

No. 2021-2275

IN THE
United States Court of Appeals for the Federal Circuit

PERSONALIZED MEDIA COMMUNICATIONS, LLC,

Plaintiff-Appellant,

v.

APPLE INC.,

Defendant-Appellee.

On Appeal from the United States District Court for the
Eastern District of Texas, No. 2:15-cv-1366 (Gilstrap, J.)

**REPLY BRIEF OF APPELLANT PERSONALIZED
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GLOSSARY

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|------------------|---|
| '091 Patent | U.S. Patent No. 8,191,091 |
| '145 Application | U.S. Patent Application No. 08/474,145 |
| '507 Application | U.S. Patent Application No. 08/485,507 |
| Apple | Appellee Apple, Inc. |
| GATT | Uruguay Round of the General Agreement on Tariffs and Trade |
| IDS | Information Disclosure Statement |
| PMC | Appellant Personalized Media Communications, LLC |
| PTO | Patent & Trademark Office |

INTRODUCTION

The district court’s decision to set aside the jury’s verdict based on prosecution laches is inequitable and unsupportable. Prosecution laches arises only when an applicant’s “egregious” conduct causes “an unreasonable and unexplained delay in prosecution.” *Hyatt v. Hirshfeld*, 998 F.3d 1347, 1360 (Fed. Circ. 2021). The district court’s decision is an unprecedented expansion of the doctrine that erroneously attributes delay caused by the PTO to PMC, disregards PMC’s consistent cooperation with the PTO, and improperly faults prolific inventors for seeking protection for each of their inventions consistent with PTO rules. *See* PMC Br. at 39-46. The district court also erred in finding prejudice to Apple. “[A]s a matter of law,” prosecution laches requires the infringer to prove it developed intervening rights “during the period of delay.” *Cancer Rsch. Tech. Ltd. v. Barr Labs., Inc.*, 625 F.3d 724, 729, 732 (Fed. Cir. 2010). Apple concedes it only began working on FairPlay in 2003, yet it failed to prove any “unreasonable and unexplained delay” caused by “egregious” conduct after that point.

Apple does not meaningfully address the district court’s critical errors identified in PMC’s opening brief. PMC explained why the district court’s heavy reliance on *Hyatt* was erroneous. PMC Br. 35-39. Yet Apple fails to address *Hyatt*’s core reasoning and holding: this Court’s explanation that *Hyatt* had “the opportunity to avoid prosecution laches” by complying with reasonable PTO requests intended

to advance prosecution, and the Court’s remand for Hyatt to try to explain his failure to cooperate. 998 F.3d at 1366, 1372. This Court did not hold that Hyatt’s applications were dead on arrival. Instead, it faulted Hyatt for saying he would cooperate with the PTO, but then doing “precisely the opposite to an extreme degree”—such that, *two decades* after filing, he still “lacked a ‘master plan’ for demarcating his applications.” *Id.* at 1369.

This case is the polar opposite. During the first four years of prosecution, PMC took the very steps “to avoid prosecution laches”—grouping its applications and entering into a consolidation agreement with the PTO to further streamline examination—that Hyatt failed to take in twenty. In *Hyatt*, the PTO raised laches in support of its refusal to issue the applicant’s patents; here, after a rogue examiner accused PMC of laches, the PTO apologized to PMC, removed the examiner, recognized PMC’s “bona fide attempt to advance” prosecution, and issued PMC nearly 100 patents. PMC Br. 36-37. Apple’s insistence that PMC deserves no credit for its cooperation ignores both *Hyatt’s* essential reasoning and its holding.

The district court also failed to hold Apple to its heavy burden of proof—clear and convincing evidence—and instead accepted Apple’s unsupported generalizations, attorney arguments, and speculative conclusions. On issue after issue, Apple doubles down on the district court’s erroneous findings, quoting them liberally and, without identifying any supporting evidence, asking this Court to

defer. But deference to the factfinder is not “blinded abdication.” *Senmed, Inc. v. Richard-Allan Med. Indus., Inc.*, 888 F.2d 815, 818 & n.6 (Fed. Cir. 1989). Remarkably, Apple now makes an entirely new argument its case’s centerpiece. It asserts that PMC violated the consolidation agreement in 2011 because, after the PTO allowed the ’145 “A” Application, PMC included broader versions of the allowed claims in the ’507 “B” Application. Apple even calls PMC’s 2011 amendment “one of its more egregious tactics,” and accuses PMC of misleading the examiner. Apple’s allegation that PMC misled the examiner is belied by the file histories, which show that PMC told the examiner exactly what it was doing and he allowed it. It also is telling that the PTO *never* said the amendment violated the consolidation agreement, Apple *never* made that argument below, and the district court *never* found this. That Apple emphasizes this new, frivolous argument on appeal only confirms the thinness of the case Apple presented at trial.

PMC did not act egregiously and Apple has no intervening rights. The decision below therefore should be reversed.

ARGUMENT

I. The district court abused its discretion in finding PMC engaged in egregious conduct that caused unreasonable and unexplained delay.

A. The totality of the circumstances supports PMC.

Apple and PMC agree on this much: prosecution laches requires evaluating the totality of the circumstances. PMC Br. 31, 44. But Apple’s brief, like the district

court's decision, fails to acknowledge “swaths of evidence” that weigh in PMC's favor. *Hyatt*, 998 F.3d at 1364. At the same time, Apple invents facts and repeatedly mischaracterizes the record.

Because Apple's brief so thoroughly distorts the record, it is necessary to recount the facts. As explained in PMC's opening brief, the totality of the circumstances demonstrates that PMC's conduct was not “egregious” and the '091 Patent did not issue after an “unreasonable and unexplained delay.” *Id.* at 1360. PMC started off small with limited resources, so in the 1980s Mr. Harvey needed to draft his applications himself. PMC Br. 6-8. Nonetheless, PMC diligently prosecuted six applications to issuance between 1987 and 1994, with each prosecution other than the first lasting only one to three years. *Id.* at 7-8. PMC began publicizing its intellectual property to potential business partners and licensees by 1992. *Id.* at 8-9. After earning its first licensing revenue in 1994, PMC (like many others) utilized the pre-GATT grandfathering window *Congress expressly provided* to file 328 applications in 1995—the number of “independent and distinct” inventions PMC believed were found in the more than 500 pages of disclosure supporting the applications. *Id.* at 10-11; 37 C.F.R. § 1.129(b).

PMC provided the PTO initial groupings of its applications by subject matter before June 1996 and a full set in 1998, in which the '145 and '507 Applications both were designated “DECR”—“relates to decryption of broadcast information.”

PMC Br. 14-15, 55-56. After PMC contested an administrative requirement imposed in 1998, the PTO agreed PMC need not comply with it until applications were in condition for allowance. Appx16845. In the meantime, PMC and the PTO entered the consolidation agreement in early 1999 and PMC adhered to it, regrouping its claims into half as many applications based on subject matter and priority date. *Id.* at 15-17. The PTO agreed the '507 "B" Application would be held in abeyance until the '145 "A" Application issued; those applications have the same expiration date based on terminal disclaimers. *Id.* at 18-19, 41. Indeed, PMC agreed in 1998 to terminally disclaim the '145 Application to the first patent to issue from *any* of its 1995 applications, Appx47925-47929, and in 1999 paid the issuance fee for several applications that were allowed, before the PTO retracted those notices of allowance (over PMC's objections) to reevaluate patentability issues, Appx28115.

PMC successfully overcame obstacles erected by the PTO that caused lengthy delays and suspensions of prosecution. The PTO withdrew its 1996-1998 *Schneller* rejections, expressly crediting PMC's arguments. PMC Br. 13. After an examiner entered a notice of abandonment in 2001, the PTO vacated it in 2002 with an apology. *Id.* at 17-18. As the district court found, claim 13 of the '091 Patent was put in essentially final form in 2003. *Id.* at 20. But there immediately followed a six-year suspension of prosecution while PMC successfully defended its previously-issued (pre-1995) patents from reexamination. *Id.* at 20-22. PMC argued against

the suspensions in 2003 and thereafter repeatedly asked that the suspensions be lifted, all to no avail. *Id.* at 21-22; Appx19554-19560. After the reexaminations ended in 2009, the PTO quickly began issuing dozens of patents to PMC, including 57 between 2010 and 2012 and almost 100 altogether. *Id.* at 22.

Those facts all weigh heavily against a finding that PMC engaged in “egregious” conduct that caused “unreasonable and unexplained delay” lasting into the intervening rights period (post-2003). On the other hand, setting aside attorney argument and hyperbole, here is what Apple relies on to prove laches: Between 1981 and 1994, PMC filed its continuation applications shortly before their immediate parents issued. Apple Br. 9. In documents between 1990 and 1992, PMC observed this would maximize the life of its patent portfolio, and in 1994 a consultant recommended as one of three possible business models that PMC not publicize its patents. *Id.* at 7-9. Pursuant to the PTO’s then-Rule 60, PMC filed its applications in 1995 with a duplicate of the immediate parent application’s claim, which was amended in each application the same day or soon thereafter. *Id.* at 10; PMC Br. 11. There was a single duplicate claim in two applications, which was cancelled by 1996. Apple Br. 11; PMC Br. 56. There were some facially-irrelevant prior art references in an IDS—“ZING,” some business cards, a beehive patent—that were gone by 1998. Apple Br. 14-15; PMC Br. 57. The IDSs in that period contained thousands

of references, which had been asserted by third parties as prior art against the parent patents. Apple Br. 14-15; PMC Br. 56-57.

Apple further points to office actions between 1996 and 1998, prior to the consolidation agreement, that raised double-patenting concerns. Apple Br. 12-13. Examiners complained about PMC in two office actions in 2001 and 2002, the first of which was vacated and should not have been admitted at trial, and the second of which contained contested substantive assertions that Apple never substantiated at trial. *Id.* at 13-14; PMC Br. 53-55. In 2003, PMC amended what became claim 13 to narrow “disabled information” to “encrypted information,” and “enabling information” to “decryption key.” Apple Br. 20. In April 2011, PMC amended the ’507 Application to add the 2003 version of claim 13, which had since been amended and allowed in the ’145 Application. *Id.* at 21. Apple says PMC violated the consolidation agreement and misled the examiner in presenting that amendment, but as explained *infra*, that is false.

That is the *totality* of Apple’s *factual* showing. Apple’s brief (like the decision below) then goes far beyond the evidence by making sweeping, hyperbolic assertions of fact unsupported by the record.

For example, Apple asserts (at 12, emphasis added) that “[t]hroughout prosecution, PTO examiners observed that PMC’s tactics hindered their ability to examine PMC’s applications.” Yet all Apple cites (at 12-15) are office actions from

1996 through 1998, Examiner Luther’s *vacated* 2001 notice of abandonment, and the *unsubstantiated* 2002 office action; notably, it cites *nothing* after 2002. Apple alleges (at 13 & n.3) that “PMC’s responses to examiner inquiries further burdened the PTO,” citing only one office action each from five separate dockets, all imposing the *same* administrative requirement in 1997 or 1998. Apple asserts (at 53) that, after PMC overcame the *Schneller* rejections in 1998, “its mass of overlapping applications was plagued with double-patenting problems that persisted,” but it cites nothing post-dating the 1999 consolidation agreement. Apple claims (at 19, emphasis added) the ’507 Application’s history “reflects many challenges the PTO faced *with other applications*,” but then cites only stipulations concerning the ’507 Application. Indeed, though assertions that PMC “overwhelmed” the PTO making examination “virtually impossible” appear throughout Apple’s brief, the record shows the PTO regularly issued office actions even before the consolidation agreement. PMC Br. 52-55.

Many of Apple’s discrete factual assertions are false or misleading. It is demonstrably untrue that only “self-serving testimony” shows that PMC grouped its applications before 1998 (Apple Br. 48-49); Apple inexplicably disregards the *office action* cited in PMC’s opening brief (at 56) recounting that some groupings were provided before June 1996. Apple points (at 15) to a March 2001 action by Examiner Luther as evidence “PMC did not comply” with an administrative

requirement. Apple neglects to mention what came next: PMC moved for reconsideration and, because the '507 Application was a "B" application, the PTO agreed PMC need not comply with the administrative requirement until later *and* that PMC's objection to the requirement was a "bona fide attempt to advance" the '507 Application "to final action." *Infra*, p. 23. Apple also emphasizes (at 43) that "[b]y 2009, 227 of PMC's 328 applications stood abandoned," eliding the fact that 171 of those had their claims *consolidated* into other applications under the 1999 agreement; of the consolidated applications, the great majority issued.

Shorn of Apple's hyperbole, attorney argument, and mischaracterizations, the "totality of the circumstances" does not remotely demonstrate an "egregious" abuse of the patent system that caused "unreasonable and unexplained delay." PMC cooperated with the PTO, but prosecution was delayed for years due to rejections PMC overcame on the merits and suspensions PMC fought to have lifted. As a result, this case looks like no precedent in which laches has been imposed before. PMC Br. 35-39.

B. Apple misapplies the applicable law.

Apple's discussion of the applicable law stumbles on several important points.

1. Apple improperly discounts the consolidation agreement.

An applicant's cooperation with the PTO to advance prosecution in a timely manner is perhaps *the* critical factor in analyzing prosecution laches. Thus, this

Court recounted that Hyatt had “the opportunity to avoid prosecution laches” if he had cooperated with PTO requests to better organize his claims for prosecution; instead, even “[t]wenty years later, Hyatt acknowledged that he lacked a ‘master plan’ for demarcating his applications.” *Hyatt*, 998 F.3d at 1366, 1369. Importantly, the Court did not find prosecution laches in *Hyatt*; instead, it remanded for Hyatt to address his failure to cooperate during prosecution. *Id.* at 1371.

In this case, PMC already showed that it cooperated with the PTO, but the district court disregarded *Hyatt’s* core reasoning and holding by affording that cooperation no weight. PMC Br. 39-41. PMC’s comprehensive grouping of applications by subject matter and priority date in 1998, followed by the consolidation agreement in 1999, show that PMC seized within four years the very “opportunity to avoid prosecution laches” that Hyatt spurned for two decades.

The consolidation agreement was reasonable, designed to accelerate prosecution by clearing out the easier claims and allowing examiners to focus on the harder claims. PMC Br. 15-17. Apple never argues otherwise. Instead, it suggests throughout its brief that the PTO entered the agreement and issued PMC’s patents only because it did not know it could invoke laches. But Apple cites nothing to support its characterization of the agency’s mindset and history belies it. The Board’s predecessor asserted its power to find laches as early as 1975. *In re Bogese*, 303 F.3d 1362, 1368-1369 (Fed. Cir. 2002). In *Bogese*, the Commissioner warned

the applicant about laches as early as 1991, *In re Bogese*, 1991 WL 340564, at *10-11, and the Board issued its decision finding laches in September 2000, 303 F.3d at 1363—the former before the consolidation agreement and the latter before the PTO vacated Examiner Luther’s notice of abandonment. This Court affirmed the Board’s decision in September 2002, *id.*, and since then the PTO never has invoked laches against PMC.

Apple misses the point when it claims (at 59) that PMC’s compliance with the agreement is irrelevant because “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’” (quoting *Hyatt*, 998 F.3d at 1369). *Hyatt* explained that cooperation with PTO requests designed to advance examination can “avoid prosecution laches.” *Hyatt*, 998 F.3d at 1366. It further explained that “[t]he PTO is entitled to adopt rules and practices to efficiently administer the patent examination system set up by the patent statute.” *Id.* The consolidation agreement was a reasonable docket-management plan the PTO adopted to “efficiently administer” PMC’s applications, and PMC complied with it by reorganizing its claims by subject matter and priority date. PMC Br. 40-41.

Citing *Woodbridge*, Apple counters (at 59) that “[p]atentees cannot avoid prosecution laches by contending the PTO permitted the delay.” *Woodbridge* involved nothing resembling the docket-management agreement the PTO entered

with PMC. There, laches applied because a statute limited “consignments” to one year; Woodbridge told the Patent Office “he would not ask delay for more than a year”; yet he did nothing after his application disappeared into a “secret archive,” beyond “the cognizance of the examiners and other officers of the department.” *Woodbridge v. U.S.*, 263 U.S. 50, 54, 57-58 (1923). That “exceptional” case, in which the applicant “avowed” that he had “deliberately delayed,” *Overland Motor Co. v. Packard Motor Car Co.*, 274 U.S. 417, 426–27 (1927), has no bearing here. *Overland* is the Supreme Court’s last word on prosecution laches, and confirms that courts should not find laches where the applicant’s conduct was allowed by statute and regulators. *Id.* at 423; PMC Br. 48-49; *Symbol Techs., Inc. v. Lemelson Med., Educ. & Rsch. Found.*, 422 F.3d 1378, 1385 (Fed. Cir. 2005) (laches should not be found based on “action” that “is expressly allowed by statute”).

2. Apple’s new argument that PMC violated the consolidation agreement misrepresents the record.

In addition to disparaging the consolidation agreement, Apple’s brief introduces a new argument it makes the centerpiece of its case: an allegation that PMC violated the agreement, engaged in “examiner shopping,” and lied to the examiners when it amended the ’507 Application in 2011 to add what became asserted claim 13 of the ’091 Patent. *E.g.*, Apple Br. 4, 21-22, 62, 76. Apple even calls the 2011 amendments (at 76) “one of [PMC’s] more egregious tactics.”

The district court did not find this, and the file histories show the very opposite to be true. In 2003, claim 22 in the '145 "A" Application was put in substantially the form it later would be prosecuted as claim 45 in the '507 "B" Application and issue as claim 13 of the '091 Patent. Appx25. Examination of the '145 Application then was stalled from 2003 to 2009 for the reexamination of PMC's pre-1995 patents. In 2010, PMC and the examiner participated in a series of telephonic interviews, during which the examiner never finally rejected claims but instead raised concerns that, *inter alia*, claim 22 was anticipated; PMC responded by narrowing the claim. Appx48267-48288. Claim 22 as amended during those interviews was allowed in October 2010, Appx48295, and issued in August 2011, Appx8085(¶70).

In April 2011, after the '145 Application was allowed but before it issued, PMC added to the '507 Application the versions of the '145 Application claims to which the examiner had objected during the interviews; the 2003 version of claim 22 was added as claim 45. PMC Br. 23. These were not "*30 new claims*," as Apple misleadingly asserts (at 21, emphasis Apple's). In presenting the carryover claims in the '507 docket, PMC recounted the history of the consolidation agreement and the '145 Application. Appx16861-16864. PMC provided the corresponding claim numbers from the '145 Application and stated "[c]onsistent with the consolidation agreement ... Applicants now wish to pursue *the subject matter within the scope of*

the ‘A’ claims ... that was not patented in the ‘A’ application in the instant ‘B’ application.” Appx16864 (emphases added), Appx16870. PMC also identified the ’145 Application examiner by name, *id.*, and flagged the prior art he had cited during the 2010 interviews as anticipating claim 22, Appx16870-16871—hardly the stuff of “examiner shopping.”

Apple asserts throughout its brief that PMC lied to the examiner in presenting the 2011 amendments. For example, Apple asserts (at 62) that: (1) “PMC told the examiner in its 2011 amendment that the claims added from the ‘A’ application to the ‘B’ application had additional amendments” to put them “in condition for allowance,” which “was not correct” because “[n]ew application claim 45 ... was identical” to old claim 22, and (2) “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.”

Both assertions are clumsily false and easily disproven. PMC included with the April 2011 amendment “a marked up copy of the claims (Appendix A) indicating the differences between the ‘A’ claims and the amended form submitted herein.” Appx16864. The Court can see for itself that Appendix A *showed no redlining* as between claims 22 and 45—only claims 33 and 43 contained redlining showing amendments to put them in condition for allowance. Appx16872-16877. PMC also affirmatively disclosed that the claims as prosecuted to allowance in the ’145

Application had been narrowed, telling the examiners it was seeking “subject matter within the scope of the ‘A’ claims ... that was not patented in the ‘A’ application.” Appx16864. The examiner plainly understood all this: in an August 2011 office action, he addressed the differences between claim 45 and claim 22 “of copending Application No. [’145],” and he required a terminal disclaimer (which PMC provided) because “claim 45 merely *broadens* the scope of claim 22 in above copending application.” Appx16881, Appx16884-16888 (emphasis added). Those quotes from the file history—which Apple’s brief never mentions—put the lie to Apple’s allegation that PMC misled the examiners.

Apple never asserted at trial that the amendments violated the consolidation agreement, and the district court made no such finding. If anything, the court found the *opposite*, saying the agreement “*permitted* PMC in 2011 to present to the PTO a claim initially presented in 2003.” Appx36 (emphasis added). For good reason, because nothing in the agreement precluded PMC from seeking in the ’507 Application subject matter pared back during the examiner interviews in the ’145 docket. The examiner of the ’507 Application did not object even though he knew PMC was using the ’507 Application to seek a “broad[er]” version of claim 22 than was allowed in the ’145 Application; he just required a terminal disclaimer.

In essence, Apple is claiming to know better today what the PTO-PMC consolidation agreement allowed than the PTO knew in the midst of examination.

Apple seizes (at 16-17) on language in one description of the agreement in the file history, which explained that a “B” application could be used for claims that were “finally rejected” in an “A” application, to argue that “B” applications were *only* for such claims. Rejected claims were one use for the “B” applications, but the agreement did not *preclude* PMC from seeking allowance of claim scope pared back during informal telephonic interviews of the kind that occurred in 2010. The flow chart Apple reproduces in its brief (at 17) describes the “B” applications as broadly available for “claims not allowed,” and elsewhere PMC described the “B” applications as available for “subject matter not found to be allowable” and claims as to which PMC and the examiners “could not reach agreement” during an interview. Appx16862, Appx38499-38503. All of those descriptions are broad enough to cover what happened here.

Apple’s new argument not only lacks a factual basis, it fails because the entire point of laches is *delay*. The ’145 and ’507 Applications were examined and issued less than one year apart and were terminally disclaimed to the same date. PMC Br. 41. That claim 13 was prosecuted to issuance in the ’507 Application thus had *little* effect on its issuance date and *no* effect on its termination date. Apple really is arguing inequitable conduct, but it abandoned its inequitable conduct defense days before trial.

Apple’s new argument about the 2011 amendments is specious. That Apple makes it a centerpiece of its brief only underscores the weakness of the case Apple actually presented at trial, especially with respect to post-2003 intervening rights.

3. Apple fails to justify the district court’s reliance on *Hyatt*.

The district court treated *Hyatt* as dispositive, but *Hyatt*’s obstructionist conduct over two decades looked nothing like PMC’s cooperation with the PTO. PMC Br. 36-39. Apple argues (at 66) it does not matter “whether PMC’s conduct was better or worse than *Hyatt*’s.” It matters because the district court thought *Hyatt* was a “white horse” case, controlling its own exercise of discretion. PMC Br. 36. Apple asserts (at 67-70) that PMC’s conduct was comparable to *Hyatt*’s, but its comparison table repeats the same superficial similarities the district court identified, when the cases are different in every material way. PMC Br. 36-39. Apple further contends (at 69) it is “unpersuasive and irrelevant” that the PTO raised laches against *Hyatt* and not PMC. But “prosecution laches” concerns the applicant’s interactions *with the PTO*, making the PTO’s view of the applicant’s conduct—and its own decision *not* to invoke laches—highly relevant. *Cf. Applied Materials, Inc. v. Advanced Semiconductor Materials Am., Inc.*, 98 F.3d 1563, 1569 (Fed. Cir. 1996) (“The presumption of validity is based on the presumption of administrative correctness of actions of the agency charged with examination of patentability.”).

4. Apple improperly relies on the number and timing of PMC’s applications.

Apple, like the district court, focuses on the number and timing of PMC’s applications. *Symbol II* and *Hyatt*, however, show that an inventor is not required to file some artificially limited number of patent applications as soon as possible; the applicant’s conduct during prosecution remains paramount. PMC Br. 45-51.

Symbol II was clear: an application may take years to issue for reasons that are unobjectionable as a matter of law, including an applicant’s waiting to file until an immediate parent is about to issue and filing separate applications for distinct inventions. 422 F.3d at 1385. Apple argues (at 41) that *Symbol II* concerns only divisional applications in response to a restriction requirement. But 37 C.F.R. § 1.129(b) required each of PMC’s applications to contain “one independent and distinct invention” to *avoid* a restriction requirement. PMC Br. 11. Nothing in *Symbol II* suggests its reasoning turns on whether the PTO *imposes* a restriction requirement or an applicant successfully *avoids* one.

Apple’s (and the district court’s) reliance on the number of PMC’s applications also is unsupported by clear and convincing evidence. One cannot file “too many” applications in the abstract; do the 2,541 U.S. patents Apple received in 2021 demonstrate inventiveness or over-claiming?¹ Apple never attempted to prove

¹ Charlton, *Apple Ranks Seventh With Over 2,500 Patents Granted in 2021*, MacRumors, <https://bit.ly/36xEaA9> (Feb. 14, 2022).

PMC's number of applications was unsupported by the specifications' lengthy disclosures—and PMC's receipt of nearly 100 patents cuts the other way. PMC Br. 45-46. Apple claims (at 43, 70) PMC's number of issued *patents* is “beside the point” and “not a defense to prosecution laches,” but as a rejoinder to Apple's and the district court's simplistic reliance on PMC's number of *applications* it is obviously fair.

Apple pejoratively calls PMC's prosecution from 1981 to 1994 a “daisy chain” and assumes it was unreasonable. Not so. Despite its limited resources, PMC diligently obtained six patents between 1987 and 1994, all but one issuing within one to three years of filing. PMC Br. 7-8, 49-50. Every other court has recognized that the sequential filing of continuation applications under such circumstances does not support laches, PMC Br. 33 & nn.2-3, and even the court below did not clearly find PMC's conduct before 1995 to be egregious. Appx38.

Rather than dispute the law, Apple asserts (at 38, emphasis Apple's) that “PMC's *brief cites no evidence*” PMC was “a ‘small company’ with ‘limited resources.’” Not true: PMC cited (at 7-9) testimony that: (1) Mr. Harvey wrote his own applications in the 1980s, relying on free legal advice; (2) his work in that period was supported by Ms. Metzger; (3) in the 1990s, PMC remained a “very small company”; and (4) PMC first earned revenue only in 1994. The district court did

not find any differently, remarking only that in 1995 PMC had the resources to file all its applications. Appx8-9.

Apple asserts (at 39) that PMC's argument concerning its limited resources is in "tension with its filing *hundreds* of patent applications shortly before the GATT deadline." But PMC's finances improved in 1994 with its first licensing agreement. PMC Br. 9. Apple further tries to meet its burden of proof by pointing (at 38-39) to snippets of testimony plucked entirely out of context. Most glaringly, Mr. Harvey's testimony on which Apple relies concerned *only* "Harvey 4," one application filed in 1990. Appx8076. He explained that Harvey 4 was "not drafted any sooner" because "I had many things to do. ... I needed to raise funds. We raised fund [sic]. We first raised funds on size in '89." Appx9423(59:4-9). That *confirms* PMC was resource-constrained throughout the 1980s, and says nothing about PMC's ability to prosecute its 1995 applications any sooner than it did. Indeed, while Mr. Harvey agreed a lack of funds was not "controlling" *for Harvey 4*, he said funding was "always ... a distinct consideration." Appx9423(59:17-22). Apple also points to its cross-examination of Mr. Scott; when he was allowed to explain his answer on redirect, he said "it's fair to say that the company measured its filing and did things in an orderly fashion consistent with the resources it had." Appx9592(228:15-20).

C. Apple misconstrues the factual record.

The district court's judgment rested on clear errors of fact. Apple's brief fails

to buttress the challenged findings.

1. Apple’s argument concerning delays caused by the PTO is contradicted by the facts.

There were three lengthy periods of delay during prosecution based on substantive issues that PMC contested on the merits and won, while imploring the PTO to resume examination. PMC Br. 13-14, 17-18, 20-23. Apple never disputes that, but for those periods of delay, the ’091 Patent might have issued a decade sooner, before Apple began working on FairPlay. *Id.* at 51.

Apple suggests PMC is to blame for these delays because, even if examiners got the law wrong—*e.g.*, “regardless of whether *Schneller* was the proper label for [the PTO’s] concerns”—PMC had “overwhelmed” the system and made it “virtually impossible” for the examiners to do their jobs. Apple Br. 53-54, 56. There are three major problems with Apple’s argument. First, as explained elsewhere, PMC did not “overwhelm” the system, even before the 1999 consolidation agreement. Second, prosecution laches is meant for applicants who egregiously act to cause “unreasonable and unexplained” delays, not applicants who are waylaid by incorrect PTO decisions. There is nothing equitable about punishing applicants for the PTO’s mistakes. *Cf. Hyatt*, 998 F.3d at 1366 (“the PTO’s conduct may be considered in the totality of circumstances.”). Third, the *Schneller* rejection was not an issue of the “proper label”; it involved PMC’s *previously-issued* (pre-1995) patents, not double-patenting among the pending applications. Appx16665-16666.

Apple disputes whether the *Schneller* rejections caused delay for one year or two, observing (at 52) that examination in the '507 docket was only “suspended” between August 22, 1997 and July 7, 1998. But *Schneller* was raised as grounds for rejection in December 1996; PMC moved for reconsideration, leading the PTO to enter the suspension; and the PTO did not drop the *Schneller* rejections until July 1998. PMC Br. 13, Appx16739-16754, Appx16757-16758. *Schneller* thus stood as grounds for rejection for most of two years.

Apple also contends (at 54) that prosecution of the '507 Application was not delayed from 2001-2002 by Examiner Luther's January 2001 notice of abandonment, emphasizing that the notice “concerned *a different application*” and pointing to a March 21, 2001 office action, also entered by Luther, to suggest examination continued. PMC's opening brief acknowledged (at 17) the notice was entered in another docket; the problem was that Luther's attacks on PMC were not specific to that application, Appx20535-20538, and so caused examination of PMC's applications “generally” to become “stalled,” Appx9563-9564. The '145 docket bears this out: after PMC's filing of a supplemental amendment in May 2000, the PTO did nothing in that docket for almost two years. Appx47930-47980. Then, on March 5, 2002, the supervisory patent examiner told PMC the notice of abandonment would be vacated, Appx47981, a week later PMC filed further

amendments, Appx21282, and a different examiner issued an office action soon thereafter, Appx48027.

As for the March 21, 2001 office action in the '507 docket, it involved no examination. PMC had requested in May 2000 that, “[i]n consonance with the agreement between Applicants and the Patent Office,” examination of the '507 Application “be held in abeyance pending further action on [the '145 Application].” Appx16799. Disregarding the consolidation agreement, Examiner Luther told PMC that, “to avoid abandonment,” it must comply with an administrative requirement within 30 days. Appx16803-16808. PMC moved for reconsideration, and the PTO again sided with PMC over Luther: it called PMC’s objection to the administrative requirement a “bona fide attempt to advance the application to final action,” confirmed examination would be held in abeyance pending the '145 Application, and agreed PMC need not comply with the administrative requirement until the '507 Application was “in condition for allowance.” Appx16844-16846.

With respect to the 2003-2009 suspension for reexamination of PMC’s previously-issued patents, Apple argues (at 20, 55) that it really began in 2005, not 2003, and complains that PMC did not always inquire at six-month intervals about the '507 Application’s status. Neither point has merit. The PTO first raised the possibility of suspending prosecution in 2003 and PMC argued forcefully against it, observing in an August 2003 submission that “the record for many of the

applications is very well developed and ready or almost ready for final disposition.” Appx19554-19560. With specific regard to the “1987-based applications,” including expressly the ’145 Application, PMC stressed that its “replies to recent Office Actions ... should enable examiners to bring closure to these cases in an efficient an [sic] prompt manner.” *Id.* Despite PMC’s objection, the PTO issued no office actions in the ’145 docket for over two years before formally suspending the application in 2005. PMC Br. 20-21. Apple also never explains how PMC’s inquiring about the ’507 Application every six months, when that application was held in abeyance for the ’145 Application and prosecution of the latter was stalled, would have accomplished anything.

Apple asserts (at 56) “[i]t was PMC’s actions burdening the system that led to suspension pending reexamination in the first place.” PMC already explained why that makes no sense: the reexaminations concerned PMC’s *previously-issued* (pre-1995) patents. PMC Br. 43-44. Apple emphasizes the district court’s finding that the suspensions were not formally entered until 2005, “*ten years*” after the applications were filed. As just explained, the reexaminations caused prosecution to stall by 2003, not 2005. Apple also ignores that, by 2003, PMC’s applications already had been delayed for three years by a combination of the withdrawn *Schneller* rejections and the vacated notice of abandonment—delays that were not “unreasonable and unexplained.” PMC even had applications allowed and paid the

issuance fees in 1999. *Supra*, p. 5. Given the many applications that were allowed almost immediately after the suspension was lifted in 2009, there is no basis for Apple’s sheer speculation that PMC intended and caused prosecution to last beyond 2003.

2. Apple fails to rebut PMC’s identification of clear factual errors in the decision below.

PMC’s opening brief identified (at 52-59) numerous factual errors in the decision below. In many cases, Apple’s only response is to quote the district court’s finding and ask this Court to defer. Even when Apple engages with the record, it fails to rebut PMC’s arguments.

a. Apple’s general thesis is that PMC implemented a “premeditated” plan of delay from 1981 through 2012. In support, Apple laces together a few statements from documents dated between 1990 and 1994—nothing before 1990, and no PMC document after 1992.

Apple argues (at 50-51) the district court correctly found that PMC followed an outside consultant’s 1994 advice to keep its patents “hidden while industry infringement is quietly monitored.” It cites no evidence, and the record demonstrates the opposite: in addition to the dozens of companies PMC approached before 1994, PMC approached dozens more between 1994 and 1997 (including Hewlett-Packard, Toshiba, Time Warner, NBC), entering licenses with StarSight in 1994 and Sony in 1995. PMC Br. 8-11, 58; Appx4651, Appx15387-15514, Appx15563-15609,

Appx37655-37656. Indeed, Apple itself appears in one PMC listing, from August 1994, of companies “with whom we have had multiple discussions.” Appx37880-37885.

Apple also claims the statement in PMC’s 1992 business plan concerning an “intellectual property position” lasting “as long as 30 to 50 years” concerns patents. Appx39220. As PMC’s opening brief explained (at 58), the 1991 plan links that phrase to copyrights, not patents. Apple does not dispute PMC’s reading of the 1991 plan, only quibbles (at 50) that the 1992 plan did not repeat the explanation. The 1992 plan’s *silence* is not clear and convincing evidence that PMC meant the same phrase to mean something entirely different.

b. Apple continues to rely on Examiner Luther’s 2001 vacated notice of abandonment, but it *never* responds to PMC’s argument that the district court’s invocation of the “ancient document” exception to the hearsay rule was legal error. PMC Br. 55. The PTO never adopted Luther’s reasoning and, as PMC argued below, interim memoranda from individual officials that “the agency ultimately declined to accept” are not admissible. *Smith v. Isuzu Motors, Ltd.*, 137 F.3d 859, 862 (5th Cir. 1998). Apple also never has tried to substantiate the assertions in Luther’s memorandum.

Apple quotes extensively from the 2002 “30 examples” office action, which it never mentioned before or during trial. PMC’s opening brief explained (at 20, 53-

54) that the examiner’s disagreements with PMC were substantive and that Apple never substantiated his positions or tied those substantive disputes to “unreasonable and unexplained” *delays* in prosecution. Apple contests none of that, only arguing (at 46) that PMC “fails to show” the examiner’s positions “were wrong.” That both ignores that Apple bore the burden of proof and implicitly concedes that Apple failed to prove any link to delays.

c. Apple repeatedly says PMC’s 1995 applications had “placeholder” claims. But Apple does not dispute that the PTO’s then-Rule 60 allowed this, nor that PMC complied with Rule 60 by amending its claims the same day or soon thereafter. PMC Br. 47; M.P.E.P. § 201.06(a) (6th ed. Jan. 1995) (“Although a copy of all original claims in the prior application *must appear* ... [a]pplicants should submit preliminary amendments on filing *or promptly thereafter*” (emphases added)). PMC’s reliance on Rule 60 was proper, not egregious, and caused no delays, particularly given the PTO’s inability to begin prosecution until late 1995 for internal reasons—more evidence Apple never addresses. PMC Br. 12.²

d. Many of Apple’s attacks on PMC’s prosecution focus on errata, which Apple tries to inflate into something more though pure attorney argument.

² Apple stresses that each application was over 550 pages, as if PMC filed more than 180,000 pages of unique disclosure, ignoring that the applications were continuations sharing a common specification. PMC Br. 46.

Apple asserts (at 11-12) PMC presented “identical claims in different applications.” The district court identified only *one* such claim appearing in a mere two applications, and it was cancelled in 1996. PMC Br. 56. If there were more, Apple’s lawyers surely would have flagged them, but Apple identifies none.

Apple observes that PMC’s IDSs contained some references that were obvious mistakes—the beehive patent and page stating only “ZING”—and asserts they “may have ... burdened PTO examiners for a few months.” Apple Br. 49. Those few references were gone by 1998, PMC Br. 57, and Apple’s speculation examiners spent “a few months” pondering their significance is unserious. Apple also emphasizes the total number of references in the IDSs, but as PMC explained and *Apple never disputes*, it was reasonable and arguably necessary for PMC to include those references because they had been asserted as prior art against the parent patents. PMC Br. 56-57. Apple also has no response to PMC’s observation that the PTO began issuing rejections based on the prior art in 1996, belying Apple’s (and the district court’s) assertion that the number of references made examination “virtually impossible.” PMC Br. 13, 57.

e. Apple repeats (at 64-65) the district court’s criticism that only in 2003 did PMC amend what became claim 13 by narrowing “disabled information” to “encrypted information,” and “enabling information” to “decryption key.” PMC had told the examiners in 1997, however, that “encrypted” information was a type of

“disabled” information, Appx 40139, and the ’507 Application was identified as a “DECR” application no later than 1998. PMC Br. 14-15. Apple complains (at 65) that PMC did not prove the 2003 amendment was narrowing. Again *Apple* had the burden of proof—if the amendment was egregious because it was *broadening*, Apple needed to show that by clear and convincing evidence. Apple simply did not show that the 2003 amendments were “egregious.” PMC Br. 47-48.

II. The district court abused its discretion in finding intervening rights.

The district court also should not have found laches because Apple did not prove that PMC caused “unreasonable and unexplained” delays after 2003, when Apple started developing FairPlay. PMC Br. 59-60.

Apple largely advances a theory of spillover effects: that even if PMC’s allegedly egregious conduct ended *before* 2003, it was still causing delays *after* 2003. But *Cancer Research* forecloses that theory. There, prosecution was delayed between 1982 and 1991 and the patent issued in 1993. *Cancer Rsch.*, 625 F.3d at 726-27. There was no prejudice “as a matter of law” because the defendant had not worked on the accused technology “between 1982 and 1991, the period of delay.” *Id.* at 729, 732. Nothing in that formulation suggests a different outcome had the defendant worked on the technology between 1991 and 1993.

Apple identifies no *evidence* that the pre-2003 conduct about which it complains—nearly all predating the 1999 consolidation agreement—still was

causing delays after 2003. All Apple offers is conjecture and attorney argument, which cannot be reconciled with the multi-year delays caused by the PTO, and the PTO's issuing PMC 41 patents the year after the 2003-2009 suspension was lifted. PMC Br. 22, 59-60.

Relatedly, Apple implies (at 24) PMC tailored claim 13 to read on FairPlay, asserting PMC "amended that claim after Apple had explained" to PMC in November 2011 "why [FairPlay] did not infringe PMC's earlier five patents." Not so. Again, claim 13 was in essentially final form by 2003; as the district court found, any further changes were just "minor narrowing amendments." Appx40.

Apple finally invokes (at 77) *Hyatt's* presumption of prejudice for § 145 actions. The district court correctly limited that presumption to § 145 actions, because *issued* patents are "clothed in the presumptions of validity and enforceability." Appx30; Appx8998-8999.

CONCLUSION

The Court should reverse the decision below.

April 8, 2022

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CERTIFICATE OF SERVICE

I hereby certify that on April 8, 2022, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit using the Court's CM/ECF system. Counsel for all parties to the case are registered CM/ECF users and will be served by the CM/ECF system.

/s/ Kevin P. Martin

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CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitation of Federal Circuit Rule 32(b)(1) because, excluding the parts of the document exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b)(2), it contains 7,000 words.

This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type-style requirements of Federal Rule of Appellate Procedure 32(a)(6) because it has been prepared using Microsoft Word for Microsoft 365 in 14-point Times New Roman, a proportionally spaced typeface.

April 8, 2022

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