laches protects the public, not the PTO. The court correctly recognized that, "[e]ven though the PTO assented to this consolidation plan, that does not automatically vindicate the public interest that prosecution laches protects." Appx35.

#### **4. PMC Achieved Delay Through Its Amendment Strategy.**

The district court also considered how PMC used amendments for

strategic delay. Delay started with waiting 8 years to file 328 continuation applications, each including the same placeholder claim. Appx10; Appx19. PMC argues it “was allowed to file a continuation with an exact duplicate of the parent application, including the claims,” and that it quickly amended the claims through a preliminary amendment. PMCBBr.47.<sup>12</sup> But the fact that PMC could lawfully file duplicates does not make 328 duplicates reasonable. PMC’s general counsel and prosecuting attorney, Scott, admitted that even after amendment “at least some of these claims were merely ‘placeholder’ claims.” Appx10; Appx33; Appx9588(224:13-19).

The district court properly found PMC’s conduct leading to independent claim 13 in the ’091 patent was further evidence of strategic delay. As the court explained, “eight years after filing” its continuation applications, PMC further amended the precursor to claim 13 “to claim encryption and decryption for the first time.” Appx25; *see* Appx22. In total, *PMC waited at least 16 years to present the asserted claims for examination* in 2003. But, as discussed above, it accepted a materially narrower

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<sup>12</sup> The record does not support PMC’s repeated suggestion it amended them *all* that “same day.” *Compare* PMCBBr.29, 47, 55, *with* Appx8077-8078.



claim in the '145 application, but tried again in 2011 in the '507 application—*24 years* after the priority application was filed. Appx32-33.

PMC argues it is “legally erroneous” for the district court to point to PMC’s delay because the 2003 “amendment *narrowed* the claims at issue.” PMCBBr.47. That is erroneous and irrelevant. PMC fails to substantiate its “narrowing” premise. The district court did not say the 2003 amendment was “narrowing” (it referred only to a subsequent amendment that way). Appx40. The district court found the claim had previously covered “materially different subject matter.” Appx25. Regardless, earlier versions of the claim said nothing about “keys.” Even PMC subsequently described an identical claim as different “subject matter.” Appx40270. But the main point, as district court reasonably concluded, was that “[h]ad PMC prosecuted its applications diligently—rather than filing hundreds of placeholder applications—it could have claimed this invention much earlier,” and its monopoly would have expired much earlier. Appx39.

PMC similarly misunderstands the court’s concerns over the delay from PMC’s conduct in amending the claims of the '507 application in 2011 to inject earlier-draft claims from the '145 application. PMCBBr.47-

48. The problem with PMC's amendments was *not* the specific changes PMC made in 2011, as PMC asserts. It was PMC's conduct in *abusing the consolidation plan to re-prosecute claims* years later. *Supra* pp.20-21, 58, 60-62. That "guaranteed PMC the opportunity to prosecute rejected claims far into the future" without consequence. Appx36. The consolidation framework did not immunize PMC from the consequences of its own dilatory conduct.

**5. The District Court Reasonably Found PMC's Conduct "Remarkably Similar" to *Hyatt*.**

PMC takes issue with the district court's factual comparisons to the *Hyatt* case. PMCB.36-39. The standard, of course, is whether "the patentee's delay in prosecution was unreasonable and inexcusable under the totality of circumstances," *Hyatt*, 998 F.3d at 1362, not whether PMC's conduct was better or worse than Hyatt's. To be sure, the doctrine is only for "egregious cases of misuse of the statutory patent system." *Symbol II*, 422 F.3d 1385. Here, the shoe fits comfortably. PMC's systematic abuse of the prosecution process is an outlier by any measure, and similar in design and scale to Hyatt's. The district court did not err in observing numerous parallels. Appx32; Appx37; Appx41.

PMC's bulk-filed GATT-Bubble applications are strikingly similar

to Hyatt’s in ways this Court considered relevant in *Hyatt*:

<u>Hyatt</u>	<u>PMC</u>
381 GATT-Bubble applications. <i>Hyatt</i> , 998 F.3d at 1353	328 GATT-Bubble applications. Appx9-10.
Each application was a photocopy of one of 11 earlier patent applications. <i>Id.</i>	PMC’s applications duplicated its 1987 specification. Appx10; Appx32.
Hyatt’s applications were “atypically long and complex,” including three with over 500 pages of text. <i>Id.</i>	“Like PMC’s applications, Mr. Hyatt’s applications were ‘atypically long and complex.’” Appx33. PMC’s applications contained over 557 pages of text. Appx10.
The applications, “[w]hen filed, ... contained small claim sets, many of which were identical to each other.” <i>Id.</i>	Each of the applications “was originally filed with a single claim.” Appx10; Appx33.
Hyatt filed amendments that grew the number of claims to approximately 115,000. <i>Id.</i>	“Over time, PMC greatly increased the total number of claims” in the range of 10,000 to 20,000 claims. Appx10.

Hyatt’s and PMC’s post-filing conduct are also similar. In *Hyatt*, the PTO issued “atypical Requirements” to deal with the “extreme prosecution conduct.” *Hyatt*, 998 F.3d at 1366. Here, the PTO had to issue Administrative Requirements and develop a consolidation plan for PMC’s applications. As in *Hyatt*, the PTO faced repeated failures to distinguish “between related applications” and “[e]nsure that substantially duplicate

claims do not appear in different cases.” *Compare* Appx13; Appx40069; Appx40093-40094; Appx40176; Appx47864; *with Hyatt*, 998 F.3d at 1366.

PMC tries to distinguish itself from *Hyatt* with its purported “compliance” with a consolidation plan. PMCBBr.39-40. But PMC’s conduct created the need for the plan, which it subsequently used to examiner-shop and recycle rejected claims. *Supra* pp.11-21. Regardless, *Hyatt also* met with the PTO to discuss how to manage his 300+ GATT-Bubble applications—but did so in 1995, only 5 months after filing his applications. 998 F.3d at 1353. PMC waited until 1999, after years of additional delay. Appx14.

The magnitude of *Hyatt*’s and PMC’s delays are also similar. *Hyatt* contended he “delayed only seven to 11 years to file ... and between 10 and 19 years before presenting the claims [] in dispute,” which this Court found “enough to trigger prosecution laches.” *Hyatt*, 998 F.3d at 1367-68.

PMC waited 8 to 14 years to file the ’507 continuation application in 1995, an *additional* 8 years to present claims with encryption, decryption keys, and instruct-to-enable signal limitations, and 8 *more* years to add such claims to the application in which they would issue. Appx32-

33; *supra* pp.20-21. Like *Hyatt*, the “quantities of time are enough to trigger prosecution laches.” Appx32-33.

PMC’s other attempts to distinguish *Hyatt*, are unpersuasive and irrelevant. PMCBBr.36-39.

First, PMC asserts “the PTO ... viewed the situations differently” because the PTO raised laches against Hyatt and had not issued Hyatt new patents since the mid-1990s. PMCBBr.36. The PTO’s use of laches is a nonstarter, as prosecution laches is an affirmative defense to infringement of an issued patent. *Hyatt*, 998 F.3d at 1362; *Symbol I*, 277 F.3d at 1365-66; *Webster*, 264 U.S. at 464-66. It is not limited to cases in *Hyatt*’s procedural posture. The PTO, moreover, did not assert laches during *prosecution* of Hyatt’s applications. It rejected claims on §112 and obviousness-type double patenting grounds, raising laches only *as a defense* to Hyatt’s civil action under §145. *Hyatt*, 998 F.3d 1355-56. Here, an examiner *actually did* conclude PMC’s conduct triggered laches. Appx14; Appx20523; Appx20537-20538. The PTO withdrew that notice not because it was factually wrong, but because the supervisory examiner believed at the time, pre-*Bogese*, that the PTO lacked authority to reject claims for laches.

Nor does it matter that the PTO issued patents to PMC. The PTO was ready to issue patents to Hyatt, *Hyatt*, 998 F.3d at 1355, *supra* pp.44, and it is not a defense to prosecution laches that a strategy to obtain late-issuing patents with improperly extended terms succeeded. *See Symbol II*, 422 F.3d at 1380, 1384-86.

Second, PMC alleges “differences in how the applicants interacted with the PTO,” contending that “PMC played it straight.” PMCBr.37-38. The district court’s factual findings show otherwise and are not clearly erroneous. PMC buried the PTO with “thousands of prior art references—many of which bore little relevance to [the] disclosed inventions,” Appx11-12, fought administrative requirements for years, repeatedly failed to demarcate among inventions, and used the consolidation plan as an opportunity to examiner-shop and recycle rejected claims. The court was not required to find PMC “played it straight.”

Third, PMC contends the testimony in *Hyatt* was better. PMCBr.38. Even if that were true, it would be irrelevant. No authority required the district court to hear testimony from an “expert in patent prosecution,” *id.*, to determine whether a patentee engaged in unreasonable and unexplained delay. *Cf. Centricut, LLC v. Esab Grp., Inc.*, 390

F.3d 1361, 1369 (Fed. Cir. 2004) (“In many patent cases expert testimony will not be necessary ....”). Nor does PMC suggest the court was confused, unfamiliar with the patent system, or somehow in the dark about the purpose and effect of PMC’s conduct. As detailed above, *supra* pp.25-28, the trial record amply supported the court’s exercise of discretion. PMC’s suggestion that another case’s record may have been *even more egregious* is simple misdirection.

Finally, PMC’s assertion it did not “violate[] legal standards governing prosecution,” PMCB.38-39, misses the point. “[P]rosecution laches places an additional, equitable restriction on patent prosecution conduct beyond those imposed by statute or PTO regulation.” *Hyatt*, 998 F.3d at 1366. Here, as in *Hyatt*, PMC’s “conduct—including [its] delay in presenting claims, [its] creation of an overwhelming, duplicative web of applications and claims, and [its] failure to cooperate with the PTO—was a clear abuse of the patent system, *even if it did not literally violate regulations or statutory provisions.*” *Id.* at 1369.

**B. The District Court Properly Found That Apple Suffered Prejudice Attributable to PMC’s Delay.**

The second element of a prosecution laches defense is “that the accused infringer suffered prejudice attributable to the delay.” *Hyatt*, 998

F.3d at 1362 (citing *Cancer Rsch. Tech. Ltd. v. Barr Lab'ys, Inc.*, 625 F.3d 724, 728-29 (Fed. Cir. 2010)). The district court found that element was satisfied: “Apple ha[d] presented clear and convincing evidence that it worked on, invested in, and used the claimed technology during the period of delay,” and therefore was prejudiced by PMC’s conduct. Appx41; Appx39. The court found “PMC delayed presentation of an instruct-to-enable-signal-based decryption method to the PTO until at least 2003,” by which point Apple “had already begun investing in FairPlay’s development and continued to do so.” Appx39; see Appx22; Appx26.

Indeed, “as Apple was developing FairPlay, PMC was prosecuting the claims it would later assert.” Appx39; see Appx26; Appx8085(¶76); Appx4713(684:21-23). During years of licensing discussions, from 2008-2011, PMC never identified the ’091 patent nor claims it later asserted. Appx40. Finally, as the district court observed, delaying issuance until others had invested in, worked on, or used the technology was PMC’s plan for maximizing revenue all along. Appx40.

PMC makes only a skeletal argument in response to these findings, PMCBBr.59-60, contending the evidence did not show “that PMC *still* was engaged in egregious conduct causing delays *after 2003*.” PMCBBr.59.



The argument is legally and factually unsound.

First, PMC cites *Cancer Research* to suggest *only* conduct from 2003 onward matters. In *Cancer Research*, the original application was filed in 1982 and delay occurred during the next decade until the application issued as a patent in 1993. *Cancer Rsch.*, 625 F,3d at 728, 731. The patentee's NDA issued in 1999. *Id.* at 731. Although the defendant was entitled to file an ANDA in 2003, it "did not do so until 2007," which was "more than thirteen years after the issuance of Cancer Research's patent and more than seven years after approval of Cancer Research's product." *Id.* Moreover, there was "no evidence presented that anyone was deterred from entering the market ... because Cancer Research's patent issued in 1993 rather than several years earlier." *Id.* With no evidence that others "invested in, worked on, or used the claimed technology during the period of delay," "the delay had only limited consequences to [defendant] and the public," and laches could not be sustained. *Id.* at 729, 731.

The facts could not be more different. Here, instead of a 13-year gap between patent issuance and the defendant's subsequent activity, there is *at least an 8-year overlap* between the delayed prosecution and

Apple’s work on FairPlay. The prejudice question is not close or difficult on this record: PMC’s strategy was designed to *maximize* the “consequences to [Apple] and the public” *by causing ongoing* delay. Even if it were somehow true, as PMC suggests, that PMC’s affirmative misconduct had stopped by 2003, the *delay in prosecution continued* due to its earlier misconduct.

No authority holds “delay” for prosecution laches purposes is limited to the specific moments in time when the patentee acts in the manner that *causes* ongoing delay—as opposed to considering the delay *resulting* from those acts. Whereas the delay in *Cancer Research* consisted of a defined period of delay from punting prosecution—receiving rejections, filing continuations, and abandoning the old applications (multiple times)—this case involves conduct deliberately intended to (and that did) *affirmatively hamper* the PTO’s examination and cause *ongoing delay in examination for years* after its occurrence. Unlike *Cancer Research*, where the delay ended when the patentee began diligently prosecuting its claims, here the systemic delay PMC caused persisted. The district court was not required to find that this had been cured by 2003, and PMC points to no evidence *compelling* such a finding.

Precedent focuses on “the consequences” to others from the delay, by asking whether the defendant or others “invested in worked on, or used the claimed technology during the period of the delay.” *Cancer Research*, 625 F.3d at 729. Here, the district court found the delay caused by PMC’s daisy-chain-turned-bulk-filing strategy and other prosecution tactics “significantly delayed the issuance of [PMC’s] patents.” Appx40-41. And for at least the last 8 years of “the delay” PMC engineered, Apple “worked on, invested in, and used” the FairPlay technology. Appx41. As in *Symbol II*, “all the subject matter in the patents in suit was pending for an unreasonably long period of time ... during which parties, including the plaintiffs, have invested in the technology described in the delayed patents.” 422 F.3d at 1386. PMC’s delay prevented the ’091 patent from issuing *years earlier* and had major consequences for Apple—which was of course PMC’s plan from the start. Appx39-40.

Second, regardless, the district court’s factual findings that PMC continued to cause unreasonable delay in 2003 and beyond, are amply supported. As noted above, PMC first revised any related claims to address encryption and decryption keys in 2003 (8 years after filing the application), and the court reasonably viewed this as “materially different

subject matter.” Appx25. *Supra* pp.64-65. PMC offers only attorney argument in response. PMCBBr.47.

PMC also ignores that one of its more egregious tactics occurred in 2011. As discussed above, PMC took a claim that was *not* finally rejected from a corresponding “A” application and recycled it in the application that became the ’091 patent (conduct the consolidation framework was supposed to prevent), while misrepresenting to the examiner what had occurred. Appx23. PMC decided in 2011 to try again to obtain the 2003 version of the claim in the ’507 application, even though it had previously decided *not* to pursue that claim to finality in the “A”-track ’145 application and instead accepted a narrower claim. And that maneuver was only possible because of PMC’s prior tactics, allowing it to still have multiple pre-GATT applications pending in 2011, which PMC could manipulate without sacrificing a 17-year-from-issuance patent term.

PMC cannot excuse its delay by blaming the PTO suspension from 2003-2009. Again, PTO delay does not excuse patentee delay. *Bogese*, 303 F.3d at 1369. And as the district court found, the PTO suspension was “directly attributable to the manner in which PMC prosecuted its applications in the first place.” Appx35; *see Hyatt*, 998 F.3d at 1365.

Even after 2009, PMC still waited two more years to pursue the claim it would eventually assert against Apple. The district court did not clearly err in its factual finding that PMC's delays prejudiced Apple.

Finally, the district court's conclusion of prejudice is reinforced by the "presumption of prejudice" this Court recognized arises from "unreasonable and unexplained prosecution delay of six years or more." *Hyatt*, 998 F.3d at 1370. Although the district court did not apply a presumption, finding instead Apple proved prejudice by clear and convincing evidence, the magnitude of delay here far exceeds that presumptively-prejudicial amount, providing additional grounds for affirmance.

### **CONCLUSION**

The judgment should be affirmed.

March 8, 2022

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*/s/ John C. O'Quinn*

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